PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
PEPE

Pepe (PEPE)
Last updated on August 26, 2024

Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading PEPE. 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 Pepe (PEPE) and how does it work?
Pepe (PEPE) is an ERC-20 meme coin that launched on the Ethereum blockchain in April 2023. It was inspired by Pepe the Frog, a character created by artist Matt Furie in 2005. The project has no formal team or governance structure, and its contract was renounced, leaving it without centralized control. PEPE is intended mainly as a community-driven meme token, with value tied to popularity and speculation rather than technical use cases.

PEPE uses a deflationary model that burns tokens to reduce supply and a redistribution mechanism that rewards existing holders. It also has a zero-tax design, meaning transfers carry no project-level fees apart from Ethereum gas costs. These mechanics distinguish it from other meme coins that apply transaction taxes or maintain community pools.

Who is behind the project?
PEPE has drawn inspiration from the “Pepe the Frog” meme, which became popular in the 2010s. The coin’s design is influenced by the iconic green frog. There is no formal team behind PEPE, and similar to other cryptocurrencies, the project was launched by anonymous individuals. However, the team does use various social media platforms like X (formally Twitter), to promote the coin.

Tokenomics of PEPE
PEPE has a total and fixed supply of approximately 420.69 trillion tokens, all of which is in circulation.

At launch, PEPE was distributed as follows:

Category	Percentage (%)	Token Amount
Liquidity pool (burned LP tokens)	93.10%	≈ 392.4 trillion PEPE
Multi-sig wallet (for listings, bridges, liquidity)	6.90%	≈ 28.9 trillion PEPE

Total	**100%**	**≈ 420.69 trillion PEPE**

General Risks
Like all other digital assets, there are some general risks to investing in PEPE. These include short history risk, volatility, and 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 PEPE

Competition
The PEPE network faces competition from other cryptocurrencies such as Dogecoin, Shiba Inu, Floki Inu, and many others. PEPE's value derives from its broader adoption in the market. If the PEPE network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of PEPE.

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