

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Liquid Staked Solana (LsSOL)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading LsSOL. 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 Liquid Collective and how does it work?

Liquid Collective is a liquid staking protocol first launched on Ethereum with its token Liquid Staked ETH (LsETH) and has since expanded to Solana with the introduction of Liquid Staked SOL (LsSOL). Liquid staking enables users to contribute directly to the security of proof of stake blockchains while maintaining access to the value of their staked assets. Users receive a fungible receipt token that represents ownership of the staked assets and reflects any associated rewards, fees, or penalties. These receipt tokens can be used in supported DeFi applications, allowing for increased liquidity and capital efficiency compared to traditional staking methods, which often involve lock-up periods. This structure allows users to participate in network staking while maintaining the flexibility to use their receipt tokens across various DeFi platforms.

At the time of writing, the token is not live, but the team plans for LsSOL to function as a fungible receipt token based on the Solana SPL token model. When a user deposits Solana (SOL) into the Liquid Collective protocol, they receive an equivalent amount of LsSOL, which represents the staked SOL. The value of LsSOL reflects any network rewards earned by the staked SOL, minus service fees and network penalties.

Who is behind the project?

The Liquid Collective Protocol was launched in March 2023. Alluvial is the software development company supporting the development of the Liquid Collective protocol. Alluvial was co-founded by Mara Schmiedt, who acts as the Chief Executive Officer, and Matt Leisinger, who serves as Co-founder and Chief Product Officer.

Tokenomics of LsSOL:

LsSOL does not have a fixed maximum supply because it is minted on demand when users deposit SOL into the Liquid Collective protocol for staking. The supply of LsSOL increases as more users stake SOL and mint receipt tokens, and it decreases when users redeem their staked SOL by returning LsSOL to the protocol. This mint and burn mechanism ties the token supply directly to staking activity.

General Risks

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

Depegging Risk

LsSOL is designed to be redeemable with SOL, taking into account staking rewards accrued over time, minus applicable fees and potential slashing penalties. However, this redeemability is not guaranteed in all scenarios, as risks such as smart contract vulnerabilities, exploits, or other unforeseen technical issues could negatively affect the ratio of SOL backing LsSOL.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on LsSOL and determined it was permitted to make LsSOL available for trading to UK users. Our analysis generally includes, but is not limited to, reviewing publicly available information on the following:

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

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.