

# PAYWARD LTD

## CRYPTO ASSET RISK DISCLOSURE

### PYUSD

#### Paypal USD (PYUSD)

Last updated on August 25, 2025

#### Disclaimer

***Please note that this risk disclosure is not exhaustive of all risks associated with trading PYUSD. 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 Paypal USD (PYUSD) and how does it work?

PayPal USD (PYUSD) is a U.S.-dollar-denominated stablecoin product of PayPal that is issued by Paxos Trust Company, a limited-purpose trust company regulated by the New York State Department of Financial Services. PYUSD is available on the Ethereum, Solana, and Arbitrum networks. Paxos mints PYUSD when it receives U.S. dollars and burns PYUSD when dollars are redeemed, targeting a \$1.00 value. Reserves are held in U.S. dollar bank deposits, U.S. Treasuries, and other cash-equivalent instruments. Paxos publishes monthly reserve-composition reports with independent attestations. The token contracts include compliance controls such as the ability to pause transfers and to freeze/blocklist addresses when legally required. PYUSD can be transferred on-chain, and within PayPal/Venmo accounts users can buy, sell, hold, and send PYUSD.

PYUSD functions as an on-chain dollar token used primarily for payments and settlement and as a bridge between PayPal's consumer/merchant ecosystem and public blockchains. On Ethereum (and Arbitrum), it follows the ERC-20 standard; on Solana, it is issued under the SPL standard. Supply is centrally minted and burned by Paxos via a designated controller. Utility is transactional—sending/receiving, converting to and from USD, on-chain settlement, and use within supported wallets, exchanges, and applications. Contract compliance features may restrict transfers in specified circumstances (e.g., pursuant to legal directives or platform policies).

#### Who is behind the project?

PYUSD is issued by Paxos Trust Company, LLC (issuer and reserve manager). PayPal Holdings, Inc. is the product owner/brand partner. Paxos was founded in 2012 by Charles Cascarilla and Rich Teo.

## **Tokenomics of PYUSD**

PYUSD does not have a fixed or maximum supply. Its supply expands when Paxos mints new tokens against incoming U.S. dollar deposits and contracts when tokens are redeemed and burned; reserves are held in U.S. dollar bank deposits, short-term U.S. Treasuries and cash-equivalent instruments, with monthly reserve composition reports and third-party attestations published by Paxos. There is no preset emission schedule or team/treasury allocation, tokens enter and leave circulation solely through issuance and redemption.

## **General Risks**

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

### *Competition*

PYUSD competes with other regulated dollar stablecoins available on the same networks and with similar use cases—primarily USDC (Circle) and USDT (Tether). Lower adoption relative to such alternatives can affect PYUSD liquidity and utility.

### *Depegging risk*

In secondary markets PYUSD may trade above or below \$1 due to supply/demand imbalances, market stress, or constraints on issuance/redemption or market-maker liquidity.

### *Risk of asset freezing*

Paxos maintains the ability to blacklist addresses and, for Paxos-custodied addresses, freeze associated PYUSD in specified circumstances (e.g., legal/regulatory requirements or security concerns). Blacklisted or frozen tokens may not be transferable while restrictions apply.

### *Institutional/issuer risk*

PYUSD depends on Paxos (issuer) and its banking/custody partners. Failure, insolvency, regulatory action or operational issues at these institutions could impair redemption or cause PYUSD to trade below its \$1 target.

## **Due Diligence**

Prior to listing on the Kraken platform, Kraken performed due diligence on PYUSD and determined that Kraken was permitted to make PYUSD available for trading to UK users, in compliance with UK law. This process generally consists of reviewing publicly available information on the following:

- The creation, governance, usage and design of PYUSD, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created PYUSD;
- The supply, demand, maturity, utility and liquidity of PYUSD;
- Material technical risks associated with PYUSD, including any code defects, security breaches and other threats concerning PYUSD 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 PYUSD, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of PYUSD, 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 PYUSD about whether PYUSD, 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.](#)**

Payward Ltd (trading as Kraken) is registered as a cryptoasset firm with the Financial Conduct Authority (FRN: 928768) registered office at 6th Floor, One London Wall, London, EC2Y 5EB. Cryptoasset services offered by Payward Ltd are unregulated and not covered by the Financial Services Compensation Scheme as well as the FCA's consumer protection regulations. Note the value of cryptoassets can go down as well as up, gains may be subject to Capital Gains Tax and there may be extra charges when paying via credit card from your provider.