

PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Yearn Finance (YFI)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading YFI. 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 Yearn Finance?

Yearn Finance (YFI) is a yield aggregation protocol originally built on the Ethereum blockchain but is now available on Optimism, Arbitrum, and Fantom. It aims to provide users with a platform for earning interest on their crypto-asset holdings through a variety of on-chain strategies created by . The protocol is governed by a decentralized autonomous organization (DAO) and the YFI token is used to govern the platform.

Who is behind the project?

Yearn Finance (YFI) was created by Andre Cronje, a software developer and entrepreneur. Notably, Cronje received no funding for the protocol and reserved no tokens for himself prior to the protocol's launch.

How does it work?

Yearn Finance calls its on-chain strategies "vaults". Users can deposit their assets in a specific vault and the platform will automatically move their assets to the highest yielding protocols in the DeFi ecosystem.

For example, when a user deposits ETH into an ETH vault, the smart contract that powers the vault automatically moves the ETH between other DeFi protocols such as Aave, Compound, dYdX, etc which then lend out the ETH to borrowers. The borrowers pay interest on the loans, which is then eventually distributed back to the yearn vault that depositors can redeem their ETH from. The vault dynamically and automatically moves the deposited ETH to the protocol that offers the highest interest rate at any given

time. This way, users do not have to manually move their assets between protocols to earn the highest interest rate, the vault does it for them.

Yearn Finance has three other products besides Vaults as described above:

1. yCRV (Optimize CRV yields in DEFI)
2. veYFI (Lock mechanism to take part in governance)
3. yBribe (Trade governance votes; Curve conducts a weekly governance vote that determines the allocation of CRV rewards to various pool. By buying votes, DAOs, protocols and users can influence the direction of these rewards and boost yields in pools beneficial to them)

Tokenomics of YFI

Yearn finance was launched with 0 supply with no pre-mine for the team or early investors. Instead, the 30,000 tokens were distributed equally to early users of the platform and liquidity providers. Currently, the maximum supply is 36,666 YFI -- 6,666 new YFI have been created following a community vote

YFI is the governance token of Yearn Finance that allows holders to vote on updates to the platform. Protocol fees are accumulated and held in the Yearn Treasury Vault(YTV). If the maximum of \$500,000 has accrued in the YTV then the rest of the fees are used to buy YFI and burn it to reduce the supply of YFI.

General Risks

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

Competition Risk

Yearn faces competition from other yield aggregation protocols such as Alpha Venture DAO, BadgerDAO, and others. The project's success (and YFI's value) will depend on its ability to onboard users and developers at the expense of other options available to both.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on YFI and determined that Kraken was permitted to make YFI 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 YFI, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created YFI;

- The supply, demand, maturity, utility and liquidity of YFI;
- Material technical risks associated with YFI, including any code defects, security breaches and other threats concerning YFI 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 YFI, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of YFI, 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 YFI about whether YFI, 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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