PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Constellation (DAG)

Last updated on August 31, 2026

Disclaimer

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

Constellation Network is a decentralised infrastructure platform designed to address limitations in traditional blockchain systems such as scalability, transaction fees, and data throughput. Unlike conventional linear blockchains, Constellation utilises a Directed Acyclic Graph (DAG) architecture known as the Hypergraph, enabling asynchronous processing of data and transactions across an expanding network of custom-built applications called metagraphs.

Metagraphs function as independent, application specific Layer 1 networks that interact with the core Constellation protocol. These are designed to meet enterprise and developer requirements for scalability, speed, and cost efficiency. Each metagraph operates with its own logic and can define its own consensus and data standards, while leveraging the underlying network for validation and security. A distinctive feature of the Hypergraph is its feeless transaction model. Instead of users paying gas fees, metagraphs cover snapshot fees (paid in the DAG token) for processing and storing transactions. This approach removes user facing costs, aiming to make adoption more accessible for businesses and developers. Since 2025, a bridged representation of DAG has also become available on the Base network through the Constellation Base Bridge, a separate set of bridge contracts distinct from the native Hypergraph chain; these bridge contracts were upgraded during 2025.

Who is behind the project?

Constellation Network is led by Chief Executive Officer Benjamin Jorgensen, alongside co-founders Altif Wyle-Brown and Benjamin Diggles. The technical development is overseen by Chief Technology Officer Alex Brandes. Dave Berg serves as the project's Chief Product Officer and Michael Brand serves as Chief Operating Officer.

Tokenomics of Constellation

Constellation uses an adaptive (elastic) supply model known as Metanomics, targeting a 0.5% annual inflation rate. This model allows for continuous rewards for validators and delegators, ecosystem development, and economic balancing.

General Risks

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

Competition

The Constellation network faces competition from other Directed Acyclic Graph architecture projects such as IOTA, Hedera, and others. DAG's value derives from its broader adoption in the market. If the Constellation network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of DAG.

Due Diligence

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

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.