

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Ondo (ONDO)

Last updated on April 08, 2024

Disclaimer

Please note that this Crypto Asset Statement is not exhaustive of all risks associated with trading ONDO. 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 Statement for additional discussion of general risks associated with the Crypto Contracts and Crypto Assets made available through the Canadian 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 Crypto Asset Statement is based on publicly available information that may be inaccurate, incomplete, or change at any time.

What is ONDO?

ONDO is the native ERC-20 token of the Ondo Finance ecosystem. Ondo Finance seeks to bridge the gap between traditional finance (TradFi) and decentralised finance (DeFi) by increasing the accessibility to institutional grade financial products through tokenised real world assets.

Broadly, this involves the creation of on-chain assets that mirror traditional financial instruments, leading to increased liquidity and access for financial products that often lack exposure to blockchain technologies. Key offerings by Ondo Finance include:

1. OUSG Fund - This product offers tokenised exposure to short term US Treasuries with 24/7 stablecoin subscriptions and redemptions; and
2. USDY - This is an interest bearing note that is secured by short term US treasuries and bank demand deposits; and
3. Flux Finance - This is a lending protocol that allows users to earn supply-side annual percentage yields (APY) on stablecoins.

The ONDO token functions as a governance token within the broader Ondo Finance ecosystem. Holders of the ONDO token can participate in the ONDO decentralised autonomous organisation (DAO), enabling them to influence decisions about the future direction and policies of the ecosystem. The token allows holders to vote on proposals that impact the protocol, such as changes to the protocols rules, smart contracts or treasury allocations.

Who is behind the project?

Ondo Finance was established in March 2021 and is the brainchild of founders Nathan Allman and Pinku Surana, former employees of Goldman Sachs, with the intention of developing a range of DeFi products that could be offered to traditional market participants.

In July 2021, the company released its first range of products, a collection of 'vaults' that were yield bearing products and Liquidity-as-a-Service (LaaS) as its core service lines, under the banner of Ondo V1. The company's LaaS offering aimed to replace traditional liquidity mining programs and allowed for projects to increase liquidity for tokens on decentralised exchanges (DEXs). This offering was expanded further in December 2021 through its partnership with Frax Finance and again in May 2022 through a further strategic collaboration with the Angle Protocol.

Ondo Finance released Ondo V2 in January 2023, which was the company's second implementation of the protocol. It was in this same month that Ondo Finance announced it was to be launching three tokens that were collateralized against real world assets, that being US Treasuries and corporate bonds.

Proving to be a busy month for the company, Flux Finance was also announced in January, alongside Ondo DAO, which was used to govern Flux Finance. Further product announcements continued to stream throughout 2023 and into 2024, including the Ondo Money market Fund (OMMF), the Ondo USD Yield token (USDY) and the Ondo bridge service, in collaboration with Axelar. Ondo Finance is now operated by Nathan Allman, Justin Schmidt, Christopher Tyrrell and Brendan Florez.

How does it work?

The Ondo finance system revolves around the idea of tokenized real world assets and the goal of helping to bridge the gap between TradFi and DeFi. The company typically works with a range of high profile institutional grade firms, including BlackRock and Pimco, who are able to grant access into varying traditional financial products like treasuries, corporate bonds and exchange traded funds (ETFs). Typically, Ondo Finance will purchase a stake in these traditional products and then mirror a token that represents the underlying on-chain. This would mean that the price of each token that Ondo Finance issues will fluctuate depending on the movement of the real world asset it represents.

Ondo Finance originally offered its tokenized US Treasuries on Ethereum, though they have since expanded to include other blockchains, including the Polygon network, in order to further democratise access to tokenized real world assets.

The ONDO token is an ERC-20 token that's primary use case is to act as a governance token for the Ondo DAO and Flux Finance. Holders of the ONDO token will be able to shape the future of the protocol through community driven governance.

Tokenomics of ONDO

The ONDO token has an established total supply of 10 billion ONDO tokens, which are scheduled to be made available throughout 2024. Distinct from many cryptocurrencies, ONDO doesn't follow a rigid token distribution strategy, instead it's designed to allow for the Ondo DAO community to determine the degree in which distribution may occur through the governance voting mechanisms.

The Project team believe this allows for a flexible and adaptive token distribution strategy that is truly at the behest of its holders. At present, around 16% of ONDO tokens have been designated to investors, whilst decisions about the remaining release of tokens will be made through future DAO resolutions.

General Risks

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

Competition

ONDO faces competition from other yield generating service lines. The ONDO token derives its value from the wider adoption of the Ondo Finance products, therefore if this ecosystem fails to generate sufficient interest or adoption, this could have a detrimental effect on the price of ONDO.

Due Diligence

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

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

No securities regulatory authority has expressed an opinion about the Crypto Contracts or any Crypto Assets (as defined in the Risk Statement) made available on the Kraken platform, including an opinion that ONDO is not itself a security and/or derivative. Changes to applicable law may adversely affect the use, transfer, exchange, or value of any of your crypto assets, and such changes may be sudden and without notice.