

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
STX

Stacks (STX)

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Disclaimer

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

Stacks is an open-source protocol that brings smart contracts and decentralised applications (dApps) to Bitcoin. Conceived in 2013 (as Blockstack) and powered by the purpose-built Clarity programming language, Stacks extends Bitcoin's base layer without modifying Bitcoin itself.

Stacks achieves this by anchoring its own blocks to Bitcoin using the Proof of Transfer (PoX) consensus mechanism. In PoX, miners forward BTC to special addresses; each BTC transfer is recorded on Bitcoin and simultaneously referenced on Stacks, serving as cryptographic "proof" of work already expended on Bitcoin. These proofs are batched into the Stacks chain, and miners who commit BTC compete to append the next Stacks block and earn newly-issued STX plus transaction fees.

Participants who lock STX in a process called Stacking weight miner selection and in return, receive the BTC those miners transferred. The dynamic aligns Stacks security with Bitcoin's hash power and lets STX holders earn BTC yield. Recent releases upgraded PoX to pox-4 and introduced the Nakamoto fork (activated August 2025) that provides near-Bitcoin finality, faster block times and mitigations against Bitcoin-side MEV. Smart-contract functionality now underpins emerging primitives such as sBTC (a two-way pegged Bitcoin asset) and a growing DeFi ecosystem on Bitcoin-secured rails.

The native token, STX, is required for, paying transaction and smart-contract execution fees, registering digital assets and namespaces, governance votes via SIP proposals and Stacking to earn BTC.

STX can be obtained on exchanges or by mining; it may be delegated to pooling services for Stacking when users hold below the standalone threshold.

Who is behind the Project?

The Stacks (Blockstack originally) protocol was created by Muneeb Ali and Ryan Shea.

Tokenomics of STX

STX does not have a hard capped maximum supply. As of September 2025, the circulating supply is approximately 1.79 billion tokens, with issuance continuing over time. The supply is disinflationary, new

issuance decreases through halving events roughly every four years. Transaction fees are paid to miners as part of the Proof of Transfer consensus, not burned.

General Risks

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

Competition

The Stacks protocol faces competition from other smart contract platforms such as Ethereum, Solana, Cardano, and many others. STX's value derives from the adoption of applications, smart contracts, and Bitcoin-secured assets built on the protocol. If the Stacks protocol fails to attract sufficient developers and users compared to these alternatives, this could negatively impact the value of STX.

Due Diligence

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