Summary

Messari Protocol Services is proposing a 12-month engagement to provide a comprehensive suite of reporting and analytics for the Aave protocols, GHO, Aave Governance, and the Aave DAO. This will add new analysis for the Aave community and stakeholders to help guide strategic decisions while strengthening Aave's institutional reporting reach through our distribution partners (Bloomberg, S&P, Refinitiv, etc.). We see this proposal as complimentary to current reporting initiatives for the DAO.

Background

Messari Overview

Messari is a team of crypto natives passionate about building powerful research, data, and analytics tools for the web3 world. The company was founded in 2018 with the mission to bring more transparency to the crypto ecosystem and has since grown into two divisions, a market intelligence platform and a protocol services team, the latter of which is making this proposal. Our protocol services team has worked with more than 40 teams to provide services such as quarterly reporting, governance analysis, subgraph development, and comprehensive data dashboards, all of which are made freely available.

We have a history of contributing to the Aave ecosystem and some examples of our work includes:

- Subgraph development

- Aave AMM

- Aave ARC

- Aave RWA

- Aave v2

- Aave v3

- Aave Governance

- Aave AMM

- Aave ARC

- Aave RWA

- Aave v2

- Aave v3

- Aave Governance

- Weekly reports

- Quarterly reports

- State of Aave Q4

- State of Aave Q3

- State of Aave Q2

- State of Aave Q4

- State of Aave Q3

- State of Aave Q2

- Data Dashboard

- Governor Integration

- Safety Module discussion

- Initial concerns

- Runway analysis

Problems Addressed

Specialized Reporting Provider

Robust reporting is table stakes for any economic organization, particularly one of the size of the Aave DAO. Without it, stakeholders are unable to make adequately informed decisions. This leads to a misallocation of resources, both time and money, since there are investors, developers, and users that are not acting with the full breadth of knowledge at their disposal.

While there has been great work done for Aave to date, there remains an opportunity for a specialized provider to focus on building out best in class reporting, data tools, and strategic financial analysis.

Institutional Reach

Existing mainstream coverage of crypto is woefully lacking. Investment banking and sell-side equity research coverage of crypto fails to paint an accurate picture of the material developments in this industry. When it comes to DeFi and even more nuanced aspects of this industry, things only get worse.

To combat this we have spent significant resources getting onboarded to many of the largest traditional research platforms in the world including the Bloomberg terminal, S&P Capital IQ, and Refinitv. This goes a long way to further professionalize the projects we work with to the vast majority of major funds, banks, financial service companies, and large corporations in the world that will better grasp the magnitude of economic activity generated by the protocol.

There are trillions of dollars in AUM represented by the consumers of these platforms so even a small percentage of users consuming this information and acting on it can drive meaningful activity on-chain.

Transparency

Transparency is at the core of this industry. However, much of what goes on is off-chain making it harder to verify. Therefore, as an industry we need to put a structure in place to ensure we're holding ourselves to the highest standards.

For DAOs this means having insight into all the activity of the core service providers they work with (Messari included). This will act to hold them accountable to their stated mandates, better showcase the great work being done, and surface external work done with other DAOs to ensure any semblance of conflict of interest is at the least available for the community to have a discussion around.

Proposal Breakdown

Financial Reporting

- Quarterly reports
- Key Metrics

- Outstanding loans/deposits, new loans originated/deposits, liquidations, unique addresses, daily active users

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- Value Flows

- Interest revenue, depositor claims, protocol revenue, flashloan premiums, liquidation revenue, expenses

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- User analysis

- DAUs (v2, v3), # deposits, # borrows

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- Rewards/incentives

- AAVE claimed, staking AAVE claimed, AAVE incentives

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- GHO analysis

- Facilitators

- Outstanding GHO loans

- Potentially track where GHO lives (EOAs vs Apps)

- Interest paid from GHO loans

- GHO risk parameters

- % of outstanding GHO backed by SM staking

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- Treasury analysis

- Breakdown of the treasury and its performance

- Stress test

- Monte-carlo simulation for treasury balance at future date using historical price relationships and DAO spending/revenue forecast

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Where applicable metrics will be shown at the aggregate level as well as split out by individual assets and network deployments.

- Monthly reports

- Snapshot of the financials (similar to our weekly)

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Strategic Finance

- Financial planning and analysis

- Detailed financial forecast (revenue, expenses, cash flow)

- Review of our key assumptions and rationale

- Open sourced financial model with flexibility to change assumptions

- Scenario analysis with sensitivities for key assumptions

- Runway analysis

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Service Provider Transparency

- Bi-annual report on Aave's Service Providers

- Outline their contributions over the last 6 months

- Benchmark against their KPIs

- What are their other DAO engagements

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Governance Reports

- Governance Research & Reports
- Messari will create reports to analyze key governance KPIs and metrics and provide a detailed look into governance structure, process, dynamics, and analysis. (ex: Optimism)
- Voter Study - Research & Report (example)
- Potential Votable Supply:

- The current circulating supply of AAVE is not representative of the true votable supply, as it does not account for AAVE that is used in the protocol, on centralized exchanges, or used in LPs. To accurately assess the percentage of tokens participating in governance, it is necessary to first identify the true potential voting power.

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- Voter Participation:

- The final report will comprise all research and findings from the Potential Votable Supply and Delegation Breakdown sections to analyze the current and historic activity levels of participants in the Aave DAO. This will include an analysis of:

- Delegate Voter Activity.

- Independent Voter Activity.

- Delegates, delegators, and independent voters by tokens held/delegated (AAVE/stkAAVE). The goal of this will be to understand which areas of the Aave protocol are influencing governance the most (e.g., Emissions).

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- Voter Study - Research & Report ([example](#))

- Potential Votable Supply:

- The current circulating supply of AAVE is not representative of the true votable supply, as it does not account for AAVE that is used in the protocol, on centralized exchanges, or used in LPs. To accurately assess the percentage of tokens participating in governance, it is necessary to first identify the true potential voting power.

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- Delegation Breakdown:

- To understand the current landscape of voters, we will examine the individuals delegating their AAVE and stkAAVE, and the delegate's voting activity with this power. The delegators will be broken down by delegate. From there, we will analyze individual delegators, delegation type (proposing/voting), and delegation amount (by delegated token: AAVE/stkAAVE).

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- Voter Participation:

- The final report will comprise all research and findings from the Potential Votable Supply and Delegation Breakdown sections to analyze the current and historic activity levels of participants in the Aave DAO. This will include an analysis of:

- Delegate Voter Activity.

- Independent Voter Activity.

- Delegates, delegators, and independent voters by tokens held/delegated (AAVE/stkAAVE). The goal of this will be to understand which areas of the Aave protocol are influencing governance the most (e.g., Emissions).

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- Aave Governance Design Research & Report:

- The Governance Design Research and Report will incorporate learnings from the Voter Study research, as well as community feedback to provide the DAO with an in-depth analysis on current design and processes, and provide alternatives where it may be needed. The final report will include an in-depth analysis of the following:
- Governance Design and Process overview.

- Areas where the DAO excels.

- Areas to improve.

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- Areas to improve.

- Process & Design alternatives.

- Trade-off analysis.

- Potential issues.

- Next steps.

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- Retainer for Aave Governor Notes (x1-4) ([example](#))

- A 1,500-3,000 word proposal-specific analysis designed to educate stakeholders on the impacts of important DAO proposals.

- Governor Notes represent an opportunity to highlight specific DAO products, partnerships, case-studies, and debates.

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Community Engagement

In order to fully engage the community around our work we will host quarterly calls between our analysts and members of the Aave team to go in-depth on the findings of the reports. There will also be an opportunity to for community Q+A to gain clarity on pressing issues.

Rationale & Success Metrics

Given the nature of reporting and analytics there are not as clear cut metrics as say a risk or growth-focused service provider that can point towards increasing utilization rates and protocol revenue or decreasing insolvencies and losses. While there are some KPIs we can point to, many of them will be more qualitative in nature but nonetheless can demonstrate tangible value.

Our work will be judged based on the following criteria:

- Timeliness and completion of the reports and dashboards.

- Number of views on the reports

- Messari newsletter reach: 300k subscribers

- Third party distribution

- Bloomberg Terminal: 325,000 users

- S&P Capital IQ: 12,000 enterprises

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- Quality of readership

- We will provide a breakdown of the persona types that read each report including the sector in which they work.

- These reports play a key role in the user journey for institutions from project discovery to final diligence for investment committees.

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- Decisions resulting from our analysis

- Examples:

- Our scenario analysis informed potential capital expenditures by outlining the financial health of the DAO in differing cases

- Our voter analysis informed the conversation around xyz governance change to improve participation

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Pricing & Resources

The total cost will be $350,000 for the year.

- $150,000 upfront in stablecoins

- $200,000 streaming linearly over the course of the contract

- $100,000 stablecoins

- $100,000 AAVE

- $100,000 stablecoins

- $100,000 AAVE

This will go towards funding the following resources that will spend ~20% of their annual capacity towards this engagement.

- Research (4 FTEs)

- 1 senior research analyst

- 1 junior research analyst

- 2 governance analysts

- 1 senior research analyst

- 1 junior research analyst

- 2 governance analysts

- 1 strategic finance associate

- 1 data scientist

- 1 engineer

- 1 account manager