

# PAYWARD CANADA INC.

## CRYPTO ASSET STATEMENT

FXS

### Frax Shares (FXS)

Last updated on August 11, 2025

#### Disclaimer

*Payward Canada Inc. (Kraken) is registered under Canadian securities laws as a restricted dealer and is offering Crypto Contracts on crypto assets in reliance on a prospectus exemption contained in the exemptive relief decision [Re Payward Canada Inc.](#) dated 04/01/2025 (the Decision). The statutory rights in section 130.1 of the Securities Act (Ontario), and, if applicable, similar statutory rights under the securities legislation of each other province and territory in Canada, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the prospectus relief in the Decision.*

*No securities regulatory authority has expressed an opinion about the Crypto Contracts or any Crypto Assets (as defined in the Risk Statement) made available on the Kraken platform, including an opinion that FXS is not itself a security and/or derivative. Changes to applicable law may adversely affect the use, transfer, exchange, or value of any of your crypto assets, and such changes may be sudden and without notice.*

*Please note that this Crypto Asset Statement may not be exhaustive of all risks associated with trading FXS. Please review the [Risk Statement](#) and [Fee Schedule](#) for additional discussion of general risks and transaction fees associated with the Crypto Contracts and Crypto Assets made available through the Canadian 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 Crypto Asset Statement is based on publicly available information provided by third parties.*

#### What is Frax Shares and how does it work?

Frax Finance is a decentralized protocol launched in 2020 that issues innovative stablecoins using a fractional-algorithmic model. The system originally combined collateral backing with algorithmic mechanisms to balance price stability and capital efficiency. Today it supports two primary stablecoins—Frax Dollar (frxUSD, formerly FRAX) and FPI (CPI-pegged)—plus Frax Ether (frxETH), a liquid staking token that tracks ETH, which can be staked as sfrxETH to earn yield. Frax Finance also operates Fraxtal, a Layer-2 blockchain launched in February 2024 that anchors the ecosystem.

Frax Shares (FXS) is the protocol's governance and utility token. Under the original model it was used in minting and redeeming the Frax Dollar, while in Frax V3 the stablecoin (frxUSD) now targets full collateralization and FXS retains governance and value-accrual functions. In 2025, the community approved the North Star upgrade, rebranding Frax Share (FXS) to 'Frax' (FRAX) and making it the Fraxtal gas/commodity token (Kraken continues to list the governance token under its original ticker FXS). Holders can vote on protocol parameters such as collateralization and fees, making the token central to both governance and adaptability of the Frax ecosystem.

## Who is behind the project?

Frax Finance was founded by Sam Kazemian, with Travis Moore as a co-founder. The project began in 2019 and the protocol officially launched in 2020. Both founders remain central to the project, with Kazemian continuing to lead strategic development, including the 2025 North Star Hardfork and the rebranding of FXS to FRAX.

## Tokenomics of FXS

The Frax (FXS) token follows a fixed maximum supply model, capped at 100 million tokens. The initial allocation of FXS was distributed as follows:

Category	Percentage
Community (liquidity & yield rewards)	60%
Team, advisors, early investors	35%
Project treasury (grants, partnerships, bounties)	5%
Total	100%

*Note: As part of the North Star Hardfork executed in 2025, the FXS token is undergoing a phased rebranding to FRAX.*

As of August 2025, the circulating supply is approximately 88.9 million FXS.

## General Risks

Like all other digital assets, there are some general risks to investing in FXS. These include short history risk, volatility, and 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 FXS

### Competition

The Frax Finance protocol faces competition from other decentralized finance (DeFi) projects such as MakerDAO (DAI), Aave, Curve, and other stablecoin and liquidity protocols. FXS's value derives from the broader adoption of the Frax ecosystem. If Frax Finance fails to achieve sufficient adoption compared to other stablecoin platforms and DeFi protocols, this could negatively impact the value of FXS.

## Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on FXS and determined that FXS is unlikely to be a security or derivative under Canadian 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 FXS, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created FXS;
- The supply, demand, maturity, utility and liquidity of FXS;
- Material technical risks associated with FXS, including any code defects, security breaches and other threats concerning FXS 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 FXS, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of FXS, and (ii) consideration of statements made by any regulators or securities regulatory authorities in Canada, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to FXS about whether FXS, or generally about whether the type of crypto asset, is a security and/or derivative.