

Circles Report

August 12, 2025

Overview

This is a research report on Circles UBI and their unique proposition to creating a fair, inclusive and equitable monetary system. The study will examine the project's origins, Funding, token mechanisms and potential economic impact. It will also highlight key challenges and opportunities in scaling a community-based currency and the broader implications for decentralized finance and social equity.

Goals

- Understand the principles, design, and mechanics of the Circles UBI system.
- Provide insights and recommendations for stakeholders interested in community-driven

Ownership and Rights

This report was researched and authored by Bright Morrison. It represents an independent, professional analysis conducted to the highest standards, using verified sources and the most accurate information available at the time of preparation.

All rights are reserved. No part of this document may be reproduced, distributed, or transmitted in any form or by any means, without prior written consent from the author, except where permitted under applicable copyright laws.

While the insights, data, and recommendations in this report are based on thorough research and sound methodology, the implementation and outcomes of any actions taken based on this material remain the sole responsibility of the project's management and stakeholders.

Disclaimer: This report is based on information available as of August 12, 2025 and is intended for use within three (3) months of its publication date. Market conditions, regulatory environments, and project-specific factors may change over time, which can affect the accuracy and relevance of the analysis.

The author has exercised due care and applied rigorous research methodologies in preparing this document. However, the author makes no representation or warranty, express or implied, as to the completeness or accuracy of the information beyond the stated validity period. Any decisions made based on this report should consider the most recent data and developments available at the time of implementation.

Table of contents

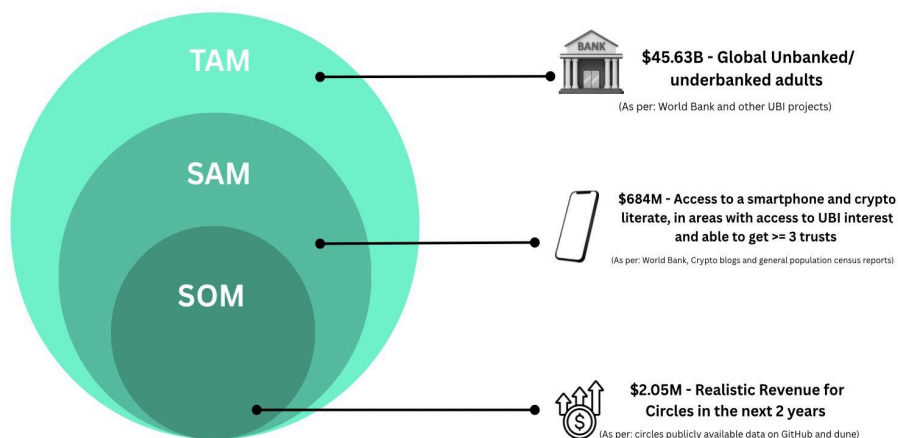
[Goals](#)
[Executive Summary](#)
[Overview](#)
[Team & Backers](#)
[Fundamentals](#)
[Token](#)
[Competitors and Partnerships](#)
[Milestones, Catalysts and risks](#)
[Socials and Community](#)
[Chart](#)
[Appendix](#)

2: Executive Summary

Circles (CRC) is an open-source, trust-based universal basic income (UBI) system launched on Gnosis Chain in May 2025. Every user mints 1 CRC per hour and all balances decay at approximately 7% annually, creating an “equitable” money system where issuance is shared equally. The project is backed by Gnosis (Martin Köppelmann) and integrates a user-friendly Metri wallet and token bridges. However, adoption so far is minimal: the Berlin UBI pilot onboarded only approximately 20 local merchants, and the sole CRC/GNO trading pool holds \$118 in liquidity with 43 holders. Key risks include the lack of a sustainable business model (the Berlin co-op funding ran out) and uncertain regulatory treatment of a permissionless “money printing” scheme. Catalysts include; integration with gnosis pay/visa and an upcoming marketplace feature. From a conservative institutional viewpoint, Circles offers an intriguing social-money experiment but scores modestly on viability due to adoption, legal and financial uncertainties.

3-A: Overview

Circles is a decentralized personal-currency protocol built on Gnosis Chain, its goal is to create a 'fair and social' money system where each person issues their own currency. In practice, when a user joins they receive a unique ERC-1155 circle token 'CRC' which mints new coins to that user at a fixed rate. Value and fungibility arise via a web of trust; Users manually trust each other so that their personal CRC's become exchangeable. The concept is explicitly egalitarian, Everyone creates money at the same rate and the supply protocol (1 CRC/hr per person) is designed to avoid early adopter advantages. Their mission is to bootstrap grassroots local UBI (Universal Basic Income) and complementary currency system. The TAM, SAM and SOM of this product is demonstrated below



Key

Annual Fees per User= 18.25

TAM: 2.5B unbanked and underbanked adults * 18.25

**SAM: Access to smartphones and crypto literacy = 15% of TAM
and 10% in relevant groups = 37.5 * 18.25**

SOM:

Current penetration rate= 8,666 / 37.5M * 100% = 0.023%

Growth rate = $[(8,666/7826)\exp 1/30 - 1] * 100\% = 0.35\%$

Annual growth rate = 258%

***Considering a 258% growth rate on a 0.023% penetration rate and
accounting for 2years will bring the penetration rate to 0.296% * SAM**

*All relevant data included in 3-C

It's also important to note the Product Market Fit (PMF). In a non-controlled quantitative research, we found this product to score 12% on a Sean Ellis Test and some reasons for this were; CRC spending limitations, Lack of activity in the ecosystem and that money creation idea sounded bogus, some feedback given by the participants to improve PMF was to expand merchant network and introduce some conversion options "6.5/10"

3-B Team & Backers

The Circles project is led and co-founded by Martin Köppelmann, his interest in blockchain was piqued in 2008 after which he went on to found Gnosis in 2015, he also contributed to the development of projects on the Bitcoin and Ethereum blockchain. He currently holds a bachelor's and advanced degree in IT systems Engineering from the Hasso Plattner Institute. Circles is also co-founded by Julio Linares, an economic anthropologist and he also serves as the public outreach for Basic Income Earth Network (BIEN). Recent documentation does not confirm Julio Linares' continued involvement with the team following the migration from V1 to V2. Public statements have indicated a planned change in leadership, though specific details remain unclear

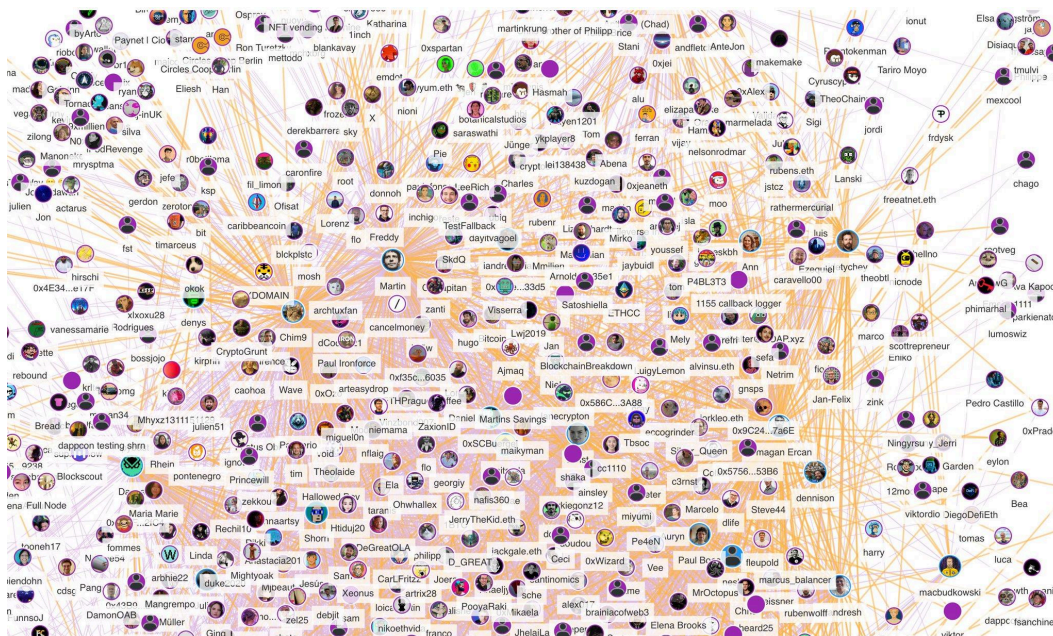
Contributions have also been made to Circles by Dr. Friederike Ernst, she is a graduate of Columbia and Stanford University where she studied low-dimensional complex quantum and graduated in 2017. She also plays an active role in promoting decentralization with features from Forbes magazine and similar outlets. She co-founded Gnosis alongside Martin and is the co-host at Epicenter podcast. There is also a wide array of core team members and devs who are actively contributing

to the project. Circles is supported and backed by Gnosis infrastructure which adds credibility, Circles 2.0 has been effectively placed under the Gnosis umbrella consisting of ; Gnosis Pay, CoW swap, Gnosis studio, metri. It is however also important to note that Circles ran a pilot program in 2021 to incentivize businesses to use and accept CRC as a form of payment but the program later ran out of funding and shut down which raises some execution concerns and questions the strength of resources available “8/10”

3-C Fundamentals

Circles reported a total of 130,162 users and only a fraction of that have migrated to Circles V2, with the total V2. users being just 8,666 at the time of writing. June to July was the period with the highest registration of new users within the past 3 months with a total of 230 new registered in a single day, this however was as a result of a major catalyst and the daily volume of new users has dropped quite significantly since then with the current average growth rate sitting at 0.35% and this is the number taken into account for the SOM

calculation in the absence of any new catalyst and current resources. There are also 565 registered groups (this is a system in which people within the same group can receive group tokens that are fungible between each participant without an active trust existing between them) and 130,706 active trusts between users.



Snapshot of the trust network on Circles “4/10”

3-D Token

Unlike traditional forms of token issuance, Circles takes a different approach altogether, each user earns a total of over 120,804 tokens during their lifetime(based on mining rate and 7% demurrage rate) so the total supply is not capped, these tokens have no value at the base level and one way to give it value is by backing your tokens with a said amount e.g \$100, by doing that a Balancer LBP(Liquidity Bootstrapping Pool) is set up, assume \$100 is put against 10,000 CRC, these tokens will be worth more than another with say \$50/ 50,000 CRC, this just means that CRC has no fixed price but is rather a spectrum. Current prices range from a high of \$0.5 and a low of \$0.02 across 402 backers, the liquidity pool on the open market holds varying amounts such as \$118, however these are not available for trading publicly but are rather aggregated prices from DEXes, there are no CEX listings, allocation to VCs or community and no vesting schedule because of the token's unique model "3/10"

3-D Competitors and Partnerships

Universal Basic Income is not one in which there are lots of founders and builders, however a few emerged like proof of humanity (POH) and while they did quite well, they also struggled with governance and sybil attacks as well. Good Dollar (G\$) also built something similar as well with recent posts suggesting active ongoing campaigns and still running well, overall there isn't a lot of direct competition and Circles looks well positioned to get a good share of the market sector. Some core Circles partnerships include; Gnosis Dao, Gnosis chain, Gnosis pay as well as CoW swap on a fundamental level and on a regional and community level, Circles Indonesia partnered with names like Alam Santi, Indonesia Basic Income Guarantee Network and BRIN as well as Circles Node Campaign in Ghana in collaboration with ETHAccra which hosted a workshop to showcase circles as a model for alternative finance. The team has also been actively participating in workshops, conferences and devcons to showcase a model of circles financial system and how it could bring in the next wave of monetary standards, these activities not only showcases

ecosystem strength but also offers insights to their wide reach and how it appeals to the broader community
 “7/10”

3-F Milestones, Catalysts and Risks

There is no publicly documented roadmap for Circles, this might be as a result of choosing privacy over speculation but it also reduces transparency from the team, some previous implementations like the V2 migration, ETHCC meetup as well as other workshops and seminars give a more positive outlook for future developments across the ecosystem, some likely key milestones expected for the next quarter/ year includes a circles marketplace which has been hinted at on the metri app (with features like ChatGPT subscription, Tesla Stocks and even Amazon gift cards), Metri wallet upgrades with payment links as well as integration with Gnosis pay/ Visa, this will enable CRC to be spent with real-world merchants through Visa rails. It is however important to note that these are not explicitly stated but have been hinted at in wallet apps, Discord discussions etc and should be taken as a soft signal rather than publicly available information. Major risks posed on circles are mostly regulatory with issues like taxation

uncertainty, AML/ KYC exposure and the nature of issuance, there's also execution and continuity risks because the circles team might be credible but small with the low active userbase and slow adoption rate, there's a risk of abandonment and the Circles Berlin pilot program being a good indicator to this, the leadership issues was addressed before the migration but this still poses a threat because of the low user volume, Technical issues also presents risks such as;

- i. **Pathfinding Complexity:** The trust system is untested at scale and failure could be very fatal, it also poses Sybil attacks and this was revealed by Martin that there is more efficiency within small trust networks than groups which has a higher chain of trusts, what happens on the more unlikely occurrence where a trust cluster forms 51% of the network, all interconnected, there's a risk of controlled pricing in marketplaces, liquidity dominance and users outside this cluster could find their CRC essentially unstable and unusable
- ii. **Code Vulnerabilities:** There has been no formal audits on the CRC smart contracts but it's however open-sourced and community members are encouraged to fork and contribute to the repo, propose changes etc. There are currently 9 stars and 9 forks on the V2 contract "6/10"

3-G Socials and Community

Circles has quite a large audience on X (formerly Twitter) with 28,800 followers in which 96% are authentic but the engagement is low at 0.16% engagement rate, this disengagement may be due to different reasons and primarily being the X algorithm. The Discord holds 29,000 members with DAU of 14 and MAU of 227. The engagement rate on the server is at 6.17% but there hasn't been a lot of circles mentions on the timeline and not a lot of influencer coverage, however some credible accounts like DeFi Minty have given mentions, the community may be small but strong "5/10"

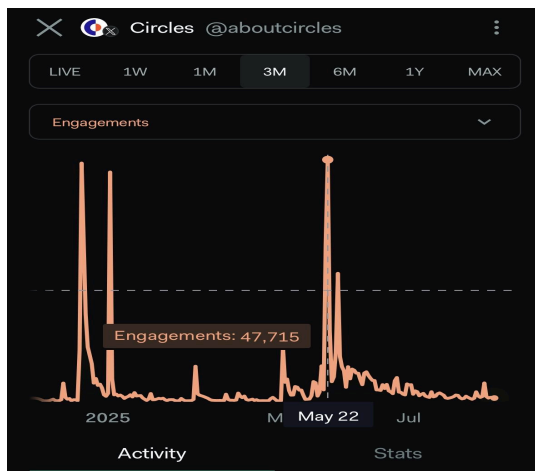


Fig. Engagement volume on Circles

3-H CHART

There's really nothing notable with the CRC chart because of its token structure but it is important to include it in this report, taking a look at the CRC/USD chart, there's a sharp drop in price from a resistance of \$0.6 to ranging at the \$0.05 level, the volume profile indicates a bit more activity going on at this region which could be due to some economic activity on the platform and fickle volume but it's not nearly enough to measure interest. In general, there's no clear trend, pattern or buy setup which is expected because the nature of the CRC tokens can't be judged by just the charts and what is aggregated on the DEXes as each token is unique per user "2/10"

4 Overall Weighted Score

The overall weighted score from my analysis is "5.38/10". It's quite clear that circles has an innovative vision and strong technical support but these are counterbalanced by unclear regulatory framework, weak adoption and no clear path to sustainability. From an institutional standpoint, it is a high risk experiment and not a mature partnership asset but deserves close monitoring

nonetheless, as of now its execution and commercial viability are limited

Appendix

Weights Formatting

Overview ————— 24%

Team & Backers ————— 12%

Fundamentals ————— 14%

Token ————— 20%

Competitor and partnership ————— 10%

Milestones, catalyst and risks ————— 12%

Socials and community ————— 4%

Chart ————— 4%

Sources and Links

X - <https://x.com/aboutcircles?s=21>

Dune -

https://dune.com/gnosischain_team/about-circles

Github - <https://github.com/aboutcircles>

Website - <https://aboutcircles.com/>

Whitepaper -

https://files.gitbook.com/v0/b/gitbook-x-prod.appspot.com/o/spaces/s76GmMOXUUWWi7YK8Ugp/uploads/eugvhtllqA6IUW0aJKsw/Circles_Whitepaper_v220.pdf?alt=media&token=0ab0f75c-2121-4b47-a2e1-a2bd0eabd53f

Blocktelegraph article -

<https://blocktelegraph.io/gnosis-launches-circles-2-0-a-trust-based-digital-currency-where-users-issue-their-own-tokens-over-time/>

Frontier's article -

<https://www.frontiersin.org/journals/blockchain/articles/10.3389/fbloc.2024.1362939/full>.

[Gecko Terminal](#) -

<https://www.geckoterminal.com/xdai/pools/0xbac82759c59ecf2dd213753e54873e7e75d73979>