PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Quai (QUAI)

Last updated on August 27, 2026

Disclaimer

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

Quai Network is a proof-of-work (PoW) layer-1 blockchain which aims to enable high-throughput, low-cost, and decentralized transactions by using a multi-threaded architecture that supports horizontal sharding. The project aims to create a blockchain-based monetary system that scales for everyday transactions while maintaining decentralization and censorship resistance. Quai relies on a novel type of proof-of-work system called Proof-of-Entropy-Minima (PoEM). This consensus mechanism aims to improve how quickly and reliably the network can finalize transactions compared to traditional proof-of-work systems like Bitcoin.

A key feature of Quai is its multi-chain architecture. Instead of one blockchain handling everything, Quai splits into smaller interconnected chains, called shards, that work in parallel. These chains are arranged in a three-layer system — Zone, Region, and Prime — and are all secured together using a process called merge mining. Merge mining is a method that allows one miner to secure multiple blockchains at the same time using the same computing power. This setup allows Quai to process tens of thousands of transactions per second. The network also introduces a dual-token system: Quai (QUAI) is the main asset used to pay gas fees, enable smart contracts, and represents a store of value. Qi is designed to act more like digital cash and aims to maintain a stable purchasing power by adjusting its supply based on mining difficulty, which is tied to energy costs.

Who is behind the project?

Quai Network is developed by Dominant Strategies in partnership with the Quai Foundation. Key team members include CEO and Co-Founder Alan Orwick, CTO and Co-Founder Karl Kreder, and Director and Co-Founder Sriram Vishwanath.

Tokenomics of Quai

QUAI originally had a total supply of 3 billion tokens. In 2026, the Singularity Fork (activated at Prime Block 1,530,500) permanently removed approximately 1.67 billion QUAI from future genesis unlocks under a multilateral agreement between a group of investors, Dominant Strategies, and the Quai Foundation, lowering the total supply baseline to approximately 1.33 billion QUAI. Separately, since December 2025 the network has run Project SOAP (Subsidized Open market Acquisition Protocol), which redirects merge mining rewards into ongoing open market purchases of QUAI that are then burned, functioning as a continuous token buyback.

General Risks

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

Competition

The Quai Network faces competition from other layer-1 blockchains such as Ethereum, Solana, and others. QUAI's value derives from its broader adoption in the market. If the Quai Network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of QUAI.

Proof of Work Pushback

Proof of Work cryptocurrencies have come under considerable criticism because of their energy use. Regulatory efforts around the world could move to clamp down on Proof of Work mining, making it harder for the network to operate and affecting market perception. These criticisms could have negative impacts on the value of QUAI.

Due Diligence

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