xx Network Community,

We want to officially address the recent incident involving a sophisticated social engineering scam that impacted market liquidity on Uniswap, mainly for a period of a few hours, starting at 20:30 UTC on Friday, July 26, 2024. We understand the concerns this incident may have raised and are committed to maintaining transparency and trust within our community. We shared some of the information in previous updates and messages on social media. That said, here are the details of the entire incident and the steps we're taking to address it.

Details of the Scam

The scam occurred during a private strategic investment deal, where the fraudsters impersonated real individuals with extensive knowledge of the xx network and crypto markets. The incident unfolded in three key steps:

1. **False Documentation:** The scammers used fake documents to pass the KYC process.
2. **Building False Trust:** Prolonged communication was used to build false trust during our due diligence process.
3. **Man-in-the-Middle Attack (MITM):** The scammers posed as a team member during the final stages of the deal on July 26th.

*A **MITM** attack is a type of scam where an unauthorized third party secretly intercepts and potentially alters the communication between two parties. This can occur over various communication channels, such as social media, private DM channels, and can lead to the exposure or manipulation of sensitive information*.

It is crucial to note that this was a social engineering attack, not a technical hacking of our systems. The WXX contract code remains secure and verifiable on Etherscan here. The WXX contract can not be accessed by anyone.

Financial Details

The scam involved a false intention to invest in 1.5 million WXX coins. The scammers received these coins and quickly executed multiple sell orders. Due to the rapid selling, the market maker managing the Uniswap pool could not react in time, resulting in the sale of all 1.5 million WXX coins at an average price of $0.0313 USD. The MM did not prop up the price of the coin on uniswap when the selling was taking place. There was approximately $47,000 USD sold in ETH liquidity, representing between 10-15% of daily xx trading volume.

The immediate measures taken included shutting down the centralized exchange pairings for WXX on Biconomy and Coinstore as well as disabling the XX/WXX bridge to limit further liquidity impact. The scammer used the address 0xD329b3236b263e57A62C0F9ac3F9770024AE418b during the attack.

It is important to clarify that the coins involved in this scam were xx Foundation-owned, not coins belonging to xx community members. It was the xx Foundation that suffered loss of holdings.

Strategic Investments and KYC Procedures

It's important to note that strategic investments, including OTC deals for the purpose of project development, are not uncommon in the crypto space. These transactions are typically conducted under strict KYC procedures to ensure compliance and security. The xx Foundation has always adhered to these standards, as evidenced by our historical practices and more public examples of similar, earlier transactions such as with Chris Larsen and Roger Ver. While this incident has been a regrettable breach, it is an isolated case that underscores the importance of rigorous KYC processes and strictly controlled operational investment protocol.

Next Steps and Community Assurance

The xx Foundation is gathering all internal information to assist in tracking down the scammers. We are notifying relevant authorities and exchanges about the incident and the individuals involved. Additionally, we are updating our investment procedures to harden against similar incidents in the future to ensure such an event never happens again.

All CEX markets for WXX have now resumed (Coinstore/Biconomy), and the xx network bridge for XX/WXX has now been re-enabled.

We understand the concerns this incident may raise and are committed to maintaining transparency and trust within our community while also upholding private operational security practices.

Thank you for your continued support.

Sincerely,
The xx Foundation