

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Compound Finance (COMP)

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Disclaimer

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

Compound Finance is an Ethereum-based decentralised money-market protocol that enables anyone to earn interest on, or borrow, crypto assets without relying on a central intermediary. Users supply supported tokens to liquidity pools controlled entirely by smart contracts, in exchange, they receive interest-bearing cTokens (e.g., cETH, cDAI, cBAT) that track the underlying deposits and accrue interest continuously. These cTokens are freely transferable but remain redeemable for the original asset plus the accrued interest, and suppliers may withdraw at any time.

Borrowers access the same pools by posting other assets as collateral and can draw over-collateralised loans, if the collateralisation ratio is breached because the collateral falls in value or the borrowed asset rises, the position can be liquidated. Interest rates for each market adjust algorithmically according to supply and demand, higher utilisation drives rates up, while excess liquidity keeps them low.

Every on-chain interaction (depositing, withdrawing, borrowing, or repaying) distributes a pro-rata share of COMP, the protocol's governance token, to both suppliers and borrowers. COMP holders and their delegates propose and vote on parameter changes and smart-contract upgrades, steering the protocol through Compound's on-chain Governor contracts rather than through Compound Labs, Inc.

Who is behind the Project?

Robert Leshner serves as Chief Executive Officer of Compound Labs, Inc., and Geoffrey Hayes serves as Chief Technology Officer. Compound Labs continues to develop the open-source codebase, while protocol governance is carried out by the Compound DAO through COMP-token voting.

Tokenomics of COMP

The circulating supply as of August 2025 is approximately 9,396,530 COMP and the max supply set at 10,000,000 COMP.

At genesis, the allocation of the COMP supply is as follows:

Category	Allocation*
Shareholders	24%
Team and future team	26%
Community	7.75%
Borrowers and lenders	42%
Total	100%

*approximate values

General Risks

Like all other digital assets, there are some general risks to investing in COMP. 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 Compound Finance

Competition

The Compound Finance network faces competition from other cryptocurrencies such as Aave, Maker, and many others. Compound Finance's value derives from its broader adoption in the market. If the Compound Finance network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of COMP.

Developer dependence

While there are many developers who contribute to Compound Finance, there are no guarantees that they will continue to contribute. COMP, Compound Finance's native asset, could be negatively affected by an inability to retain and/or attract developers to keep up with market needs and improve its decentralised-exchange tooling when necessary.

Due Diligence

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