Payward Europe Solutions Limited t/a 'Kraken'

Summary Custody of Client Crypto-Assets Policy

INTRODUCTION

Payward Europe Solutions Ltd. ("PESL"), operating under the Kraken brand, is authorised and regulated by the Central Bank of Ireland ("the CBI") as a crypto-asset service provider ("CASP") under the Markets in Crypto-Assets Regulation (EU) 2023/1114 ("MiCAR").

PESL is responsible for the custody and administration of your assets from the time that they are received until they are transferred to you, or to a relevant third party, at your request. In doing so, as a CASP authorised by the CBI, PESL adheres to specific obligations set out under MiCAR in relation to the safeguarding of client assets. PESL also draws upon the CBI's Client Asset Requirements ("CAR") as a source of best practice in shaping its custody policy.

This policy is intended to provide you with important information in relation to how client assets are held by PESL. This document is not marketing material; the information provided herein is required by law to help you understand how your assets may be held; your right to access and withdraw your assets; and, the associated risks and corresponding controls put in place by PESL to mitigate those risks.

Legal and Regulatory Background

The CBI is responsible for the regulation of financial services activities in Ireland.

The safeguarding and protection of client assets is a key priority of the CBI. Deficiencies in client asset systems and controls can have serious consequences for clients and may result in the misuse, misappropriation or loss of client assets, or delays in returning client assets in the event of a firm's failure. Deficiencies in client asset operational arrangements may also result in reputational damage to the Irish financial market.

MiCAR introduces a new harmonised regulatory framework for crypto-assets which aims to protect consumers and investors and mitigate risks to financial stability. The key objectives of MiCAR in respect of client assets are to:

- Maintain public confidence in the financial system;
- Minimise the risk of loss or misuse of client assets by firms, by having stronger systems and controls in place to protect the ownership rights of clients; and,
- In the event of the insolvency of a firm, enable the efficient and cost-effective return of those assets to clients.

Relevant Legislation

The European Union (Markets in Crypto-Assets) Regulations 2024 (S.I. No. 607 of 2024) ("the MiCAR Regulations") give effect to MiCAR under Irish law. These regulations impose requirements on CASPs that are authorised and supervised by the CBI, including specific obligations in relation to the safeguarding of client assets. The full text of the MiCAR Regulations is available on the CBI website at the following link:

- [MiCAR Legislation](#)

Clients should be aware that these safeguarding requirements seek to protect individuals' ownership rights over their assets, but not the inherent value of those assets, and that the value of your assets may fall as well as rise.

CLIENT ASSET SAFEGUARDING PRINCIPLES ADOPTED BY PESL

PESL has adopted a custody policy that is aligned with widely recognised client asset principles, including those set out in CAR, which informs best practices for the safeguarding of client assets. These are as follows:

- **Segregation:** PESL holds, or arranges the holding of, client assets separate from the firm's own assets and maintains accounting segregation between the firm's own assets and client assets;
- **Designation and Registration:** PESL ensures that client assets are clearly identified as such in the firm's internal records and in the records of any relevant third parties. The client assets must be identifiable and separate from PESL's own assets;
- **Reconciliation:** PESL aims to keep accurate books and records to enable at any time and without delay the provision of an accurate record of the client assets held for each client and the total held in the client asset account. PESL also conducts a regular reconciliation between its internal records and the actual balance of client assets held on-chain;
- **Calculation:** PESL regularly ensures that the balance of client assets it should be holding, as per its internal records, is equal to the aggregate balance of client assets held on-chain;
- **Client Disclosure and Client Consent:** PESL provides information to clients in a way that informs clients on how and where their client assets are held and the resulting risks thereof;
- **Risk Management:** PESL ensures robust procedures, systems and controls are in place to identify the risks in relation to client assets and puts in place mitigants to counteract those risks; and,
- **Examination / Assurance:** PESL engages an external auditor to report at least on an annual basis that the safeguarding framework is operating as described and is compliant with regulatory requirements and expectations.

WHAT ARE CLIENT ASSETS?

Under MiCAR, client assets consist of both client funds and client crypto-assets. A definition of both is provided below:

- **Client Funds** means any money, to which the client is beneficially entitled, received from or on behalf of a client or held by PESL on behalf of a client. However, in practice, PESL does not hold or receive client funds on behalf of any of its clients.

- **Client Crypto Assets** means crypto-assets as defined in Article 3(5) of MiCAR, which are held by PESL on behalf of a client. These are primarily digital assets or tokens held electronically using distributed ledger technology.

Clients should be aware that where Kraken users wish to deposit monies to their account in the form of fiat currencies, this service is provided by a third party Kraken Group affiliate as per the Kraken Terms of Service.

WHAT PRODUCTS AND SERVICES DOES PESL OFFER?

PESL is authorised as a CASP by the CBI pursuant to Article 62 of MiCAR with permission to provide the following crypto-asset services for clients residing in the European Union ("EU") and the wider European Economic Area ("EEA"):

- The custody and administration of crypto-assets on behalf of clients (as defined in Article 3(1)(17) of MiCAR)
- The execution of orders for crypto-assets on behalf of clients (as defined in Article 3(1)(21) of MiCAR)
- The reception and transmission of orders for crypto-assets on behalf of clients (as defined in Article 3(1)(23) of MiCAR)
- The exchange of crypto-assets for funds (as defined in Article 3(1)(19) of MiCAR)
- The exchange of crypto-assets for other crypto-assets (as defined in Article 3(1)(20) of MiCAR)
- Providing transfer services for crypto-assets on behalf of clients (as defined in Article 3(1)(26) of MiCAR)
- Providing portfolio management on crypto-assets (as defined in Article 3(1)(25) of MiCAR)
- Providing placing of crypto-assets services (as defined in Article 3(1)(22) of MiCAR)

WHEN DO SAFEGUARDING OBLIGATIONS APPLY AND NOT APPLY?

Safeguarding obligations apply from the point at which a client's entitlement is recognised in our internal books and records. This may include situations where the corresponding crypto-assets are still in transit to PESL's custodial wallets. In such cases, PESL remains liable for the safekeeping of those assets as reflected in its proprietary ledger system, notwithstanding any operational delay in their receipt.

Client crypto-assets will cease to be client assets where:
- They are paid, or transferred, to the client, whether directly or into an account with an eligible third party in the name of the client and are no longer under the control of PESL. For example, when a client instructs PESL to withdraw their crypto-assets from the platform, PESL will transfer the assets to the client's own private wallet address, at which point the crypto-assets will cease to be client assets; or,
- They are paid, or transferred, to a third party on the written instruction of the client and are no longer under the control of PESL. For example, when a client instructs PESL to transfer their crypto-assets to a third party, PESL will transfer the assets to the third party's private wallet address, at which point the crypto-assets will cease to be client assets.

Safeguarding obligations will not apply in the following circumstances:
- Where crypto-assets are due and payable to PESL itself for the services provided. For example, where transaction fees are deducted from a client's balance and removed from the client wallet in accordance with the Kraken Terms of Service.

Clients should be aware that the above examples are illustrative only and are not exhaustive, and if PESL is in doubt as to whether safeguarding obligations apply or not, PESL will be prudent in its approach and will endeavour to act in the best interest of its clients.

HOW ARE CLIENT CRYPTO-ASSETS HELD?
PESL provides secure custody of client crypto-assets which is controlled through the maintenance of both a cold wallet storage solution and a hot wallet storage solution:

- Cold wallets are offline vault solutions, held in hardware format and designed to provide maximum levels of security.
- Hot wallets are "on-chain" wallets designed to provide frequent access to crypto-assets to maintain appropriate levels of accessible liquidity to facilitate client withdrawal and trading activity.

These wallets are hosted on Kraken Group infrastructure, and PESL exercises control over the cryptographic keys associated with these wallets through a quorum-based approval mechanism. All key material is safeguarded within secure systems, and no third-party sub-custodians are used in the safekeeping of client crypto-assets held by PESL.

Segregation of Client Assets and Own Assets
Wallets that hold client crypto-assets are clearly identified as client crypto-asset wallets using wallet labelling, and are completely separate from PESL's own wallets. Client crypto-assets are not co-mingled with PESL's own assets, or used for any other purpose, ensuring they remain your property and are protected from PESL's creditors in the event of insolvency.

Pooled Client Asset Wallets

PESL may pool client crypto-assets using an omnibus wallet. An omnibus wallet is used to custody client crypto-assets relating to more than one client, meaning individual entitlements will not be identifiable by separate wallet addresses. As a result of PESL's other clients also beneficially owning client crypto-assets held in the same omnibus wallet, you may be exposed to settlement risks arising from their transactions. In the event of insolvency, any shortfall in the omnibus wallet will most likely be distributed on a pro-rata basis among affected clients, and you may not recover the full amount of your assets.

Books and Records

Your individual account balance is recorded in our proprietary ledger system, which is updated in real-time and reconciled daily against actual on-chain balances. It serves as the definitive register of client crypto-asset entitlements.

Transaction Processing

On-chain client crypto-asset movements required as a result of client transactions are processed through secure, role-restricted systems that apply multi-signature and quorum-based approval mechanisms. These controls ensure that no single individual or entity, including Kraken Group affiliates, can unilaterally access or move client crypto-assets held by PESL. All transactions are recorded in real time in our proprietary ledger system, enabling timely reconciliation and ensuring individual client account balances are accurately maintained at all times.

CLIENT RIGHTS AND ACCESS

Ownership

You retain full beneficial ownership of your crypto-assets at all times. PESL acts solely as custodian and does not acquire any proprietary interest in the assets it safeguards on your behalf.

Client crypto-assets held by PESL are not considered the property of PESL, are not loaned to PESL, and are not subject to the claims of PESL's creditors. Legal title may be held by PESL solely for the purposes of providing these services, but this does not affect your beneficial ownership. PESL will not sell, transfer, loan, pledge, or otherwise dispose of your crypto-assets without your explicit instruction, unless required by a valid court order or as expressly permitted under the Kraken Terms of Service.

Withdrawal and Redress

You may request to withdraw your crypto-assets at any time, in accordance with the Kraken Terms of Service. In the unlikely event of a loss of client crypto-assets attributable to PESL's error, PESL will compensate affected clients without delay and in accordance with its regulatory obligations.

Rights Related to Assets

Where supported by the relevant protocol and the Kraken platform, you may benefit from rights attaching to your crypto-assets, including but not limited to staking rewards, airdrops, or forks. Access to such features is subject to platform support and may vary by asset.

SECURITY AND INCIDENT RESPONSE

Private Key Protection

All cryptographic keys are safeguarded using robust cryptographic techniques and are managed within secure environments with restricted access.

Private keys are derived from a secure master key using established hierarchical deterministic (HD) key derivation frameworks that follow widely accepted industry standards. These standards enable the structured generation of wallet addresses and logical separation across asset types and networks. Each private key is securely divided and distributed across multiple independent systems, using industry-standard cryptographic techniques designed to ensure that no single party can reconstruct or use the private key unilaterally, thereby enforcing multi-party control over all key-related actions.

All private key generation processes are performed exclusively within code-reviewed software environments. Keys are cryptographically validated prior to use in wallet derivation and are never exported, stored, or accessed outside of approved secure systems.

Insurance Coverage

The Kraken Group maintains an insurance policy against losses resulting from cyber threats, fraud, and related operational incidents. This coverage provides additional protection beyond the internal safeguards employed by PESL.

Incident Handling

PESL maintains a formal incident response framework. All material security incidents are escalated within 24 hours and, where the incident meets the CBI's materiality or breach reporting thresholds, PESL will notify the CBI without delay in accordance with its regulatory obligations.

WIND DOWN AND BUSINESS CONTINUITY PLANNING

In the event of PESL ceasing operations, your crypto-assets remain protected:

- If operations are transferred to another entity within the Kraken Group, client services will continue uninterrupted, and your crypto-assets will remain safeguarded as described.
- If PESL fully winds down its operations, your assets will be returned promptly to your nominated wallet address, based on verified records and supporting wallet balances.