

# PAYWARD CANADA INC.

## CRYPTO ASSET STATEMENT

### ATOM

#### **Cosmos (ATOM)**

Last updated on August 11, 2025

#### **Disclaimer**

*Payward Canada Inc. (Kraken) is registered under Canadian securities laws as a restricted dealer and is offering Crypto Contracts on crypto assets in reliance on a prospectus exemption contained in the exemptive relief decision [Re Payward Canada Inc.](#) dated 04/01/2025 (the Decision). The statutory rights in section 130.1 of the Securities Act (Ontario), and, if applicable, similar statutory rights under the securities legislation of each other province and territory in Canada, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the prospectus relief in the Decision.*

*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 Cosmos (ATOM) 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.*

*Please note that this Crypto Asset Statement may not be exhaustive of all risks associated with trading Cosmos (ATOM). Please review the [Risk Statement](#) and [Fee Schedule](#) for additional discussion of general risks and transaction fees 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 provided by third parties.*

#### **What is Cosmos and how does it work?**

Cosmos is an open network of sovereign blockchains designed to inter-operate through the Inter-Blockchain Communication (IBC) protocol. Developers build application-specific chains (“Zones”) with the Cosmos SDK, then connect those Zones to the Cosmos Hub, a Proof-of-Stake blockchain secured by the ATOM token.

Since 2023 the Hub has expanded its role via Replicated Security (Interchain Security v1), allowing consumer chains such as Neutron to lease security from the Hub’s validator set. Governance Proposal 848 (Nov 2023) amended monetary policy, capping inflation at 10 % while the adaptive schedule still targets a two-thirds staking ratio. The network continues to integrate CosmWasm smart-contract support and to test Permissionless ICS, aiming to let any project launch a consumer chain without prior governance approval.

ATOM holders stake tokens to run or delegate to validators, earning block rewards, transaction fees and a share of fees collected from consumer chains. Staked ATOM also confers voting power in Hub governance, aligning validators, delegators and dApp teams around protocol upgrades.

### Who is behind the project?

Josh Cincinnati serves as President of the Foundation Council of the Swiss-based Interchain Foundation (ICF), the non-profit entity that stewards Cosmos development; Maxime Monod serves as Vice-President of the Council; and Dirk Steller serves as a member of the Council.

### Tokenomics of *Cosmos (ATOM)*:

ATOM has **no fixed maximum supply**. Its inflation rate adjusts block-by-block between 7 % and 10 % annually, targeting roughly 67 % of eligible supply staked. Percentages refer to the total supply as of **August 11 2025**.

| Category                      | Percentage |
|-------------------------------|------------|
| Public & private fundraiser   | 75 %       |
| Seed donors                   | 5 %        |
| Interchain Foundation reserve | 10 %       |
| Tendermint Inc. (now Ignite)  | 10 %       |

### General Risks

Like all other digital assets, there are some general risks to investing in ATOM. 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 Cosmos (ATOM)

#### *Competition*

The Cosmos network faces competition from platforms such as Ethereum, Polkadot and Solana. Failure to maintain adoption relative to peers could negatively impact the value of ATOM.

#### *Developer Dependence*

While many developers contribute to Cosmos, there is no guarantee the community can retain or attract sufficient talent. A decline in active development could harm ATOM's value.

### *Reputational Scrutiny*

Because anyone can build with the Cosmos SDK, poorly designed or failed projects may reflect negatively on Cosmos and ATOM even when the Hub itself functions correctly.

### **Due Diligence**

Prior to listing on the Kraken platform, Kraken performed due diligence on ATOM and determined that ATOM is unlikely to be a security or derivative under Canadian 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 Cosmos, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created Cosmos;
- The supply, demand, maturity, utility and liquidity of Cosmos;
- Material technical risks associated with Cosmos, including any code defects, security breaches and other threats concerning Cosmos 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 Cosmos, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of Cosmos, 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 Cosmos about whether Cosmos, or generally about whether the type of crypto asset, is a security and/or derivative.