

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
FLUX (FLUX)

Last updated on August 11, 2025

Disclaimer

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

Flux is a decentralized cloud computing platform designed to support the development and deployment of Web3 applications. It offers a suite of services, including blockchain-as-a-service solutions, aiming to provide a decentralized alternative to traditional cloud providers. The platform operates through a network of FluxNodes, which are servers distributed globally, contributing to its computational resources.

Flux utilizes a native proof-of-work (PoW) cryptocurrency, also named FLUX, which serves multiple roles within the ecosystem. It acts as the utility token for transactions, incentivizes miners and node operators, and facilitates governance through the Flux decentralized autonomous organization (DAO). The project also employs parallel assets, enabling interoperability across various blockchains, thereby enhancing its decentralized cloud infrastructure.

Who is behind Flux

Flux was co-founded by Daniel Keller, Tadeas Kmenta, and Parker Honeyman. The trio continues to serve as Chief Strategy Officer, Chief Information Officer, and Chief Operating Officer, respectively. The Chief Business Officer is Davy Wittcock, Chief Technology Officer is Jeremy Anderson, and Chief AI Officer is Darren Williams.

Tokenomics of FLUX

FLUX has a maximum supply of 440 million tokens. The maximum circulating supply of FLUX at any given time will never exceed 440 million tokens. This is due to the fact that when an asset moves from chain to chain, the corresponding amount is locked on the source chain to free up the amount on the target chain.

Category	Amount
Parallel Rewards*	47.2%
Liquidity Mining	47.5%
Exchange Liquidity	1.7%
Foundation	2.9%
Operational Allocation	0.7%

*Parallel assets on the FLUX crypto network are a feature that facilitates cross-chain interoperability. They are tokenized representations of FLUX that exist on multiple blockchain ecosystems. These assets enable users to interact with different blockchain networks while still being connected to the FLUX ecosystem.

General Risks

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

Competition

FLUX faces competition from other decentralized cloud computing platforms such as Akash Network and Gelato. FLUX's value derives from the project's broader adoption in the market. If FLUX fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of FLUX.

Proof of Work Pushback

Flux utilizes the FLUX token, a native Proof-of-Work coin to power its ecosystem. Proof of Work cryptocurrencies have come under considerable criticism because of their energy use. Energy use is a contentious issue because of economic and environmental concerns. Regulators around the world could move to clamp down on Proof of Work mining making it harder for the network to operate and hurt its perception in the market. These criticisms and crackdowns could have negative impacts on the value of FLUX.

Due Diligence

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