

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Acala (ACA)

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Disclaimer

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

Acala is an Ethereum-compatible smart-contract platform that operates as a parachain on the Polkadot relay chain. It offers a decentralised finance hub that includes:

- Acala Swap, an automated-market-maker decentralised exchange;
- aUSD, a multi-collateralised stablecoin issued via the Honzon protocol; and
- LDOT, a liquid derivative of staked DOT enabled by the Homa liquidity protocol.

Since late 2024 the project has been rolling out Acala 2.0 through the Sinai upgrade, which adds multichain liquidity routing (via XCM and Wormhole), open governance features, and the Sentinel security layer. These enhancements allow users and developers to interact with assets and applications across Polkadot, Ethereum, Solana and other networks while relying on Polkadot's shared security.

ACA, the network's native utility token, is required for gas fees, on-chain governance and certain protocol fees; tokens paid in fees are burned, reducing total supply.

Who is behind the project?

Acala was founded in 2019 by Fuyao Jiang, Ruitao Su, Bette Chen and Bryan Chen through a collaboration of the Laminar and Polkawallet teams.

Tokenomics of ACA

ACA has a fixed maximum supply of 1.6 billion tokens, which were distributed as follows:

Category	Amount
Community	49.76%
Founding Team	20.25%
Early Backers	18.33%
Backers	11.66%

General Risks

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

Competition

The Acala network faces competition from other Polkadot DeFi parachains such as Parallel Finance, HydraDX and Astar. Acala's value derives from its broader adoption; failure to achieve sufficient adoption could negatively impact the value of ACA.

Developer Dependence

While many developers contribute to Acala, there are no guarantees they will continue to do so. ACA could be negatively affected by an inability to retain and/or attract developers to maintain and improve the ecosystem.

Novel Technical Risk

Acala combines cross-chain messaging, a stablecoin protocol and liquid-staking derivatives. The complexity of these components may expose users to unforeseen technical risks.

Automated Market Maker

Acala Swap's AMM model can expose liquidity providers to slippage and impermanent loss, particularly during periods of high volatility or low liquidity.

Due Diligence

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