



Investing in crypto assets, such as Bitcoin, Ethereum, and other cryptocurrencies, can present significant opportunities for returns, but it also carries substantial risks. Here is a detailed disclosure on the risks associated with investing in crypto assets:

## 1. Market Volatility

- **High Volatility:** Cryptocurrencies are known for their extreme price volatility. You may lose a large amount or even all of the money invested. The extreme price movements also mean that many crypto assets are unsuitable as a store of value, and as a means of exchange or payment.
- **Market Sentiment:** The value of crypto assets can be heavily influenced by market sentiment, news events, and social media activity, which can lead to rapid and unpredictable price swings. Some crypto-assets and related products are aggressively advertised to the public using marketing material and other information that may be unclear, incomplete, inaccurate, or even purposefully misleading.
- **Lack of Price Transparency, and Low Liquidity:** How crypto-asset prices are determined and the execution of transactions at exchanges are often not transparent. The holding of certain crypto-assets is also highly concentrated, which may impact prices or liquidity. You may not get a fair price or treatment when buying or selling crypto-assets, or you may not be able to sell your crypto-assets as quickly as you would like in the absence of a potential buyer

## 2. Regulatory Risks and Investor protections

- **Regulatory Environment:** Cryptocurrencies operate in a complex and evolving regulatory landscape. Changes in laws, regulations, or government policies can impact the value and legality of crypto assets.
- **Bans and Restrictions:** Some countries have banned or heavily restricted the use of cryptocurrencies. Regulatory actions can lead to decreased liquidity and accessibility.
- **Traditional investor compensation mechanisms may not be available:** The majority of crypto-assets and the selling of products or services related to crypto-assets are unregulated in many jurisdictions, including the EU. In these cases, you will not benefit from the rights and protections available to consumers for regulated financial services, such as complaints or recourse mechanisms.
- **Product Complexity:** Some products providing exposure to crypto-assets are very complex, sometimes with features that can increase the magnitude of losses in case of adverse price movements. These products, given their complexity, are not suitable for many consumers.

## 3. Security Risks

- **Cybersecurity Threats:** Crypto assets are vulnerable to hacking, phishing, and other cyber attacks. Security breaches can result in the loss of funds.



- **Storage Risks:** Storing crypto assets requires secure methods, such as hardware wallets or secure exchanges. Poor security practices can lead to theft or loss of assets.

#### 4. Technology Risks

- **Technical Issues:** Cryptocurrencies rely on complex technology, including blockchain. Bugs, vulnerabilities, or failures in these technologies can compromise the integrity and value of crypto assets.
- **Forks and Upgrades:** Changes in the underlying technology, such as hard forks or software upgrades, can create uncertainty and affect the value of crypto assets.

#### 5. Market Liquidity

- **Liquidity Risks:** Some crypto assets may have low liquidity, making it difficult to buy or sell large amounts without affecting the market price.
- **Trading Risks:** The 24/7 nature of crypto markets can lead to increased exposure to market movements, especially during periods of low trading volume.

#### 6. Fraud and Scams

- **Fraudulent Activities:** The crypto space is rife with fraudulent schemes, including Ponzi schemes, fake ICOs (Initial Coin Offerings), and pump-and-dump schemes.
- **Unregulated Exchanges:** Not all cryptocurrency exchanges are regulated or trustworthy. Some may engage in fraudulent practices, exposing investors to risks.

#### 7. Legal and Compliance Risks

- **Legal Uncertainty:** The legal status of cryptocurrencies varies by jurisdiction, and the lack of clear legal frameworks can create uncertainty for investors.
- **Tax Implications:** The tax treatment of crypto assets can be complex and varies by country. Investors need to be aware of their tax obligations.

#### 8. Operational Risks

- **Exchange Risks:** The failure or insolvency of a cryptocurrency exchange can result in the loss of funds. Not all exchanges offer the same level of security and reliability.
- **Transaction Irreversibility:** Cryptocurrency transactions are typically irreversible. Mistakes, such as sending funds to the wrong address, can lead to permanent loss of assets.

#### 9. Market Manipulation

- **Manipulative Practices:** The crypto market is susceptible to manipulation by large traders or groups (whales), which can distort prices and market behavior.
- **Lack of Oversight:** The challenges of regulatory oversight in the crypto market can make it easier for manipulative activities to occur.



## 10. Economic and Systemic Risks

- **Macro-Economic Factors:** Broader economic trends and events, such as changes in interest rates, inflation, and economic crises, can impact the value of crypto assets.
- **Systemic Risks:** The interconnectedness of financial markets means that systemic risks in traditional financial systems can spill over into the crypto market.

## 11. Staking Risks :

- **Volatility and Market Risks:** In staking, lock-up and unbonding periods can expose users to significant valuation changes during market volatility, as they can't trade their assets. This risk may not be fully disclosed. Liquid staking can both mitigate and amplify market risks. It can amplify risks if the liquid staking token's value drops, but it can also allow users to trade the token and avoid losses before unstaking.
- **Penalties and Slashing :**Validator penalties and slashing are inherent in some PoS blockchains. In staking-as-a-service, the extent of these risks and their disclosure to clients is in question. Centralized providers often offer contractual protection to delegators, covering certain penalties and slashing, although the legal certainty varies by provider.
- **Custody risks** in crypto staking include custodian failure, asset co-mingling, and poor record-keeping, which can obscure asset ownership. These risks are heightened if few custodians dominate the market.

Investing in crypto assets or participating in staking offers the potential for high returns but comes with significant risks. It is crucial for investors to conduct thorough research, implement robust security measures, and develop a well-thought-out investment strategy that aligns with their risk tolerance and financial goals. By understanding and managing the risks, investors can make more informed decisions and navigate the complexities of the crypto market more effectively.

**Link to the regulatory warning :** For further context, we would like to remind investors of the statements and warnings adopted by the European Supervisory Authorities (ESAs), and of relevance to the provision of crypto-asset products and/or services in the EU:

Joint-ESAs warning ([here](#)) to consumers on the risks of investing in crypto-assets

ESMA statement ([here](#)) to clarify the timeline for MiCA and encouraging market participants and NCAs to start preparing for the transition

EBA statement ([here](#)) setting out expectations to issuers and offerors of asset-referenced and e-money tokens to comply promptly with MiCAR and reminding of consumer risks