

**PAYWARD LTD**  
CRYPTO ASSET RISK DISCLOSURE  
USD Coin (USDC)

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**Disclaimer**

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

USD Coin (USDC) is a 'stablecoin' designed to maintain a price in the secondary market of \$1 USD for every USDC token. According to Circle International Financial, LLC (Circle), the issuer of USDC, each USDC token in circulation is backed up by \$1 USD that is held in reserve, in a mix of cash and short-term U.S. Treasury bonds. The Centre consortium, which is behind this asset, states that USDC is issued by regulated financial institutions. The main organizations behind USDC include: Circle - a peer-to-peer payments technology company, and Coinbase - a cryptocurrency exchange and wallet provider. Circle aims to keep ~25% of USDC's reserve in liquid cash that is held at multiple US banks. The rest of the reserve is held in 3-month US treasuries. Circle is regulated as a licensed money transmitter under U.S. state law just like PayPal, Stripe, and Apple Pay. Circle's financial statements are audited annually and subject to review by the SEC. Coinbase is listed on the NASDAQ and is financially audited every quarter.

US dollars can be converted into USDC and USDC tokens can be converted back into US dollars at financial institutions, exchanges, and applications that participate in Circle's USDC network. To mint USDC, a depositor transfers US dollars to a participating financial institution, which issues an equivalent amount of the USDC token (minting). Similarly, USDC holders can redeem their tokens for an equivalent amount of US dollars through the same institutions. This seamless exchange ensures that USDC is treated as equivalent to US dollars within cryptocurrency and financial markets.

**Who is behind the Project?**

Circle launched USDC in 2018 as an ERC-20 token on the Ethereum blockchain. BlackRock serves as the primary asset manager of USDC's reserves. On December 3, 2025, Circle provided an undertaking to the Canadian Securities Administrators as the issuers of USDC, in which it made certain representations with respect to USDC and Circle's operations.

This undertaking is available and can be accessed via this [link](#).

**Tokenomics of USDC**

USDC has a circulating supply that can increase or decrease based on the demand for USDC & how many

reserves are backing up the supply. The 1:1 peg to the US dollar ensures that the supply can increase or decrease as needed, making it uncapped. Every day, millions of dollars flow between USDC and USD, maintaining this equilibrium.

## **General Risks**

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

### *Institutional Risk*

The failure or malfeasance of an institution that manages USDC could result in USDC trading below its peg or being shut down by regulators. Circle's USDC is backed by US Treasuries and cash that are held at US banks. The collapse of any of these US banks, as happened with SVB in March 2023, could lead to USDC's depegging from its 1:1 on par with the US Dollar

### *Risk of asset freezing*

Circle reserves the right to 'block' certain USDC addresses, and, if such addresses are Circle custodied addresses, freeze associated USDC. If USDC is deemed illegal by certain jurisdictions, the associated USDC tokens could be frozen, resulting in the owner of the wallet not being able to transfer USDC.

### *Depegging*

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

In the past 12 months on the Kraken platform, the secondary market trading value of USDC (i.e. the price of USDC) has not materially deviated from par with the US Dollar. Circle will disclose any event that has or is likely to have a significant effect on the value of USDC or on the reserve of assets on its website available via this [link](#).

### *Redemption risks*

Kraken and the holders of USDC do not have direct redemption rights with Circle, which means that they will not be able to enforce any redemption rights against Circle in case of an event (such as those highlighted above) that negatively impacts the value of USDC or the interests of the USDC holders.

### *Compliance with regulatory requirements*

In Canada, value-referenced crypto assets (VRCA), such as USDC, may only be distributed in compliance with regulatory requirements. Trading a VRCA or a Crypto Contract in respect of a VRCA that may not have been distributed in compliance with regulatory requirements increases all of the risks discussed above.

## **Due Diligence**

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

Kraken was permitted to make USDC 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 USDC, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created USDC;
- The supply, demand, maturity, utility and liquidity of USDC;
- Material technical risks associated with USDC, including any code defects, security breaches and other threats concerning USDC 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 USDC, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of USDC, 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 USDC about whether USDC, 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.