

**PAYWARD LTD**  
CRYPTO ASSET RISK DISCLOSURE  
LINK

**Chainlink (LINK)**

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**Disclaimer**

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

Chainlink is a decentralized oracle network that enables smart contracts on various blockchains to securely access real-world data and off-chain computation. Its protocol is designed to address a fundamental limitation in blockchain systems: the inability of smart contracts to directly interact with data or systems outside their native blockchain environment.

Smart contracts are self-executing agreements deployed on blockchains like Ethereum. These contracts automatically execute terms when predefined conditions are met. While they are highly secure and tamper-proof, most smart contracts depend on external data—such as financial market prices, weather conditions, or sports results—to function properly.

To solve this, Chainlink uses a network of independent data providers known as oracles. These oracles act as intermediaries between off-chain data sources and on-chain smart contracts. Chainlink incentivizes oracle operators to provide reliable data through a reputation system and compensation in its native token, LINK. Oracles that provide accurate and timely data are rewarded, while those that do not may be penalized.

The Chainlink network operates through a three-step process: (1) selecting oracles via service-level agreements, (2) data retrieval and delivery by the oracles, and (3) aggregation of results to ensure accuracy. LINK is also staked by node operators as collateral, helping to secure the network by aligning incentives.

As of 2025, Chainlink has expanded its capabilities to support Cross-Chain Interoperability Protocol (CCIP), which enables secure messaging and value transfer across blockchains. It also offers Data Streams for low-latency market data and the Chainlink Runtime Environment (CRE), a framework for building secure, off-chain computation workflows. These enhancements position Chainlink as a critical layer for decentralized applications requiring trusted external data and cross-chain functionality.

### **Who is behind the project?**

Chainlink was created by Sergey Nazarov and Steve Ellis, with the contribution of Ari Juels as co-author of the whitepaper. Key current executives include Sergey Nazarov (Co-Founder), Steve Ellis (Co-Founder and CTO), and Adelyn Zhou (Chief Ecosystem Growth Officer), among others.

### **Tokenomics of LINK**

At the time of its launch, Chainlink created a fixed supply of 1 billion LINK tokens. The initial distribution was allocated across three main categories: a public token sale, ecosystem and node operator incentives, and reserves held by the founding company, SmartContract.com. This distribution structure was intended to support early development, incentivize participation in the oracle network, and fund ongoing project operations.

Allocation Category	Percentage	Token Amount (LINK)
Token sales to investors (ICO)	35%	350,000,000
Node operators & ecosystem rewards	35%	350,000,000
Chainlink team / SmartContract.com	30%	300,000,000
<b>Total</b>	<b>100%</b>	<b>1,000,000,000</b>

As of August 2025, the circulating supply is approximately 678 million LINK.

### **General Risks**

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

#### **Competition**

LINK faces competition from other oracle networks such as Band Protocol, Tellor Oracle Protocol, and others. LINK's value derives from its broader adoption in the market. If LINK fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of LINK.

#### **Current Ethereum Dependence**

The Chainlink oracle network currently runs on top of the Ethereum network. As a result, should the Ethereum blockchain ever experience a systematic failure, serious financial risks could be introduced to

Chainlink's native token. While the Chainlink oracle network could begin running on another network in the case of such an event, the short term economic implications could be severe.

### **Due Diligence**

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