



Fundamental Report

Prime Rating Report V2.1

Protocol: Loopring
Version: V2.1
Date: 20/02/2022
Previous Report: –

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Season/competition: Season 2

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	11 / 15
b) Market fit/demand	13 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	8 / 10
e) Integrations & Partnerships	12 / 15
Total Points - Value Proposition	54 / 65
2. Tokenomics	Points
a) Is the token sufficiently distributed?	13 / 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?	8 / 10
e) Is the token sufficiently liquid to enable active use and trade?	5 / 5
f) Are there any extrinsic productivity use cases?	3 / 10
Total Points - Tokenomics	43 / 60
3. Team	Points
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	13 / 15
b) Does the team have relevant experience?	10 / 10
c) Does the team participate and help shape the public debate?	5 / 5



d) Is the team able to effectively attract and coordinate resources?	9 / 10
Total Points - Team	37 / 40
4. Governance	Points
a) Admin Keys	12 / 20
b) Extent of Governance capabilities	2 / 15
c) Active Governance contributors	1 / 5
d) Governance infrastructure	3 / 10
e) Robustness of Governance process	2 / 10
Total Points - Governance	20 / 60
5. Regulatory	Points
a) Does the protocol have any legal accountability?	7 / 15
b) What is the quality of the legal jurisdiction?	5 / 10
Total Points - Regulatory	12 / 25
Total	166 / 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: Loopring is [Ethereum's first](#) (layer 2) zk-rollup protocol. It powers applications built on top of it allowing them to enjoy the security and stability of Ethereum (layer 1) but with much faster speeds (near instant swaps/transfers) and little to no gas cost. As clarified in their [discord channel](#), it is application specific as well, meaning no other apps apart from Loopring apps will be built on the Loopring protocol.

It is also a "true layer-2" protocol and not a sidechain meaning if anything ever happened to Loopring, all your funds will remain intact and withdrawable back to ETH layer-1. It is among a few class of L2 protocols in existence as shown on [this list](#) and has one of the cheapest fees for any protocol. It is decentralised and automated, and has [ring-matching and cross-chain](#) capabilities. Also, it [supports NFTs](#) on L2.

[Loopring Exchange](#) is the first decentralized trading platform built [on top of the Loopring protocol](#). Loopring offers a high-performance trading experience similar to centralized exchanges, which mainly benefits from the batch processing capability of the underlying Loopring protocol. Loopring uses Ethereum as a data availability layer and a ZKP verification layer; Loopring does not perform trading related computations on Ethereum.

Loopring's novelty comes from the fact that it is an Ethereum-based second-layer exchange that offers a decentralized payment network with [centralized features](#). It does not employ Proof-of-Work (PoW) or Proof-of-Stake (PoS) consensus mechanisms, but is based on a [three-layer Merkle Tree](#) mechanism which is more secure and allows for thousands of transactions per second. It combines centralized order matches with decentralized on-blockchain settlements of orders to create a hybrid product, which takes the best features of both DEXs and CEXs.

Furthermore, there are very few L2 protocols in existence unlike L1s. These are Loopring, zkSync, Arbitrum, Boba network, Optimism, Polygon Hermez and Starkware as shown [here](#). This sort of places Loopring in an elite class leading the front race in the scalability of L1s.

Score: 11

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: Loopring currently has 80.3k [users](#) and a [trading volume](#) of \$114.4M at the time of writing. As seen in the image below, it is 6th on [Defi Pulse's](#) DEXs list and 28th on its all time [DeFi list](#). Even though this isn't the best, we can say that the protocol is indeed targeting the right market and is meeting its demands.

Then again, Loopring's timing couldn't have been more right as currently, gas fees are [very expensive](#) on Ethereum L1s. L2s avoid this as the network allows for cheap transaction fees and this makes the Loopring DEX an attractive one for trades.

#	NAME	CHAIN	SECTOR	TVL (USD) ↓	1 Day %
2	Curve Finance	Ethereum	DEXes	\$11.14B	0.38%
8	Balancer	Ethereum	DEXes	\$2.19B	-1.68%
9	Bancor	Ethereum	DEXes	\$1.84B	-0.05%
10	SushiSwap	Ethereum	DEXes	\$1.54B	-2.58%
25	Quickswap	polygon	DEXes	\$398.5M	-1.91%
28	Loopring	Ethereum	DEXes	\$273.5M	-3.23%
34	Saddle	Ethereum	DEXes	\$186.6M	1.02%
48	Kyber	Ethereum	DEXes	\$62.0M	-6.89%

The DeFi List

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All Categories

All Categories

- Lending
- Trading
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- Wallets
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- Asset Management
- Infrastructure
- Insurance
- Assets

Loopring DEX

A non-custodial Layer 2 DEX built on top of the Loopring protocol.

Loopring

An open source protocol for decentralized exchanges designed to provide matching-as-a-service, and its orders are unidirectional and do not differentiate takers and makers giving complete control to traders.

\$275.2M

TVL (USD)

#28

Rank



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: According to [Coingecko](#), the market cap for the decentralised exchange market is worth [billions](#). This can be seen below as well.

Top Decentralized Exchange Token (DEX) Coins by Market Capitalization Show Stats

The Decentralized Exchange Token (DEX) market cap today is \$19.4 Billion, a -5.3% change in the last 24 hours. [Read More about Decentralized Exchange Token \(DEX\)](#)

#	Coin	Price	1h	24h	7d	24h Volume	Mkt Cap
☆ 33	Uniswap UNI Buy	\$8.62	0.4%	-7.5%	-14.2%	\$185,625,848	\$3,932,133,579
☆ 44	Osmosis OSMO	\$9.53	0.3%	-6.4%	-10.9%	\$111,422,845	\$3,013,239,017
☆ 64	PancakeSwap CAKE	\$5.99	0.2%	-3.0%	-12.3%	\$82,532,896	\$1,646,884,743
☆ 73	THORChain RUNE	\$4.89	-1.6%	10.4%	-9.3%	\$247,702,264	\$1,474,537,962
☆ 95	Synthetix Network Token SNX Buy	\$4.50	1.9%	-1.6%	13.1%	\$160,482,782	\$961,745,473
☆ 99	Loopring LRC	\$0.696766	0.2%	-8.1%	-13.9%	\$114,440,337	\$867,385,567

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: Loopring DEX is quite competitive. Loopring currently has 80.3k [users](#) and a current [trading volume](#) of \$114.4M It is 6th on [Defi Pulse](#)'s DEXs in terms of TVL and list and also 6th on Coingecko's [DEX list](#) in terms of market cap.

This is how it compares to some of the biggest DEXs in the world as at the time of writing.

Protocol	Trading Volume (\$)	Number of users	TVL (\$)
Loopring	114.6M	80.3k	263.4M



Uniswap	187M	2.5M	7.48B
Sushiswap	144.89M	198.6K	3.95B
Pancakeswap	84.75M	2.8M	4.3B
1inch	41.23M	276.3k	22.5M

Though it doesn't have the biggest number of users nor TVL, it compensates for it in terms of daily trading volume by even surpassing Pancakeswap and 1inch with a higher number of users.

Score: 8

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:

- Integrations

Because Loopring is application specific, it [doesn't allow](#) any other apps to be built on it like general purpose L2s (Arbitrum, Optimism, etc.). Rather, it builds its own apps on the protocol. Two main products are built on the Loopring protocol: the [Loopring Exchange](#) (Web DEX) and the [Loopring Smart Wallet](#) (mobile). These products are few and actually make its integrations limited.

- Partnerships and Collaborations

1. Loopring and Chainlink have [collaborated](#) on Oracles for zkRollup DEX Protocol.
2. Loopring is a [member](#) of the Global DeFi Alliance (Huobi's decentralised finance consortium) comprising Curve Finance, Aave, Synthetix, Balancer, Zapper, Zerion, Bitpie, Mykey and CoinGecko, that is driving collaboration between decentralized finance projects from both the Western and Eastern hemispheres.
3. Loopring is a member of [Ren Alliance](#).
4. Loopring [collaborated](#) with dxDAO to work on Rails, a new L2 product that enables instant and gas-free ethereum transfers
5. Loopring is also a member of the [Asia DeFi Alliance](#).
6. Loopring & DeversiFi [joined forces](#) to establish the industry's first L2-specific committee & working-group aptly titled L2 Squared.
7. Loopring also has strategic partnerships with [WePiggy](#) and [OpenOcean](#)

Even though a good amount of protocols aren't built on it, it compensates in terms of partnerships and collaborations.

Score: 12



2. Tokenomics

The Tokenomics 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.

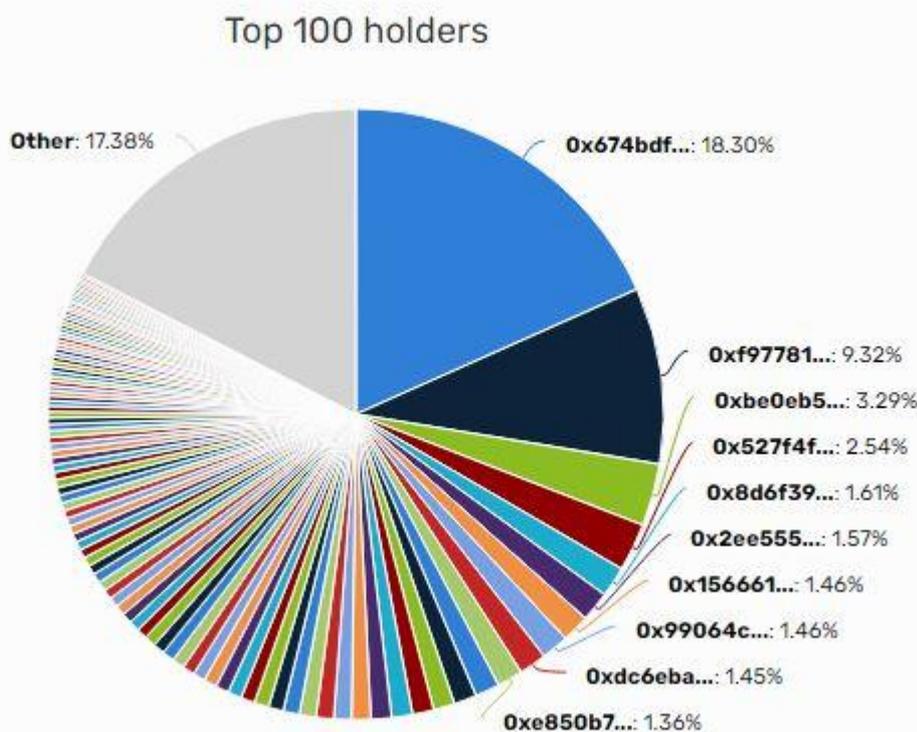
a) Is the token sufficiently distributed? (15 points)

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: Loopring held its [ICO](#) in 2017 selling roughly 10% of its tokens to raise \$45M to meet their hard cap and by [2018](#) had completely sold all its tokens, the sum of which isn't known.

From a total supply of [1,373,873,440](#) LRC tokens, the team owns a balance of 34.88M tokens as shown on [Etherscan](#), representing roughly 2.54% of the total token supply.

It means about 97.46% of the tokens are in circulation and according to Etherscan, Loopring has 123,305 [holders](#). Of this number the [top 100 holders](#) collectively own 82.62% tokens of LRC.



Etherscan gives an insight into the holders of the tokens below:



Rank	Address	Quantity	Percentage
1	Loopring: Exchange v2 Deposit	251,448,522.845424925008595457	18.3022%
2	Binance 8	128,000,000	9.3167%
3	Binance 7	45,260,186.661273020083910301	3.2943%
4	0x527f4fb6563d6afd30efedb9c57c7d7df2f5cdfc	34,876,900.833333333333333341	2.5386%
5	Gemini 6	22,140,000	1.6115%
6	0x2ee555c9006a9dc4674f01e0d4dfc58e013708f0	21,605,591.7989349253	1.5726%
7	0x99064c416f0979e6c7e840ccd65d20014a2d5750	20,000,000	1.4557%
8	0x156661e760ed5b23032f24258e64fff88f402d5	20,000,000	1.4557%
9	0xdc6ebadb2f6ee066125224096d55924cda2f953b	19,954,946.245206942275779183	1.4525%
10	0xe850b7c87f66371035e184c72d4b99e7b2ca4865	18,625,313.504557175096415211	1.3557%

The LRC distribution is a wide one. From the image above, exchange addresses ([Loopring](#) - 18.3%, [Binance](#) - 12.6% and [Gemini](#) - 1.6%) account for 32.5% of the tokens. Loopring’s 18.3% is also its [smart contract address](#). The [address](#) with 2.54% of the tokens belongs to the team. The remaining 65.04% belongs to ordinary addresses.

Score: 13

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: [LRC](#) is used to incentivize behaviour that is beneficial for the Loopring ecosystem, have a say in said system, and further ignite the transition to Ethereum L2.

Being the native token of the Loopring protocol/ecosystem,

- It can be used to [pay fees](#) on the Loopring exchange
- Earn a share of protocol fees/rewards and also provide liquidity on the LRC exchange in any of the LRC pools.
- There is also [staking](#) for LRC.

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

Answer: The LRC tokens have been justifiably issued. As stated earlier, 97.46% of the tokens are in circulation according to [Etherscan](#) while the remaining 2.54% belongs to the team. This actually means all stakeholders have benefited from the distribution. It is common for teams to allocate at least 10% of all tokens issued to themselves, but this wasn't the case with Loopring.

The reason for distributing all tokens into circulation might probably be due to Loopring starting with the vision of a DAO in mind. The Loopring DAO was supposed to be [launched in Q3](#) of 2021 by the way. In the coming years, Loopring might look at handing over total governance to its users. This is of course speculation.

The issuance model incentivises the right behaviour. Expounding on this

- The protocol is creating an [insurance fund](#) where users can deposit LRC tokens and earn a return on their assets for providing security backstop. The users/holders don't need to trust Loopring or anyone else at all for the security of their assets as the Loopring zkRollup is 100% non-custodial.
- LRC can be [staked by anyone](#) to earn part of the protocol fees on the network, and is also staked by DEXs for extra economic security guarantees. Loopring protocol fees come from transaction volume (economic activities) on Loopring Layer-2 (L2) and are also [distributed](#) on L2 as follows:
 - *80% to liquidity providers (LPs) on Loopring order books and AMM. At least 50% of this portion goes to LRC related liquidity.
 - *10% to insurers – users who put capital into a safety insurance fund.
 - *10% to Loopring DAO – the DAO decides how to spend these funds: buyback and burn, impermanent loss protection, further liquidity incentives, grants
- LRC is also used by DEX owners as a [bond for economic security](#). The locked LRC is partially or completely slashed when a DEX violates protocol rules, such as failing to submit a proof for a committed block on time, or having a reversion.

Currently, as it stands, this has improved coordination of the protocol.

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: From Loopring's [LRC v2 Tokenomics](#), there will be protocol fees coming from transaction volume (economic activities) on Loopring Layer-2.

The protocol fees will be paid back to Loopring participants, namely liquidity providers, insurers and the Loopring DAO in an 8:1:1 ratio (or 80/10/10 proportion) respectively on a monthly basis. This is very commendable as for the first time



on Ethereum, protocol fees are earned and distributed on Layer-2.

Score: 8

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: As shown on [Coingecko](https://www.coingecko.com/en/coins/loopring#markets), Loopring has over 100 market pairs on more than 30 CEXs and DEXs. For CEXs, Loopring has created [direct bridges](#) which allow users to send or swap funds. [Coingecko](#) currently reports a market cap of over \$900M. Finally, more than \$1 billion has been [traded](#) on the Loopring v3 exchange alone. A few can be seen below:

<https://www.coingecko.com/en/coins/loopring#markets>

#	Exchange	Pair	Price	Spread	+2% Depth	-2% Depth	24h Volume
1	Coinbase Exchange	LRC/USD	\$0.699778	0.03%	\$389,437	\$993,230	\$8,168,041
2	XT.COM	LRC/USDT	\$0.701091	0.09%	\$218,106	\$444,592	\$5,399,557
3	Binance	LRC/USDT	\$0.702395	0.04%	\$146,112	\$368,097	\$17,360,859
4	Gate.io	LRC/USDT	\$0.701091	0.07%	\$191,521	\$418,824	\$3,362,311
5	Crypto.com Exchange	LRC/USDT	\$0.700737	0.14%	\$294,199	\$347,301	\$262,537
6	WhiteBIT	LRC/USDT	\$0.700336	0.04%	\$198,878	\$370,967	\$436,929
7	HitBTC	LRC/BTC	\$0.700621	0.02%	\$269,978	\$206,020	\$1,506,394
8	OKX	LRC/USDT	\$0.702678	0.06%	\$117,252	\$203,421	\$12,451,699
9	Coinsbit	LRC/BTC	\$0.702283	0.17%	\$240,788	\$242,467	\$72,682
10	Coinsbit	LRC/USDT	\$0.702194	0.45%	\$376,237	\$194,856	\$66,137
11	Kraken	LRC/USD	\$0.699226	0.11%	\$103,427	\$296,250	\$91,352
12	Coinbase Exchange	LRC/BTC	\$0.700350	0.06%	\$134,257	\$225,811	\$403,071
13	Gemini	LRC/USD	\$0.699802	0.11%	\$68,475	\$306,338	\$310,992
14	BKEX	LRC/USDT	\$0.705374	0.1%	\$160,382	\$177,135	\$2,229,450
15	CoinTiger	LRC/USDT	\$0.700470	0.13%	\$194,864	\$158,475	\$204,353
16	BtcTurk PRO	LRC/TRY	\$0.707172	0.22%	\$160,651	\$150,411	\$3,747,530
17	Bitvavo	LRC/EUR	\$0.699841	0.12%	\$143,238	\$169,404	\$471,111
18	Binance	LRC/BUSD	\$0.699881	0.09%	\$88,911	\$190,827	\$1,140,922
19	KuCoin	LRC/USDT	\$0.702194	0.06%	\$102,815	\$163,717	\$1,315,817
20	Huobi Global	LRC/USDT	\$0.702695	0.09%	\$107,135	\$172,082	\$562,991

Score: 5



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: Due to the application specificity of Loopring, almost all productivity use cases can be found on the protocol. Searches just found only two extrinsic productivity use cases for the token. Loopring recently built [strategic cooperation](#) with OpenOcean, the first DeFi & CeFi full aggregator on the blockchain, and realized the world's first aggregation protocol application scenario deployed on Ethereum Layer 2. LRC can also be used for lending, cross-chain circulation and liquidity building on [WePiggy](#). Even though good use cases, the protocol is still limited in terms of extrinsic use cases.

Score: 3

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 credible and public. [ICObench](#) lists [Daniel Wang](#) as the founder, [Jay Zhou](#) as the CMO and [Steve Guo](#) as the CTO. Daniel mentions in [this presentation](#) that the protocol has 20 team members. LinkedIn further confirms this by listing [8 of the employees](#) (including Daniel) and giving their locations as well.

Score: 13

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: Apart from Loopring, Daniel was the co-founder and [CEO of Coinport Technology Limited](#), a cryptocurrency service company from 2014-2015. He was also the senior director of engineering, search, recommendation and ads system for [JD.Com](#) from 2012-2014, where he managed 100+ software engineers and data analysts working on search engine, recommendation systems, and ad platforms. Furthermore, he worked as a senior software engineer and tech-lead at Google.

Steve Guo was the CEO and Co-founder of [Dora Network](#), a blockchain solution provider company from 2018-2019. He was also the CTO and cofounder of [PowerMo](#) (2012-2015) and the current cofounder of [UniValues Associates](#).

Jay Zhou was a blockchain & cryptocurrency Advisor for [ZhongAn Insurance](#), a risk management, ICO service and marketing operation company in 2017. He was also in charge of brand risk management/communication for [PayPal](#) from 2012-2014 and a CS project mentor at Stanford University from 2018-2019.

Judging from the experience the team members and [remaining employees](#) have accumulated individually, they do have very relevant backgrounds and skill sets for the protocol at hand. That is what has arguably given the protocol a [good performance](#).

Score: 10

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: Yes, the team does shape the public debate positively. All protocol contributors are active participants in the public debate with Daniel speaking on DeFi and DEXs at [EDCON](#) (Ethereum Development Conference) 2020 and [Consensus WK NYC](#).

He has spoken about [increased capacity](#) for L2 accounts in DeFi, receiving funds [without creating accounts](#) in DeFi, [scalability](#) for decentralised exchanges and how DEXs can overtake CEXs.

Other members have also featured on platforms like [Defi Slate](#) and [Bankless](#). A list of the protocol's interviews and podcasts can be found [here](#).

[Presentations](#) and community calls from the team can also be found [here](#).

They've spoken generally on improving [AMMs and orderbooks](#), trading gas-free and [social recovery](#) for crypto wallets.

Score: 5



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 sufficient funding in place. As mentioned earlier, the team raised \$45M from their [ICO](#) in 2017 and outsold all tokens by 2018.

Mechanisms such as the protocol fees, insurance fund and liquidity mining are in place to ensure effective coordination of the ecosystem as well.

According to [this video](#), there are investors from traditional VC funds and the team raised around \$3M for the protocol in 2019 alone.

Beyond financial resources, Loopring is [backed by](#) TokenCapital, ChainFunder, Racew, Fintech Blockchain Group, NEO Council, QTUM Foundation, Sequio and DB.

Score: 9

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: Yes, the protocol has [admin keys](#) and the type of ownership is clearly indicated comprising OnlyOwner / MultiSig / Defined Roles. More can be read on [DeFi Safety](#).

According to this [document from their website](#) also, the Loopring Smart Wallet contract has a super administrator who cannot change any wallet status or transfer the tokens in the wallet without user authorization. However, the super administrator has the right to do the following operations:

- (1) Modify the global whitelist so that there is no daily limit for transfers to any address in the whitelist;
- (2) Register new functional modules optional for the users;
- (3) Change the mapping relationship between ENS and address. This operation will cause the assets transferred to the same ENS to actually be transferred to different addresses. Therefore, you need to verify the receiving address when transferring funds through ENS.

In summary, Loopring's current version ([Loopring 3.6](#)) is governed by the core team. For now [participants/users](#) inputs function as signals to the team. The team has no power whatsoever over users' funds though. As much of a zkRollup



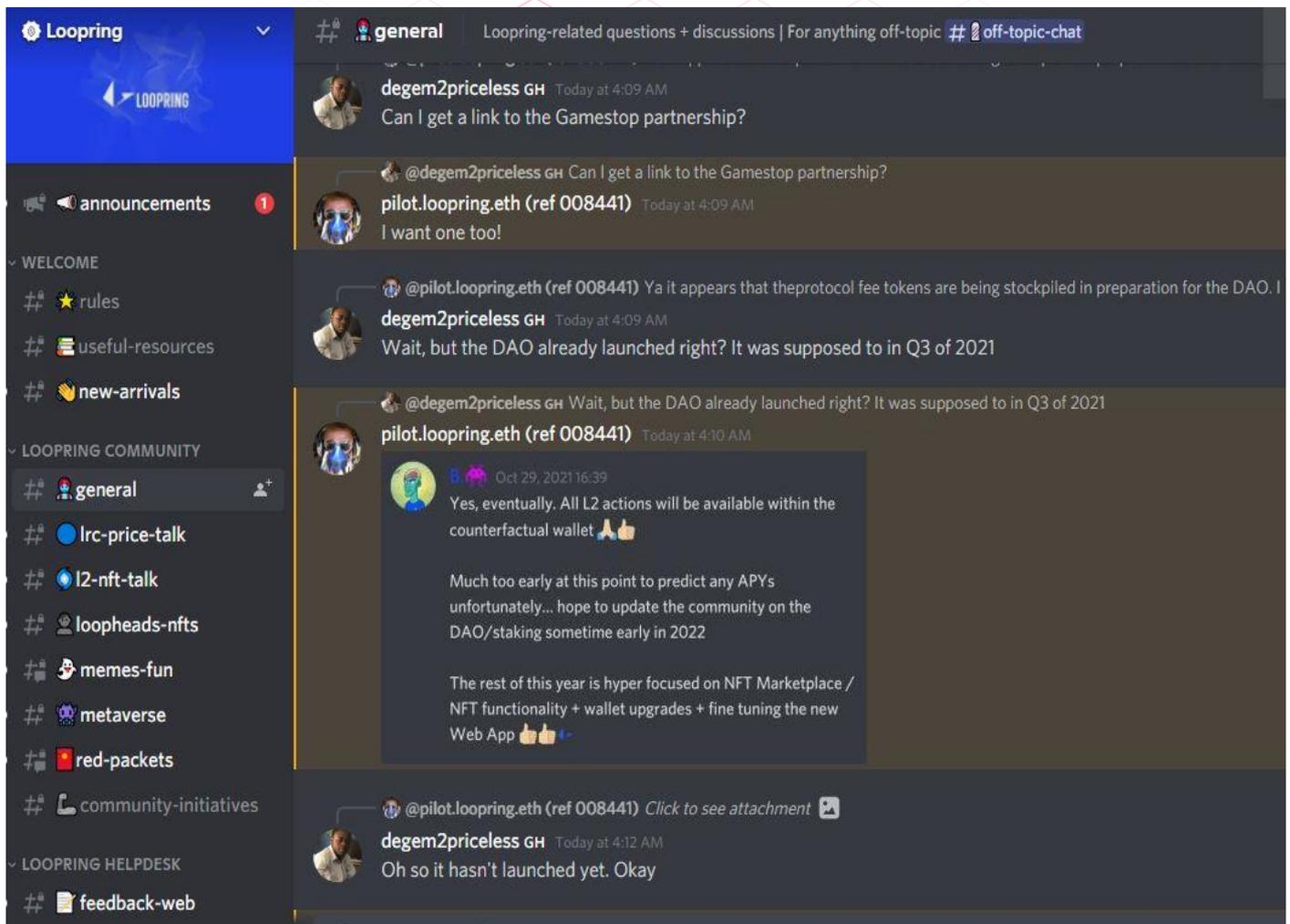
is by definition off-chain, this means it is outside the purview of a DAO, but users can deposit and withdraw to the protocol's smart contracts and there is never any risk of losing funds when depositing to the smart contract as it is trust-less and secure. The team is also tasked with the backend development of the protocol as well as [partnerships and integrations](#).

Score: 12

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: For now the governance of the protocol depends on the core team. The users (liquidity providers, insurers, the Loopring DAO) inputs function as signals to the team. Information from the team on discord revealed that the DAO is yet to be launched.



The core team has a very strong influence and most of the backend developments as well as [token registrations](#) are done by them. As mentioned before, all developments regarding partnerships and integrations with other protocols are also done by the core team.



It is worth mentioning that when launched, the Loopring DAO will be the first DAO for a zkRollup protocol. The DAO will [control and govern](#) parameters such as the distribution proportions of protocol fees to different participants, the protocol fee percentage and insurance fund covered event triggers.

[Certain parameters](#) are also simply controlled by the protocol for practical reasons. For instance, the L2 transaction fee itself is set by Loopring, which has a handle on the legacy and Ethereum-based costs of running the relay.

It is quite clear that the team wields more influence and fair to say votes function as signals to the team.

Score: 2

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: Voters are not active and participation is rather low, even though there's so much activity in the [discord](#) community. There have only ever been [8 votes](#) on their voting site. This may be due to the DAO not launched yet and voting at the moment functioning as signals to the team.

1. 4 votes

← Back

Migration Loopring vote to snapshot

Closed Loopring by 0xd7f7...45eC Share ...

just, fair and open

Votes 4		
0xfb46...0aDF	yes	1.5K LRC <i>n</i>
0x85EE...1c3B	yes	1.3K LRC <i>n</i>
humptypum...	yes	28 LRC <i>n</i>
coffeefish.eth	yes	10 LRC <i>n</i>

Information

Strategie(s) [#QmPV7hb](#)

IPFS [#QmPV7hb](#)

Voting system Single choice voting

Start date Jun 1, 2021, 4:00 AM

End date Jun 10, 2021, 4:00 AM

Snapshot 12,546,858

Results

yes 2.9K LRC 100%

no 0 LRC 0%

2. 6 votes



should loopring give back some tokens to community?

Closed Loopring by leeto.eth

Share

Information

Strategie(s) IPFS #QmNTVxC
 Voting system Single choice voting
 Start date Dec 8, 2021, 4:00 AM
 End date Dec 17, 2021, 4:00 AM
 Snapshot 13,760,141

Votes 6

alexandros.eth	yes	397 LRC
biraja.eth	yes	224 LRC
limez.eth	yes	46 LRC
hewenxi.eth	yes	21 LRC
OxB1eC...9352	yes	6.8 LRC
jiedao.eth	yes	0.00095 LRC

Results

yes 695 LRC 100%
 no 0 LRC 0%

These are just a few of them. The rest can be found [here](#).

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: Yes they do have a voting mechanism but it isn't reliable in my opinion as participation is rather low. As mentioned before, the official voting site of the protocol is [Snapshot](#) and the LRC token is eligible for voting. The [discord channel](#) is active though with much of the governance debate taking place there.

However, because many of the decisions concerning the protocol are taken by the team, the DAO doesn't decide much. Relative to other protocols like Uniswap this is not best practice.

Score: 3

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: For now, governance is informal as the team takes decisions on behalf of the protocol.

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: According to [LinkedIn](#) and [Crunchbase](#), Loopring is registered in China with its headquarters in the Shanghai jurisdiction as a non-profit organisation. Its address is East Yanan Rd, Shanghai, Shanghai 200000, CN. Since we are going strictly by the books, China doesn't fall within the same legal jurisdictions as [top tier jurisdictions](#) like Norway, United States, Switzerland etc. A legal entity seems connected to the protocol but there is no information about the entity available.

Score: 7

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: Since there is no information about the legal entity available, we can only guess that the protocol falls under a jurisdiction with applicable laws, that is China.

Score: 5

About the Author: [Degem2priceless](#). I am a crypto and web 3 researcher and enthusiast looking forward to gaining experience as a rater with DAOs and making a full time living off cryptocurrencies.