

PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

wBTC

Wrapped Bitcoin (wBTC)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading WBTC. 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 Wrapped Bitcoin (wBTC) and how does it work?

Wrapped Bitcoin (wBTC) is an ERC-20 token on Ethereum (and also available on other chains like Solana and Aptos) that represents Bitcoin in a tokenized, smart-contract-compatible form. It enables Bitcoin holders to access DeFi platforms—such as lending, borrowing, liquidity pools, and decentralized exchanges—without selling BTC. The protocol operates using a custodian-merchant model: users send BTC to a custodian (e.g., BitGo), which then mints wBTC on the target blockchain; redeeming destroys the wBTC and releases the underlying BTC. Governance is facilitated via the wBTC DAO, a decentralized autonomous organization composed of custodians, merchants, and major DeFi stakeholders, managing upgrades, membership, and multi-signature backing. Transparency is maintained through on-chain proof-of-reserve audits.

wBTC functions as the utility token within the ecosystem by providing access to decentralized finance applications. Each wBTC is backed 1:1 by Bitcoin held in custody, ensuring that its value mirrors BTC. Users can deploy wBTC as collateral, participate in liquidity provisioning and swap operations, or leverage it in yield farming instruments across Ethereum (and other chain) DeFi services. The token's interoperability bridges Bitcoin's liquidity with smart-contract ecosystems, enabling functionality that native BTC cannot provide.

Who is behind the project?

wBTC was first announced in October 2018 and launched in January 2019 as a collaboration among BitGo (custodian), Kyber Network and Ren (initial merchants). Governance is managed by the wBTC DAO, composed of custodians, merchants, and ecosystem stakeholders such as AirSwap, Blockfolio, Compound, etc.

Tokenomics of wBTC

wBTC is a pegged token with a reserve of BTC held by custodians. Each wBTC is minted when a user deposits Bitcoin with an approved custodian and is burned when redeemed, maintaining a 1:1 backing with the underlying BTC. Governance of the minting process is overseen by the wBTC DAO, which votes on the addition or removal of custodians and merchants.

As of September 2025, the circulating supply is approximately 127,200 wBTC.

General Risks

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

Depegging Risk

At any given point in time, the price of wBTC may not accurately reflect the value of the underlying asset BTC. This risk arises because the price of wBTC is determined by supply and demand in the secondary market, rather than the actual value of BTC. If demand for wBTC exceeds the available supply, the price of wBTC may increase, leading to a higher price relative to BTC. Conversely, if there is a surplus of wBTC tokens and insufficient demand, the price may decrease, causing wBTC to be worth less than BTC.

wBTC should always be redeemable 1:1 with BTC, but there is always a risk of a smart contract bug or other exploit. A potential bug could have a negative impact on the value of wBTC.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on wBTC and determined that Kraken was permitted to make wBTC 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 wBTC, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created wBTC;
- The supply, demand, maturity, utility and liquidity of wBTC;
- Material technical risks associated with wBTC, including any code defects, security breaches and other threats concerning wBTC 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 wBTC, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of wBTC, 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 wBTC about whether wBTC, 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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as up, gains may be subject to Capital Gains Tax and there may be extra charges when paying via credit card from your provider.