

**PAYWARD LTD**  
CRYPTO ASSET RISK DISCLOSURE  
Espresso Token (ESP)

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**Disclaimer**

*Please note that this Crypto Asset Statement is not exhaustive of all risks associated with trading ESP. 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 Crypto Asset Statement is based on publicly available information that may be inaccurate, incomplete, or change at any time.*

**What is ESP and how does it work?**

Espresso is a blockchain protocol that acts as a shared sequencing and data availability layer for Layer 2 networks. It allows different rollups to coordinate transaction ordering through a single sequencing layer, improving interoperability and efficiency across networks. The network currently operates with a set of permissioned validators and is expected to transition to a permissionless Proof of Stake model.

At the time of writing, the token is not live. The team plans for the ESP token to be used as the native asset of the Espresso network, primarily for staking and transaction fee payments. Token holders will be able to delegate ESP to validators to help secure the network, and use the token to pay for transaction fees within the network.

**Who is behind the project?**

ESP is led by Ben Fisch who serves as CEO.

**Tokenomics of ESP**

The total supply of ESP is 1 billion tokens, which is distributed as follows:

Category	Percentage
Contributors	25.04%
Investors	15.98%

Airdrop	10%
Community launchpad	1%
Future airdrops, grants, and incentives	30%
Foundation operations	12.98%
Liquidity provisioning	5%
<b>Total</b>	<b>100%</b>

**General Risks**

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

*Competition*

The Espresso network faces competition from other modular blockchain networks such as Celestia, EigenLayer, Optimism, and many others. ESP’s value derives from its broader adoption in the market. If the Espresso network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of ESP.

**Due Diligence**

Prior to listing on the Kraken platform, Kraken performed due diligence on ESP and determined it was permitted to make ESP available for trading to UK users. Our analysis generally includes, but is not limited to, reviewing publicly available information on the following:

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