PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Cardano (ADA)

Last updated on August 24, 2026

Disclaimer

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

Cardano is an open-source, proof-of-stake (PoS) blockchain platform whose native cryptocurrency, ADA, allows holders to help operate the network and participate in on-chain governance. Built around peer-reviewed research, Cardano separates settlement and computation into two layers, the Cardano Settlement Layer (CSL) for transferring ADA and the Cardano Computation Layer (CCL) for smart-contract execution, so upgrades can be introduced with minimal disruption.

Since March 2023, Cardano has progressed through the Voltaire era of development, introducing community-run governance via a pair of hard-fork upgrades collectively known as Chang (July–September 2024) and Plomin (February 2025). These upgrades implemented CIP-1694, enabling ADA holders to elect delegate representatives (DReps), propose and vote on treasury expenditures, and ratify future protocol changes, thereby completing Cardano's transition to a fully decentralized governance model. On scalability, Cardano launched Hydra Head, a layer-2 state-channel framework, in mid-2023 and has since moved Hydra into a production-ready phase alongside a broader layer-2 portfolio unveiled in June 2025 (including Midgard roll-ups and zero-knowledge solutions such as zkFold and Eryx). Stress testing of Hydra nodes has demonstrated peaks above 7,000 transactions per second. Cardano's consensus mechanism, Ouroboros, remains "provably secure" and divides time into epochs and 20-second slots; randomly elected slot leaders (stake-pool operators) create blocks and earn newly-minted ADA as rewards.

Who is behind the project?

Cardano was created in 2017 by technologists Charles Hoskinson and Jeremy Wood. The more high profile of the two cofounders, Hoskinson, is a cofounder of Ethereum (ETH) and briefly served as CEO for a planned commercial entity for the project. Today, Cardano is maintained by three separate and independent organizations: the Cardano Foundation, a Switzerland based nonprofit responsible for supervising and overseeing the development of the Cardano blockchain; Input Output Group, formerly

IOHK and then Input Output Global, which was cofounded by Hoskinson and Wood and which built Cardano and designed Ouroboros, the Proof of Stake algorithm Cardano uses to operate its network; and Emurgo, the company charged with helping encourage enterprises and larger organizations to adopt Cardano's technology.

Tokenomics of Cardano

ADA, the native cryptocurrency of the Cardano blockchain, serves multiple roles within the ecosystem: Transaction Fees: ADA is required to pay for transactions on the network. Staking: ADA can be staked to help secure the network and earn rewards. Governance: ADA holders can vote on protocol upgrades and governance proposals. The maximum supply of ADA is 45 billion tokens. As of August 2026, the circulating supply of ADA is approximately 36.7 billion tokens, which represents about 82% of the total maximum supply.

General Risks

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

Competition

The Cardano network faces competition from other smart contract platforms such as Ethereum, Polkadot, Solana, and others. ADA's value derives from its broader adoption in the market. If the Cardano network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of ADA.

Developer Dependence

While there are many developers who contribute to Cardano, there are no guarantees that they will continue to contribute. ADA, Cardano's native asset, could be negatively affected by an inability to retain and/or attract developers to keep up with market needs and improve its smart contract tooling when necessary.

Staking Risk

Staking ADA does not divorce the holder from the same market and technical risks of merely holding ADA. The yield earned through staking is denominated and earned in ADA. Over time, the total balance of ADA will increase for stakers but this does not guarantee its market value also increases in tandem.

Lacklustre market adoption and unforeseen technical problems can negatively impact a holder's return on staked ADA. Projected annual rate is an estimate based on the average staking rewards accrued over the past period, before commission, and is subject to change. Staking involves risks including no guarantee of rewards, potential loss from slashing or hacks, and depreciation in the value of assets while staked. Please refer to Kraken's Terms of Service for additional information.

Due Diligence

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