

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Morpho (MORPHO)

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Last updated on August 13, 2025

Disclaimer

Payward Canada Inc. (Kraken) is registered under Canadian securities laws as a restricted dealer and is offering Crypto Contracts on crypto assets in reliance on a prospectus exemption contained in the exemptive relief decision [Re Payward Canada Inc.](#) dated 04/01/2025 (the Decision). The statutory rights in section 130.1 of the Securities Act (Ontario), and, if applicable, similar statutory rights under the securities legislation of each other province and territory in Canada, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the prospectus relief in the Decision.

No securities regulatory authority has expressed an opinion about the Crypto Contracts or any Crypto Assets (as defined in the Risk Statement) made available on the Kraken platform, including an opinion that MORPHO is not itself a security and/or derivative. Changes to applicable law may adversely affect the use, transfer, exchange, or value of any of your crypto assets, and such changes may be sudden and without notice.

Please note that this Crypto Asset Statement may not be exhaustive of all risks associated with trading MORPHO. Please review the [Risk Statement](#) and [Fee Schedule](#) for additional discussion of general risks and transaction fees associated with the Crypto Contracts and Crypto Assets made available through the Canadian 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 Crypto Asset Statement is based on publicly available information provided by third parties.

What is Morpho and how does it work?

Morpho is a decentralized, peer-to-peer lending protocol that connects lenders directly with borrowers. The protocol's primary goal is to increase capital utilization for both sides, resulting in higher yields for lenders and lower borrowing costs for borrowers. Morpho operates as permissionless, non-custodial infrastructure on Ethereum and multiple EVM chains, including Base (with deployments also announced across Polygon PoS, Arbitrum, Optimism, Scroll, Ink, World Chain, and Fractal).

Morpho utilizes a decentralized architecture that allows users to lend and borrow cryptocurrency without intermediaries. Its native utility token, MORPHO, governs the Morpho DAO and is used for voting, incentives and, where activated by the DAO, for distribution programmes.

At the heart of the protocol is a liquidity-matching engine that pairs lenders with borrowers as they enter a market, seeking to optimize capital efficiency and reduce spreads.

Who is behind the Project?

Morpho was launched in 2021 by Paul Frambot, Merlin Egalite, Mathis Gontier Delaunay, and Julien Thomas. Frambot currently serves as CEO.

Tokenomics of MORPHO

The total supply of MORPHO tokens is 1 billion. The initial distribution of the token was as follows:

Category	Allocation
Users	4.9%
Morpho DAO Reserve	35.4%
Morpho Association Reserve	6.3%
Reserve for Contributors	5.8%
Strategic Partners	27.5%
Founders	15.2%
Early contributors	4.9%
Total	100%

General Risks

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

Competition

The Morpho network faces competition from other decentralized lending protocols such as Aave, Compound and many others. Morpho's value derives from its broader adoption in the market. If the Morpho network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of MORPHO.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on MORPHO and determined that

MORPHO is unlikely to be a security or derivative under Canadian 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 MORPHO, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created MORPHO;
- The supply, demand, maturity, utility and liquidity of MORPHO;

- Material technical risks associated with MORPHO, including any code defects, security breaches and other threats concerning MORPHO 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 MORPHO, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of MORPHO, and (ii) consideration of statements made by any regulators or securities regulatory authorities in Canada, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to MORPHO about whether MORPHO, or generally about whether the type of crypto asset, is a security and/or derivative.