

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
BRL1 (BRL1)

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Disclaimer

Please note that this Crypto Asset Statement is not exhaustive of all risks associated with trading BRL1. 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 Crypto Asset Statement is based on publicly available information that may be inaccurate, incomplete, or change at any time.

What is BRL1 and how does it work?

BRL1 is a digital token designed to mirror the value of the Brazilian real. It is created by a consortium of Brazilian cryptocurrency exchanges and financial institutions.

Each BRL1 token is backed one-for-one (1:1) by real-world assets such as government bonds and reserves held in regulated financial institutions. This backing aims to maintain BRL1's stability and allow holders to redeem it for an equivalent value in reais at any time.

BRL1 operates on blockchain networks like Polygon and is intended to facilitate fast, low-cost transactions, enhance liquidity among platforms and simplify transfers for both locals and cross-border users.

Who is behind the project?

BRL1 is the result of a collaboration between several established players in Brazil's cryptocurrency sector.

The consortium, BRL1 CONSORTIUM S.A., includes exchanges such as Bitso, Mercado Bitcoin and Foxbit, along with the liquidity provider Cainvest.

Tokenomics of BRL1

BRL1 is a stablecoin that reflects the value of the Brazilian real through full collateralization. The circulating supply is designed to correspond directly to the total value of reserves held in assets such as Brazilian government bonds and deposits in regulated financial institutions managed by the issuing consortium. The token does not support staking or governance features and is issued strictly for value stability and transactional use. The maximum supply of BRL1 is not capped and expands or contracts dynamically based on minting and burning activity, which occurs when users deposit reais to mint BRL1 or redeem tokens back for fiat currency.

General Risks

Like all other digital assets, there are some general risks to investing in BRL1. 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 BRL1

Depegging Risk

At any given point in time, the price of BRL1 may not be aligned to the value of Brazilian real. This risk arises because the price of BRL1 is determined by supply and demand in the secondary market, rather than the actual value of the Brazilian real. If demand for BRL1 exceeds the available supply, the price of BRL1 may increase, leading to a higher price relative to the Brazilian real. Conversely, if there is a surplus of BRL1 tokens and insufficient demand, the price may decrease, causing BRL1 to be worth less than the Brazilian real.

Risk of Asset Freezing

The BRL1 consortium retains the ability to freeze BRL1 associated with specific wallet addresses under certain conditions. This includes potential obligations linked to anti-money laundering (AML) measures, sanctions, suspected fraud or enforcement orders. Affected users may be unable to transfer or redeem BRL1 in such cases.

Redemption Risk

The value of BRL1 is backed by a reserve of Brazilian real and secure, low-risk assets held by its custodian. However, there is a risk that the BRL1 consortium may be unable to meet redemption demands in a timely manner at some point in the future. If the issuer is unable to meet redemption requests due to insufficient reserves, it could lead to a loss of confidence in the asset, negatively impacting its value.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on BRL1 and determined it was permitted to make BRL1 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 BRL1, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created BRL1;
- The supply, demand, maturity, utility and liquidity of BRL1;
- Material technical risks associated with BRL1, including any code defects, security breaches and other threats concerning BRL1 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 BRL1, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of BRL1, 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 BRL1 about whether BRL1, 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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