

# PAYWARD CANADA INC.

## CRYPTO ASSET STATEMENT

### LQTY

#### **Liquity (LQTY)**

Last updated on August 13, 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 Liquity (LQTY) 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 Liquity (LQTY). 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 Liquity and how does it work?**

Liquity is a decentralised finance (DeFi) borrowing protocol that lets users deposit ether (ETH) or liquid-staking derivatives such as wstETH and rETH as collateral in order to mint BOLD, a USD-pegged stablecoin. Since the January 2025 launch of Liquity V2, borrowers can set and adjust their own interest rates, creating a free-market rate mechanism while the protocol's redemption logic helps BOLD maintain its peg. Liquity V2's smart-contract suite is immutable; governance is limited to allocating Protocol Incentivised Liquidity (PIL) and cannot upgrade core contracts.

LQTY is the platform's utility token. Holders may stake LQTY to (i) earn fees generated by Liquity V1 (paid in ETH and LUSD) and (ii) vote on how 25 % of V2 revenue is directed through PIL.

## Who is behind the project?

Liquity was founded by Robert Lauko and Rick Pardoe and is headquartered in Zürich, Switzerland. Michael Svoboda serves as Chief Executive Officer.

## Tokenomics of *Liquity (LQTY)*

LQTY has a fixed maximum supply of 100 million tokens; approximately 98 million are in circulation as of August 13 2025. Percentages refer to the maximum supply as of that date.

Category	Percentage
Community	33.3 %
Team and Advisors	23.7 %
Service Providers	1.0 %
Investors	33.9 %
Community Reserve	2.0 %
Endowment	6.1 %

## General Risks

Like all other digital assets, there are some general risks to investing in Liquity. 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 Liquity (LQTY)

### *Competition*

Liquity faces competition from other DeFi borrowing protocols such as Aave, Compound and others. LQTY's value derives from the project's broader adoption in the market. If Liquity fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of LQTY.

### *Regulatory Scrutiny*

A regulatory crackdown on decentralised finance (DeFi) could have a negative impact on DeFi and the value of LQTY.

## **Due Diligence**

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