

PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Merit Circle (MC)

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Disclaimer

Please note that this Crypto Asset Statement is not exhaustive of all risks associated with trading MC. 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 Crypto Asset Statement is based on publicly available information that may be inaccurate, incomplete, or change at any time.

What is Merit Circle?

Merit Circle is a decentralized autonomous organization (DAO) focused on the development of the play-to-earn world in the metaverse. The organization aims to offer gamers the opportunity to earn money and contribute to the growth of the metaverse. Merit Circle aims to distinguish itself by focusing entirely on play-to-earn gaming in the metaverse, offering various subDAOs, each with a specific function in a play-to-earn game.

Merit Circle was initially built as a game guild offering a scholarship program and subDAOs like YGG, but later shifted its focus to building a vertically integrated gaming DAO in March 2022. Activities by the MC DAO are divided into four verticals: Investments, Studios (incubating and building new projects), Gaming, and Infrastructure (building a gaming-focused blockchain called Beam powered by Avalanche).

Who is behind the project?

Merit Circle was founded by Marco van den Heuvel, the CEO and co-founder of the organization. He previously launched the scholarship program Axie 420, which grew into a program for hundreds of students worldwide. Together with co-founders Mark Borsten and Tommy Quiet from Flow Ventures, he combined ambitions to further grow Merit Circle. The core members of the MC team have blockchain work experience, some of which were involved in the Axie Infinity project and worked at several Web 3.0 VC firms.

How does it work?

Merit Circle functions as a platform that aims to allow gamers to earn money by playing games in the metaverse. The platform not only acts as a service provider for games but also aims to offer education and lessons to improve the quality and performance of gamers. Additionally, gamers can earn rewards and even become coaches for good performance. The MC DAO invests in blockchain games, collaborates with gaming studios on game development, and constructs P2E infrastructure. The project has launched an NFT project called Edensorde and is developing its NFT marketplace called Sphere.

Tokenomics of Merit Circle

The MC token is the native asset of the Merit Circle ecosystem. However, over time, the majority of the \$MC tokens have been migrated to \$BEAM, and significant changes have been made to the token distribution.

Initially, the token distribution was set up as follows:

| Allocation | Token Percentage |
|----------------------|------------------|
| Seed Sale | 14.06% |
| Public Sale | 4.10% |
| Binance Launchpool | 1.25% |
| Community Incentives | 30.19% |
| Team and Advisors | 20.00% |
| DAO Treasury | 16.40% |
| Staking Rewards | 10.00% |
| Retroactive Rewards | 4.00% |

However, changes have been made to the distribution. Team and Advisors have been split into Core Contributor Tokens, which have been cliffed for 4 years instead of 1 year. The Community Incentives have been burned for the majority (20B BEAM tokens). All tokens from the Public Sale, Binance Launchpool, Staking Rewards, and Retroactive Rewards have been distributed and are now part of the circulating supply.

General Risks

Like all other digital assets, there are some general risks to investing in MC. 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 Merit Circle

Merit Circle faces competition from other P2E Gaming DAO's such as ParagonsDAO (PDT) and Avocado DAO (AVG). MC's value derives from its broader adoption in the market. If the Merit Circle fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of MC.

Due Diligence

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