

DIGITAL ASSETS RISK DISCLOSURE

These digital assets risk disclosure (hereinafter the “**Risk Disclosure**”) provides a general overview of certain risks associated with Digital Assets (as defined in the General Terms and Conditions, hereinafter the “**GTC**”)¹ in connection with the services provided by Sygnum Europe AG (hereinafter “**Sygnum**”) to the client (hereinafter the “**Client**”). This Risk Disclosure shall form an integral part of the contractual relationship between the Client and Sygnum.

Art. 1 Introduction

This Risk Disclosure includes a non-exhaustive and exemplary list of possible risks and does in no way disclose nor explain all risks in connection with investments in Digital Assets. **The Client is strongly recommended to seek professional advice prior to making any investment decision in Digital Assets, in particular, because the distributed ledger networks are still at an early stage of development and might be subject to fundamental changes in the future. The risks outlined herein, as well as the likelihood of their realisation, may evolve or change over time and new risks may arise.**

Furthermore, the Client is advised to consult the risk disclosures issued by all third parties involved, such as the issuers of a Digital Asset or other third parties involved in the transactions relating to Digital Assets, as may be contained in particular in prospectuses, key information documents, fact sheets and white papers which provide a more in-depth description of the risks associated with a particular Digital Asset. This Risk Disclosure does not discuss any matters of taxation or other legal matters in any jurisdiction relating to investments in and transactions of Digital Assets.

Art. 2 General risks associated with digital assets

Digital Assets may incorporate several financial and non-financial rights, claims and/or assets, including rights and obligations not typically comprised by (traditional) financial markets instruments. The Clients shall ensure they understand the rights and obligations comprised by the Digital Assets in question prior to any investment decision. Where the aim of the Client primarily is to sell the acquired Digital Assets at a profit and only subsidiarily, if at all,

making use of the underlying rights comprised by the Digital Assets, such underlying rights may be of little or no benefit at all for the Client. This might be the case where Digital Assets grant their holders the right to request the performance of services (e.g. access to a platform), the right to the supply of goods or where Digital Assets serve as mean of payment. The fair value of Digital Assets may consequently be extremely difficult to assess and may ultimately prove to be much lower than anticipated.

The value of Digital Assets results primarily from the rights incorporated therein. It is in Sygnum’s sole discretion to cease or limit the execution of such rights while the Digital Asset is held with Sygnum. Consequently, the Client may not be able to exercise such rights and the potential benefits of the Digital Assets may be limited as long as the Client holds such Digital Assets with Sygnum. The Client may, for example, be unable to seize opportunities, e.g. to repurchase the Digital Assets and/or pay for products and/or services of the issuer or of third parties. To the extent Sygnum does not offer the possibility to execute such rights in whole or in part while the Digital Asset is held with Sygnum, the Client may solely be able to exercise such rights by first transferring the Digital Assets to a private wallet outside Sygnum’s environment. Such transfers may be subject to contractually imposed restrictions by Sygnum.

The technical functionalities of Digital Assets (e.g. the ability to transfer them, to create new Digital Assets, the number of decimals up to which a Digital Asset may be traded, etc.) depend on the mechanisms of the underlying network, e.g. smart contracts. Smart contracts are based on

¹ Available under “www.sygnum.com/eu/legal-information-and-disclosures/”.

sophisticated computer codes and its interaction with the respective distributed ledger network is very complex. Therefore, the Client should ensure they understand the functioning of the relevant smart contract prior to investing in such Digital Asset.

There is no guarantee for a bug-free execution of smart contracts or the distributed ledger network it operates on. The rules and the network and/or the Digital Asset issuer may reserve the right to amend the code of the smart contract at any time, without prior notice and at its sole discretion. Depending on the rights and obligations defined in the smart contract, issuers have considerable discretion to manage the Digital Assets. For example, issuers may decide to cancel the Digital Assets and replace them with other forms of evidence such as paper certificates. Such changes to the code of the smart contract are entirely beyond Sygnum's control and out of Sygnum's sphere of influence. Sygnum shall not be obliged to provide alternative solutions to such changes, e.g. storage services for any Digital Asset, paper certificates or other products replacing Digital Assets.

In principle, Digital Assets are not listed on a security exchange and therefore its issuers may not be subject to applicable rules of investor protection, such as the duty of transparency and the equal treatment of investors. In particular, issuers may not be required to disclose, provide or publish relevant documentation related to Digital Assets which may lead to disadvantages for the Client and their Digital Assets.

Art. 3 Technology risks

The digital ledger technology (hereinafter "DLT") on which the Digital Assets are based is still at an early stage of development and best practices are still to be determined and implemented. DLT will most likely be subject to significant technological changes and/or innovations in the future. Such technological changes and advances, for example in digital encryption or quantum computing, are entirely beyond Sygnum's control, may pose a risk to the security of Digital Assets and, if exploited, lead to theft, loss of units or reduction in value (including reduction to zero) of the Client's Digital Assets. In addition, alternative technologies to certain Digital Assets could be established, making them less relevant or even obsolete. Digital Assets which are traded on a distributed ledger that becomes less relevant or obsolete could negatively affect the price and the liquidity of the Client's Digital Assets.

Due to the particular characteristics of Digital Assets (e.g., (i) they only exist virtually on a computer network, (ii) transactions on a distributed ledger are mainly done anonymously, (iii) they are irreversible and final and the ability to modify the history of transactions is computationally negligibly small), they make an attractive target for fraud, theft and cyber-attacks. Various tactics have been developed respectively identified that are designed to steal Digital Assets or disrupt the underlying DLT. Such attempts can cause loss or at least skepticism about the long-term future of Digital Assets, prevent the adoption of Digital Assets, and increase the volatility and illiquidity of the Digital Assets in question. **Further, if the Client initiates or requests a transfer of Digital Assets using an incorrect digital ledger address, it will be impossible to identify the recipient and reverse the transaction.** This risk also applies if the Client attempts to transfer Digital Assets to Sygnum using an incorrect digital ledger address.

Due to technical restrictions, it may be possible that fractions or a certain minimal balance of Digital Assets cannot be transferred to other wallets. This may be applicable for certain networks of Digital Assets and is typically related to the gas price required to execute a transaction or to technical minimal balance requirements. The Client acknowledges that any potential remaining Digital Assets will remain with the Bank without any further claims and rights to it.

Since there is no supervisory body (e.g. a governmental authority or a central bank) overlooking the development of the DLT, the functioning of distributed ledgers, as well as further improvements of such functioning (e.g. ability to increase the number of transactions, reduce the processing time or the transaction fees, implement security updates, etc.), relies on the collaboration and consensus of various stakeholders, among others, developers enhancing the open-source software related to cryptocurrencies or devices or persons that operate devices performing an act of creating valid blocks (hereinafter the "Network Participants").

Any disagreement among stakeholders (e.g. developers and Network Participants) may result in a hard fork. A hard fork is an open-source software upgrade that is not downward compatible. Hard forks or potential hard forks may lead to the instability of the concerned distributed ledger, may limit Sygnum's ability to process transactions and lead to an increase of the transaction fees. **Sygnum excludes any and all liability for losses or damages**

relating to, arising out of or resulting from a hard fork. The Client hereby agrees to indemnify, defend and hold harmless Sygnum and their respective directors, officers and employees, and each of the successors and assigns of any of the foregoing, from and against any and all claims arising out of or resulting from a hard fork. Hard or soft forks on a distributed ledger may lead to the creation of a new or competing kind of Digital Asset, and may adversely affect the functionality, convertibility or transferability or result in a full or partial loss of units or reduction (including reduction to zero) of value of the Client's Digital Assets.

Sygnum is unable to foresee all upcoming hard forks. The Client ensures to educate themselves about the particularities of and remain informed about potential upcoming hard forks and its impact on the Digital Assets. **It is in Sygnum's sole discretion to support one, both or no chain resulting from the hard fork.**

DLT may be contingent on independent Network Participants or other forms of consensus formation or validation susceptible to external attacks. Potential attacks include e.g. collision attacks, 51% attacks, dusting attacks and censorship attacks. If successful, such attacks may e.g. enable a perpetrator to take control of Digital Assets, engage in double spending of the same Digital Asset and/or otherwise abuse the identity or personal data of other users. Furthermore, any such attack may adversely affect the functionality, convertibility or transferability or result in a full or partial loss of units or reduction (including reduction to zero) of value of the Digital Assets. The risk of a successful attack is elevated in Digital Assets based on DLT architecture with a high degree of concentration of unit ownership or network functions with a small number of parties.

The technology underlying Digital Assets enables thorough forensic investigations that may be able to reach back and cover a period of time and number of transactions that would not be possible with similar effort in the context of traditional assets. Depending on the individual case, such forensic investigations could cover a period reaching back to the generation of the relevant Digital Asset. As a result, the Digital Assets may be subject to a risk of seizure by courts or governmental authorities where they have been previously used for or in connection with criminal activities or may otherwise be considered "tainted". Depending on the way the Client invests in or holds Digital Assets and/or on the types of trades or transactions regarding Digital

Assets that the Client engages in, the Client may from time-to-time hold be assigned, or receive in exchange, different units in the same Digital Asset, some of which may be subject to an elevated risk of seizure or may be "tainted" to differing degrees. Release of seized Digital Assets may be subject to foreign laws or regulations and the relevant procedures may result in costs, delays or other adverse effects to the Client. The functioning of Digital Assets is based on an open-source software. Developers of such open-source software are not appointed nor controlled by Sygnum. An open-source software code is freely accessible and may be copied, used and legally modified at any time. Vice versa, developers may cease developing the open-source software at a critical point in time when a security update and/or modification to the software is required. **An open-source software is therefore generally exposed to vulnerabilities, programming errors and threats from fraud, theft and cyber-attacks.**

A Digital Asset may under certain circumstances show characteristics of centrally issued financial instruments, for example in case of a concentration of ownership of issued/pre-mined units with the issuer, or network functions such as node operation or transaction validation with one single party or several parties, irrespective if such parties are directly involved or not. This may result in potentially detrimental effects on the Client's Digital Assets and/or on parties other than those directly impacting such concentration of ownership or network functions.

In the unlikely event of a significant disruption to a distributed ledger network, Sygnum reserves the right to cease the services in connection with such distributed ledger network, and to take actions in its sole discretion as it deems appropriate to ensure business continuity.

The execution of transactions in Digital Assets on a blockchain or other distributed ledger may experience delays, e.g. due to third parties/nodes using evolving technology and other processes for the verification of the transaction. Furthermore, an increasing number of transactions coupled with the inability to implement changes to DLT may result in a slower processing time of transactions and/or a substantial increase in the transaction fees paid to Network Participants of cryptocurrencies for facilitating the processing of Digital Asset transactions. **This may limit Sygnum's ability to process transactions and consequently cause significant delays, during which the value of the**

Digital Asset may fluctuate significantly, or which may otherwise result in loss or damages and/or lead to an increase in the fees and costs.

Digital Assets only exist virtually on a computer network and have no physical equivalent. Evaluating a value for Digital Assets is difficult as the value depends on the expectation and trust that Digital Assets can be used e.g. for future payment transactions, as a medium of exchange or other purposes. Among others, persistent high volatility, changes and advances in technology, fraud, theft and cyber-attacks and regulatory changes may prevent the establishment of Digital Assets as an accepted long-term medium of exchange potentially rendering Digital Assets worthless.

Art. 4 Legal and regulatory risks

The legal and regulatory framework governing Digital Assets is in formation respectively in constant development in Liechtenstein, the EU and globally imposed by various regulatory authorities (e.g. concerning anti-money laundering, securities law taxation, consumer protection or the characterization of specific Digital Assets classes). **Changes to the legal and regulatory framework and related measures by regulators or other governmental authorities may affect e.g. the transferability or convertibility of the Client's Digital Assets and potentially result in the illegality of Digital Assets and in a full or partial loss of or reduction of value (including reduction to zero) thereof.**

The classification of a particular Digital Asset as a cryptocurrency or another kind of Digital Asset, such as a security or other financial instrument, remains in the sole and full discretion of Sygnum. This classification made by Sygnum is valid for the contractual relationship between the Client and Sygnum and may differ from the classification imposed by relevant authorities or other involved and competent third parties in any jurisdiction at any given point in time. **Sygnum cannot be held liable for any differing classification by authorities or other competent third parties in any jurisdiction at any given point in time, which may result in differing rights and obligations of the Client in respect of its Digital Assets in various jurisdictions over time, e.g. legal and regulatory duties, tax obligations or other requirements, non-compliance with which may result in measures and sanctions including criminal liability, or which may otherwise affect the legal position of the Client or the value, transferability or convertibility of the relevant Digital Assets.**

The issuers of Digital Assets or other involved parties may become subject to regulatory investigations, injunctions or other measures which may impact the transferability or convertibility of the Client's Digital Assets or may restrict or prohibit the Client from holding or transacting in Digital Assets.

The legal effectiveness of the underlying rights of Digital Assets may be subject to differing regulation in the relevant jurisdictions, including in particular the jurisdiction of the issuer and of the Client. The tokenization of assets or of the anticipated underlying rights and obligations and/or its transfer to the Client may not be legally effective and, consequently, would potentially result in a full or partial loss of units or reduction of value (including reduction to zero) thereof.

Art. 5 Digital Assets in the event of bankruptcy

The Client's Digital Assets held in custody by Sygnum must be considered "deposited assets" in accordance with the regulatory framework MiCAR, in order to segregate the Client's Digital Assets held in custody by Sygnum in the event of bankruptcy. The segregation of the Digital Assets may have severe consequences for the Client. In case the Digital Assets are not segregated, they will fall into Sygnum's bankrupt's estate where the Client will be treated as a creditor of Sygnum and will compete with other creditors. Digital Assets are not eligible for protection under the depositor protection scheme. Vice versa, in case the Digital Assets are segregated, the Digital Assets will not fall into Sygnum's bankrupt's estate and must be returned to the Client under Liechtenstein law.

In case of Sygnum's bankruptcy event, the corresponding processing of the impacted and segregated Digital Assets may lead to a delay in the transfer of the Client's Digital Assets to the respective wallet outside of Sygnum's environment.

Art. 6 Market Risks

The value of Digital Assets may be subject to significant changes, even on an intra-day basis, the trading thereof is perceived to be highly speculative and its volatility significantly high. Investments in Digital Assets are susceptible to irrational bubbles or loss of confidence, with the potential result in a collapse demand relative to supply, e.g. because of unexpected changes imposed by the software developers, the creation of alternative Digital Assets, or a deflationary or inflationary spiral. Confidence might also collapse due to technical reasons, e.g. if significant amounts of Digital Assets

are lost or the successful cyber-attack preventing a settlement of a Digital Assets transaction.

The trend of the value of Digital Assets is unpredictable and may be impacted by several factors, e.g. changes and improvements in technology, fraud, theft, cyber-attacks and regulatory changes, with the potential result in full or partial loss of the Client's Digital Assets. Digital Assets, in contrast to traditional financial instruments, lack historical fair values allowing a reliable assessment of volatility.

The execution and settlement of transactions in Digital Assets may be dependent on particularities of the relevant distributed ledger or on the participation of third parties on the relevant network, in particular on the availability of Network Participants or other processing entities. Delays or failures to execute or settle transactions may potentially result in losses or other adverse effects for the Client. In addition, trading platforms and systems in Digital Assets and their participants may be unregulated or subject to limited regulation and may not provide for the same or similar safeguards as applicable to traditional financial instruments, e.g. safeguards concerning market manipulation, information asymmetry, transparency or insider trading.

Since there is no supervisory body (e.g. a governmental authority or a central bank) supervising Digital Assets, there is no authority or institution which may intervene and stabilize the value of Digital Assets and/or prevent or mitigate irrational price developments.

Sygnum may use one single distributed ledger as a channel for the execution of Digital Assets transactions. Consequently, such channel may be the sole source of liquidity for the trading of Digital Assets, resulting in a higher illiquidity risk. The market for the relevant Digital Assets may experience periods of decreased liquidity or even periods of illiquidity. A lower liquidity may result in very rapid and irrational price developments, in wider spreads and/or in higher rejection rates. An insufficient liquidity in the market may lead to Sygnum's inability to provide prices for the Client to

trade Digital Assets and/or execute any transactions. The Client's ability to trade Digital Assets, to compare the prices of Digital Assets and/or liquidate their positions may consequently be limited.

Art. 7 Regulatory information

Sygnum is licensed as crypto-asset service provider and subject to prudential supervision by Financial Market Authority Liechtenstein (FMA) (Landstrasse 109, 9490 Vaduz, Liechtenstein) in accordance with Liechtenstein law and EU regulation for the provision of the following services

- providing custody and administration of crypto-assets on behalf of clients,
- exchange of crypto-assets for funds,
- exchange of crypto-assets for other crypto-assets, and
- providing transfer services for crypto-assets on behalf of clients.

Additionally, Sygnum has notified the FMA to provide services in the EU member states on a cross-border basis.

Art. 8 Privacy

The Client should be aware that any transfer or transaction of Digital Assets may be recorded on the respective public distributed ledger and may therefore be visible to the public.

Distributed ledgers on which Digital Assets are issued and/or recorded are neither the property of Sygnum, nor does Sygnum bear any control of such distributed ledgers. The Client acknowledges that the information available on such networks may be exploited or misused by third parties.

Art. 9 Amendments to this Risk Disclosure

Sygnum may amend this Risk Disclosure at any time and the Client will be notified about the modifications and/or amendments within a reasonable period of time in advance and by suitable means.

In the absence of any objection by the Client in writing within 30 days of the date of notification, such modifications and/or amendments shall be deemed to be accepted by the Client and shall be effective and binding upon the Client and Sygnum.