Payward Europe Solutions Limited t/a ‘Kraken’

Payward Global Solutions Limited t/a ‘Kraken’

Conflicts of Interest Disclosure

(In accordance with Article 72 of the Markets in Crypto-Assets Regulation (EU) 2023/1114)

INTRODUCTION

This document provides the Conflicts of Interest Disclosure for Payward Europe Solutions Limited (PESL) and Payward Global Solutions Limited (PGSL), pursuant to Regulation (EU) 2023/1114 on Markets in Crypto-Assets (“MiCAR”).

In compliance with Article 72 MiCAR and the ESMA Regulatory Technical Standards (RTS), this disclosure outlines:

- Our approach to preventing and managing conflicts of interest.
- The general nature and sources of conflicts of interest that may arise;
- The specific risks such conflicts may pose to clients;
- The steps and internal controls PESL and PGSL have implemented to identify, prevent, manage, and where appropriate, disclose such conflicts.

Conflicts of interest are situations in which the personal, financial, or other interests of PESL, PGSL, their employees, group entities, or connected persons may compromise or be perceived to compromise the impartiality or integrity of decisions made in the best interests of clients.

Where conflicts, or potential conflicts, are identified, we are committed to ensuring that they are effectively and fairly managed so as to prevent these conflicts from constituting or giving rise to a material risk of damage to the interests of our clients.

WHERE CONFLICTS CAN ARISE

Conflicts may arise in the following contexts:

Between PESL/PGSL and their clients - Conflicts may arise where execution services are provided by an entity that also operates a trading platform, as with PESL and PGSL. Additional risks occur if employees or related persons hold positions in crypto-assets listed or supported by either firm, potentially misaligning the firm’s financial interests with those of clients and influencing execution or listing decisions.

Between different clients - Conflicts may arise when clients compete for execution in the same crypto-asset, raising concerns about fair treatment and prioritisation, especially where preferential terms are perceived due to client size, trading volume, or commercial relationship.

Between PESL/PGSL and group companies, shareholders, or management - Conflicts may arise from shared infrastructure or dual roles across PESL, PGSL, or affiliates, leading to information asymmetries or competing loyalties. This can compromise independent decision-making or create a perception of unfair advantage for certain clients.

Intra-group or internal - Conflicts may arise where staff incentives are linked to client trading activity or where personal trading and external interests create competing obligations, potentially leading to biased decisions or compromising service fairness.

MANAGEMENT OF CONFLICTS OF INTEREST

To address these potential conflicts, PESL and PGSL have adopted a layered control framework, which includes:

Declarations and reporting - PESL and PGSL require all staff and Board members to identify and disclose actual or potential conflicts to ensure transparency and protect client interests.

Organisational Segregation - Some conflicts cannot be effectively managed within a single legal entity. To address this, we may separate conflicting services into distinct entities, with independent management teams and information barriers to protect client interests.

Information Barriers - We maintain information barriers to prevent the inappropriate sharing of confidential or inside information between staff or group entities where such exchange could harm client interests. Information is shared or accessed on a need-to-know basis.

Staff Conduct and Conflict Management - To protect client interests and ensure integrity, PESL and PGSL enforce strict staff conduct rules. Personal interests must never compromise fair service delivery.

Governance and Oversight - We maintain a robust governance framework to ensure conflicts of interest are identified, managed, and overseen effectively at all levels of the organisation, including through the following measures:

- The Board approves and reviews the Conflicts of Interest Policy.
- The Head of Compliance manages the framework and maintains the Conflicts Register.
- Staff must report conflicts and complete regular training and attestations.
- We separate duties and require disclosures to manage dual roles and related-party risks.
- Conflicts are monitored through regular compliance monitoring, and Board reporting.

Remuneration Practices - Our remuneration practices are designed to avoid conflicts of interest and ensure that staff act in the best interests of clients at all times. Among other ethical practices requirements it includes:

- Staff compensation is structured to avoid conflicts between commercial targets and client outcomes.
- No incentive schemes tied to recommending specific tokens or services.
- Remuneration for routing client orders is prohibited.

Order Execution - In line with PESL's Order Execution Policy, which applies to both the execution of spot orders and the reception and transmission of such orders, client crypto-asset orders must always be executed with the objective of achieving the best possible outcome. PESL's order routing arrangements are monitored against defined criteria to ensure that steps are taken to deliver favourable results for clients.

Personal Trading & Outside Interests - Both PGSL and PESL have implemented a Personal Transaction Policy which requires pre-approval and ongoing monitoring of staff trading activities. External engagements or employment require prior disclosure and compliance approval.

Disclosure Controls - Any unresolved or unavoidable conflicts will be disclosed in a clear, timely, and accessible manner on our website and client interfaces.

Advisory Services - PESL does not provide any advisory services.

DISCLOSURE APPROACH

In certain situations, it may not be possible to fully eliminate a conflict of interest. Where such instances arise, PESL and PGSL will provide clear and timely disclosure to affected clients, outlining the nature of the conflict. Client will be:

- Notified in a clear, specific and timely manner through updates to this disclosure;

- Provided access to this disclosure via our website and applications;
- Given sufficient information to make an informed decision about proceeding with the service.
- Disclosures will always be published in compliance with Privacy and Personal Data Protection Policies.

PGSL and PESL are committed to managing and mitigating the risks of conflicts effectively. This disclosure does not replace the firm's primary obligation to prevent and actively manage conflicts of interest wherever feasible.

PGSL AND PESL CONFLICT RISKS AND MITIGATIONS

Intra-Group Execution and Trading Venue

A conflict arises where PESL routes client orders to PGSL, its group affiliate that operates the trading platform under the MiCAR Framework. This conflict is mitigated to ensure PESL maintains its obligation to secure fair client execution. To manage these risks, PESL and PGSL operate with independent governance and separate management structures, supported by robust information barriers to prevent inappropriate data sharing. PESL adheres to a transparent Order Execution Policy that governs how client orders are handled fairly and in clients' best interests. This policy is available for review on our website. Through these measures this conflict has been successfully mitigated.

Client Order Prioritisation Conflict

Potential conflict between clients

Conflicts may arise when multiple clients place orders for the same crypto-asset, especially in illiquid markets, creating a risk of unfair prioritisation. This may result in better pricing or execution for some clients, impacting trust and fairness. PESL applies an Order Execution Policy to ensure all orders are treated consistently, using objective criteria and monitored through compliance and post-trade reviews.

Employee Personal Interest in Client Business

Potential conflict between employee and client

A conflict may arise if a PESL/PGSL employee holds a directorship or financial interest in a client, potentially biasing decisions around transactions, referrals, or onboarding. This may compromise objectivity and client trust. All external roles require prior approval under PESL's Outside Work Policy, with controls such as role restrictions, recusal, and regular conflict reviews in place.

Insider Knowledge and Personal Trading Conflict

Potential conflict between employee and firm (Internal)

A conflict may arise if an employee holds crypto-assets in a project listed by PESL or PGSL while having access to confidential information, risking misuse or the appearance of insider trading. This can harm client trust and expose PGSL or PESL to regulatory action. PGSL/PESL's Personal Transaction Policy requires pre-approval and disclosure of holdings, with enhanced monitoring for staff with access to sensitive information. All potential and actual conflicts are reviewed by Compliance and recorded in the Conflicts Register.

Client Inducement and Preferential Treatment Risk

Potential conflict between clients

A conflict may arise if a client offers gifts or inducements to PGSL/PESL staff to gain preferential treatment, undermining fair treatment, access and client trust. PGSL/PESL enforces a strict Anti-Bribery and Corruption Policy, supported by annual training, mandatory reporting, compliance oversight, and disciplinary measures.

Social Trading: Content Ranking, Monetisation and Poster Rewards

Potential conflict between PESL/PGSL and clients, and between clients

Clients who choose to go public have their buys posted to a feed, and other clients can buy the same crypto-asset from a post in one tap. Two related conflicts arise.

Kraken and clients. We rank and display posts, publish posts generated from client trading activity and commentary, and earn trading fees on buys made from posts, so we have a financial interest in content

that induces trades. We also pay the poster a share of our fee on each completed buy from their post, and set the spread on those buys. Buys made from a post may carry a higher spread than other buys. This higher spread helps offset the cost of the reward, so buyers may bear part of that cost. It never exceeds the reward paid and may be lower, in which case we cover the difference. The reward rate can vary by poster.

Posters and buyers. A poster earns only when another client completes a buy from their post, so posters have a financial interest in persuading others to buy. This may conflict with a buyer's interest in the price they pay and in balanced information. Posts express the poster's own views and are not advice or a recommendation by us.

Steps taken to mitigate:

- Clients choose whether to buy and the amount, and confirm each order themselves. Nothing executes automatically.
- Posters are rewarded only on completed buys made from their post. Views, likes, follows and any client's profit or loss earn nothing.
- Post ranking uses engagement signals and does not take account of a poster's reward rate or earnings.
- Reward rates are set by us, not by posters.
- The fees applicable to a buy from a post, including any spread uplift, can be reviewed in the app before the client confirms.
- This conflict is recorded in the Conflicts Register and included in the annual review of this disclosure.

Employee Holding Client Directorship Risk

Potential conflict between employee and client

An employee serving as a director of a client may create a conflict between their duties to PESL/PGSL and the client, risking biased decisions or blurred boundaries. Such roles must be declared and reviewed under Outside Work Policies, with controls like role separation, recusal, and regular monitoring to maintain objectivity.

Employee Trading in Client-Issued Crypto-Assets

Potential conflict between employee and client

Employee trading in crypto-assets issued by clients may raise risks of insider dealing or confidentiality breaches, harming market integrity and client trust. PGSL/PESL mitigates this through its Personal Transaction and Market Abuse Policies, requiring pre-approval, disclosure of holdings, and annual training. Breaches are subject to disciplinary action.

Dual Shareholding Across PESL and External Service Providers

Potential conflicts between PESL and group or external interests (Internal)

A conflict may arise if PESL/PGSL shareholders or related parties hold interests in third-party service providers, risking biased procurement or terms misaligned with client interests. Such interests must be declared and are reviewed under the PGSL/PESL Conflict Disclosure process. Affected individuals are recused, and contracts are independently assessed on an arm's-length basis.

Management Body Member with Interest in a Competing CASP

Potential conflict between PESL and competitor

A PGSL/PESL Board member with interests in a competing Crypto-Asset Service Business (CASP) may face divided loyalties or risk sharing sensitive strategy, impacting governance and client protection. All external interests must be declared, with required recusals and restrictions enforced through Board protocols and compliance oversight.

Group Shareholder Conflicts in Strategic Decision-Making

Potential conflict between PESL and group entities

Linked parties to PGSL/PESL shareholders may hold interests in group affiliates or service providers, potentially influencing decisions in favour of group interests over clients. Such relationships must be

disclosed and assessed under the PGSL/PESL conflict disclosure process, with governance structures, independent oversight, and formal review ensuring client interests are protected.

Resource Allocation Conflict

Potential conflict between PESL and internal

This conflict arises from competing demands for shared internal resources, such as technology, infrastructure, or staff, used across multiple teams. Poor resource management can impact performance, so we mitigate this through clear contracts and service level agreements that ensure accountability and align expectations. A robust business continuity plan also supports service stability during periods of internal pressure.

Overlapping Senior Management Functions

Potential conflict between PESL and internal

This conflict may arise from shared directors or executives favoring one entity over another, leading to bias or misaligned priorities. We mitigate this by maintaining separate management teams and enforcing strong information barriers to ensure independent, objective decision-making.

Information Sharing Between Group Entities

Potential conflict between PESL and internal

This conflict involves the risk of inappropriate sharing or misuse of confidential group-level information, which could disadvantage one entity and lead to trust issues or regulatory exposure. We mitigate this through strict information barriers, access controls, and regular training on data privacy and insider information compliance.