

PAYWARD CANADA INC.
CRYPTO ASSET STATEMENT
Global Dollar (USDG)

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Disclaimer

Payward Canada Inc. (Kraken) is registered under Canadian securities laws as a restricted dealer and is offering Crypto Contracts on crypto assets in reliance on a prospectus exemption contained in the exemptive relief decision [Re Payward Canada Inc.](#) dated 04/01/2025 (the Decision). The statutory rights in section 130.1 of the Securities Act (Ontario), and, if applicable, similar statutory rights under the securities legislation of each other province and territory in Canada, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the prospectus relief in the Decision.

No securities regulatory authority or regulator in Canada has evaluated or endorsed the Crypto Contracts or any Crypto Assets (as defined in the Risk Statement) made available on the Kraken platform, including an opinion that USDG is not itself a security and/or derivative. Changes to applicable law may adversely affect the use, transfer, exchange, or value of any of your crypto assets, and such changes may be sudden and without notice.

Please note that this Crypto Asset Statement may not be exhaustive of all risks associated with trading USDG. Please review the [Risk Statement](#) and [Fee Schedule](#) for additional discussion of general risks and transaction fees associated with the Crypto Contracts and Crypto Assets made available through the Canadian 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 provided by third parties.

What is USDG and how does it work

Global Dollar (USDG) is a single-currency stablecoin that aims to maintain a peg to the US Dollar. The token is issued by Paxos Digital Singapore Pte. Ltd. (PDS), subject to oversight by the Monetary Authority of Singapore (MAS). USDG is initially issued as an ERC20 token on the Ethereum blockchain, with the intention of integrating with other permissionless Layer 1 and Layer 2 blockchains that are approved by MAS. The USDG token aims to be fully redeemable from Paxos on a one-to-one basis for USD (1 USDG = 1 USD).

The utility of the token is proposed similarly to other fiat-backed stablecoins; to be used as a medium of exchange, store of value, and a general trading asset. USDG is not designed to create returns or profits for holders, increase in value, or otherwise accrue financial benefit. Further terms and conditions regarding USDG can be found on Paxos' website here: <https://www.paxos.com/terms-and-conditions/stablecoin-terms-conditions>.

USDG is deployed on the Ethereum blockchain as an ERC-20 token. USDG is also supported by the Solana network, Ink, and X Layer. 1 USDG is issued or redeemed in exchange for 1 USD. The USDG tokens are programmatically minted and burned by PDS when funds are moved to a reserve bank account. All other USDG transactions operate according to the rules of the subsequent smart contracts, which have been independently audited and are open source.

Upon redemption, USDG tokens are immediately removed from the supply and burned. PDS is subject to MAS oversight and is therefore required to establish and maintain a segregated custody account with suitable custodians for the receipt and safekeeping of the reserves backing USDG.

DBS Bank will serve as Paxos' primary banking partner for cash management and custody of USDG reserves. Dollars backing USDG will be held in reserve and managed by PDS via DBS Bank. Attestation reports will be issued by Enrome LLP, an independent third-party accounting firm. This examination is conducted in accordance with standards established by the Institute of Singapore Chartered Accountants ("ISCA"). Attestation reports can be viewed on the USDG website available via this [link](#).

Who is behind the project?

Charles Cascarilla and Rich Teo founded Paxos in 2012. In 2019, Paxos launched PAX Gold, the first regulated digital token backed by gold. Both founders are still involved with the company with Cascarilla as CEO and Teo as CEO of Asia.

Tokenomics of USDG

USDG has a circulating supply that can increase or decrease based on demand. Since it seeks to maintain a 1:1 peg to USD, the supply and demand economics are such that the total supply is uncapped - in any given day millions of dollars could either be traded for USDG or from USDG back into USD.

General Risks

Like all other digital assets, there are some general risks to investing in USDG. These include, but are not limited to, 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 USDG

Institutional Risk

The failure or malfeasance of an institution that manages USDG could result in USDG trading below its peg or being shut down by regulators. Paxos' USDG is backed by US Treasuries and cash that are held at US banks and/or DBS Bank. The collapse of any of these US banks or DBS Bank, as happened with SVB in March 2023, could lead to USDG's depegging from its 1:1 on par with the US Dollar.

Competition

Paxos is aiming for a share of the single-currency stablecoin market among other projects such as Circle and Tether. Each offers unique features, fostering competition within the space.

Risk of Asset Freezing

Paxos Digital Singapore Pte. Ltd., the issuer of USDG, reserves the right to 'freeze' certain USDG addresses, and, if such addresses are Paxos custodied addresses, freeze associated USDG. Additionally, if USDG is deemed illegal in certain jurisdictions, the associated USDG tokens could be frozen resulting in the owner of the wallet not being able to transfer USDG.

Depegging Risk

At any given point in time, the price of one USDG may not accurately reflect the value of one USD. This risk arises because the price of USDG is determined by supply and demand in the secondary market, rather than the actual value of USD. If demand for USDG exceeds the available supply, the price of USDG may increase, leading to a higher price relative to USD. Conversely, if there is a surplus of USDG tokens and insufficient demand, the price may decrease, causing USDG to be worth less than USD. Paxos will disclose any event that has or is likely to have a significant effect on the value of USDG or on the reserve of assets on its website available via this [link](#).

Not an Investment

USDG is a means of payment and a store of value. It is not an investment. The reserve assets held by Paxos Digital Singapore Pte. Ltd. that support the price of USDG do not generate any interest or return for the holders of USDG. Purchasers of USDG should not expect that it will appreciate in value.

While holders of USDG on the Platform may receive rewards from Kraken on their USDG account balances, these rewards are determined by Kraken in our sole discretion, are not guaranteed, and the rates and timing of USDG Rewards may vary. For further details, see Kraken's [USDG Rewards Program Annex](#).

No Insurance

USDG is not insured by the Canada Deposit Insurance Corporation or the Canadian Investor Protection Fund.

Redemption risks

Canadian users are currently prohibited from opening accounts directly with Paxos to access any of Paxos' products, including USDG. Similar to all other crypto assets offered by Kraken, liquidity for USDG will be sourced from Kraken's affiliates. Accordingly, Kraken and the holders of USDG do not have direct redemption rights with Paxos and instead Canadian users seeking to redeem their USDG would need to sell their USDG on the Canadian platform or another third party platform in Canada that lists USDG. This also means that Canadian users will not be able to enforce any redemption rights against Paxos in case of an event (such as those highlighted above) that negatively impacts the value of USDG or the interests of the USDG holders. Kraken does not charge any fees for redeeming USDG for USD and will always allow its Canadian users to convert USDG to USD on a 1:1 basis without fees.

Compliance with regulatory requirements

It is possible that securities legislation in one or more Canadian provinces or territories could be amended to expressly include fiat-backed stablecoins like USDG as a category of security or derivative or that a court or regulatory tribunal could make a judicial determination that USDG is a security or derivative. In such circumstances, Kraken would consider, among other things, the finality of the new development and take steps to ensure that the platform continues to operate in compliance with law.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on USDG and determined that USDG is not, in our view, either a security or derivative under Canadian 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 USDG, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created USDG;
- The supply, demand, maturity, utility and liquidity of USDG;
- Material technical risks associated with USDG, including any code defects, security breaches and other threats concerning USDG and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them;
- Legal and regulatory risks associated with USDG, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of USDG, and (ii) consideration of statements made by any regulators or securities regulatory authorities in Canada, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to USDG about whether USDG, or generally about whether the type of crypto asset, is a security and/or derivative; and
- Obtaining legal advice as to whether the Crypto Asset is a security and/or derivative under securities legislation in Canada.