

# PAYWARD LTD

## CRYPTO ASSET RISK DISCLOSURE

### tBTC (tBTC)

Threshold Network tBTC (tBTC)  
Last updated on 21 September, 2023

#### Disclaimer

***Please note that this risk disclosure is not exhaustive of all risks associated with trading tBTC. 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 tBTC?

Built as the first application on the Keep Network - which is now the 'Threshold Network' after a merge of both Keep Network and Nu Cypher - tBTC operates as a bridge between Bitcoin and Ethereum, where bitcoin holders can deposit their Bitcoin BTC and receive 'tBTC': an Ethereum token 1:1 equivalent to their deposited BTC.

#### Who is behind the project?

tBTC is wrapped Bitcoin asset on the Threshold Network, an Ethereum based project developed by the software firm Thesis.

Thesis was founded by Matt Luongo and Corbin Pon. They previously co-founded a company called Fold in 2014 that aimed to allow users to spend bitcoin in mainstream retailers, and to trade in old gift cards for Bitcoin.

#### How does it work?

tBTC's optimistic minting model uses the following protocols as 'Minters': Curve DAO, Yearn.Finance, Synthetix, Connex, Alchemix, Euler, and Aave Chan Initiative. These protocols act as 'Guardians' and are respected community members & DeFi platforms: Catalog, BadgerDAO, Stake Capital, and Entropy.

Minters constitute a permissioned group of actors who bear the responsibility of overseeing the chain and generating tBTC following each valid deposit. Within this timeframe, authorized Guardians have the ability to assess requests for minting, cancel any potentially malicious minting actions, and remove any Minters that deviate from the intended course. The upcoming introduction of fully permissionless

minting, scheduled for later in 2023, will eliminate the necessity for both these groups. Instead, stakers on the Threshold Network will assume the responsibility of minting tBTC.

### **Tokenomics of tBTC**

Every tBTC in circulation is backed 1:1 with locked Bitcoin BTC.

As of June 2023 there are 733.71 tBTC that have been minted.

### **General Risks**

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

#### *Signer Dependence:*

tBTC holders are dependent on the incentives and security architecture of the permissioned Minters and Guardians. The presence of incompetent or misbehaving could potentially have a negative impact on the perceived value of tBTC in the marketplace.

#### *Competition Risk*

tBTC faces competition from other synthetic asset protocols such as: Wrapped BTC (WBTC), Ren BTC (renBTC), Interlay (iBTC), and many others. tBTC's pegged 1:1 value derives from Threshold Network's broader adoption in the market. If tBTC fails to achieve sufficient adoption compared to the other options in the market, this could negatively reduce the minted amount of tBTC.

### **Due Diligence**

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