

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Pepe (PEPE)

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Last updated on 9 August 2024

Disclaimer

Please note that this Crypto Asset Statement is not exhaustive of all risks associated with trading PEPE. 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 Pepe?

PEPE is an ERC-20, meme coin built on the Ethereum blockchain, which launched in April 2023. PEPE was created to honor the cartoon character “Pepe the Frog”, created by artist Matt Furie for his comic book “Boy’s Club”, which was published in 2005. PEPE was created predominantly for entertainment purposes.

Meme coins such as PEPE, Dogecoin and Shiba Inu, are cryptocurrencies inspired by and designed to pay homage to memes or other symbols, figures and images, which possesses a comedic trait. Meme coins are commonly driven and associated with pop culture.

Who is behind the project?

PEPE has drawn inspiration from the “Pepe the Frog” meme, which became popular in the 2010s. The coin’s design is influenced by the iconic green frog. There is no formal team behind PEPE, and similar to other cryptocurrencies, the project was launched by anonymous individuals. However, the team does use various social media platforms like X (formally Twitter), to promote the coin.

How does it work?

PEPE employs a deflationary mechanism that burns a small percentage of coins each transaction to create scarcity. A redistribution system is also used, where a portion of every transaction gets distributed to existing coin holders to encourage user engagement and long-term investments.

Tokenomics of PEPE

PEPE was created predominantly for entertainment purposes. It can be held as a souvenir or given as a gift.

There is a maximum supply of ~420 trillion PEPE coins. The total supply has been distributed as follows:

Category	PEPE Distribution
Liquidity Pool	93.10% of the total coin supply
Multi Signature Wallet (held by the development team), reserved for future exchanges, community partnerships, promotions and similar uses.	6.90% of the coin coin supply

The total supply is in circulation.

General Risks

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

Competition

PEPE faces competition from other cryptocurrencies and memecoins such as Bitcoin, Litecoin, Dash, Dogecoin, Shiba Inu and many others. PEPE's value derives from its broader adoption in the market. If PEPE fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of PEPE

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on PEPE and determined that PEPE 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 PEPE, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created PEPE;
- The supply, demand, maturity, utility and liquidity of PEPE;

- Material technical risks associated with PEPE, including any code defects, security breaches and other threats concerning PEPE 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 PEPE, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of PEPE, 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 PEPE about whether PEPE, 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 PEPE 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.