

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Morpho (MORPHO)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading MORPHO. 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 Morpho

Morpho is a decentralized, peer-to-peer lending protocol that connects lenders directly with borrowers. The protocol's primary goal is to increase capital utilization for both lenders and borrowers, resulting in higher yields and lower borrowing costs.

MORPHO is the utility token of the Morpho protocol. MORPHO is used for governance within the Morpho DAO.

Who is behind Morpho

Morpho was launched in 2021 by Paul Frambot, Merlin Egalite, Mathis Gontier Delaunay, and Julien Thomas. At the time of this review, Frambot serves as CEO.

How does it work?

Morpho utilizes a decentralized architecture, allowing users to lend and borrow cryptocurrency directly, without custodial services. The protocol's native token, MORPHO, plays a crucial role in the ecosystem, used for governance, incentives, and participation in lending and borrowing processes. Morpho's decentralized and permissionless nature aims to provide users with more control and sovereignty over their digital assets, and seeks to encourage community participation.

The Matching Engine Process is a key component of Morpho's protocol, which seeks to enable the efficient and decentralized matching of lenders and borrowers. This process is designed to optimize capital utilization, reduce costs, and provide a more efficient lending experience for users. When a user joins a market on Morpho, the protocol's liquidity matching engine connects lenders with borrowers. This process seeks to ensure that capital is utilized efficiently, and users can benefit from the protocol's decentralized and peer-to-peer nature. Morpho's protocol pairs lenders directly with borrowers, eliminating the need for intermediaries. By enabling this direct connection, Morpho aims to allow for more efficient and cost-effective transactions.

TOKENOMICS OF MORPHO

The total supply of Morpho tokens is 1 billion. The initial distribution of the token is as follows:

Category	Allocation
Users	5.4%
Morpho DAO Reserve	34.5%
Morpho Association Reserve	6.7%
Reserve for Contributors	5.8%
Strategic Partners	27.5%
Founders	15.2%
Early Contributors	4.9%

General Risks

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

Competition

MORPHO faces competition from other decentralised lending protocols such as Aave and Compound. MORPHO's value derives from the project's broader adoption in the market. If MORPHO fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of MORPHO.

Regulatory Scrutiny

A regulatory crackdown on DeFi such as the Digital Commodities Consumer Protection Act (DCCPA), which could regulate lending protocols similar to their centralised counterparts, could have a negative impact on DeFi and the value of MORPHO.

Due Diligence

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