

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

0x (ZRX)

0x Protocol (ZRX)

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Disclaimer

Please note that this Crypto Asset Statement is not exhaustive of all risks associated with trading ZRX. 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 Statement for additional discussion of general risks 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 that may be inaccurate, incomplete, or change at any time.

What is 0x Protocol (ZRX)?

0x Protocol is a blockchain software application that aims to facilitate a frictionless peer-to-peer exchange of Ethereum-based assets. It incentivizes a network of users to create and operate new kinds of markets that don't rely on traditional financial intermediaries. 0x protocol is considered a non-custodial solution because funds are deposited or withdrawn from user wallets directly.

With 0x Protocol, users can create markets for crypto assets representing any form of value. These include everything from: markets for tokens representing physical real estate, to tokens representing shares of stocks and bonds, to tokens representing other crypto assets. 0x Protocol aggregates liquidity pools from different projects that are built on top of 0x for seamless peer-to-peer transactions.

0x Protocol's crypto token called 'ZRX' operates on the Ethereum blockchain to distribute its management and operation.

ZRX is used to incentivize users to host and maintain order books for 0x markets. In exchange for this service, 0x users gain exposure to fees paid when traders buy and sell assets on the platform, whereby they may earn additional rewards denominated in ZRX.

In this way, ZRX is essential to the protocol's governance system, as those who hold the asset have the ability to vote on changes to the software. For instance, token holders may be able to vote to increase or decrease the fees users pay and earn.

Who is behind the project?

The 0x Protocol is a product of a company called ZeroEx Inc., co-founded in 2016 by Will Warren and Amir Bandeali.

In July 2017, ZeroEx Inc. held a public sale in which it raised \$24 million in ETH in exchange for ZRX tokens. Support for the project came from venture firms including Polychain Capital, Blockchain Capital and Pantera Capital, among others.

Advisors to the company include Coinbase co-founder Fred Ehrsam, Augur co-founder Joey Krug and Scalar Capital co-founder Linda Xie.

How does it work?

The 0x Protocol operates a set of secure smart contracts and professional grade Application Programming Interface's (API's) that facilitate the peer-to-peer exchange of Ethereum-based assets. ZRX is the asset used to incentivize developers to create those markets and govern the ZRX protocol. The 0x order book is maintained by the protocol's relayers. Relayers are tasked with facilitating communication between 0x order books and the transactions that settle on a blockchain. Unlike custodial exchanges, relayers do not take custody of the assets in any trade, as transactions happen exclusively on the blockchain. However 0x Protocol does not store trades on the blockchain, instead orders are stored off-chain and trade settlements take place on-chain.

When a user makes a trade: makers submit cryptographically signed orders to a relayer which then posts it to the order book for a transaction fee. These orders contain the token being traded, with a desired price and expiration date.

Once an order is ready to be executed, 0x uses smart contracts running on Ethereum to match a taker's demand with a maker's orders, transferring the tokens between users.

Tokenomics of ZRX

The ZRX cryptocurrency derives value from the role it plays in operating markets on the 0x Protocol, rewarding relayers for hosting order books and facilitating trades.

- ZRX has a hard capped total supply of: 1,000,000,000 (one billion) tokens.
- The ZRX tokens were minted and allocated during an Initial Coin Offering (ICO) on August 15, 2017.
- Half of the supply was allocated to participants in the ICO and the other half was distributed amongst the team, advisors and investors, and an ecosystem fund.

General Risks

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

Adoption by Builders & Users:

ZRX's value derives from market makers and infrastructure providers using Ox Protocol's smart contracts to construct decentralized exchange related products and services that traders want to use. If Ox smart contracts and tooling fail to attract sufficient adoption, this could negatively impact the value of ZRX.

Developer Dependence:

While there are many developers who contribute to the Ox ecosystem, there are no guarantees that they will continue to contribute and develop on the network. ZRX, Ox Protocol's native asset, could be negatively affected by an inability to retain and/or attract developers to keep up with market needs and improve its decentralized exchange tooling when necessary.

Due Diligence

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

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 ZRX 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.