

**PAYWARD LTD**  
CRYPTO ASSET RISK DISCLOSURE  
SGB

**Songbird (SGB)**

Last updated on September 02, 2025

**Disclaimer**

*Please note that this risk disclosure is not exhaustive of all risks associated with trading SGB. Investors should perform their own assessment to determine the appropriate level of risk for their personal circumstances. Be sure to do your own research and due diligence while taking into account your own financial situation and risk tolerance. Please review the [Risk Summary](#) for additional discussion of general risks associated with the assets made available in the platform. These materials are for general information purposes only and are not investment advice or a recommendation or solicitation to buy, sell or hold any crypto asset or to engage in any specific trading strategy. The information contained in this risk disclosure is based on publicly available information that may be inaccurate, incomplete, or change at any time.*

**What is Songbird and how does it work?**

Songbird is the “canary” network for Flare. It acts as a live blockchain where new features can be tested safely before they move to the Flare main network. Like Flare, it is compatible with Ethereum smart contracts, but it runs independently. Developers use Songbird to try out upgrades such as new smart-contract tools, bridges to other blockchains, and protocol changes.

Songbird uses a consensus model based on federated Byzantine agreement with Avalanche-style mechanics. This design avoids the need for mining or traditional proof-of-stake, while keeping the network secure. The network also includes the Federated Time Series Oracle (FTSO), which provides reliable price and data feeds from outside sources.

SGB is the native token of Songbird. It is used to pay transaction fees and to take part in on-chain governance. Holders can also “wrap” SGB into WSGB and delegate it to data providers in the FTSO. In return, they share in the rewards that providers earn for delivering accurate data.

By using SGB, token holders support the network’s operations and can influence future upgrades, while developers and applications gain access to decentralized price feeds and cross-chain data.

**Who is behind the Project?**

The Songbird network is linked to the Flare network, developed by Flare Networks Limited, a UK-based company founded in 2019 by Hugo Philion, Sean Rowan, and Nairi Usher.

Work on Flare began in 2017, and the company was incorporated in 2019. Songbird, a canary network for Flare, launched in September 2021.

**Tokenomics of SGB**

The initial distribution of SGB tokens was done through a free airdrop to XRP holders in July 2021. The airdrop allocated SGB tokens to XRP holders in proportion to their holdings at a ‘snapshot’ taken on December 12, 2020. 0.1511 SGB was issued for every 1 XRP held in a wallet or

participating centralized exchange account.

The total supply of SGB tokens is not hard capped and new tokens are released into circulation through a combination of mining rewards and inflationary measures. The inflation rate is set to decrease over time, with the goal of reaching a steady state where the rate of the new token issuance matches the rate of token loss through transaction fees and other burning mechanisms.

### **General Risks**

Like all other digital assets, there are some general risks to investing in SGB. These include short history risk, volatility, and liquidity risk, demand risk, forking risk, code defects, cryptography risk, regulatory risk, concentration risk, electronic trading risk and cyber security risk. For more information on general risks associated with smart contracts and digital assets, see Kraken's Risk Statement.

### **Risks specific to Songbird**

#### *Competition*

Songbird faces competition from other canary networks such as: Kusama (KSM) and other similar networks. SGB's value derives from the Songbird and the Flare network's broader adoption in the market. If the Flare & Songbird networks fail to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of SGB.

#### **Due Diligence**

Prior to listing on the Kraken platform, Kraken performed due diligence on SGB and determined that Kraken was permitted to make SGB available for trading to UK users, in compliance with UK law. This process generally consists of reviewing publicly available information on the following:

- The creation, governance, usage and design of SGB, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created SGB;
- The supply, demand, maturity, utility and liquidity of SGB;
- Material technical risks associated with SGB, including any code defects, security breaches and other threats concerning SGB and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and
- Legal and regulatory risks associated with SGB, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of SGB, and (ii) consideration of statements made by any regulators or securities regulatory authorities in the UK, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to SGB about whether SGB, or generally about whether the type of crypto asset, is a security and/or derivative.

**Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you should not expect to be protected if something goes wrong. [Take 2 mins to learn more.](#)**

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