

Project Research Dossier

Arc (Circle's stablecoin L1) and the ARC token | Author: inhuau (The Republic, squad MCHANGINSAENG) | Data checked 30 Sep 2026 (KST)

Eligibility check (pre-TGE / pre-raise)

- **No public raise:** the only sale was a \$222M *institutional* presale announced 11 May 2026 [2]. No retail sale, no ICO.
- **No active ICO/TGE:** Circle genesis-minted 10B ARC on mainnet in Sep 2026 but states this "is not a commitment to publicly launch ARC" [3]. ARC is not tradable and has no live utility; no launchpad has been announced.

1. Question

Is ARC's dilution risk knowable today, and what would an outside buyer need before pricing it?

2. What Arc builds (primary sources)

- EVM L1 for stablecoin finance: **USDC is the gas token**, fees target ~\$0.001 per ERC-20 transfer (EIP-1559 + EWMA smoothing, base fee bounded 20 to 20,000 gwei) [5].
- Consensus: **Malachite BFT** + **Reth** execution, deterministic sub-second finality, permissioned validators [4][6]. Malachite was acquired by Circle from Informal Systems (Aug 2025) [8].
- Mainnet live **16 Sep 2026** with 11 founding validators (BlackRock, DTCC, Galaxy, ICE, Mastercard, MoneyGram, SBI, Standard Chartered, Sumitomo, Visa, Worldpay). PoA today; PoS transition targeted toward 2027. Testnet: 700M+ tx in under a year [3].

3. Tokenomics (whitepaper, May 2026 [1]) + on-chain check [7]

Item	Published figure	Status / note
Initial supply	10,000,000,000 ARC	Matches on-chain total supply (6 decimals)
Allocation	Ecosystem 60% (incl. token sales, grants) / Circle 25% / Long-term reserve 15%	Bucket-to-wallet mapping not disclosed
Presale	\$222M at \$3B fully diluted valuation [2]	Implied \$0.30/ARC, ~740M ARC (7.4%) - my calc
Vesting / cliffs	Not published: "will be announced in the coming months"	Largest open question
Emissions	~2-3%/yr initial inflation, decaying; target: burn offsets issuance	Burn/validator split not specified
Value capture	Protocol fees (paid in USDC) converted to ARC, split to stakers + burn	Only material once PoS + volume exist
Circulating	~0 (not live, not publicly transferable)	FDV/circulating is undefined today

On-chain (explorer.arc.io, ARC contract 0xA12Cd81d0f9988E3d60c4B6a0D52D368Ef3c788d): 14 holders, 14 transfers. Top wallets hold 15%, 15%, 13.65%, 9.9%, 8.1%, five wallets at 7.65% each and one at 0.1%. That is ~99.9% in 11 unlabeled wallets. None of these match the 25/15/60 buckets or the ~7.4% presale one-to-one, so which wallet is Circle, reserve or presale cannot be verified from public data.

4. Unlock + dilution model (illustrative, not a forecast)

- At the presale price (\$0.30), **every 1% of supply unlocked = 100M ARC = ~\$30M** of potential sell-side.
- Inflation of 2-3% on 10B = **200-300M new ARC per year** (~\$60-90M/yr at \$0.30) until burns catch up. Burns depend on real fee volume.
- If launch float were ~10% (presale + some ecosystem), circulating cap would be ~\$300M against a \$3B FDV: a **10x FDV/float gap**, which is the classic setup for sustained unlock pressure.
- **Cliff vs linear is unknown.** A single presale cliff (7.4% at once) is a very different risk from a 2-4 year linear release. Until the schedule is published, any valuation is a guess.

5. Team verification

- **Verifiable:** built by Circle Internet Group, a listed company (NYSE: CRCL) with audited reporting that disclosed the presale in its Q1 2026 results [2]. Code is open source: circlefin/arc-node, Apache-2.0, Rust; release v0.7.2 on 4 Jun 2026 [6]. The validator list is named, and the presale investors are named (a16z crypto, BlackRock, Apollo, ICE, ARK, and others) [2][3].
- **Marketing / not independently verified:** "100+ builders live on day one" [3]. I found **no public third-party audit report** for arc-node (only a SECURITY.md) and no audit page in the docs [4][6]. The public main branch shows only 59 commits, which may mean the public repo is a curated snapshot rather than full dev history.

6. Key risks

- **Unlock opacity:** vesting is unpublished. Issuer-linked buckets (Circle 25% + reserve 15% + unsold ecosystem) are ~93% of supply (100% minus the ~7.4% presale).
- **Governance centralization:** per the whitepaper, Circle decides protocol upgrades, incidents and validator membership. Token holders only vote on economic parameters (fees, inflation, burn) [1].
- **Weak value accrual today:** users pay gas in USDC and never need ARC; demand relies on future PoS staking and the fee-to-ARC burn, whose ratio is unspecified.
- **Launch + regulatory risk:** the whitepaper says ARC may be modified, delayed or never launched, gives no equity or revenue rights, and has not been reviewed by NYDFS [1].
- **Technical:** new chain, permissioned PoA validator set, no public audit found, PoS not before 2027.

7. Conclusion

Arc the *network* has real institutional distribution: named validators, a USDC-native fee model and a listed parent company. ARC the *token* is not priceable for outsiders yet. The three numbers that decide dilution risk are all missing: the unlock schedule, the float at launch, and the burn split. There is also no public audit. **Stance: watch, do not size.** Revisit once Circle publishes vesting, and discount heavily if a large share unlocks within 12 months of launch.

8. Disclosure

Position: none in ARC (not publicly available). Incentive: written for The Republic (Legion) Eastern Campaigns quest and may earn platform points (VP). Methodology: primary sources only, plus a direct read of the ARC contract on Arc's official explorer. Presale price and token count are my derived calculations. Not financial advice.

Sources (accessed 30 Sep 2026)

- [1] ARC token whitepaper (May 2026): 6778953.fs1.hubspotusercontent-na1.net/hubfs/6778953/PDFs/arc_whitepaper.pdf and arc.io/blog/introducing-the-arc-token-whitepaper
- [2] Circle Q1 2026 results (ARC presale): circle.com/pressroom/circle-reports-first-quarter-2026-results
- [3] Circle, "Circle Launches Arc Mainnet" (16 Sep 2026): circle.com/pressroom/circle-launches-arc-mainnet-an-economic-operating-system-for-the-internet
- [4] Arc docs, architecture + RPC/explorers: docs.arc.io/arc-chain.md, docs.arc.io/arc/references/rpc-endpoints.md
- [5] Arc docs, gas and fees: docs.arc.io/arc/references/gas-and-fees.md
- [6] GitHub: github.com/circlefin/arc-node
- [7] ARC contract on Arc explorer: explorer.arc.io/token/0xA12Cd81d0f9988E3d60c4B6a0D52D368Ef3c788d
- [8] Informal Systems press release, Malachite acquisition by Circle (Aug 2025): prnewswire.com/news-releases/informal-systems-announces-malachite-acquisition-by-circle-to-power-new-arc-blockchain-network-302532317.html