

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Balancer (BAL)

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Disclaimer

Payward Canada Inc. (Kraken) is registered under Canadian securities laws as a restricted dealer and is offering Crypto Contracts on crypto assets in reliance on a prospectus exemption contained in the exemptive relief decision [Re Payward Canada Inc.](#) dated 04/01/2025 (the Decision). The statutory rights in section 130.1 of the Securities Act (Ontario), and, if applicable, similar statutory rights under the securities legislation of each other province and territory in Canada, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the prospectus relief in the Decision.

No securities regulatory authority has expressed an opinion about the Crypto Contracts or any Crypto Assets (as defined in the Risk Statement) made available on the Kraken platform, including an opinion that BAL is not itself a security and/or derivative. Changes to applicable law may adversely affect the use, transfer, exchange, or value of any of your crypto assets, and such changes may be sudden and without notice.

Please note that this Crypto Asset Statement may not be exhaustive of all risks associated with trading BAL. Please review the [Risk Statement](#) and [Fee Schedule](#) for additional discussion of general risks and transaction fees associated with the Crypto Contracts and Crypto Assets made available through the Canadian 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 provided by third parties.

What is Balancer and how does it work?

Balancer is a decentralised-finance protocol launched on Ethereum in 2020. It incentivises an open network of computers to operate a non-custodial exchange where anyone can swap ERC-20 tokens. Liquidity providers deposit their assets into Balancer Pools and earn a share of trading fees plus BAL governance tokens. Balancer pools resemble self-balancing index funds, smart contracts automatically adjust token weights as prices move so each pool keeps its target proportions without manual rebalancing.

The protocol offers three pool families that address different risk profiles. Public pools have immutable parameters and allow anyone to add or withdraw liquidity, suiting smaller holders who prefer the deepest markets. Smart pools let the pool creator update certain parameters, the best-known variant is the Liquidity Bootstrapping Pool (LBP), which starts with a high project-token weight that declines over time to facilitate fair price discovery with minimal upfront capital. Private pools restrict deposits and

parameter changes to the creator, appealing to professional managers who wish to earn fees on specific portfolios.

Balancer's governance token, BAL, can be locked in an 80/20 BAL-WETH pool to receive veBAL, which confers voting power and a pro-rata share of protocol fees, aligning long-term incentives. Balancer V2 further separates pool logic from token custody, allowing multiple chains, including Polygon, Arbitrum, Optimism and Avalanche, to share a single vault for improved gas efficiency.

Who is behind the Project?

Balancer was developed by BlockScience and the Interchain Foundation, co-founded by Fernando Martinelli, the current CEO, and Mike McDonald, the current CTO.

Tokenomics of BAL

The supply of BAL tokens is limited, meaning that there will only ever be 94 million BAL.

Every week, approximately 145,000 BAL will be minted and distributed to liquidity providers. These emissions will lower with the halving that will take place every 4 years. These emissions will equate to a maximum of 65 million BAL. 25 million tokens were allocated to founders, core devs, advisors and investors, 5 million were allocated to the ecosystem fund and another 5 million for a fundraising fund for future funding.

General Risks

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

Competition

The Balancer network faces competition from other decentralised exchanges such as Uniswap and Curve. If Balancer fails to achieve sufficient adoption compared to alternative platforms, the value of BAL could decline.

Developer Dependence

While many developers contribute to Balancer, there is no guarantee that they will continue to do so. An inability to retain or attract contributors could negatively affect BAL.

Novel Technical Risk

Past incidents, such as the January 2021 pool exploit that enabled illicit BAL minting, show that unforeseen flaws can arise despite audits, potentially leading to loss of funds or dilution.

Regulatory Scrutiny

A regulatory crackdown on DeFi, for example, through legislation akin to the U.S. Digital Commodities Consumer Protection Act, could impede decentralised-exchange operations and reduce BAL's value.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on BAL and determined that BAL is unlikely to be a security or derivative under Canadian 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 BAL, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created BAL;
- The supply, demand, maturity, utility and liquidity of BAL;
- Material technical risks associated with BAL, including any code defects, security breaches and other threats concerning BAL 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 BAL, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of BAL, and (ii) consideration of statements made by any regulators or securities regulatory authorities in Canada, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to BAL about whether BAL, or generally about whether the type of crypto asset, is a security and/or derivative.