

PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Tether (USDT)

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Disclaimer

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

Tether (USDT) is a U.S.-dollar-linked stablecoin issued by Tether Holdings Limited. The company claims that every USDT is backed 1-for-1 by reserves held in cash, short-dated U.S. Treasury bills and other cash-equivalent assets. The token is designed to maintain a price of one U.S. dollar, offering a digital representation of traditional currency intended to reduce volatility when moving value across the cryptocurrency ecosystem.

Users obtain USDT in two main ways. First, exchanges, merchants or individuals may deposit U.S. dollars with Tether Holdings Limited; the company then mints and credits an equivalent amount of USDT to the requester. Second, users can acquire already issued tokens on secondary markets such as Kraken. To redeem, a holder deposits USDT with Tether Holdings Limited, whereupon the company burns (destroys) the tokens and wires the corresponding fiat currency back to the user.

The practical flow is therefore: a depositor sends dollars, Tether issues and transfers USDT, the holder spends or stores USDT on-chain, the holder returns USDT for redemption, Tether burns the tokens and wires back dollars.

Tether is available on multiple blockchains, including (but not limited to) Tron, Ethereum, BNB Chain, Polygon, Solana and Avalanche.

Who is behind the Project?

Tether Limited was founded in 2014 by Reeve Collins, Craig Sellars and Brock Pierce. The founders are a group of Bitcoin enthusiasts and early crypto adopters. In 2014, the company launched Tether.to, a blockchain-enabled platform aimed at disrupting the conventional financial system. In 2015, Tether was purchased by new owners based in Hong Kong, who also own the centralised exchange, Bitfinex.

Tokenomics of USDT

USDT has a circulating supply that can increase or decrease based on the demand for USDT. The total supply is uncapped - on any given day millions of dollars can either be traded for USDT or from USDT back into USD.

General Risks

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

Counterparty Risk

The failure or malfeasance of an institution that manages USDT could result in USDT trading below its peg or being shut down by regulators. USDT is backed by reserves which include traditional currency and cash equivalents, and from time to time, other assets and receivables from loans made by Tether to third parties, which may include affiliated entities. Traditional currencies and cash equivalents may be held at traditional banks. The potential collapse of any of these banks, (such as what occurred with Silicon Valley Bank in March 2023), could lead to USDT's depegging from its 1:1 on par with the US Dollar.

Depegging

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

Due Diligence

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

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.