

# PAYWARD LTD

## CRYPTO ASSET RISK DISCLOSURE

### Tokemak (TOKE)

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Last updated on 28 September, 2023

#### **Disclaimer**

***Please note that this risk disclosure is not exhaustive of all risks associated with trading TOKE. 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 Tokemak?**

Tokemak is an Ethereum based market making platform and liquidity router designed to generate sustainable liquidity for DeFi assets and allows users to control where their liquidity goes. The protocol captures fees from providing liquidity across DeFi, allowing the Tokemak protocol to build a strong reserve of various assets in its Protocol Controlled Assets. .

The Tokemak protocol helps to disaggregate traditional liquidity provision and market making for DeFi, and enable more strategic liquidity deployment and control.

#### **Who is behind the project?**

The founder of Tokemak is Carson Cook, an academic and entrepreneur, who also founded Membrane and Fractal. Cook holds a master of electrical engineering and physics as well as a PhD in physics from the University of Wisconsin.

#### **How does it work?**

Liquidity Providers deposit single-sided assets into individual Token Reactors and/or Genesis Pools and earn yield in the form of TOKE, Tokemak's native protocol token.

Token Reactors are smart contracts that are designed to facilitate the generation of liquidity for specific tokens. Liquidity Providers can deposit single-sided assets, such as ETH or USDC, into individual Token Reactors, and earn yield in the form of TOKE, Tokemak's native protocol token. Token Reactors use smart contracts to determine the optimal price at which to buy and sell the token, with the aim of generating

deep liquidity for that token. The Token Reactors then use the deposited assets to create liquidity for the target token, which can be directed to specific exchanges via Liquidity Directors who hold TOKE and vote how that liquidity gets paired with Genesis Pools and to what exchange venue it gets directed.

Genesis pools are pools in the Tokemak protocol that provide initial liquidity for a given token. They are typically composed of two assets, such as ETH and another token, and provide a starting point for liquidity in a given market. Liquidity providers can deposit single-sided assets into the Genesis pools to earn rewards in the form of TOKE. These rewards incentivize liquidity providers to deposit their assets and bootstrap liquidity for new token projects. Once there is sufficient liquidity, the token can then be paired with other tokens on decentralized exchanges, providing deeper liquidity for traders and users.

### **Tokenomics of TOKE**

TOKE serves various functions within the Tokemak ecosystem, including governance, liquidity provision, and access to different tiers of the Tokemak protocol. The protocol's fees, generated from swaps and other platform activities, are used to buy back and burn TOKE tokens, which helps to reduce the token's circulating supply and increase its value. Additionally, the protocol charges fees on liquidity providers who use Tokemak's services, which are distributed to TOKE holders as rewards.

TOKE has a total supply of 100 million tokens. According to CoinGecko, as of September 2023 TOKE has a circulating supply of ~18.4 million tokens.

### **General Risks**

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

#### **Competition**

Tokemak faces competition from other cryptocurrencies such as Convex, Aura, Arrakis, and many others. TOKE's value derives from its broader adoption in the market. If Tokemak fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of TOKE.

#### **Due Diligence**

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