Hello!

This week, we wrote our report on Dopex, an options protocol addressing an industry many times the size of the current crypto market. While there are some issues, we see the project as having strong product-market-fit and we're excited to follow it.

As always, you can see our full report archive here and I hope you enjoy. We're happy to answer any crypto-related questions you might have and respond to all Pro members as soon as possible.

Crypto Pragmatist

DOPEX ($DPX)

MARKET CAP:
$540 MILLION

LAUNCH DATE:
SEPTEMBER 2021 (TESTNET)

PROTOCOL:
DECENTRALIZED OPTIONS PROTOCOL

FOUNDERS:
TZTOKCHAD
WITHERBLOCK

NETWORKS:
ARBITRUM

SUPPLY:
204 MILLION
569 MILLION

Name	Dopex ($DPX)
Market Cap	$204,000,000
Fully Diluted Market Cap	$569,540,000
Executive Summary	Dopex, short for decentralized options exchange, is a protocol with the north-star focus of maximizing option trading liquidity while creating optimal passive yield strategies, also known as option vaults. $DPX is both the governance and value accrual token and can be used throughout the protocol in a variety of ways: it can be staked to earn the fees and revenues generated from the protocol every epoch, deposited as collateral for opening cross margin option positions, and in the future used to mint synthetic assets.
Problem Solved	Decentralized options exchanges have struggled to acquire liquidity in order to offer deep option chains. Dopex solves this issue of bootstrapping liquidity in two ways: a rebate token on vault losses ($rDPX) and discounts on option purchases for locking liquidity. Additionally, passive option vault strategies can lead to users being coerced into depositing assets for an unrealistic high APY. Dopex offers customizable vault strategies that investors can use to adjust strike prices based on their risk tolerance.

Team	@tztokchad, @tz_binance, @OxCasio, @witherblock
Funding/Backing	Tetranode, DefiGod, LedgerPrime, and more. Investors have 11% of total supply to $DPX that is already fully vested
Supply	44.6% total supply of $DPX is liquid Founders have a total of 12% supply with majority vested over 2 years.
Demand	Demand for the $DPX token comes via fees staking rewards, control for governance (specifically)
Whitepaper	https://docs.dopex.io/
Code Repository	https://github.com/dopex-io
Site	dopex.io
Social Media	• Blog • Medium • Twitter • Discord

Introduction

If you are new here, let us fill you in on one thing we have been openly bullish on: decentralized derivatives. The notional value (the value of the underlying assets) of derivatives in traditional equity markets can amount to 1 quadrillion dollars on a given day.[1] While the bulk of this is made up of futures and forward contracts, options contracts can be the most lucrative, making them one of the most interesting and accessible financial instruments available to investors. And as far as decentralized options protocols go, there are few available.

Dopex, although it's one of the newer options protocols, ranks 3rd in TVL according to DeFi Llama, with $110M in its vaults at the time of writing. Referring to the amount of option volume traded in traditional equity markets, there is a lot of room to grow— if the crypto market grows 2x, and the derivatives market takes a larger share of that, the success of options protocols is a diversified bet on the success of the broader crypto markets.

As the decentralized derivatives markets begin to mature, we expect that activity will consolidate to just a few major players on each given network. And with strong network effects, an active development team, well-thought out tokenomics and an exciting roadmap for the future, Dopex is positioned to be one of the leaders.

We should give a disclaimer first: there are some things in Dopex that we view as yellow flags: not fatal, but things that make Dopex seem like a punt more than a sure-thing blue chip. We've talked to the founders and will discuss these things later in the report, but:

- A private codebase
- Not-entirely-transparent Options Vaults
- A philosophy of fast iteration
- Poor/confusing documentation

- Relatively poor revenue numbers and little transparency around revenue

All are factors that make us a bit hesitant on the execution of the Dopex. But with a strong team of open and honest developers and advisors, it's a project easily worth looking into.

What is Dopex

Dopex runs on the Ethereum Layer 2 scaling solution Arbitrum, which utilizes Optimistic Rollup technology to dramatically reduce fees and speed up transaction times. At a high level, this provides a massive benefit with transaction fee reduction, giving the protocol higher utility thanks to these base-layer improvements.

Options trading, whether it be for speculation or downside protection, must have a negligible transaction fee in order to cater to a broad group of investors. Other platforms that use Ethereum base layer will not be able to capture widespread retail demand due to slow settlement times and expensive transactions.

But first, a quick primer on options. Options are contracts between two parties that allow users to speculate on an asset price at a future date. For example, if $ETH is trading at $2,500 and you think it will trade at $3,000 at the end of the month, you can buy a call option with a $3,000 'strike' price from someone who wants to take the other side of the bet. In the event that ETH is trading above $3,000 (let's say $3,500 for this example), you can 'call' away that Ethereum, profiting the $500 difference at the expense of the seller (options are a zero-sum game). Otherwise, I just lose out on the cost of the option, also known as the premium.

This premium is what the option price is sold at, and it's at the core of money-making strategies around options. If the option expires 'in the money,' you have to give up some collateral. If it expires unexercised (like 80% of options in traditional markets), then the options seller can pocket the money.

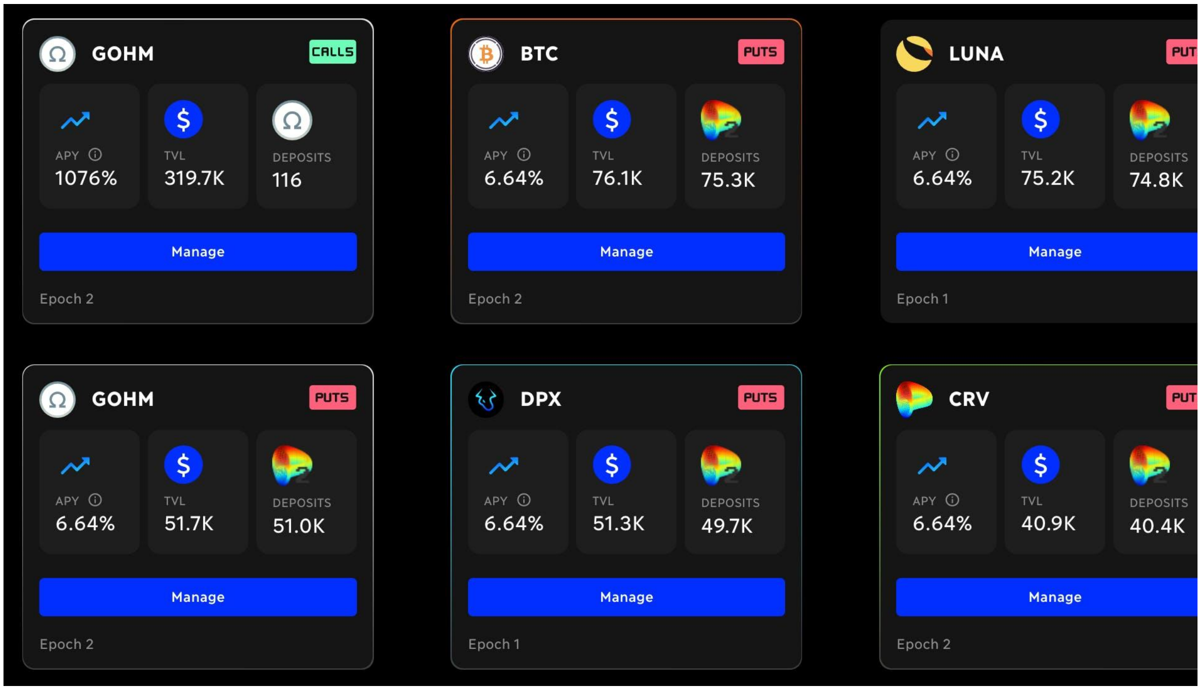
Lots of strategies exist around making money with options. Some use them as speculative leverage instruments, others use them to hedge risk, and others attempt to create income-generating strategies from trading and combining options. Examples of these strategies are cash secured puts or covered calls, which focus on collecting premiums while trying to minimize possible downside risk.

The Problem Solved

Dopex (**D**ecentralized **Op**tions **Ex**change) is a decentralized options exchange. Instead of the options contracts being created, traded, and kept track of by a centralized protocol, everything takes place on the blockchain. There are no centralized intermediaries taking custody of the contracts and all parties trade these options in a peer-to-peer fashion.

For centralized exchanges, options flow back and forth between counterparties, with each counterparty stating the bid at which they'd buy or sell an option. If a counterparty wants to trade at that price, they can take the deal, and the option switches hands.

Dopex facilitates this, but in a slightly different way than in traditional finance. Instead of someone directly selling a single option (and having to hold collateral in dollars or shares), they actually stake the asset itself in a "Single Sided Option Vault". Dopex then automates the process of creating and selling options so you can just stake the asset and collect your yield. The protocol offers vaults for some of the most popular crypto assets, and has had a consistent inflow of new vaults for other assets announced via their blog posts.

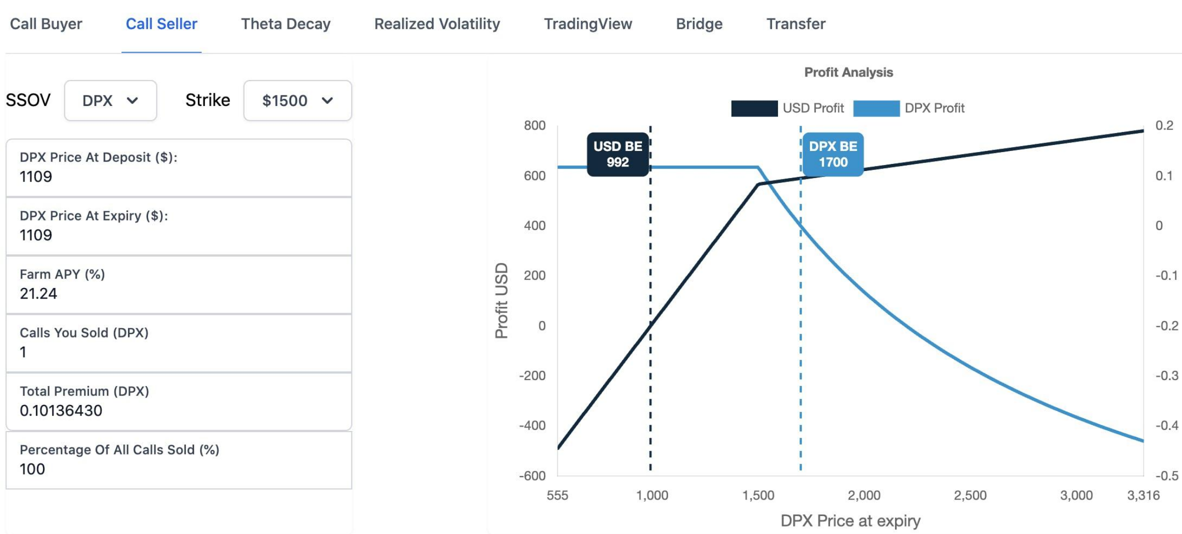


How Do the Tokens Work?

Dopex has two tokens: $DPX and $rDPX. Think of DPX as the governance token that represents an equity stake in the protocol and rDPX as a secondary token that helps facilitate smooth operation of the protocol and incentivize users to bring their assets to Dopex.

Using SSOVs

SSOVs can be tricky, even to experienced options writers/buyers, as the pricing mechanism and payoff curves are different from the ones modeled in traditional finance. If you're looking to use the SSOVs to stake a specific asset, we'd recommend you check out this calculator to help solidify the math around your investments. It helps you show what type of position the options vault simulates and the potential break even points his will do the heavy lifting for you: https://dopex.revofusion.io/#calls-seller-calculator.



Option Pricing

Dopex takes a unique approach to pricing options that helps create a positive feedback loop of liquidity, DPX price appreciation, and incentivizes fair option pricing. Simply put, this method aims to solve the issue of mispricing for deep in/out of the money options (ITM and OTM) when using traditional option pricing models due to differences in realized and implied volatility.

To combat this, Dopex uses protocol delegates combined with realized volatility to fairly price the option chains for each asset. The delegates are five of the largest crypto derivative trading firms and must deposit a stake of 2,500 DPX (around $2.75 million, at today's price) to quote price multiples. The goal with this pricing method is to motivate delegates to buy and stake more DPX, and quote price multipliers that result in fair pricing for option purchases as that leads to greater liquidity and more platform fees.

Clearly, trust in these delegates is required in order to actually price the options fairly, especially when they are large derivatives-trading firms and 2,500+ DPX may not mean much to their balance sheet. While this is a reasonable point of concern, the guardrails in place slash the stake of bad acting delegates and establish a backup price multiplier. Incentive design also means that these delegates are incentivized to quote fair prices for their own economic benefit.

Dopex Dual Token Structure

Dopex incentive design creates two tokens to help balance out the protocol. The first token, DPX, is essentially equivalent to equity in the protocol. The second token, rDPX, is a rebate token for a secondary protocol to be built on top of Dopex and allows options vault holders to recoup some of their losses.

$DPX

DPX is a limited supply governance token that represents equity in the protocol, and when staked in the protocol, accrues fee revenue.

There are functions of DPX that make it more interesting than typical governance tokens, but the governance features themselves are worth discussing as they pertain to the function of the rest of the protocol. The most important governance decisions are:

- rDPX rebate amounts for each pool
- Strike thresholds for option chains
- DPX rewards paid out to SSOV stakers

The highest value governance among these aspects is by determining the weights of DPX and rDPX rewards for each pool. As we will go over in the tokenomics section, 30% of total DPX allocation is for platform rewards. Having a larger stake will allow people to direct rewards to the desired vault, much like we see with Curve ($CRV) emissions (although these rewards are finite).

In order to vote on these matters, DPX holders will need to stake their tokens for $veDPX, which has the following productive functions to further incentivize staking:

- **Protocol Fee Collection**: veDPX earns a proportional share of protocol fees from every epoch.
- **Staking Rewards**: We will visualize staking rewards in the Tokenomics section, but there is a token allocation to incentivize DPX staking by paying out DPX as a staking reward. Stakers also collect protocol fee revenue.
- **Margin Collateral:** DPX can be deposited as collateral for cross margin positions within each pool (meaning margin can be shared between two open positions). This is possibly the most important function for veDPX as it allows for users to lock their tokens to accrue the revenues from the protocol, while still being able to use their initial capital across the DeFi ecosystem via borrowing.

$rDPX

rDPX is a rebate token for option writers that can be used as collateral.

The main function of rDPX is to provide a rebate for option writers when the pool ends up selling options that expire in the money, which is unprofitable for the depositors. As we've mentioned, this creates a massive incentive boost for users to deposit into the vaults and worry less about losing money. Currently, the rebate rate is 30% of losses incurred for a given epoch, but that is subject to future change based on governance vote.

To better understand how these rebates can benefit option writers, here is a chart that shows the percentage value of a given token for someone selling calls at $2,400 with a beginning spot price of $2,000.

Spot at expiry	Utilisation	10.00%	25.00%	50.00%	75.00%	90.00%	100%	Change% in spot
1000		103%	106%	111%	115%	118%	120%	-50.0%
1100		103%	106%	111%	115%	118%	120%	-45.0%
1200		103%	106%	111%	115%	118%	120%	-40.0%
1300		103%	106%	111%	115%	118%	120%	-35.0%
1400		103%	106%	111%	115%	118%	120%	-30.0%
1500		103%	106%	111%	115%	118%	120%	-25.0%
1600		103%	106%	111%	115%	118%	120%	-20.0%
1700		103%	106%	111%	115%	118%	120%	-15.0%
1800		103%	106%	111%	115%	118%	120%	-10.0%
1900		103%	106%	111%	115%	118%	120%	-5.0%
2000		103%	106%	111%	115%	118%	120%	0.0%
2100		103%	106%	111%	115%	118%	120%	5.0%
2200		103%	106%	111%	115%	118%	120%	10.0%
2300		103%	106%	111%	115%	118%	120%	15.0%
2400		103%	106%	111%	115%	118%	120%	20.0%
2500		102%	105%	108%	112%	114%	115%	25.0%
2600		102%	103%	106%	108%	110%	111%	30.0%
2700		102%	102%	104%	105%	106%	107%	35.0%
2800		101%	101%	102%	102%	103%	103%	40.0%
2900		101%	101%	100%	100%	99%	99%	45.0%
3000		101%	100%	99%	97%	97%	96%	50.0%
3100		100%	99%	97%	95%	94%	93%	55.0%
3200		100%	98%	96%	93%	91%	90%	60.0%
3300		100%	98%	94%	91%	89%	87%	65.0%
3400		99%	97%	93%	89%	86%	85%	70.0%
3500		99%	96%	92%	87%	84%	82%	75.0%
3600		99%	96%	91%	85%	82%	80%	80.0%
3700		99%	95%	89%	84%	80%	78%	85.0%
3800		98%	95%	88%	82%	78%	76%	90.0%
3900		98%	94%	87%	81%	77%	74%	95.0%
4000		98%	94%	87%	79%	75%	72%	100.0%
4100		98%	93%	86%	78%	73%	70%	105.0%
4200		98%	93%	85%	77%	72%	69%	110.0%
4300		98%	92%	84%	75%	70%	67%	115.0%
4400		97%	92%	83%	74%	69%	65%	120.0%
4500		97%	92%	83%	73%	68%	64%	125.0%
4600		97%	91%	82%	72%	66%	63%	130.0%

This shows that even when the example token is in-the-money by $400 at expiration, there is still a net profit for the depositor. In other words: 30% of your losses due to capped upside get replaced by the rDPX token.

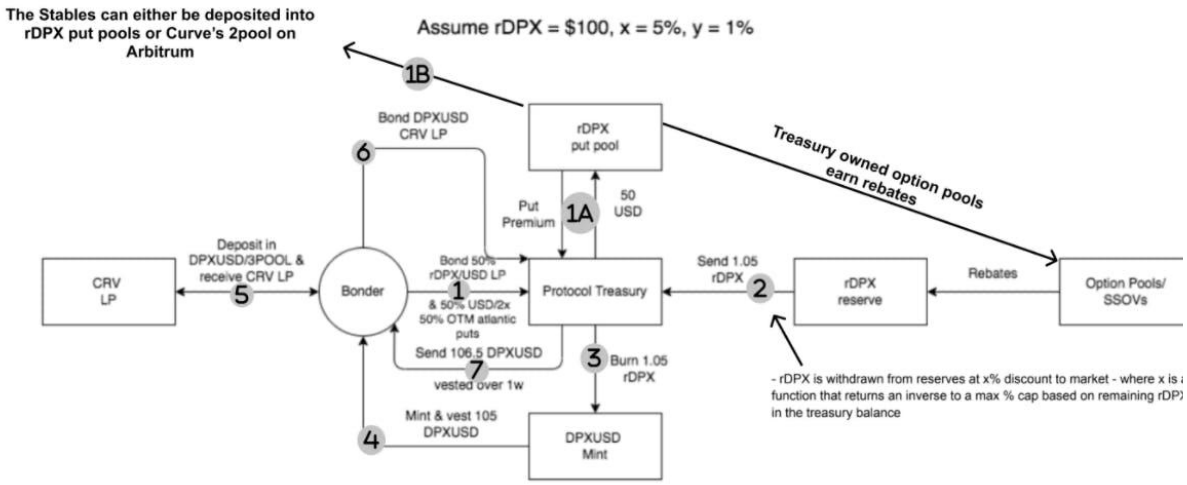
Based on this rebate structure, there is no capped supply to the secondary rDPX token. However, there are additional use cases that aim to provide lasting intrinsic value.

- **Protocol Fee Boosts**: rDPX can be staked to boost a user's proportion of the protocol fees earned from staked DPX. This provides utility and deflationary pressure.
- **Transaction Fees:** Future protocol functions could use rDPX as fee requirement, creating demand.
- **Collateral**: rDPX can be used to leverage option positions via margin on the Dopex platform.
- **Synthetic Assets:** Both DPX and rDPX can be used to mint future synthetic assets on the protocol (such as stocks, indices, commodities, etc.)

Beyond these productive features of rDPX, Dopex developers are working hard to implement a new structure that would create a deflationary rDPX through a novel protocol treasury and bonding mechanism.

rDPX v2

We find the rDPX v2 Whitepaper extremely convoluted and believe it does not provide a succinct description at exactly what problem it is aiming to solve. Nonetheless, we've gone ahead and checked out the rDPX bonding mechanism. We will explain the important steps below, labeled with numbers chronologically. It's not for the faint-of-heart.



First, a user will deposit 50% rDPX/USDC stable LP (Dopex farm) and 50% USDC. The treasury can earn a yield on the deposited USDC either through a:

1. Curve Pool
2. rDPX Put Vault.

At that point the treasury will then burn an amount of rDPX equal to the bond value deposited multiplied by some discount, and mint an equivalent amount of Dopex's stablecoin, DPXUSD. The burning mechanism on rDPX creates a deflationary pressure on that token while generating a new useful asset, DPXUSD, that can be used with Dopex v3 vaults and Curve pools.

The peg is held thanks to the 75% collateral ratio, the stablecoin collateral being locked in Curve with a use case for DPXUSD at a 1-to-1 value within the Dopex ecosystem.

Later, the protocol will open option vaults (v3) that enable users to speculate on APYs for Curve pools–if you're not familiar, just interpret this as a new speculative instrument that Dopex enables. This will allow $veCrv holders to compete in a new arena and hedge/create upside in unique ways around the Curve Wars.

The minted DPXUSD can then be locked by bonders into Curve Pool LPs, and deposited back into the treasury to earn yield such as protocol fees, treasury incentives, and potentially Curve gauge rewards.

Like we said, the whitepaper around this part is quite confusing and can take more than one read through to comprehend. Just know that the end game for Dopex here is to:

- Create a protocol native stablecoin backed by either $USDC or $USDT
- Put deflationary pressure on rDPX
- Create a new type of option vault by allowing users to bet on APYs for Curve vaults
- Offer highly leveraged positions due to low volatility in Curve pool rewards

There is much more to consider, but we'll save that and dive into what we think of this soon-to-be-launched Version 2 of rDPX.

The Bear Case

With confusing token economics and seemingly ponzi-esque incentives, platforms like Jones DAO are better spots for investors who are looking to take a "deposit and chill" approach to the SSOVs or rDPX v2 features. Dopex claims to be abstracting away complexities associated with options and structured products, but implementing this complex bonding contract will only add to investor confusion.

Quality products in this space should take time to ensure alignment of investor, founder, developer, and user interest, but a two month old new product announcement without any subsequent blog or documentation update on the product timeline does not instill confidence in users. The private codebase prevents us from being able to look behind the curtain to see what this protocol is up to (but, you can see lead dev Witherblock has been going ham in Github).

The Bull Case

On the other hand, something that is already screaming bullish for the entire protocol of Dopex is the proposal for [Redacted] Cartel to offer DPX bonds on their protocol. If Redacted is to hold DPX in their treasury they will be able to vote on all governance features listed above, as well as influence the Curve wars through the highly leveraged options positions. Of course, this will both pull price up and lock up DPX tokens.

Lastly, we can't deny the zealous holder community and the fact that this is clearly the most advanced product in a space that is clearly crying out for a sophisticated options market. Despite some of the concerns we have around management, new tokenomics, and transparency, it's clear that the project faces meaningful tailwinds in its quest to become the largest options protocol in the space.

The Team

Dopex is backed by a predominantly anonymous team, all of which are first time founders in the space. The core developers are @tztokchad and @witherblock. The protocol has some strong backing from mostly DeFi and crypto-native angels. Some names you might have heard of that back in the project are:

- Tetranode
- DeFi God
- David Iach
- Hardwood

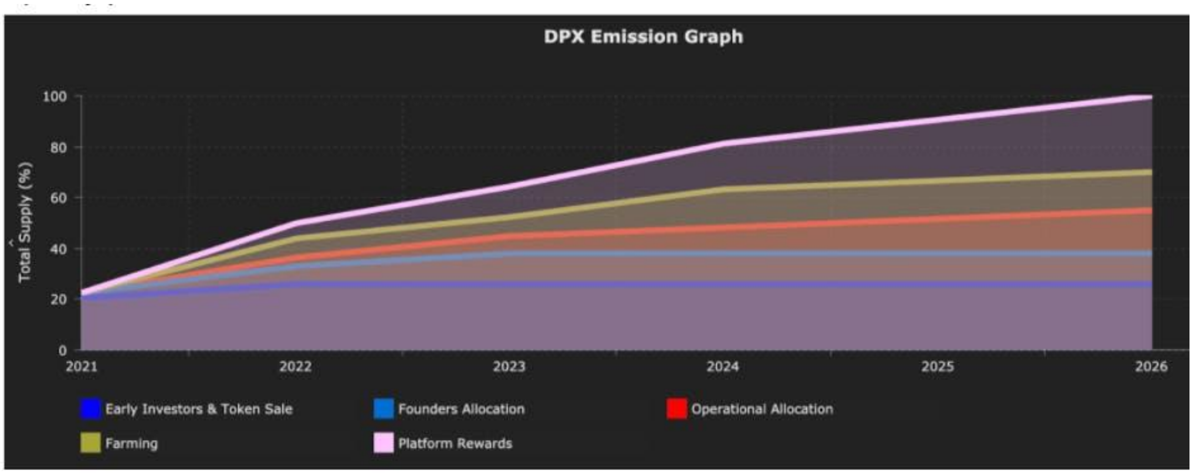
Tetranode and DeFi God both have enormous followings and strong conviction in the future of DeFi. Tetranode has a reputation for strong tokenomic design, and we can see his influence clearly here with the design around rDPX.

Tokenomics

The DPX token sale was June 21st - 24th 2021 and allowed users to deposit ETH via contract that exchanged for DPX when the sale was over. The amount sold was 75,000 DPX, or 15% of the total supply. Rather than sell the initial tokens at a fluid price, the initial offering was to be divided proportionately among all depositors into the contract. In this manner there was no advantage or disadvantage, in terms of price, if you entered the sale first or last.

Early investors have a total of 55,000 tokens, or 11% supply. 50% of these were vested over a 6 month period, which means they are now fully unlocked.

Founders have a total of 60,000, or 12% of total DPX supply. 80% of these tokens are vested over a two year period through a drip system, and the rest were initially staked in liquidity pools.



Platform rewards account for 30% of total DPX supply and are meant to incentivize vault depositors by increasing the potential yield. They will be distributed over a period of approximately 5 years to SSOV depositors on an equal basis regardless of the strike that is selected. The rewards for the current epoch are automatically staked in the DPX vault at the farthest OTM strike to compound the reward yield. If you are wary about the inherent risks associated with option vaults, a potential strategy would be to farm DPX platform rewards by selecting the farthest out-of-the-money strike price.

The operational allocation of 17% is rather vague in what it is aiming to accomplish for the development of the protocol. Furthermore, we think it is interesting that there is a set distribution schedule of 5 years when the purpose is to help grow new features/upgrades to the platform. These upgrades would be expected to arise on a more sporadic basis and the token allocation could be better optimized with a more flexible distribution period.

Inflation

Token emissions are mostly consistent over a 5 year time horizon, with the largest increase coming from platform rewards discussed above.

Farming rewards (and thus inflation) were boosted during the initial 4 weeks of the protocol's launch in order to incentivize liquidity, we think this is reasonable and common to bootstrap liquidity for a protocol.

With a market cap on outstanding tokens of just about 1/2 its 'fully diluted value,' Dopex definitely has some inflation coming its way. The risk here is that, bit by bit, those that receive more Dopex tokens (by farming or staking) will sell them off as they come in, causing a slowly deflating token price. We often see this with so-called 'farm tokens' where bootstrapped rewards mechanisms surpass the demand for the token leading to slowly collapsing prices.

Competitors

Dopex faces both centralized and decentralized competitors.

Ribbon

Ribbon is the most direct competitor to Dopex, with actively-managed options vaults writing both covered calls and cash-secured puts against nine different tokens as collateral. It's severely hindered, however, by the fact that there's no option marketplace in the protocol: while they occasionally write some new options, those are sold via auction. So there's no real sophisticated way to use these options systematically.

Opyn

Opyn is another options protocol that could threaten the rise of Dopex, although for now they've limited themselves to a leverage instrument called Squeeth. The protocol is developing different primitives around options, although it remains to be seen if they'll actually launch an options marketplace.

Deribit

Deribit is the largest centralized crypto options exchange with deep liquidity across both BTC and ETH, allowing institutional investors to hedge risk and use sophisticated strategies around their positions. It's a traditional options exchange, so counterparties directly face counterparties, with market makers making sure that there's always some type of trade available.

While it's a strong option, especially for institutions, it faces a few downsides, particularly geographic constraints (US citizens need-not apply) and the lack of underlying assets available: you can only trade Ethereum and Bitcoin options.

Liquidity

Thanks to liquidity farming programs which bootstrap liquidity depth there's about $1.16 million in liquidity for the DPX token and $861,000 in rDPX liquidity within two percent, both trading against wrapped Ethereum on the Arbitrum network. Liquidity is deepest on Sushiswap, although a few other exchanges list the trading pairs.

Risk Analysis

1. **Orderbook-Style Decentralized Options Markets:** While automated market makers like Uniswap make a lot of sense for long-tail, less liquid assets, options are a different animal. Based on their inherent low liquidity, it can be hard to find a counterparty. In other cases, some parties will pay a premium to access the option with the strike of their choosing. Talking with the founders led to some revelations about why this liquidity-based approach was used. First, the protocol wanted depositing to be simple: the options vaults allow anyone to earn yield on commonly held assets. Second, it concentrates liquidity: in open-ended option chains that have different expiration dates and strike prices, it's hard to make sure markets remain liquid.
2. **Seller-Favorable Pricing:** Dopex's seller-side liquidity vaults don't really allow depositors to take sophisticated positions around underlying price movement. So how can they attract liquidity? First by repaying losses with the secondary 'rebate' token (rDPX), and second by making option pricing favor sellers. But this produces a secondary problem by making options buying less attractive.
3. **Centralized Competition:** Centralized competition has a significant advantage in these governance battles, mainly in the form of the ability to create markets and eat meaningful losses to create liquidity with a two-sided options market. The solution to this problem for Dopex would be

to add market-making partners, or at least incentivize market-making liquidity in their ecosystem.

4. **Epoch-based pricing:** Dopex's options market only opens once a month, unlike centralized options markets that stay consistently liquid. Dopex uses a model where you can only deposit in vaults once per expiry cycle, and only buy options for that particular cycle: no long-term hedging or long expiration contracts available. If you play the game, you have to play it on Dopex's schedule.
5. **Team Risks:** We've seen a quick-shipping with the team, and although the memes utilized in the protocol messaging might appeal to some, it makes it harder to take the protocol seriously. The communication channels are definitely 'degen', and as we gathered the research to write this report, we saw some less-than-desirable conduct among the team. When viewing the messaging against DeFi blue chips like Yearn, Compound, and AAVE, the difference is clear.
6. **Transparency:** Poor documentation, missing info, empty dashboards, and private repos are one thing that give us pause and make collecting info around the protocol a particular challenge.

Catalysts

1. **Governance Wars:** rDPX is a rewards token that basically spits out free money, and we've seen tremendous success with similar protocols like $CVX and $CRV that allow holders to direct that value. SSOVs could potentially be one of these new gauge-style systems that allow rewards to be directed where holders see fit. This power can bring value to the token that goes far beyond fees collected.
2. **rDPX:** rDPX represents a whole new layer and value proposition for the protocol: an add-on synthetic asset marketplace that could be a

billion-dollar protocol in itself. While its highly speculative nature could mean volatile token price, it's a catalyst that plays into various aspects of the protocol.

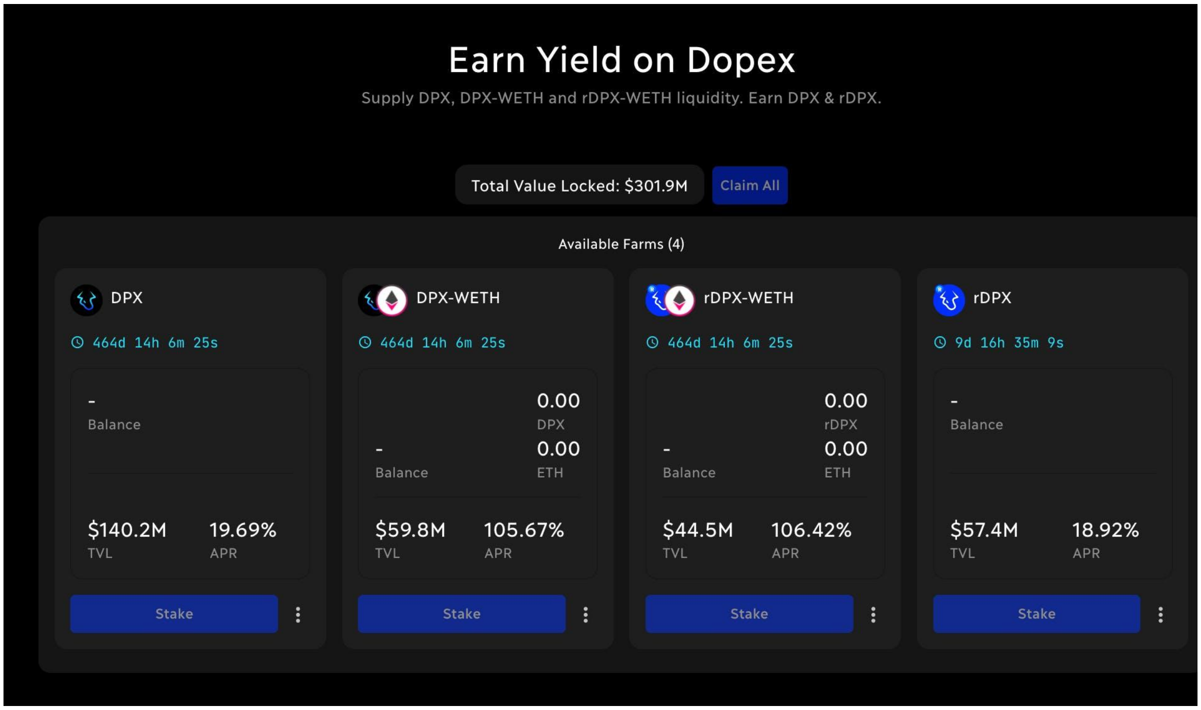
3. **Tokenomics:** Can tokenomics create value in a vacuum? Maybe, maybe not. But if any tokenomics can drive a runup in token price, it’s these ones, which create strong deflationary pressures while pushing up demand. Tetranode’s advisory role shines through here, although some might accuse the project of exhibiting Ponzi-nomics.
4. **Product-Market Fit:** On-chain, decentralized options chains have insane demand and potential. Any thesis that is bearish on Dopex must recognize that Dopex is the only protocol out there with liquid options markets around commonly traded assets. Sure, there are no ways to use sophisticated selling strategies (yet) or trade at differently-dated strikes. Nonetheless, Dopex is the best thing we have so far, and that counts for a lot.

Buying $DPX

First you will need to get ETH funds bridged to arbitrum which is intuitive through the arbitrum bridge, and a step-by-step guide can be found here. After adding the Arbitrum network and having enough funds in your wallet (always leave extra for gas), head to any Dex on Arbitrum to swap for DPX or rDPX.

Staking $DPX

You can stake DPX or rDPX on the platform in their “farms” tab and earn yield by providing liquidity to the platform:



These rewards will be phased out over time (rewards token allocation) as seen by the running clocks below the asset. The simplest way to not get your allocation deflated is with the single-sided staking, you can also deposit in one of the given options vaults or provide liquidity.

Exchanges Listed:

Due to the small size of the protocol and its relatively recent launch, Dopex is only liquid on Arbitrum (a Layer Two solution) on Sushiswap: liquidity hasn't migrated elsewhere, at least yet. There's some liquidity on the Ethereum chain on Uniswap, and it's possible we see some exchanges list the protocol over the long term. For now, though, we can be happy with the fact that many catalysts remain in the form of exchange listings and potential cross-chain expansions.

Protocol Audit

While we have outlined that we are generally bullish on the protocol as a whole, the audits did not bring the same energy. There were three audits on Dopex that were performed by:

- Solidified
- Solidity Finance (2 audits)

Solidified's audit was at the launch of the protocol, and covered basically the entirety of the smart contracts. The first point of concern is that the source code under the scope of the audit is private and not available for public review, with no reference on the website as to why this is the case. Additionally, this review contained two general warnings and critical issues. Solidified claimed the code had a very complex path (specifically mathematical sections), and vulnerabilities with two important functions that could both drain value from the protocol and benefit the attacker. While everything was addressed and/or fixed by the team, we found it interesting that there were recurring issues throughout the audit.

Solidity Finance has done two audits on Dopex option contracts, staking, and SSOV's, specifically reviewing the BNB vault. These reports were all clean, although there was not much written context provided.

Even as Dopex continues to add new features to their blog, there is no info released on rDPX bonding or interest rate vault audits, but keep an eye out for those as we are hoping for more clarity on the auditing process and cleaner initial reports that require less adjustments.

Overall, it is important to note that a clean audit is not a guarantee of security. There are obvious inherent risks when investing in crypto projects, and practices like auditing are in place to mitigate risks, but will never be able to eliminate them entirely.

Conclusion

We are on the bleeding edge of decentralized derivatives, and with that there will be many players entering the space with huge upside going to the winters.

In order to survive, protocols will need to be innovative, but also focus on the main function that derivatives are meant to serve investors. We think that Dopex generally has a good balance of both aspects, but would like to see a little bit more concentration on the traditional functions and services of option markets before considering it a DeFi must-have.

That being said, there are plenty of investment plays to be made with just purchasing rDPX or DPX as well as participating in vaults and yield farming the project. Selling writers is a strong option with the earned rDPX on losses accrued, meanwhile, can help make seller-friendly option environments.

Lastly, we see governance as a strong thesis: the Curve-like aspects of the protocol, depending on how the war for Dopex governance shapes up, could create a compellign and investable narrative.

Dopex will be one of those protocols we'll keep an eye on in the near future, and it's well worth a punt. We're excited to see how it progresses.