# SONIC

2025

alpha node

# content

# Introduction

Sonic is a next-generation Layer-1 blockchain, emerging from Fantom's legacy with a focus on high-speed transactions and developer-first incentives. Backed by Andre Cronje and Fantom's core team, Sonic is more than a rebrand—it's a complete technological overhaul designed to reclaim DeFi market share.

Its key innovation is a Fee Monetization (FeeM) model, which rewards developers with up to 90% of gas fees, ensuring long-term builder alignment. Combined with sub-second finality and EVM compatibility, Sonic has gained early traction, with TVL surpassing $700M within weeks of launch.

However, risks remain. Sonic prioritizes performance over decentralization, operating with a small validator set, which raises centralization and security concerns. Additionally, its early adoption has been incentive driven, meaning sustained growth depends on organic user demand beyond liquidity mining rewards.

From an investment standpoint, Sonic presents a high-risk, high-reward opportunity. If it successfully establishes developer adoption and network effects, it could become a dominant DeFi hub. However, it must prove its economic model's sustainability, navigate fierce competition from Ethereum and Solana, and demonstrate long-term resilience beyond initial incentives.

Our report provides deeper insights into Sonic's technology, adoption strategy, tokenomics, and competitive positioning, assessing its potential risks and rewards for investors.



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# **Project Overview** and History

Sonic is a high-performance Layer-1 blockchain that evolved from Fantom, a network originally launched in 2018 to offer fast, low-cost smart contracts. Fantom saw rapid growth during the 2021–2022 DeFi boom, reaching a peak $8 billion in Total Value Locked (TVL), thanks to strong community adoption and the influence of Andre Cronje, a well-known DeFi developer. However, Fantom's momentum stalled when Cronje left the industry in early 2022, and the broader crypto market downturn further weakened the ecosystem. By mid-2022, liquidity and developer activity had declined as users migrated to competing platforms.

Despite having advanced technology, Fantom struggled with scalability limitations and network congestion. Upgrading the existing network proved difficult, so in mid-2024, the Fantom team decided to launch a completely new chain—Sonic. This move allowed for major technological improvements without disrupting existing applications. The transition was formally announced on August 1, 2024, with Michael Kong, CEO of Fantom (now Sonic) Labs, leading the initiative. Sonic was built from scratch with a new consensus engine, execution model, and its own native token ("S") replacing Fantom's FTM token.

A major turning point was Andre Cronje's return as Sonic's Chief Technology Officer (CTO) in 2024. His leadership restored confidence in the project, and he actively encouraged developers to build on Sonic. To support this transition, Sonic Labs launched a $120 million developer fund to attract projects and accelerate adoption.

Sonic's mainnet went live on December 18, 2024. Existing FTM holders could swap their tokens 1:1 for S tokens, with a 90-day flexible swap window before FTM conversions became one-way. While Fantom Opera remains active for legacy support, Sonic is now the flagship network, with the Sonic Foundation managing governance and Sonic Labs driving development.

As of early 2025, users, dApps, and liquidity are steadily migrating to Sonic, with full adoption expected by Q2 2025. With its faster performance, developer-first incentives, and strong backing, Sonic aims to redefine DeFi and reclaim its market leadership.

# **Technology** and Innovation

Sonic introduces major technological upgrades to improve speed, scalability, and developer experience. Its goal is to provide Ethereum-level flexibility while rivaling the fastest blockchains in performance.

## 01 DAG-Based aBFT

Sonic builds on Fantom's Directed Acyclic Graph (DAG) consensus but optimizes it for higher speed. Unlike traditional blockchains, Sonic's validators process transactions asynchronously in small event blocks, which are later finalized into a single chain. This parallel processing allows Sonic to achieve sub-second finality (~720 ms)—faster than Solana (12.8s) and Ethereum (16 min).


Source: https://docs.soniclabs.com/technology/consensus

## 02 High Throughput & Scalability

With its improved consensus and execution model, Sonic can handle 10,000+ transactions per second (TPS), far surpassing Fantom's 30 TPS. Internal tests suggest even higher scalability, making it ideal for DeFi, NFTs, and high-frequency trading. Sonic's network grows more efficient as validators increase, preventing congestion and ensuring instant transaction confirmations.

## 03 Sonic Virtual Machine (SVM)

Sonic introduces the Sonic Virtual Machine (SVM), which improves Ethereum Virtual Machine (EVM) performance while maintaining full compatibility. SVM dynamically optimizes smart contract execution, reducing overhead and enabling up to 65× more transactions per second than traditional EVMs. Developers can use familiar Ethereum tools (Remix, Hardhat, Truffle), but with significantly faster speeds and lower gas costs.

## 04 CarmenDB – Efficient Blockchain Storage

To prevent data bloat, Sonic features CarmenDB, a highly efficient storage system that reduces node storage by 90%. Unlike traditional blockchains that accumulate massive historical data, Sonic prunes unnecessary information in real time, making it easier for validators to sync and operate efficiently. This ensures long-term scalability without excessive storage costs.

## 05 Fee Monetization (Gas Revenue Sharing)

Sonic introduces Fee Monetization (FeeM), allowing developers to earn up to 90% of gas fees generated by transactions on their dApps. This is enabled through the Special Fee Contract (SFC), which automatically redirects fees to enrolled developers. The remaining 10% or less goes to validators.

> Incentive Structure: dApps not enrolled in FeeM have 50% of their gas fees burned (reducing supply) and the rest distributed to validators and a community fund. This encourages developers to opt in and monetize app activity.

> Technical Safeguards: Sonic's system prevents double-counting gas fees in nested transactions, ensuring fair distribution.

> Impact: This model aligns network growth with developer success, creating strong incentives to drive user engagement and on-chain activity.


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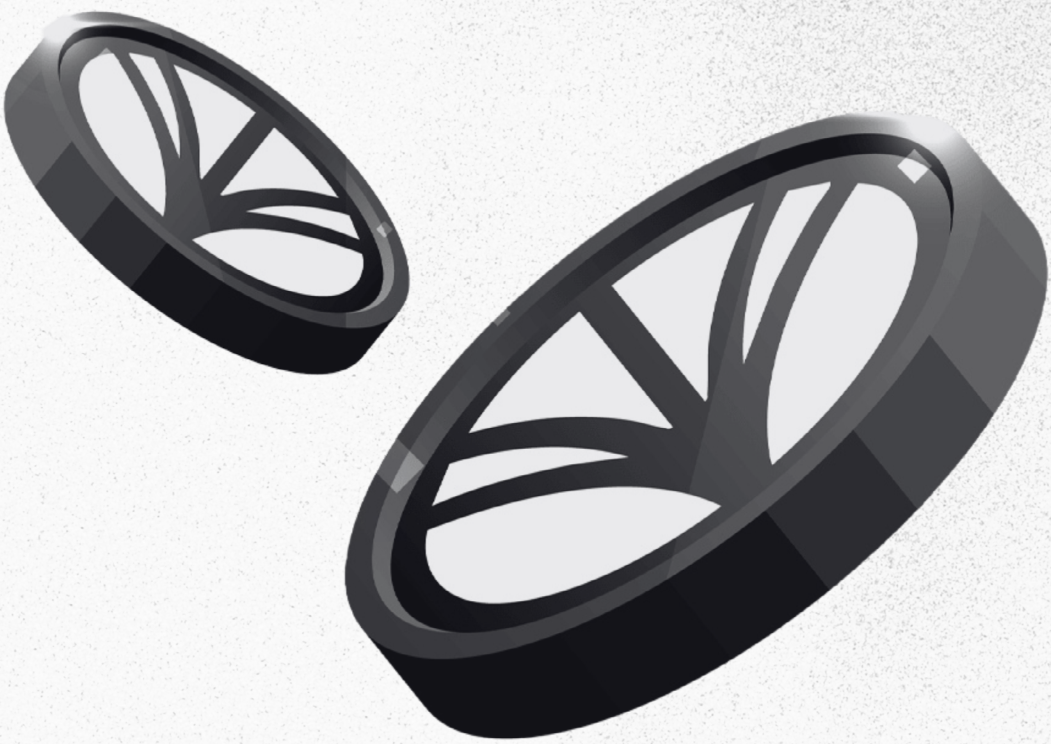
## 06 Customizable Gas & Account Abstraction

Sonic streamlines user onboarding by implementing account abstraction and gas subsidies, making transactions more flexible.

- Gas Sponsorship: Developers can cover gas fees on behalf of users or allow gas payments in alternative tokens (e.g., ETH or stablecoins) instead of Sonic's native S token.
- User Experience: This removes the barrier of needing S tokens to interact with dApps, enabling a seamless, gas-free experience for mainstream users.
- Programmability: Developers can prepay gas fees, set up automated fee conversion, or integrate gas costs into app transactions—giving them full control over how fees are handled.

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# Use Cases and Real-World Applications

## 01 Decentralized Finance (DeFi)

DeFi was Fantom's strength and remains central to Sonic's growth. Sonic is ideal for trading, lending, and yield generating applications. Developers benefit directly from network growth through gas revenue sharing, ensuring long-term sustainability.

**Several major DeFi projects have migrated to Sonic, including:**

- Aave – A leading decentralized lending protocol.
- Pendle – A yield-trading platform expanding onto Sonic.
- Silo Finance – A risk-isolated lending protocol.
- Beets – A liquid staking platform for the S token.
- Shadow DEX – Now the largest DEX on Sonic, reaching $100M TVL.

## 02 GameFi & NFTs

Sonic's 0.7s finality and near-zero fees make it a strong choice for gaming and NFT applications. Developers can subsidize gas fees, making transactions seamless for users. Sonic's hackathons and funding initiatives, such as the Sonic BOOM Innovator Fund, further encourage adoption.

**Notable gaming projects on Sonic include:**

- Zeebit – A decentralized casino.
- Sonic Arcade – A P2E platform tied to a $130M $SONIC airdrop.
- Lowlife Forms & Rage Effect – High-performance blockchain shooters.
- Gomble Games – A Web3 adaptation of classic games.

## 03 Real-World Asset Tokenization & Institutional Finance

Sonic is well-positioned for on-chain finance, including real-world asset (RWA) tokenization, credit scoring, and undercollateralized lending. Andre Cronje has highlighted Sonic's potential for wallet-based credit scoring, targeting the $11 trillion unsecured lending market.

**Sonic is also exploring partnerships for:**

- Tokenized bonds & stablecoins
- Instant loan settlements
- Cross-border remittances & micropayments

# **Tokenomics and** Economic Model

Sonic's tokenomics are designed to support its new network goals, with S as the native token for transaction fees, staking, governance, and developer rewards. Since S replaces Fantom's FTM, the transition ensured continuity while introducing sustainable economic adjustments.

## 01 FTM to S Migration

To maintain community value, FTM holders could swap their tokens 1:1 for S via the MySonic web portal. Initially, swaps were bidirectional, but after March 18, 2025, they became one-way (FTM → S) to establish S as the primary token. The total genesis supply of S (~3.175 billion tokens) matched FTM's circulating supply, ensuring a smooth economic transition with no sudden inflation or deflation.

**New Token Issuance & Inflation.** Sonic follows a controlled inflation model to balance network security and long-term sustainability

Airdrop Allocation: 190.5 million S (6% of supply) was reserved for early incentives.

Annual Inflation: 1.5% per year (~47.6M S annually) for six years, primarily funding staking rewards.

Low Initial Inflation: Until 2028, staking rewards come from pre-allocated reserves from Fantom, reducing inflationary pressure.

Sonic's staking system adjusts rewards based on network participation:

At 50% staking, validators earn ~3.5% annual yield.

If staking reaches 100%, yield drops to ~1.75%, ensuring balanced participation.

In the long term, fee burning and network activity are expected to sustain rewards while keeping inflation low.

## 02 Staking and Validator Incentives

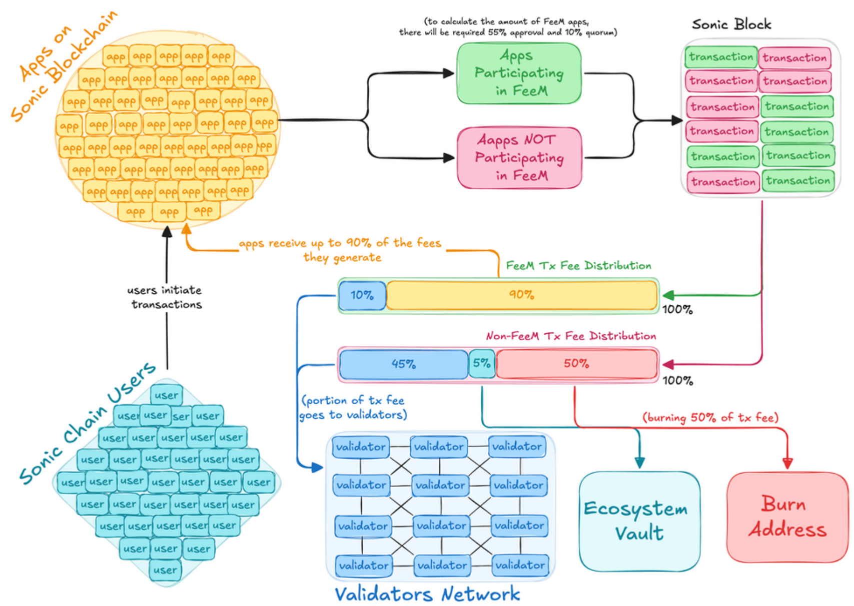
Sonic's Proof-of-Stake (PoS) model secures the network while offering staking rewards for validators and delegators. Running a validator node requires staking 500,000 S, ensuring validators have a significant stake in the system. For those who don't meet this threshold, delegated staking allows users to stake any amount of S and earn rewards by supporting a validator.

The staking system includes a 14-day unbonding period to prevent rapid exits and ensure network stability. Staking yields adjust based on participation.

Unlike traditional blockchains, validators receive only a small portion of gas fees, as most are redirected to developers under the Fee Monetization (FeeM) model. Instead, validators primarily earn from staking rewards and block subsidies, ensuring long-term network security.

## 03 Fee Monetization (FeeM) & Token Burn

Sonic's FeeM program allows developers to earn up to 90% of gas fees from dApps, while validators receive the remaining 10% or less. For non-FeeM transactions, 50% of gas fees are burned, reducing supply, while the rest is shared between validators and an ecosystem fund.




Source: https://blog.soniclabs.com/fee-monetization-reimagined-on-sonic

This structure balances incentives by rewarding developers for growth while ensuring validators benefit from increased transaction volume. High network activity could offset inflation, creating a deflationary effect that benefits token holders.



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## 04 Airdrop & Incentives

To drive adoption, Sonic allocated 200M S (6% of total supply) for an airdrop program. Instead of a one-time drop, Sonic introduced a Points system, where users earn rewards by actively engaging with the network (bridging assets, using dApps, etc.). The goal is to attract long-term users rather than short-term speculators.

A portion of the airdrop is vested over 9 months to prevent immediate sell-offs, ensuring a steady distribution of tokens. Additional incentives include the Sonic BOOM fund and 200M S Innovator Fund, which provide grants to developers building on Sonic.

## 05 Gas Fees & Scalability

Sonic is designed for low-cost transactions, with gas fees averaging $0.01 or less. This affordability encourages high transaction volume, making microtransactions and DeFi interactions more viable. Sonic's economic model prioritizes scalability over high fees, ensuring sustainable network growth.

## 06 Governance & Long-Term Viability

S holders will eventually govern network parameters, FeeM percentages, and treasury allocations through the Sonic Foundation. While governance is currently secondary to adoption, it ensures decentralization and long-term adaptability.

# **Technical Analysis and** Performance Metrics

It's worth comparing Sonic's throughout with competitors:

| Blockchain | Current TPS | Theoretical/Peak TPS | Finality Time | Notes |
|---|---|---|---|---|
| Sonic | ~10,000 (tested) | ~370,000–400,000+ | Subsecond (<1s) | Tested at 471 TPS per validator, scales with traffic; EVM-compatible L1. |
| Ethereum L1 | ~15–30 | ~30–100 (post- sharding) | ~12–15 seconds | Limited by gas cap; PoS since 2022; L2s offload most scaling. |
| Arbitrum (L2) | ~2,000–4,000 (bursts) | ~40,000 (theoretical) | ~1–2s (L2), 7 days (L1) | Optimistic rollup; L1 finality delayed by challenge period. |
| Optimism (L2) | ~400–2,000 (sustained) | ~20,000 (theoretical) | ~1–2s (L2), 7 days (L1) | Optimistic rollup; similar constraints to Arbitrum; Superchain scaling. |
| Solana | ~400–2,000 (sustained) | ~65,000 (theoretical) | ~400ms– 1s | Parallel execution; high validator count (~1,900); past stability issues. |

Sonic's Carmen DB and pruning mechanisms are designed to maintain efficiency as the blockchain history expands. Early results are promising—node operators report lower resource requirements compared to Fantom Opera. Sonic Labs estimates a 66% reduction in validator node costs due to improved storage efficiency and system optimizations. This suggests that scaling to more validators or higher TPS won't significantly increase costs, making decentralization more viable.

# Validator Count & Decentralization

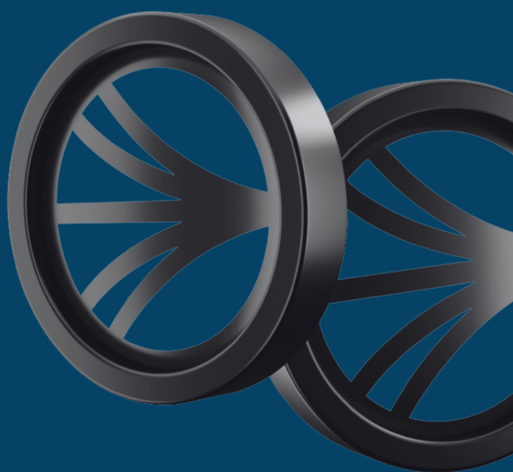
| Network | Active Validatorsw | Comparison | Nakamoto Coefficient | Notes |
|---|---|---|---|---|
| Sonic | ~60 (early 2025) | Similar to Fantom, Avalanche | Likely single digits or low teens | High stake requirement (500k S); potential centralization risk. |
| Ethereum | 900,000+ | Highly decentralized | 30+ | Largest validator set; strong security. |
| Solana | ~1,900 | Moderately decentralized | ~20 | High validator count but some stake concentration. |
| Avalanche | ~100 | Similar to Sonic | ~7-10 | Limited validator set but permissionless. |
| BNB Chain | 21 | More centralized | ~7-10 | Permissioned validator set. |
| Polkadot | ~1,000 | More decentralized | ~12 | Nominated Proof of Stake model. |

Sonic's **minimum stake for validators is 500k S,** which creates a **high barrier to entry** and limits participation. While this ensures validators have significant skin in the game, it may **discourage broader decentralization.** Delegation allows token holders to stake with validators, but the concentration of power remains a concern.

# **Key Decentralization** Metrics

| Metric | Sonic's Status |
|---|---|
| Minimum Stake for Validators | 500k S (high requirement, limits participation) |
| Stake Distribution | Currently unknown; risk of centralization if concentrated. |
| Slashing Mechanism | Active – discourages validator misbehavior. |
| Delegation | Available – token holders can stake with validators. |
| Governance | Currently centralized (Sonic Labs), but governance tokens planned. |
| Validator Expansion | Possible future reduction to 50k S stake requirement. |

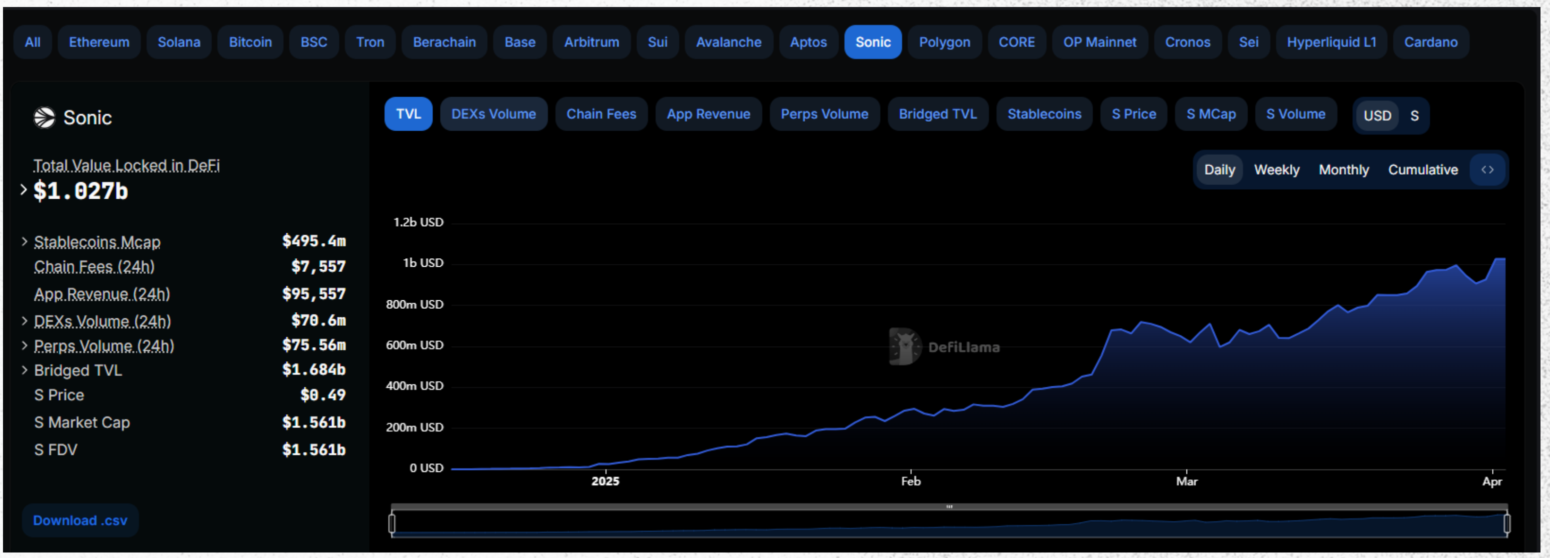
Sonic's governance is still centralized, with **Sonic Labs leading decision-making.** However, the team has **indicated plans for token-based governance,** which could shift control to the broader community over time. The **Sonic Foundation may also use treasury funds** to incentivize further decentralization, similar to Fantom's past public sector projects.



# Network Activity and Utilization

## 01 Total Value Locked (TVL)

Sonic's TVL grew from nearly zero to $250M in its first month, surpassing $700M by late February 2025 (DefiLlama). This rapid growth places Sonic among the top 10 blockchains by DeFi TVL, signaling strong capital inflows. While still below Fantom's peak of $8B, Sonic has successfully attracted liquidity and rebuilt its ecosystem.




Source: https://defillama.com/chain/Sonic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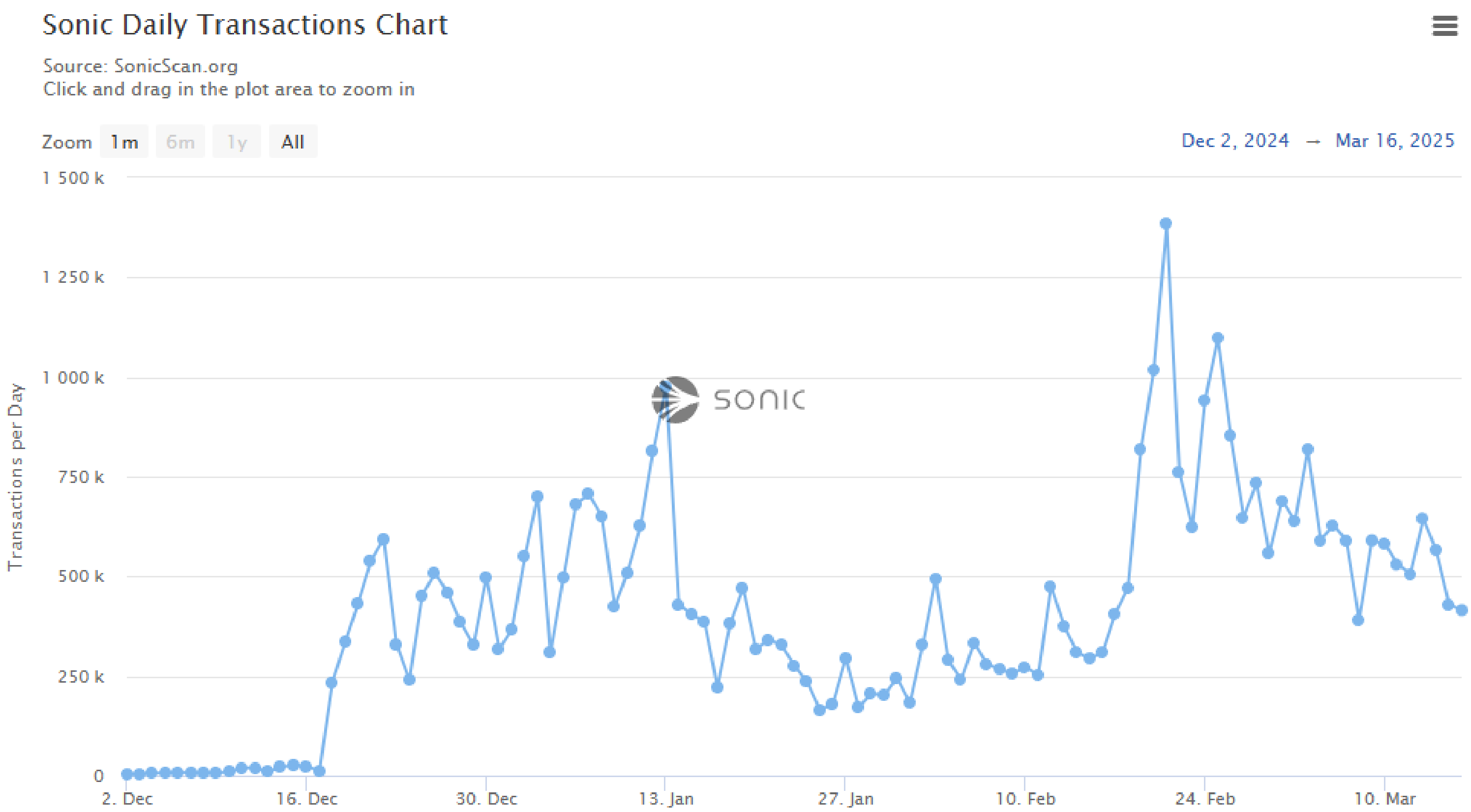
## 02 Transactions & Active User

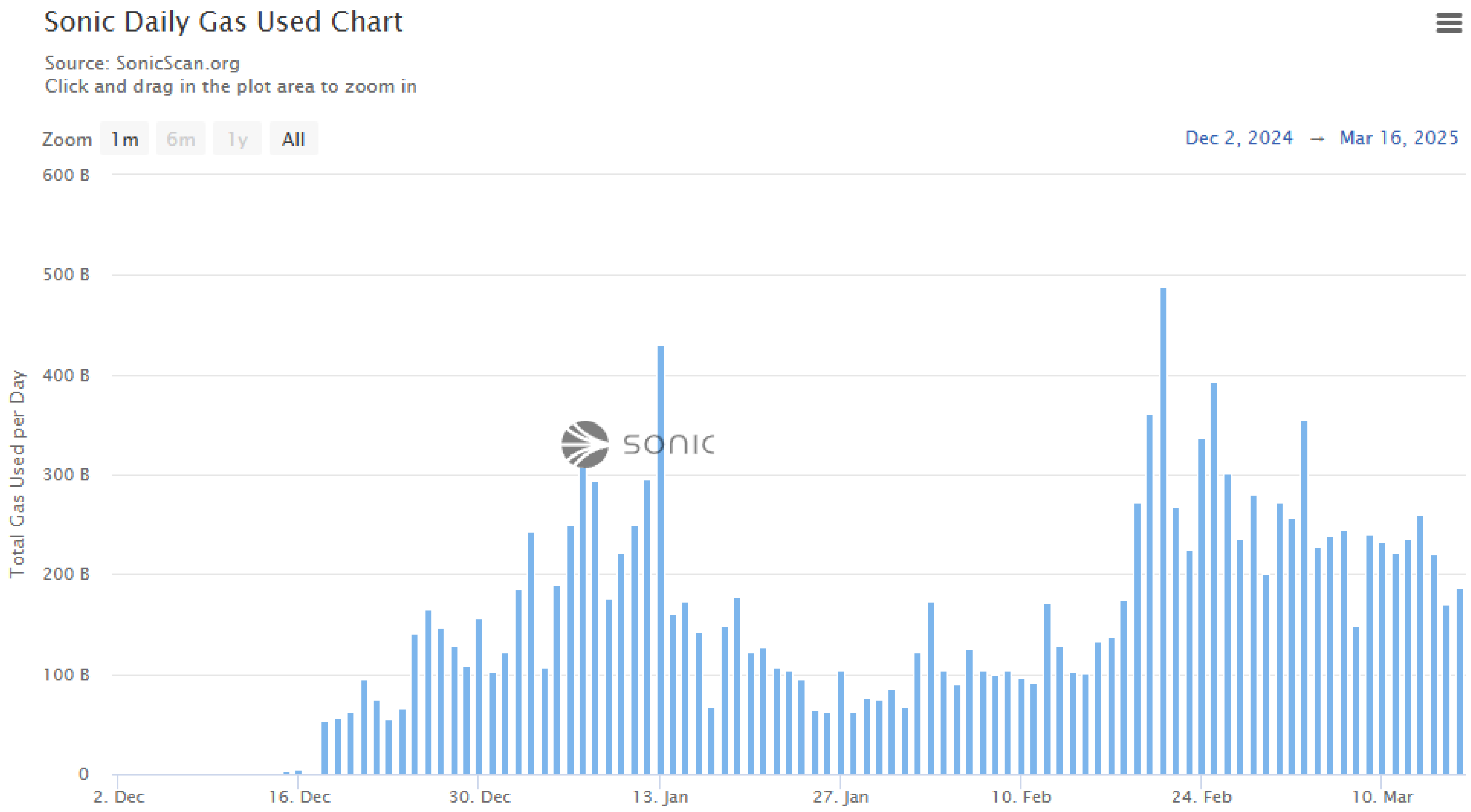
Sonic processed over 25 million transactions and onboarded 758,000 unique wallet addresses within its first two months. This rapid adoption suggests both migrating Fantom users and new airdrop participants engaging with the network. Daily transactions averaged ~500K, with peaks during incentive campaigns.




Source: https://sonicscan.org/chart/tx

## 03 Gas Fees & Revenue

Sonic maintains ultra-low gas fees (~$0.01 per transaction), making it cost-effective for users. As of mid-February, the network had generated $316K in transaction fees, with 90% going to developers or being burned.




Source: https://sonicscan.org/chart/gasused

## 04 Performance & Security

Sonic has had no major outages or congestion issues since launch, in contrast to Fantom's past bottlenecks. Its architecture is designed to handle high throughput, and built-in fee burning discourages spam attacks. Additionally, Sonic has passed multiple security audits (OpenZeppelin, Quantstamp, Certora), with no reported vulnerabilities so far.

# Competitive Analysis and Positioning

Sonic enters a highly competitive Layer-1 blockchain space. Below is a comparison of Sonic against major competitors based on technology, ecosystem, and market positioning.

| Competitor | Strengths | Sonic's Advantages | Challenges for Sonic | Market Positioning |
|---|---|---|---|---|
| Ethereum & L2s | Largest ecosystem & liquidity - High security & decentralization (~900k validators) - Strong network effects | - Faster & cheaper (0.7s finality vs. 1215s) - Developer fee sharing (vs. Ethereum fees going to validators) - EVM-compatible (MetaMask, Solidity, etc.) - Sonic Gateway enables seamless Ethereum bridging | Hard to match Ethereum's deep liquidity & dApp integration - Competing with L2s like Arbitrum, Optimism, Base | The fastest EVM chain with developer incentives" – Competes with Ethereum L2s by offering higher performance without Ethereum fees |
| Solana | - High TPS (~2-3k in practice) - Thriving DeFi & NFT ecosystem | - Faster finality (0.7s vs. Solana's 12s) - EVM-compatible | - Solana dominates NFTs & DeFi | "Solana for Ethereum Developers" – Combines |
| | - Institutional support | (easier for Ethereum developers) - Developer fee rebates (Solana fees mostly go to validators) - No outages yet (Solana has had network failures) | - Must prove network stability | Solana's speed with EVM compatibility |
| Avalanche | - EVM-compatible Layer-1 - Fast (~1-2s finality) - Subnets for appspecific chains | Faster finality (0.7s vs. Avalanche's 1-2s) - Lower fees - Developer revenue sharing (Avalanche burns fees instead) | - Avalanche has strong institutional partnerships - Subnet model attracts enterprises, while Sonic focuses on a single-chain approach | Outperforms Avalanche in the EVM category with better speed, incentives, and UX |
| Sei, Monad & New L1s | - Sei: Optimized for high-speed DEXs - Monad: High TPS with EVM compatibility | speed DEXs - Monad: High TPS with EVM compatibility - First-mover advantage (migrated Fantom ecosystem) - Proven ABFT consensus | - Competes with high-performance L1s still gaining traction | Competes with Sei & Monad as a fast, EVM-compatible chain with an existing user base |
| Fantom Opera | - Legacy chain being replaced by Sonic | - 10,000 TPS vs. 30 TPS - 0.7s finality vs. 3- 5s - New features: SVM, Carmen DB, FeeM - Full exchange support (FTM rebranded to S) | - Must ensure full migration of liquidity & users | Sonic replaces Fantom as its nextgen successor |



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# Risk Assessment and Mitigation Strategies

## 01 Adoption and Ecosystem Risk

Sonic's early growth has been driven by airdrops and liquidity incentives. The initial spike in transactions and TVL ($700M+ by Feb 2025) was largely influenced by Sonic Points farming and liquidity mining. Similar patterns have occurred in other blockchains, such as NEAR's short-lived DeFi boom.

## 02 Scalability and Performance Risk

Sonic claims to support 10,000 TPS, but it has not yet been tested under extreme conditions like spam attacks or transaction surges. If validator count increases significantly or network latency rises, performance could be affected.

## 03 Security and Technical Risk

Sonic's SVM, FeeM, and Sonic Gateway introduce technical risks, especially in cross-chain bridging, which has been historically vulnerable. If Sonic Gateway fails, funds could be lost or become inaccessible.

Security audits by OpenZeppelin and Quantstamp have been completed, and Sonic's ABFT DAG consensus has been tested since Fantom Opera's launch in 2019. However, undiscovered vulnerabilities remain a risk.

## 04 Centralization and Governance Risk

Sonic's validator set is relatively small (~60 validators), making it more centralized than networks like Ethereum (~900,000 validators) or Avalanche (~1,200 validators). A small number of validators could control transaction ordering or limit participation. The minimum staking requirement (500K S) restricts validator participation, keeping validation largely in the hands of exchanges and large investors. The Sonic Foundation holds a significant share of S tokens, giving it influence over governance.


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## 05 Economic and Sustainability Risk

Sonic's low gas fees (~$0.01 per transaction) benefit users but reduce developer earnings through FeeM. If transaction volume remains low, FeeM payouts may be insufficient to sustain projects.

Sonic has 1.5% annual inflation to fund staking rewards, but its effectiveness depends on network adoption and fee burning. If adoption slows, token inflation could put sell pressure on S. Sonic's airdrops distribute 200M S, with a 9-month vesting period. Once fully unlocked, a large supply of S tokens could enter the market, potentially impacting price stability.

## 06 Competition and Market Shift Risk

Sonic competes with Ethereum L2s (Arbitrum, Optimism, Base), Solana, and Avalanche.

Shifting regulatory policies could impact Sonic's incentive programs or validator operations, especially if governments impose restrictions on fee-sharing mechanisms.

## 07 Governance and Treasury Management Risk

The Sonic Foundation manages treasury funds for development and incentives. Mismanagement could lead to premature depletion of funds or misallocation of resources.

Governance is currently centralized, with plans to transition to token-based governance. If control shifts too early, whales or large investors could dominate governance decisions.



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# Community and Market Sentiment

## Expanding User Base

Sonic's community has grown rapidly across Twitter, Discord, and on-chain activity. The rebranded Fantom Twitter account already had a strong following, and Sonic Labs is attracting new users.

- 758K+ unique wallet addresses indicate strong initial interest, though many are likely airdrop participants.
- Major exchange listings for S have increased trading activity and discussions.
- Price fluctuations influence sentiment—S fell 40% in January, causing concern, but rallied in February, boosting confidence as TVL grew.

## Airdrop Speculation and Engagement

The Sonic Points system fueled engagement, with users analyzing airdrop calculations on spreadsheets and dashboards. While some users may leave after receiving rewards, ongoing incentives (e.g., Sonic Gems) could sustain activity.

- Some airdrop hunters converted into real users after experiencing Sonic's apps.
- Sustained high transaction counts suggest that some organic activity remains.

## Influencer Coverage and Market Sentiment

Sonic is gaining attention from crypto analysts, YouTubers, and research platforms (e.g., Messari). Coverage has been mostly positive to neutral, with analysts questioning:

- Can Sonic retain users after the airdrop?

## Will Cronje remain committed long-term?

Many former Fantom supporters are emotionally invested in Sonic's success, viewing it as a second chance to revive the ecosystem.

## Developer Excitement and Future Prospects

Andre Cronje's continued involvement is a key factor in community sentiment. His work on new Sonic-based apps (WitnessNet, gamified DeFi protocols, etc.) has fueled speculation and interest.

- Cronje's hints about future projects (e.g., native stablecoin, undercollateralized lending) keep the community engaged.
- Similar to how Ethereum's community follows Vitalik's updates, Sonic's supporters track Cronje's announcements for potential opportunities.

# Useful Links

- **Website:** https://www.soniclabs.com/
- **Litepaper:** https://www.soniclabs.com/litepaper
- **Documentation:** https://docs.soniclabs.com/
- **Twitter:** https://x.com/SonicLabs
- **Blog:** https://blog.soniclabs.com/
- **Discord:** https://discord.com/Sonic
- **Explorer:** https://sonicscan.org/
- **Charts and Stats:** https://sonicscan.org/charts

# Alpha Node

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