PAYWARD CANADA INC.
CRYPTO ASSET STATEMENT

Tezos (XTZ)

Last updated on September 16, 2026

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 XTZ 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 XTZ. 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 Tezos and how does it work?

It employs a liquid Proof-of-Stake consensus system—known in the ecosystem as "baking"—that allows any XTZ holder either to validate blocks directly or to delegate their stake to a baker. Successful bakers receive newly minted XTZ and transaction fees, giving the token an inflationary supply schedule of roughly five per cent per year.

Unlike most blockchains, Tezos integrates on-chain governance. Bakers can propose protocol upgrades, and XTZ holders vote on each proposal through a four-stage process; once approved, the protocol automatically amends itself, eliminating the need for disruptive hard forks. Formal verification tools and the Michelson smart-contract language aim to reduce coding errors, while libraries such as SmartPy and LIGO, plus an EVM-compatible roll-up (Etherlink), let developers write contracts in more familiar syntaxes. A series of 2024-25 upgrades introduced Smart Rollups that outsource computation yet settle back to Layer 1, significantly expanding throughput without compromising core security. XTZ—informally "tez"—is used to pay transaction fees, power smart-contract execution, secure the network through staking, and serve as the sole unit of account for protocol governance.

For more information on Tezos staking and fees, please visit our crypto staking and overview of on-chain staking pages.

Who is behind the project?

Tezos was co-founded in 2014 by Arthur Breitman and Kathleen Breitman, who together launched an initial coin offering in 2017 that raised over $230 million. Arthur Breitman has driven the protocol's technical vision. Kathleen Breitman has overseen strategic planning and operations. Ongoing governance and development of the Tezos protocol are managed by the Swiss-based Tezos Foundation. Alexis Bonte serves as President of its Foundation Council, and Jean-Frédéric Mognetti is Executive Director. Council members Roman Schnider and Lars Haussmann oversee the foundation's finance and audit functions, supporting the protocol's sustainable growth.

Tokenomics of Tezos

Tezos follows an uncapped, inflationary supply model in which new tokens are minted as baking rewards. XTZ enters circulation through protocol issuance rather than a fixed cap. Transaction fees are burned, partially offsetting inflation, while staking rewards encourage network participation and align incentives between validators and delegators. As of September 2026, the total supply is approximately 1.116 billion XTZ and the circulating supply is approximately 1.096 billion XTZ according to CoinMarketCap.

General Risks

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

Staking Risk

Staking XTZ does not divorce the holder from the same market and technical risks of merely holding XTZ. The yield earned through staking is denominated and earned in XTZ. Over time, the total balance of XTZ will increase for stakers but this does not guarantee its market value also increases in tandem. Lackluster market adoption and unforeseen technical problems can negatively impact a holder's return on staked XTZ. For more information on staking risks associated with smart contracts and digital assets, see Kraken's Risk Statement.

Competition

The Tezos network faces competition from other smart contract platforms such as Ethereum, Polkadot, Cardano, and others. XTZ's value derives from its broader adoption in the market. If the Tezos network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of XTZ.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on XTZ and determined that XTZ 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 XTZ, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created XTZ;

- The supply, demand, maturity, utility and liquidity of XTZ;
- Material technical risks associated with XTZ, including any code defects, security breaches and other threats concerning XTZ 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 XTZ, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of XTZ, 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 XTZ about whether XTZ, or generally about whether the type of crypto asset, is a security and/or derivative.

In addition to performing due diligence on XTZ and prior to making XTZ available to clients for staking on the Kraken platform, Kraken performed a review of the following:

- the operation of the Proof of Stake blockchain for XTZ;
- the staking protocols for XTZ ;
- the risk of loss of staked XTZ, including from software bugs and hacks of the protocol;
- due diligence with respect to the staking infrastructure operated by Kraken’s affiliate, Staked Cayman Ltd., including but not limited to, information about:
    - the persons or entities that manage and direct the operations of the affiliate,
    - the affiliate’s reputation and use by others,
    - the approximate amount of crypto assets the affiliate has staked on its own nodes,
    - the measures in place by the affiliate to operate the nodes securely and reliably,
    - the quality of the affiliate’s work (i.e., the amount of downtime of the staking infrastructure, any past history of “double signing” and “double attestation/voting”, etc.),
    - any losses of Crypto Assets related to the affiliate’s actions or inactions, including losses resulting from slashing, jailing or other penalties incurred by the affiliate,
    - any guarantees offered by the affiliate against slashing or other penalties and any insurance obtained by the affiliate that may cover this risk, and
    - the financial status of the affiliate.