PrimeRating

Fundamental Report

Prime Rating Report V2.1

Protocol: Cream
Version: 1
Date: 28/02/2022
Previous Report: Link to previous report

Author: Valp
Reviewed by: xm3van
Season/competition: Season 2

Instructions

Please go to files and make a copy of this template. Fill in all questions with a written explainer, any relevant links, and score per variable. Insert the scores in the scorecard at the end of the report. **Please include your sources** into the text (as a link), so others can follow your trail of thought. Please delete these instructions after filling out the template.

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	7 / 15
b) Market fit/demand	8 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	4 / 10
e) Integrations & Partnerships	6 / 15
Total Points - Value Proposition	**35 / 65**

2. Tokeneconomics	Points
a) Is the token sufficiently distributed?	8 / 15
b) What is the extent of the token's capabilities?	8 / 10
c) Is the issuance model able to improve the coordination of the protocol?	8 / 10
d) Is the value capture model able to accrue and distribute value?	5 / 10
e) Is the token sufficiently liquid to enable active use and trade?	4 / 5
f) Are there any extrinsic productivity use cases?	1 / 10
Total Points - Tokenomics	**34 / 60**

3. Team	Points
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	8 / 15
b) Does the team have relevant experience?	5 / 10
c) Does the team participate and help shape the public debate?	1 / 5

d) Is the team able to effectively attract and coordinate resources?	**6 / 10**
Total Points - Team	**20 / 40**
4. Governance	**Points**
a) Admin Keys	**8 / 20**
b) Extent of Governance capabilities	**8 / 15**
c) Active Governance contributors	**2 / 5**
d) Governance infrastructure	**5 /10**
e) Robustness of Governance process	**2 / 10**
Total Points - Governance	**25 / 60**
5. Regulatory	**Points**
a) Does the protocol have any legal accountability?	**- / 15**
b) What is the quality of the legal jurisdiction?	**- / 10**
Total Points - Regulatory	**- / 25**
Total	**114 / 225**

1. Value Proposition

The Value Proposition section describes the value a protocol delivers to its users. Based on the proportion of the problem the protocol aims to solve and the potential of the protocol to effectively solve the problem - better than other industry solutions - a Value Proposition rating is created.

a) Novelty of the solution (15 points)

This score evaluates the novelty (uniqueness) of the protocol. Has the protocol introduced any new innovations that help solve user's problems more efficiently? Is the project a fork? To what extent did they copy/fork the original?

Answer: Cream.finance is a peer-to-peer lending platform that originated off of a fork of compound.finance (currently 10b TVL). Users can lend any supported asset as well as borrow any supported asset against the deposited collateral. Earning interests on the liquidity provided and paying interest for the capital borrowed.

Cream was launched in DeFI summer - summer of 2020, forking the compound.finance protocol thus creating a new peer-to-peer lending and borrowing platform, offering a wider variety of tokens to be used as collateral, widening the market.

In November 2020 the cream and yEarn announced their 'merger' sharing development resources as well as introducing symbiotic utilities across the two protocols (yEarn users were able thereafter to use their yEarn vault tokens as collateral on cream for example). Cream, since then part of the yEarn ecosystem, was the subject of two successful hacks in 2021, losing a total of ~150 m USD to two different attackers with two different exploits (Rekt 1, Rekt 2).
In addition to their user-focused lending platform, they launched a protocol-to-protocol lending platform together with yEarn, Iron Bank which is providing undercollateralized loans from DeFi protocols to DeFi protocols.

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Score: 7

b) Market fit/demand (15 points)

This score evaluates the degree to which the protocol satisfies a strong market demand. The market fit evaluates if the protocol is able to satisfy the needs of a specific market (can also be measured by user adoption/ #of users). To what extent has the protocol proven to meet the demand of a specific market? Is the timing of the product right for the market? Is the protocol targeting the right market?

Answer: Lending and borrowing on-chain marks the beginning of DeFi in a sense, as Lending and borrowing is one of the primitives of any financial market. There is certainly demand for the product that cream has to offer, though as the TVL figures show, even if CREAM is in the top 10 DeFi lending protocols they are far behind their competitor's Maker, InstaDApp and Aave.

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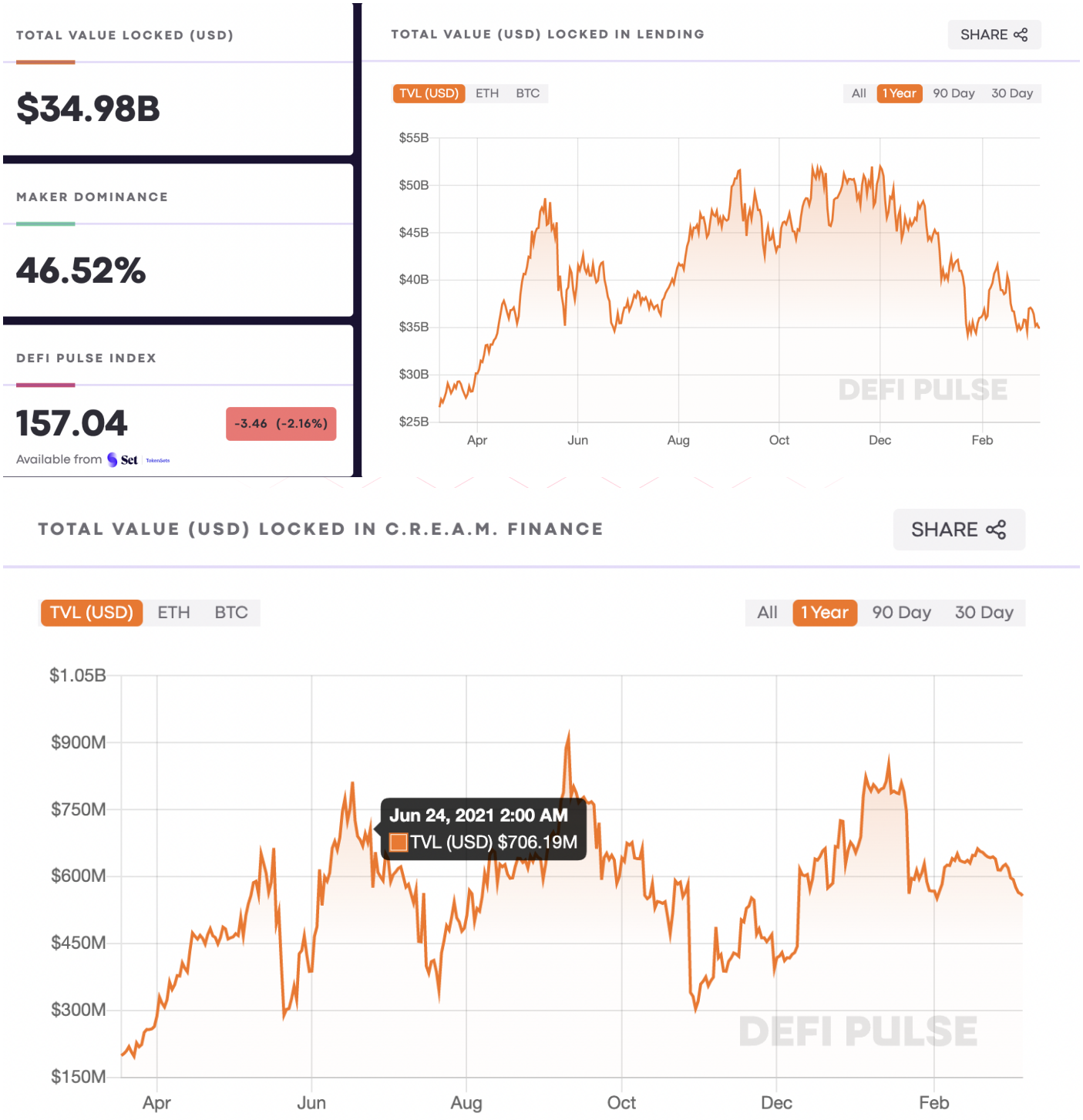


Score: 8

c) Target market size? (10 points)

The target market size evaluates the current and future size of the problem the protocol is aiming to solve. The category of the Open Finance solution can be used as a reference to the target market (for example: Lending). Because Open Finance is by definition global, the global market for a specific problem equals the target market size.

Answer: The DeFi lending market is currently at $35b in TVL according to DeFi Pulse, market in TradFi is close to $ 6,9 Trillion. This is a significant market in TradFi and has definitely high potential for growth, especially if new lending

products are unlocked, such as undercollateralized loans, or accepting other types of collateral (NFTs for example) therefore the market's potential is huge.

Score: 10

d) Competitiveness within market sector(s) (10 points)

This score evaluates the competitiveness of the protocol within the market sector(s) it operates in. This score offers a relative comparison of the protocol and other protocols operating in the same market sector(s). To evaluate this, metrics to directly compare with the competition can be used (e.g. TVL, trading volume, number of users).

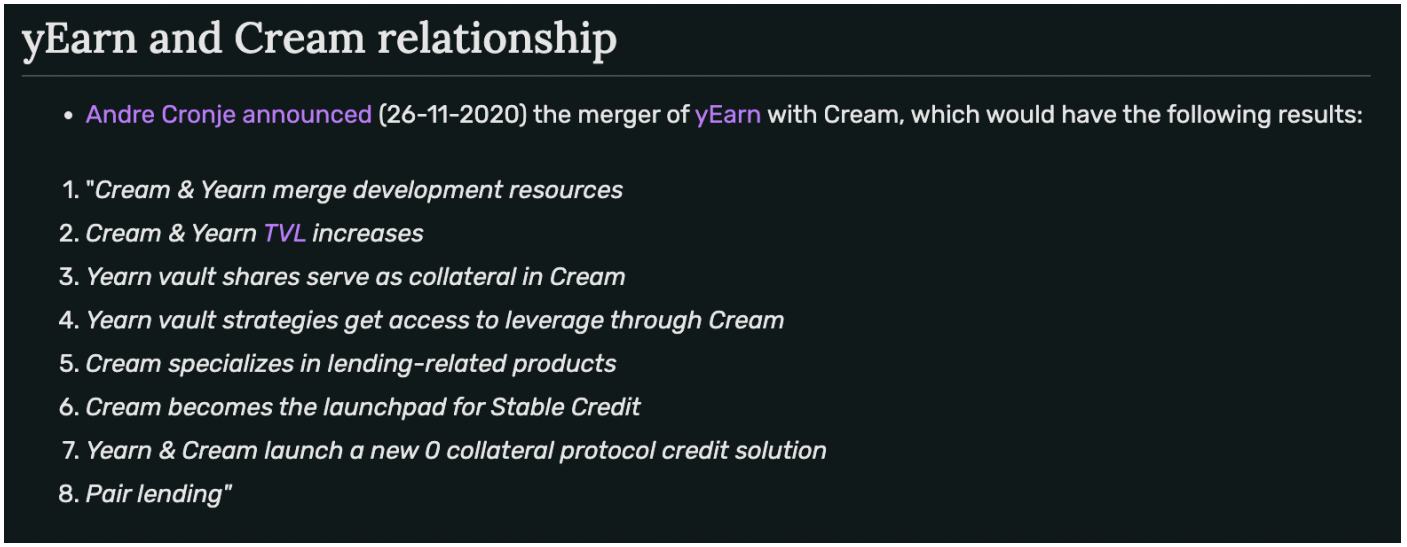
Answer: As mentioned cream is number 18 of lending and borrowing platforms in DeFi, but in terms of TVL(cream: ~ $500 m) they are far from Maker (~ $17 b). Even in combination with the yEarn ecosystem they are currently not really competitive, due to the security track record (10 hacks within the yEarn ecosystem) with the most recent one being the cream hack in which ~ $130 m were stolen. The CREAM primary protocol, Lending on mainnet was shutdown after the October exploit with only versions on L2s and other L1s still live (though with a very limited selection of tokens accepted as collateral). The team is focusing on a new product called IronBank offering undercollateralized loans to other protocols.

Score: 4

e) Integrations & Partnerships (15 points)

Due to crypto's open-source nature, the code of most protocols can easily be forked. This score represents a piece of "unforkable value". Some indicators to look at are the number of applications built on top of the protocol (vertical integration), other entities integrating the protocol's services (horizontal integration) or the number of relevant partnerships (be careful of logo collections/ partnerships without much purpose).

Answer: Cream supported a very extensive list of tokens on its platform for lending and borrowing. As lending is one of the first layers of DeFi, a lot of it is built upon lending but not upon a specific protocol. But the protocol was not integrated by any other protocol directly, though Cream is part of the Yearn ecosystem and team and is working with them together on this and other products.



Score: 6

2. Tokeneconomics

The Tokeneonomics section assesses the function of a protocol's token. This includes the token distribution, functionalities of the token, the ability of the token to incentivize positive behaviour in the protocol, and the ability of the token to capture a portion of the value created.

a) Is the token sufficiently distributed? (15 points)

The token distribution can be an indicator of a healthy protocol. When the protocol tokens are widely distributed among different stakeholder groups and contributors, this genuinely improves the coordinating capability of the token and strengthens the resiliency of the protocol. Was the initial distribution balanced between relevant stakeholders? Are the tokens distributed over sufficient participants (10, 25, 100 largest addresses)?

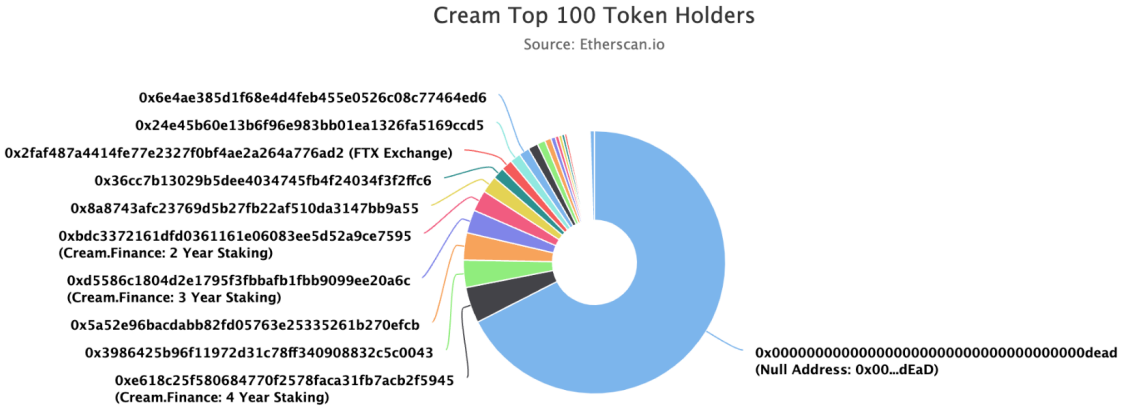
Answer:

The initial distribution was community focused, by putting 60% of the supply into the governance, 20% for liquidity providers and the remaining 20% were split among team and advisors 7.5%, compound finance 2.5%, and seed 10%.

After the protocol moved to burn 67.5% of its supply the distribution was very different, 100% of the governance holdings were burned along with 75% of the tokens distributed to seed investors, in exchange for a shortened vesting period for the remaining 25% of the tokens. The new distribution was:

- Liquidity provision 61.5%
- Team & Advisors 21.1%
- Compound 7.7%
- Seed 7.7 %

Currently ~8000 addresses hold the CREAM token, and the top 100 addresses hold 99,24% of the supply, though it has to be noted that 67.5% of that is on the 0 address as these tokens were burnt:
*67,5% of Supply were burned (Sept. 2020):
"Onward!
With this burn, we look forward to concluding these discussions and getting back to building our products and the governance platform. Thank you to everyone in the community for voicing your opinions. Though we don't always agree, dissenting opinions need to be heard and only make us all better."



After the second hack, the protocol announced it would remove the remaining token allocation for the team, "There will be no further CREAM allocations to the team." the author was unable to find any proof of that claim.

The number of token holders is limited compared to other more established protocols in the space (Aave the direct competitor for example(Holders: 106,743, transfers: 1,356,516, top 100 addresses control 86.35 % of the total supply) the protocol token's distribution is okay therefor receiving a mediocre score.

Score: 8

b) What is the extent of the token's capabilities? (10 points)

Is the token useful within the protocol? Does the token allow the holders to participate in governance or influence the protocol in any way? Does it serve any other purposes?

Answer: The CREAM token is primarily there to govern the platform, initially to decide which tokens to list on the lending platform, but also to shape the development of additional products, what other blockchains or l2s to support. In addition part of the transaction fees and interest collected by the platform are distributed to CREAM token holders.

There is also the option of staking the CREAM token in different long term staking pools (up to 4 years) to earn more CREAM tokens.

Score: 8

c) Is the issuance/distribution model able to improve the coordination of the protocol? (10 points)

To what extent does the issuance of the token support the advancement and function of the protocol? Are the tokens justifiably being issued? Does the issuance model incentivize the right behaviour? Are all relevant stakeholders benefiting from the issuance model?

Answer: After the turbulent past 1.5 years with noticable changes in the token supply (burning 67,5 %, using 1.4 m tokens from treasury (at the time almost 3 times the circulating supply)) most of the tokens were distributed to users of the platform effectively giving more control to the users.

Special release from treasury as well as remaining team tokens were used to recompense victims of the attack (rekt 2) (Nov. 2021), debated in and of itself, as the withdrawals from the protocol were permanently disabled, so the users who lost funds are not able to withdraw any remaining funds in their account but received the Cream recompensation.

Cream staking for iceCream is the protocols version of the veToken model pioneered by Curve, to ensure governance participants are aligned long term behind the protocol. Rewarding stakers for their long term commitment to the protocol with Cream emissions and governance powers.

Score: 8

d) Is the value capture model able to accrue and distribute value? (10 points)

A value accrual and distribution mechanism can help improve the utility of a token and its ability to be used as an effective coordination mechanism. Does the protocol have mechanisms to distribute some of the value created to the token holders?

Answer: The protocol is generating fees through interest rates although since the October 2021 exploint the Cream protocol is not live anymore on ETH Mainnet it is running on other L1s and some L2s, allthough with a smaller number of assets supported. Prior to the hack the Cream also facilitated Eth2 staking, taking a fee for the staking service. The protocol is distributing rewards for CREAM stakers, (governance participants).

Score: 5

e) Is the token sufficiently liquid to enable active use and trade? (5 points)

Is the token widely available and is there sufficient liquidity available to facilitate all protocol functionalities?

Answer: The token is sufficiently liquid on both decetnralized and centralized exchanges.

Cream Markets

Affiliate disclosures

Display Unconverted Data

#	Exchange	Pair	Price	Spread	+2% Depth	-2% Depth	24h Volume	Volume %	Last Traded	Trust Score
*	eToroX Sponsored									
*	Crypto.com Sponsored									
1	FTX	CREAM/USD	$57.71	0.17%	$12,937	$106,930	$4,690,765	34.99%	Recently	
2	Binance	CREAM/BUSD	$57.29	0.34%	$25,578	$80,614	$6,752,642	50.37%	Recently	
3	Sushiswap	CREAM/WETH Live Chart	$57.47	0.6%	$24,368	$24,295	$190,235	1.42%	Recently	
4	KuCoin	CREAM/USDT	$57.59	0.2%	$5,687	$23,470	$573,360	4.28%	Recently	
5	XT.COM	CREAM/USDT	$57.62	0.57%	$6,903	$11,081	$26,507	0.20%	Recently	

Score: 4

f) Are there any extrinsic productivity use cases for the token? (10 points)

Besides the protocol's value distribution model as described in 2. d), can the token be used productively on other protocols (e.g. as collateral, for lending, LPing, yield farming, etc.)?

Answer: Other then LPing there is no extrinsic usec ase for the CREAM token.

Score: 1

3. Team

The Team section describes the quality of the team behind the protocol. The current version of Prime Rating favours teams that are publicly identifiable. In the case of an anon team, the track record of the specific anons involved can be taken into account

a) Is the team credible and public? (15 points)

Are the identities of the core contributors and team publicly identified? In the case of anon team members, is there any way to track their background/record?

Answer: The team is public

About

Team Member

Co-Founder

Leo Cheng

Tech Lead

Jeremy Yang

Developer

Bun Hsu

Stanley Ding

Sonic Jhan

Product Manager

Eason Wu

Marketing

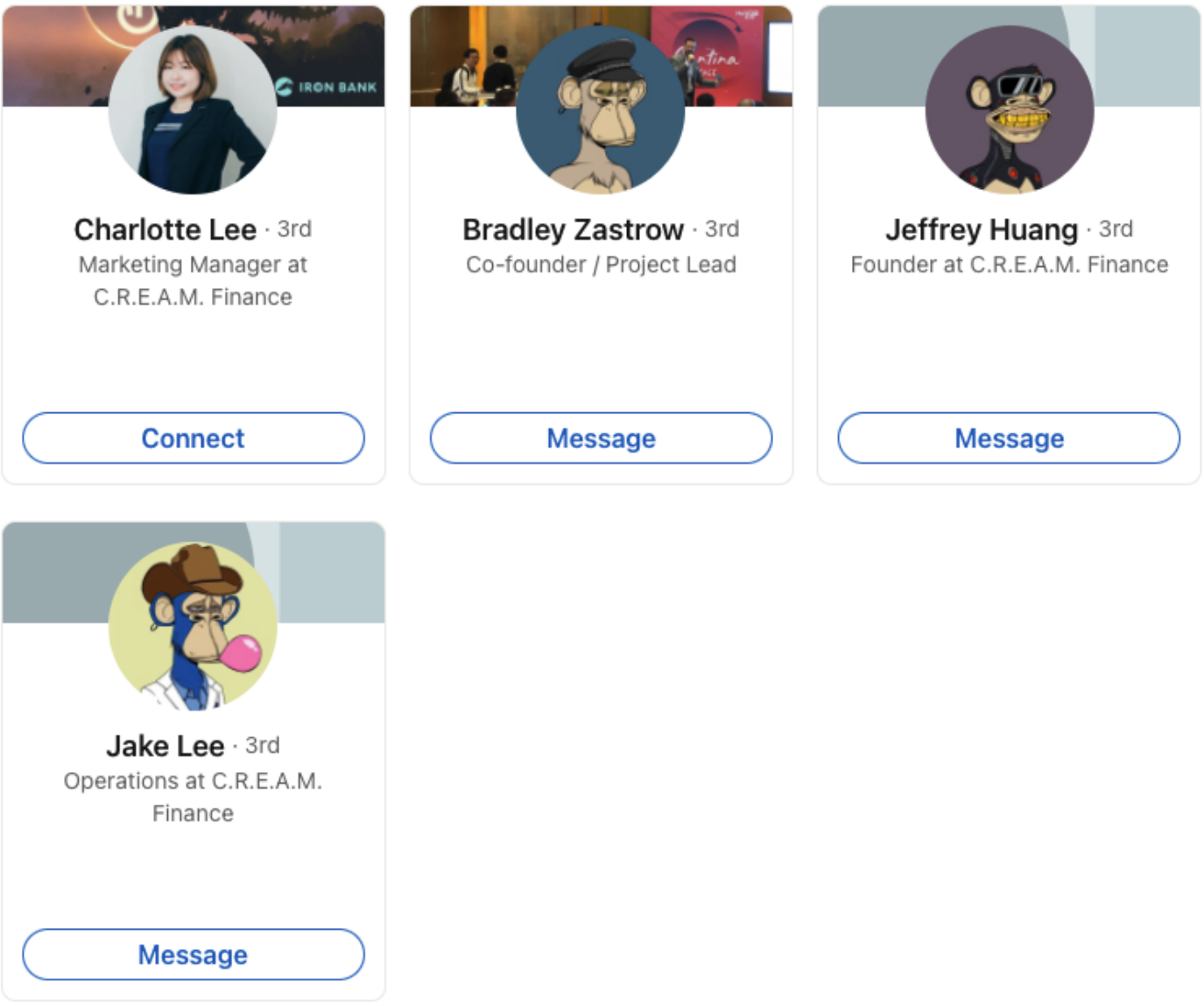
Max

Charlotte Lee

The Ceo and co-founder is Leo Cheng with ample experience in the space as prior experience with companies like Apple, AmEx and Belkin.

Currently some of the twitter profiles linked to in the documentations are not accessible anymore for but developers Ben Hsu, Stanley Ding Product Manager Eason Wu and Marketing Max and Charlotte Lee. Only Eason and Stanly mention Cream in their twitter bio by now.

The companies LinkedIn profile currently lists 4 team members:



Charlotte Lee, Bradley Zastrow, Jeffrey Huang, Jake Lee, except for Jeffrey Huang, who lists only Cream as work experience have great credentials and prior working experience.

The author was unable to find further information on the team as the other people's linkedIn profiles could not be found

Score: 8

b) Does the team have relevant experience? (10 points)

Are there any documents or trails available to showcase the track record of the team? Do the team members have relevant backgrounds and skill sets?

Answer: Leo Chang, appears to have extensive experience in software engineering, Jeffrey Huang is said to be a crypto OG and also founder of SWAG according to decrypt, Bradley Zastrow spent 8 years at AmEx, Jake Lee spent 6 years at Uber, in summary, a lot of experience that is helpful to build a successful DeFi protocol, there was also initial

success but the track record of exploits does not point at a highly capable team.

Score: 5

c) Does the team participate and help shape the public debate? (5 points)

To what extent do the protocol contributors participate in the public debate around open finance? Are the team members giving presentations, sharing their thoughts and opinions, and do they help raise the collective intelligence of the industry?

Answer: The team does not participate in the public debate on open finance, the available twitter profiles only shill their current projects.

Score: 1

d) Is the team able to effectively attract and coordinate resources? (10 points)

How effective is the team at attracting and coordinating resources for the benefit of the protocol? Has the team raised sufficient funding or are there mechanisms in place to attract resources when needed?

Answer: The team has definitely shown the ability to attract funding as well as other resources by partnering with Yearn for example, and was able to build new products in addition to the p2p lending platform that it started out. Now after the second exploit it remains to be seen how the lending protocol emerges. In addition to the newer product Iron Bank that was developed with Yearn.

Score: 6

4. Governance

The Governance section evaluates how the protocol is governed and who the governors are. The different governance functionalities and processes are evaluated to determine to what extent the Protocol will be able to self-govern in a way that ensures the development of the protocols while respecting the needs of all current and future stakeholders.

a) Admin Keys (20 points)

Admin Keys allow some critical functionalities of a protocol to be controlled by an admin. This allows the developers to react to potential bugs, but also creates a risk as the developers could potentially misuse the admin keys to exploit the protocol. Does the protocol have admin keys and how are they managed?

Answer: As far as the Author can tell the cream lending contracts allow only an admin to initialize a new market, i.e.

add new assets to the lending protocol. How this is governed is also well described in the Cream documentation: a listing committee is responsible for evaluating and voting on new token listings on the platform.

Listing Committee

Roles and Responsibility

Snapshot Voting (Snapshot)

Critical proposals is still decided by governance voting in Snapshot, but light proposals will be decided by Listing Committee.

Light proposal:

- Asset Listing
- Collateral Factors
- Collateral Caps
- Reserve Factors

Current epoch (#2)

Snapshot Voting (Snapshot)

- 0xMaki (Twitter) (0x285b7EEa81a5B66B62e7276a24c1e0F83F7409c1)
- Calvin Chu (Twitter) (0xA619e118960A0ab71EEB410B662CABeC325a9cB0)
- Kiba (Twitter) (0x6B1050C1C6B288C79Ac1db299Dc481048aBBBbcD)
- Max (Twitter) (0x81f8CaBe89066d43EB4faFD8E4E5256C102E6E30)
- Rolf (Twitter) (0xd662fA474C0A1346a26374bb4581D1F6D3Fb2d94)

It is not further specified how the admin keys are handled technically

Score: 8

b) Extent of Governance capabilities (15 points)

Distributed governance allows the token holders to participate in the governance of open finance protocols. How much influence does the governance mechanism have? Are the votes affecting on-chain changes or do they function solely as signals to the team?

Answer: There is not a lot of documentation on the governance capabilities, but the polls on the protocols snapshot

suggest governance is mainly used to determine parameters of the lending and borrowing product, i.e. collateral ratios, liquidity mining allocations, as well as voting on contributor rewards. The author concludes the governance is mainly determining the parameters of the lending protocol but the larger scope questions are decided by the core team without a community vote.

Score: 8

c) Active Governance contributors (5 points)

Governance is a process that can be rather resource-intensive if executed well. To ensure good governance is practiced by the protocol, it's important to have a sufficient number of governors allocate resources to the governance process of the protocol. How many individuals participate in the debate around the protocol? How active are voters?

Answer: There are ewvery few people participating in discussion on the forum, most snapshot proposals have been written by the same person, the last vote is dating back to October 14th and only three addresses participated in that poll.

Score: 2

d) Governance technology/infrastructure (10 points)

The Governance infrastructure relates to the technology, software, and models used by the protocol's governance. Does the protocol have a reliable and usable voting mechanism? Are there channels for governance debate? Is there sufficient documentation available?

Answer: The governance is run with snapshot polls debate is held on the discord server as well as on the forum. Aside from the process for new token listings outlined in the documentation here, there is no documentation on the governance process.

Score: 5

e) Robustness of Governance process (10 points)

This score requires documentation specifically on the governance process that sets the basic framework in terms of agreements, norms, and language for governing the protocol and to create social consensus. Does the protocol have a formal governance process? How robust is the governance process and does it promote good governance?

Answer: There is a forum post outlining the proposal structure and voting weights, written by eason, also the main contributor in the snapshot and the lack of activity in the governance polls does not instill trust in the governance system set up, especially after an event like the hack suffered in October 2021the author would expect a robust governance to handle the situation with a governance vote, but since there has not been any.

How to Submit a Proposal

Steps

1. Start a new topic in Proposal in Forum 91. It can be a solid plan or just an idea.
2. Discuss with the community in Forum for at least 24 hours before voting
3. Write a proposal to conclude the whole idea

- Proposal MUST have a proper title to reveal the core idea
- Proposal MUST begin with Summary section (in short, please)
- Proposal MUST have Action Item section for explaining each voting option explicitly
- Proposal SHOULD use “For” / “Against” as options in binary decision
- Proposal SHOULD provide “No Change Required” as option in multiple choice
- Proposal CAN have Background, Motivation, Specification or any other aspect to support the idea, or use EIP template 24

4. Submit the proposal along with topic link in Snapshot 55 by holding 1,500 CREAM at least, which is also the minimum requirement for a proposal to list in Snapshot, and the voting period must be longer than 72 hours
5. Comment in the topic with the voting link

Voting Power

Your voting power = average of (A + B + C + D + E + F + G - H) in the last four weeks

- A: CREAM in the wallet
- B: CREAM supplied in Cream Lending, based on your crCREAM in the wallet
- C: CREAM from your CREAM-ETH SushiSwap Liquidity Provider (SLP) token in the wallet
- D: CREAM from your CREAM-ETH SLP in MasterChef
- E: CREAM from your CREAM-ETH LP in Uniswap
- F: CREAM from your CREAM-ETH BPT in Balancer
- G: CREAM staked in Cream longterm pool
- H: CREAM borrowed in Cream Lending

Score: 2

5. Regulatory

The Regulatory section describes the extent and quality of the regulatory environment that affects the Protocol. To be able to guarantee functionality, security, and legality the protocol should comply with regulatory requirements, or limit itself to facilitating services to users who are willing to operate outside of the traditional regulatory environment.

a) Does the protocol have any legal accountability? (15 points)

Does the protocol have any form of legal accountability? Can users and partners hold the protocol accountable in case of a breach of the agreement?

Answer: No entity

Score: -

b) What is the quality of the legal jurisdiction? (10 points)

If the protocol has a legal entity, what is the quality of the jurisdiction the entity is established in? Will the jurisdiction be able to facilitate the legal framework for the protocol to expand while remaining accountable.

Answer: No Entitiy

Score: -

About the Author: Valp