

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Sei (SEI)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading SEI. 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 SEI?

SEI is a general purpose Layer-1 chain that aims to become the go-to blockchain for decentralized exchanges (DEX) in DeFi, NFTs and gaming. It was built to address the exchange scalability problem.

SEI claims to support lightning-fast transaction finality, reaching a lower bound of 500ms. This speed is achieved through the incorporation of built-in parallelisation within its infrastructure, rendering it highly suitable for trading functionalities. SEI's underlying technological advancement is founded upon the utilization of Twin-Turbo consensus. This enables SEI to attain unprecedented levels of performance that surpass any other L1 blockchain currently in existence.

SEI provides security of the network by employing frequent batch auctions which actively mitigates the risks associated with miner-extractable value and front-running. SEI also aims to facilitate seamless communication with other protocols, and enable efficient movement of capital to and from other blockchains.

Who is behind the project?

SEI Network was co-founded by Jeffrey Feng (prev. Coatue Management and Goldman Sachs), and Jayendra Jog (prev. Robinhood).

SEI Network has completed 2 funding rounds with a total amount of up to US\$35 million. These include:

- Aug 31, 2022: US\$5 million is Seed round, led by Multicoine Capital; and
- April 11, 2023 - US\$30 million in Strategic round, at a valuation of up to US\$800 million, led by Jump Capital.

How does it work?

SEI network uses the Cosmos SDK and Tendermint consensus protocol and implements market-based parallelisation to increase throughput by 5-10 times greater than most other high-performance ecosystems. The chain has a frontrunning prevention mechanism that prevents malicious frontrunning. SEI also supports order batching, which simplifies the process of updating multiple orders across different exchanges. As such, market makers only need to submit one transaction, and the chain will accurately route the orders to the correct exchange.

Tokenomics of SEI

Token Name	SEI
Private Sale Investors	20.00% of the total token supply
Binance Launchpool	3.00% of the total token supply
Team	20.00% of the total token supply
Foundation	9.00% of the total token supply
Ecosystem Reserve	48.00% of the total token supply

SEI is a native utility token. The current use cases include:

1. Network fees - paying for transaction fees on the SEI blockchain;
2. Delegated Proof of Stake (DPoS) Validator Staking: SEI holders have the option to delegate their holdings with validators or stake SEI to run their own validator to secure the network;
3. Governance - SEI holders can engage in future governance of the protocol;
4. Native Collateral - SEI can be used as native asset liquidity or collateral for applications built on the SEI blockchain;
5. Fee market - users can pay a tip to validators to get their transactions prioritized, which can be shared with users that are delegating to that validator; and
6. Trading Fees - SEI can be used as fees for exchanges built on the SEI blockchain.

General Risks

Like all other digital assets, there are some general risks to investing in SEI. These include short history risk, volatility risk, 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 SEI

Competition

SEI Network faces competition from other smart contract platforms such as Ethereum, Polkadot, Solana, and many others. SEI's value derives from its broader adoption in the market. If the SEI Network fails to achieve sufficient adoption, this could negatively impact the value of SEI.

Developer Dependence

SEI Network usage may be affected by an inability to retain and/or attract developers to build an ecosystem of applications on SEI Network.

Novel Technical Risk

Unforeseen bugs in any of the components of the protocol or the Cosmos SDK and Tendermint consensus which the protocol makes use of, may impact the value of SEI.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on SEI and determined that Kraken was permitted to make SEI 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 SEI, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) who created SEI;
- The supply, demand, maturity, utility and liquidity of SEI;
- Material technical risks associated with SEI, including any code defects, security breaches and other threats concerning SEI 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 SEI, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of SEI, 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 SEI regarding whether SEI, or generally regarding 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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