

2.0 Fundamental

Prime Rating Report V2.0

Protocol: Alchemix
Version: 2
Previous Report: n/a

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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 follow the process as laid out in the Medium announcement and submit the report through the form.

Please include your sources into the text (as a link), so others can follow your trail of thought.

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: Alchemix is essentially the first ever provider of [self paying loans](#) along with no risk of liquidation. Users can deposit DAI or ETH as collateral to "borrow" against, with a collateralization rate of 200%/400% (borrow is in quotes because in exchange for depositing collateral the user is allowed to mint a synthetic asset, aUSD/aETH, which can then be exchanged for DAI/ETH on Curve/Saddle). The project uses Yearn finance's yvDAI Vault to generate the returns that pay off said "loan". As of today, the protocol only allows users to deposit DAI and ETH, but plan on expanding to more tokens.

Score: 15

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: The protocol satisfies two strong market demands: borrowing and exiting ETH without selling ETH. It's elimination of liquidation risk makes it a clear fit in the borrowing market. The protocol also targets users who would like to use their ETH profits without selling their ETH, again the only protocol to do so with no risk of liquidation (though at the moment of writing this report deposits of ETH have been temporarily suspended due to bugs). The protocol's usefulness is further shown by the rapid growth of [total value locked \(TVL\)](#) from \$1.1 million at the beginning in March 2021 to currently \$ 278 million, however there are only [1060](#) wallets that hold aUSD.

Score: 9

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: While only borrowing is possible on ALCX, the protocol fits within the global lending market, which was worth [\\$6036.37 billion](#) in 2020 and is expected to grow to \$6932.29 billion in 2021.

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).

Answer: Alchemix is essentially a borrowing protocol, but rather than using peer to peer borrowing and lending it uses its own synthetic assets to give users "loans". This novel use of synthetic assets to create self paying "loans" puts Alchemix in a category of its own and sets it as a benchmark for any other product that seeks to tokenize future yield, however, Alchemix is still competing for the same users of lending platforms (aave, compound, cream, etc) with multi billion dollar TVLs.

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: Alchemix's partnerships with Curve and Saddle helps maintain liquidity for its synthetic assets, which enables Alchemix's borrowing strategy to work. For another team to successfully fork Alchemix, they would have to find a way to maintain liquidity for their synthetic assets-pools. Although the protocol sees itself as a DeFi primitive token, another lego block to be built upon, there are currently only 2 other protocols (Pickle and Mushroom finance) which have farms built upon ALCX staking. The protocol is also integrated with Sushi and provides a one stop shop for retrieving both ALCX and SUSHI rewards for providing liquidity on Sushi Swap. The protocol is also integrated with Yearn using them as their yield strategy and in turn collecting a finders fee.

Score: 8

2. Tokenomics

The Tokenomics section of the review 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 behavior 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: There are [4,779](#) ALCX holders, the token was distributed largely pro rata through liquidity provider incentives in the form of staking SLP and Curve LP tokens. The protocol successfully uses its distribution to incentivize stakeholders to provide liquidity.

Score: 15

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 ALCX token at the current moment allows holders to participate in governance and staking. Alchemix plans on giving their token more purpose by funneling protocol revenue to ALCX

holders, further increasing the usefulness of the token, but in its current v1 iteration governance and staking remain the only two uses

Score: 6

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 behavior? Are all relevant stakeholders benefiting from the issuance model?

Answer: The ALCX token distribution is based on their 3 year [emission schedule](#). 15% of the projected 3 year supply was premined and given to the DAO to do with what it pleases. Another 5% of the 3 year supply is allocated for bug bounties. The remaining 80% goes to stakers and liquidity providers, of this 80%, 20% is allocated to an exclusive staking pool for the founders and developers of Alchemix (this helps with the advancement of the protocol). 64% of all emissions goes towards incentivizing liquidity and staking.

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: At the moment the token can only be used for staking, which only distributes the growth of the protocol back to the holder, rather than distributing revenue earned by the protocol.

Score: 4

e) Is the token sufficiently liquid to enable active use and trade? (10 points)

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

Answer: Due to liquidity incentives the token is almost exclusively traded on Sushi Swap, where it currently has around [\\$72 million liquidity](#).

Score: 6

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: The token can be used to LP on SushiSwap or as Collateral on Rari Capital's FUSE.

Score: 2

3. Team

The Team section describes the quality of the team behind the protocol. The current version of Prime Rating favors 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 anon and are not publicly listed on documentations, but are easily identifiable on Discord, Twitter, and the [github](#). Most of the individual team members' track records aren't public, however, they have and actively continue to improve Alchemix. One of the founders, [Scoopy Trouples](#), is trackable through their very active twitter account.

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: Other than working for project track record not identifiable, but the team clearly has the required skill sets to continue to improve the protocol and work effectively with other projects.

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 actively participates on Discord. Scoopy Trooples, the founder and “face” of the protocol, is highly active in the public debate in the crypto community and has been on several different Defi [podcast](#)/ [shows](#) to discuss both Alchemix and the DeFi space at large.

Score: 4

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 was able to successfully bootstrap liquidity for its tokens and synthetic assets through its staking incentives. They have also been able to raise funds through token sales to venture capitalists such as Alameda, E-Girl capital, CMS, Spartan, etc.

Score: 10

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: Admin keys are operated via [multi-sig](#), however there is no information about who operates the multi - sig, nor is there a time lock to allow for users to react to a major change. On the discord 3 people have asked about the multi-sig, but no one from the team replied.

Score: 4

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: Community members can draft proposals on the Alchemix forum, where other community members can vote. If the proposal gets majority support, then the "[developers](#) will do their due diligence and implement it, if it is determined safe to do so".

Score: 7

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: Important proposals consistently get around 200 individual voters, discussion is had both on the Discord and forums.

Score: 4

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: Alchemix uses Discord and their forum as channels for debate. Governance is currently done on Snapshot, which is widely used and reliable.

Score: 8

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: Governance is clear, if a proposal gets majority support on Snapshot and developers deem it safe (criteria for what is deemed safe is dubious) then it will get implemented. Norms and language for governance have been left vague.

Score: 7

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: There is no legal entity or mechanism for accountability.

Score: 0

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 jurisdiction.

Score: 0

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	15 / 15
b) Market fit/demand	9 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	4 / 10
e) Integrations & Partnerships	8 / 15
Total Points - Value Proposition	46 / 65
2. Tokenomics	Points
a) Is the token sufficiently distributed?	15 / 15
b) What is the extent of the token's capabilities?	6 / 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?	4 / 10
e) Is the token sufficiently liquid to enable active use and trade?	6 / 10
f) Are there any extrinsic productivity use cases?	2 / 10
Total Points - Tokenomics	41 / 65
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?	4 / 5
d) Is the team able to effectively attract and coordinate resources?	10 / 10
Total Points - Team	27 / 40
4. Governance	Points
a) Admin Keys	4 / 20
b) Extent of Governance capabilities	7 / 15
c) Active Governance contributors	4 / 5
d) Robustness of Governance process	8 / 10
e) Governance infrastructure	7 / 10
Total Points - Governance	30 / 60

5. Regulatory	Points
a) Does the protocol have any legal accountability?	0 / 15
b) What is the quality of the legal jurisdiction?	0 / 10
Total Points - Regulatory	0 / 25
Total	144 / 250

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