Protocol: dYdX
Version: 1
Previous Report: None

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Please fill in all questions with a written explainer, any relevant links and score per variable based on the Fundamental Review Process V 1.0. Insert the scores per variable in the scorecard at the end of the report. Please follow the Rating Process when creating and submitting a report.

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.

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? In general, forks without any newly added functions are considered subordinate to the protocol they forked.

Answer: dYdX is a decentralized margin trading platform based on Ethereum. dYdX allows users to borrow, lend and make bets on the future prices of popular cryptocurrencies. The Perpetual trading function of dYdX brought innovation to the industry.

Score: 11

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. 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: dYdX has managed to attract > $100M of value into their protocol making it one of the most popular protocols that offers perpetual/margin trading.

Score: 9

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 market for financial products such as options and derivatives is substantial and offers a lot of room for growth. Within the Cryptoasset industry, centralized exchanges have largely dominated the options/derivatives markets, decentralized alternatives are now quickly seizing the centralized market share.

Score: 10

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). The relative comparison can become rather subjective, to solve this the score standardizes the results in fixed categories.

Answer: dYdX currently offers one of the best perpetual products in the market, however competition is starting to emerge.

Score: 7

Tokeneconomics - NO TOKEN YET

The Tokeneonomics 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.

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:

Score:

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

What are the different merits of the token? Is the token useful in the protocol? Does the token allow the holders to participate in governance or influence the protocol in any way?

Answer:

Score:

Is the issuance 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:

Score:

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

A value accrual and distribution mechanism can help improve the merit 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:.

Score:

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:
Score:

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

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 dYdX [team is public](#) and credible.

Score: 15

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 core team has strong development experience, but is a bit low on financial market expertise.

Score: 7

Does the team participate and help shape the public debate? (10 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 dYdX community has a relatively small voice in the public DeFi debate, most content is focussed on dYdX and related announcements.

Score: 6

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? How well are resources managed and used?

Answer: dYdX has raised [$12M](#) in funding over 2 rounds, with their latest round being their Series A round in Oct, 2018. The team has built the product and expanded the team with its capital - there is no public disclosure of the amount of capital spent to date.

Score: 8

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.

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: dYdX's is upgradeable via a 2 out of 3 multi-sig admin key with a 3-day timelock. The admin key address is public and can be viewed [here.](#)

Score: 14

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: No governance as of yet as there is no token.

Score:

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: No governance as of yet as there is no token.

Score:

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. Does the protocol have a formal governance process? How robust is the governance process and does it promote good governance?

Answer: No governance as of yet as there is no token.

Score:

Governance 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: No governance as of yet as there is no token.

Score:

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.

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: dYdX Trading Inc. is incorporated in the US and located in the San Francisco Bay Area. The users and partners have legal accountability.

Score: 12

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: Relevant jurisdiction with applicable laws. The US is a respected jurisdiction, but has taken a somewhat conserverative stance towards crypto-assets.

Score: 8

Is the protocol (able to become) legally compliant? (5 points)

Is the protocol able to acquire the necessary licenses and supervision to be able to operate in the traditional regulatory environment? Has the protocol already acquired such licenses?

Answer: As far as I can tell (based on web searching), dYdX hasn't acquired any licenses that allow them to bridge their services to the traditional financial industry.

Score: 3

Scorecard

Value Proposition	Points
1. Novelty of the solution	**11 / 15**
2. Market fit/demand	**9 /15**
3. Target market size	**10 / 10**
4. Competitiveness within market sector(s)	**7 / 10**
Tokeneconomics	**Points**
1. Is the token sufficiently distributed?	**X / 15**
2. What is the extent of the token's capabilities?	**X / 10**
3. Is the issuance model able to improve the coordination of the protocol?	**X / 10**
4. Is the value capture model able to accrue and distribute value?	**X / 10**
5. Is the token sufficiently liquid to enable active use and trade?	**X / 5**
Team	**Points**
1. Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	**15 / 15**
2. Does the team have relevant experience?	**7 / 10**
3. Does the team participate and help shape the public debate?	**6 / 10**
4. Is the team able to effectively attract and coordinate resources?	**8 / 10**
Governance	**Points**
1. Admin Keys (Yes, Multisig, Multi-sig and Timelock, None)	**14 / 20**
2. Extent of Governance capabilities	**X / 15**
3. Active Governance contributors	**X / 5**
4. Robustness of Governance process	**X /10**
5. Governance infrastructure (rituals, docs, UI)	**X / 10**
Regulatory	**Points**
1. Does the protocol have any legal accountability?	**12 / 15**
2. What is the quality of the legal jurisdiction?	**8 / 10**
3. Is the protocol (able to become) legally compliant?	**3 / 5**
Total	**x**