

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Abracadabra (SPELL)

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Disclaimer

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

Abracadabra is a decentralised lending protocol that lets users deposit yield-bearing tokens, such as xSUSHI or yvUSDT, into protocol vaults and use those assets as collateral to mint Magic Internet Money (MIM), a USD-pegged stable-value token that circulates across multiple blockchains. Users retain the underlying yield on the deposited assets while accessing additional liquidity through the newly-minted MIM. The Abracadabra DAO has approved an orderly wind down of the protocol and MIM.

SPELL is the governance token of Abracadabra. Holders can stake SPELL to receive sSPELL, which carries voting rights in the Abracadabra DAO and a share of the fees the protocol generates. SPELL is also used to incentivise participation in the protocol and its liquidity, and a share of protocol revenue is used to buy back SPELL.

Who is behind the project?

Abracadabra was founded in 2021 by its cofounders Daniele Sestagalli, Squirrel and 0xMerlin, the latter two operating under pseudonyms. The protocol is governed by the Abracadabra DAO, whose members are SPELL token holders.

Tokenomics of SPELL

The total supply of SPELL is 210 billion tokens, half of the original 420 billion having been burned at launch. As of October 2026 the circulating supply of SPELL is approximately 195.24 billion tokens according to CoinMarketCap. The total supply of SPELL is distributed as follows:

SPELL Allocation	Percentage
Global farming incentives	63%
Team (4 year vesting schedule)	30%

Initial DEX offering	7%
Total	100%

General Risks

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

Competition

The Abracadabra network faces competition from other lending platforms such as Maker, Compound, Alchemix, Aave, and others. SPELL's value derives from its broader adoption in the market. If the Abracadabra network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of SPELL.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on SPELL and determined that SPELL 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 SPELL, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created SPELL;
- The supply, demand, maturity, utility and liquidity of SPELL;
- Material technical risks associated with SPELL, including any code defects, security breaches and other threats concerning SPELL 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 SPELL, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of SPELL, 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 SPELL about whether SPELL, 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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as well as the FCA's consumer protection regulations. Note the value of cryptoassets can go down as well as up, gains may be subject to Capital Gains Tax and there may be extra charges when paying via credit card from your provider.