

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Reserve Rights (RSR)

Last updated on March 10, 2026

Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading RSR. 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 Reserve Protocol (RSR) and how does it work?

Reserve Protocol is an open-source system on Ethereum that lets anyone create collateral-backed stablecoins (“RTokens”). Its governance-and-insurance token, RSR, serves three roles: (i) stakers supply first-loss capital that can be seized if an RToken’s collateral fails, (ii) vote-lockers govern parameters and upgrades for Index RTokens, and (iii) a portion of protocol fees is used to market-buy and burn RSR, creating a deflationary sink. RTokens are minted and redeemed against on-chain baskets of reserve assets via smart-contracts; automated arbitrage and over-collateralisation mechanisms are designed to keep each RToken close to its target value (e.g., the US-dollar-pegged RSV). RSR holders can stake on a chosen RToken, earn staking yields funded by that RToken’s revenue, and participate in on-chain governance through delegated voting.

Who is behind the Project?

Reserve Protocol was founded by Nevin Freeman (Co-Founder & CEO), Miguel Morel and Matt Elder.

Tokenomics of Reserve Protocol

RSR has a fixed total supply of 100 billion tokens. Token distribution information is as follows:

Category	Amount
Core team & advisors	20%
Initial investors (2018-2019)	13.4%
Payments for 2019-2024 activities	17.1%

Treasury funds (Slow & Slower wallets)	49.5%
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General Risks

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

Competition

The Reserve Protocol network faces competition from other cryptocurrencies such as DAI, FRAX, and many others. Reserve Protocol’s value derives from its broader adoption in the market. If the Reserve Protocol network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of RSR.

Depegging Risk

At any given point in time, the price of RSV may not accurately reflect the value of the US dollar. This risk arises because the price of RSV is determined by supply and demand in the secondary market, rather than the actual value of the US dollar. If demand for RSV exceeds the available supply, the price may increase, leading to a higher price relative to the US dollar. Conversely, if there is a surplus of RSV tokens and insufficient demand, the price may decrease, causing RSV to be worth less than the US dollar.

Developer Dependence

While there are many developers who contribute to Reserve Protocol, there are no guarantees that they will continue to contribute. RSR, Reserve Protocol’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 decentralized finance tooling when necessary.

Due Diligence

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

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