



Rocket DAO

Expert Platform

Project evaluation methodology for Tokenomics

Methodologist:
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Evaluation section:

Token economy

1 Methodology Instruction

The main idea of the methodology is to inspect number of risks of price reduction and its range. The less risks provides the model – the better score it gets. The main assumption is that each project has its tokenomics goal as token price growth. In other case (stablecoins etc) this model should not be used.

Each model is evaluated for the following aspects:

- Emission logic. Risks – inflation, fraud.
- Token distribution. Key tokenholders potential behavior. Risks – marketmaking, market drop (selling all tokens after listing)
- Token fundamental basis & usage ecosystem. Risks – glass ceiling, being marked as scam

Each aspect should be analyzed for potential risks. There are three options of risks harm: high (3), medium (2) and low (1). Also there are three options of probability of risk appearance: high (3), medium (2) and low (1). Risk score is a multiplier of both two factors. For example, if project has high (3) potential harm risk and high (3) probability of appearance, risk score is $3*3=9$

Each project initially has 100 points. Each time risk is identified, risk score is minused from the amount of points. End score is divided by ten and rounded to get a final score.

Each risk may be covered by risk-cover action. It reduces the risk score, but not removes the risk.

2 Requirements and notes

Project should provide full logic of token emission, economics, distribution and token sale plan or current status.

Expert should take each statement from the Risk column and map it to the project state. If statement is true, so the appropriate risk score is being minused from initial 100 points. If statement has Risk Cover Action and its statement is true as well, in that case risk score decreases for RCA score. Only 1 RCA may be used per 1 risk.

If statement couldn't be defined as true or false, project should provide additional data to make a decision. In case, there is no such data, risk score is being minused.

The best way to proceed the evaluation is interview with project tokenomics developer.

3 Evaluation Scales

Emission logic

Risk	Harm	Probability	Score	Risk cover action	Score reduce if RCA is implemented
Emission size is not limited by number by issuing smart contract – inflation risk	3	3	9	Emission is limited by formula with more than 10% annual emission limit (including token burning)	-5
				Emission is limited by formula with less than 10% annual emission limit (including token burning)	-8
Smart contract of emission can be modified for changing emission logic – fraud risk	3	1	3	Smart-contract ownership has a proven personal limited access or escrow	-2
2 or more tokens are planned to be used in the projects (e.g. external ERC20 for tokensale and internal) – unexpected behavior risk	3	3	9	All emission of tokens are 100% connected and have the duplicating logic of emission (e.g. 100 ICO tokens = 100 internal coins as EOS did)	-9

Token distribution logic:

Risk	Harm	Probability	Score	Risk cover action	Score reduce if RCA is implemented
Emission is limited by number, but token seems to be distributed limitless with no any further logic (for example 1 token per 1 like – what happens if number of likes would be more than emission?) – unexpected behavior risk	3	3	9	Further logic is implemented, or mechanism of creation this logic in future is described (e.q. DAO council, etc)	-5
1 person or institution controls more than 50% of emission by itself – marketmaking risk	3	3	9	Tokens are frozen and unfreeze after specified time (all tokens the same time)	-1
				Tokens are frozen and unfreeze for small portions after specified time or with escrow	-5
1 person or institution controls more than 20% of emission by itself – marketmaking risk	2	3	6	Tokens are frozen and unfreeze after specified time (all tokens the same time)	-2
				Tokens are frozen and unfreeze for small portions after specified time or with escrow	-4
More than 10% of tokens are distributed for free to the team or partners – market drop risk	3	3	9	Tokens are frozen and unfreeze after specified time or controlled by escrow	-5
Less than 10% of tokens are distributed for free to the team or partners – market drop risk	2	3	6	Tokens are frozen and unfreeze after specified time or controlled by escrow	-2
More than 1% tokens are distributed for free for bounty, airdrop etc. – market drop risk	2	3	6	Tokens are frozen and unfreeze for small portions after specified time	-2

50% or more discount for early tokensale stages, Tokensale volume for that stages more than 1% - market drop risk	3	2	6		
25% - 49% discount for early tokensale stages, Tokensale volume for that stages more than 1% - market drop risk	3	1	3		
Tokensale length is more than 3 month, tokensale is in crypto (ether) – ether price changing risk = market drop risk	3	2	6	Compensation guaranties for major tokenholders (more than 50% of distributed tokens) to give extra tokens in case of crypto (ether) price rise	-5

Token fundamental basis & usage ecosystem:

Risk	Harm	Probability	Score	Risk cover action	Score reduce if RCA is implemented
Token can be exchanged with fixed rate for product/service, which price is calculable and historically stable (less 20% volatility) on market. (oilcoin, goldcoin etc.) - glass ceiling risk	3	3	9		
Token is not connected to any service provided by product, in fact just a badge for being a part of crowdfunding – being marked as scam risk	3	3	9	Token is already used as payment method in existing international supply chain	-9
Token is connected with never-existing service or product – being marked as scam risk	1	2	2		
Owning a token doesn't provides any bonuses (royalties etc.) apart from market price change – market drop risk	2	2	4		
Token is widely used in internal ecosystem payments, but requires paying commission in crypto (gas) – bad usability risk which causes non-usage of token	1	3	3	Commission is covered by service for user	-3