

PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Loopring (LRC)

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Disclaimer

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

Loopring is an open protocol that enables highly scalable, order-book-based exchanges and payments on Ethereum using zero-knowledge roll-ups (zkRollups). Users first deposit assets into a Loopring smart contract on Ethereum layer 1; hundreds of off-chain trades are then bundled into a single on-chain transaction, with a succinct zero-knowledge proof attesting that the off-chain computations were valid.

Inside the protocol, the native ERC-20 token LRC pays transaction fees and can be staked to secure relayer operations and share in protocol-fee revenue. Holders also participate in governance votes that guide protocol parameters. Loopring's architecture supports spot trading and NFT transfers and the project continues to iterate on wallet security, backup options and decentralised matching engines as outlined in its 2024–2025 roadmap.

Who is behind the Project?

Loopring was co-founded by Daniel Wang and Jay Zhou in 2017. Wang is a software engineer based in China whose professional background includes stints at Google and JD.com. Zhou worked in risk management at PayPal prior to co-founding Loopring with Wang.

Tokenomics of LRC

Loopring conducted a crowdsale in 2017 raising 120,000 ETH (\$45 million at the time) in which 698 million LRC tokens were allocated to investors, representing:

Category	Allocation
Investors	50%
Loopring Foundation	30%

Loopring Team	20%
Total	100%

According to Wang, the team returned 80% of the funds raised due to a tightening of regulation for ICOs in China.

As of August 2025 the circulating supply is approximately 1,245,991,468 LRC, with a maximum supply of 1,374,513,896 LRC.

General Risks

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

Competition

The Loopring network faces competition from other decentralised exchanges such as Uniswap and Sushiswap, among many others. If the Loopring network fails to achieve sufficient adoption compared to alternatives, this could negatively impact the value of LRC.

Developer dependence

While many developers contribute to Loopring, there is no guarantee they will continue to do so. LRC could be negatively affected by an inability to retain and/or attract developers to maintain its decentralised exchange tooling.

Due Diligence

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