

PAYWARD CANADA INC.
CRYPTO ASSET STATEMENT
NEO

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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 NEO 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 NEO. 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 Neo Network and how does it work?

Neo Network is an open-source smart-contract platform described as a “smart economy” stack that combines digital assets, digital identity, and programmable contracts. It runs its own Layer-1 blockchain (Neo N3) and includes built-in services such as native oracles, decentralized storage (NeoFS), self-sovereign identity (NeoID), and Neo Name Service. The network uses a delegated Byzantine Fault Tolerance (dBFT) consensus algorithm; “dBFT 2.0” adds a three-stage protocol and recovery mechanism aimed at fast, final confirmations. Governance is conducted on-chain through an elected Neo Council that can adjust network parameters. In simple terms, Neo is a general-purpose blockchain for building applications where assets, identity, and logic live on-chain, with several services provided natively by the protocol.

Neo features two native tokens. NEO is the governance token used to vote in Council elections. GAS is the utility token used to pay transaction and system fees. Holding and especially voting with NEO entitles the holder to a distribution of GAS; system fees paid in GAS are burned, while network fees are allocated to consensus nodes.

Who is behind the project?

Neo was founded by Da Hongfei and Erik Zhang.

Tokenomics of NEO

The total supply of NEO is 100 million tokens, which is distributed as follows:

Category	Percentage
Neo Foundation Reserves	50%
Incentives for Neo developers & Neo Council members	10%
Incentives for developers in the broader Neo ecosystem	10%
Cross-investments in other blockchain projects	15%
Contingency reserve	15%
Total	100%

General Risks

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

Competition

The NEO network faces competition from other smart-contract Layer-1 blockchains such as Ethereum and Solana, among others. NEO's value derives from its broader adoption in the market. If the NEO network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of NEO.

Due Diligence

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