Torch

2026

Full-chain synthesis engine

Aggregating cross-chain liquidity and deconstructing a new paradigm for DeFi yields.

WHITE PAPER



Preface

The wave of decentralized finance (DeFi) is redefining the boundaries of value exchange; however, beneath the prosperity, cracks have already appeared. With the evolution of the multi-chain landscape, assets and liquidity are confined to their respective isolated ecosystems. Complex interactions and fragmented yield sources impose a heavy cognitive burden and compounded risks on users.

It is precisely to address this fundamental challenge that the Torch protocol was born. We are committed to becoming the "synthetic engine" driving the coordinated operation of all financial Lego pieces. Torch transforms fragmented liquidity into a unified yield stream, providing users with a one-stop, intelligent asset growth experience. We invite you to explore together how, through the Torch token and the ecosystem it builds, we can jointly move towards a more accessible, efficient, and resilient decentralized finance future.



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01. Vision and Opportunities

1.1 Core Vision

Torch was born from a profound belief: true decentralized finance should not require users to be a trinity of cross-chain bridge engineer, yield scientist, and risk management expert. The current multi-chain world resembles a series of magnificent but isolated financial cities, where assets and opportunities are fragmented by the boundaries of the blockchain. To pursue optimal returns, users must manually navigate between dozens of chains and hundreds of protocols, incurring high gas costs, complex security risks, and significant opportunity costs.

Torch aims to be the ultimate solution to this fundamental contradiction. Our vision is to build a fully chained, intelligent, and autonomous yield synthesis engine—not only a "highway" connecting these cities, but also a "protocol brain" capable of understanding financial semantics and automatically optimizing resource allocation. We abstract the complex and risky multi-chain operations into a simple and secure user interface: one deposit, global returns.

Specifically, Torch strives to achieve a triple abstraction:

Chain Abstraction:

Users do not need to know the specific chain on which assets are located. The protocol automatically rebalances and deploys assets through a secure cross-chain messaging layer.



Strategy Abstraction:

Users do not need to study complex combinations of liquidity mining, lending, and staking strategies. The protocol automatically executes the optimal risk-reward strategy through a modular and verifiable vault.



Risk Management Abstraction:

The protocol has a built-in dynamic risk management module that monitors cross-chain asset security, strategy health, and extreme market conditions in real time, providing systematic protection for user assets.



01. Vision and Opportunities

1.2 Market Opportunities

Torch is not only targeting the existing DeFi market, but also the core structural opportunities that will drive its future tenfold or hundredfold growth.

Multi-chain expansion

The explosion of Ethereum Layer 2 and the rise of next-generation high-performance public chains such as Aptos, Sui, and Celestia mark the official entry of blockchain into the era of "application chains" and "rollup ecosystems." This brings enormous potential for liquidity growth (TVL distribution will move from hundreds of billions to trillions of US dollars), but it also exponentially exacerbates the problem of liquidity fragmentation. Currently, over 65% of DeFi users are active on more than two chains, but the tools for managing cross-chain assets are extremely rudimentary.

Torch, as a professional liquidity routing and aggregation layer, is a key infrastructure for unlocking the benefits of multi-chain integration and improving overall capital efficiency.

Diversification and specialization of revenue sources

DeFi yields have evolved from simple liquidity mining into a complex jungle encompassing various strategies such as spot/futures DEX market making, options vaults, interest rate strategies, and RWA yields. For the vast majority of users, the barrier to entry for identifying and participating in these opportunities is extremely high. Meanwhile, the strategic capabilities of professional quantitative teams and "scientists" are confined to small communities or their own funds, preventing them from achieving scalable productivity.

Torch's modular strategy vault market and developer incentive system create a platform that matches supply and demand: strategy developers can productize their strategies and receive a share of the profits, while users can obtain institutional-grade strategy management services through a "one-click subscription." This resolves the core contradiction between DeFi productivity and adoption.

01. Vision and Opportunities

1.2 Market Opportunities

Institutional capital enters the market

According to a report by the Boston Consulting Group (BCG), over $1 trillion in institutional funds will be allocated to digital assets in various forms by 2026. This funding places extremely stringent requirements on compliance, auditability, custody security, and operational processes. Most current DeFi protocols are inherently designed to meet these requirements.

Torch decouples asset custody (supporting MPC multi-party computation custody solutions), strategy execution (fully auditable on-chain), and revenue distribution (clear and transparent accounting ledgers) at the architectural level, and provides APIs and reporting systems tailored to institutional needs. This makes Torch a primary compliance bridge connecting traditional mega-capital with on-chain revenue, representing a huge market potential.

Infrastructure gaps in the industrialization of DeFi

Just as the internet transitioned from the information portal era to the cloud computing era, DeFi is evolving from independently operated, "workshop-style" protocols to "industrialized" assembly-line production. In the future, financial applications (DApps) will focus more on front-end experience and specific scenarios, outsourcing underlying asset management and yield generation to specialized protocols.

Any lending protocol, game, or social application can easily integrate Torch's vault to provide robust asset appreciation services for its users or internal economic systems. This defines a new layer in the DeFi stack—Yield-as-a-Service.

Torch is not just offering a product; it's laying the foundation for a value transfer pipeline that supports a next-generation trillion-dollar open financial network. By seizing this opportunity, Torch has the potential to become an indispensable core financial element in the future digital asset ecosystem.

02. Technical Architecture

2.1 Cross-chain communication layer

Torch adopts a four-layer modular architecture, from bottom to top: cross-chain communication layer, asset custody layer, strategy engine layer, and access layer. Each layer is decoupled from the event bus through standardized interfaces, achieving a highly cohesive, loosely coupled, and hot-swappable protocol matrix.

Components	Technology Selection	Security Mechanism
Validation Engine	Light nodes + ZK-Merkle Proof	PoS validators + ZK proofs
Message Queue	Pub/Sub based on libp2p	Message hash on-chain
Asset bridging	Liquidity network + atomic swap	Validators pledge Torch as collateral for forfeiture

Workflow:

- Source Chain Locking
- Message Broadcasting
- Validator Set Signing
- ZK Proof Generation
- Target Chain Light Contract Verification
- Minting Torch-zToken (1:1 Redeemable)
- The Strategy Vault allows immediate use of zTokens for mining. Failure in any step will trigger a rollback transaction, ensuring atomicity.

02. Technical Architecture

2.2 Asset Custody Layer

Contract escrow (90% of funds)

Cold Vault

Multi-signature + Timelock 48h, for storing long-term liquidity

Hot Vault

Automated scripts + scalable proxy for intraday rebalancing

ERC-4626 standard

Share tokenization allows for combined interest generation between front-end and DeFi platforms.

MPC Custody (10% of funds, institutional access)

01 Private key shards are stored in HSM + Cloud HSM + Offline Shard

02 Supports direct API connection for compliant custodians (Fireblocks, Cobo, Copper)

03 Generate "zero-knowledge asset proofs" daily and publicly disclose total assets ≥ the issued zToken quantity to prevent partial reserve issues.

02. Technical Architecture

2.3 Strategy Engine Layer

Strategy Lifecycle

- Developer submissions → DAO code audit + financial audit
- The Beta pool (≤ 1M USD) will run for 30 days without any issues before being transferred to the main pool.
- The strategy version upgrade uses "blue-green deployment": first create a new Vault, then gradually migrate liquidity, with zero downtime.

Risk grading matrix

Grade	Lifting of restrictions	Leverage threshold	Sample Strategy
R1	≤ 5% Sole Agreement	0×	Aave Stablecoin Lending
R2	≤ 20%	1.5×	Delta-Neutral GLP
R3	≤ 35%	3×	Options straddling and hedging
R4	≤ 50%	5×	Perpetual Fund Rate Arbitrage

Fee structure (can be modified on-chain)

- Management fee: 0.5–1.5%/year (interest calculated per block)
- Performance-based fee: 10–20% (high-water mark method)
- Cross-chain gas fees: uniformly subsidized by the DAO, with zero fees perceived by users.

02. Technical Architecture

2.4 Access Layer

Front end

Web App:	React + Web3.js, with built-in multi-chain RPC load balancing
Mobile version:	React Native, supports biometrics & WalletConnect v2
Institutional API:	REST + WebSocket provides net asset value push, report download, and KYC/AML callback.

Account abstraction and keyless login

- "Smart Wallet" based on ERC-4337
- Social recovery (Guardian) + Device Key lowers the barrier to entry for new users.
- Unified Gas: Gas payments can be made using Torch tokens or USDC across any blockchain, with automatic routing in the background.

2.5 Performance Indicators

Index	Value
Cross-chain finality	≤ 3.2 s
Maximum simultaneous accesses per Vault	1,200 tx/s
Strategy rebalancing and gas optimization	Batch processing + simulated fallback, saving 38%
Insurance fund protection	Initial TVL: 8.7%, Target: at least 15%

03. Token Economic Model

3.1 Token Functionality and Value Proposition

Governance Right

- **Protocol Parameter Governance:** Voting on key parameters (such as vault fees, insurance fund ratios, and cross-chain gas subsidies).
- **Strategy Vault Approval:** On-chain voting on new strategy treasuries submitted by community developers to decide whether to include them in the protocol and allocate initial funding.
- **Treasury Management:** Determining the use of the protocol's treasury funds (including stablecoins and $Torch), such as ecosystem grants, strategic investments, and liquidity mining incentives.
- **Core Upgrades:** Final approval of major technical upgrades and smart contract changes to the protocol.

Revenue Right

- **Protocol Revenue Sharing:** All management fees and performance fees generated by the protocol will be distributed to Torch stakers in ETH or stablecoins at a predetermined ratio (initially 50%).
- **Liquidity Provision Incentives:** Users who provide liquidity for key trading pairs (such as Torch/ETH) will receive additional Torch token incentives in addition to DEX trading fees, thereby building the protocol's own deep liquidity moat (Protocol Controlled Liquidity, PCL).

Utility Right

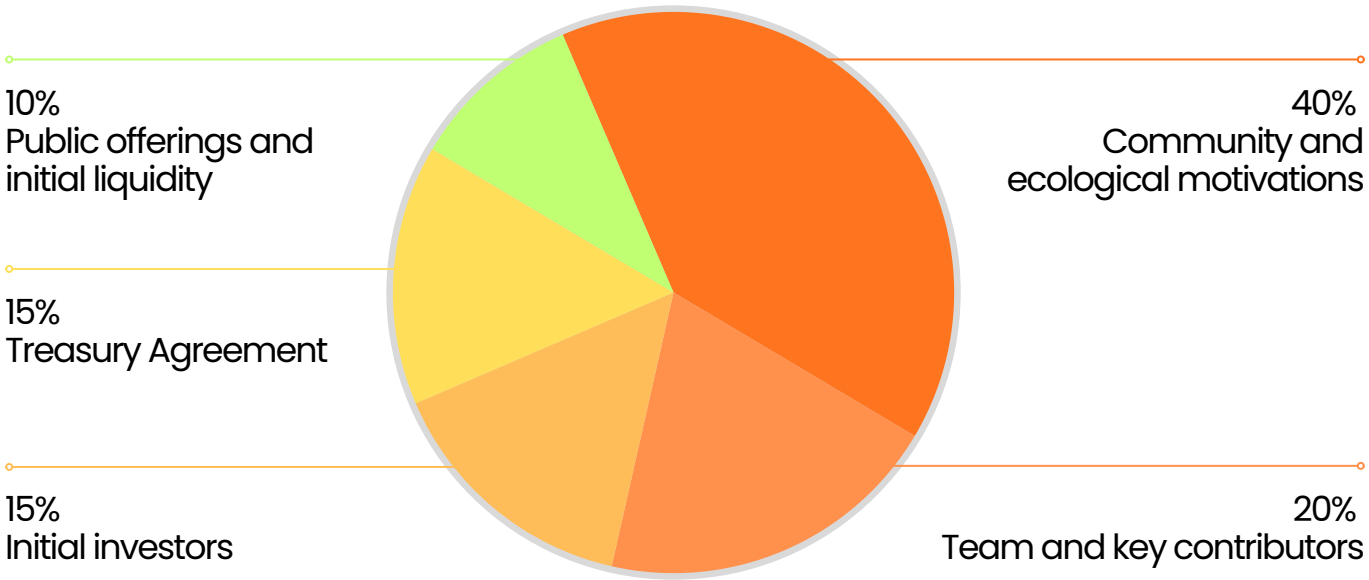
- **Fee Discounts:** Users holding and staking $Torch can enjoy tiered fee discounts (up to 20% off management fees) when using the Torch protocol's vault services.
- **Access Restrictions:** Some high-risk, high-potential early-stage or experimental strategy vaults may have minimum Torch holding requirements to ensure participants are long-term supporters with a deep understanding of the protocol's risks.
- **Cross-Chain Gas Medium:** In the account abstract wallet, $Torch can serve as a unified payment medium for multi-chain gas fees, enhancing the user experience.

03. Token Economic Model

3.2 Token Allocation and Release Plan

Total Torch token supply: Fixed at 1 billion

Project	Proportion	Release guidelines
Community and ecological motivations	40%	Released progressively over four years, disseminated weekly through smart contracts.
Team and key contributors	20%	A one-year lock-up period, succeeded by a linear release over three years.
Initial investors	15%	A one-year lock-up period, succeeded by a linear release over two years.
Treasury Agreement	15%	There will be a one-year lock-in period, after which the DAO governance will establish the specific usage plan.
Public offerings and initial liquidity	10%	100% accessible during TGE



03. Token Economic Model

3.3 Value Capture and Empowerment Mechanism

Buyback & Burn

Mechanism:
The agreement will use a portion of the revenue (initially set at 30%) to periodically buy back Torch tokens on the open market.

Handling:
Of the repurchased tokens, a portion (e.g., 50%) is sent directly to the burn address to achieve permanent deflation; the other portion (e.g., 50%) is injected into the staking reward pool or insurance fund to enhance staking returns and protocol security.

Influence:
As contract revenue grows and buyback efforts intensify, Torch faces sustained buying pressure and deflationary expectations.

Staking Rewards (xTorch Staking)

Pledge certificate:
Users who stake Torch into the official contract will receive interest-bearing tokens xTorch. xTorch represents the staked principal plus the accumulated earnings.

Sources of revenue:

- Protocol Revenue Sharing: As mentioned earlier, 50% of the protocol revenue will be distributed to xTorch holders.
- Token Inflation Incentives: In the early stages, a portion of the "Community and Ecosystem Incentives" tokens will be distributed as additional APR subsidies to stakers to guide the initial staking size and security foundation.

The effect of compound interest:
The value of xTorch increases over time and can be converted into more Torch at any time.

03. Token Economic Model

3.3 Value Capture and Empowerment Mechanism

Liquidity guidance and PCL accumulation

Incentive pool:
A portion of the community incentive tokens will be used specifically to reward core liquidity providers (LPs) such as Torch/ETH.

Protocol-Controlled Liquidity (PCL):
The protocol uses mechanisms such as "bonds" to sell $Torch at a discounted price in exchange for LP tokens, which can then be held permanently. These PCL assets include:

- This generates stable fee income for the agreement.
- Reduce selling pressure from circulating shares.
- Enhance the protocol's price stability and market depth on key trading pairs.

3.4 Initial Circulation and Market Expectations

TGE Initial Daily Circulating Supply: Expected to be ~12-15% of the total supply, primarily from public offerings, initial liquidity, and potential early community airdrops.

Low Inflation Design: In the first year, due to the linear release of community incentives, the annualized inflation rate may be relatively high (approximately 10%). However, as time progresses and the buyback and burn mechanism is activated, the inflation rate will rapidly decline, entering a deflationary state once protocol revenue reaches a certain scale.

Price Stability Measures: Through tiered unlocking, staking incentives, and DAO-controlled treasury market operations (such as providing liquidity support during extreme downturns), market volatility will be smoothed, protecting long-term holders.

04. Protocol Governance

The governance of the Torch protocol aims to establish an open, transparent, efficient, and capture-resistant decision-making system, gradually entrusting the future of the protocol to a distributed community comprised of Torch token holders, core contributors, and strategy developers.

We firmly believe that decentralized governance is not a one-off event, but a rigorous process that evolves in tandem with the protocol's maturity.

4.1 Core Principles of Governance

Principle of Alignment of Interests

Governance rights are deeply intertwined with the economic interests of the agreement. Torch holders are the ultimate bearers of the risks and benefits of the agreement, and therefore should also be the core decision-makers.

Progressive decentralization

Governance power will be transferred from the founding team to the community in stages and under certain conditions. Each stage has clear goals and milestones to avoid the protocol from stagnation or chaos due to premature or overly radical decentralization.

Emphasis on both professionalism and efficiency

Specialized committees (such as risk committees and strategy committees) can be established to handle areas that require in-depth knowledge, but the final approval authority rests with the entire community.

Safety First

All governance decisions, especially those involving changes to funding and core contracts, must undergo rigorous security checks and time-lock delays to provide the community with a last line of defense against malicious proposals.

04. Protocol Governance

4.2 Governance Structure and Components

Torch's governance system is a multi-layered hybrid model that combines off-chain discussion, on-chain voting, and authorized execution.

Components	Describe
Governance Forum	The origin of all governance issues. Used for initial discussions, gathering feedback, and drafting proposals.
Snapshot voting	Used for "signal voting" that is not financially sensitive and does not require on-chain execution, to measure the direction of community consensus.
On-chain governance	A binding final vote will be held on key matters involving agreement parameters, use of funds, and contract upgrades.
Time Lock	All proposals approved on-chain must undergo a time lock delay (e.g., 48 hours) before they can be implemented, leaving a window for emergency intervention.
Multisignature Wallet	During the governance transition phase, it is used to manage the treasury and execute emergency operations. It is jointly controlled by diverse representatives elected by the community.
Governance Dashboard	Provides a unified view of all proposal status, voting data, and delegate information.

04. Protocol Governance

4.3 Key Governance Processes

Proposal Types

TIP (Torch Improvement Proposal): Involves significant changes to the core protocol logic, economic model, and token contracts.
TCP (Torch Configuration Proposal): Adjusts configurable parameters such as vault fees, insurance fund ratios, and cross-chain gas subsidies.
TGP (Torch Treasury Proposal): Requests access to community treasury funds for development, marketing, and partnerships.
TSP (Torch Strategy Proposal): Submits a new strategy treasury for community voting on its inclusion in the protocol's support list.

Standard governance process (TIP as an example)

- RFC (Request for Comments): Initial ideas are posted in the governance forum and discussed for at least 3 days.
- Draft Formulation: Based on feedback, the proposal is improved and a draft with a standardized format is formed.
- Temperature Check (Snapshot): Initiate a non-binding snapshot vote, lasting 3 days. If the support rate is > 60%, proceed to the next stage.
- On-chain proposals: Token holders who meet the thresholds will submit their proposals on the blockchain.
- Voting period: On-chain voting officially begins and lasts for 5 days.
- Time Lock and Execution: After the proposal is approved, it enters a 48-hour time lock, after which it will be executed automatically.

04. Protocol Governance

4.3 Key Governance Processes

Strategic Vault Special Governance Process

Submit:
Developers submit strategy code, risk models, and simulation backtesting reports to the forum.

Community review and audit:
The risk committee initiated an audit, and the community discussed the safety and potential benefits.

Sandbox testing:
After the proposal passes the snapshot signal vote, the strategy will be launched and run for 30 days in a "sandbox environment" (with limited funding, such as $100,000).

Voting officially launched:
If the performance during the sandbox period meets the standards, an on-chain vote will be initiated to decide whether to allocate a formal funding amount and add it to the main treasury list.

4.4 Conflict Resolution and Security Assurance

Veto Power: In Phases Two and Three, the Guardian Committee, with an absolute majority (e.g., 5/7) of approval, can exercise a veto power once during the time lock period for passed on-chain proposals. However, a new vote must be initiated immediately to clarify the reasons for the veto, with the community making the final decision. This power aims to prevent malicious proposals or decisions that significantly harm the protocol.

E**mergency Pause:** The Guardian Committee's multi-signature mechanism can suspend critical protocol functions in extreme situations such as major hacking attacks, buying time for a technical response.

Governance Fork: As a last resort, if an irreconcilable split occurs within the community, token holders can express their choice through a fork protocol and governance contract. $Torch holdings determine the share of the new protocol after the fork.

05. Application Scenarios

5.1 For individual investors and DeFi users

Experience with the "Income Savings Account"

Scene:
Users hold idle stablecoins (USDC, DAI) or mainstream assets (ETH, WBTC). They hope to obtain returns beyond those of traditional banks and centralized wealth management, but are unwilling to spend a lot of time researching and managing them.

Torch Solution:
Users can deposit their assets into corresponding "stable" or "balanced" strategy vaults. For example, by selecting the "full-chain stablecoin yield aggregation" vault, the protocol will automatically allocate funds to top-tier lending protocols and liquidity pools across multiple chains, and automatically compound and rebalance, providing users with a simple, high-yield "on-chain savings account."

Active strategy participation

Scene:
Users have the ability to judge specific market trends, but lack the technical skills to execute complex strategies.

Torch Solution:
The protocol offers a vault of thematic strategies, such as "LSD Leveraged Returns Rotation" or "Options Volatility Capture." Users only need to understand the basic logic and risk level of the strategy to deposit funds with a single click, and the protocol will automatically handle all underlying operations.

Risk Management and Asset Allocation

Scene:
Users want to allocate assets on-chain, but are concerned about the risks of a single protocol, cross-chain security, and extreme market volatility.

Torch Solution:
The protocol's built-in risk grading (R1-R4) and real-time risk control module provide users with a clear risk profile. Insurance funds and emergency circuit breaker mechanisms offer additional safety cushions.

05. Application Scenarios

5.2 For professional asset management companies

Customized private account vault

Scene:
Family offices, hedge funds, or DAO treasuries may want to deploy a custom yield strategy (such as specific hedging ratios, asset whitelists, and risk control parameters) and require funds to be completely segregated from other users.

Torch Solution:
Through the "Institutional Services Channel," Torch can deploy independent smart contract vaults for large clients, with strategy logic that can be partially or fully customized, and supports seamless integration with clients' internal risk control systems and custody solutions.

Underlying engine

Scene:
Asset management institutions are looking to issue a "DeFi yield enhancement index fund" or a "low volatility, stable return" structured product for qualified investors.

Torch Solution:
Institutions can use Torch's strategy engine SDK to quickly combine and encapsulate multiple strategy vaults to create products that meet specific risk-return characteristics.

Crypto yield bridge

Scene:
Traditional financial institutions want to offer digital asset yield products to their clients, but are constrained by challenges related to custody, compliance, and operational complexity.

Torch Solution:
Through integrated MPC custody partners and ZK proof-of-asset, institutional clients can inject fiat currency funds through familiar and compliant channels, while the Torch protocol automatically and transparently manages on-chain assets to generate yields, achieving a secure connection from the traditional financial world to DeFi yields.

05. Application Scenarios

5.3 For strategy developers and quantitative teams

Release and Profit

Scene:
A developer designs an efficient on-chain arbitrage strategy or an innovative options combination strategy, but lacks funding and user channels to scale it up.

Torch Solution:
Developers follow Torch's "Vault Template Standard" to write strategies and submit them through the governance process. Once launched on the "Strategy Marketplace" and allocated community funds, developers receive ongoing revenue based on protocol rules (such as a 10% performance fee). This creates a positive cycle that incentivizes the world's brightest minds to contribute strategies to the Torch ecosystem.

Strategy optimization and version iteration

Scene:
As the market environment changes, strategies need to adjust parameters or logic.

Torch Solution:
Developers can initiate governance proposals to submit upgraded versions of existing vaults. Smooth upgrades are achieved through secure processes such as "blue-green deployment," ensuring user fund security while maintaining the competitiveness and adaptability of the strategy.

Collaborative development and code reuse

Scene:
Developers can build upon modules from other successful strategies to accelerate innovation.

Torch Solution:
Torch encourages open-source and composable strategy modules. The developer community can share common risk control modules, oracle interaction modules, etc., lowering the development threshold and promoting ecosystem innovation efficiency.

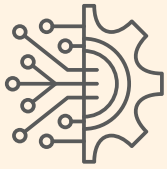
06. Development Roadmap

Phase 1: Network Startup and Core Foundation

Timeframe: Q3 2025 - Q4 2025

Core technology milestones

- Torch Core V1 Contract Deployment: Completed and open-sourced double-audited smart contracts.
- First Official Strategy Vault Launched: Introduced 2-3 low-risk (R1) strategies.
- Basic Governance Framework Activated: Launched governance forum and Snapshot signal voting.



Ecology and Community Building

- TVL (Total Value Locked) Target: Reach $50 million USD.
- Core Community Establishment: Launch Discord and governance forums, establishing the first core contributors and strategy developer community.
- First Strategy Developer Competition: Host an event to incentivize the community to submit strategy ideas and code.

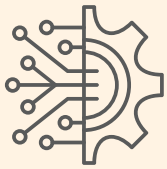


Phase 2: Multi-chain expansion

Timeframe: Q1 2026 - Q2 2026

Core technology milestones

- Multi-chain strategy vault launched: Automatically allocates assets to capture cross-chain yield differentials.
- Strategy Marketplace (Beta) open: Vault templates and development kits (SDKs) released.
- On-chain governance launched: Transfers control of some parameters to Torch stakers via on-chain Governor contracts.



Ecology and Community Building

- TVL Target: Exceed $200 million USD, with a multi-chain strategy accounting for over 30%.
- Partnership Expansion: Establish strategic partnerships with 2-3 top-tier L2/L1 ecosystems.
- Insurance Fund Enhancement: Achieve an insurance fund size of over 10% of TVL.



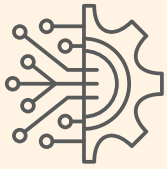
06. Development Roadmap

Phase 3: Optimization, Structure, and ZK Evolution

Timeframe: Q3 2026 - Q4 2026

Core technology milestones

- zk-Proof Verifiable Layer Pilot: Introducing zero-knowledge proofs to enhance transparency and audit efficiency for specific high-risk strategy vaults.
- Account Abstraction and Gas Optimization Integration: Users can create smart contract wallets using email or social media accounts, and support paying multi-chain gas fees using any token.



Ecology and Community Building

- TVL Target: Reach $500 million.
- Institutional Funding Inflow: Attracting institutional clients to use the protocol through compliant channels, with institutional funding accounting for 15%.
- Governance Deepening: Over 40% of circulating tokens participate in key governance proposals.

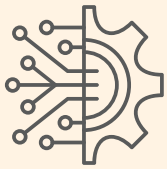


Phase 4: Full-Chain Financial Fundamental Autonomy

Timeframe: 2027+

Core technology milestones

- RWA Vault Pilot: Launching the first hybrid strategy vault that incorporates returns from real-world assets such as on-chain government bonds.
- Fully On-Chain Governance and Autonomy: All protocol upgrades and vault usage are determined entirely by an optimized on-chain voting mechanism.



Ecology and Community Building

- TVL Vision: To become a top-five cross-chain yield protocol in the TVL ecosystem.
- Ecosystem Prosperity: Over 20 third-party applications built on the Torch protocol.
- Protocol Revenue Flywheel: The protocol's average monthly revenue consistently covers development and operational costs.



07. Risks and Disclaimers

7.1 Agreement and Technology Risks

Smart Contract Risks:
While the Torch protocol's smart contracts have been audited by multiple well-known security companies, there is no guarantee that they are completely free of vulnerabilities, bugs, or design flaws. Hackers may exploit unknown vulnerabilities to launch attacks, leading to financial losses.

Mitigation Measures:
Continuous security audits, bug bounty programs, progressive contract upgrade mechanisms, and a protocol-controlled insurance fund.

Cross-Chain Communication Risks:
The underlying network may be vulnerable to validator collusion, relay attacks, or technical failures, causing assets to be stranded, delayed, or lost during cross-chain transactions.

Mitigation Measures:
Utilize mature, market-proven cross-chain infrastructure, deploy a self-built light client verification layer, and implement a timeout rollback mechanism for cross-chain transactions.

Key Management and Custody Risks:
If you use a non-custodial wallet, the loss, disclosure, or theft of your private key will result in the permanent loss of your assets. If you use an integrated custody service, you will be exposed to the service provider's credit, operational, and security risks.

Mitigation Measures:
Users are strongly advised to use hardware wallets and properly safeguard their mnemonic phrases. This agreement provides no guarantees regarding the security and operation of the third-party hosting service.

Front-end and Interaction Risks:
The agreement's official website or related front-end interfaces may be vulnerable to phishing, domain hijacking (DNS/front-end attacks), or malicious code injection, leading to users authorizing unexpected transactions.

Mitigation Measures:
Only access the agreement through officially verified channels, verify the contract address, and be wary of any suspicious links or requests.

07. Risks and Disclaimers

7.2 Financial and Market Risks

Strategy performance and risk of loss:
All strategy vaults, regardless of risk level, carry the possibility of principal loss. Extreme market volatility, oracle failure, sudden liquidity shortages, and the failure of lending protocol liquidation mechanisms can all lead to losses far exceeding expectations. Past performance is not indicative of future results.

Mitigation Measures:
Clear risk level classification, real-time risk control monitoring and automatic deleveraging, transparent strategy disclosure and historical backtesting

Liquidation and run risks
During periods of sharp market decline, highly leveraged strategies may be liquidated, exacerbating asset selling pressure. Simultaneously, a large number of users redeeming assets from the vault at the same time could lead to liquidity shortages, creating a "bank run" effect and delaying or affecting your redemption.

Mitigation Measures:
Set conservative leverage limits, implement redemption delay mechanisms or phased redemptions, and maintain sufficient protocol-controlled liquidity.

Return volatility and impermanent loss:
Providing liquidity (such as becoming a LP in Torch/ETH) carries the risk of impermanent loss, meaning that when the relative prices of the two assets change, the dollar value of the LP's assets may be lower than the value of simply holding the two assets. The returns generated by the strategy (such as liquidity mining rewards) can be highly volatile, or even zero.

Mitigation Measures:
Users need to understand the relevant product mechanisms. The agreement lowers the barrier to entry for LPs through incentives and fee subsidies, but it cannot eliminate market risks.

07. Risks and Disclaimers

7.4 Legal and Regulatory Risks

Regulatory uncertainty:
Globally, the regulatory framework for DeFi, yield aggregation, token issuance, and trading is still evolving rapidly and fraught with uncertainty. Future laws, regulations, or enforcement actions may restrict or prohibit access to or use of the Torch protocol in your jurisdiction, reclassify the nature of Torch tokens (such as whether they are classified as securities), or impose tax obligations on participants, thereby having a significant negative impact on the protocol and token value.

Mitigation Measures:
Actively monitor global regulatory developments and conduct business within the scope of compliance, but users must understand and comply with the laws and regulations of their locality.

7.5 Disclaimer

Non-Investment Advice: This white paper is for informational purposes only and aims to describe the development and plans of the Torch protocol. This document does not constitute any form of legal, financial, tax, or investment advice, nor should it be construed as a prospectus, offer, or invitation to invest in purchasing Torch tokens or using the Torch protocol. Any statements regarding the future of the protocol are forward-looking statements and involve known and unknown risks and uncertainties; actual results may differ materially from those statements.

No Warranties and Provided "As Is": The Torch protocol and its related software and products are provided on an "as is" and "as available" basis without any warranties of any kind, express or implied, including but not limited to warranties of merchantability, fitness for a particular purpose, title, and non-infringement. The protocol development team, contributors, and affiliates do not warrant that the protocol is defect-free, uninterrupted, secure, or reliable.

User's sole responsibility:

- You acknowledge and agree that your use of the Torch protocol is entirely voluntary and at your own risk.
- You are responsible for independently researching and assessing all risks, legal and regulatory requirements associated with using the protocol, purchasing, holding or selling Torch tokens.