TOKEN AUDIT · 06.26

FINAL RATING — A

$HYPE

74 /100

app.hyperliquid.xyz

Hyperliquid is a decentralized perpetuals exchange built on its own high-performance Layer-1 blockchain with the token $HYPE.
The native HYPE token is used to pay trading fees, participate in staking, and engage in platform governance. Total token supply is capped at 1 billion tokens.

FDV
$39,6b

MC
$15,7b

TVL
$5,5b

FEES PER MONTH
$61m

USER
1,4m

> This token is needed

> Token product linkage: product success directly supports token demand through fees, buyback/burn mechanics, staking utility, and HYPE's role as the gas token within HyperEVM.

> Tokenomics sustainability: there is structural pressure from growing circulating supply, and the model's margin of safety depends on maintaining high trading volumes.

1. Introduction

This audit isn't intended for commercial purposes, and its conclusions shouldn't be considered investment advice. It's designed for a broad audience and aims to identify structural weaknesses in the $HYPE token model, presenting them clearly to both the project team and token holders. The analysis is based exclusively on publicly available information.

This review is also written with the UAE and Dubai Web3 community in mind. With virtual assets regulated locally through Dubai's VARA and Abu Dhabi's ADGM, the Emirates have become one of the world's fastest-growing hubs for token projects, exchanges and crypto funds — and independent, methodology-based token audits are increasingly part of how regional investors and teams assess an on-chain asset before allocating capital.

Hyperliquid is a decentralized derivatives exchange built on its own high-performance Layer 1 blockchain and powered by the $HYPE token.

Key features include:

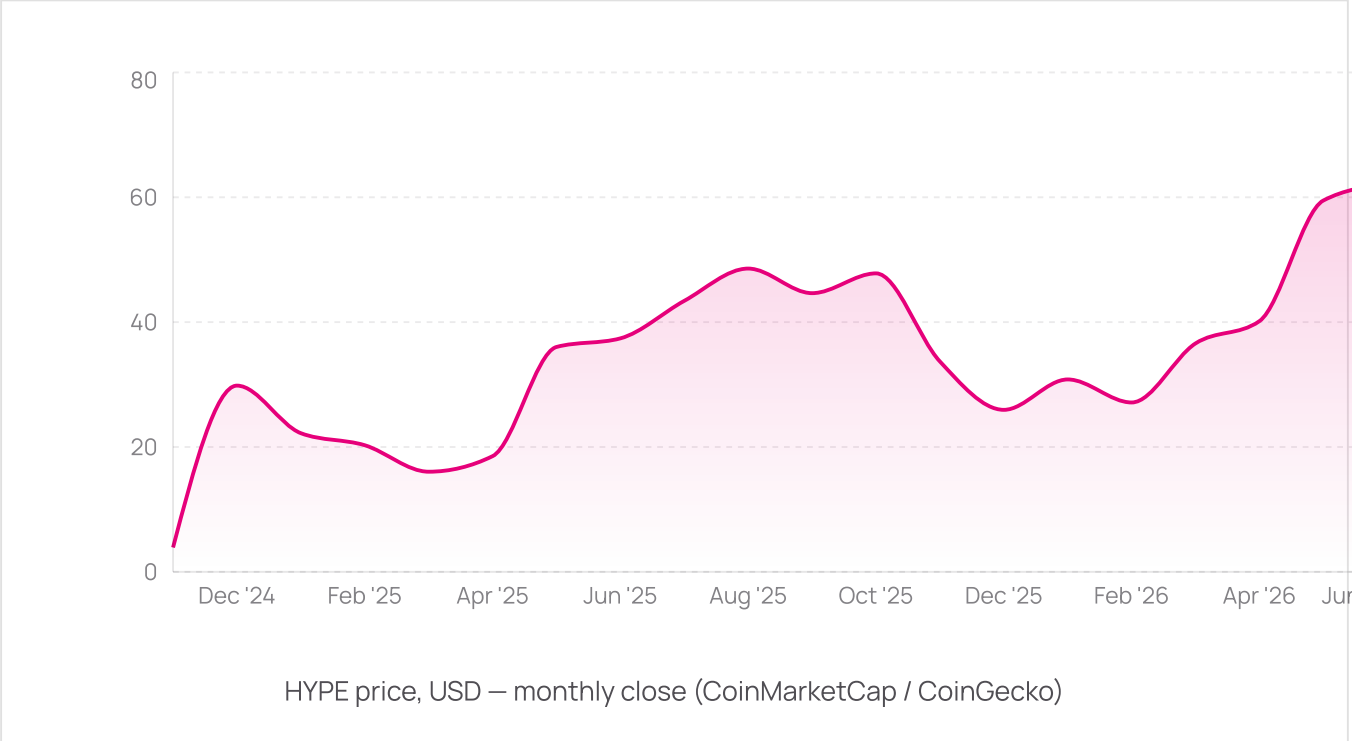
- Trading perpetual cryptocurrency contracts.
- Support for spot and perpetual futures markets with leverage of up to 50x.
- Support for deposits from more than 30 different blockchains.
- Prediction market with 100% collateralization

The native HYPE token is used to pay trading fees, participate in staking, and take part in platform governance. The total supply of HYPE is capped at 1 billion tokens.

Website: https://app.hyperliquid.xyz

2. Token price

2.1 Token price analysis



HYPE price, USD — monthly close (CoinMarketCap / CoinGecko)

- Launch price at the start of trading: $3-4 in late November 2024;
- Current price: $62 at the end of May 2026;
- All-time high (ATH): $64.59, reached on May 24, 2026;
- All-Time Low (ATL): $3.2, recorded on November 29, 2024.

Important: the launch price remains the lowest price recorded over the entire lifetime of the token.

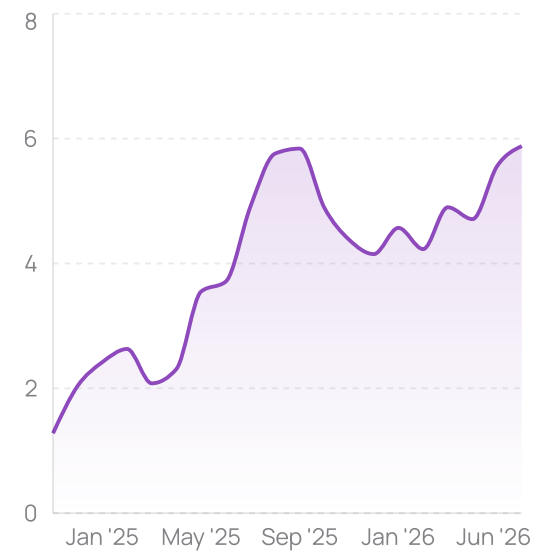
At the time of writing, the token is trading at approximately 18x above its launch price, which signals resilience in the underlying economic model.

Profit-taking at the H1 level pushed the price down to the local low L1, effectively absorbing the primary sell pressure created by the early token distribution.

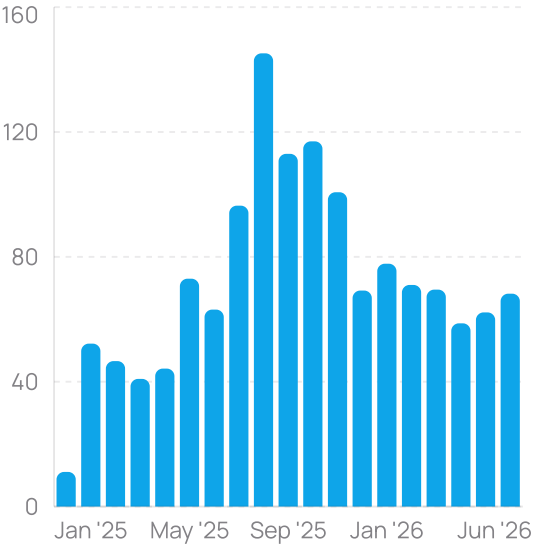
A second wave of profit-taking and broader market stress drove the price from H2 down to the local low L2, marking the completion of the main bullish cycle.

Important: at the time of writing, the token price remains stable and shows no signs of accumulated sell pressure.

2.2 TVL chart analysis



TVL, $B (DefiLlama)



Fees, $M / month (DefiLlama)

Current TVL stands at $5.5 billion as of mid-February 2026.

Important: until March 2026, TVL moved in line with the platform's fee revenue. After that, the correlation broke down: TVL continued to grow, while fees started to decline. This divergence may point to a potential sharp increase in trading volume ahead.

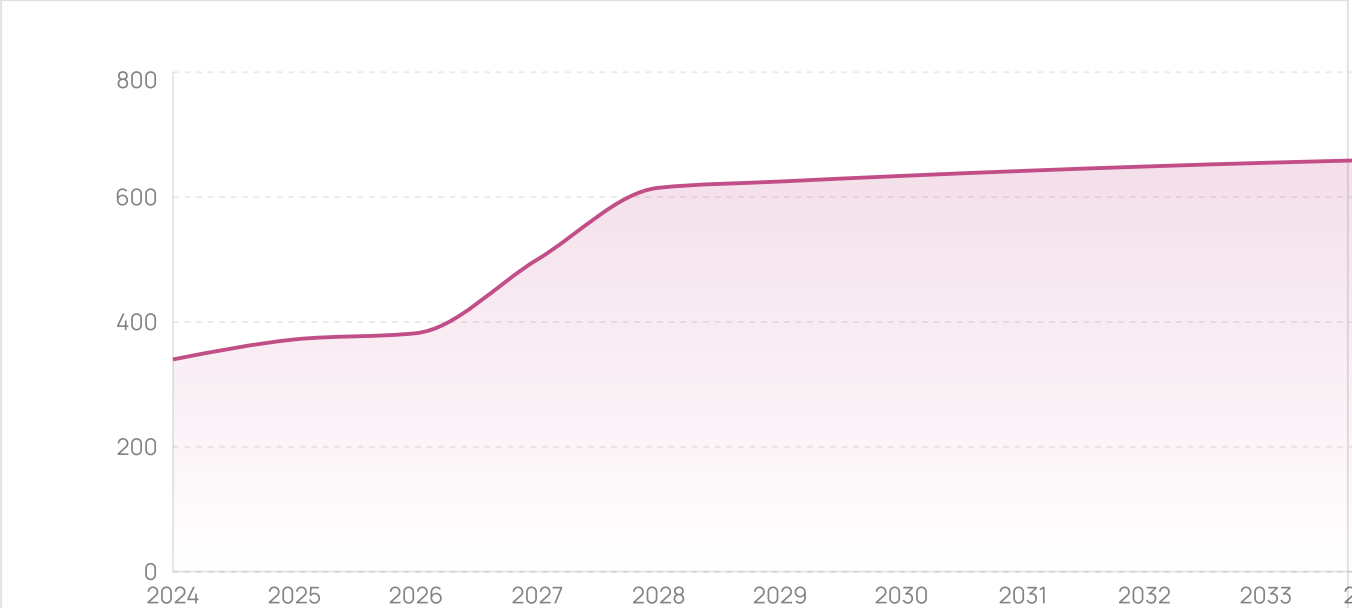
2.3 Conclusions on token price

- Market volatility attracts new traders to the platform, driving both TVL and fee growth.
- Fee revenue has stopped being the main driver of $HYPE price movements.
- The platform allocates 99% of fee revenue to buy back $HYPE from the market, which directly supports upward price pressure.
- The token successfully absorbed selling pressure from earlier airdrop distributions and weathered the market downturn on November 10, 2025.
- The price has never fallen below its launch level, and the spread between the cycle low and high is approximately 1,000%.

The tokenomics model has demonstrated resilience against airdrop-related pressure and extreme market events, proving its functionality through a direct link between token price and platform revenue. The key downside risk is a sharp decline in fee revenue or a structural break in the buyback mechanism. In simple terms, if the platform stops buying back HYPE, the price could fall rapidly.

3. Token distribution

A total of 1,000,000,000 HYPE tokens will be issued into circulation. The token wasn't sold in private rounds, meaning there is no hidden price pressure from early discounted allocations.

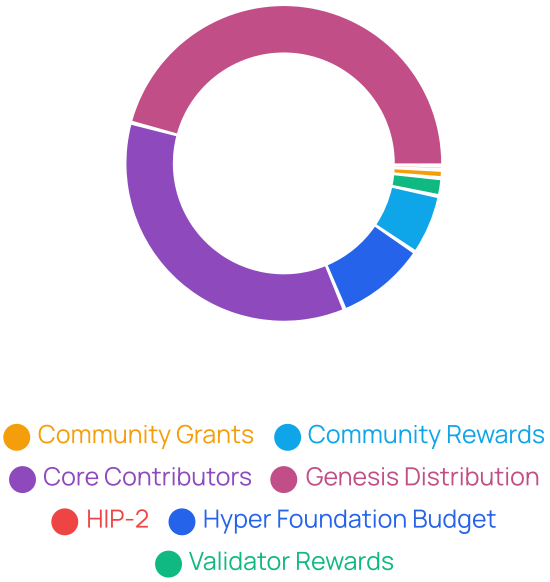


HYPE emission schedule — cumulative tokens unlocked, M (DefiLlama)

Important: token unlocks and distribution for Core Contributors began on November 29, 2025.

As of the time of writing, only 415 million HYPE have been unlocked from the planned emission, of which 37 million are held in the Assistance Fund.

3.1 Allocation, cliffs, and unlocks



Allocation by category, % (DefiLlama)

Locked / unlocked, % of supply (DefiLlama)

CURRENT ALLOCATION, %

Airdrop	74.9%
Insiders	20.9%
Staking	2.3%
Farming	1.2%
Noncirculating	0.7%
PublicSale	0%

Source: DefiLlama

FINAL ALLOCATION, %

Airdrop	47%
Insiders	45.2%
Farming	5.9%
Staking	1.5%
Noncirculating	0.5%
PublicSale	0%

Source: DefiLlama

The initial token unlock took place on November 29, 2024:

- Genesis Distribution - 31%
- Hyper Foundation Budget - 6%
- Community Rewards (Ongoing) - 3.89%
- Community Grants - 0.3%
- HIP-2 - 0.012%

The second unlock phase began on November 29, 2025:

- Core Contributors (Ongoing) - 23.8%

Token allocations to the project team after November 29, 2025 are released linearly and don't follow fixed calendar dates, which introduces uncertainty and the risk of sudden volatility. From this point onward, the HYPE tokenomics model becomes inflationary. According to the platform's management, token unlocks are expected to occur once per month, on the 6th. The first such unlock took place on January 6.

Important: current fee revenue allocated to buybacks is sufficient to absorb approximately 10–15% of newly unlocked tokens. The remaining 85–90% must be absorbed organically by the market. As a result, new token unlocks materially affect the price support mechanism of HYPE.

3.2 Conclusions on token distribution

Positive factors:

- No sell pressure from early investors (VC, Angel, Seed, etc.).
- Nearly half of the total supply is already in circulation, and the economic model has so far maintained price stability effectively.

Risk factors:

- As circulating supply increases, the effectiveness of the buyback mechanism declines due to a disproportionate rise in revenue from fees.
- The secondary token unlock introduces inflationary pressure on HYPE by nearly doubling the circulating supply.
- Uncertainty risk increases as a result of team token unlocks. If users utilize tokens as intended, the team's primary option for token usage is selling.

- Any change in the portion of fee revenue allocated to buybacks would lead to a significant decline in the price of HYPE.

Token distribution appears fair and balanced; however, the second phase of issuance isn't tied to the project's financial performance. The primary risk isn't "emission" in the traditional sense, but rather the unlock of previously created tokens and the expansion of circulating supply. For the market, this amounts to the same outcome: supply increases and must be absorbed either through organic demand or via buyback/burn mechanisms.

The key question for HYPE is whether Hyperliquid's product-driven economics and revenue can offset this pressure over time. If revenue and trading activity remain strong, the model stays sustainable. If volumes begin to decline, unlocks will exert greater downward pressure on the token price.

The company may require additional token price support mechanisms beyond direct market buybacks.

4. Staking and farming

The Hyperliquid ecosystem offers four staking mechanisms for HYPE, each with its own objectives and risk profile.

4.1 Tool analysis

1. Native staking (L1 Staking)

Users delegate HYPE directly to validators through the platform interface.

- Yield: the base rate is approximately 2.3% APY. Through the tiered system and lock-up periods (up to 90 days), effective yield can reach up to 18%.
- **Important:** staking provides not only token rewards, but also trading fee discounts (up to 40%), making it a structurally important tool for active traders.

2. Protocol vaults (HLP - Hyperliquid Liquidity Provider)

Users deposit USDC into a vault that automatically takes the opposite side of user trades and executes liquidations.

- Yield: historically ranges between 10–12% annually.
- **Important:** HLP forms the backbone of platform liquidity. Although returns are paid in stablecoins, HLP indirectly supports HYPE by attracting new capital into the ecosystem, part of which may ultimately flow into the token.

3. Yield strategies (Kinetiq and Pendle)

The launch of HyperEVM introduced a new layer of more sophisticated financial instruments:

- **Kinetiq** is the segment leader, with over $766 million in TVL. It allows users to stake HYPE and receive kHYPE in return – a liquid staking token that can be deployed across other DeFi protocols without sacrificing staking rewards.
- **Pendle** integration in late 2025 enabled kHYPE to be split into principal (PT) and yield (YT) components. This created new opportunities for yield speculation and fixed-rate strategies.

4. Liquidity farming on HyperEVM (DEX Farming)

Traditional liquidity farming in HYPE/USDC and HYPE/feUSD pairs on decentralized exchanges within the network.

- Yield: during peak periods or at the launch of new pools, APR can reach 50–60%.
- **Important:** carries a high risk of impermanent loss.

4.2 Formula analysis

1. Nominal yield calculation (Nominal APR):

APR = (Ra / St) × 100%

- Ra - annual reward allocation from the community fund;
- St - total amount of tokens staked.

This follows a standard reward distribution model: as the total amount of staked tokens increases, individual yield declines proportionally.

2. Loyalty Multiplier (Multiplier):

To reduce speculative pressure, the protocol applies a weighted reward formula:

Wi=Si*M(t)

- Si - individual reward amount;
- M(t) - a coefficient that increases proportionally with the lock-up duration.

This mechanism increases yield based on the length of the lock-up period.

Important: with an average APR of around 18% and a comparable level of inflation driven by daily token unlocks, the real yield for holders falls within the 0-3% range. This suggests that staking primarily serves as a capital preservation mechanism against dilution. Users lock their tokens not to generate outsized returns, but to maintain their relative ownership as the total token supply expands.

4.3 Cash flow analysis

Incoming flows:

- Trading fees: since December 22, 2024, the project has generated $1.1 billion, equivalent to approximately $80–110 million per month.
- Ecosystem fees: transaction fees within the HyperEVM network and HIP-1 auctions create additional deflationary demand for the HYPE token.

Assistance Fund mechanism: 99% of all trading fees are allocated to buying back HYPE from the market. This creates monthly token demand of approximately $70-100 million. In effect, the protocol absorbs supply from speculative participants and increases value for long-term holders by reducing the amount of circulating supply. In December 2025, the platform officially recognized all tokens accumulated in the fund as permanently removed from circulation, since the DAO has no mechanism to retrieve those tokens and return them to the market.

Risk segmentation: HLP vs. Staking

1. **HLP (Liquidity):** revenue is generated from trader losses (PnL) and funding fees. This results in a volatile and difficult-to-predict income stream.
2. **HYPE Staking (Infrastructure):** generates net revenue from network fees. This represents a more stable flow, tied to platform activity and independent of market direction.

Important: Hyperliquid currently has one of the strongest cash flow profiles in DeFi. Protocol revenue is sufficient to absorb inflation from new token unlocks. However, the stability of this system is entirely dependent on trading volumes. If Hyperliquid's market share in the Perp DEX

segment (currently around 27%) remains flat or declines, the buyback mechanism will weaken, and the token will come under inflationary pressure.

4.4 Conclusions

By early 2026, Hyperliquid's staking system had evolved into a mature financial instrument. Yields are structured around a classic Real Yield model, where user payouts are directly linked to business performance (exchange trading volume).

- With a current APR of 10–12% and team token unlocks running at approximately 23% annually, HYPE staking primarily functions as a mechanism to protect ownership share from dilution.
- The decision to establish a permanent $1 billion buyback fund (Assistance Fund) fundamentally alters the risk profile. The token price is now supported by substantial liquidity that automatically absorbs excess supply. This positions HYPE as one of the more resilient assets within the L1 and broader DeFi landscape.
- The ecosystem offers two distinct risk profiles. HLP is designed for participants willing to assume trading and drawdown risk. HYPE staking, by contrast, represents a strategy with returns that remain stable as long as trading activity persists on the exchange.

Important: HYPE staking isn't a high-yield strategy, but rather a mechanism to preserve network share while capturing product-level benefits, primarily fee discounts for active traders. At the same time, Hyperliquid reinforces token support through the Assistance Fund, while HyperEVM strengthens HYPE's role as the network's native gas token.

The primary risk of the model isn't the buyback itself, but the token's dependence on platform trading activity. As long as Hyperliquid maintains strong trading volumes and revenue, HYPE remains structurally resilient. If trading activity declines materially, buyback-driven support will weaken faster than unlock-driven supply pressure subsides.

5. Token utility

5.1 Use case scenarios

HYPE utility is built around generating demand from four core participant groups, transforming the token into a functional economic instrument.

- **Native Gas**: HYPE is the sole settlement asset used to pay transaction fees within the HyperEVM network. Any action – from a DEX swap to minting an NFT or deploying a smart contract – requires the spending or transfer of HYPE. As the number of dApps within the ecosystem grows, this stream becomes a fundamental and predictable driver of demand.
- **Fee Discounts**: The exchange operates a tiered system linked to staking. Large participants and market makers are required to hold substantial amounts of HYPE to reduce trading fees by 20-40%.
- **HIP-x and Auctions**: Launching new tokens within the network requires participation in ticker auctions and locking HYPE in liquidity pools. HIP mechanisms (Hyperliquid Improvement Proposals) often include token burns during the listing of new trading pairs, creating ongoing deflationary pressure.
- **Governance**: Token holders directly influence risk management parameters (leverage limits, insurance fund settings), as well as the allocation of treasury grants.

Important: HYPE utility follows a simple principle: the more actively the protocol is used, the more economically rational it becomes to hold the token. For professional market participants, selling staked tokens is economically disadvantageous, as it immediately increases their trading costs. This model is significantly more resilient to market volatility than many traditional DeFi tokens that lack real economic utility.

5.2 Tools and services

- **Liquid staking**: protocols such as Kinetiq (kHYPE) enable users to earn base yield (approximately 12% APR) while maintaining asset liquidity. kHYPE is widely integrated across the HyperEVM ecosystem, allowing users to participate in yield farming without exiting their core HYPE position.
- **Lending & Markets**: protocols such as HLend and Felix have integrated HYPE as a primary collateral asset. This is a critical mechanism: investors borrow stablecoins against HYPE to expand portfolio exposure rather than selling the underlying asset. This creates a strong structural buffer against price drawdowns.
- **Analytics**: professional terminals such as HyperTracker and HyperStats provide data ranging from monitoring buybacks within the Assistance Fund to tracking token movements by the largest validators. The transparency of this data strengthens institutional confidence.
- **Infrastructure gateways**: integration with Circle CCTP and cross-chain bridges such as deBridge has enabled seamless liquidity transfers. HYPE is now accessible for instant arbitrage between Hyperliquid and other L1 networks, reducing price discrepancies and improving overall market efficiency.

5.3 Conclusions

- With the introduction of HIP-3, launching any new market now requires staking 500,000 HYPE. This effectively turns the token into a scarce resource for market makers and contract creators. Liquidity locked for market creation removes a meaningful portion of supply from circulation and creates organic scarcity.
- The HIP-4 update released on May 2, 2026, significantly increased demand for the token and drew strong user attention. Unlike HIP-3, creating a prediction market now requires locking 1,000,000 HYPE. This amount materially reduces the impact of buybacks on the HYPE price. As a result, stronger demand for HYPE can now form even when trading revenue is lower.
- The protocol generates approximately $800 million in annual fee revenue, with up to 99% allocated to token buybacks. The December 2025 proposal to burn $1 billion worth of HYPE (37 million tokens from the Assistance Fund) underscores a strongly deflationary policy.
- The use of HYPE as the native gas asset within the L1 network has created a demand stream independent of trading activity. As the ecosystem expands (now exceeding 200 projects), the token has become systemically important.

HYPE's utility framework is stronger than that of most DeFi tokens. The token operates across multiple layers of the ecosystem: as the native gas token of HyperEVM, as a mechanism for reducing trading costs through staking, and as an asset supported by revenue-linked buybacks. This positions HYPE not merely as a governance token, but as a core component of the product's economic architecture.

However, the sustainability of this model ultimately depends on whether Hyperliquid can maintain its current trading dominance and whether HyperEVM can independently scale demand for HYPE.

6. Token circulation

6.1 Token circulation dynamics

1. Inflows into circulation:

- The primary source of supply is the monthly release of team tokens and staking rewards.

- Staking rewards remain relatively low (approximately 2.3% annually), which minimizes capital dilution for smaller participants.

2. Outflows from circulation:

- **Assistance Fund:** this is the key liquidity support mechanism. 99% of all exchange trading fees are converted into HYPE.
- HIP-3/HIP-4: each new trading market created on Hyperliquid requires locking 500,000 HYPE under HIP-3 or 1,000,000 HYPE under HIP-4.
- **Fees and burns**: transactions within HyperEVM burn a portion of HYPE, effectively converting application activity into a deflationary flow.

This economic structure can hardly be described as simple token circulation, as it more accurately reflects a net removal of tokens from circulation. Each day, 325,857 HYPE from team allocations enter the market. These tokens are then distributed across the protocol, locked in staking, and, most importantly, bought back and locked within the **Assistance Fund**.

Important: token circulation may effectively stall if the platform doesn't revise its buyback and burn strategy. In that case, the platform would eventually need to release HYPE from the Assistance Fund back into the market.

6.2 Risks

- Since November 2025, the second phase of token unlocks has begun – covering the team and early investors (23.8% of total supply). The daily inflow of new tokens to the market already amounts to approximately $9.5 million. This creates constant price pressure and exceeds the Assistance Fund's buyback capacity by roughly 5.5 times.
- The effectiveness of the Assistance Fund buyback mechanism is directly tied to trading volumes. If daily fee revenue falls below $1 million due to increased competition or declining market interest, the buyback mechanism won't be able to offset inflation from token unlocks, which would lead to rapid depreciation of HYPE.
- A significant portion of HYPE remains concentrated among early holders. This not only creates the risk of sharp market drawdowns if a large participant exits, but also draws regulatory attention, as such concentration may be viewed as a sign of centralization.

Important: the core risk for HYPE isn't the unlocks themselves, but **the balance between growth in circulating supply and the strength of revenue-driven demand for the token**. As long as the Assistance Fund and ecosystem use cases absorb new supply, the model remains stable. However, if trading activity declines, unlock-related pressure will become more pronounced.

7. Critical observations

- Competition in the onchain perpetuals segment has intensified, and Hyperliquid's share of trading volume has declined relative to its 2025 peak. At the same time, Hyperliquid still maintains leading positions in volume, revenue, and holders revenue among onchain perps. The HYPE economic model is highly sensitive to trading fees: if user activity declines materially, token support through the Assistance Fund will weaken, and pressure from expanding circulating supply will become more pronounced.
- The Assistance Fund has already accumulated more than 37 million HYPE, and in December 2025 the Hyper Foundation proposed formally recognizing those tokens as permanently burned, meaning excluded from both circulating and total supply. For HYPE, this acts as a deflationary factor rather than a threat of "ecosystem shutdown." The real risk isn't the burn mechanism itself, but a weakening of buybacks during periods of declining fees.

HYPE's stability depends on sustained trading volumes. As soon as exchange activity drops, the buyback mechanism slows, leaving the market to absorb a substantial volume of new tokens from traders and team unlocks. Combined with the fact that a large share of tokens remains concentrated among a relatively small group of holders, this creates the risk of sharp price corrections if major holders attempt to exit positions.

8. Final conclusion

The core issue with most DeFi projects is that they issue tokens hoping demand will eventually catch up with supply. In 2024, Hyperliquid took a different path and built a strong liquidity support mechanism from the start.

When the exchange earns, the token grows. The logic is simple: 99% of all fees are used to buy back HYPE. In practice, every trader who opens a position on the platform contributes to price support. The recent $1 billion burn from the Assistance Fund was a strong strategic signal, demonstrating that the team is willing to sacrifice short-term revenue for long-term stability.

Special attention should be paid to the continuous expansion of the token's utility: fee discounts, buybacks, HIP-4, and other mechanisms. This approach to tokenomics management helps create stronger demand for the token.

The HYPE model performs particularly well during periods of high trading activity, as rising fees directly strengthen token demand through the Assistance Fund.

At the same time, it's important to recognize that 24 validators and a relatively small group of participants control a substantial share of the token supply. Concentration of stake and governance power increases the token's sensitivity to decisions made by major holders and to changes in network rules.

The HYPE economic model works effectively as long as the protocol continues generating revenue, but it lacks structural resilience. There's no built-in protection mechanism for a downturn scenario: if trading volumes decline, the system will face the weight of its own emission schedule.

Recommendations:

For investors

1. Simply holding HYPE in a wallet isn't efficient. Using staking or a liquid staking protocol allows investors to capture their share of token emissions (APY 2-5%) while also participating in governance.
2. The primary indicator isn't the price chart, but trading volume on the exchange. It's recommended to set alerts for Hyperliquid's daily trading volume. If it consistently remains above $5–7 billion, the buyback mechanism (Assistance Fund) is functioning properly. If volume drops below $3 billion and stays at that level for a week, that's a warning signal. In such a scenario, buybacks won't be able to offset scheduled unlocks, and the price may begin to decline.
3. Consider allocating part of the portfolio to HLP (Hyperliquidity Provider Vault) in USDC. This provides exposure to exchange fee revenue and trader liquidations, without direct price risk tied to the HYPE token itself.
4. Token concentration among validators remains high. It's recommended to monitor the activity of the top 24 wallets. Any large-scale HYPE transfers by whales toward exchanges should be considered a signal to reassess positions.

For the project

1. At present, the Assistance Fund (buyback fund) operates in a largely opaque manner. The buyback algorithm should be migrated to a fully transparent smart contract. The market shouldn't only see tokens being bought back or burned after the fact – it should understand the mathematical logic behind the mechanism itself. That level of transparency would significantly strengthen investor confidence.

2. Hyperliquid's primary strategic risk is the heavy dependence of the HYPE economy on the derivatives trading segment. For that reason, the development of HyperEVM should be viewed as a way to introduce additional independent demand drivers for the token. The priority should be expanding the number of applications and transaction use cases where HYPE functions as both a gas token and an infrastructure asset. The greater the share of HYPE demand generated not only through perps, but also through DeFi infrastructure, stablecoins, RWAs, and other onchain services, the more resilient the token model will be if exchange trading activity declines.
3. The concentration of control among 24 validators appears insufficient for a project of this scale. A phased expansion of the validator set to 100 nodes could be implemented, alongside a Delegated Proof of Stake (DPoS) model with a lower entry threshold. This would not only enhance network security, but also distribute token exposure more broadly, reducing the risk of large-scale dumps by major holders.
4. A dynamic unlock mechanism tied to project KPIs or market volatility should also be considered. For example, if buyback volume falls below a predefined threshold, a portion of team unlocks could automatically be paused. This would signal to the market that the team shares downside risk with holders and isn't incentivized to offload tokens during weak market conditions.
5. Finally, a Continuous Insurance Fund program should be introduced not only for traders, but for the entire HyperEVM ecosystem, covering critical bridges and liquidity pools. In effect, this would function as a public security backstop for HyperEVM.

At first glance, the HYPE token model appears stable and battle-tested. However, the first year revealed that a significant share of tokens distributed through the genesis block remains concentrated in the hands of large holders, which may indicate latent centralization within the protocol.

The second phase of token emissions began this year, and its impact will become more visible in the coming months. It's also important to note the decline in derivatives trading volumes, which is already reflected in lower fee revenue.

The token is currently in a position where a large portion of holders has already realized profits, reducing immediate sell pressure. As a result, it's still unclear how effectively the buyback mechanism is functioning under current market conditions.

HYPE rating under the 8Blocks methodology

Block	Weight	Score (0–5)	Score (0–100)	Contribution
Token Product Linkage	40%	4.1	82	32.8
Tokenomics Sustainability	20%	2.8	56	11.2
Fundamentals	15%	4.4	88	13.2
Governance / Control Risk	10%	3.0	60	6.0
Security	10%	3.5	70	7.0
Market Layer	5%	4.0	80	4.0
Total	100%	—	—	74.2 / 100

Final HYPE rating: 74 / 100

Interpretation: strong product-token linkage, but moderately elevated structural risk due to dependence on trading revenue, token unlocks, and concentration of control. (Hyperliquid Docs)

Conclusion

HYPE = 74 / 100.
The token receives a high score for strong **Token Product Linkage**: product success directly supports token demand through fees, buyback/burn mechanics, staking utility, and its role as the gas token in HyperEVM.

The weakest component is **Tokenomics Sustainability**: the model faces pressure from post-circulating supply growth, and its margin of safety largely depends on maintaining high trading volumes.

For founders and investors based in the UAE and Dubai, HYPE is a useful benchmark: under VARA's disclosure-oriented approach, the tokens that age well in this market are those with

demonstrable, product-linked demand rather than a well-told narrative — the same standard 8Blocks, as a Dubai-based tokenomics firm, applies in every audit.