

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

LIT

Last updated on May 31, 2024

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 has expressed an opinion about the Crypto Contracts or any Crypto Assets (as defined in the Risk Statement) made available on the Kraken platform, including an opinion that LIT 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 LIT. 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 Litentry?

Litentry is a decentralised protocol for managing digital identities across multiple blockchains. It aggregates, verifies, and links digital identities while ensuring privacy and security. Built on the Substrate framework and part of the Polkadot ecosystem, it uses the LIT token for governance, staking, and paying for network services.

Who is behind the Project?

Litentry was founded by Hanwen Cheng in 2019. Hanwen Cheng serves as the CEO of the project.

How does it work?

The LIT token is used within the Litentry ecosystem for several key functions:

- **Transaction Fees:** It is used to pay for transaction fees on the Litentry network.
- **Incentives:** It rewards network participants, including those who help maintain and secure the network.
- **Governance:** Holders of LIT tokens can participate in governance by proposing and voting on protocol changes.
- **Staking:** Users can stake LIT tokens to support network security and operations, earning rewards in return.
- **Utility for Identity Services:** The token is used for various identity-related services within the ecosystem, such as paying for identity verification.

Tokenomics of LIT:

The initial distribution of LIT tokens is as follows:

Allocation Type	Token Amount	Total Supply
Binance Launchpool	3,000,000	3.00%
Seed Sale	8,110,000	8.11%
Strategic Sale	11,890,000	11.89%
Team	15,000,000	15.00%
Parachain Auction & Ecosystem	45,000,000	45.00%
Foundation	17,000,000	17.00%
Total Supply	100,000,000	100%

As of May 2024, the circulating supply is ~56%.

General Risks

Like all other digital assets, there are some general risks to investing in LIT. 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 Litentry:

Competition

Litentry is aiming for a share of the decentralised identity verification market by leveraging blockchain technology, i.e., competitors like Civic and SelfKey. Each offers unique tradeoffs, fostering competition between them. Litentry's value derives from its broader adoption and effective identity management solutions. If Litentry fails to achieve sufficient adoption or provide effective identity verification compared to other options in the market, this could negatively impact the value of Litentry.

Due Diligence

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