



# 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.

**h. 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.

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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 hacks 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.