

Research 11NCH

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Presented by



1INCH.IO – Leading DEX Aggregator in DeFi

1INCH.IO is a decentralized exchange (DEX) aggregator optimizing transactions by sourcing liquidity from multiple platforms. Its **Pathfinder algorithm** reduces price slippage and fees, while the Limit Order Protocol enables decentralized limit orders. By simplifying DeFi transactions and integrating with multiple blockchains (e.g., Ethereum, Binance Smart Chain, Polygon), 1inch fosters adoption and expands into new markets.

Founders **Sergej Kunz** and **Anton Bukov** are experts in IT security and smart contracts, supported by institutional investors like **Pantera Capital** and **Binance Labs**.



Source: <https://www.coingecko.com/en/coins/1inch>

1INCH.IO – Leading DEX Aggregator in DeFi

Key Features:

- Operates across multiple blockchains for scalability and accessibility.
- Implements anti-front-running mechanisms for fair trading.
- Regular audits by firms like Consensys Diligence ensure security.
- Fusion Mode enables fee-free trading, while the Chi Gas Token reduces gas costs on Ethereum.

1INCH Token:

- **ERC-20** governance token with 1.5 billion supply.
- Used for staking and voting on platform development.
- Transparent token distribution supports community rewards and development.

Competitive Edge:

- Advanced algorithms lower fees and split transactions across liquidity sources.
- Supports more blockchains and functionalities than competitors like Uniswap and SushiSwap.

Challenges:

- Lack of KYC/AML raises regulatory concerns in some jurisdictions.
- Key decisions are centralized but aligned with early-stage DeFi practices.





Source: <https://linch.io/press-room/>

Anton Bukov

Anton Bukov started programming at the age of 12 by attending evening university classes for secondary school students. Anton took further programming classes in Turbo Pascal and C++ at a high school specializing in mathematics and computer science, and then studied cryptography at university.

Anton worked as a C++ developer and iOS developer and later contributed to various crypto projects, including MultiToken, NEAR Protocol and Synthetix. Anton also co-hosted, with Sergej Kunz, the YouTube show CryptoManiacs. The two developers' collaboration culminated in New York in May 2019, when Anton and Sergej built a DEX aggregator solution – essentially an MVP for the future linch Aggregation Protocol. Ironically, it turned out to be one of the least successful hackathons for them in terms of awards.

Sergej Kunz

Sergej has 20+ years of experience as a software engineer and software architect.

Sergej's first introduction to the crypto space dates back to 2011, when he attempted to mine Litecoin. In late 2016, he built his first mining farm for Ethereum. After mining Ethereum for a couple of years, he launched a YouTube channel called CryptoManiac, on which he conducted live security audits of smart contracts. During one of the live streams, Anton Bukov, who would later become the co-founder of 1inch, joined in. The two developers hit it off and, for the next six months, Anton became the co-host of the channel, now renamed to CryptoManiacs. Together, they participated in 17 hackathons around the globe. Later, at a hackathon in New York in May 2019, they developed an aggregator MVP for decentralized exchanges.



Source:<https://1inch.io/press-room/>

Competition in the DeFi Ecosystem – Why 1inch Stands Out Among Rivals?

1inch operates in a dynamic and competitive DeFi environment where several projects dominate the decentralized exchange (DEX) market. Key competitors include:



Uniswap: Leader of Decentralized Exchanges

Role in DeFi: Uniswap is the largest DEX based on the Automated Market Maker (AMM) model, accounting for billions of dollars in daily trading volume.

Drawbacks:

- No aggregation of liquidity from other sources, limiting users' ability to optimize transactions.
- High gas fees on Ethereum, especially during network congestion.
- Lacks advanced features like Fusion Mode or support for limit orders.

1inch's Advantage Over Uniswap: 1inch enables users to trade at lower costs through its Pathfinder algorithm, which aggregates liquidity from multiple sources, reducing fees and slippage.



SushiSwap: A Fork of Uniswap with Additional Features

Role in the market: SushiSwap started as a fork of Uniswap, offering additional features like yield farming and staking.

Drawbacks:

- Less advanced algorithms that do not optimize costs as effectively as 1inch.
- Limited support for multiple blockchains—SushiSwap primarily focuses on Ethereum.

1inch's Advantage Over SushiSwap: 1inch supports multiple blockchains (e.g., Binance Smart Chain, Polygon), enabling users to trade more efficiently across ecosystems.

Competition in the DeFi Ecosystem – Why 1inch Stands Out Among Rivals?



Matcha: A Specialist in Aggregation

Role in the market: Matcha, created by **0x Protocol**, focuses on being a DEX aggregator, similar to 1inch.

Drawbacks:

- Matcha aggregates liquidity but relies on less advanced algorithms, resulting in higher transaction costs compared to 1inch.
- Lacks gas optimization tools like the Chi Gas Token.

1inch's Advantage Over Matcha: With Pathfinder and unique features like Fusion Mode, 1inch offers more comprehensive solutions for users.



Blockchain Technology: Scalability and Security

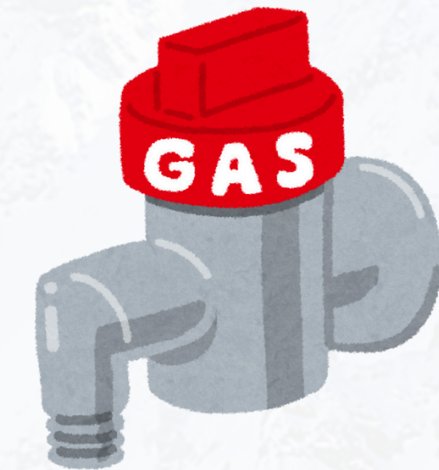
Let me guide you through one of the key aspects that make linch a standout in the DeFi ecosystem: its robust blockchain technology, focused on scalability and security. These are the cornerstones of its success, ensuring both operational efficiency and user trust.

Interoperability Across Multiple Blockchains

linch is designed to work seamlessly across multiple blockchain networks, including:

- **Ethereum:** The backbone of DeFi, offering vast liquidity and developer tools.
- **Binance Smart Chain (BSC):** Known for its lower fees and faster transaction speeds.
- **Polygon:** A layer-2 scaling solution that drastically reduces costs while maintaining security.

This multi-chain compatibility ensures interoperability, giving users the freedom to choose their preferred network. It also positions linch as a versatile platform that caters to a diverse DeFi audience.



Gas Cost Optimization

linch addresses one of the biggest pain points in blockchain transactions: high gas fees, especially on Ethereum. The platform introduces two innovative solutions:

- **Chi Gas Token:** This utility token allows users to save on gas fees by storing gas during low-demand periods and using it during high-demand times. This is particularly valuable on Ethereum, where fees can spike during network congestion.
- **Pathfinder Algorithm:** By efficiently routing transactions across liquidity sources, linch ensures users pay the lowest possible gas costs.

These features make trading on linch not only affordable but also highly efficient, a major draw for users and investors alike.

Blockchain Technology: Scalability and Security



Security Measures

linch prioritizes security through:

- **Regular Smart Contract Audits:** Performed by industry leaders such as Consensys Diligence and OpenZeppelin, these audits verify the integrity and reliability of linch's codebase.
- **Anti-Front-Running Mechanisms:** These systems prevent traders from being exploited by front-running attacks, where malicious actors manipulate transaction orders to gain an unfair advantage.

Such robust measures foster trust, a critical factor in the DeFi space, where security breaches can lead to significant financial losses.

Innovative Features for Cost Efficiency

linch goes beyond basic DeFi functionality by introducing tools that redefine trading efficiency:

- **Fusion Mode:** This groundbreaking feature enables fee-free trading by matching orders directly within the platform. Instead of traditional gas fees, users can trade seamlessly without any hidden costs.
- **Chi Gas Token:** This tool, in addition to saving gas fees, showcases linch's commitment to user-centric innovation.

These features make trading on linch not only affordable but also highly efficient, a major draw for users and investors alike.



Blockchain Technology: Scalability and Security

Conclusion: Why This Matters to Investors

From an investment perspective, linch's blockchain technology is a testament to its long-term potential. By focusing on scalability, interoperability, and security, the platform addresses the core challenges of DeFi, setting a gold standard in the industry. With features that lower costs, ensure safety, and expand accessibility across blockchain networks, linch is not just a tool for traders but a catalyst for the broader adoption of decentralized finance. For investors, this commitment to innovation and reliability makes linch a compelling opportunity in the fast-growing DeFi market.



Cyberattack on linc in August 2023: Lessons and Implications

In August 2023, the linc platform experienced a supply chain attack due to a compromised version of the Lottie Player library, a widely used tool for rendering animations on websites.

Details of the Attack:

- **Compromised Library:** Hackers injected malicious code into specific versions of the Lottie Player library, which were then integrated into platforms like linc.
- **Malicious Prompts:** Users visiting affected websites encountered unexpected prompts to connect their cryptocurrency wallets.
- **Asset Theft:** Upon connecting their wallets, users risked unauthorized transactions that could drain their assets.

Response and Mitigation:

- **Library Update:** The LottieFiles team promptly released a secure version of the library to address the vulnerability.
- **User Advisories:** linc and other affected platforms issued warnings, advising users to avoid interacting with suspicious prompts and to ensure their software dependencies were up to date.

Lessons Learned:

- **Dependency Management:** This incident underscores the importance of scrutinizing third-party libraries and maintaining vigilance in software supply chains.
- **Enhanced Security Measures:** Platforms must implement robust security protocols and conduct regular audits to detect and prevent such vulnerabilities.

This event serves as a critical reminder of the potential risks associated with software dependencies and the need for continuous monitoring and proactive security practices in the digital ecosystem.

Regulatory Risk: Absence of KYC/AML Procedures on 1inch

The decentralized nature of 1inch, like many DeFi platforms, operates without requiring users to undergo **Know Your Customer (KYC)** or **Anti-Money Laundering (AML)** procedures. While this aligns with the core principles of decentralization, it introduces significant regulatory risks that could impact the platform's future.

Potential Regulatory Implications for 1inch

Why is KYC/AML Important?

Preventing Illegal Activities:

KYC and AML processes are designed to prevent illicit activities such as money laundering, terrorism financing, and fraud. By verifying user identities and monitoring transactions, centralized platforms mitigate these risks.

Regulatory Compliance:

Financial authorities globally are increasingly scrutinizing DeFi platforms to ensure compliance with laws governing financial transactions. The absence of KYC/AML procedures on 1inch may attract regulatory scrutiny.

Regulatory Oversight and Sanctions:

Governments and regulatory bodies may view the lack of KYC/AML as enabling illegal activities. This could lead to:

- Fines or sanctions against the platform.
- Restrictions on operating in certain jurisdictions.
- Requirements to implement compliance measures, increasing operational costs.

Market Access Limitations:

Without adherence to KYC/AML standards, 1inch may face bans or restrictions in key financial markets, limiting its growth potential and reducing user trust.

User Concerns and Legal Risks:

Users engaging with 1inch could unknowingly participate in illicit transactions, exposing themselves to legal risks. This could deter institutional investors and larger financial entities from participating in the platform.

Regulatory Risk: Absence of KYC/AML Procedures on 1inch

Balancing Decentralization with Compliance

1inch, as a **DeFi** platform, operates on the principle of providing users with unrestricted and permissionless access to financial services. While this is a cornerstone of decentralization, balancing these principles with evolving regulatory expectations is crucial for sustainable growth.

Geographic Restrictions:

- 1inch has implemented geographic restrictions for users in sanctioned regions, demonstrating some effort to align with regulatory requirements.

User Warnings:

- The platform advises users to comply with their local laws, shifting some responsibility to individuals. While this is a short-term measure, it does not fully address regulatory demands.

Decentralized Identity Solutions:

- DeFi platforms, including 1inch, could explore decentralized identity (DID) solutions to enable privacy-preserving KYC/AML compliance. This would allow the platform to meet regulatory standards without compromising user anonymity entirely.

Future Outlook for 1inch and Regulatory Risks

Global Push for DeFi Regulation:

- As DeFi continues to grow, regulatory frameworks are being developed globally. Countries like the U.S., the European Union, and Singapore are leading the charge in defining standards for DeFi operations.

Opportunities for Innovation:

- The need for compliance presents an opportunity for 1inch to pioneer innovative, decentralized compliance tools. Implementing such solutions could position 1inch as a leader in responsible DeFi practices.

Stakeholder Impact:

- **For Users:** Striking a balance between anonymity and compliance could maintain user trust while ensuring legal protection.
- **For Investors:** Proactive compliance strategies could enhance investor confidence, opening doors for institutional participation.

Regulatory Risk: Absence of KYC/AML Procedures on 1inch

Conclusion

The absence of KYC/AML procedures on 1inch presents a double-edged sword: it reinforces the platform's commitment to decentralization but simultaneously exposes it to significant regulatory risks. Navigating this challenge requires innovative solutions and proactive engagement with regulators to ensure the long-term sustainability and growth of the platform.



Report Summary

1INCH.IO is a decentralized exchange (DEX) aggregator that optimizes transactions by sourcing liquidity from multiple platforms, reducing fees and slippage using its Pathfinder algorithm.

Key Features:

- Multi-Blockchain Support: Integrates Ethereum, Binance Smart Chain, and Polygon.
- Anti-Front-Running: Ensures fair trading.
- Fee Reduction: Fusion Mode and Chi Gas Token cut transaction costs.
- Security: Regular audits maintain platform safety.

1INCH Token:

An ERC-20 governance token used for staking and voting, with a 1.5 billion supply.

Competitive Edge:

1INCH offers more advanced features than Uniswap, SushiSwap, and Matcha, including better liquidity aggregation and lower fees.

Blockchain & Security:

- Interoperability: Works across multiple blockchains.
- Gas Cost Optimization: Reduces Ethereum gas fees.
- Security: Audits and anti-front-running mechanisms.

Cyberattack (2023):

1INCH was attacked via a compromised library, highlighting the importance of securing third-party dependencies.

Regulatory Risk:

Lack of KYC/AML procedures may result in regulatory challenges, including sanctions or restricted access.

Future Outlook:

1INCH's success depends on regulatory adaptation and ongoing technological advancements in DeFi.





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