



Fundamental Report - Metaverse

Prime Rating Report V1.1

Protocol: Rarible
Category: Marketplace
Version: 1
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Previous Report: N/A

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Reviewed by: Verto
Season/competition: N/A

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	7 / 15
b) Target market size	12 / 15
c) Product-market fit	7 / 15
Total Points - Value Proposition	28 / 45
2. Competitive moat	Points
a) Integrations & partnerships	7 / 10
b) Intellectual property	0 / 10
c) Infrastructure - security	10 / 10
d) Infrastructure - fees and ancillary infrastructure	8 / 10
e) Treasury management	4 / 10
Total Points - Value Proposition	29 / 50
3. Tokenomics	Points
a) Genesis token distribution	7 / 15
b) Purpose of the token	5 / 10
c) Ongoing token issuance / inflation	6 / 10
d) Value capture	5 / 10
e) Token liquidity	4 / 5
f) Extrinsic productivity	1 / 5
Total Points - Tokenomics	28 / 55



4. Team	Points
a) Credibility and reputation	8 / 10
b) Relevant experience	12 / 15
c) Thought leadership and public presence	4 / 10
d) Ability to foster a community and coordinate resources	12 / 15
Total Points - Team	36 / 50
5. Governance	Points
a) Extent of governance capabilities	6 / 10
b) Active governance contributors	3 / 5
c) Governance infrastructure	7 / 5
d) Robustness of the governance process	4 / 10
Total Points - Governance	20 / 30
Total	131 / 230

1. Value Proposition

The "Value Proposition" section assesses the value a protocol delivers to its users. The rating is based on the size of the problem a protocol addresses and the product/market fit of the protocol's solution.

a) Novelty of the solution (15 points)

This score evaluates the novelty (uniqueness) of the protocol. Has the protocol introduced any innovations that help solve users' problems, either technical or organisational? Or has it just forked someone else's code?

Answer: Rarible was certainly not the first NFT marketplace when it launched in 2020, two years behind Opensea. They did however try to pursue a unique model, targeting creators by trying to make it as straightforward as possible to mint NFTs on their platform. This included the option of live training to help new users understand minting, which has evolved into a comprehensive helpdesk for support.

Rarible has tended to be reactive however, adding wallet integrations later than others, and introducing fee-free ['lazy' minting](#) as recently as October. This method has been an option on Opensea since December 2020. In a similar vein, Opensea was first to go cross-chain, opening up shop on Polygon for a gas-free marketplace. Rarible swiftly followed suit [partnering with Flow](#) just a month later. Rarible does offer the [first open source NFT indexer](#) for developers, which puts it slightly ahead in that respect.

Score: 7



b) Target market size (15 points)

The target market size evaluates the current and future size of the problem a protocol aims to solve. While the term Metaverse is all-encompassing, what is the target market size for the relevant sector? For example, NFT games are trying to disrupt the traditional gaming industry, which is reported to be worth roughly \$175 billion.

Answer: There are currently multiple trends converging to make digital assets a potentially huge market in the future. If we consider that everything with value can be tokenised, then it stands to reason that NFT marketplaces can capture a huge portion of related trading activity. Then we consider the growth of digital assets via games, art, 3D objects, music and much more, it's clear the potential market size is enormous and well into the \$trillions.

If we look at physical goods for comparison, [eBay](#) does \$100b in gross merchandise volume every year, with 159m active users in Q2 2021. NFT marketplaces on the other hand will clear \$14b combined this year, the largest of which, OpenSea, had [293k active users](#) in October 2021. Rarible is slightly limiting itself by being more art focused, but has since broadened its scope.

Score: 12

c) Product-market fit (15 points)

Product-market fit evaluates the degree to which a protocol satisfies market demand in their specific sector. How many users does a protocol have? What is the trading or transaction volume on a platform? Is there growth on both the buy and sell side of the market? Is the protocol targeting the right product segment at all?

Answer: In the last half of 2021 OpenSea has come to absolutely dominate the NFT marketplace category, nothing comes close. At the time of writing, Rarible has a lifetime volume of \$251m, and is averaging \$20m of volume for the last 3 months, OpenSea meanwhile has >\$11.3b lifetime and \$3b/month for the last 3 months. All data comes from [Dune](#).

In terms of user count, it's at least an order of magnitude closer together. OpenSea has between 200-300k users since August, for Rarible it's steady [between 20-30k](#). When looking at the marketplace sector overall, Rarible is seemingly the 'best of the rest' behind OpenSea. Together this seems like a fairly weak market fit, as Rarible describes itself as a marketplace where all NFTs can be traded.

It was recently announced that the protocol code has been [open sourced](#). This coincides with a switch to 'app mining' which rewards projects that build on Rarible, all supercharged by the Rarible DAO. This is a change in strategy but it is a clear one, that may go some way toward improving PMF for the marketplace as a whole.

Score: 7

2. Competitive moat

The "Competitiveness" section looks at a protocol's competitive moat in the space and its unforkable assets. This includes integrations and partnerships, intellectual property, the underlying infrastructure being used, and treasury management.



a) Integrations & partnerships (10 points)

Due to crypto's open-source nature, the code of most protocols can easily be forked. This score represents one piece of unforkable value. Some indicators are the number of applications built on top of the protocol (vertical integration) and other entities integrating the protocol's services (horizontal integration).

Answer: The Rarible DAO is positioning their protocol as a fundamental building block within the NFT space. As such, they have integrated with apps like Cocomint, Mintgate and Cyber to have them build out use cases on top of their contracts. They are also quick to move cross chain, listing Polygon, Polkadot and Tezos as just some of the blockchains they interoperate with. As mentioned above, the protocol code has been [open sourced](#) and [app mining](#) exists to encourage apps building on the protocol, incentivised by the RARI token.

Score: 7

b) Intellectual property (10 points)

Intellectual property is and will continue to be a crucial part of the metaverse. This score considers if a project, for example, developed a unique IP that creates a sustainable competitive moat around it or, as an alternative, secured IP through agreements with outside parties.

Answer: There is no IP to date.

Score: 0

c) Infrastructure - security (10 points)

Metaverse projects make all kinds of choices when it comes to infrastructure. Some build their own solutions, whether Ethereum side-chains or a new blockchain entirely, and some deploy to an existing sidechain or a level 1 blockchain. These decisions have significant trade-offs across security, maintenance, ease of use, costs and scalability, etc. This score assesses specifically the security of the chosen infrastructure solution.

Answer: Creators and collectors using Rarible can select between Ethereum Mainnet and Flow Blockchains to interact with the protocol. Taking the highest level of security from both of these would be using Ethereum and so the project is scored based on that.

Score: 10

d) Infrastructure - fees and ancillary infrastructure (10 points)

The section above assessed specifically the security of the chosen infrastructure solution. This score, however, looks at the other side of the scalability trilemma - fees and the ancillary infrastructure like bridges, wallets, etc.

Answer: Cleverly, by giving users multiple chain options, Rarible can offer the best of both low fees and security, depending on user preference. With transactions on Flow being [around \\$0.0001](#) at the time of the integration, clearly costs to transact are low. There is only one wallet option offered currently however, that of Blocto.



Score: 8

e) Treasury management (10 points)

Treasury management refers to the project's management of its assets and balance sheet. How diversified is its treasury? If diversified, are the assets productive? For example, does the project own its liquidity? Are there procedures and plans in place for managing the treasury?

Answer: [The treasury](#) is fairly well diversified, as the marketplace takes fees in WETH. The contract address has \$10m in USDC and \$2.4m in WETH, though it is not being put to productive use. There have been conversations around implementing treasury management, but so far funds remain passive.

Score: 4

3. Token Economics

The "Token Economics" section assesses the function of a protocol's token. This includes the token distribution, its functionality, the ability of the token to incentivise desired behaviours and value capture potential.

a) Genesis token distribution (15 points)

Token distribution can be an indicator of a healthy protocol and, if done well, can improve coordination and alignment among different stakeholders. Was the initial distribution fair and balanced? Are the tokens distributed widely or is the ownership concentrated?

Answer: [Initial distribution](#) was seemingly fair, with 2% airdrop to users of the protocol and 8% to all NFT holders. The team and investors took 30% in total, with the remaining 60% designed to incentivise users to buy and sell through marketplace mining. Marketplace mining was a twist on liquidity mining, a common method for bootstrapping liquidity at the time. It worked for a time, as Rarible volume [outpaced other marketplaces](#) until Jan 2021. No information is provided in the token announcement, on the [website](#) (despite an official release doc) or in Discord, about team and investor lockup or vesting, limiting the score for this section. Their tokens appear to still be locked up [here](#) however.

Score: 7

b) Purpose of the token (10 points)

This score evaluates the purpose of a token in the project's ecosystem. For example, does it provide utility? Does it have governance rights attached to it or a built-in value capture mechanism?

Answer: \$RARI is a governance token and has no direct value capture mechanism. Value is derived from being able to vote on [features, fees and further development](#). Token holders are able to moderate creators and curate featured artworks on the marketplace. With [the announcement](#) of a split to the protocol/DAO model, governance does become



more important as decisions fall squarely to token holders rather than the founding team. If contributors and the wider community have sufficient token holdings they are able to direct the protocol and funds in the treasury too.

It's worth mentioning that this criteria is being assessed as it stands today, but a staking model is being worked on (first mentioned Feb 2021) and is still [in discussion](#) as of the time of writing.

Score: 5

c) Ongoing token issuance / inflation (10 points)

Most tokens have built-in inflation. This section evaluates the purpose of that inflation. Is it justifiable? Does it help improve the coordination and alignment of incentives for the protocol? Does it incentivise positive-sum behaviour? Are the benefits flowing to all relevant stakeholders or just select groups?

Answer: 75,000 tokens were being distributed every Monday to the previous week's buyers and sellers as part of marketplace mining. This [has changed](#) to split 55% to apps building on the protocol and 45% to the DAO for grants and operations. Either way the schedule is predictable, and has until June 2024 before it ends. With no clarity on team/investor lockup it's difficult to know what inflation looks like holistically, but the knowable portion is being used to align incentives. The limitation of the current model is that incentives have shifted from users, to integrations + the DAO. A model that aligns all three stakeholders would score more highly.

Score: 6

d) Value capture (10 points)

The ability to accrue value and consequently distribute it to stakeholders can be an effective coordination mechanism and deliver long-term benefits to a project.

Answer: Rarible charges a 2.5% fee on all marketplace transactions (buy and sell side, so 5% total) which accumulates to the [treasury](#). As discussed previously, the value distribution of \$RARI is implicit through governance of the protocol and therefore the treasury. There is no direct distribution currently however. Token holders are still incentivised to coordinate in making the marketplace a success, and they have the ability to steer how that is achieved through governance.

Score: 5

e) Token liquidity (5 points)

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

Answer: The token is available on Tier 1 CEXs including [Coinbase](#) and [Kraken](#). There are pools on [SushiSwap](#) and [Uniswap V3](#) for decentralised trading. At the time of writing Uni V3 gave the best execution at \$19.8k for 1% price impact.



Score: 4

f) Extrinsic productivity (5 points)

Can the token be used outside of the project's ecosystem? For example, can it be used as collateral elsewhere, be staked for yield or rewards, etc.

Answer: \$RARI is listed on Cream Finance but like all other assets on the platform lending/borrowing is paused. There are no Tier 1 integrations.

Score: 1

4. 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) Credibility and reputation (10 points)

Are the identities of the core team public? In the case of anon team members, do they have a track record or reputation in the crypto space?

Answer: Rarible was founded by Alexei Falin and Alexander Salnikov, both of whom are public figures. Alexander has a background in crypto (Humaniq) and Alexei worked on a marketplace for iOS sticker packs previously. Rarible lists its team members on [LinkedIn](#) showing a strong level of transparency.

Score: 8

b) Relevant experience? (15 points)

Does the team have a track record of execution? Have individual team members built a product or a business before? Does the team have the necessary skills? For example, if a project is making a game, do they have a game developer?

Answer: With Alexander having co-founded two crypto startups already, and Alexei working in the tech space, the founding team has a combination of relevant experience. Being a 78-strong team, Rarible has specialists for all functions, and are hiring appropriately. For example, their newly appointed Chief of Business Development, [Sunil Singhvi](#) spent 4 years in partnerships at Instagram. Working together with crypto natives like [Eric Arsenault](#) in the Rarible DAO, there is a wealth of experience to draw from.

Score: 12



c) Thought leadership and public presence (10 points)

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

Answer: The core team and contributors are active on Twitter and have made limited podcast appearances.

Score: 4

d) Ability to foster a community and coordinate resources (15 points)

How effective is the team at attracting and coordinating resources for the benefit of the protocol? Do they manage the community well, fostering a welcoming and positive environment? Does the community represent the project well externally?

Answer: The community comes across well publicly and in Discord. It can be difficult to get answers in the latter however. Between the team at Rarible.com and the community being built at Rarible DAO, there is evidence that they are able to coordinate well and make decisions that move the protocol forward, although there needs to be more clarification on how this will work going forward. The [governance forum](#) isn't particularly lively, but debate does take place there. Lastly, the project was recently able to raise capital, seeing a [\\$14.2m raise](#) take place in June 2021.

Score: 12

5. Governance

The "Governance" section evaluates all aspects of the protocol's governance, from infrastructure to processes and distribution of governance power.

a) Extent of governance capabilities (10 points)

Distributed governance should allow token holders to participate in the governance process. How much influence does the current governance process have when everything works as intended? What parts of the protocol does governance touch? Who can put forward a vote, and are there any limits or requirements (number of tokens, only the team can queue votes up, etc.)?

Answer: The Rarible DAO follows a fairly [standard format](#) for governance proposals and voting. There are very few restrictions during the process, but proposals do have to be reviewed by the community, and only a Rarible team member can put it forward to vote on Snapshot.

As noted elsewhere in the document, the protocol is being managed by both Rarible.com and Rarible DAO. As a new model it remains untested at the time of writing, but is a step in the right direction for distributed governance. The DAO



even [voted recently](#) to give themselves more of a voice in governance via the allocation of 20k RARI tokens to a community run multi-sig wallet.

From [the beginning](#) Rarible set the goal of decentralising governance via DAO, and initially RARI holders were only able vote (in advisory fashion) on upgrades, moderating creators and curating artworks. It is clear that they are doing what they set out to, and along that path the DAO is starting to have a larger influence on operations related to the protocol.

Score: 6

b) Active governance contributors (5 points)

Governance is time-consuming, and governance apathy is a common problem in most democratic systems, including crypto. Therefore, it's essential to have a sufficient number of community members allocate resources to the governance process of the protocol. How many individuals participate in the debate around the protocol? How active are voters? Is delegation enabled?

Answer: The Discord has no channels to facilitate governance discussion which means most of the debate takes place in the [forum](#). As mentioned previously, it is not the most active forum in crypto, but a core group of community members are trying to bootstrap the DAO into a class leading group of contributors. As such there is some level of informed discussion taking place.

Score: 3

c) Governance infrastructure robustness (10 points)

Robust infrastructure relates to how well the technology, software, and models used by the protocol's governance withstand actual use cases. Does the protocol have a reliable voting mechanism? How robust is the governance process, and does it facilitate good governance? Are the votes binding, or do they function solely as signals to the team?

Answer: Rarible governance culminates in snapshot voting, the outcome of which should be executed by the DAO multisig wallet/core contributors involved. At this stage a passing vote is just a signal to the multisig to carry out the desired action, but this setup has worked without fault up to now. By using the tried and tested format of a Discourse forum and Snapshot for voting, Rarible has created a fairly robust governance process.

Score: 7

d) Process and ease of use (5 points)

This score is based on the documentation and process for governance. More specifically, how easy it is to participate in governance. Does the protocol have a formal governance process? Is sufficient documentation available? Is there a basic framework to establish social consensus? Are there channels dedicated to governance debate?

Answer: There is a clear governance [process](#) and proposal [template](#) on the forum. The forum, voting portal (Snapshot) and documentation is all clearly linked from the website [homepage](#). The only negative is that where most



discussion takes place (Discord) has no dedicated space for governance discussion. This may be due to the change in structure that sees the separation of Rarible.com from the DAO.

Score: 4

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