

**PAYWARD LTD**  
CRYPTO ASSET RISK DISCLOSURE  
Bancor (BNT)

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**Disclaimer**

*Please note that this risk disclosure is not exhaustive of all risks associated with trading BNT. 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 Bancor and how does it work?**

Bancor is a set of open-source decentralized-finance (DeFi) protocols, first launched in 2017, that aim to incentivize users to lock crypto assets in liquidity pools in exchange for a share of trading fees. The project introduced one of the earliest automated-market-maker (AMM) designs, eliminating the need for a traditional intermediary to match buyers and sellers. Every trade on Bancor routes through its native token, BNT, which acts as a bridge asset across all pools and enables elastic mint-and-burn mechanics that balance supply with protocol usage.

In Bancor's pools, users may supply a single token rather than a token pair, they receive pool tokens representing their pro-rata share of assets plus accrued fees. The protocol historically offered impermanent-loss protection, though Bancor DAO may disable this feature in hostile market conditions, as occurred in June 2022.

Bancor 3 (also branded Carbon DeFi) introduced an Omnipool architecture in which all BNT liquidity resides in a single pool, lowering gas costs and enabling "asymmetric liquidity." Liquidity providers can create separate buy-side and sell-side curves, effectively programmable limit- and range-order strategies, while traders interact with a unified order book-like interface on-chain. Governance and parameter changes (including fee tiers and protocol upgrades) are decided by the Bancor DAO through staked BNT.

**Who is behind the project?**

Mark Richardson serves as Project Lead, overseeing research and protocol architecture. Nathaniel

Hindman serves as Head of Growth, coordinating community initiatives and integrations. Ongoing development is coordinated by the non-profit BProtocol Foundation, while protocol parameters are governed on-chain by the Bancor DAO.

## **Tokenomics of BNT**

BNT has an elastic supply that expands or contracts when liquidity is deposited or withdrawn.

Circulating supply is approximately 113.9 million BNT, identical to current total supply owing to prior burns. All original allocations have fully vested. Staked BNT confers voting power in Bancor DAO proposals and accrues trading-fee revenue.

At genesis, the token allocation was as follows:

<b>Category</b>	<b>Allocation</b>
ICO Participants	50%
Long-term protocol budget	20%
Team, advisors & investors	20%
Partnership & community grants	10%
Total	100%

## **General Risks**

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

### **Competition**

The Bancor network faces competition from other cryptocurrencies such as Uniswap, Curve, and many others. Bancor's value derives from its broader adoption in the market. If the Bancor network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of BNT.

### Changes to Impermanent Loss Protection

Something that differentiates Bancor from other AMMs is its Impermanent Loss Protection (ILP). In hostile market conditions this can be disabled, as has been done before in June 2022, which can negatively affect the BNT token price.

### Regulatory Scrutiny

A regulatory crackdown on DeFi such as the Digital Commodities Consumer Protection Act (DCCPA), which could regulate decentralised exchanges similar to their centralised counterparts, would effectively ban DeFi. This could have a negative impact on the value of BNT.

### Due Diligence

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

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