

**PAYWARD LTD**  
CRYPTO ASSET RISK DISCLOSURE  
Numeraire (NMR)

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**Disclaimer**

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

Numeraire is the ERC-20 token that fuels Numerai - a crowd-sourced, machine-learning hedge fund founded in 2015. Numerai publishes regularised stock-market data and invites data scientists to submit predictive models through two flagship products:

- Numerai Tournament - a weekly competition where participants upload encrypted model outputs and optionally stake NMR on their submissions. After a defined scoring period, successful stakes earn additional NMR while under-performing stakes are automatically burned.
- Numerai Signals - an ongoing channel for submitting stock-specific signals (e.g., long/short scores). Signals are also stakeable in NMR under the same reward-or-burn mechanic.

Staking is executed by Ethereum smart contracts that hold NMR during the scoring window and, without custodial intervention, either pay out or destroy the tokens. This mechanism aims to align contributors with Numerai's meta-model, which aggregates thousands of submissions into a single portfolio that the hedge fund trades.

Within the ecosystem NMR functions as: (i) risk collateral, giving the hedge fund economic confidence in the quality of user models; (ii) reward currency for accurate predictions; and (iii) a governance and liquidity asset on Ethereum-compatible venues.

### Who is behind the project?

Numerai, the company that created Numeraire, was founded in San Francisco, California in 2015 by Richard Craib.

### Tokenomics of NMR

The maximum supply of NMR was permanently reduced from 21 million to 11 million via a 2019 token-migration contract. New issuance is capped at 100,000 NMR per week and is distributed as competition rewards; however, ongoing token burns tied to incorrect stakes exert a deflationary effect.

Category	Amount
Circulating supply	72.7%
Unissued / team & treasury reserves	27.3%

### General Risks

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

#### *Competition*

The Numerai network faces competition from other cryptocurrencies such as Augur (REP), Gnosis (GNO) and many others. Numerai's value derives from its broader adoption in the market. If the Numerai network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of NMR.

#### *Developer Dependence*

While there are many developers who contribute to Numerai, there are no guarantees that they will continue to contribute. NMR, Numerai's native asset, could be negatively affected by an inability to retain and/or attract developers to keep up with market needs and improve its decentralized hedge-fund tooling when necessary.

#### *Staking Risk*

Staking NMR does not insulate holders from the same market and technical risks of merely holding NMR. Rewards are denominated in NMR; therefore, even if a holder's token balance increases, the market value of those tokens may not. Inaccurate model performance can also result in a partial or total loss of staked NMR through the burn mechanism.

## Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on NMR and determined that Kraken was permitted to make NMR available for trading to UK users, in compliance with UK law. This process generally consists of reviewing publicly available information on the following:

- The creation, governance, usage and design of NMR, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created NMR;
- The supply, demand, maturity, utility and liquidity of NMR;
- Material technical risks associated with NMR, including any code defects, security breaches and other threats concerning NMR 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 NMR, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of NMR, 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 NMR about whether NMR, 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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