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RISK DISCLOSURE STATEMENT & VA STANDARDS

THE RISK OF LOSS IN TRADING IN VIRTUAL ASSETS AND RELATED INSTRUMENTS CAN BE SUBSTANTIAL. YOU SHOULD, THEREFORE, CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU, IN LIGHT OF YOUR CIRCUMSTANCES AND FINANCIAL RESOURCES. YOU SHOULD BE AWARE OF ALL THE POINTS CONTAINED WITHIN THIS RISK DISCLOSURE STATEMENT.

Foris DAX Middle East FZE (Crypto.com) has written this Risk Disclosure Statement (**RDS**) in plain English so that you have a good understanding of the risks of trading on Crypto.com. The abbreviation 'VA' stands for Virtual Asset.

INHERENT RISKS IN TRADING WITH CRYPTO.COM

Trading cryptos carries a high degree of risk.

1. **Value loss:** the pricing of VAs is volatile. As such, your virtual assets may lose value , in part, or in full, and are subject to extreme volatility, at times.

2. **Transferability:** your VAs may not necessarily always be transferable and, given the nature of blockchain transactions, some transactions may be irreversible. As such, you must be careful and double-check before conducting any VA transfers.

3. **Liquidity:** your VAs may not always be liquid.

4. **Privacy:** transactions are not necessarily private and may be recorded on public Distributed Ledger Technologies (**DLT**).

5. **Crime:** your VAs may be subject to fraud, manipulation, theft, including through hacks and other targeted schemes, and may not necessarily benefit from legal protections. With Crypto.com, we take a security-first approach. For more information, please visit this link. For maximum security, please ensure to set up your 2-Factor Authentication. To learn how to do this, please refer to this link.

OTHER RISKS OF TRADING

a. **The nature of digital assets** - while companies may accept VAs as a form of payment, there is no guarantee that the same company will continue to accept VAs as payments in the future. Furthermore, VAs are considered high-risk, complex, and their features may not be well-understood due to their complex structure.
b. **Value of digital assets and the risk of loss -** due to the risk of loss, trading in VAs may not be suitable for all investors. If you are seeking regular or low risk return on your invested capital, you should not transact in VAs. There is no fundamental reasoning behind pricing VAs which may be subject to irrational and uncontrollable market forces. Whether the future price will rise or decline is unpredictable and purely speculative. Compared to certain fiat currencies, VAs are highly volatile and fluctuate substantially. As such, market conditions may change, in a very short period of time.
c. **Past performance -** the value of any VA can increase or decrease. Past performance is not an accurate indication of future performance.
d. **Suitability -** the information provided by Crypto.com is informational only and is not, nor intended to be, financial advice, investment advice, financial advisory services, a trading recommendation, or any other advice. By agreeing to open your account, you accept the risk of trading in VAs and represent that you have sufficient knowledge, market sophistication, professional advice and experience to make your own evaluation on the merits and risks of any trade.
e. **Availability of digital assets -** your ability to purchase VAs on the Crypto.com platform can depend on a willing counterparty to sell the same VA. This is outside of Crypto.com's control.
f. **Currency risk -** the user should be aware of any risks related to currency and VA price fluctuation. A movement in an exchange rate may have a positive or negative effect on the gain or loss achieved from any trade.
g. **Technology risk -** VAs are inherently complex and require advanced technical knowledge. VAs are described in technical language that requires a comprehensive understanding of applied cryptography and computer science in order to appreciate the inherent risks The listing of a VA on the Crypto.com platform does not indicate approval or disapproval by Crypto.com of the underlying technology regarding that VA.

VIRTUAL ASSETS STANDARDS

Crypto.com has a set of standards for the VAs that it provides VA Activities in relation to (**VA Standards**).

Our overarching approach is to take all reasonable steps, including, but not limited to, conducting relevant due diligence to ensure that all VAs meet Crypto.com's standards prior to, and at all times during, the Firm providing any VA activities in relation to such VAs.

The Digital Asset Evaluation Criteria is designed to take a holistic approach when evaluating whether to support a given VA. While certain factors are not dispositive, the areas of assessment include those relating to technical components, compliance, information security, and legal matters, among others. Specifically, this includes, without limitation, the following:

a. **Reputability** - this assesses whether the Digital Asset (**DA**) asset is known, the size of the market, current trading dynamics, etc.
b. **Monitorability** - this includes ensuring transactions can be traced and audited.
c. **Sanctions Screening**; **Related Screening** - this involves undertaking sanctions screening for all senior persons associated with the DA's project team.
d. **Manipulation** - this assesses the DA's risk of manipulation by coordinated actors.
e. **Utility** - this assesses the DA's utility to ensure the claimed utility is reasonably feasible.
f. **Availability** - this assesses where the DA may be listed already.
g. **Adverse Media** - this involves reviewing the technical and security developments.
h. **Eligibility Screening** - this involves reviewing the DA for characteristics that may preclude it from being eligible for listing under applicable law.
i. **Derivatives Screening** - this involves reviewing the DA for characteristics indicating that it may be or function as a derivative and thus subject to any applicable restrictions.
j. **Legal and Regulatory Action Screening** - this assesses any potential of existing civil actions, regulatory enforcements, criminal actions, or other proceedings, filed in connection with, or after, its issuance and distribution.
k. **Senior Leadership** - this involves assessing known senior leaders of the DA project, country of origin, channels/sources through which these senior leaders communicate updates.
l. **Security Vulnerabilities** - this assesses the security of the DA's code and whether previous hack or attempts were made or successful.
m. **Third-Party Security Audit** - this assesses whether a reputable third-party auditor of the DA conducted an audit of the DA's code.
n. **Hardware Supportability** - this reviews whether the DA is supported by industry best practices.
o. **Clearing Technology** - this assesses the reputability of the DA's consensus mechanism.
p. **Code Governance** - this assesses code governance and whether the ability to deploy major updates to the code are in line with industry best practices.

RISKS ASSOCIATED WITH VA EXCHANGE TRADED DERIVATIVES (ETD) SERVICES

VARA's approval and licensing of Crypto.com to provide VA ETD services does not constitute, and must not be construed or considered as, an endorsement by VARA of any specific ETD offered by us. VARA's approval and licensing of Crypto.com to provide ETD services likewise does not constitute, and must not be construed or considered as, an endorsement by VARA of any type of ETDs offered by Crypto.com.

General risks

a. **This Service relates to derivative products.** VA ETD services involves derivative transactions that provide exposure to an underlying asset. Derivatives products, with or without leverage, are complex in nature. It is therefore important that you understand the risks associated with entering into derivatives products and using the ETD service.

b. **Price may be volatile.** The price of the supported assets may be influenced by many market factors. This may cause the price to fluctuate upwards or downwards. For this reason, derivative instruments such as derivatives products can be speculative and highly volatile. It is important that you understand the nature of these products and these risks before making a decision to use VA ETD services.

c. **Trust in the underlying virtual assets.** The underlying VAs to the derivatives products only exist virtually and there is no physical equivalent. Establishing a value for the underlying VAs is or may become difficult as the value depends on the expectation and trust that the underlying has a future use. Among others, persistent high volatility, changes and advances in technology, fraud, theft and cyber-attacks and regulatory changes may prevent the establishment of the underlying for future use and potentially rendering the underlying worthless.

d. **No access or rights to underlying VAs.** When you enter into a derivatives product, it is not the same as buying the underlying VA. You do not have direct access or any rights to the underlying VAs that compose the derivatives product or the private keys that grants access to such underlying VAs Further, there is no principal protection.

e. **Collateral is required and may need top-up.** We require that you provide collateral to support your obligations under the VA ETD service. In particular, you could be asked, at short notice, to provide additional collateral if the market moves unfavourably during the term of a particular transaction or if we change the collateral requirements at our discretion at any time. Such additional collateral may be substantial in poor market conditions and in other circumstances.

f. **Collateral is at risk.** The risk of loss in financing a transaction by providing collateral is significant. You may sustain losses in excess of the collateral held with us. Market conditions may make it impossible to execute contingent orders. You may also sustain a total loss of the initial and any additional collateral that you held with us to establish a position or maintain positions.
If the required collateral additions or amount owing reductions are not made within the prescribed time, your collateral may be liquidated, and other actions taken, without your consent. For example, we may be forced to close your position at a loss. Moreover, you will remain liable for any resulting deficit in your account.

g. **Counterparty risk.** You are exposed to the credit risk of the counterparty to any derivatives product you have entered into. If the counterparty is not able to make a payment or becomes insolvent, you may lose some or all of your initial amount. This is despite the insurance fund and socialised loss mechanism that Crypto.com may utilise in the event of forced liquidation. This is in addition to the risks applicable to the socialised loss mechanism which may expose you to the risk of counterparties to other trades to which you may not be a party.

h. **Socialised Loss Mechanism-related risks.** The position of another person with whom you do not trade may nevertheless affect your overall position, if the socialised loss mechanism is triggered. For example, a user may suffer large losses which affects all other profitable users, despite such other users taking a low-risk position. You should be aware that the socialised loss mechanism may result in (for example) unforeseen payments required to be made even if you achieved a profit in relation to your own derivatives product transactions.

i. **Leverage involves high levels of risk.** Derivatives products may involve a high-degree of leverage as you may not be required to post 100% of collateral as margin. That is, the amount you provide upfront to enter into a derivatives product may be small when compared with the underlying value of the derivatives product. Where a transaction is leveraged, you should note that small price movements in the underlying market will have a multiplying effect on your corresponding gain or loss. Please refer to the Derivatives Trading FAQs for examples of gains and losses that may occur where a transaction is leveraged. Losses may be substantial and may even exceed the amount of margin deposited by you and you will be liable to us for any shortfall between the collateral and the loss incurred and you may be called upon at short notice (which may be given orally) to provide additional supported assets.

j. Any failure to make up the shortfall within the time required by us may result in us liquidating your position without your consent, applying the proceeds of such liquidation to the shortfall and claiming the balance (if any) from you. This could result in substantial costs and losses, which you will need to bear. Other consequences may also flow under the agreement. It is your responsibility to ensure that you have sufficient margin in your account to support when long or short positions are outstanding. You should therefore carefully consider whether such a trading arrangement is suitable in light of your own financial position and investment objectives. You must familiarise yourself with all the terms and conditions applicable to the derivatives products, collateral and the VA ETD service and seek independent advice if needed.

Risks specific to certain derivatives products

a. **No expiry date for some perpetual derivatives products.** The VA ETD service involves the offer of some derivatives products that have no expiry date. Such derivatives products can be held or traded for an indefinite amount of time, and payments will continue to be made to, or deducted from you, in relation to a derivatives product as long as it is held.

b. **Each derivatives product is subject to its own additional terms and conditions.** Each derivatives product varies. It is important you understand the precise terms and conditions associated with the specific derivatives product, in addition to general terms and conditions that apply to the VA ETD service. Please ensure you read and understand the specific Product Specification associated with the derivative product before entering into a transaction.

Other risks

a. The limitation of your (or even any person's) ability to predict correctly how particular reference assets will change in value and the impact on a derivative product. This may also require skills that are different to purchasing reference assets on a spot basis. You must carefully assess your own ability to enter into derivative products.

b. Your obligations in respect of derivatives products may not be the same as those in respect of trading the relevant underlying assets, including regulatory, tax, accounting and reporting requirements. As with any order, you alone are responsible for assessing your obligations associated with entering into derivatives product transactions and seeking such professional advice as needed before you trade.

c. Your inability to exit or close an existing position, which requires that you take an opposite position. Market conditions may mean that there may be limitations on your ability to enter into a new position or react to price movements.

d. A potential lack of, low or imperfect correlation between the price of a derivative product and the price of a reference asset.e. Risks that may be caused or exacerbated by any related leverage, other transactions or other dependencies.