



Rocket DAO

# Expert Platform

Methodology for Risk Parameter

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Evaluation section:

## Risks

### 1 General information

Risk is always associated with the possibility that things might go wrong, that events might turn out worse than expected or that something bad might happen.

The start-up is always high risk venture due to high level of uncertainty. Before making investment an investor should consider diversification level of his/her investment portfolio to decrease his/her personal risk. The less investment portfolio you have – the higher your personal risk.

Risk may and will change over the time – this methodology is for start-up at the pre-ICO and ICO stage.

An expert should answer the following questions in this section:

- The nature and extent of the risk.
- The extend and categories of risk which expert considers as acceptable for the company to bear.
- The likelihood that the risks will materialize.
- The company's ability to reduce the probability of and adverse event occurring, or reducing the impact of and adverse event when it does occur.

Evaluations parameters

There are no standard risk classification, because the nature of business risks varies between different type of business. The proposed methodology is trying to define most common risk affecting to all companies and some specific, applicable to Blockchain/ICO start-ups:

External risks

- Country risk
- Political
- Economic
- Operation
- Environmental (Risk of natural disaster here)

Internal risks

- Financial, operation and fraud
- HR

There two more important risk, expert should consider, which is not covered by present methodology. These are:

- Technological risk
- Legal risk
- Both risks are covered in other respective methodologies and should be considered in overall risk evaluation

Also risks are indirectly considered in other methodologies, for example market, HR (Team), therefore this methodology does not consider it.

## 2 Summary table

This table produces overall risk rate, based on weight of each risk, considered by the methodology. Proposed weights can be changed based on expert judgement. The table should be completed after completion of all other tables.

Risk	Risk rate	Weight	Overall mark	Comments
Country risk		0.2		
Risk of natural disaster		0.1		
Country specific risk		0.3		
Financial, operation and fraud risk		0.2		
HR		0.2		
Total				

### Country risk

#### Political

Political risk is the risk an investment's returns could suffer as a result of political changes or instability in a country. Please keep in mind, that geopolitical situation was quite unstable in recent years, so the table should be updated at least on yearly basis. Also, some political risks can be specific (pls see specific country risk) for ICO start-ups only (SEC regulation in USA, Banned cryptocurrency in China)

#### Economic risk

Is likelihood that an investment will be affected by macroeconomic conditions such as government regulation, exchange rates

#### Operational risk

In includes Labour Market Risk, Logistics Risk, Trade and Investment Risk, and Crime and Security Risk.

Country/Region	Political risk	Operational risk	Economic risk	Overall Country Risk
<b>Europe</b>				
Iceland	8-10	6-8	4-6	6-8
Sweden	8-10	6-8	6-8	8-10
Norway	8-10	6-8	6-8	8-10
Estonia	8-10	6-8	8-10	6-8
Switzerland,	8-10	6-8	6-8	8-10
Finland	8-10	6-8	6-8	6-8
Netherlands	8-10	6-8	6-8	8-10
France	8-10	6-8	6-8	6-8
UK	6-8	6-8	6-8	6-8
Germany	6-8	6-8	6-8	6-8
Spain	2-4	6-8	4-6	4-6
Italy	2-4	4-6	4-6	
Poland	2-4	4-6	6-8	4-6
Other Baltic EU countries	6-8	4-6	6-8	6-8
Balkan EU countries	2-4	2-4	3-5	2-4
Other EU countries	6-8	4-6	4-6	4-6
<b>America and Canada</b>				
Canada	8-10	6-8	6-8	8-10
North America	8-10	6-8	6-8	6-8
South America	2-4	0-2	2-4	2-4
Latin America	0-2	4-6	4-6	2-4
<b>Asia</b>				
China	8-10	4-6	2-4	7-9
Japan	8-10	6-8	4-6	8-10
India	6-8	0-2	2-4	2-4
Thailand	6-8	4-6	2-4	2-4
South Korea	6-8	6-8	4-6	6-8
North Korea	2-4	0-2	0-2	0-2
Other	2-4		1-3	1-3
<b>Middle east</b>				
UAE	8-10	6-8	4-6	6-8
Jordan	6-8	2-4	0-2	2-4
Israel	6-8	4-6	8-10	6-8
Saudi Arabia	6-8	4-6	4-6	4-6
Oman	6-8	2-4	0-2	4-6
Iran	2-4	0-2	2-4	2-4
Turkey	2-4	2-4	2-4	2-4
Iraq	0-2	0-2	0-2	0-2
Syria	0-2	0-2	0-2	0-2
Afghanistan	0-2	0-2	0-2	0-2
Pakistan	0-2	0-2	2-4	0-2
<b>CIS region</b>				

Russia	2-4	2-4	4-6	2-4
Belarus	2-4	2-4	0-2	1-3
Other CIS countries	2-4	1-3	1-3	2-4
Ukraine	0-2	0-2	0-2	0-2
South Africa	3-6	0-2	1-2	2-4
North Africa	1-3	0-2	0-2	0-2
Australia and Oceania region	7-9		7-9	

(Source: marsh.com)

### Health, safety and environmental risk (risk of natural disaster)

Risk of the likelihood that a person may be harmed or suffers adverse health effects

Summary table

Risk	Risk rate	Weight	Overall
Health		0.5	
Safety		0.3	
Environmental		0.2	

#### Health

The higher average age the higher risk of diseases.

Expert should also consider:

- absence/existence of med insurance
- level of medical services
- country of living
- overall average length of life in the country

Average Age	Risk rate
20-30	8-10
30-35	6-8
35-40	4-6
40-45	2-4
45 and above	0-2

## Safety

Safety of workplace is considered here

Average Age	Risk rate
<ol style="list-style-type: none"> <li>1. Workplace has safety certificate (ISO and other)</li> <li>2. There is a person responsible for safety in the company</li> <li>3. There is a safety rules, which each employee should be familiar with</li> <li>4. Office premises has the highest safety rating, fire exits, personal safety kits, fire alarm and automatic fire extinguishing system</li> <li>5. The office has good (non criminal) location with good transport connection.</li> <li>6. Excellent medical insurance</li> <li>7. There are periodical emergency trainings are held</li> </ol>	8-10
<ol style="list-style-type: none"> <li>1. There are local safety rules, which are followed and monitored</li> <li>2. There is a safety rules, which each employee should be familiar with</li> <li>3. Office premises has, fire exits, personal safety kits, fire alarm and automatic fire extinguishing system</li> <li>4. The office has good (non criminal) location with good transport connection.</li> <li>5. Good medical insurance</li> </ol>	6-8
<ol style="list-style-type: none"> <li>1. There is a safety rules, which each employee should be familiar with</li> <li>2. Office premises has, fire exits, personal safety kits, fire alarm and automatic fire extinguishing system</li> <li>3. The office has moderate location with good transport connection.</li> <li>4. Standard medical insurance</li> </ol>	4-6
<ol style="list-style-type: none"> <li>1. Office premises has, fire exits, fire alarm.</li> <li>2. The office has moderate location with good transport connection but transport connection is poor</li> <li>3. Poor medical insurance</li> </ol>	2-4
<ol style="list-style-type: none"> <li>1. Bad office</li> <li>2. Bad location</li> <li>3. No insurance</li> </ol>	0-2

## Risk of natural disaster

This is the risk of becoming a victim of a disaster as a result of vulnerability and natural hazards such as earthquakes, volcanic eruptions, storms, floods, droughts and sea level rise.

Country	Risk rate
Europe	8-10
North America	8-10
Arab States	6-8
Africa	2-4
South/Latin America	2-4
Asia and Pacific	0-2

## Country specific risk

While Country risk is the general risk the Specific risk characterize how advantageous the environment for IT companies is. Note, that legal is not presented here as it analyzed in other methodology.

Indicator		Risk rate
<ol style="list-style-type: none"> <li>1. It's clearly explained which tokens are treated as securities and which are not and proper regulation exists and formalized.</li> <li>2. There is no license required for mining and cryptocurrency trading.</li> <li>3. Smart contracts are widely recognized and have full force and effect.</li> <li>4. Cryptocurrencies are used as means of payment and accepted by majority of vendors. It also supported by financial institutions. Standards for cryptocurrency accounting are in place. (reporting standards). Cryptocurrency exchange market officially exists</li> <li>5. Operations with cryptocurrencies are tax-free and insignificant or zero-commission applied for transactions.</li> <li>6. Blockchain technology and cryptocurrency are officially supported by government (there are clear, transparent regulation exists; the technology is used by authorities itself).</li> <li>7. Fast and cheap registration procedure for blockchain companies.</li> <li>8. Fast and cheap procedure for opening bank accounts for companies working with cryptocurrencies.</li> <li>9. Number of successful ICOs (more than 10\$ USD) were launched in the past.</li> <li>10. There are lots of/ or major start up hub and accelerators located in the country and it's easy to obtain necessary support and investment.</li> </ol>	All stars	8-10
<ol style="list-style-type: none"> <li>1. Although there is no clear formalized regulation the overall regime is ICO/blockchain friendly and it's clearly stated by authorities</li> <li>2. There is license required for mining and cryptocurrency trading but it's cheap and easy to obtain.</li> <li>3. Smart contracts are widely recognized but used only by certain companies (companies which is satisfied to specific requirements or registered in special zones)</li> <li>4. Cryptocurrencies unofficially are used as means of payments but not supported by banks. No standards for its accounting exists.</li> <li>5. Other operations with cryptocurrencies are subject of tax</li> <li>6. Blockchain technology and cryptocurrency are not supported by government (no regulation exists;) but overall attitude is crypto/blockchain friendly.</li> <li>7. Fast and cheap procedure for opening bank accounts.</li> <li>8. Some successful ICOs (less than 10\$) were launched in the past.</li> <li>9. There are start up hub and accelerators located in the country.</li> </ol>	Positive	6-8



<ol style="list-style-type: none"> <li>1. There is regulation and no official position of authorities are known</li> <li>2. The mining and cryptocurrency trading neither allowed nor banned</li> <li>3. Smart contracts are used only by specific companies and have experimental status</li> <li>4. Cryptocurrency are not recognized as means of payment, no cryptocurrency exchange exists. But it's not officially banned</li> <li>5. No ICOs was launched at all.</li> <li>6. Some local, not widely known abroad startup hubs and accelerators exist.</li> <li>7. The overall position of authorities is neutral.</li> </ol>	Neutral	4-6
<ol style="list-style-type: none"> <li>1. ICO is officially banned</li> <li>2. The citizens of the country are not allowed to participate in ICO abroad</li> <li>3. Cryptocurrency is banned, but no legal implication imposed for ownership and unofficial trading.</li> <li>4. Smart contract are not used</li> <li>5. The overall position is negative</li> </ol>	Negative	2-4
<ol style="list-style-type: none"> <li>1. Everything relates to ICO and cryptocurrency is banned, there is legal implication imposed.</li> </ol>	North Korea	0-2

## Internal Risks

### Financial, operation and fraud risk

Indicator	Risk rate	Risk rate
<ol style="list-style-type: none"> <li>1. Experienced CFO with ACCA, CFA qualification or MBA (from TOP 10) qualification and deep experience is employed.</li> <li>2. TOP legal adviser firm service is outsourced and in-house lawyer is employed</li> <li>3. Risk management policy is developed (company risk map), implemented and updated in periodical basis, based on permanent risk identification process, performed by risk manager/internal auditor and/or CFO.</li> <li>4. Proper internal control system is implemented and maintained.</li> <li>5. Full set of IFRS/US GAAP/Local GAAP annual financial statement is prepared</li> <li>6. Financial statement is audited by Big4 or IAB TOP 10 audit company</li> <li>7. Internal audit function exists</li> <li>8. ERP system is implemented</li> <li>9. There are detailed business and financial plan developed and approved by CFO, CEO and owners.</li> <li>10. Periodical analysis and comparison planned vs actual result are performed. All deviations are investigated and explained</li> <li>11. Positive auditors report for the last year</li> <li>12. All business processes are formalized and followed by all employees.</li> <li>13. The major financial and non – financial metrics and ratios are calculated and monitored by CEO and CFO on systematic basis as well as metrics and ratios specific for the start-up.</li> <li>14. There is sound corporate governance and culture within the company which is followed by all level staff. Management lead by example.</li> </ol>	Pro (It's not a start-up)	8-10
<ol style="list-style-type: none"> <li>1. Experienced CFO with deep experience is employed</li> <li>2. Experienced in-house lawyer is employed</li> <li>3. Risk management policy is existing but there is no evidence it's reviewed and updated on systematic basis</li> <li>4. Proper internal control system is implemented and maintained.</li> <li>5. Full set of IFRS/US GAAP/Local GAAP annual financial statement is prepared</li> <li>6. Financial statement is audited by the local audit company.</li> <li>7. There is no internal audit function within the company (or function is outsourced)</li> <li>8. The company utilize common software for accounting purposes and excel for management accounts.</li> <li>9. The financial plan exists but contains only high-level PL and BS items. There is no evidence if it approved by CEO and owners.</li> <li>10. Only major business processes are formalized.</li> </ol>	Right company	6-8

<ul style="list-style-type: none"> <li>11. There is positive or qualified audit opinion for the last year.</li> <li>12. Only major financial ratios is calculated with no evidence of its further analysis.</li> <li>13. Informal code of conduct exists.</li> </ul>		
<ul style="list-style-type: none"> <li>1. CFO with no proven experience</li> <li>2. Accounting function is outsourced</li> <li>3. Local company legal services is outsourced from time to time</li> <li>4. There is no risk management policy nor internal audit</li> <li>5. Only Local GAAP financial statement is prepared</li> <li>6. Financial statement is not audited (or adverse opinion issued/qualified due to going concerns reason)</li> <li>7. The company utilize common software for accounting purposes or accounts are prepared in Excel spreadsheets. No management accounts.</li> <li>8. Approximate financial plan exists</li> <li>9. There is no evidence that company financial position is monitored and analyzed properly</li> <li>10. No sound corporate governance culture and code of conduct</li> </ul>	Common case	4-6
<ul style="list-style-type: none"> <li>1. There is no CFO</li> <li>2. Accounting function is outsourced</li> <li>3. There is no risk management policy</li> <li>4. Only Local GAAP financial statement is prepared.</li> <li>5. Financial statement is not audited.</li> <li>6. There are cases of tax penalties imposed to the company</li> <li>7. No financial plan prepared</li> </ul>	Beginner	2-4
<ul style="list-style-type: none"> <li>1. No financial function</li> <li>2. No financial statement prepared.</li> <li>3. All calculations are in an inaccurate spreadsheets which is difficult to follow and review.</li> </ul>	Amateur	0-2

## HR risk

Trained and skilled professionals are the main assets of every start-up. Losing key employee at the initial stage may seriously disrupt or even ruin the company. In this methodology HR risk is primarily concerned with risk of losing key staff, staff shortage, unskilled staff attraction, low motivation. Therefore, early identification, evaluation and HR risk management one of the most important task of the start-up company.

Indicator		Risk rate
<ol style="list-style-type: none"> <li>1. Experienced HR manager is employed</li> <li>2. There is separate HR department within the company</li> <li>3. There is detailed, multy-stage hiring process (including test, references from previous employer and back-round check)</li> <li>4. Probationary period is the must for each employee</li> <li>5. Orientation and ongoing trainings is provided for each employee</li> <li>6. Performance management system is implemented including timely feedback and promotions</li> <li>7. There is up to date, tailored with respect to Company needs code of conduct, HR manual and other policies</li> <li>8. Working conditions are comfortable and safe, with good office location</li> <li>9. Periodical salary surveys are performed by HR department</li> <li>10. Employees are equipped with high quality stuff</li> <li>11. Adequate supervision is the part of working process.</li> <li>12. HR department maintain accurate records and look over proper employee document circulation.</li> <li>13. HR department employees follow up all changes in legislation.</li> <li>14. Exiting procedure is formalized and followed (retrieve information and equipment, de-activation of access and so on)</li> <li>15. Medical insurance, corporate activities, team-building activities.</li> <li>16. There are always at least 2-3 candidates for open vacancy, who applied by their own initiative.</li> <li>17. Dinner is provided by company and some of expenses are reimbursed by the company.</li> <li>18. Overtime work is paid</li> <li>19. Clear organization chart</li> <li>20. The company is known as very good place to work</li> </ol>	Best work ever	8-10
<ol style="list-style-type: none"> <li>1. HR manager is employed, but no separate HR department exists.</li> <li>2. While there is induction program for new employees, trainings are rare.</li> <li>3. Hiring process is formalized but not properly followed and sometimes includes interview with HR only, tests are standard (background check is not obligatory</li> </ol>	Good place to work	6-8

<p>procedure)</p> <ol style="list-style-type: none"> <li>4. Only annual feedback and appraisal is performed. Performance management is informal.</li> <li>5. Working condition is moderate. The company encourages employees working from home.</li> <li>6. Medical insurance is limited</li> <li>7. The Company encourages employees to use their private laptops, but if needed can equip with corporate one</li> <li>8. Social activities is moderate</li> <li>9. Periodical salary surveys are performed by HR</li> <li>10. There is always at least 1 candidate for open vacancy, who applied by their own initiative.</li> <li>11. HR documentation maintenance is outsourced as well as legislation compliance issues.</li> <li>12. Overtime work is paid only in rare cases</li> <li>13. Clear organization chart</li> <li>14. Good corporate culture</li> <li>15. The company is known as good place to work</li> </ol>		
<ol style="list-style-type: none"> <li>1. HR function is outsourced</li> <li>2. There is no induction program, only common entry instruction</li> <li>3. Hiring process is not formalized, no tests are required.</li> <li>4. No medical insurance</li> <li>5. No performance management policy and feedback (unless employee insist on it)</li> <li>6. Social events are rare.</li> <li>7. Office location is difficult to get by transport and employee prefer to work from home.</li> <li>8. In case of open vacancy sometimes it difficult to find candidate and it takes significant amount of time.</li> <li>9. Overtime work doesn't paid</li> <li>10. No salary surveys performed</li> <li>11. The Company encourages employees to use their private laptops, but if needed can equip with corporate one</li> </ol>	<p>One from the row</p>	<p>4-6</p>
<ol style="list-style-type: none"> <li>1. HR function is outsourced</li> <li>2. There is no induction program at all</li> <li>3. Hiring process is fully outsourced</li> <li>4. No medical insurance</li> <li>5. No performance management policy and feedback (unless employee insist on it)</li> <li>6. No social events.</li> <li>7. Office is uncomfortable and is used only for meetings</li> <li>8. In case of open vacancy it always difficult to find candidate and it takes significant amount of time.</li> <li>9. Overtime work doesn't paid</li> <li>10. No salary surveys performed</li> <li>11. Employees uses its own laptops</li> </ol>	<p>Only if you have no other choice</p>	<p>2-4</p>

12. The company has negative publicity		
<ol style="list-style-type: none"><li>1. No HR at all</li><li>2. All employees work from home</li><li>3. Only enthusiasm keeps the team together (see individual profiles, to understand risk)</li></ol>	Maybe it's a brilliant idea with unclear perspective?	0-2