

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Polkadot (DOT)

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Disclaimer

Payward Canada Inc. (Kraken) is registered under Canadian securities laws as a restricted dealer and is offering Crypto Contracts on crypto assets in reliance on a prospectus exemption contained in the exemptive relief decision [Re Payward Canada Inc.](#) dated 04/01/2025 (the Decision). The statutory rights in section 130.1 of the Securities Act (Ontario), and, if applicable, similar statutory rights under the securities legislation of each other province and territory in Canada, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the prospectus relief in the Decision.

No securities regulatory authority has expressed an opinion about the Crypto Contracts or any Crypto Assets (as defined in the Risk Statement) made available on the Kraken platform, including an opinion that DOT is not itself a security and/or derivative. Changes to applicable law may adversely affect the use, transfer, exchange, or value of any of your crypto assets, and such changes may be sudden and without notice.

Please note that this Crypto Asset Statement may not be exhaustive of all risks associated with trading DOT. Please review the [Risk Statement](#) and [Fee Schedule](#) for additional discussion of general risks and transaction fees associated with the Crypto Contracts and Crypto Assets made available through the Canadian 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 Crypto Asset Statement is based on publicly available information provided by third parties.

What is Polkadot and how does it work?

Polkadot is a layer-0, open-source multichain protocol — sometimes called a “metaprotocol” — that enables a network of independent blockchains, known as parachains, to interoperate while sharing security and consensus.

The Polkadot network and ecosystem hosts the following architecture: Relay Chain – The main Polkadot blockchain, this network is where transactions are finalized and consensus is achieved. To garner faster network speeds, the Relay Chain separates the addition of new transactions from the act of validating those transactions. This model allows Polkadot to scale efficiently, supporting thousands of transactions per second in real-world conditions depending on the number of active parachains. The Relay Chain has deliberately minimal functionality – for example, no smart contracts operate on it. Parachain Slots – Parachains are custom blockchains that use the Relay Chain’s computing resources to confirm that transactions are accurate. Securing a Parachain requires participating in a modified candle auction and bonding DOT tokens for a specified allotment of time to the Relay Chain, for a maximum of 96 weeks, after which the DOT is returned. Each Parachain has a specialized use-case and functionality that both the Relay Chain and other Parachains can utilize and benefit from. Parachains communicate with each other using Polkadot's Cross-Consensus Message Format (XCM), allowing seamless cross-chain interoperability. Parathread Slots – Parathreads operate as a ‘pay-as-you-go Parachain’ and therefore pay

on a per-block basis. A portion of Parachain slots on the Relay Chain will have no Parachains attached to them and will be reserved for Parathreads, which compete for block inclusion. Parathreads share the same interoperability, security, and cross-chain functionality as Parachains but differ in their economic model due to paying fees per block rather than bonding DOT for a lease period. Bridges – Bridges allow the Polkadot network to interact with other blockchains. Work is ongoing to build bridges with blockchains like Ethereum, Bitcoin, and Cosmos – enabling asset and data transfers without centralized exchanges or intermediaries. A Substrate-built blockchain can also exist independently (not as a Parachain or Parathread) but be secured to the Polkadot ecosystem via a Bridge. The Relay Chain To keep its network in agreement about the state of the system, the Polkadot Relay Chain uses a variation of the Proof of Stake (PoS) consensus mechanism called Nominated Proof of Stake (NPoS). This system allows anyone who stakes DOT by locking the cryptocurrency in a special contract to perform one or more of the following roles necessary to its operation: Validators – Assume the role of producing new blocks, validating parachain data, and guaranteeing finality by running a node. They also participate in consensus and governance. Nominators – Secure the Relay Chain by selecting trustworthy Validators. Nominators delegate their staked DOT tokens to Validators and thus share rewards and governance influence. Collators – Run nodes that store a full history for each parachain and aggregate parachain transaction data into blocks for addition to the Relay Chain. Fishermen – Monitor the Polkadot network and report bad behavior to Validators. (Note: this role has become less central in practice as validators and nominators collectively enforce network behavior.) Users who stake DOT and perform these roles are also eligible to receive DOT rewards. For more information on DOT staking and fees, please visit our [crypto staking](#) and [overview of on-chain staking](#) pages. Polkadot Governance As of 2023, Polkadot's governance has transitioned to a fully decentralized system called OpenGov, replacing the previous Council and Technical Committee structures. All DOT holders now have equal access to governance. DOT Holders – Any holder can propose or vote on changes to the protocol. Proposals are submitted through specific tracks based on their potential impact and risk. Tracks – OpenGov uses multiple tracks (e.g., Root, Fellowship Admin, Treasury Spend) that define how fast a proposal can pass and what kind of review or majority it requires. Referenda – All decisions, including protocol upgrades, treasury proposals, and runtime changes, are made via referenda, where token-weighted voting determines the outcome. This new model increases transparency, speeds up governance processes, and distributes power more evenly across the community.

For more information on Polkadot staking and fees, please visit our [crypto staking](#) and [overview of on-chain staking](#) pages.

Who is behind the project?

Polkadot was founded by Gavin Wood (a co-founder of Ethereum) alongside co-founders Peter Czaban and Robert Habermeier in 2016. Wood's background is notable since he invented 'Solidity', the coding language used by developers to write decentralized applications (dApps) on Ethereum. He was also the Ethereum Foundation's first CTO, and was previously a research scientist at Microsoft. Wood founded a company called Parity Technologies in 2015 with Jutta Steiner. Its purpose was to implement projects wishing to build on Ethereum. It also worked on software essential to powering Ethereum, including one of two clients run by a majority of network nodes. Parity Technologies now maintains Substrate, a software development framework primarily used by Polkadot and Parachain developers who wish to quickly create and deploy Parachains. Web3 Foundation The Web3 Foundation is the non-profit that conducted Polkadot's token sales. Gavin Wood is also its president, co-founding it with Pete Czaban. The

Web3 Foundation received 30% of the funds from the token offerings, and oversees the allocation of those funds for the furthering of Polkadot development.

Tokenomics of Polkadot

DOT has a maximum supply of 2.1 billion tokens. A Relay Chain runtime upgrade completed in March 2026 introduced this hard cap and cut annual issuance by roughly half, from approximately 120 million DOT (set by the November 2024 upgrade implementing Referendum 1139) to approximately 55 million DOT, continuing to fund staking rewards and the Treasury. DOT was originally created with a supply of 10 million at genesis. It was redenominated 100x in August 2020, effectively making 1 old DOT equal to 100 new DOT. DOT continues to serve three core functions: staking to secure the network, on chain governance via OpenGov, and bonding for parachain core time. As of early 2026, the circulating supply is approximately 1.70 billion DOT according to CoinMarketCap, against the new 2.1 billion maximum supply.

General Risks

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

Staking Risk

Staking DOT does not divorce the holder from the same market and technical risks of merely holding DOT. The yield earned through staking is denominated and earned in DOT. Over time, the total balance of DOT will increase for stakers but this does not guarantee its market value also increases in tandem. Lackluster market adoption and unforeseen technical problems can negatively impact a holder's return on staked DOT. For more information on staking risks associated with smart contracts and digital assets, see [Kraken's Risk Statement](#).

Competition

The Polkadot network faces competition from other smart contract platforms such as Ethereum, Cosmos, Solana, and others. DOT's value derives from its broader adoption in the market. If the Polkadot network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of DOT.

Developer Dependence

While there are many developers who contribute to the Polkadot network and its associated networks there are no guarantees that they will continue to do so. DOT, Polkadot's native asset, could be negatively affected by an inability to retain and/or attract developers to maintain and build out an interconnected network of blockchains.

Novel Technical Risk

A network of interconnected blockchains is a novel and complex technology stack. Unforeseen bugs in any of the components of the Polkadot network such as one of the many blockchains within the ecosystem or the core infrastructure could negatively impact the value of DOT.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on DOT and determined that DOT is unlikely to be a security or derivative under Canadian 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 DOT, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created DOT;
- The supply, demand, maturity, utility and liquidity of DOT;
- Material technical risks associated with DOT, including any code defects, security breaches and other threats concerning DOT 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 DOT, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of DOT, and (ii) consideration of statements made by any regulators or securities regulatory authorities in Canada, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to DOT about whether DOT, or generally about whether the type of crypto asset, is a security and/or derivative.

In addition to performing due diligence on DOT and prior to making DOT available to clients for staking on the Kraken platform, Kraken performed a review of the following:

- the operation of the Proof of Stake blockchain for DOT;
- the staking protocols for DOT ;
- the risk of loss of staked DOT, including from software bugs and hacks of the protocol;
- due diligence with respect to the staking infrastructure operated by Kraken's affiliate, Staked Cayman Ltd., including but not limited to, information about:
 - the persons or entities that manage and direct the operations of the affiliate,
 - the affiliate's reputation and use by others,
 - the approximate amount of crypto assets the affiliate has staked on its own nodes,
 - the measures in place by the affiliate to operate the nodes securely and reliably,
 - the quality of the affiliate's work (i.e., the amount of downtime of the staking infrastructure, any past history of "double signing" and "double attestation/voting", etc.),
 - any losses of Crypto Assets related to the affiliate's actions or inactions, including losses resulting from slashing, jailing or other penalties incurred by the affiliate,
 - any guarantees offered by the affiliate against slashing or other penalties and any insurance obtained by the affiliate that may cover this risk, and
 - the financial status of the affiliate.

