PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Usual Protocol (USUAL)

Last updated on January 23, 2025

Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading USUAL. 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 Usual Protocol and how does it work?

Usual Protocol is a decentralized banking framework that integrates Real-World Assets (RWAs) into the decentralized finance (DeFi) ecosystem. Its primary offering is USD0, a stablecoin backed 1:1 by tokenized RWAs, such as U.S. Treasury Bills, sourced from entities like BlackRock, M0, Hashnote, and others. This backing aims to provide stability and security for users. Users can mint USD0 by depositing USDC or other eligible collateral into the protocol's minting engine. Additionally, staking USD0 allows users to earn USD0++, a liquid staking token that offers further benefits within the ecosystem.

The protocol also introduces USUAL, the utility token of the Usual Protocol. USUAL functions as the primary reward mechanism incentivizing contributors. The Usual Protocol rewards users who provide liquidity for its tokens. For example, users who add USD0 or USUAL to specified liquidity pools will earn USUAL tokens as a reward. This mechanism aims to ensure sufficient liquidity in the market. USUAL is distributed to users via emissions which aim to incentivize engagement and to encourage activity that promotes stability and growth. The USUAL emission model aims to encourage adoption early while ensuring scarcity over time. As the total locked value (TVL) of USD0++ increases, the rate of token issuance decreases. USUAL holders can stake their tokens for additional benefits within the platform. When staking USUAL, users receive USUALx tokens. USUALx holders are able to receive daily distributions of USUAL as staking rewards.

Who is behind Usual Protocol

Usual protocol was developed by France-based Usual Labs. The project was co-founded by Pierre Person, Adli Takkal Bataille, and Hugo Sallé de Chou. As of January 2025, Person serves as Chief Executive Officer, Bataille serves as Design Executive Officer, and Salle de Chou acts as Chief Operations Officer.

Tokenomics of USUAL

The total supply of USUAL is 4 billion tokens. The Usual DAO sets allocation percentages to various buckets that serve as distribution points for USUAL. Buckets refer to the destination of USUAL from the USUAL distribution. These buckets are used for various purposes within the ecosystem. See below for additional detail:

Category	Allocation (%)	Allocation Details
USUALx token	10.0	USUALx holders have an immutable right to 10% of all USUAL distributed.
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Market Makers	2.0	The Market Makers bucket distributes USUAL to market makers to aid in price discovery of the token.
DAO	9.38	DAO allocation is designated for external incentives and ecosystem improvement.
Ecosystem	8.62	Ecosystem allocation provides incentives for signing up partnerships with compatible protocols that can integrate with Usual.
USD0++ token	45.0	Allocations for Liquid Staking Tokens (LSTs) such as USD0++ and Liquidity Provision Incentives such as UD0 and USDC are rewards distributed to users who either hold LSTs or are currently deposited into an
USD0/USD0++	10.50	
USD0/USDC	2.5	

USUAL/USD0	2.0	accepted liquidity pool
Total Allocation	**100**	

General Risks

Like all other digital assets, there are some general risks to investing in USUAL. 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 USUAL

Competition
USUAL faces competition from other stablecoin projects such as Tether and USDC. USUAL's value derives from the project's broader adoption in the market. If USUAL fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of USUAL.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on USUAL and determined that USUAL is unlikely to be a security or derivative under UK securities legislation. Our analysis generally includes, but is not limited to, reviewing publicly available information on the following:

- The creation, governance, usage and design of USUAL, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created USUAL;
- The supply, demand, maturity, utility and liquidity of USUAL;
- Material technical risks associated with USUAL, including any code defects, security breaches and other threats concerning USUAL 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 USUAL, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of USUAL, 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 USUAL about whether USUAL, 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.

Payward Ltd (trading as Kraken) is registered as a cryptoasset firm with the Financial Conduct Authority (FRN: 928768) registered office at 6th Floor, One London Wall, London, EC2Y 5EB. Cryptoasset services offered by Payward Ltd are unregulated and not covered by the Financial Services Compensation Scheme as well as the FCA’s consumer protection regulations. Note the value of cryptoassets can go down as well as up, gains may be subject to Capital Gains Tax and there may be extra charges when paying via credit card from your provider.