

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
USD.AI (CHIP)

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Disclaimer

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

USD.AI is a decentralized finance protocol designed to finance artificial intelligence infrastructure, particularly GPU hardware used for AI computing. The project aims to connect capital providers with AI companies that require financing for computing infrastructure through a blockchain based credit market. Loans backed by AI infrastructure assets can be issued and managed through the protocol, with parameters such as collateral requirements and interest models defined through governance.

At the time of writing, the token is not live. The CHIP token will be used for governance within the USD.AI protocol, allowing holders to vote on protocol parameters such as interest rate models, collateral eligibility, underwriting thresholds, and other risk management frameworks for GPU-backed lending. The token will also be used for insurance staking, where CHIP can be staked in an insurance module to protect against bad debt and earn protocol fees, and for liquidity mining through CHIP rewards for providing USDai/sUSDai liquidity.

Who is behind the project?

USD.AI was founded by David Choi, who serves as CEO, and Conor Moore, who serves as COO.

Tokenomics of CHIP

The total supply of CHIP is 10 billion tokens which is distributed as follows:

CHIP Allocation	% of Total supply
Ecosystem Bootstrapping	27.5%
Reserve	19.5%

Core contributors	23.5%
Investors	29.5%
Total	100%

General Risks

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

Competition

The USD.AI protocol faces competition from other decentralized finance protocols such as Maple Finance, Goldfinch, Centrifuge, and many others. CHIP’s value derives from its broader market adoption; if the USD.AI protocol fails to achieve sufficient adoption compared to these alternatives, this could negatively impact the value of CHIP.

Due Diligence

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