



Papertrade: independent due-diligence report (as of 11 Oct 2026)

Verdict

 **Papertrade** works as designed in its first ~12 hours of trading, but the evidence is thin and several risks are unresolved.

- **What is confirmed on-chain:** trading, liquidations, fee flows, a PAPER mint curve that tracks the docs, and a payout queue that formed briefly and cleared.
- **What is not established:**
 - Its solvency under stress. The pool is about **\$3.4M** against about **\$3.2B** of open interest. The pool never needed the queue beyond a 9-second blip.
 - Whether the loss-minting design is sustainable.
 - Whether the lead winner's trades were manipulation. This is an unconfirmed allegation.
- **The headline third-party claims are weak.** The "\$118M volume in 24h" figure looks like a mislabelled TVL number. The "Nasdaq flip" claim can't be tested.
- **Security gaps:** no audit found, and the contract source is unverified on the two explorers I could check.
- **Phishing:** the foundation account's "register & begin voting" post leads to a lookalike phishing chain.

This is a due-diligence view, not a trade recommendation.

1. What it is and how it works

Papertrade is a synthetic BTC/ETH perpetuals venue on HyperEVM. DefiLlama tracks it as a derivatives protocol on the Hyperliquid chain. Mechanics per the [official docs](#) and a read of the contracts:

- **Counterparty:** every trade is a swap against one protocol-owned USDC pool. There is no order book and no outside counterparty.
- **Pricing:** entry and exit use the midpoint of Hyperliquid's best bid and offer, read through a HyperCore precompile. No perp trades on Hyperliquid itself.
- **Fees:** there is no notional fee, spread or funding.
- Winning closes lose a haircut ("asymmetric impact"), then pay a 2% win fee.
- Liquidation forfeits the full margin and charges a 2% fee.



- **Insolvency:** if the pool can't pay a winner, margin is returned at once and the unpaid profit joins a first-in-first-out payout queue.
- **PAPER token:** minted from realised losses and can't be bought. It is non-transferable at launch and stakeable. There is no pre-mint, team, VC or airdrop allocation.

Terminology: the site says "fully onchain on hyperliquid". The docs say the contract lives on HyperEVM and reads HyperCore through precompiles. I use the docs' wording.

Names I excluded:

- PaperJet is a separate treasury project that trades on Papertrade, per its own docs.
- A Solana token called "papertrade.xyz" has a market cap of about \$2K and is unreviewed on Coinbase. Nothing links it to the project.
- The warehouse also holds a "PaperTrade" token with a market cap of about \$3.5K. It does not match the HyperEVM PAPER's supply, so it is unrelated.

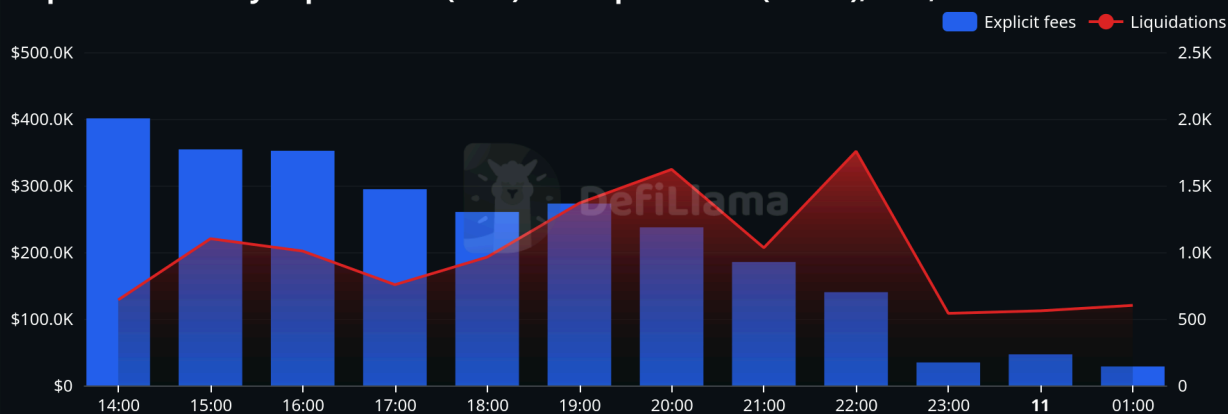


2. Live state (launch 10 Oct 14:00 UTC to ~11 Oct 01:45 UTC)

Warehouse TVL is **\$102.1M** on 11 Oct, from \$101.8M on 10 Oct and \$14.3M on 9 Oct ^[23]. Warehouse fees, revenue and volume are still empty, because the fee adapter starts 10 Oct and ingestion is pending. Everything below is rebuilt from HyperEVM events and the project's stats API. The contracts are unverified, so event names and fields are inferred, and I flag where that matters.

METRIC	VALUE	BASIS
Explicit fees (close + liquidation)	\$2.61M : \$2.17M close, \$0.44M liquidation. Half goes to stakers and half to the dev recipient.	Event sums
Positions opened / closed / liquidated	~100K / ~85K / 11,951	On-chain logs
Distinct traders	7,434	On-chain logs
Two-sided notional volume	\$579.9B , which matches the stats API counter	Rebuilt from logs
Margin posted	~\$1.02B, with 53,473 of 100,112 opens at 1000x	Logs
Open interest	~\$3.2B (\$1.45B long, \$1.74B short)	Stats API
Pool (LP)	\$3.41M	Stats API
Queued debt	0	Stats API and contract reads

Papertrade hourly explicit fees (USD) and liquidations (count), UTC, from on-chain events



- **Fees fade:** fees peaked at about \$401K in the first hour and fell to about \$28K by 01:00 UTC on 11 Oct. Liquidations peaked at 1,757 in the 22:00 hour.
- **TVL composition:** TVL is not bankroll. Live accounting shows about **\$76.3M of user balances**, **\$17.0M of locked margin** and about **\$3.7M of free pool cash**. The contract's treasury read is \$97.0M. The warehouse's \$102.1M is a few hours older.



Papertrade TVL, trader balances and LP (hourly, stats API)



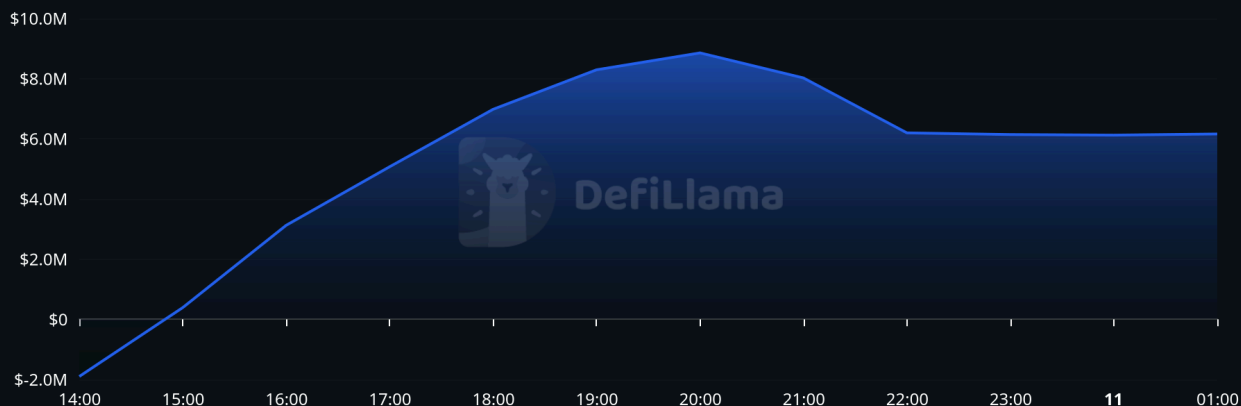
- **Outcome mix:** of 97,088 resolved positions, 41.4% won, 36.1% lost on close, 10.2% closed flat and 12.3% were liquidated.
- **Haircut:** winners kept about **68.6%** of their raw gain, so about 31.4% was withheld. This is my reading of the payout field, and I assume it is net of both the haircut and the 2% fee.
- **Liquidated positions** averaged about \$18 of margin. They were mostly tiny positions at about 960–980x leverage.

One unresolved discrepancy: how much the house made. The project's own stats counter shows traders net lost **\$28.98M**. A separate rebuild from closes and liquidations shows the house netting only **+\$6.16M** (peak \$8.85M at 20:00 UTC).

- One rebuild agreed with the stats counter to about \$2K at several checkpoints. The other did not reconcile.
- The first-hour ledger doesn't reconcile either: the pool shows about $-\$1.9\text{M}$ of settled closes by 15:00 yet no queue formed. I don't know whether an unseen seed or other inflow explains it.
- I treat house profit as **unreconciled between \$6M and \$29M**. Whichever is right, the pool is solvent today.



Papertrade: cumulative house P&L from settled closes and liquidations (hourly, UTC, Oct 10-11)



3. The claims

CLAIM	FINDING
"\$118M volume in 24h"	Most of the articles I opened call \$118M total value locked , not volume. It sits close to the stats API's TVL of \$112–138M on 10 Oct. Measured two-sided notional is about 4,800× higher, and margin posted is only about \$1B. Mislabelled.
"Flipped Nasdaq's daily notional"	Untestable. I have no sourced Nasdaq figure. Papertrade's notional is synthetic swaps against its own pool at 1000x, so it isn't comparable to matched exchange volume.
"\$85.3M tracked deposits"	Plausible. It matches the adapter's definition of trader balances plus pool. No intraday warehouse value to confirm it.
"\$8.5M distributed to stakers" (project post)	The project self-reports it. The stats counter reads \$24.0M of staker rewards, of which \$1.3M is explicit staker fees and about \$22.7M is pool surplus swept above the cap.
"All 608 simulated scenarios solvent"	See section 4. The study's behavioural assumptions don't match what traders did.

For scale, [Hyperliquid](#) perps show **\$2.83B** of 1-day volume and **\$200.4B** over 30 days at protocol level in the warehouse. The sub-protocol row shows about \$5.07B, and the two figures were not reconciled. Papertrade's measured notional is orders of magnitude larger than either.

4. Solvency

The pool is funded only by trader losses and started at \$0.

- **How it ran:** the pool reached \$4.2M by 15:00 UTC and peaked near \$6.5M at 20:00. It dipped to about \$2.9M at 23:00 and recovered to \$3.4M. Three winners were queued at \$7.60 each at 14:00 and cleared within 9 seconds. Nothing has queued since.



- **Thin cushion:** the pool is about 0.1% of open interest. A roughly 0.1% adverse move on the net open book could exhaust it, and queued payouts would then start.
- **Caps don't protect the pool:** per-side open-interest caps limit new exposure. The docs say they are not a loss ceiling. The keeper's target is about **\$1B of headroom** per market and side. I could not confirm the exact current cap values from the contract.
- **What protects it:** the winning-close haircut, the payout queue and the caps.

The simulation study doesn't fit observed behaviour.

STUDY ASSUMPTION	OBSERVED (~12 HOURS)
~80% of BTC and 91.5% of ETH max-leverage trades are liquidated	12.3% of positions liquidated
~11% of BTC and ~7% of ETH trades pay off	41.4% won
Winning close surrenders ~10% of its gain	~31% withheld
Largest unpaid balance \$61,974, longest queue 70 trades	Three winners queued at \$7.60 each

The study (Sumcap, unclassified source) reached "100% solvent" mainly through liquidations of losing max-leverage traders. On-chain, the pool is instead protected by the haircut on small winning moves. I did not test how it fares if traders net win by larger moves. That result says little about this population.

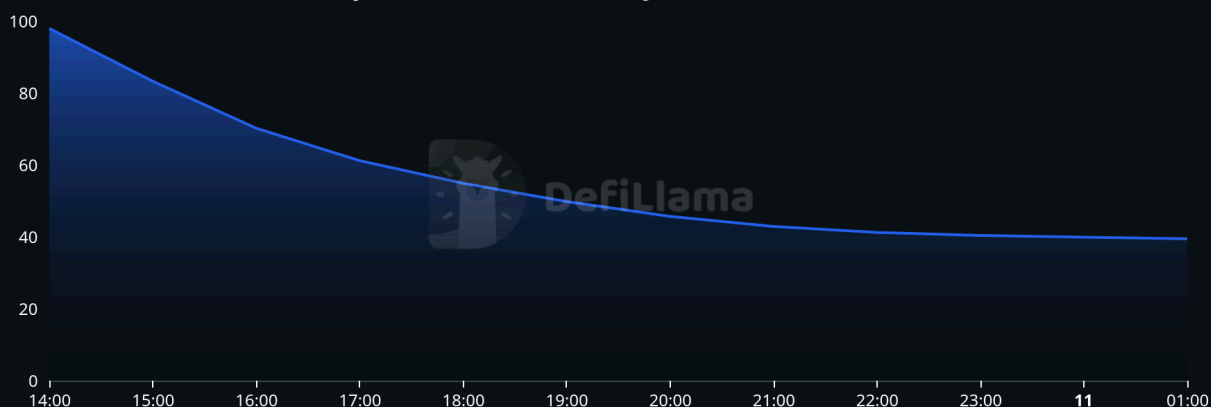


5. PAPER token and staking

Contracts are inferred from storage reads. None is verified.

ITEM	VALUE
PAPER token	0xe40f...1c0e
Staking contract	0xaad6...f016
Tokenomics (mint curve) contract	0x7517...63d9
Total minted	~5.13B PAPER, ~98.8% of it staked
Stakers (current)	4,924
Unique minters	6,252
Holder concentration	Top holder 4.9%, top 10 20.9%, top 100 60.7%

PAPER minted per \$1 of loss basis, by hour (UTC, Oct 10–11 2026)



- **Mint curve matches the docs.** The rate is 100 PAPER per \$1 of loss while the pool is under \$2M, then decays. It fell from about 98 PAPER per \$1 in the first hour to about 40 by the last hour. The cumulative rate is about 65.8 PAPER per \$1 on about \$78M of loss basis.
- **Liquidations mint disproportionately:** about 28% of loss basis but about 31.5% of PAPER.
- **Pool state:** the pool crossed \$2M at 14:26 UTC and \$5M at 15:05 UTC. It is currently below the \$5M staker cap.
- **Cap change:** the project posted that the cap rises to **\$10M** on 17 Oct. The docs page I could read (last updated 6 Oct) still says \$5M.
- **Staker yield:** claimed rewards total about \$20.1M, assuming the claim unit is 18-decimal dollars. That works out to about \$0.0051 per staked PAPER over about 11 hours. I did not annualise it.



- **Docs conflict:** the intro says stakers get 1% of PnL. The staking page says half of a 2% fee plus overflow. I can't tell which matches the contract.
- **Polymarket (thin, \$495–\$14.7K of 30-day volume per market):**
- Token launch by 31 Dec 2026: 63%.
- A later 30 Sep 2027 market sits at 86% while the 30 Jun 2027 market sits at 14%, which is inconsistent.
- "FDV above" prices don't fall monotonically as the threshold rises.
- I did not read the resolution terms. PAPER already mints, so "launch" may already be ambiguous.
- **Where PAPER trades:** I did not check DEX pools or HyperCore spot.

6. Risk scorecard

ITEM	RATING	EVIDENCE
Audit and verification	High	Source unverified on Sourcify and Etherscan: confirmed. No audit found in web, GitHub, X and docs searches, which is not proof none exists. Two low-trust aggregators say none was published.
Upgrade and admin control	Medium	Upgradeable proxy with a 7-day timelock. The timelock owner is a custom 2-of-N multisig. Confirmed on-chain.
Parameter and pause powers	Medium	Setters for fees, dev-fee address, executor, keeper and pause exist. I did not test who can call each.
Dev fee	Low–Medium	Recipient is an externally owned account. About \$22K accrued at read time.
Oracle manipulation (mid-price, 1000x)	High	The docs name it as the main unresolved risk. The Defiant reports an unconfirmed allegation.
Pool depth versus exposure	High	About \$3.4M pool against about \$3.2B of OI.
HyperCore/HyperEVM dependency	Medium	Plausible. Launch followed a network upgrade.
Retail harm at 1000x	High	By design, losses fund the pool and mint PAPER.

ITEM	RATING	EVIDENCE
Regulatory exposure	Unknown	I found no sources.
Founder and domain risk	Medium	Founder is pseudonymous (@izebel_eth per Bankless). A lookalike domain exists.



- **The manipulation allegation.** The Defiant reports a claim that a wallet ending `840e` sold ETH on Hyperliquid to lower the midpoint about 10 bps while holding Papertrade ETH shorts. My on-chain rebuild independently shows the top winner, `0x2025...970840e`, made about **+\$1.73M**, roughly 36% of all trader winnings, over 337 opens with no liquidations. A large win doesn't establish manipulation, and the article says so.
- **Concentration:**
 - Losses are broad: the top 10 losers account for 21.1% of \$33.8M in losses.
 - Winnings are concentrated: the top 10 winners account for 66.1% of \$4.81M in wins.
 - 5,615 of 7,434 traders are net losers and 1,293 are net winners.
- **Access:** phase one routes all trades through whitelisted relayers. The docs say direct contract access reopens later, which brings MEV competition back.
- **Base rates (warehouse hack table):**
 - Seven incidents involve Hyperliquid-chain victims. Examples: [Purrle](#), access-control / caller-impersonation, \$1.5M, 25 Apr 2026; HyperVault, rugpull / admin-drain, \$3.6M, 26 Sep 2025.
 - Since 2025-01-01: 59 oracle-manipulation incidents (about \$106.6M), 84 access-control (about \$501.6M) and 53 key-compromise (about \$1.0B).
 - The closest precedent is the 2023 Hyperliquid market-manipulation / risk-parameter-abuse entry (\$37K). It is a sample, not an exhaustive list of house-model venues.

7. Phishing and team

- **Phishing chain:** the `@papertrade_fdn` "register & begin voting" post (739 likes) links through t.co and tinyurl to `papertrade.xyz-proposal.info`, then to a `pages.dev` page. That domain is a lookalike. The official docs say there is no airdrop and PAPER is non-transferable at launch, so a "rewards date" vote has no basis.
- **The foundation account** was created in 2012. Before 10 Oct its timeline is 2021 Thai fan content. Neither the site nor the docs mention it. I can't establish who controls it.
- **Mirror site:** `trade-paper.app` serves a copy of the real page's HTML. I didn't test wallet behaviour. Use only `papertrade.xyz`, `exchange.papertrade.xyz` and `docs.papertrade.xyz` as seen in the project's materials.
- **Team:** I found no team page or GitHub. Bankless says the founder is pseudonymous. A promoter-account claim says Blurr is a co-founder. DeFi Prime reports a founder-held multisig. I did not try to identify anyone beyond what sources state.
- **Sentiment:** it is split. Bears say "scam", "ponzi" and "toxic in a few weeks", and complain about queue behaviour. Bulls cite volume and staker payouts. Both of the loudest volume figures (\$118M and "\$80B+ in an hour") conflict with measured data or each other.



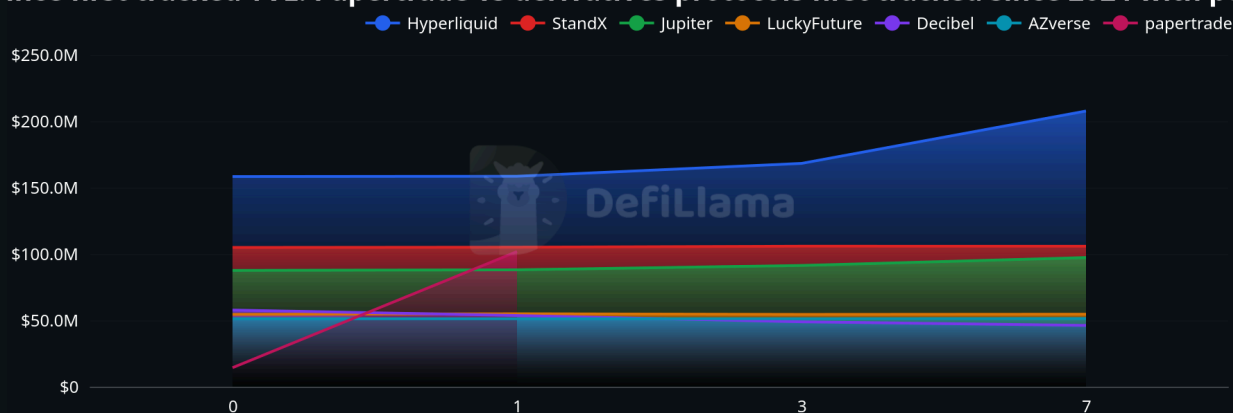
8. Limits of this report

- The data window is **about 12 hours** of trading. Every daily figure is partial.
- The event decoding is inferred, and the long/short flag and open-interest cap values are low-confidence.
- Stats-API figures (pool size, OI, queue) are not direct contract reads.
- I could not read most docs sub-pages through the browser. The mechanics came from the docs' bundled text.
- The house-profit discrepancy (\$6M vs \$29M) and the first-hour ledger gap are unresolved.
- I read only search previews of most press and did not read the Polymarket rules.

Data as of 11 Oct 2026. Source: DefiLlama warehouse and adapters, HyperEVM on-chain logs and RPC reads, Papertrade stats API and docs, X, and press as cited. Press and X figures are unverified.

TVL by days since first tracked TVL: Papertrade vs derivatives protocols first tracked since 2024 with peak TVL $\geq$ \$50M

ince first tracked TVL: Papertrade vs derivatives protocols first tracked since 2024 with pea



Sources

[23] Papertrade · protocol metrics history · \$14.3M · as of Oct 11, 2026