

Digital Assets Risk Disclosure

This Digital Assets Risk Disclosure provides a description of certain risks associated with the Service and Digital Assets, but DOES NOT DISCLOSE OR EXPLAIN ALL THE RISKS INVOLVED IN THE INVESTMENT IN DIGITAL ASSETS AND/OR THE USE OF THE SERVICE. There may be additional risks that are not foreseen or identified in the Digital Assets Contract or in this Digital Assets Risk Disclosure. **THE BANK STRONGLY RECOMMENDS THAT THE CLIENT SEEKS PROFESSIONAL ADVICE BEFORE MAKING INVESTMENT DECISIONS.**

1. Incorporation by reference

- 1.1. All risk disclosures and similar disclaimers set out in the Offer Documents and/or Subscription Documents are incorporated herein by reference.
- 1.2. Capitalized terms used in this Digital Assets Risk Disclosure and not otherwise defined shall have the meaning ascribed to them in the Digital Assets Contract and in the Trading Account documentation. For ease of reading, the masculine form refers to any gender.

2. Risk profile of Digital Assets

- 2.1. Digital Assets may incorporate a large number of financial and non-financial rights, claims and/or assets, including rights and obligations not usually found in (traditional) financial markets instruments such as equity and fixed income securities. **Investors wishing to acquire Digital Assets must carefully review the rights and obligations incorporated in the Digital Assets before making any investment decisions.**
- 2.2. Digital Assets may, for example, grant their holders the right to request the performance of services (e.g., access to a platform), or serve as means 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. This may in particular be the case for Digital Assets that incorporate a right to the supply of goods or performance of services, as many investors in such Digital Assets will have little need for such goods or services but only acquire the Digital Assets with the expectation that they will be able to sell the Digital Assets back at a profit.
- 2.3. The value of the Digital Assets is understood to derive primarily from the rights incorporated therein. Because the Client may not be able to exercise such rights, the Client may potentially derive very little benefits from the Digital Assets as long as the Client holds such Digital Assets through the Bank. The Client may, in particular, be unable to seize opportunities, e.g. to redeem the Digital Assets and/or to pay for products and/or services offered by the Issuer or third parties. To the extent the Bank does not offer the possibility to exercise all or part of the rights incorporated in the Digital Assets, the Client may be able to exercise such rights only by first transferring the Digital Assets to the Client's own DLA. Such transfers may be subject to restrictions, as detailed in the Contract, the Offer Documents and/or the Subscription Documents.
- 2.4. In addition, 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 Smart Contract for the relevant Digital Asset. Smart Contracts are non-trivial pieces of computer code and their interactions with the relevant Distributed Ledger network are complex. Investors should review and ensure that they understand the functioning of the relevant Smart Contracts before they invest in a particular Digital Asset.

- 2.5. There is no guarantee that Smart Contracts, or even the Distributed Ledger network on which they operate, are bug- free and will function according to the Issuer's or the investors' expectations. Furthermore, a Digital Asset Issuer may retain the possibility to amend the code of the Smart Contract at any time. Depending on the rights and obligations incorporated therein, Issuers have considerable discretion to manage their Digital Assets and may decide to cancel the Digital Assets and replace such Digital Assets with other forms of evidence or with paper certificates, for example. **The Bank is under no obligation to provide custody services for any Digital Asset, paper certificate or other replacement for the Digital Assets.**

3. Legal and regulatory uncertainty | Bankruptcy treatment

- 3.1. Digital Assets have been in existence for only a few years and various regulatory bodies in Switzerland and globally have or are in the process of forming a view on required legal or regulatory actions relating to Digital Assets (e.g., regulation concerning money laundering, taxation, consumer protection, publicity requirements or capital controls, as well as the civil law characterization of Digital Assets). Any forthcoming legal or regulatory actions may result in the illegality of Digital Assets or the implementation of controls relating to Transactions in (and therefore liquidity of) some or all of the Digital Assets. In addition, control mechanisms may increase Digital Assets' transaction costs significantly. **By using the Service and trading Digital Assets, the Client bears the risk related to the uncertainty as to the legal, regulatory and tax treatment of Digital Assets and/or Transactions.**
- 3.2. The treatment of Digital Assets in a bankruptcy or similar event has not been conclusively determined and there are no court precedents or published practice of regulatory authorities and bankruptcy administrations with respect to Digital Assets, so that the position is likely to evolve in the future. Whether Digital Assets held in custody by the Bank (whether directly or through Sub-custodians) for the account of the Client can be considered as "deposited assets" in the meaning of Article 16 and 37d of the Swiss Banking Act and, hence, be segregated in the event of bankruptcy of the Bank, depends on a number of factors. Regulatory practice, court decisions, accounting rules and standards, as well as the features of Digital Assets and the manner in which custody by the Bank or by a Sub-custodian is operated may influence the treatment of Digital Assets in a bankruptcy or similar event. **The Bank does not undertake to take all measures that would be required for the Digital Assets to be segregated in the event of a bankruptcy of the Bank.**
- 3.3. Whether the Digital Assets are segregated or not in the event of a bankruptcy of the Bank should be expected to have a significant impact on the Client:
 - (a) If the Digital Assets are segregated, the Digital Assets will not fall into the bankruptcy estate of the Bank and must (under Swiss law) be returned to the Client.
 - (b) If the Digital Assets are not segregated, the Digital Assets will fall into the bankruptcy estate of the Bank. In such a case, the Client will be treated as a creditor of the Bank and will compete with other creditors. Although the Client may in certain cases benefit from the depositor protection scheme contemplated by Swiss law, **not all (and perhaps none) of the Digital Assets will be eligible for protection under the depositor protection scheme.**
- 3.4. In case Digital Assets are deposited with a Sub-custodian, whether the relevant Digital Assets are segregated in the event of a bankruptcy of the Sub-custodian may also impact the Client's situation. Although the bankruptcy of a Sub-custodian is subject to the laws, customs, rules and conventions applicable to the Sub-custodian (which may not be Swiss law), **a lack of segregation of the Digital Assets should be expected to render the retrieval of**

the relevant Digital Assets significantly more difficult. In such a case, pursuant to the Contract, the Bank (i) shall not be held liable for any loss directly or indirectly attributable to the insolvency or bankruptcy or similar event affecting the relevant Sub-custodian, and (ii) may assign to the Client any claims for the return of the Digital Assets (or the reimbursement of their exchange value) to the extent such claim exists and can be freely assigned to the Client.

4. Risks related to Staking

4.1. Each Distributed Ledger has its own rules and protocols regarding how transactions and operations are validated. These rules and protocols may include mechanisms described as "staking" or similar wording. Although such mechanisms tend to involve users of a Distributed Ledger participating in the validation of transactions by evidencing their stake in the cryptocurrency of the Distributed Ledger, there is no uniform concept of "staking". Depending on the Distributed Ledger, participation in validation mechanisms may involve locking the relevant Digital Assets for a minimum period of time and/or transferring those Digital Assets to a specific Smart Contract. **The Bank does not provide advice on validation mechanisms of Distributed Ledgers and has not verified that such mechanisms are safe or function properly. The Client bears the risk that these mechanisms will be compromised or will not function properly. It is the Client's responsibility to understand and perform the verifications the Client deems necessary or appropriate on the validation mechanisms of Distributed Ledgers.**

4.2. When instructing the Bank to Stake Digital Assets, if the Client instructs the Bank to Stake Digital Assets with a specific Sub-custodian, the Bank will, on that basis, instruct – in its name, but for the account and at the sole risk of the Client – the relevant Sub-custodian to do what the Sub-custodian considers necessary to Stake the Digital Assets of the Client. **Sub-custodians (including third parties appointed by them, such as delegates, custodians and/or validators) may not be regulated in the jurisdiction in which they operate. The Bank will only act as an intermediary and will not control how the Sub-custodian is utilizing the relevant Digital Assets, including whether these Digital Assets are actually participating in validation mechanisms, or whether the Digital Assets have been transferred to third parties, locked, included in a pool or Smart Contract or otherwise disposed of. The Client is therefore responsible for doing his own due diligence on any Sub-custodian and such Sub-custodian's staking services that Client instructs the Bank to use.**

4.3. **The Client bears the risk that Sub-custodians (and their delegates or sub-custodians) will be unable to Unstake or otherwise return Digital Assets that have been Staked.** In this respect, the Client bears the risk that Digital Assets that the Client decided to Stake will be lost or compromised, including due to actions of the Sub-custodians. Staked Digital Assets may, in certain circumstances and on certain Distributed Ledgers, be subject to so-called "slashing" penalties, which may result in the Digital Assets being destroyed or "burned". These penalties may for example be imposed if they are used to validate transactions and other operations in a way that breaches the rules and protocols of the relevant Distributed Ledger. **The Client should expect Sub-custodians to provide their services on an "as is" basis and to have disclaimed any liability in case they are unable to Unstake or otherwise return Digital Assets to the Bank.** As a result, if a Sub-custodian is for example unable to return the Client's Digital Assets to the Bank, the Bank may not have any valid claim for the return of such Digital Assets (and may therefore be unable to assign this claim to the Client).

4.4. **When the Client instructs the Bank to Stake Digital Assets through a specific Sub-custodian, the Client acknowledges that the Bank has not and does not undertake to perform due diligence verifications on the services of Sub-custodians (including any**

third parties appointed by them, such as delegates, custodians and/or validators) relating to Staking. Further, the Bank shall be under no obligation to monitor or otherwise verify how such Sub-custodian implements the instructions submitted by the Bank in its name but for the account and at the risk of the Client.

4.5. There is no guarantee that the Client will receive any Reward in respect of Staked Digital Assets. Rewards depend on a number of factors beyond the Bank's control and regarding which the Bank makes no representation. There may for example be a (possibly significant) delay between the moment the Client submits an instruction to Stake Digital Assets and the moment these Digital Assets are actually participating in the validation mechanisms of the relevant Distributed Ledger. Further, Rewards may be influenced by the amount of Digital Assets Staked with a particular validator (or equivalent functions in a given Distributed Ledger), the time of Staking, and a number of other factors. The Client therefore acknowledges that, by Staking his Digital Assets, the Client (a) relinquishes any control on such Digital Assets for a possibly extended period of time, and (b) bears the risk that any Sub-custodian will be unable to Unstake or otherwise return Digital Assets, without any assurance that any Reward will be available and ultimately effectively transferred to the Bank for the account of the Client.

4.6. The tax treatment of Staking and of Rewards may be subject to uncertainties in a number of jurisdictions. The Client is solely responsible for assessing the tax consequences of Staking his Digital Assets and complying with applicable tax laws and practice.

5. Status of the Issuers: limited disclosures and regulation

5.1. The Digital Assets may not be listed on a securities exchange, and their issuer may consequently not be subject to the regime that applies to listed companies. **Issuers of Digital Assets may not be subject to a number of important rules designed to protect investors.** In particular, issuers may not be subject to the obligation to:

- publish their financial statements in accordance with a recognized accounting standard;
- publish quarterly or half-yearly financial statements;
- inform the public as soon as events susceptible of affecting the price of the Digital Assets occur;
- and disclose transactions by company insiders (e.g., senior management of the issuer).

5.2. Because they may not be listed or admitted to trading on a regulated exchange, multilateral, organized or other trading facility, the Digital Assets may not be subject to insider trading and market manipulation regulation. Accordingly, the market for the Digital Assets (to the extent one such market develops for the Digital Assets) may be more prone to fraud or insider trading.

6. Valuation issues | Volatility | No or limited liquidity

6.1. The value of Digital Assets may change significantly (even on an intraday basis) and movements on the price of the Digital Assets may be unpredictable.

6.2. While the volatility of the value of Digital Assets is (perceived as) high, changes and advances in technology, fraud, theft and cyber-attacks and regulatory changes, among others, may increase volatility further – elevating the potential of investment gains and losses. In addition, Digital Assets lack the historical track record of other financial instruments, currencies or commodities such as gold that could guide if current levels of volatility are typical or atypical.

- 6.3. Investments in Digital Assets and in cryptocurrencies are deemed **highly speculative** investments. Digital Assets and cryptocurrencies are subject to **high volatility**, i.e. the price of Digital Assets or of cryptocurrencies may rapidly go down as well as up, on any given day. The movements of the Digital Assets and of cryptocurrencies are unforeseeable. The Client acknowledges that Digital Assets and cryptocurrencies are not supervised by authorities or institutions such as central banks and that, therefore, there is no authority or institution which may intervene to stabilize the value of Digital Assets or cryptocurrencies and/or prevent or mitigate irrational price developments. **The risk of substantial or total loss in purchasing or selling Digital Assets exists. The Client acknowledges and agrees that he shall access and use the Service at his own risk.**
- 6.4. Investments in Digital Assets in general and in cryptocurrencies in particular are susceptible to irrational bubbles or loss of confidence, which could collapse demand relative to supply, e.g. because of unexpected changes imposed by the software developers or others, a government crackdown, the creation of superior competing alternative Digital Assets, or a deflationary or inflationary spiral. Confidence might also collapse because of technical problems, for instance if significant amounts of Digital Assets are lost or stolen or if hackers or governments are able to prevent any transactions from settling.
- 6.5. **The market for the relevant Digital Assets may experience periods of decreased liquidity or even periods of illiquidity.** The prices made available by the Bank via the System for the Client to purchase or sell Digital Assets are based on feeds provided by one or several Liquidity Providers. **One single Liquidity Provider may be the sole source of liquidity for the trading of Digital Assets via the System, creating a higher illiquidity risk. In the event that the Bank is unable to trade the Digital Assets at a certain time or permanently (if the Bank has not found a suitable market, trading venue or counterparty to trade Digital Assets), the Client will not be able to purchase or sell Digital Assets.** Furthermore, a lower liquidity may result in very rapid and hectic price movements, in wider spreads and/or in higher rejection rates. Under certain market conditions, the Client may find it difficult or impossible to liquidate a position. This can occur, for example, if there is insufficient liquidity in the market and the Bank is consequently not able to (a) provide prices for the Client to purchase or sell Digital Assets and/or (b) execute any Orders or Transactions. The Client's ability to purchase or sell Digital Assets as well as to compare the prices of Digital Assets may consequently be limited.
- ## 7. Interdependence with cryptocurrencies | Technology risks
- 7.1. Digital Assets are instruments that rely on the Distributed Ledger technology to be recorded and transferred. The acquisition of Digital Assets, as well as their transfer on a Distributed Ledger may be subject to fees payable in cryptocurrencies. Digital Assets are therefore usually in a relationship of interdependence with cryptocurrencies.
- 7.2. The Distributed Ledger technology, on which the functioning of the Digital Assets and cryptocurrencies is based, is still at an early stage and best practices are still to be determined and implemented. The Distributed Ledger technology is likely to undergo significant changes in the future. Technological advances in cryptography, code breaking or quantum computing etc. may pose a risk to the security of Digital Assets and cryptocurrencies. In addition, alternative technologies to certain cryptocurrencies could be established, making the relevant cryptocurrency less relevant or obsolete. If the Digital Assets are traded on a Distributed Ledger that becomes less relevant or obsolete, this could negatively affect the price and the liquidity of the Digital Assets.
- 7.3. The functioning of the Digital Assets and of cryptocurrencies relies on open-source software. Developers of such open-source software are not employed or controlled by the Bank or the Sub-custodians. Developers may introduce weaknesses and programming errors into the open-source software or may stop developing the open-source software (potentially at a critical stage where a security update is required), keeping Digital Assets or cryptocurrencies exposed to weaknesses, programming errors and threats of fraud, theft and cyber-attacks.
- 7.4. Distributed Ledger networks have experienced a surge in the number of transactions over the last few years. An increasing number of transactions coupled with the inability to implement changes to Distributed Ledger technology may result in a slower processing time of Transactions (potentially days to verify a Digital Asset transaction) and/or a substantial increase in the transaction fees paid to so called "miners" of cryptocurrencies for facilitating the processing of Digital Asset transactions. This may limit the Bank's ability to process Transactions and lead to an increase in the fees and costs.
- 7.5. Since there is no central body (e.g. a central bank or a government agency) overseeing the development of the Distributed Ledger technology, the functioning of Distributed Ledgers, as well as further improvements of such functioning (e.g. ability to increase the number of transactions, reduce processing time, reduce transaction fees, implement security updates), relies on the collaboration and consensus of various stakeholders, among others, developers enhancing the open-source software related to cryptocurrencies or so called "miners" facilitating the processing of transactions. Any disagreement among stakeholders may result in a Hard Fork. Hard Forks may lead to the instability of a specific version of a relevant Distributed Ledger. In addition, Hard Forks or the threat of a potential Hard Fork may prevent the establishment of Digital Assets as a viable alternative to the way assets are traditionally traded. Hard Forks or the potential of a Hard Fork may limit the Bank's ability to process Transactions and lead to an increase of the fees.
- 7.6. The particular characteristics of Digital Assets (e.g., they only exist virtually on a computer network, transactions in Digital Assets are usually not reversible and are done largely anonymously) make it an attractive target for fraud, theft and cyber-attacks. Various tactics have been developed (or weaknesses identified) to steal Digital Assets or disrupt the underlying Distributed Ledger technology, including e.g. the "51% attack" where persons with malicious intents may take control over a relevant Distributed Ledger network by providing 51% of the computer power in the relevant Distributed Ledger network, or the "denial of service attack" where persons with malicious intents attempt to make the relevant Distributed Ledger network's resources unavailable by overwhelming it with service requests. The Client is directly exposed to fraud, theft and cyber-attacks for the following reasons: (i) any high profile losses as a result of such events (e.g. bankruptcy of the then largest bitcoin exchange Mt. Gox in February 2014) may raise skepticism over the long-term future of Digital Assets and may prevent the establishment of Digital Assets as an accepted way to represent assets, and may increase the volatility and illiquidity of the relevant Digital Assets; (ii) as provided in clause 11.1 of the Contract any loss resulting from a Loss Event shall be borne exclusively by the Client.
- 7.7. Digital Assets and cryptocurrencies only exist virtually on a computer network and have no physical equivalent. Establishing a value for Digital Assets is difficult as the value depends on the expectation and trust that cryptocurrencies can be used for future payment transactions and as a medium of exchange. Among others, persistent high volatility, changes and advances in technology, fraud, theft and cyber-attacks and regulatory changes may prevent the establishment of cryptocurrencies as an accepted long-term medium of exchange potentially rendering cryptocurrencies worthless. Due to the relationship of interdependence between

the Digital Assets and cryptocurrencies, this could affect the price and liquidity of the Digital Assets.

8. Privacy | Public nature of Distributed Ledgers

- 8.1. Investors should be aware that any Transfer, purchase and sale of Digital Assets may be recorded in a public Distributed Ledger and may therefore be visible to the public.
- 8.2. Distributed Ledgers on which Digital Assets are issued and/or recorded is neither the property of, nor under any control of the Bank or the Sub-custodians. Information available on the respective Distributed Ledgers may be processed, exploited or misused by third parties, including in unforeseen ways.