TOKEN AUDIT · 08.26

FINAL RATING — A

$IOTA

74/100

IOTA ($IOTA) Tokenomics Audit

iota.org

IOTA is an open, decentralised distributed ledger infrastructure (DLT) built as public digital infrastructure for global trade, supply chains, digital identity and the tokenisation of real-world assets (RWA).
The IOTA token is used to pay fees on IOTA EVM, to secure the network through validators and to tokenise assets across the ecosystem.

FDV	TVL	INFLATION	MONTHLY FEES	DAILY TRANSACTIONS
$145M	$915K	6% p.a.	$9K	14K

ISSUANCE

767,000 IOTA / day

The token cannot be bypassed inside the network, but transaction volumes are too small to turn that role into demand

Token product linkage: IOTA EVM fees are paid in IOTA, validators lock it to secure the network, and it is the settlement unit for tokenising real-world assets.

Tokenomics sustainability: the protocol mints 767,000 IOTA every day while fee burn stays under 1 million tokens per 90 days, which leaves inflation of about 6% a year.

1. Introduction

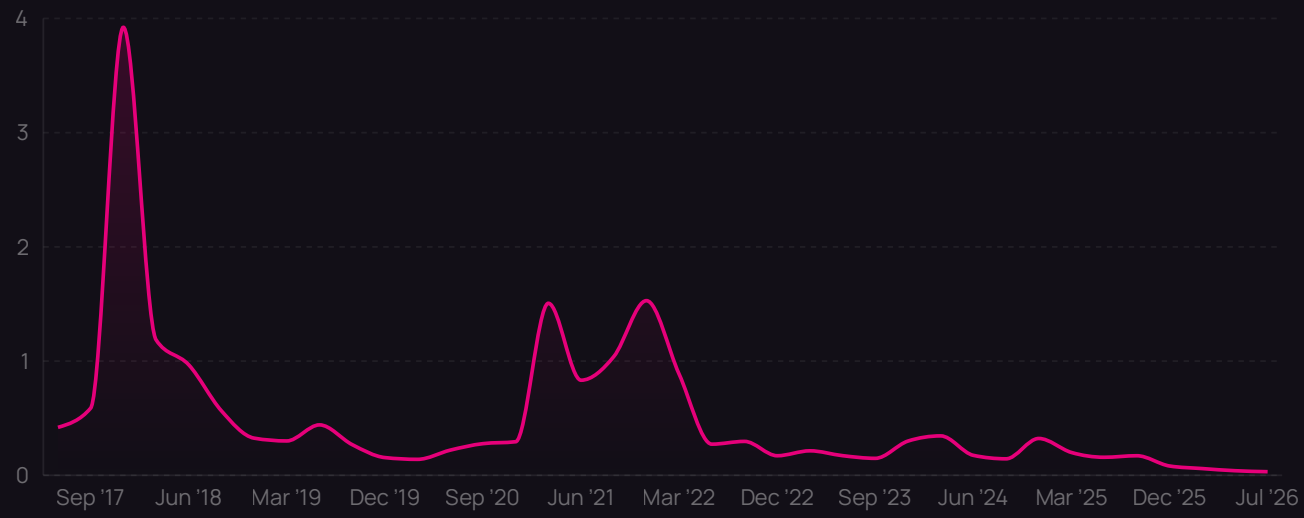
This audit has no commercial purpose and its conclusions are not investment advice. The audit is intended for a broad audience; its aim is to identify the weak points of the $IOTA token and to show them both to the project itself and to every $IOTA holder. Only public data from the internet is used in the audit.

IOTA is an open, decentralised distributed ledger infrastructure (DLT) built to serve as public digital infrastructure connecting the real world with the digital one. Its core mission is to bring distributed ledger technology into mass adoption across real sectors of the economy — global trade, supply chain management, digital identity and the tokenisation of real-world assets (RWA).

Website: www.iota.org

2. Token price

2.1 Token price analysis



IOTA price, $ — period close (DefiLlama / CoinGecko)

Metric	Value
Launch price at the start of trading	$0.4054
Current price (July 2026)	$0.0315
All-Time High (ATH)	$5.6900
All-Time Low (ATL)	$0.0315

The explosive price growth of late 2017 was driven by several overlapping events: the hype around the crypto market and the company's high-profile partnerships with large players from the real sector (Microsoft, Samsung, Cisco and Fujitsu).

A deep price correction began in 2018, caused both by the general cooling of the crypto market and by corporate turmoil: the resignation of a board member and the collapse of a strategic contract with Sirin Labs, the maker of a blockchain smartphone.

In February 2020 the already fragile trust was destroyed for good. The IOTA Foundation halted the network for a month to protect investor funds from a hack, but with that decision the company only demonstrated that there was no decentralisation and that all power sat with the foundation's team.

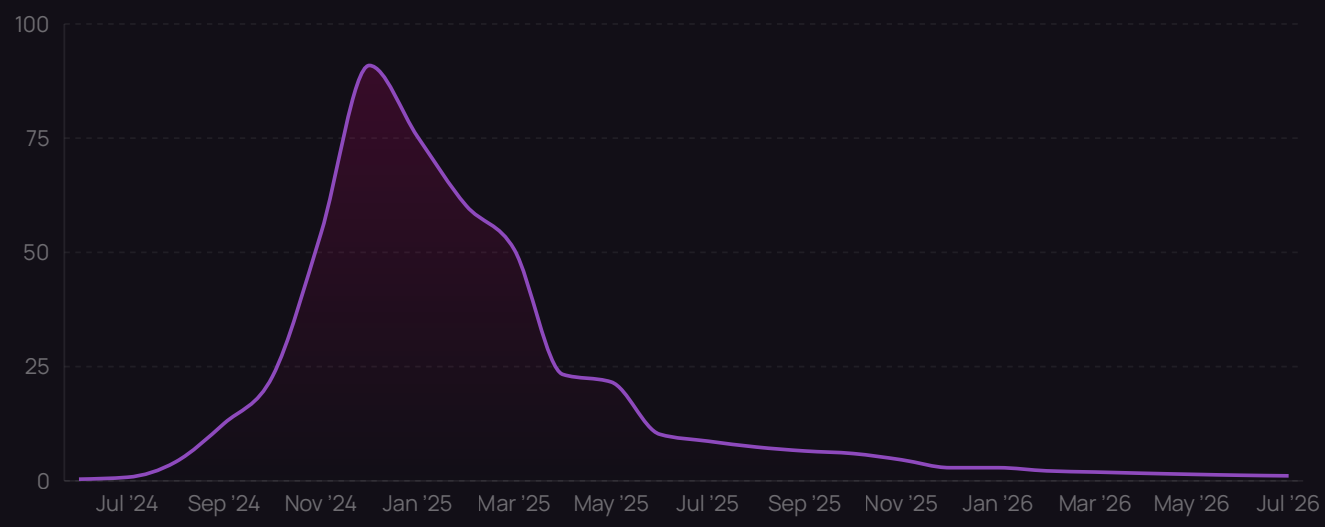
In 2023 the company again took an unpopular decision and increased the total supply of IOTA tokens from 2.78 billion to 4.6 billion in order to create an Ecosystem Fund. The fund was needed to compete in the RWA market, but at the same time it diluted investors and increased inflation by 65%.

In 2025 the strategic upgrade and the launch of Rebased did not deliver the expected growth, because the network did not attract enough projects. As a result the token fell a further 75%.

As of the audit date the token looks abandoned.

FDV reached $13.46 billion in 2017 and currently stands at $144.94 million.

2.2 TVL chart analysis



IOTA EVM TVL, $m — intra-month peak (DefiLlama)

- Current TVL: $915,000
- Peak TVL: $90 million

> **Important**
>
> The company originally worked on IoT solutions, but in 2024 it decided to enter the RWA market and therefore launched its own EVM network.

Notably, the growth in TVL was driven not by demand for the company's products but by the wish to profit from news about the launch of liquid protocols. As soon as the hype faded and speculative capital left the protocol, the company was left with its real TVL and with an absence of real demand for both the token and its products.

2.3 Conclusions on the token price

High-profile partnerships and a unique product allowed the company to reach an FDV of more than $13 billion very quickly, but through management errors, a change of paradigm and technical breaches the token has lost more than 99% of its capitalisation.

The price and TVL charts show clearly that there is no demand either for the product itself or for the IOTA token. The short-lived spikes in activity point to the speculative nature of the asset.

3. Token distribution

No more than 4,600,000,000 IOTA tokens will ever be issued into circulation.



IOTA token distribution, % (Tokenomist.io)

> **Important**
>
> 4.49–4.54 billion tokens, or 99.2%, are already in circulation, which means token issuance is practically complete.

3.1 How tokens are distributed, cliffs and unlocks

List of allocations according to Tokenomist.io:

- **Existing holders (IOTA Holders): 55.1%, or 2.53 billion.** The "old" coins held by the community before the fork.
- **IOTA DLT Foundation (Abu Dhabi): 12%, or 552 million.** Focused on development in MENA, Africa and Asia.

- **Tangle Ecosystem Association (Switzerland): 12%, or 552 million.** Focused on ecosystem development in Europe and the USA.
- **IOTA Foundation (Berlin): 7.1%, or 325 million.** Funds for R&D and regulatory matters.
- **Contributors: 5%, or 230 million.** Key partners and developers who helped the project.
- **Unclaimed tokens: 3.8%, or 176 million.** Tokens from the previous migration left in limbo.
- **Airdrop (for Assembly staking): 3.5%, or 161 million.** Compensation to holders for cancelling the Assembly token launch.
- **Treasury DAO: 1.4%, or 63 million.** Funds managed by the DAO and allocated by vote.

> Important
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> This distribution relates to the 2023 fork, when the company decided to increase the total token count by 65%.

All new tokens, apart from a small initially unlocked allocation (10%), entered the market gradually over four years, twice a week. This created constant selling pressure, because the foundations and associations had to monetise part of these assets to fund their day-to-day operations.

3.2 Conclusions on token distribution

TOKEN DISTRIBUTION: POSITIVE FACTORS AND RISK FACTORS

- ✓ 99.2% of tokens are already in circulation and token inflation will soon stop
- − The 2023 fork diluted investors without their consent, so there is no guarantee of protection from future dilution
- ⚠ The effect of the burn mechanism is immaterial because the fees collected are extremely small
- ⚠ Previously locked tokens amounting to 176 million IOTA were returned to the network by a DAO decision — token burning has to be treated as an illusion

When it changed paradigm and moved away from IoT towards RWA, the company feared a token shortage and resorted to additional issuance and to diluting long-standing investors. The market did

not let this pass and read it as an erosion of trust. So the new distribution structure and its release schedule look balanced, but the effect of that fork turned out to be negative.

4. Staking and farming

With the launch of the IOTA Rebased protocol, token holders gained several ways to earn.

4.1 Analysis of the instruments

Staking No. 1 — validator rewards

- Every 24 hours (an epoch) the protocol creates 767,000 new IOTA tokens and distributes them among validators;
- This issuance produces inflation of 6% in the first year.

Staking No. 2 — liquid staking

- Users can lock their IOTA tokens on the Swirl platform and receive the liquid token stIOTA;
- Swirl delegates the tokens to validators and receives part of the rewards they earn;
- The stIOTA token can be used on DeFi platforms as collateral and can generate staking income.

> Important
>
> The mechanism of continuously producing tokens to reward validators creates permanent inflation. It is meant to be counterbalanced by the algorithm that burns the fees earned. If the amount of fees is smaller than the amount of tokens printed, then in theory the maximum number of tokens in the network is not capped by anything.

4.2 Analysis of the formulas

$$M = \frac{S_v}{S_{vs}} \times 767\,000$$

Validator reward per epoch

- **S_v** — the validator's own token balance;
- **S_vs** — the total amount of all locked validator tokens;
- **M** — the validator's reward.

> Important
>
> A validator does not always receive the full amount, because it may hold third-party tokens (delegations) whose owners it is obliged to share the reward with.

4.3 Analysis of cash flows

Issuance • Every 24 hours	Burned via fees • Over 90 days in 2026	Inflation • First year of Rebased
767,000 IOTA	under 1m IOTA	6% p.a.

Inflows: transaction fees inside the network.

Outflows: creation of new tokens to reward validators.

> Important
>
> Since both flows affect the maximum number of tokens in the network, the maximum supply can be expressed by the formula below.

$$\text{Supply} = 4.6\text{ bn} + \text{tokens created} - \text{tokens burned}$$

Total IOTA supply

4.4 Conclusions

The token locking mechanism and the approach to validator rewards look classic for an L1 network, but the decision to allow unlimited issuance looks debatable. If the protocol runs into trouble and the number of transactions falls sharply, fees will not be enough to contain inflation. As a result today's problems will amplify tomorrow's, because the market will hold a large number of unbacked tokens.

> Important
>
> In other words, falling interest in the protocol increases inflation, which in turn leads to an even greater fall in interest in the protocol.

5. Token utility

The IOTA token and the whole ecosystem were built from the start to interact with real businesses and therefore have a broad range of applications.

5.1 Use cases

- **Securing the network.** Tokens locked by validators;
- **Paying network fees.** Transaction fees are paid in IOTA tokens;
- **Interactivity and programmability.** The token is the base unit for working with MoveVM-based smart contracts;
- **Digital Product Passports (DPP) and RWA.** The IOTA token is used as the means of tokenising real-world assets.

> Important

The token's core functions are aimed at enabling the exchange of information and transactions inside the IOTA EVM network.

5.2 Tools and services

- **TWIN (Trade Worldwide Information Network).** A live system on IOTA Mainnet that digitises trade documents and data in real time;
- **ADAPT.** A joint initiative with the African Continental Free Trade Area (AfCFTA), the Tony Blair Institute and the World Economic Forum. The goal is to digitise trade infrastructure for 1.5 billion people in Africa;
- **Institutional custody.** IOTA is integrated with the custodial service **BitGo**, which provides regulated and insured storage of digital assets. This opens the way for IOTA to be used in corporate treasuries;
- **Cross-chain interoperability via LayerZero.** IOTA Mainnet has been integrated with the LayerZero protocol and the Stargate bridge, so IOTA tokens (including in ERC-20 form on IOTA EVM) can move between more than 150 blockchains, including Ethereum, Solana and BNB Chain. Developers have ready-made solutions based on the OFT (Omnichain Fungible Token) standard.

Important

If the plans to deploy its solution into trading companies and corporate treasuries are delivered, the network could reach hundreds of millions of transactions a year.

5.3 Conclusions

TOKEN UTILITY: WHAT THE AUDIT FOUND

✓ The token has a genuine purpose — network fees, validator collateral and RWA tokenisation do not work without IOTA

⚠ The company is still in transition from IoT to RWA

⚠️ At today's volumes the "product demand to token demand" link cannot be confirmed: few clients, low TVL and a low token price

The token has a transparent link to the business. As demand for the company's products grows, demand for the IOTA token will grow proportionally — but since the project today lacks a sufficient customer base and shows low TVL and a low token price, it is extremely difficult either to confirm or to refute that link.

6. Token circulation

The IOTA token circulation cycle is transparent and follows clear protocol rules. Demand is created by the token's utility, while supply is dynamically regulated by two opposing mechanisms: reward issuance and fee burning.

The success of this model depends directly on ecosystem growth: the more transactions and activity there are in the network, the more tokens are burned and the higher the potential for deflation.

6.1 How tokens move

Inflow into circulation. Every 24 hours the protocol generates 767,000 new tokens and directs them to validator rewards. The amount is fixed and does not change.

Withdrawal from circulation. Tokens paid as fees are removed from the network. The process is programmed at protocol level and happens automatically with every new block.

> Important
>
> Real demand for the token is created not by validators and not by stakers, but by the real users of the IOTA ecosystem. The only way for a corporate client to obtain the token is to buy it on the market.

6.2 Risks

- If network transactions fall and the amount of fees drops below 767,000 tokens a day, the token becomes purely inflationary;

- In addition to the daily issuance, the token price is under pressure from the weekly vesting schedule that runs to 2027.

> Important
>
> If the company delivers its plans and the number of network transactions grows, the token turns deflationary and over time a liquidity shortage may appear: daily issuance is capped at 767,000 IOTA while the amount of fees collected has no cap.

7. Critical observations

- The team has repeatedly taken unilateral decisions that caused losses to third parties: increasing the token supply, changing target market, shutting down the network;
- The company has big plans for the future, but its current operating metrics are weak;
- The project's tokenomics build in permanent inflation, which aggravates the token's current position on the market;
- Because real demand for the token is low — in other words, because there are few corporate clients — the token is a speculative instrument with an unpredictable price;
- The 176 million IOTA tokens previously burned were returned to the network by a DAO decision, which means the deflationary mechanism works neither linearly nor transparently;
- The token's TVL is below $1 million;
- In 2018 IOTA's FDV exceeded $13 billion; today the token's capitalisation is below $150 million.

The project has always built interesting plans for the future but has never once delivered the expected result. The early agreements with Microsoft, Samsung, Cisco, Fujitsu, Sirin Labs and Mercedes did not turn into commercial success. Today the company is building new plans: payment services in Africa, the tokenisation of trade messages and the integration of corporate treasuries into global tokenised finance. If delivered, all of these plans would have a material effect on the token's growth — but their delivery depends solely on the project team.

8. Final conclusion

Thanks to changes in the business model, the development of the L1 solution and the extension of its tokenomics, the IOTA token has acquired a strong link to the project's commercial success. Unfortunately, at present the number of corporate clients, network transactions and fees collected is not enough to have a material effect on the token price.

The company took a risk by choosing a mechanism of unlimited issuance and burning instead of a hard cap on the maximum number of tokens in the network. That approach may have a positive effect on the token price in the future provided transaction counts grow, but today it produces inflation of around 6% a year.

8.1 Recommendations for the project

- Step away from speculative activity tied to high-yield staking and airdrops and concentrate on increasing the number of network transactions;
- Build a relationship of trust with token holders: the previous changes of paradigm and of tokenomics had a negative effect on today's TVL and FDV.

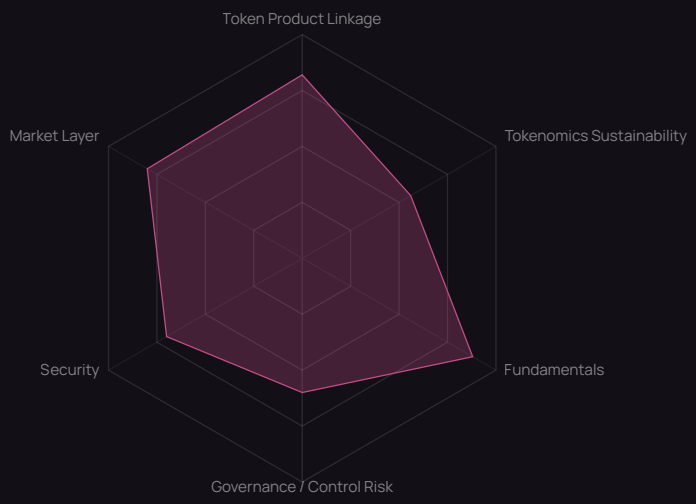
8.2 Important notes for investors

> What to track
>
> In 2026, over an average 90-day period, the protocol collected fees and burned fewer than 1 million IOTA, while over the same period it created more than 69 million new IOTA tokens. Until the number of tokens burned exceeds the number created, the IOTA price will remain under inflationary pressure.

You can have your own token economy assessed against the same methodology in an 8Blocks tokenomics audit, and model issuance and unlocks in the free Token Lab calculator.

Final rating

BLOCK PROFILE



BREAKDOWN (0–100)

Token Product Linkage	82
Tokenomics Sustainability	56
Fundamentals	88
Governance / Control Risk	60
Security	70
Market Layer	80

SUMMARY

IOTA has a genuine token product linkage: network fees, validator collateral and RWA tokenisation do not work without the token. But the protocol mints 767,000 IOTA a day and burns under 1M in fees per 90 days — rating A, 74/100, with inflation of about 6% a year and FDV down from $13B to $145M.

This audit is not investment advice. Use it as part of your own analysis.

FINAL RATING

74 /100

RATING A

Lead expert

Toni Efren in

Co-founder, 8Blocks

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	60	**6**
Security	10%	3.5	70	**7**
Market Layer	5%	4	80	**4**
Total	**100%**	**3.7**	**74**	**74.2**