

# PAYWARD LTD

## CRYPTO ASSET RISK DISCLOSURE

### Virtuals Protocol (VIRTUAL)

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#### Disclaimer

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

Virtuals Protocol is a decentralized platform that integrates artificial intelligence (AI) with blockchain technology to enable the creation, co-ownership, and monetization of AI-driven virtual agents. These agents are designed to operate across various applications and games, transforming them into tokenized, revenue-generating assets within the entertainment and gaming industries.

The protocol introduces three primary systems: Co-ownership of AI Agents, Tokenization, and Multimodal Capabilities. By leveraging blockchain technology, Virtuals Protocol allows multiple stakeholders to co-own AI agents. This co-ownership model promotes broader community participation and shared benefits from the agents' activities. AI agents are transformed into tokenized assets, enabling seamless trading and monetization. This process facilitates the integration of AI agents into various platforms, enhancing their utility and revenue potential. These AI agents possess autonomous planning abilities and can interact through text, speech, and 3D animation and are capable of engaging with diverse environments.

The native token of the ecosystem, VIRTUAL, plays a central role in facilitating transactions, governance, and incentivizing participation within the platform. Users can utilize VIRTUAL tokens to create new AI agents, participate in governance decisions, and access various services offered by the protocol.

## Who is behind Virtuals Protocol

Virtuals Protocol was founded in 2023 by Jansen Teng and the pseudonymous Wee Kee.

## Tokenomics of VIRTUAL

VIRTUAL has a total supply of 1 billion tokens. The token allocation is as follows:

Category	Amount
Public Distribution	60%
Liquidity	5%
Ecosystem Treasury	35%

## General Risks

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

### *Competition*

VIRTUAL faces competition from other decentralised artificial intelligence projects such as Fetch.ai and SingularityNET. VIRTUAL's value derives from the project's broader adoption in the market. If VIRTUAL fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of VIRTUAL.

## Due Diligence

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

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