

PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Hyperliquid (HYPE)

Last updated on March 10, 2026

Disclaimer

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

Hyperliquid is a decentralised exchange (DEX) that operates on its proprietary Layer 1 blockchain, HyperEVM. The platform aims to offer high-speed trading infrastructure and deep liquidity in order to provide users with a more seamless and efficient decentralised trading experience. The infrastructure is designed to be optimised for high-frequency activity by offering high throughput and minimal latency. The Hyperliquid L1 is secured by HyperBFT, a variant of HotStuff consensus. As is common with proof of stake chains, blocks are produced by validators in proportion to the native token staked to each validator.

The native token of the Hyperliquid platform is HYPE. HYPE serves multiple purposes within the ecosystem such as facilitating transactions and allowing users to earn staking rewards.

Who is behind Hyperliquid

Hyperliquid was founded by Jeff Yan and pseudonymous contributor iliensinc. The entity behind the Hyperliquid platform is Cayman Islands-based Hyperliquid Labs.

Tokenomics of HYPE

HYPE has a maximum supply of 1 billion tokens. The token distribution is as follows:

Category	Amount
Hyper Foundation Budget	6%
Core Contributors	23.8%

Future Emissions and Rewards	38.888%
Genesis Distribution (Airdrop)	31%
Community Grants	0.3%
HIP-2	0.012%

General Risks

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

Competition

The Hyperliquid network faces competition from other trading-focused Layer 1s such as dYdX and Injective, among others. If the Hyperliquid network fails to achieve sufficient adoption compared with these alternatives, the value of HYPE could be negatively affected.

Architecture:

Hyperliquid interacts with oracles that do not operate on a blockchain. These oracles are independently responsible for collecting the real-world data requested by the contracts. Within the Hyperliquid platform, validators are responsible for publishing spot oracle prices for each perp asset every 3 seconds. The oracle prices are used to compute funding rates. Hyperliquid is not able to fully mitigate the risk of oracles producing incorrect data and impacting the accuracy of Hyperliquid's funding rates.

Due Diligence

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