There are several risks associated with cryptocurrencies and cryptocurrency trading. By accessing and using the Services, you hereby represent and warrant that you have read the following Cryptocurrency Risk Disclosures.

1. Unique Features of Cryptocurrencies.

Cryptocurrencies are not legal tender in most jurisdictions, including Gibraltar, the United Kingdom and the United States, and have no intrinsic value. The price of cryptocurrencies is based on the agreement of the parties to a transaction, which may or may not be based on the market value of the cryptocurrency at the time of the transaction.

2. 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 20%. Therefore, there is a high volatility risk and holders may suffer large losses.

3. 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.

4. Cybersecurity.

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. 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.

5. Opaque Spot Market.

Cryptocurrency balances are generally maintained as an address on the blockchain and are accessed through private keys, which may be held by a market participant or a custodian. Although cryptocurrency transactions are typically 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 and brokerage 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.

6. Cryptocurrency Exchanges, Intermediaries and Custodians.

Cryptocurrency exchanges, as well as other intermediaries, custodians and vendors used to facilitate cryptocurrency transactions, are relatively new and largely unregulated in most 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. It may be difficult or even impossible to identify and/or locate the issuer of cryptocurrency, the trading platform, wallet provider or intermediary, especially in a cross-border situation where it may also be difficult to determine which laws may be applicable. Thus, if a holder has a claim it might be difficult to sue the issuer or the wallet provider and enforce a title.

7. Regulatory Landscape.

Cryptocurrencies currently face an uncertain regulatory landscape in many jurisdictions. In addition, many cryptocurrency derivatives are regulated by the provisions of national and supra-national (i.e. EU) securities legislation; moreover, some state securities regulators have cautioned that many initial coin offerings are likely to fall within the definition of a security and subject to their respective securities laws. One or more jurisdictions may, in the future, adopt laws, regulations or directives that affect cryptocurrency networks and their users. Such laws, regulations or directives may impact the price of cryptocurrencies and their acceptance by users, merchants and service providers.

8. 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 of cryptocurrency associated with this private key. 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.

9. 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 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 during a period of stress. In addition, cryptocurrency exchanges, wallet providers and other custodians may charge high fees relative to custodians in many other financial markets.

10. Risk of partial or total loss of the invested amount.

Information regarding any specific cryptocurrency may be missing, inaccurate, incomplete and unclear with respect to the project and its risks. Documents may be highly technical and require sophisticated knowledge to understand the characteristics of the cryptocurrency and/or the project. There is no option to get withdrawal for a transaction made in Cryptocurrency.

11. Risk of insufficient information disclosure.

Information regarding any specific cryptocurrency may be missing, inaccurate, incomplete and unclear with respect to the project and its risks. Documents may be highly technical and require sophisticated knowledge to understand the characteristics of the cryptocurrency and/or the project.

12. Project risk.

In many projects, the value and stability of the cryptocurrency largely depends on the skill and diligence of the project team behind the cryptocurrency or the ICO. The project underlying an ICO might not be realized, which would ultimately make the cryptocurrency worthless.