

# PAYWARD LTD

## CRYPTO ASSET RISK DISCLOSURE

### CFX

#### Conflux (CFX)

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#### Disclaimer

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

Conflux is a public Layer-1 blockchain designed for high throughput, low fees, and regulatory compliance. It uses a unique Tree-Graph structure that processes multiple blocks at once, unlike traditional blockchains that handle them one by one. This allows Conflux to support thousands of transactions per second. The network runs on a hybrid consensus mechanism:

- Proof of Work (PoW) secures the base layer
- Proof of Stake (PoS) enables governance and finality

Developers can deploy Ethereum-compatible apps via “eSpace,” making it easy to migrate existing projects. Conflux has focused particularly on compliance and adoption in Asia, aiming to serve both Web3 projects and institutions.

CFX is the native token of the Conflux network. It is used to pay transaction fees, earn staking rewards, participate in governance, and compensate miners. Users can stake CFX to earn yields—currently around 13–14% annually—and vote on proposals. CFX is integral to network activity and the incentive system that secures and governs the protocol.

#### Who is behind Conflux?

Conflux was co-founded by Fan Long (CEO), a former professor at the University of Toronto. Other co-founders include Yuanjie Zhang (COO) and Ming Wu, with Guang Yang currently serving as CTO.

The project is developed by Conflux Technology Limited and is supported by the Conflux Foundation, a non-profit organization based in Hong Kong. The Foundation oversees ecosystem growth, governance planning, and strategic funding. Early private investors supported development starting in 2018, with many tokens subject to vesting and lock-up periods.

#### Tokenomics of CFX

CFX does not have a fixed maximum supply. At launch, the Conflux network generated 5 billion

pre-mined tokens in its genesis block. The tokens were distributed as follows:

Category	Allocation (%)	Note
Ecosystem Fund	40%	community developers supporting DApps, unlocked within four years
Genesis Team	36%	founding team, including the IIS team, Conflux Foundation employees, and advisors, released over four years
Private Equity Funders	12%	private round investors, released over two years
Community Fund	8%	community users, unlocked within four years
Foundation Holdings	4%	community developers supporting DApps, unlocked within four years
<b>Total</b>	<b>100%</b>	

Since launch, the total supply has increased to around 5.7 billion CFX, due to block rewards and staking interest. This growth is partly offset by token-burning features such as base-fee burns and storage token conversions. In May 2025, the Conflux Foundation also burned 76 million CFX and staked 500 million to help manage inflation.

As of August 2025, the circulating supply is approximately 5.13 billion CFX. The network's inflation rate is estimated at about 1.9% per year, designed to support ongoing security and participation.

### **General Risks**

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

#### *Competition*

The Conflux network faces competition from other cryptocurrencies such as Ethereum, Solana, and Avalanche. Conflux's value derives from its broader adoption in the market. If the Conflux network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of CFX.

#### *Adoption by Protocols & Users*

CFX's value derives from protocols building on Conflux. If Conflux fails to attract sufficient adoption, this could negatively impact the value of CFX.

#### *Proof of Work Pushback*

Proof of Work cryptocurrencies have come under considerable criticism because of their energy use. Regulatory efforts around the world could move to clamp down on Proof of Work mining, making it

harder for the network to operate and affecting market perception. These criticisms could have negative impacts on the value of CFX.

### **Due Diligence**

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