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 high performance layer one blockchain that runs fully onchain perpetual futures and spot order books together with an EVM compatible smart contract environment. Its core trading engine matches orders onchain with one block finality, while its EVM layer lets developers deploy general smart contracts that can tap the same liquidity. HYPE is the native token of this network.

HYPE is used to pay network transaction fees, to stake to validators that secure the network and earn a share of protocol rewards, and to participate in governance of the protocol. A share of protocol trading fees is used by an automated onchain fund to buy HYPE and permanently remove it from supply.

Who is behind Hyperliquid

Hyperliquid was cofounded by Jeff Yan and iliensinc, who built the protocol through Hyperliquid Labs starting in 2022. Jeff Yan, a former quantitative trader, is the public founder who leads the project. The Hyper Foundation, established in the Cayman Islands, supports the growth of the network and its ecosystem.

Tokenomics of HYPE

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

HYPE Allocation	Percentage
Genesis airdrop	31%
Future emissions and community rewards	38.9%
Core contributors	23.8%
Hyper Foundation	6%
Community grants	0.3%
Total	**100%**

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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