Cryptocurrency Risk Disclosures

There are several risks associated with cryptocurrencies, cryptocurrency trading, and staking cryptocurrencies. By accessing and using the services, you hereby represent and warrant that you have read and understand the following risks.

Cryptocurrency Risks.

Unique Features of Cryptocurrencies. Cryptocurrencies are not legal tender in the United States, are not backed by the government, have no intrinsic value, and are not subject to FDIC or SIPC protections. The price of cryptocurrencies is based on the agreement of the parties at the time of any given transaction, which may or may not be based on the market value of the cryptocurrency at the time of the transaction. The value of a cryptocurrency may be derived from the continued willingness of market participants to exchange fiat currency for cryptocurrency, which may result in the potential for permanent and total loss of a value of a particular cryptocurrency should the market for that cryptocurrency disappear. Accordingly, the nature of cryptocurrency means that there is no assurance that: (i) a market participant who accepts a cryptocurrency as payment today will continue to do so in the future; (ii) a market participant's cryptocurrency losses will be afforded any kind of a legal protection, such protection which may be limited to private insurance, bonds, or trust accounts (if available); and (iii) a bond or trust account maintained by an exchange, intermediary, custodian, or vendor (if any) will be sufficient to cover all losses incurred by market participants.

Price Volatility. The price of a cryptocurrency is based on the perceived value of the cryptocurrency and subject to changes in sentiment, which make these products highly volatile. Certain cryptocurrencies have experienced daily price volatility of more than 25% and may be considerably higher. As such, the volatility and unpredictability of the price of cryptocurrency relative to the price of fiat currency may result in significant loss over a short period of time. You understand that we are not liable for price fluctuations in any cryptocurrency listed or Cryptocurrency Transaction executed on the Platform.

Valuation and Liquidity. Cryptocurrencies can be traded through privately negotiated transactions and through numerous cryptocurrency exchanges and intermediaries around the world, each with its own pricing mechanism and/or order book. The lack of a centralized pricing source poses a variety of valuation challenges. In addition, the dispersed liquidity may pose challenges for market participants trying to exit a position, particularly during periods of stress. Such characteristics of the cryptocurrency markets may result in canceled or partially filled cryptocurrency Orders.

A spread (i.e., a price premium) may be added to each Cryptocurrency Transaction executed by you and the execution price is not meant to imply the "market price."

Cybersecurity. The nature of cryptocurrency may lead to an increased risk of fraud (discussed in more detail in below) or cyber attacks. The cybersecurity risks of cryptocurrencies and related "wallets" or spot exchanges include hacking vulnerabilities and a risk that publicly distributed ledgers may not be immutable, which include 51% attacks. A 51% attack refers to an attack on a blockchain by a group, or coalition of groups acting in concert, controlling more than 50% of the network's mining hash rate or computing power which may cause a substantial change in the underlying protocol and/or cause significant market disruption. A cybersecurity event could result in a substantial, immediate and irreversible loss for market participants that trade cryptocurrencies. Even a minor cybersecurity event in a cryptocurrency is likely to result in downward price pressure on that product and potentially other cryptocurrencies.

Opaque Spot Market. Cryptocurrency balances are generally maintained as an address on the blockchain and are accessed through Private Keys (defined below), which may be held by a market participant or a custodian. Although cryptocurrency transactions can be publicly available on a blockchain or distributed ledger, the public address does not identify the controller, owner or holder of the Private Key. Unlike bank accounts, cryptocurrency exchanges and custodians that hold cryptocurrencies do not always identify the owner. The opaque underlying or spot market poses asset verification challenges for market participants, regulators and auditors and gives rise to an increased risk of manipulation and fraud, including the potential for Ponzi schemes, bucket shops and pump and dump schemes, which may undermine market confidence in a cryptocurrency and negatively impact its price. These unique risks mean that transactions in cryptocurrencies may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable.

Cryptocurrency Exchanges, Intermediaries and Custodians. Cryptocurrency exchanges, in general globally, as well as other intermediaries, custodians and vendors used to facilitate cryptocurrency transactions, are relatively new and largely unregulated in both the United States and many foreign jurisdictions. The opaque underlying spot market and lack of regulatory oversight creates a risk that a cryptocurrency exchange may not hold sufficient cryptocurrencies and funds to satisfy its obligations and that such deficiency may not be easily identified or discovered. In addition, many cryptocurrency exchanges have experienced significant outages, downtime and transaction processing delays, flash crashes, and may have a higher level of operational risk than regulated futures or securities exchanges. Outages, regardless of severity or length of downtime or delays, can negatively impact cryptocurrency markets and prices. Thus, the nature of cryptocurrency means that technological difficulties experienced by exchanges, intermediaries, custodians, and vendors may prevent access or use of a market participant's cryptocurrency at any given time.

Regulatory Landscape. Cryptocurrencies currently face an uncertain regulatory landscape in the United States and many foreign jurisdictions. In the United States, cryptocurrencies may be regulated by one or more state regulatory bodies. In addition, many cryptocurrency derivatives are regulated by the Commodities and Futures Trading Commission, and the Securities and Exchange Commission has cautioned that initial coin offerings and certain cryptocurrencies are likely to fall within the definition of a security and subject to U.S. securities laws. One or more jurisdictions at the state, federal, or international level may, in the future, adopt laws, regulations or directives that adversely affect the use, transfer, exchange, and value of cryptocurrencies, their networks, and their users. Such laws, regulations or directives may impact the price of cryptocurrencies and their acceptance by users, merchants and service providers.

Technology. The relatively new and rapidly evolving technology underlying cryptocurrencies introduces unique risks. For example, a unique Private Key is required to access, use or transfer a cryptocurrency on a blockchain or distributed ledger. The loss, theft or destruction of a Private Key may result in an irreversible loss. In addition, some cryptocurrency transactions are deemed made when recorded on a public ledger or blockchain, which is not necessarily the date or time that a market participant initiates a transaction. The ability to participate in Forks could also have implications for investors. For example, a market participant holding a cryptocurrency position through a cryptocurrency exchange may be adversely impacted if the exchange does not allow its customers to participate in a Fork that creates a new product.

Transaction Fees. Many cryptocurrencies allow market participants to offer miners (i.e., parties that process transactions and record them on a blockchain or distributed ledger) a fee. While not always mandatory, a fee is generally necessary to ensure that a transaction is promptly recorded on a blockchain or distributed ledger. The amounts of these fees are subject to market forces and it is possible that the fees could increase substantially. In addition, cryptocurrency exchanges, wallet providers and other custodians, including Zero Hash, may charge high fees relative to custodians in many other financial markets.

Cryptocurrency Staking. In addition to the risks associated with cryptocurrencies disclosed above, which are equally applicable to staked assets, the staking of cryptocurrencies involves the following additional risks:

Lockup Period. You understand and acknowledge that, once staked, your digital assets may be required by the proof of stake network to be locked up for a certain period of time, which may prevent you from being able to unstake such digital assets. You are responsible for researching and understanding any lockup requirements or provisions associated with any proof of stake network before you stake your assets.

No Investor or Deposit Insurance Protection. Cryptocurrency balances staked to a proof-of-stake network will not be provided protections under the SIPC or the FDIC.