

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Ripple USD (RLUSD)

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Disclaimer

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

Ripple USD (RLUSD) is a fiat-backed stablecoin issued by Standard Custody & Trust Company, LLC (SCTC), a subsidiary of Ripple. It is intended to maintain a 1:1 value with the U.S. dollar and is available on both the XRP Ledger (XRPL) and Ethereum blockchain. RLUSD is issued in compliance with New York State Department of Financial Services (NYDFS) regulations, which include requirements for reserve management and transparency. It is designed for use in financial applications such as cross-border payments, foreign exchange transactions, and settlements.

Who is behind the project?

Ripple USD is issued by Standard Custody & Trust Company, LLC (SCTC), a limited-purpose trust company regulated by the NYDFS. SCTC is fully owned by Ripple, a company that provides blockchain-based financial infrastructure.

Tokenomics of RLUSD

RLUSD is a fiat-backed stablecoin intended to maintain a 1:1 peg with the U.S. dollar. It is backed by U.S. dollars or permitted cash equivalents, such as short-term U.S. Treasury bills and government money market funds, held in segregated accounts at NYDFS-approved depository institutions. RLUSD reserves are subject to NYDFS regulations, requiring the reserve assets to match the circulating supply. The max supply of RLUSD is not capped and expands or contracts based on minting and burning activity, which is controlled by Standard Custody & Trust Company, LLC (SCTC).

General Risks

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

Competition

The Ripple network faces competition from other cryptocurrencies such as USD Coin (USDC), Tether (USDT), and many others. RLUSD's value derives from its broader adoption in the market. If the RLUSD network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of RLUSD.

Depegging Risk

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

Risk of Asset Freezing

Certain entities, such as Standard Custody & Trust Company (SCTC), reserve the right to block or freeze RLUSD in certain circumstances. If RLUSD is deemed illegal by certain jurisdictions, the associated RLUSD tokens could be frozen, resulting in the owner of the wallet not being able to transfer the tokens.

Redemption Risk

Although RLUSD is fully backed by cash and cash-equivalent reserves, there remains a risk that SCTC may at some future point be unable to meet redemption requests in a timely manner. Failure to satisfy large-scale redemption demands could erode confidence and negatively affect the token's value.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on RLUSD and determined it was permitted to make RLUSD available for trading to UK users. This process generally consists of reviewing publicly available information on the following:

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

RLUSD, 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 RLUSD about whether RLUSD, 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.](#)

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