

Amdax Risk Notification

Investing involves risks.

Investing in Crypto-assets is considered a high-risk investment. You may lose (part of) your initial investment. Here, we explain potential risks involved and how you can take them into account when making your investment decisions. General risks relate to market, currency, economic, political and business risks, system failures, hardware failures, software failures, network connectivity disruptions, cyberattack and data corruption risks. Capitalized words have the same meaning as in the Amdax Terms and Lending Terms as published on our Website.

Market volatility

The value of Crypto-assets can be highly volatile and the unpredictability of the value of a Crypto-asset relative to Euro may result in significant or total loss.

Regulatory risks

(Future) legislative and regulatory changes or actions may adversely affect the use, transfer, exchange, and value of Crypto-assets and may result in a potential loss or diminution in value of Crypto-assets.

Security risks

Crypto-assets are protected by asymmetric encryption (often referred to as public and private keys). If a private key is compromised, leaked or stolen, Crypto-assets may be irreversible transferred to another address and lost.

Hackers, malicious groups, or other organizations may attempt to compromise Crypto-assets and/or their blockchain networks using various methods, such as malware, denial-of-service (DoS) attacks, consensus-based attacks, Sybil attacks, smurfing, spoofing, or by overpowering the consensus mechanism that underpins the blockchain network. They may also target nodes - computers or hardware devices that maintain the blockchain network - causing them to malfunction or interfere with their operations.

The same applies to ICT third-party service providers which may be hacked, resulting in the loss of your Crypto-assets.

Additionally, there is a risk that the software, technologies, or underlying infrastructure relied upon could contain viruses. These viruses may result in the total loss of Crypto-assets, disrupting Distributed Ledgers, or have other severe consequences.

Liquidity risks

Some Crypto-assets have low liquidity, making it difficult to buy or sell without affecting the price significantly. It arises when a market lacks sufficient trading volume or depth, making it hard to convert Crypto-assets into euro or other Crypto-assets quickly.

Blockchain network risks

Some blockchain networks are still in the early stages of development, with many networks being relatively new. As a result, these systems may not have undergone sufficient testing, and significant operational or security failures could occur.

Since Crypto-assets rely on blockchain networks, any malfunction, failure, or discontinuation of a blockchain networks could have a substantial negative impact on their functionality. Additionally, advancements in cryptography or technologies like quantum computing may pose risks to Crypto-assets by compromising the cryptographic consensus mechanisms that form the foundation of blockchain network's protocols.

Transactions recorded on distributed ledger networks rely on consensus protocols, which may be vulnerable to attacks aimed at altering the transaction records. If such attacks succeed, there would be no alternative register to validate transactions or account balances tied to public keys, potentially resulting in the total loss of all associated Crypto-assets.

It is important to note that we do not control blockchain networks, which may be updated or modified independently. Consequently, we cannot guarantee their continued functionality, security, or availability.

Operational risks

The risk of loss of Crypto-assets resulting from inadequate or failed internal processes, people, and systems, or from external events, including legal risk but excluding strategic and reputational risk.

Systemic risks

Crypto-assets are not legal tenders (*wettig betaalmiddel*) and are not backed by the government.

Valuation risks

The value of a Crypto-asset may be derived from the continued willingness of market participants to exchange euro for Crypto-assets, which may result in the potential for permanent and total loss of value should the market for Crypto-assets disappear.

Environmental risks

Proof-of-work crypto-assets like bitcoin require significant electricity for mining. Depending on the location of these miners and the source of this electricity, this may lead to an adverse environmental impact.

Fraud and scams

Fraudulent schemes aimed at stealing Crypto-assets or credentials are widespread. Examples include *ponzi schemes* and *pig butchering schemes*, which are fraudulent investment schemes promising high returns and *fake projects* which may launch with the intent to defraud investors.

Concentration risks

Investing only in Crypto-assets and/or only in one or a few Crypto-assets may lead to a concentrated portfolio and can cause concentration risks within your asset portfolio. If Crypto-assets perform poorly, there are little or no opportunities to offset the losses with other Crypto-assets or other investments that are performing well.

Another form of concentration risk is when Crypto-assets are held by large holders who can manipulate markets by executing significant trades.

Lending risks

If you participate in the Lending Program, Amdax Yield may borrow Lending Program Crypto-assets and on-lend them to contracted Lending Partners. Amdax Yield takes various risk mitigating measures under the Lending Program, which include assessing and evaluating Lending Partners from an operational and financial risk perspective, and diversification of on-lending activities among multiple Lending Partners. Despite these safeguards, Lending Partners may still default on their obligations to Amdax Yield.

Although losses resulting from such default will not be directly allocated to you as a participant in the Lending Program, you do run a credit risk exposure to Amdax Yield, to whom you have lent Lending Program Crypto-assets. Consequently, you may lose part, or all, of your Lending Program Crypto-assets in case Amdax Yield is unable to recover these Crypto-assets from a defaulting Lending Partner and subsequently defaults on its repayment obligations toward you under the Lending Program. Ultimately, there is a risk that Amdax Yield becomes insolvent. The above means that you are subject to counterparty risk at the level of Amdax Yield.

In addition, redelivery of Lending Program Crypto-assets may be subject to a Liquidity Management Delay. This means that even in the absence of a default, there may be a period during which you cannot immediately access your Lending Program Crypto-assets.

Amdax acts solely as an operational facilitator and is not a party to the loan agreement between you and Amdax Yield under the Lending Program. Amdax does not guarantee redelivery of Lending Program Crypto-assets and bears no credit, counterparty or insolvency risk in respect of Amdax Yield or any Lending Partner.

Staking risks

One key risk of staking is slashing, where a portion of your staked Crypto-assets can be permanently lost due to validator misbehavior, such as downtime or rule violations. This penalty is designed to maintain network security but can result in financial losses for stakers.

Price Guarantee risks

If Price Guarantee is enabled, a guaranteed price may be offered for an Order. Where offered, the guaranteed price can be accepted prior to execution. A guaranteed price may not always be available for a specific Crypto-asset. Availability depends on various factors, including prevailing market volatility and liquidity. In such circumstances, execution may take longer or the Order may not be executed.

If a guaranteed price cannot be offered, or if an Order submitted under Price Guarantee cannot be executed at the guaranteed price, Amdax will provide a notification accordingly. When a guaranteed price offer is accepted, market price risk is avoided for a short period between acceptance of the guaranteed price and execution of the order. To account for potential adverse price movements during this period, includes the guaranteed price an additional charge, which is incorporated into the quoted price for the relevant Crypto-asset.

If the market price moves in your favour after the Order is submitted - meaning a lower price for a buy order or a higher price for a sell order - the Order will still be executed at the accepted

guaranteed price. This means that not using Price Guarantee could have resulted in a more favourable execution price.

Interoperability risks

Crypto-assets often operate on separate blockchain networks, leading to challenges in exchanging or utilizing them across platforms. Sending Crypto-asset using the wrong blockchain network may result in permanent loss.

Third-party risks

Amdax may be dependent on the performance of third-party service providers in order to perform the Services. Non-performance by such a third party may result in Amdax being unable to perform its obligations in relation to the performance of the Services.

Reputational risks

Government actions or public statements can negatively impact the value of your Crypto-assets.

No applicable compensation schemes

Crypto-assets investments are not covered by any investor compensation schemes or deposit guarantee schemes, as provided for in Directive 1997/9/EC and Directive 2014/49/EU.

Unanticipated risks

Crypto-assets are a part of and operate within a relatively new industry. In addition to the risks included above, there are other risks associated with your dealing in Crypto-assets, including those that we cannot reasonably foresee.

Additional risks may also materialize as unanticipated variations or combinations of the risks discussed above in this risk notification. If you have any questions or doubts regarding the merits of your potential dealing in Crypto-assets, you should seek the advice of an independent financial advisor.

You are solely responsible for determining the nature, potential value, suitability, and appropriateness of these risks for yourself, and Amdax does not give investment or financial advice or recommendations regarding Crypto-assets, including the suitability and appropriateness of investment strategies for Crypto-assets. The use of Amdax, our Services and our Order Execution Platform is at your own risk. We recommend you to carefully consider whether the use of our Services is suitable for you in light of your circumstances and your financial circumstances. You should be aware that you may sustain a total loss of Euro or Crypto-assets, and that under certain market conditions, you may find it difficult or impossible to liquidate Crypto-assets.