

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Scallop Token (SCA)

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Disclaimer

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

Scallop is a crypto lending and borrowing platform built on the Sui blockchain. It allows users to lend cryptocurrency to earn interest or borrow cryptocurrency by providing collateral. The platform includes features like flash loans (instant loans that must be repaid in the same transaction), lending derivatives (tokens representing lending positions), and developer tools to support application building.

The Scallop Token (SCA) is used for staking, where users lock their tokens in the protocol to earn rewards. Scallop also offers veSCA, a version of staked SCA that provides additional benefits for users who lock their tokens for a set period.

Who is behind the project?

Scallop was founded by Kris Lai and Donnie Chen.

Tokenomics of SCA

The total supply of SCA is 250,000,000 tokens which is distributed as follows:

SCA Allocation	SCA tokens	% of Total supply
Liquidity Mining	112,500,000	45%
Scallop Project Contributors	37,500,000	15%
Development & Operations	10,000,000	4%
Strategic Partners/Investors	37,500,000	15%
Advisors	3,750,000	1.5%
Ecosystem/Community/Marketing	18,750,000	7.5%

Liquidity	12,500,000	5%
Treasury	17,500,000	7%
Total	250,000,000	100%

General Risks

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

Competition

The Scallop faces competition from other decentralized finance (DeFi) lending and borrowing platforms such as Aave, Compound, and TrueFi. Scallop's value depends on its adoption within the market. If the Scallop fails to attract enough users compared to other options, this could negatively impact the value of SCA.

Regulatory Scrutiny

A regulatory crackdown on DeFi, such as the Digital Commodities Consumer Protection Act (DCCPA), which could regulate decentralized exchanges similar to their centralized counterparts, could have a negative impact on DeFi and the value of SCA.

Due Diligence

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