

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Stellar (XLM)

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Disclaimer

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

Stellar is an open-source network launched in 2014 to let users transfer money and assets, ranging from traditional currencies to tokens representing new or existing assets, across borders with less friction. It does so by incentivizing a distributed network of computers to run common software that records asset ownership and facilitates exchange. Assets issued on Stellar can be traded against one another using the network's native cryptocurrency, XLM, which also pays transaction fees and satisfies minimum account-balance requirements. Stellar's ledger includes a built-in order book, allowing the network to function as a decentralized exchange.

Stellar introduced the Stellar Consensus Protocol (SCP) in 2015, a form of federated Byzantine agreement in which nodes vote on transactions until a quorum is reached. This design achieves fast finality without energy-intensive mining. Entities known as anchors accept deposits of external currencies or assets and issue corresponding tokens on Stellar; anchors may set holding requirements and, where necessary, revoke user access to the assets they issue. Every Stellar account must hold at least 1 XLM, and nominal network fees paid in XLM deter spam. Together, these features position Stellar both as a payment rail and as infrastructure for issuing, exchanging, and settling digital representations of value.

Who is behind the Project?

The individual credited with creating lumens is Stellar co-creator (and Stellar Development Foundation (SDF) founder) Jed McCaleb. McCaleb notably founded the first successful bitcoin exchange, Mt Gox, and designed the XRP Ledger.

McCaleb went on to serve as the chief technology officer (CTO) of Ripple, the company that today shepherds the development of the XRP Ledger, until 2013 when he left to create Stellar.

Other notable contributors to XLM's technology and ecosystem, include:

- David Mazieres, author of the Stellar consensus protocol
- Denelle Dixon, the SDF's Executive Director and CEO
- Joyce Kim, founder of Stellar and former Executive Director of the SDF

Tokenomics of XLM

XLM started with an initial supply of 100 billion tokens and as of September 2025 the circulation supply is set 31,735,990,541 XLM. The initial distribution was as follows:

Category	Allocation
Airdrops and premined rewards	52%
Team and Project	46%
Investors	2%
Total	100%

General Risks

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

Developer dependence

Although there are many developers working on the Stellar Lumens project, there are no guarantees that they will continue to contribute. XLM could be negatively affected by an inability to retain and/or attract developers to continue to maintain and build out its network.

Competition

Stellar faces competition from the other cryptocurrencies such as Bitcoin, Litecoin, XRP, and many others. XLM's value derives from Stellar's broader adoption in the market. If Stellar fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of XLM.

Due Diligence

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