PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Tether (USDT)

Last updated on September 09, 2026

Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading USDT. 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 Tether and how does it work

Tether is a company that issues USDT, a stablecoin designed to hold a value equal to one US dollar. USDT gives people a way to hold and move a dollar denominated value on public blockchains. It is used widely for trading, payments, remittances, and settlement across many blockchain networks.

USDT is a stablecoin intended to maintain a 1:1 value with the US dollar. The token is designed to support transactions such as trading, payments, remittances, and settlement. USDT is minted when funds are received and redeemed when tokens are returned through the issuer's designated processes, subject to applicable requirements.

Who is behind the Project?
Tether Limited was founded in 2014 by Reeve Collins, Craig Sellars and Brock Pierce. The founders are a group of Bitcoin enthusiasts and early crypto adopters. In 2014, the company launched Tether.to, a blockchain-enabled platform aimed at disrupting the conventional financial system. In 2015, Tether was purchased by new owners based in Hong Kong, who also own the centralised exchange, Bitfinex.

Tokenomics of USDT
USDT is a stablecoin issued by Tether that reflects the value of one US dollar. The circulating supply is designed to correspond to the value of reserves consisting of cash and cash equivalents, United States Treasury bills, and other assets supporting the token. USDT is issued for value stability relative to the US dollar and for transactional use such as trading, payments, and settlement. The supply of USDT is not capped and expands or contracts based on minting and redemption activity conducted through the issuer's designated infrastructure.

General Risks
Like all other digital assets, there are some general risks to investing in USDT. 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 Tether

Depegging Risk

At any given point in time, the price of USDT may not accurately reflect the value of the underlying asset, US dollar. This risk arises because the price of USDT is determined by supply and demand in the secondary market, rather than the actual value of US dollar. If demand for USDT exceeds the available supply, the price of USDT may increase, leading to a higher price relative to US dollar. Conversely, if there is a surplus of USDT tokens and insufficient demand, the price may decrease, causing USDT to be worth less than US dollar.

USDT should always be redeemable 1:1 with US dollar but there is always a risk of a smart contract bug. A potential bug could have a negative impact on the value of USDT.

Risk of Asset Freezing

Tether reserves the right to 'block' certain USDT addresses, and, if such addresses are Tether custodied addresses, freeze associated USDT. Additionally, if USDT is deemed illegal in certain jurisdictions, the associated USDT tokens could be frozen resulting in the owner of the wallet not being able to transfer USDT.

Redemption Risk

The value of USDT is backed by a reserve of US dollar and secure, low-risk assets held by Tether. However, there is a risk that Tether may be unable to meet redemption demands in a timely manner at some point in the future. If the issuer is unable to meet redemption requests due to insufficient reserves, it could lead to a loss of confidence in the asset, negatively impacting its value.

Due Diligence

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