

# PAYWARD LTD

## CRYPTO ASSET RISK DISCLOSURE

### Fidelity Digital Dollar (FIDD)

Last updated on August 25, 2025

#### Disclaimer

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

FIDD is a fiat-backed stablecoin issued by Fidelity Digital Asset Services, LLC (FDAS), a limited-purpose trust company regulated by the New York State Department of Financial Services (NYDFS). It is deployed on Ethereum as an ERC-20 token and designed to maintain a 1:1 value with the U.S. dollar. Tokens are minted when U.S. dollars are deposited into a reserve account and burned when redeemed, ensuring full collateralization.

The reserves consist of cash deposits and short-term, highly liquid assets permitted under NYDFS's June 2022 stablecoin guidance, such as short-maturity U.S. Treasuries, government money market funds, and overnight repos secured by U.S. government debt.

#### Who is behind FIDD?

Fidelity Digital Asset Services, LLC (FDAS) is the entity behind Fidelity Digital Dollar (FIDD). FDAS is a limited-purpose trust company chartered by the New York State Department of Financial Services (NYDFS) to engage in virtual currency business. FDAS is a subsidiary of Fidelity Investments (FMR LLC), a financial services company in the United States.

The reserves backing FIDD are custodied exclusively with The Bank of New York Mellon (BNY Mellon), a global custody bank approved by NYDFS for this role.

#### Tokenomics of FIDD

FIDD is a stablecoin that reflects the value of the U.S. dollar through full collateralization. The circulating supply corresponds directly to the total value of reserves held in assets such as U.S. Treasury bills maturing within three months, approved government money market funds, overnight repurchase

agreements secured by U.S. government debt and cash deposits. These reserves are custodied with The Bank of New York Mellon (BNY Mellon) under oversight of the New York State Department of Financial Services (NYDFS).

The token does not support staking or governance features and is issued strictly to provide value stability and facilitate transactions. The maximum supply of FIDD is not capped, instead, it expands or contracts automatically based on minting and burning activity, which is managed through the Fidelity Digital Assets platform. Tokens are minted when U.S. dollars are deposited into the designated reserve account and burned when tokens are redeemed for U.S. dollars.

### **General Risks**

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

#### *Depegging Risk*

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

#### *Risk of Asset Freezing*

Fidelity Digital Asset Services, LLC retains the ability to freeze FIDD associated with specific wallet addresses under certain conditions. This includes compliance with Office of Foreign Assets Control (OFAC) sanctions, suspected fraud, or legal orders. Affected users may be unable to transfer or redeem FIDD in such cases.

#### *Redemption Risk*

The value of FIDD is backed by a reserve of US Dollar and secure, low-risk assets held by its custodian. However, there is a risk that Fidelity Digital Asset Services, LLC may be unable to meet redemption demands in a timely manner at some point in the future. If the issuer is unable to meet redemption requests due to insufficient reserves, it could lead to a loss of confidence in the asset, negatively impacting its value.

### **Due Diligence**

Prior to listing on the Kraken platform, Kraken performed due diligence on FIDD and determined that FIDD is unlikely to be a security or derivative under UK 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 FIDD, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created FIDD;
- The supply, demand, maturity, utility and liquidity of FIDD;
- Material technical risks associated with FIDD, including any code defects, security breaches and other threats concerning FIDD 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 FIDD, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of FIDD, 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 FIDD about whether FIDD, 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.](#)**

Payward Ltd (trading as Kraken) is registered as a cryptoasset firm with the Financial Conduct Authority (FRN: 928768) registered office at 6th Floor, One London Wall, London, EC2Y 5EB. Cryptoasset services offered by Payward Ltd are unregulated and not covered by the Financial Services Compensation Scheme as well as the FCA's consumer protection regulations. Note the value of cryptoassets can go down as well as up, gains may be subject to Capital Gains Tax and there may be extra charges when paying via credit card from your provider.