Fundamental Report

Prime Rating Report V2.1

Protocol: UnFederalReserve
Version:
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Previous Report: Link to previous report

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

Instructions

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	7 / 15
b) Market fit/demand	7 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	3 / 10
e) Integrations & Partnerships	5 / 15
Total Points - Value Proposition	**32 / 65**
2. Tokeneconomics	**Points**
a) Is the token sufficiently distributed?	10 / 15
b) What is the extent of the token's capabilities?	7 / 10
c) Is the issuance model able to improve the coordination of the protocol?	4 / 10
d) Is the value capture model able to accrue and distribute value?	2 / 10
e) Is the token sufficiently liquid to enable active use and trade?	3 / 5
f) Are there any extrinsic productivity use cases?	2 / 10
Total Points - Tokenomics	**28 / 60**
3. Team	**Points**
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	5 / 15
b) Does the team have relevant experience?	5 / 10
c) Does the team participate and help shape the public debate?	2 / 5

d) Is the team able to effectively attract and coordinate resources?	**5 / 10**
Total Points - Team	**17 / 40**
4. Governance	**Points**
a) Admin Keys	**8 / 20**
b) Extent of Governance capabilities	**5 / 15**
c) Active Governance contributors	**1 / 5**
d) Governance infrastructure	**1 /10**
e) Robustness of Governance process	**1 / 10**
Total Points - Governance	**16 / 60**
5. Regulatory	**Points**
a) Does the protocol have any legal accountability?	**15 / 15**
b) What is the quality of the legal jurisdiction?	**10 / 10**
Total Points - Regulatory	**25 / 25**
Total	**118 / 250**

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: unFederalReserve describes itself as a: "fintech SaaS company combining software built on blockchain technology" building banking products targeted at U.S. Treasury chartered banks and non-bank lenders, in need of a DeFi strategy, without sacrificing security or compliance. Their DeFi lending and borrowing platform "Reserve Lending", a fork of Compound is the start for the development of the mentioned banking products, with plans to offer undercollateralized crypto loans covered by a line of credit approved by a traditional bank.

Another product they are developing, reserve funding, enables crypto wealthy U.S. citizens to invest in TradFi markets without selling the crypto, but putting it up as collateral with unFederalReserve.

Even with a lot of the products still being under development, the area unFederalReserve is operating in is very interesting, they are emphasizing compliance with all relevant U.S. regulatory bodies, which is very unusual in the crypto space as the space is unregulated, with a lot of questions up in the air which laws apply if any, and if new laws are passed.

For the purpose of this rating the rater will focus on what products are operational and running without considering products in development (as is standard practice for Prime Rating) but will make an exception in this question as the
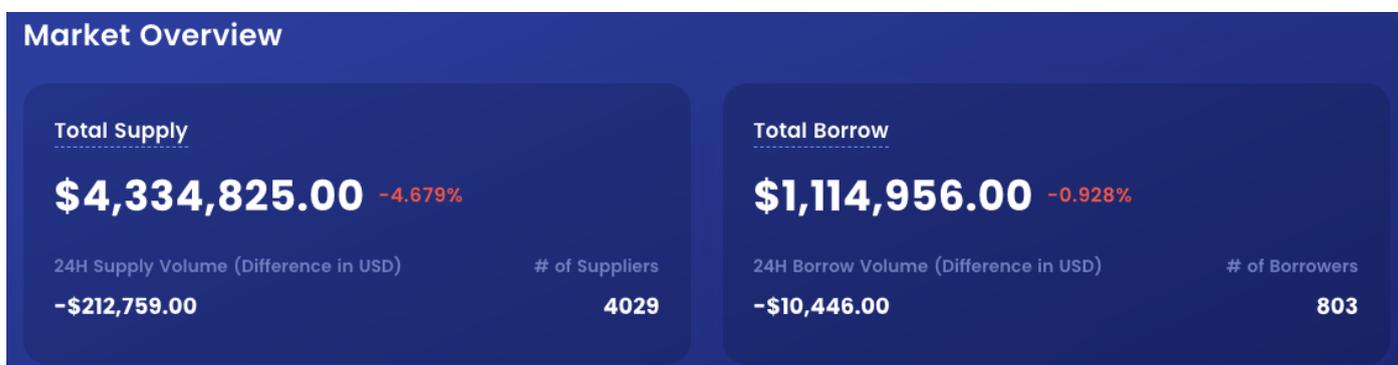
road they are embarked on is clearly tackling a very new solution and the current live product is a stepping stone towards that solution.

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:

Market Overview

Total Supply	Total Borrow
$4,334,825.00 -4.679%	**$1,114,956.00** -0.928%
24H Supply Volume (Difference in USD)	# of Suppliers	24H Borrow Volume (Difference in USD)	# of Borrowers
-$212,759.00	4029	-$10,446.00	803

The lending and borrowing product "ReserveLending" as of writing has $4.3m in TVL posted by ~4000 lenders and ~800 borrowers are borrowing a total of $1.1m.
In comparison with DeFi lending platforms like Aave (TVL: $8.9B) or Compound (TVL: $6.48B) they are far behind (would fall behind #85 on the DeFi Pulse DeFi ranking) but as the product is a stepping stone for a different product the rater is giving a more considerate score.

Score: 7

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 protocol is looking to tap into the lending and borrowing market of TradFi, enabling DeFi strategies for unused cash as well as enabling crypto funds to be borrowed in TradFi markets. The current loan volume of U.S. commercial banks (focusing on U.S. market as unFederalReserve is backed by a U.S. entity) is ~ $16t, a huge target market, if unFederalReserve is able to bridge the gaps between TradFi and DeFi they have a huge market to conquer.

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: Currently they are not competitive in the market sector in which the one live product is competing, DeFi borrowing and lending, with low user numbers and low TVL, but the products they have on their roadmap would be very competitive.

Score: 3

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: The protocol is listing a lot of partnerships on their website, they follow the protocols vision and mission.

Specific strategic partnerships enable the protocol to build their products like KYC-Chain for example which will handle all KYC processes for the protocol or Percent the first partner for a TradFi DeFi bridge. The protocol is establishing an integrated service spawning beyond the smart contracts making the future product harder to replicate. Though there is not a lot of evidence that the partnerships serve the intended purpose as the products in question are not yet live, therefore the conservative scoring.

Score: 5

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: eRSDL the token of the unFederalReserve protocol is currently held by 12,380 holders with 263,961 transfers, the top 100 holder addresses hold 74.37% of the tokens supply (30% of the 74% are held by exchange contracts) in comparison to a direct competitor and much more established DeFi protocol Aave governance token (Holders: 106,743, transfers: 1,356,516, top 100 addresses control 86.35 % of the total supply) the protocol token is quite well distributed.

UnFederalReserveToken Top 100 Token Holders
Source: Etherscan.io
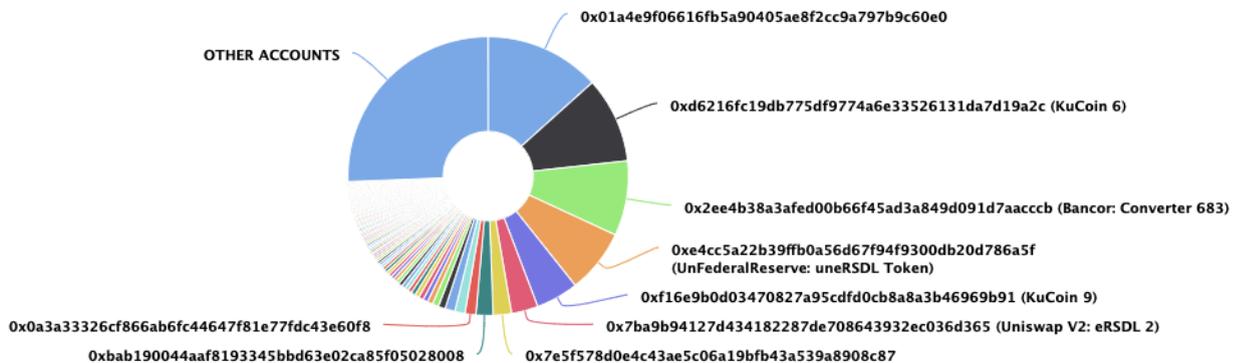
Unfortunately, the author was unable to find an emission schedule or a breakdown of the intended distribution, something that is very unusual for a DeFi protocol.

Score: 10

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 whitepaper, outlines the capabilities of the token as follows:

TOKENOMICS

The eRSDL token affords many privileges, including the limited ability to participate in the development and execution of Residual's business plan regardless of the number of tokens one holds. Further, certain aggregation levels afford specific privileges; namely in conjunction with Residual's permission, aggregation levels allow access to differing Residual Token, Inc.'s protocols. The following table illustrates a number of open resources for all token holders and the limited features available to those wish to qualify as Participants.

Furthermore, there are levels of privileges that are unlocked by qualifying as a partner of the protocol, passing KYC/AML requirements as well as holding a minimum number of tokens.
In summary, the token enables holders to participate in governance and gated resources of the protocol.
See the summary of capabilities below:

Feature	Basic	Premier	Elite
Available News, Updates, Articles	X	X	X
Open Forum Discussions	X	X	X
Access to Manuals, Policy and Procedure Guides	X	X	X
Source Code for Base Model	X	X	X
Access to Flowcharts, Presentations, etc.		X	X
Loan Performance Dashboard Information*		X	X
Lending Demographic Data[14]		X	X
On-chain Governance	X	X	X
Voting Rights[15]	X	X	X
Potential Committee Appointments[16]		X	X
Dashboard			X

Score: 7

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: The author was unable to find an issuance model or schedule (even in the detailed whitepaper, the tokenomics section is very thin, focusing mainly on the abilities of the token and not going into more detail on the distribution other than mentioning a possible liquidity mining program), there is mention of eRSDL rewards for using the lending and borrowing product or staking LP tokens but there is no more information on how much of the supply is distributed as rewards and over what period of time. As the distribution of the tokens for the usage of the protocol as well as providing liquidity is incentivizing usage and liquidity of the token, the author gives 4 points, due to lack of further information, most notably no initial distribution or global emission schedule.

Score: 4

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 fee capture model plan is ample, proposing fees for API calls as well as smart contract interaction:

FEE STRUCTURE

Supported digital assets or fiat will be used to pay fees for each smart contract execution looming very much like the per API call pricing that cloud providers use today. In the future holders of the Residual-issued ("eRSDL") currency tokens will incur deep discounts for these fees since keeping a consistent currency during the debt lifecycle simplifies the ecosystem and therefore the cost to maintain and monitor accordingly.

But there is no mention of, if or how the fees would be distributed to token holders, merely a fee discount for tokenholders is mentioned.

Score: 2

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 [farely liquid](#) on Bancor and Uniswap with a 2% depth of ~$15.000.

unFederalReserve Markets

☐ Display Unconverted Data

Affiliate disclosures

#	Exchange	Pair	Price	Spread	+2% Depth	-2% Depth	24h Volume	Volume %	Last Traded	Trust Score
*	eToroX **Sponsored**									✕
*	Crypto.com **Sponsored**									✕
1	Bancor Network	ERSDL/BNT	$0.01930534	0.6%	$15,102	$17,315	$6,276	2.50%	Recently	🟢
2	Uniswap (v2)	ERSDL/WETH Live Chart	$0.01898652	0.6%	$10,651	$10,619	$15,237	6.07%	Recently	🟢
3	KuCoin	ERSDL/USDT	$0.01890948	0.53%	$670	$1,353	$44,154	17.58%	Recently	🟢
4	BitMart	ERSDL/ETH	$0.02065852	12.35%	$0	$0	$176,191	70.13%	Recently	🟡
5	LATOKEN	ERSDL/USDT	$0.01883050	11.5%	$0	$0	$4,437	1.77%	Recently	🟡

Score: 3

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: Next to LPing there is no extrinsic usecase for the protocol token.

Score: 2

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 founders are very public, listed on their [website](#): [CEO Howard Krieger](#), long career (17 years) in finance including with HSBC, Wells Fargo and KPMG, [CTO Ryan Medlin](#), in software development since '97 with multiple companies, [Solution Architecht Vladyslav Tarasenko](#), in software development since '08. This shows the author the core of a credible team, in finance and software development, but there is no first hand experience in crypto therefore not the highest possible score. It is noted though that the project is advised by a lot of experts from many different

very relevant fields. On the company LinkedIn there is one more employee to be found, the product manager Kate Atkinson with extensive experience in her field.

In the forum there is a series of threads regarding a token dump from the CTO Ryan accusing him of dumping tokens (in violation of company guidelines according to the CEOs responses in the forum) which obviously hurts the credibility score as it was not answered sufficiently by the team until now. (Accusations are from early January '22).

Score: 5

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: The team has relevant experience in finance and software development, but is lacking experience in crypto, though the team is advised by a lot of people to cover the different areas that the team needs expertise in to realize the product roadmap, most notably legal and tax expertise. It seems though there is no real blockchain/crypto able adviser mentioned on the site. The "Technical Blockchain Advisor Symantec" does not seem to have any blockchain experience according to his LinkedIn profile.

Kumar Sriram

in

Technical Blockchain
Advisor Symantec

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 twitter profile of the company is not engaging in public debate, [Howard Krieger](#)s personal profile is also mostly shilling the company and it's products. The other team members cannot be found on twitter.

Score: 2

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: There is no information available if the protocol raised money from investors or even how the token was sold initially. According to Crunchbase the [company](#) behind the protocol Residual didn't raise any capital. The protocol is still developing their core products so the author is considering the current state and giving a medium score, as it remains to be seen if the team is able to deliver on their promises.

Score: 5

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: The protocol lists the current live contracts in [their dev documentation](#), the [Comptroller](#) lists several admin capabilities, adding new markets and tokens, very similar to the Compound code as it is a fork of that, the contract is owned by the [protocols timelock contract.](#) It is unclear who controls the timelock, there is no documentation on the admin keys or the governance process in detail

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 no documentation of the governance capabilities over the protocol. There is a snapshot page for the protocol, with the last poll from September 21, other than a couple of polls regarding what tokens to list on the platform and about collateral ratios for different tokens it mostly has opinion polls on matters not directly related to the protocols products such as 1. And 2. Hinting at using the snapshot more as a polling device rather than for governance decisions that are immediately acted upon. This in combination with the lack of activity since September 21 results in a relatively low score.

Score: 5

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 is a forum there are about 10 people that have recently posted or replied in the forum, as mentioned the snapshot is inactive since September 21.

Score: 1

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: There is no documented governance process, also the available polls and forum discussions do not hint at an established and robust governance process, other than a detailed description of the voting rights of token holders in the whitepaper.

Score: 1

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 no evidence that the undocumented governance process or infrastructure is reliable or being obeyed by the protocol.

Score: 1

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: Residual Token Inc. is the company behind the protocol, incorporated in California USA

Score: 15

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: USA
Score: 10

About the Author: Valp