

PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

LSK

Lisk (LSK)

Last updated on 13 August, 2025

Disclaimer

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

Lisk is an Ethereum Layer 2 blockchain built on the Optimism Superchain and designed to support founders in high-growth markets who are launching real-world applications. The project, originally launched as a delegated-proof-of-stake Layer-1 in 2016, completed a token migration in May 2024 that converted its native LSK into an ERC-20 token on Ethereum (L1) and introduced Lisk L2 as part of Optimism's Superchain. On Lisk L2, transaction data is posted to Ethereum while execution happens off-chain, which allows the network to inherit Ethereum's security and proof-of-stake consensus. The OP-Stack roadmap foresees decentralised sequencer staking, meaning that LSK holders will be able to delegate tokens to sequencer validators once that module is production-ready.

Today LSK confers several utilities. Staking LSK gives governance power (vpLSK) in the on-chain Lisk DAO, which approves treasury allocations and protocol parameters; holders who stake may earn a share of the 24 million LSK reward pool that is being distributed between 2024 and 2026. Planned account-abstraction tooling will let users pay L2 fees in either LSK or ETH, and the token also funds a programme of airdrops, liquidity incentives and builder grants that are released through seasonal DAO votes.

Because Lisk is now EVM-equivalent, developers can port or deploy Solidity dApps with standard tooling while accessing Optimism's shared liquidity. The original JavaScript-based SDK remains available for side-chain development, although new projects are encouraged to deploy directly to the L2 for greater composability.

Who is behind the project?

Lisk was founded by Max Kordek and Oliver Beddows in 2016. Strategic direction and funding are provided by the Onchain Foundation (formerly the Lisk Foundation, Zug), while day-to-day delivery is handled by Lisk Ltd. and Lightcurve GmbH. As of August 2025 the publicly listed leads are Max Kordek (President, Onchain Foundation), Shusetsu Toda (Chief Technology Officer), Dominic Schwenter (Chief

Operating Officer), Jan Hackfeld (Chief Research Officer), Adrien Geneste (Head of Marketing) and Gideon Greaves (Head of Investments).

Tokenomics of *Lisk (LSK)*

The LSK supply was fixed at 400 million during the May 2024 migration (subject to a community vote on burning 100 million held in vesting). The initial allocation was distributed as follows. .

Category	Percentage
Snapshot allocation to pre-migration holders	38.32%
Lisk DAO Treasury (2024-26 vesting)	11.25%
Conditional DAO Fund (2027-33, pending vote)	25.00%
Staking-rewards pool (2024-26)	6.00%
Airdrop programmes (2024-25)	3.75%
Liquidity provision	2.50%
Ecosystem incentives wallet	1.93%
Onchain Foundation & team reserves	11.25%

General Risks

Like all other digital assets, there are some general risks to investing in Lisk. 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 Lisk (LSK)

Competition

Lisk network faces competition from other Ethereum-based L2s such as Optimism, Base and Arbitrum, and from alternative developer-focused chains. If Lisk fails to achieve comparable adoption, this could negatively affect the value of LSK.

Developer Dependence

Although many developers contribute to Lisk, continued growth depends on retaining and attracting talent to maintain core code, sequencing infrastructure and DAO tooling. A decline in developer activity could adversely affect LSK.

Due Diligence

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

Payward Ltd (trading as Kraken) is registered as a cryptoasset firm with the Financial Conduct Authority (FRN: 928768) registered office at 6th Floor, One London Wall, London, EC2Y 5EB. Cryptoasset services offered by Payward Ltd are unregulated and not covered by the Financial Services Compensation Scheme as well as the FCA's consumer protection regulations. Note the value of cryptoassets can go down as well as up, gains may be subject to Capital Gains Tax and there may be extra charges when paying via credit card from your provider.