

PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Arweave (AR)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading AR. 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 Arweave

Arweave is a decentralized storage protocol designed to enable permanent data storage on its blockchain, referred to as the Permaweb. It allows users to upload and store various types of files indefinitely with a single upfront payment. The protocol utilizes a unique structure known as a "blockweave," which aims to enhance data verification efficiency and reduce energy consumption compared to traditional blockchains. Arweave aims to provide a sustainable solution for long-term data retention, addressing issues such as data loss and reliance on centralized storage providers.

The AR token is the native cryptocurrency of the Arweave network, serving as the primary means of payment for data storage. Users pay a one-time fee in AR tokens to upload files, which is divided into an initial storage cost and an endowment that funds future storage needs. The token incentivizes miners to maintain the network by compensating them for their contributions in storing data.

Who is behind the project?

Arweave was originally founded by Sam Williams in 2017, but the project has since evolved into a fully decentralized network. While the early development was led by Williams and his team, Arweave now operates without a central authority. The project's governance and development are carried out by a global community of developers and contributors, making Arweave a decentralized platform. Arweave's continued evolution and success now rely on the broader ecosystem of participants who maintain and develop the network.

How does it work?

Users can upload various types of files to the Arweave network, paying a one-time fee in AR tokens, which covers storage for at least 200 years. This fee is divided into two parts: one portion is allocated for immediate storage costs, while the remainder contributes to an endowment designed to fund future storage needs based on interest generated over time.

The blockweave seeks to allow for efficient data verification, requiring only a random piece of data to be confirmed before new data can be added, with the goal of reducing energy consumption compared to traditional blockchain models. This architecture seeks to ensure that once data is uploaded, it remains immutable and accessible indefinitely. By combining these technical and economic mechanisms, Arweave intends to provide a solution for long-term data storage while incentivizing miners to maintain the network's integrity.

General Risks

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

Competition

AR faces competition from other decentralized service protocol's, such as Filecoin and BitTorrent. AR value derives from the protocol's broader adoption in the market. If AR fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of AR.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on AR and determined it was permitted to make AR available for trading to UK users. This process generally consists of reviewing publicly available information on the following:

- The creation, governance, usage and design of AR, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created AR;
- The supply, demand, maturity, utility and liquidity of AR;
- Material technical risks associated with AR, including any code defects, security breaches and other threats concerning AR 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 AR, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of AR, 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 AR about whether AR, 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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