

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Audius (AUDIO)

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Disclaimer

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

Audius is a decentralized, community-run music-streaming protocol that lets artists publish and monetize their work while letting fans listen without subscription fees. Instead of a single corporate server, music files are hosted on a global network of independently operated content nodes. These nodes replicate and serve audio through AudSP, a peer-to-peer file system built on IPFS, eliminating the traditional intermediaries that control rights, royalties and distribution.

The native ERC-20 token, AUDIO, underpins this architecture. Node operators must stake AUDIO as collateral to register their services, the larger the stake, the greater the likelihood their node is selected to serve content. Stakers earn rewards from a 7% annual on-chain issuance as well as a protocol fee pool. Listeners and artists may delegate their tokens to trusted nodes and share in the resulting rewards.

Holding or staking AUDIO also unlocks premium features, such as artist badges, gated releases and higher upload limits and conveys on-chain voting power in protocol governance.

Beyond Ethereum, Audius bridges selected transactions to Solana to lower costs and increase throughput for features such as instant track likes and playlist actions. Artists can run their own nodes for full control over distribution or gate specific tracks to fan segments. Additional earn-to-engage programs distribute AUDIO to creators whose tracks chart in weekly trending lists or who verify their social-media presence and upload debut content.

Who is behind the project?

Roneil Rumburg serves as Chief Executive Officer, guiding overall strategy and external partnerships. Forrest Browning serves as Chief Product Officer, focusing on user experience and creator tools. Ray Jacobson serves as Chief Technology Officer, overseeing protocol engineering and scaling initiatives. The company has received backing from investors such as Multicoin Capital, Pantera Capital, Coinbase Ventures and Binance Labs.

Tokenomics of AUDIO

The maximum supply currently stands at 1,346,449,483 AUDIO and at genesis, the token allocation was as follows:

Category	Allocation
Audius Team and Advisors, including musicians	41%
Investors, including Binance Labs and Coinbase Ventures	36%
Open Audius Foundation Treasury	18%
Airdropped to early adopters	5%
Total	100%

General Risks

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

Staking Risk

Staking AUDIO does not divorce the holder from the same market and technical risks of merely holding AUDIO. The yield earned through staking is denominated and earned in AUDIO. Over time, the total balance of AUDIO will increase for stakers but this does not guarantee its market value also increases in

tandem. Lackluster market adoption and unforeseen technical problems can negatively impact a holder's return on staked AUDIO.

Competition

The Audius network faces competition from music-focused projects such as Sound.xyz, Catalog Works and Emanate. If Audius fails to achieve adoption relative to competing platforms, the value of AUDIO could decline.

Due Diligence

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