

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
XYO Network (XL1)

Last updated on August 29, 2026

Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading XL1. 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 XYO Network and how does it work?

The XYO Network (short for XY Oracle Network) is a decentralised, blockchain-powered oracle protocol focused on verifiable location data. It aims to bridge the physical and digital worlds by enabling smart contracts and decentralised applications to interact with trusted real-world information. This is achieved through a novel Proof of Origin system, which aims to securely validate where data comes from without relying on centralised authorities or identifiable device metadata.

The network is one of the first examples of a Decentralised Physical Infrastructure Network (DePIN), operating at scale with millions of edge devices and a functioning incentive system. Its infrastructure is designed to support high-integrity data services for use cases in artificial intelligence, real-world asset (RWA) tokenisation, geolocation, logistics, and real-world gaming. XL1 is the newly introduced utility token for XYO Network's custom Layer-1 blockchain. Whenever someone uses the XYO Layer One network – for example, to execute a smart contract or record a piece of real-world data on-chain – they pay for that action with XL1 tokens (much like paying “gas” fees on other blockchains). The XL1 token was created as part of XYO's upgrade to its own blockchain infrastructure. XYO Network originally used the XYO token on Ethereum, but with the launch of XYO's proprietary chain, they adopted a dual-token system: the legacy XYO token remains in place for governance, staking, and security, while XL1 is the transactional token used within the new chain for day-to-day operations.

Who is behind the project?

XYO Network was co-founded by Arie Trouw and Markus Levin. The project is stewarded by the XYO Foundation, a non-profit entity, and supported by XY Labs Inc.

Tokenomics of XYO Network

XL1 launched on XYO Layer One on September 16, 2025. According to XYO's own documentation, a fixed 38 billion XL1 were minted at the genesis block, and a further 10 billion XL1 are minted over the course

of the Genesis Era, for a total of 48 billion XL1 once the Genesis Era ends, after which the annual inflation rate falls to about 0.7%. XL1 is earned by staking XYO to operate Block Producer and Validator nodes, rather than being mined. As of early 2026, the circulating supply is approximately 5.74 billion XL1 according to CoinMarketCap.

General Risks

Like all other digital assets, there are some general risks to investing in XL1. 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 XYO Network

Competition

The XYO Network s faces competition from other DePIN and IoT projects such as FOAM, Helium Network, and others. XL1's value derives from its broader adoption in the market. If the XYO Network s fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of XL1.

Architecture

XYO network interacts with oracles that do not operate on a blockchain. These oracles are independently responsible for collecting the real world data requested by the contracts. While XYO Network doesn't consume data from oracles, its internal components — particularly Sentinels and Bridges — behave like edge-device oracles. Because these devices gather data from the real world (e.g., GPS, Bluetooth), there's an architectural risk of data manipulation, sensor spoofing, or relay tampering, even with Proof of Origin safeguards.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on XL1 and determined that XL1 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 XL1, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created XL1;
- The supply, demand, maturity, utility and liquidity of XL1;
- Material technical risks associated with XL1, including any code defects, security breaches and other threats concerning XL1 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 XL1, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of XL1, 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 XL1 about whether XL1, 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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