

# PAYWARD LTD

## CRYPTO ASSET RISK DISCLOSURE

### Aave (AAVE)

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Last updated on 07 August, 2025

#### Disclaimer

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

Aave is a decentralised, non-custodial liquidity protocol that lets users supply cryptoassets to liquidity pools and borrow against their deposits without intermediaries. The core smart-contract suite was first deployed on Ethereum and has since been launched on several additional networks, including Avalanche, Arbitrum, OP Mainnet, Polygon, Base and Scroll, to lower fees and unify liquidity across chains.

Suppliers receive interest-bearing aTokens that automatically accrue protocol revenue, borrowers must over-collateralise their positions, with health-factor logic enforcing liquidations when collateral value falls below preset thresholds.

Aave's flash-loan primitive allows un-collateralised loans that are opened and fully repaid within a single block, enabling arbitrage and collateral swaps while exposing neither lenders nor the protocol to credit risk.

Version 3, V3, introduced features such as Isolation Mode, Efficiency Mode and the Portal (cross-chain aToken transfers via Chainlink CCIP), while version 3.1 (July 2024) delivered security and operational upgrades.

In March 2025 the community approved development of Aave V4, which will adopt a hub-and-spoke architecture to consolidate liquidity and enable specialised markets.

## **Who is behind the project?**

Aave was founded in 2017 by Finnish entrepreneur Stani Kulechov under the name ETHLend. The project raised USD 16.2 million in a 2017 ICO before migrating from the LEND token to AAVE at a 100:1 ratio.

Today, development is coordinated by Aave Companies (Aave Labs) and a distributed contributor community. In April 2025 Aave Labs was re-engaged as a technical service provider to deliver V4.

## **Tokenomics of AAVE**

AAVE is the protocol's governance and safety-module token. The maximum supply is capped at 16 million AAVE, with roughly 15 million in circulation as of August 7 2025.

Holders can:

Vote on proposals, parameter changes and new deployments;

Stake AAVE in the Safety Module to backstop shortfalls, stakers earn protocol-fee distributions.

AAVE derives value from its finite supply, governance rights and the option to earn yield by underwriting protocol risk.

## **General Risks**

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

### *Competition:*

The Aave network faces competition from other cryptocurrencies such as Compound, Maker and many others. Aave's value derives from its broader adoption in the market. If the Aave network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of AAVE.

### *Developer Dependence:*

While there are many developers who contribute to Aave, there are no guarantees that they will continue to contribute. AAVE, Aave's native asset, could be negatively affected by an inability to retain

and/or attract developers to keep up with market needs and improve its decentralised-exchange tooling when necessary.

#### *Regulatory Scrutiny:*

A regulatory crackdown on decentralised finance (DeFi) could have a negative impact on DeFi and the value of AAVE.

#### **Due Diligence**

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

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