

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Ethereum Classic (ETC)

Last updated on September 9, 2026

Disclaimer

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

Ethereum Classic (ETC) is the original Ethereum (ETH) blockchain that launched in July 2015. Its main function is as a smart contract network, with the ability to host and support decentralized applications (DApps). The network supports smart contracts executed by the Ethereum Virtual Machine (EVM) and secures consensus through Proof-of-Work (PoW) mining with the Ethash algorithm. Miners aggregate transactions into blocks and expend computing power to solve a cryptographic puzzle; the first valid solution propagates the block and receives the block reward plus fees. Its native token is ETC.

Who is behind the project?

Ethereum Classic is in fact the legacy chain of Ethereum, and its true creator is therefore the original Ethereum founder — Vitalik Buterin. Development and maintenance are performed by independent open-source teams such as ETC Core and Mantis. The non-profit ETC Cooperative, established in 2017, provides financial support to these and other ecosystem efforts. Proposed technical changes are published through the ECIP process and are only adopted when miners, node operators and other participants choose to run the corresponding software.

Tokenomics of Ethereum Classic

Ethereum Classic follows a fixed, capped supply emission schedule similar to Bitcoin, under which the block reward falls by 20 percent every 5,000,000 blocks toward a maximum supply of 210.7 million ETC. The circulating supply is approximately 158.1 million ETC according to CoinMarketCap.

General Risks

Like all other digital assets, there are some general risks to investing in ETC. 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 Ethereum Classic

Competition

The Ethereum Classic network competes with other smart-contract platforms such as Ethereum, Polkadot and Cosmos. Lower relative adoption could negatively affect ETC's value.

Developer Dependence

If developer participation declines, the pace of maintenance and improvement could slow, affecting network reliability and market perception.

Proof of Work Pushback

Proof of Work cryptocurrencies have come under considerable criticism because of their energy use. Regulatory efforts around the world could move to clamp down on Proof of Work mining, making it harder for the network to operate and affecting market perception. These criticisms could have negative impacts on the value of ETC.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on ETC and determined that ETC 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 ETC, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created ETC;
- The supply, demand, maturity, utility and liquidity of ETC;
- Material technical risks associated with ETC, including any code defects, security breaches and other threats concerning ETC 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 ETC, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of ETC, 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 ETC about whether ETC, 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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offered by Payward Ltd are unregulated and not covered by the Financial Services Compensation Scheme as well as the FCA's consumer protection regulations. Note the value of cryptoassets can go down as well as up, gains may be subject to Capital Gains Tax and there may be extra charges when paying via credit card from your provider.