PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Mirror Protocol (MIR)

Mirror Protocol (MIR)
Last updated on August 13, 2025

Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading MIR. 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 Mirror Protocol and how does it work?
Mirror Protocol was a decentralized finance (DeFi) platform, launched in December 2020 on the Terra blockchain, that allowed users to create and trade tokenized "synthetic" assets called mAssets. Each mAsset was designed to track the price of a real-world asset, such as shares of Tesla or Apple, exchange-traded funds like the Invesco QQQ Trust, or even other crypto assets, without requiring custodial ownership of the underlying instrument.

The protocol's core functions were:

- *Minting*, where users opened collateralized debt positions (CDPs) and locked collateral—typically TerraUSD (UST) prior to UST's collapse—above a minimum ratio before minting an mAsset.
- *Trading*, where once minted, mAssets traded against UST on Terraswap and other compatible automated-market-maker (AMM) pools.
- *Liquidity provision*, where holders could deposit mAssets with UST into liquidity pools and earn LP-tokens representing their share of pool fees.
- *Staking and governance*, where LP-tokens or MIR itself could be staked in Mirror's governance contract. Stakers received MIR rewards and could vote on protocol parameters, including collateral factors and new mAsset listings.

Although Mirror was originally confined to Terra, the Terra Bridge once enabled swaps of MIR and mAssets to Ethereum, where ERC-20 versions of the tokens could be traded on Uniswap, SushiSwap and other AMMs. These bridging functions were later discontinued when Terra bridge infrastructure was shut down.

Mirror's mechanics ceased to operate on the community-maintained Terra Classic chain after August 2022, when Band Protocol ended price feed support. The collapse of the original Terra ecosystem in May 2022, followed by Terraform Labs' bankruptcy, left the protocol inactive and liquidity severely diminished

Who is behind the Project?

Mirror Protocol was developed by Terraform Labs (TFL), the South-Korean company founded in 2018 by Daniel Shin and Do Kwon. Following a unanimous jury verdict in April 2024 that found TFL and Kwon liable for civil fraud, a U.S. federal court approved a June 2024 settlement requiring payment of US $4.5 billion in disgorgement, interest and penalties and permanently barring both parties from dealing in crypto-asset securities.

TFL subsequently filed for Chapter 11 bankruptcy protection and ongoing maintenance of Mirror is now community-driven via its open-source repositories and governance forum.

No single entity currently directs day-to-day development.

Tokenomics of MIR

The initial supply of MIR was 370 million tokens, which were distributed as follows:

Category	Allocation
Treasury	14%
Future Hires	10%
Team Tokens	7%
Liquidity Ops	69%
Total	**100%**

General Risks

Like all other digital assets, there are some general risks to investing in MIR. 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 Mirror Protocol

Regulatory and Litigation Risk

The United States Securities and Exchange Commission (SEC) has filed a case against Terraform and CEO Do Kwon, alleging the unregistered offer and sale of crypto asset securities and fraud. On 5 April 2024, Terraform Labs and its founder Do Kwon were found liable on civil fraud charges. Terraform and Do Kwon have since agreed to a settlement agreement with the SEC for $4.5 billion in disgorgement and civil penalties. The settlement agreement permanently bans Kwon and Terraform Labs from buying and selling crypto asset securities, including all of the tokens in the Terra ecosystem. This litigation, and further developments in this or related litigation, may impact the price of MIR.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on MIR and determined it was permitted to make MIR available for trading to UK users. Our analysis generally includes, but is not limited to, reviewing publicly available information on the following:

- The creation, governance, usage and design of MIR, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created MIR;
- The supply, demand, maturity, utility and liquidity of MIR;
- Material technical risks associated with MIR, including any code defects, security breaches and other threats concerning MIR 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 MIR, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of MIR, 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 MIR about whether MIR, 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.