

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
1inch (1INCH)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading 1INCH. 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 1inch and how does it work?

1inch is a decentralized exchange (DEX) aggregator that taps liquidity from more than one-hundred DEXs across over twenty blockchains, including Ethereum, BNB Chain, Polygon, Arbitrum, OP Mainnet, Solana and newly added networks such as Sonic and Unichain, to offer users the most competitive swap rate and the lowest possible fees.

Aggregation Protocol (Pathfinder) The Aggregation Protocol automatically routes each trade through the combination of liquidity sources that yields the best overall execution price and gas cost. Its Pathfinder algorithm can split a single order across multiple pools and chains; the June 2025 upgrade of Pathfinder improved swap efficiency by up to 6.5 % while also reducing gas consumption. **Fusion mode** Launched in December 2022 and upgraded to Fusion 2.0 in May 2024, Fusion replaces direct on-chain swaps with an intent-based model in which professional “resolvers” compete to execute user orders. This enables gas-free, MEV-protected swaps on every network supported by 1inch. **Liquidity Protocol** The 1inch Liquidity Protocol (originally Mooniswap) lets liquidity providers earn a share of the price slippage that would otherwise go to arbitrageurs. It updates pool prices over a short time window and employs “virtual rates” to make front-running economically unviable. **Limit Order Protocol** 1inch’s Limit Order Protocol supports advanced order types such as stop-loss and trailing-stop, enabling traders to automate profit-taking or loss-prevention without relinquishing custody of their assets.

Who is behind the project?

Built on the Ethereum blockchain, 1inch was founded in May 2019 by Surjey Kunz and Anton Bukov during an ETHGlobal New York hackathon. Kunz previously worked as a software engineer for Porsche, while Bukov was a developer who previously worked on the NEAR Protocol. In December 2020, the 1inch founders secured a \$12 million funding round with participation from many notable firms including Pantera Capital and ParaFi Capital. The team went on to launch the platform’s own 1INCH token later

that month. As part of its launch, the 1inch governance token was airdropped to anyone who had used the 1inch exchange platform before that date, with some conditions.

Tokenomics of 1inch

The '1INCH' token is the utility and governance token of the 1inch protocol and can be used for voting or Staking. As the platform's governance token, 1INCH token holders can vote on and propose updates to the 1inch protocol, such as how fees are structured and distributed across platform users. The total supply of 1.5 billion tokens.

General Risks

Like all other digital assets, there are some general risks to investing in *1INCH*. 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 1inch

Competition

Other DEX aggregators, such as Matcha and Paraswap, could cut into 1inch's market share. If 1inch products fail to attract sufficient use, this could negatively impact the value of the 1INCH token.

Developer Dependence

While there are many developers who contribute to the 1inch product suite there are no guarantees that they will continue to contribute. 1INCH could be negatively affected by an inability to retain and/or attract developers to keep up with market needs and improve its products.

Regulatory Scrutiny

A regulatory crackdown on decentralized finance (DeFi) could have a negative impact on DeFi and the value of 1INCH.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on 1INCH and determined that 1INCH 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 1INCH, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created 1INCH;
- The supply, demand, maturity, utility and liquidity of 1INCH;
- Material technical risks associated with 1INCH, including any code defects, security breaches and other threats concerning 1INCH 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 1INCH, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of 1INCH, 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 1INCH about whether 1INCH, 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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