

# PAYWARD CANADA INC.

## CRYPTO ASSET STATEMENT

### LUNA

#### **Terra Classic (LUNA)**

Last updated on September 08 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 LUNA 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 LUNA. 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 Terra Classic (LUNA) and how does it work?**

Terra is an open-source blockchain hosting an ecosystem of decentralized applications (dApps) and developer tools. The Terra protocol was aimed at developers creating decentralized finance (DeFi) projects as well as hosting a basket of algorithmic stablecoins. The blockchain was operated by a dual-token system of Terra Classic (LUNA) and TerraUSD (UST), their flagship stablecoin. UST was an algorithmic stablecoin that purported to maintain a stable value relative to the U.S. dollar using a series of algorithms involving LUNA. Instead of being backed by physical assets, the value of the algorithmic stablecoin was determined through mint-burn mechanics dictated by an underlying system of rules and smart contracts. When the Terra ecosystem collapsed in May 2022, after which UST became de-pegged from the U.S. dollar, the Terra ecosystem and blockchain underwent a hard fork with the creation of the Terra 2.0 network.

Terra Classic (commonly known as LUNC, available on Kraken as LUNA), was originally created to be the Terra blockchain's first native token. LUNA was created to serve as a twin token to absorb any price deviation of UST. As Terra employed a two-token system, UST and LUNA were companion tokens, and one UST coin could be exchanged for one dollar's worth of LUNA and vice versa.

## Who is behind the project?

Terra Classic (LUNA) was created by Terraform Labs, co-founded in 2018 by Do Kwon and Daniel Shin. Following the collapse of the original Terra ecosystem in 2022, governance and development of Terra Classic transitioned to a decentralized community of validators, developers, and contributors responsible for its ongoing maintenance and recovery. Terraform Labs filed for Chapter 11 bankruptcy in the United States on January 21, 2024, and has since entered a court-approved wind-down process to close operations. On April 5, 2024, Terraform Labs and Do Kwon were found liable in civil fraud proceedings.

## Tokenomics of LUNA

Terra Classic (LUNA) has no fixed maximum supply. At launch, the supply was set at 1 billion tokens, distributed as follows:

Category	LUNA Distribution
Terraform Labs	10.00% of the total token supply
Employees and Participants	20.00% of the total token supply
Terra Alliance	20.00% of the total token supply
Reserves to maintain stable cryptocurrency value	20.00% of the total token supply
Sponsors	26.00% of the total token supply
Genesis Liquidity	4.00% of the total token supply

As of September 2025, the circulating supply of LUNA is approximately 5.5 trillion tokens.

## General Risks

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

### *Adoption by Builders & Users*

LUNA's value derives from developers building dApps on the Terra blockchain. If Terra dApps fail to attract sufficient adoption, this could negatively impact the value of LUNA.

### *Regulatory and Litigation Risk*

The United States Securities and Exchange Commission (SEC) has filed a case against Terraform and CEO Do Kwon, alleging the unregistered offer and sale of crypto asset securities and fraud. On 5 April 2024, Terraform Labs and its founder Do Kwon were found liable on civil fraud charges. Terraform and Do Kwon have since agreed to a settlement agreement with the SEC for \$4.5 billion in disgorgement and civil penalties. The settlement agreement permanently bans Kwon and Terraform Labs from buying and selling crypto asset securities, including all of the tokens in the Terra ecosystem. This litigation, and further developments in this or related litigation, may impact the price of LUNA.

## **Due Diligence**

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