

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Berachain (BERA)

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Disclaimer

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

Berachain is a Layer 1 blockchain platform that introduces a unique consensus mechanism known as Proof-of-Liquidity (PoL). This approach aims to enhance capital efficiency within decentralised finance (DeFi) by directly integrating liquidity provision into the network's security framework.

Berachain operates as an Ethereum Virtual Machine (EVM)-compatible blockchain, constructed using the Cosmos SDK. Its PoL consensus mechanism incentivises users to supply liquidity to the network's DeFi protocols. In return, participants earn the Bera Governance Token (BGT), which is non-transferable and grants governance rights within the ecosystem.

BERA is the utility token of the Berachain network. The BERA token serves two main purposes on the Berachain network:

1. Paying for transactions on the blockchain.
2. Staking to activate validator nodes.

Berachain uses two other tokens on its network: BGT is a non-transferable token earned by providing liquidity. It confers governance rights and can be staked to validators to contribute to Berachain's network security. The only way to earn BGT is through staking BERA in reward vaults. HONEY is a stablecoin native to Berachain, designed to maintain its value pegged to the US Dollar (USD). It can be mined through the Berachain native HONEY dApp or by lending collateral on Bend, Berachain's lending protocol.

Who is behind Berachain

The project was co-founded by pseudonymous individuals: Smokey the Bera, Papa Bear, Dev Bear, and Homme Bear.

Tokenomics of BERA

The total genesis supply of BERA is 500 million. The distribution is as follows:

Category	Amount
Ecosystem and R&D*	20%
Airdrop*	15.8%
Community Initiatives*	13.1%
Initial Core Contributors	16.8%
Investors	34.3%

*Ecosystem and R&D, Airdrop, and Community Initiatives are categorized together as “Community Allocations” in Berachain’s tokenomics documentation.

General Risks

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

Competition

Berachain faces competition from other Layer-1 blockchain projects such as Ethereum, Solana, and Cosmos. BERA’s value derives from the project’s broader adoption in the market. If BERA fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of BERA.

Due Diligence

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