PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

USD1 (USD1)

Last updated on August 26, 2026

Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading USD1. 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 USD1 and how does it work?

USD1 is a fiat backed stablecoin developed by World Liberty Financial Inc. (WLFI). It is structured to maintain a one to one value with the US dollar and is intended for use in institutional and cross border transaction settings. USD1 launched on the Ethereum and BNB Chain (BSC) networks in March 2025 and has since expanded to additional networks, including Tron, Solana, Aptos, and several others, according to World Liberty Financial's own USD1 support documentation.

Each USD1 token is backed by reserves comprised of Fidelity managed government money market funds (composed of U.S. Treasuries and equivalent AAA rated instruments) and cash at Customers Bank and BNY Mellon. The reserves are held with BitGo, a regulated digital asset custodian. WLFI states that the reserve holdings are subject to regular third party audits, including monthly attestations by an independent accounting firm. The project does not employ yield generating strategies, instead focusing on reserve backed issuance to maintain the token's peg. A Chainlink powered Proof of Reserves system, previously described as in development and targeted for Q2 2025, has since launched and publishes total reserves, the collateralization ratio, and supply by network on an ongoing basis.

Who is behind the project?

World Liberty Financial Inc. (WLFI) is the entity behind USD1 and is affiliated with Donald John Trump and certain members of his family through DT Marks DEFI LLC, which holds a majority stake in WLFI's parent company and maintains financial interests in the project.

Tokenomics of USD1

USD1 is a stablecoin that reflects the value of the US dollar through full collateralization. The circulating supply is designed to correspond directly to the total value of reserves held in assets such as US government treasuries, bank deposits, and similar instruments. The token does not support staking or governance features and is issued strictly for value stability and transactional use. The maximum supply of USD1 is not capped and expands or contracts based on minting and burning activity, which is controlled by World Liberty Financial Inc.

General Risks

Like all other digital assets, there are some general risks to investing in *USD1*. 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 USD1

Depegging Risk

At any given point in time, the price of USD1 may not accurately reflect the value of the underlying asset, the US Dollar. This risk arises because the price of USD1 is determined by supply and demand in the secondary market, rather than the actual value of the US Dollar. If demand for USD1 exceeds the available supply, the price of USD1 may increase, leading to a higher price relative to the US Dollar. Conversely, if there is a surplus of USD1 tokens and insufficient demand, the price may decrease, causing USD1 to be worth less than the US Dollar.

USD1 should always be redeemable 1:1 with the US Dollar but there is always a risk of a smart contract bug. A potential bug could have a negative impact on the value of USD1.

Risk of Asset Freezing

World Liberty Financial Inc. retains the ability to freeze USD1 associated with specific wallet addresses under certain conditions. This includes compliance with Office of Foreign Assets Control (OFAC) sanctions, suspected fraud, or legal orders. Affected users may be unable to transfer or redeem USD1 in such cases.

Redemption Risk

The value of USD1 is backed by a reserve of US Dollar and secure, low-risk assets held by World Liberty Financial Inc. However, there is a risk that World Liberty Financial Inc 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 USD1 and determined that USD1 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 USD1, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created USD1;
- The supply, demand, maturity, utility and liquidity of USD1;

- Material technical risks associated with USD1, including any code defects, security breaches and other threats concerning USD1 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 USD1, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of USD1, 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 USD1 about whether USD1, 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.