

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Ethena (USDe)

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Disclaimer

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

Ethena is a protocol built on Ethereum that issues a synthetic dollar called USDe. USDe is designed to function as a stable digital asset that maintains a value close to one U.S. dollar. Instead of being backed by traditional bank reserves, it is collateralized with a mix of crypto assets, such as ETH, BTC, and stablecoins like USDT or USDC.

USDe is created (or “minted”) when users deposit approved collateral into the protocol. It can also be staked to receive sUSDe, a staked version of the token that accrues variable rewards.

Who is behind USDe?

Ethena is developed by Ethena Labs where founder Guy Young also acts as Chief Executive Officer.

Tokenomics of USDe

USDe is not structured as a governance or investment token. Instead, it functions as a synthetic dollar designed to track the value of one U.S. dollar. Unlike tokens with fixed allocations, USDe’s supply is elastic, it expands when users mint new tokens by depositing approved collateral into the protocol and contracts when tokens are redeemed.

All issuance of USDe is driven by user actions, meaning there is no predefined distribution or allocation by the project team.

General Risks

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

Depegging Risk

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

Risk of Asset Freezing

Ethena Labs retains the ability to freeze USDe associated with specific wallet addresses under certain conditions. This includes compliance with Office of Foreign Assets Control (OFAC) sanctions, suspected fraud, or legal orders. Affected users may be unable to transfer or redeem USDe in such cases.

Redemption Risk

The value of USDe is backed by a reserve of US Dollar and secure, low-risk assets held by its custodian. However, there is a risk that Ethena Labs may be unable to meet redemption demands in a timely manner at some point in the future. If the issuer is unable to meet redemption requests due to insufficient reserves, it could lead to a loss of confidence in the asset, negatively impacting its value.

Due Diligence

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