

# PAYWARD LTD

## CRYPTO ASSET RISK DISCLOSURE

### Rails (RAILS)

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#### Disclaimer

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

Rails is a cryptocurrency perpetual trading platform that aims to combine the performance of centralized exchanges (CEXs) with the custody principles of decentralized finance (DeFi). It is designed to allow self-custody of user assets while using a centralized matching engine for high-speed trade execution.

Users interact with Rails by depositing assets into audited smart contracts. These assets are then accessible to the centralized engine for trading, while custody remains on-chain. This model aims to deliver CEX-like execution speeds (sub-millisecond) with DeFi-level transparency, as trades and balances are verifiable on-chain. Rails supports interaction through web interfaces and APIs, catering to both retail and professional traders.

The native digital asset of the platform is RAILS. According to the project documentation, RAILS serves several purposes within the Rails ecosystem:

- Platform rewards: Distributed to users who engage with the platform.
- Governance and participation: May be used in future protocol decisions.
- Trading incentives: Fee discounts and other benefits may be available for holding or using RAILS.
- Buy-and-burn mechanism: 10% of trading profits from the Pro platform are allocated to buying and burning RAILS tokens until 50% of the total supply is removed from circulation.

#### Who is behind Rails?

Rails was co-founded by Satraj Bambra (CEO) and Megha Bambra (CTO). Other key team members include Richard Marini (COO) and Brent Vegliacich (CFO & General Counsel).

### Tokenomics of RAILS

Rails has a total supply of 65 million tokens. They are allocated as follows:

Category	Tokens	Amount
Shareholders (Investors & Team)	23,075,986	35.50%
Liquidity Provisionin	17,245,000	26.53%
Institutional Partnerships	12,000,000	18.46%
Early User Rewards	6,500,000	10.00%
Foundation	6,179,014	9.51%
<b>Total</b>	<b>65,000,000</b>	<b>100.00%</b>

### General Risks

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

#### *Competition*

Rails faces competition from other DeFi projects such as dYdX, Hyperliquid, and many others. RAILS's value derives from the project's broader adoption in the market. If Rails fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of RAILS.

### Due Diligence

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