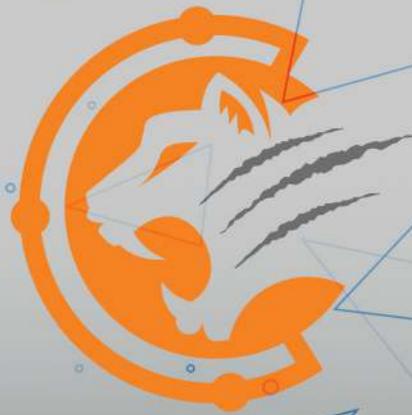


— DCR —
— TOKEN —
— AUDIT —



CRYPTO
JUNGLE

STEVE MILLER

DCR Token Audit

By: [Steve Miller](#)

<http://cryptojungle.io>

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Outstanding cryptoasset project with minor concerns regarding distribution and risk management. Uniquely combines proof of work and proof of stake to secure its network. While experimenting with decentralized governance via the recently implemented Politeia.

Overview

Decred employs a consensus voting model, the Politeia, to govern its blockchain in a decentralized fashion. Hosting the first on-chain user votes to decide how to distribute treasury funds for project enhancements.

The Network is secured by a hybrid Proof of Work / Proof of Stake Model. With 60% of the reward going to Miners, 30% to Stakers, and the remaining 10% to the project treasury. Providing an ongoing source of funding to build-out its feature set.

Cryptoeconomics (5 points out of 5)

Decred has a sound cryptoeconomic foundation. Tokenization is defensible because it employs Proof of Work and Proof of Stake to secure its network. Stakeholders are incentivized to act in good faith because stakers and miners act as a check on potential malicious activity on each other.

Decred has a fixed supply of 21 million to maintain scarcity. Its governance process is already generating returns from transaction fees for ticket holders willing to stake their DCR to participate. This assembly of ticket holders, [the Politeia](#), is generating network effects as participation rates amongst DCR investors continue to climb.

Investability (3.5 out of 5)

While the Politeia is an interesting governance experiment for rewarding project supporters. It is an untested capital allocation tool bringing with it some concerns for Decred's investability. It does appear to be spurring increasing demand as transaction volume continues to [climb](#). Also, serving as a mechanism to capture value from rewards to stakers.

Decred's brand recognition and defensibility are driven by its visibility as the highest-profile project successfully combining POW and POS on its network.

Distribution (3.5 out of 5)

Decred had an 8% pre-mine with 4% distributed to the founders and 4% airdropped to other earlier contributors. Founders' shares were subject to lockups released based on the subsequent achievement of targeted milestones. The minimal pre-mine laid the foundation for usage of the network. As the ability to obtain tokens by mining or staking has led to the widespread distribution of DCR.

No formal sale took place due to the pre-mine and initiation of mining operations upon launch. Supply is fixed at 21,000,000.

Team (5 out of 5)

The initial project team has a track record of historical accomplishments. Primarily working together building distributed computing systems at [Company 0](#) for the last 9 years. They also possess complementary skills. With design and marketing resources added to the team early on versus most cryptoasset projects. Prior to decentralizing governance to the Politea, the team acted transparently and ethically in their communications and actions.

Project (5 out of 5)

The project is live and has existing users with [~10,000 active addresses and a daily transaction volume exceeding \\$1 million](#). The white paper and related documentation since project inception are of high quality.

Strategically, the team understands the crypto landscape, forking bitcoin due to perceived deficiencies in governance versus the typical money grab. Generating its unique value proposition, the Politea, were community stakeholders gather to discuss how Decred should be governed and how project funds should be spent.

The project is open source and actively solicits involvement from stakeholders outside the core project team which has consistently expanded since launch.

Scalability (5 out of 5)

The project lead, [Jake Yocom-Piatt](#), has been the CEO of Company 0 for the last 9 years. Demonstrating his ability to hire and develop. The project has a clearly defined [roadmap](#) outlining the markets they intend to tackle and how they intend to tackle them.

There is extensive interest in [contributing](#) to the project and plenty of resources to compensate contributors fairly. The project could be funded for 10 years at it's current burn rate, with interest and usage globally in the three major crypto geographies of North America, Europe, and East Asia.

Securability (4.5 out of 5)

Decred has a robust set of 500 to 600 [nodes](#) operating at any given time. The project periodically runs bug bounty programs with funding approved by the Politea. When bugs are identified their discovery and resolution are transparently communicated.

Miners and stakers are spread out across the world with widespread [staking](#) place by a variety of pools and individual participants. Mining is somewhat [concentrated](#) with two pools controlling over 70% of hash power.

Rewards are untiered and robust wallet solutions for both technical and non-technical users exist to help facilitate staking and mining.

Decentralization (5 out of 5)

There have been consistent [external developer contributions](#) to the project and the project leads turned over the project treasury to Politeia for governance as promised. [Ownership](#) of DCR is widespread with the top wallet holding ~6% of outstanding supply and the top ten wallets holding ~20%

The successful implementation of governance by the Politeia demonstrates the ability to function without creators. There is active security, development, and usage of the network globally.

Engagement (4 out of 5)

Developer adoption of the protocol has been strong with 77 contributors to expanding and extending Decred's technical capabilities. Commenting on [Reddit](#) is active and project focused without much price discussion.

Dialogue on the Slack [channel](#) is frequent and ongoing with Twitter sentiment generally positive. There is minimal Google trends activity. I suspect this is because historically they have not tried to win the press release game with outlandish claims to gain attention from news outlets.

Risk Management (2.5 out of 5)

Decred has not undergone a formal third-party code audit. Reviews of code are conducted on an ongoing basis with results communicated publicly. It exhibits anti-fragility from its unique combination of POW and POS to secure the network. Some researchers argue it is more [secure](#) than Bitcoin.

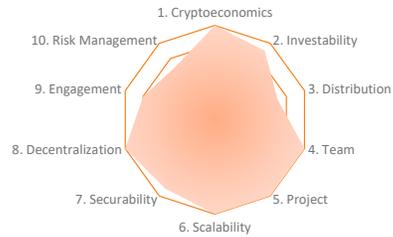
It does have elevated funding risk due to the decision to hold treasury funds in DCR. No insurance has been acquired to offset the potential impact of negative events moving forward.

It appears to have a lower regulatory risk than most projects because the implementation of the Politeia reduces the risk of being qualified as a security token.



DCR Token Score:

45



Summary: Decred

Outstanding cryptoasset project with minor concerns regarding distribution and risk management. Uniquely combines proof of work and proof of stake to secure its network. While experimenting with decentralized governance via the recently implemented Politeia.

Coin: DCR		Date: 11/19/2019		Auditor: @tokenauditor	
Grading: 1 point per bullet achieved		Score	Comments	Audit/Project Resources	
1. Cryptoeconomics		5			
o Defensible Tokenization	1	Hybrid POW and POS			
o Properly aligns incentives across stakeholders	1	Via staking and mining			
o Mechanism to maintain scarcity	1	Fixed Supply 21 million			
o Mechanism to generate value	1	Governance			
o Mechanism to generate network effects	1		Politeia		
Notes:					
2. Investability		4.5			
o Disciplined well structured capital allocation process	0.5	Politeia untested			
o Proven natural demand (Adoption increasing over time)	1		Coinmetrics		
o Mechanism to capture value	1	Transaction Fees and Staking Rewards			
o Brand	1	Highest Profile POW / POS Hybrid Project			
o Defensibility	1	Strength of POW / POS security model			
Notes:					
3. Distribution		3.5			
o Insider skin in the game (allocations subject to vestings and lock ups reflecting preferred status obtaining tokens)	1	Lock Ups			
o Optimized for long term usage of product	1	Proof of Work			
o Equitable token sale At least 80% pre-product / 50% if product is live	0	Pre-mine			
o Broad Distribution Should not be accredited / institutional only	0.5	Airdrop			
o Limited Supply	1	21 million			
Notes:					
Coin: DCR		Date: 11/19/2019		Auditor: @tokenauditor	
Grading: 1 point per bullet achieved		Score			

4. Team		5	
o Track record of historical achievements	1		
o Distinctive combination of skills	1		
o Unique qualifications for tackling problem	1		
o Experience building distributed computer systems	1		
o Transparent and consistent ethical behavior	1		
Notes:			
5. Project		5	
o Project is live and has existing users	1		
o Well written high quality white paper	1		
o Demonstrated understanding of landscape of possible competitors, substitutes	1	Created in response to perceived deficiencies in Bitcoin	
o Unique value proposition	1	Governance via Politeia	
o Open source	1		
Notes:			
6. Scalability		5	
o Project leads can hire and develop	1	Project lead has successfully led a company for 9 years	
o Clearly defined roadmap to obtain share of market	1		Roadmap
o Continually Improving Developer Experience	1		
o Sustainable burn rate	1	~10 years of funding left at current burn rate	
o Geographically distributed usage	1	Usage in three major crypto geographies (NA, Europe, East Asia)	
Notes:			
7. Securability		4.5	
o High volume of nodes	1	~500 - 600 nodes at any given time	Node Stats
o Systematic approach to dealing with bugs	1	Routine bug bounties offered from project treasury.	
o Widespread distribution of miners / stakers	0.5	Widespread staking take place. Mining concentrated in two pools.	DCR Stats
o Untiered rewards	1		
o Easily stored securely	1	Robust wallet solutions for both technical and non-technical users	
Notes:			
8. Decentralization		5	
o Widespread developer contributions	1	Consistent external developer contributions	Contributors
o Roadmap for decentralized governance	1	Project leads turned over project treasury to Politeia for governance	
o Lack of concentrated holders	1		
o Would function normally without creators	1	Project leads turned over project treasury to Politeia for governance	
o Global	1	Active security, development, and usage across the world	DCR Observer
Notes:			

Coin: DCR		Date: 11/19/2019	Auditor: @tokenauditor
Grading: 1 point per bullet achieved		Score	
9. Engagement		4	
o Developer adoption protocol	1	77 Contributors	Flipside Crypto
o Active commenting reddit	1		Reddit
o Long lasting ongoing discussions in Slack, Telegram, Discord, etc...	1		Slack Discord
o Positive Twitter sentiment	1		Solume
o Uptrend in Google Trends	0	Minimal Activity	Google Trends
Notes:			
10. Risk Management		3.5	
o Code Audit	0.5	No formal third party code audit. Periodic reviews of code conducted.	
o Anti fragile - gets stronger when stressed	1	Combination POW and POS to secure network	
o Low funding risk (fiat)	0	Holds treasury in DCR	
o Attack Risk	1	Minimal Attack Risk due to POW / POS combo	
o Regulatory	1	Politea appears to mitigate risk of qualification as security token	

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[**Questions, comments, suggestions for improvements. Please reach out!](#)

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**Principals of Crypto Jungle owned a position in the DCR token as of (11/19/2019) with no intent to sell.*



Further Reading

Crypto Jungle's Token audits are conducted using the [cryptoasset flywheel](#). Check out the articles below to learn more about using the flywheel to evaluate potential cryptoasset investments...

[10 Point Checklist for Auditing Cryptoasset Investments](#)

[How to Evaluate a Projects Cryptoeconomics](#)

[Great Crypto Projects Aren't Always Good Investments](#)

[How to Evaluate the Implications of a Cryptoassets Distribution Model](#)

[Evaluating Cryptoasset Project Teams](#)

[What to Look for in High-Quality Cryptoasset Projects](#)

[Assessing A Cryptoassets Scalability](#)

[SecuritaH Protocols for Cryptoassets](#)

[How to Tell if A Cryptoasset is Decentralized](#)

[Should You Get Hitched to a Cryptoasset](#)

[Cryptoasset Investing is Risky Business](#)

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