

Fantom's Transition from FTM to Sonic (S)

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This document is intended to help understand Fantom's transition from the FTM token to the S token. For more information, please contact etp@21.co.

What is the background of the transition?

Fantom (FTM) is a high-performance and scalable smart contract platform that currently runs on the Opera blockchain and smart contract platform. On 25 March 2024, Michael Kong, the CEO of the Fantom Foundation announced the launch of Sonic, a new layer 1 platform with a secure gateway to Ethereum as an evolution to the Opera blockchain. On 23 May 2024, the Fantom Foundation [announced](#) its plans to introduce the Sonic Foundation and Sonic Labs with "Sonic" referring to the new chain that is secured by its native token Sonic (S). FTM will therefore only continue to exist on the Opera blockchain, while S will only exist on the Sonic blockchain. On the 18th of December, Sonic Mainnet officially went live with the full support of multiple highly trusted service providers from the industry.

What is the difference between FTM and S?

Sonic will be able to increase the transaction speed, settlement time and the storage requirements of the network by using parallel transactions on a Fantom Virtual Machine (FTM). The Sonic token (S) will be driving the development of the Sonic network. Sonic promises to refine the capabilities of the Sonic blockchain by focusing on improving performance, scalability, and efficiency:

Key Enhancements:

- Transaction Speed: Nearly 2000 transactions per second, a 10x improvement.
- Transaction Finality: Expected to occur in under 700 ms, rivaling high-throughput blockchains like Solana.
- Storage Optimization: 65% reduction in node storage requirements, promoting network decentralization as a wide segment of users will be able to participate in the network's security validation.

Developer Incentives and Security:

- Gas Monetization: 15% of gas fees from qualifying dApps will be allocated back to their developers, thus incentivizing them to migrate from other competing smart-contract platforms like Avalanche, or even Ethereum scaling solutions like Optimism and Arbitrum.



- New L2 Solution: Connected to Ethereum via a native bridge, addressing previous security vulnerabilities. This means that Sonic will be part of the broader Ethereum ecosystem, a key to attracting more users and developers as seen with Base as an example.

DeFi Ecosystem Boost:

- Introduction of a bridged USDC version, upgradable to a native token, enhancing confidence in Sonic's DeFi landscape. In other words, a reliable stablecoin will play a crucial role in the Sonic ecosystem, driving its growth and consequently increasing demand for the S token as the network onboards more users and applications.

The **initial supply** of S will be equal to the total supply of FTM at [3.175 bn tokens](#). Additional tokens are minted and distributed via airdrops and for the ongoing funding:

- 190.5m S tokens via airdrops six months after the launch of Sonic for certain users and builders of both the Opera and new Sonic chain.
- 1.5% of S tokens per year (~47.6 m in the first year) for the first six years after the launch of Sonic for ongoing funding purposes, such as scaling operations or marketing and onboarding campaigns. However, all unused tokens will be burned in order to guard against inflation.

FTM holders will be able to exchange FTM to S on a 1:1 basis for [six months after the Sonic launch](#). Up until year six, the ratio will change as S has a yearly inflation of 1.5% for 6 years. In addition, bidirectional swaps between FTM and S will be available until March 18th. Thereafter, only one-way swaps from FTM to S will be supported.

	Fantom (FTM)	Sonic (S)
Token Standard	Native token on Fantom	Native token on Sonic
Maximum Supply	3.175 Billion	3.175 Billion at genesis with additional tokens distributed via airdrop and for funding (1.5% yearly inflation for 6 years)
Staking	Yes (on Fantom)	Yes (on Sonic)
Transaction Fee	Yes, after the launch of Sonic only for the Fantom Opera chain	Yes, after the launch of Sonic only for the Sonic chain
Governance Rights	Yes	Yes
Validator Rewards	Yes, only until the launch of Sonic	Yes



When and how will this transition happen?

The Fantom Foundation [rebranded to Sonic Labs](#) on 1 August 2024. On the 18th of December, Sonic Mainnet officially went live with the full support of multiple highly trusted service providers from the industry. Important dates:

- March 18, 2025 at 00:00 UTC: Two-way swap between FTM and S switches to one-way only, from FTM to S.
- June 18, 2025 at 00:00 UTC: S supply begins to increase as the [updated tokenomics](#) take effect.

What is the impact on 21Shares ETPs?

21Shares expects the utility of FTM to decrease significantly over time with the launch of S, based on the staking rewards moving to S. Further, Sonic's incentives will likely attract capital to migrate over with dropping liquidity as a result of this action. The potential transition timeline for 21Shares' ETPs is currently being discussed with 21Shares' service providers. Investors in these ETPs would not need to take any action and would be informed in line with the applicable exchange regulations via official notice prior to the change.

The impacted 21Shares ETPs and the respective weightings of FTM as of 02 December 2024 are outlined in the table below:

21Shares ETP	Weighting
21Shares Fantom ETP (AFTM)	100%

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Pelikanstrasse 37
8001 Zurich, Switzerland



info@21shares.com
+41 442.608.660



21.co
21shares.com