

INSTITUTIONAL BROKER AND CRYPTO SALES TRADING DESK BASIC AND RISK INFORMATION FOR BUSINESS CLIENTS

A. INTRODUCTORY INFORMATION

Crypto assets represent a relatively new asset class suitable only for well-informed and experienced investors. Before acquiring crypto assets, it is advisable to obtain comprehensive information. In particular, it is essential to have a thorough understanding of how crypto assets function and of the risks associated with the trading and custody of such assets.

These risk information documents are intended to assist persons who have been authorized by EUWAX AG (hereinafter "**EUWAX**") to trade at the Institutional Broker or Crypto Sales Trading Desk (hereinafter "**participants**") in making well-informed investment decisions. However, these risk information documents are provided for general information purposes only and do not claim to be exhaustive. Additional information may be relevant for the participant's decision to buy or sell crypto assets. Participants are therefore advised to make use of additional sources of information and, where appropriate, to seek advice from qualified professionals such as investment, financial, and/or tax advisors.

Neither EUWAX nor Boerse Stuttgart Digital Custody GmbH (hereinafter "**BSD Custody**") provides personal recommendations regarding the purchase or sale of crypto assets.

Because the trading and custody of crypto assets involve specific risks, the participant should carefully consider, prior to purchasing any crypto assets, the following among other factors:

- their objectives when investing or speculating;
- their financial situation;

- their risk tolerance;
- their individual needs, experience, and knowledge of the subject matter.

The scope of any investment in crypto assets should be proportionate to the participant's personal circumstances. EUWAX and BSD Custody do not assess whether participation in crypto asset trading or custody is appropriate for a participant, including whether it aligns with their knowledge and experience. Neither EUWAX nor BSD Custody provides investment advice.

Given the risks inherent to crypto assets, trading and custody are suitable only for investors who are willing to assume a high level of risk. Investments in crypto assets should generally not be used to pursue long-term objectives such as retirement savings. Purchases of crypto assets should not be financed through credit. In addition, anyone investing in crypto assets should continuously and closely monitor market conditions and available information.

The purchase, sale, and custody of crypto assets may result in losses for the participant, including a total loss. The offering of trading services is therefore intended for well-informed and experienced investors who possess a high risk tolerance and are financially capable of bearing losses, including the total loss of the capital invested.

B. BASIC INFORMATION

The following information is not exhaustive. Additional information may be relevant for a participant's decision to buy or sell crypto assets.

B1 ABOUT THE INSTITUTIONAL BROKER AND CRYPTO SALES TRADING DESK

"Institutional Broker" refers to the broker operated by EUWAX for the trading of crypto assets.

"Crypto Sales Trading Desk" refers to the telephone-based trading desk operated by EUWAX for the purchase and sale of crypto assets.

Only institutional clients—i.e., entrepreneurs within the meaning of Section 14(1) BGB—who have been authorized by EUWAX to trade are permitted to participate in trading at the Institutional Broker and the Crypto Sales Trading Desk.

B2 CRYPTO ASSETS

General characteristics of the crypto assets Bitcoin (BTC), Litecoin (LTC), Ether (ETH), and Bitcoin Cash (BCH)

Crypto assets such as Bitcoin may also be referred to as "virtual currencies," "digital currencies," or "alternative currencies." The unit of account for Bitcoin is expressed as "฿."

Crypto assets can be used by natural and legal persons as a means of exchange and can be transferred and held electronically. As fungible assets, they are currently traded on various financial markets.

Crypto assets are generally based on the idea of a non-state, limited-supply alternative currency. Unlike fiat money, which central banks can issue in unlimited quantities, and book money, which commercial banks create, the creation of new units of value for the three crypto assets BTC (Bitcoin), Litecoin (LTC), and Bitcoin Cash (BCH) takes place according to a predetermined mathematical procedure within a computer network. This process is known as "mining."

In principle, anyone may become a miner by using specific software that enables participation in the network and the creation of crypto assets. However, this requires sufficient computing power. Miners may also form mining pools to combine their computing power for the creation of new blocks in the respective blockchain. When new blocks are created, new units of the crypto asset (known as the "block reward") are issued—often only up to a certain block number. The total amount a miner receives consists of the coinbase reward and transaction fees. For BTC (Bitcoin), BCH (Bitcoin Cash), and LTC (Litecoin), new units may be

created until a fixed maximum total supply is reached; for BTC, this limit is 21 million coins. There is currently no fixed upper limit for ETH, although this may change in the future.

Proof of Stake (PoS) is a consensus mechanism used in blockchain technology to validate transactions and create new blocks. Unlike the energy-intensive Proof of Work (PoW), PoS relies on participants—known as validators—staking their crypto assets (in the case of Ethereum, Ether (ETH)) as collateral. This promotes network security and efficiency, as validators engaging in fraudulent activity may lose their staked funds. In 2022, Ethereum successfully transitioned from PoW to PoS with "The Merge."

Each network functions on a peer-to-peer basis. All users ("peers") are essentially equal; there are no central authorities controlling or managing transfers or balances. When a majority of users deems a transfer legitimate under the network's rules, that transfer is recorded in the blockchain and recognized as valid within the network. Confirmed transfers are generally irreversible.

Crypto assets are associated with identifiable addresses within the network. An address is derived from a randomly generated string known as a private key. The holder of an address manages it with the corresponding key pair to authenticate transfers. All users can transfer crypto assets to one another within the network. The recipient addresses for transfers must be exchanged between users outside the network.

The quantity of units associated with an address and all previous transfers are publicly viewable on the blockchain. However, the network does not reveal which person owns the recorded units of value. In addition to transfers within the network, keys may also be transferred physically between persons, for example by passing them on via data storage devices.

Specific characteristics of the crypto asset XRP (Ripple)

The crypto asset XRP (Ripple) has several particular features. In particular, the units of value in the Ripple network are not created in a decentralized manner by miners. Instead, the initiators of the network generated the entire maximum supply at launch, although not all of it is currently in circulation.

The Ripple network also enables the transfer of certain other assets between persons. Depending on network activity, at least one XRP drop is destroyed with every transfer as a prerequisite for executing the transaction. Consequently, the total amount of units in existence decreases continuously.

Furthermore, not all users participate equally in validating transfers. Instead, specific server operators generate consensus

among themselves under the Ripple algorithm and thereby validate transfers within the Ripple network.

ERC-20 tokens

ERC-20 is the most widely used token standard on the Ethereum blockchain. It defines the protocol for a particular type of smart contract. ERC-20 tokens do not use their own blockchain but are issued on the Ethereum blockchain. Tokens such as UNI (the native token of Uniswap) or LINK (the native token of the decentralized Chainlink network) are two of many ERC-20 tokens.

Participants are able to buy and sell selected ERC-20 tokens via the Institutional Broker and Crypto Sales Trading Desk. A list of currently supported ERC-20 tokens is available at dsdigital.com. Deposits of these ERC-20 tokens to a personal ETH deposit address at the Institutional Broker or Crypto Sales Trading Desk are not currently supported. Consequently, it is not possible to transfer ERC-20 tokens from an external wallet to the Institutional Broker or Crypto Sales Trading Desk ETH deposit address. The delivery of supported ERC-20 tokens from the Institutional Broker or Crypto Sales Trading Desk to external wallets is, however, possible as usual.

The above description of crypto assets is not exhaustive and is intended only to provide an overview of certain commonly traded crypto assets. Participants are advised to obtain independent information about crypto assets.

Specific characteristics of the crypto assets Polkadot (DOT), Cardano (ADA), and Solana (SOL)

DOT is the native crypto asset of Polkadot, a network that enables interaction between different applications and blockchains, each of which can be configured individually on Polkadot. This allows for broader use cases than in many other blockchain networks.

ADA is the native crypto asset of Cardano. In contrast to other currencies, Cardano follows a scientific approach designed to minimize existing problems and weaknesses. Changes must undergo extensive peer review.

SOL is the native crypto asset of Solana, a network that aims to provide a high-speed platform for decentralized financial transactions.

B3 TAX TREATMENT

Any taxes that may be incurred must be paid by the participant to the competent tax authority.

In all cases, participants are strongly advised to seek professional advice from a tax or legal advisor regarding their individual tax situation. These risk information documents do not constitute tax or legal advice.

B4 INVESTMENT STRATEGY AND INVESTMENT CRITERIA

These risk information documents provide details on the fundamentals, opportunities, and risks associated with the trading and custody of crypto assets. However, their significance and relevance depend on the participant's individual investment strategy and objectives.

Accordingly, the participant—alone or with the support of suitable advisors such as investment, financial, and/or tax advisors—should assess their risk-bearing capacity, investment horizon, and investment objectives by answering, among others, the following questions:

- To what extent is the participant willing to accept fluctuations in value? Can potential losses be borne?
- For how long can the participant do without the capital to be invested? When will the funds be needed again?
- What objectives are being pursued with the investment? What is the participant's expected return?

These questions reflect the three fundamental investment criteria: security, liquidity, and profitability. These criteria compete with and influence one another. Based on their personal preferences, the participant must establish an appropriate balance between them, which should be reflected in their individual investment strategy. Each investment decision should take this balance into account.

The objectives associated with an investment always depend on the participant's personal circumstances, may change over time, and should therefore be reviewed regularly.

Security

Security means preservation of the invested capital. The security of an investment depends on the risks to which it is exposed (see Section C below for an overview of certain risks).

Security may be enhanced, among other things, through an appropriate diversification of assets. Such diversification may be achieved by considering various criteria, for example by including different asset classes in the investment portfolio and by investing in different industries, countries, and currencies. Because of their inherent risks, crypto assets are suitable only as a supplementary component of a diversified portfolio.

Liquidity

Liquidity refers to how quickly funds invested in a particular asset can be realized—that is, converted back into a bank deposit or cash. The crypto assets tradable via the Institutional Broker or Crypto Sales Trading Desk generally have good liquidity; however, this may change over time.

Profitability

The profitability of an investment is determined by its return. Typically, the returns on securities consist of interest payments, dividends, other distributions, and appreciation in value (price changes). In the case of crypto assets tradable via the Institutional Broker or Crypto Sales Trading Desk, there are no distributions. Therefore, a return on investment in crypto assets can arise only from price appreciation. Any taxes payable will reduce the net return.

Overall assessment

The three criteria—security, liquidity, and profitability—cannot be fully reconciled with one another. For example, a higher degree of security may reduce potential returns. It is the participant's responsibility, possibly with the assistance of suitable advisors such as investment, financial, and/or tax advisors, to determine their priorities among these criteria in line with their investment objectives and to take these priorities into account when investing in crypto assets.

C. RISK INFORMATION

The following risk information is not exhaustive. Additional information may be relevant for a participant's decision to buy or sell crypto assets.

The occurrence of individual risks—or the combined effect of several risks—may have a materially adverse impact on the profitability of the participant's investment. The order in which the risks are presented does not imply any statement about their probability of occurrence or their significance and severity.

C1. MARKET PRICE RISK

The price level of crypto assets is subject to continuous fluctuations. These price fluctuations may extend over a longer period, but significant price movements can also occur within a short time. Price movements result from the interaction of supply and demand in the market.

In this context, the psychology of market participants plays an important role:

- Price developments may occur irrationally;
- News from politics and the economy, sentiment, and rumors influence price formation;
- Facts may be interpreted in different ways. It can be difficult to distinguish between rational and irrational factors and to determine their immediate impact on price movements.

Significant price fluctuations may also result from a strong selling interest by one or more market participants. In general, there is a risk that price levels will move unfavorably for the participant after a purchase or sale. This may result in losses (including total loss) or the forfeiture of potential gains.

❏ TRADING-SPECIFIC RISKS

Trading-hours risk or interruption of trading

Trading via the Institutional Broker or the Crypto Sales Trading Desk is possible during designated trading hours. In the event of a malfunction of EUWAX's or a third party's technical systems, during necessary maintenance work, or due to certain other events, EUWAX may, on an exceptional basis, restrict trading hours. In accordance with its General Terms and Conditions, EUWAX is also entitled to suspend or interrupt trading if orderly trading or proper business operations appear temporarily no longer assured. Outside trading hours, or during an interruption, participants cannot buy or sell crypto assets. Trades are possible only once trading resumes or the interruption is lifted. There is a risk that participants may then only be able to purchase crypto assets at a higher price or sell them at a lower price. Such price deviations may be substantial, particularly in volatile markets. This may result in losses (including total loss) or missed gains.

Risk of temporary unavailability of technical systems

EUWAX aims to provide its services with minimal interruption, in particular to enable participants to trade continuously during trading hours. However, uninterrupted availability cannot be guaranteed. It cannot be ruled out that EUWAX's technical systems, or those of third parties on which EUWAX relies for its services, may temporarily fail to function properly. This may prevent crypto assets from being traded during trading hours because orders cannot be transmitted to the trading system or existing orders cannot be executed. If a participant wishes to buy or sell crypto assets during such a temporary outage, this can only occur once the systems become available again. There is a risk that the participant may only be able to buy at a higher price or sell at a lower price, particularly in a volatile market. This may lead to losses (including total loss) or missed gains.

Liquidity risk

From a participant's perspective, the liquidity of a crypto asset at a trading venue can be understood as the ability to buy or sell that asset immediately at a market-based price. Highly liquid crypto assets typically have a narrow spread (the difference between the best available buy and sell limits for a given trading volume). Illiquid assets, by contrast, have wider spreads. There is a risk that liquidity at the Institutional Broker or Crypto Sales Trading Desk may deteriorate due to participants' trading behavior—for example, because they quote less favorable prices, provide lower trading volumes, or temporarily or permanently cease trading. Wider spreads may result in participants obtaining less favorable prices for their orders. This may cause losses or missed gains.

Risk of discontinuation or delisting of a crypto asset

In accordance with its General Terms and Conditions, EUWAX is entitled to terminate the inclusion of a crypto asset in trading by giving six weeks' notice, or with immediate effect for good cause and at its reasonable discretion. EUWAX may also suspend trading of a crypto asset if orderly trading or settlement no longer appears assured. Participants bear the risk that, following such termination or suspension, they may no longer be able to buy or sell the affected crypto assets via the Institutional Broker or Crypto Sales Trading Desk. Any related trading interests could then be pursued only through other marketplaces where the respective crypto assets are traded, if such marketplaces exist. If a participant's crypto assets are held in custody with BSD Custody, the participant could then only request withdrawal of such assets to a blockchain address specified by them. Any delay or impossibility in executing trading interests may result in losses (including total loss) or missed gains.

Risk of cancellation of transactions

It cannot be ruled out that the trading system of the Institutional Broker or Crypto Sales Trading Desk may, for example due to a technical malfunction or incorrect data, generate erroneous prices and match orders at such prices. EUWAX may, at its reasonable discretion, be entitled to subsequently cancel such affected transactions. In this case, any benefit obtained by a participant from the canceled trade would be revoked. When executing replacement transactions after a cancellation, affected participants may achieve less favorable prices than those realized in the canceled trade. This may lead to losses or missed gains.

Risk of inaccurate information

EUWAX provides participants with access to certain information relating to crypto assets via its website, including current and historical market prices. It cannot be ruled out that such information may be incorrect—for example, due to technical malfunctions or erroneous third-party data. There is a risk that a buy or sell decision may be made on the basis of inaccurate information, which would not have been made if correct information had been available. This may result in losses or missed gains.

Risk arising from algorithmic trading techniques

As a rule, participants are not permitted to conduct algorithmic trading via the Institutional Broker or Crypto Sales Trading Desk in such a way that a computer algorithm automatically determines individual order parameters. EUWAX may, however, exempt certain participants—private or institutional clients—from this rule if specific conditions are met. It cannot be ruled out that algorithmic trading techniques used at the Institutional Broker or Crypto Sales Trading Desk could negatively affect price formation—for example, due to malfunctions or overreactions of a participant's technical systems. This may result in losses or missed gains.

Risk of non-performance or delayed performance of transactions

EUWAX may grant certain institutional clients the right to sell crypto assets at the Institutional Broker or Crypto Sales Trading Desk even if they do not hold a corresponding amount of such assets in custody with BSD Custody at the time of sale, provided they undertake to deliver the sold quantity to BSD Custody by the settlement date. There is a risk that such a client could default on its obligation and fail to deliver the sold assets to BSD Custody in due time for settlement. This may result in losses (including total loss).

Risk of regulatory actions

It cannot be ruled out that trading may become subject to regulatory restrictions in the future. Such measures could adversely affect participants' access to the Institutional Broker or Crypto Sales Trading Desk, delay the execution of trades, or alter the applicable conditions. This may result in losses or missed gains.

Risk arising from interaction between different contractual partners

The overall trading offering via the Institutional Broker or Crypto Sales Trading Desk depends on the coordinated

interaction between EUWAX and BSD Custody. Each enters into separate agreements with the participant and is independently responsible for performing its respective contractual obligations. If either contractual partner fails to duly perform its obligations, this may impair trading operations, for example if the performance is essential for the combined service offering. Participants may then be unable, or only able at a later time, to execute trades via the Institutional Broker or Crypto Sales Trading Desk. This may result in losses or missed gains.

According to current German government plans at the time of publication of this document, BSD Custody's activities will in future qualify as "crypto custody business," which requires authorization. BSD Custody would be granted a transitional period to apply for such authorization. There is a risk that BaFin may not grant the license or may do so only after the transitional period expires. In such a case, BSD Custody might no longer be permitted to perform its activities for the Institutional Broker or Crypto Sales Trading Desk; another custodian would have to be found. Trading might need to be suspended or interrupted temporarily. During such time, participants would be unable to execute transactions. This may result in losses or missed gains.

3 CRYPTO ASSET-SPECIFIC RISKS

Blockchain technology

Blockchain technology is a relatively new and therefore only partially tested technology. Crypto assets such as Bitcoin are based on this technology. There is a risk that blockchain technology may be subject to technical difficulties or that its functionality may be impaired by external influences. Advances in cryptography or in computing technology—such as the development of quantum computers—may pose risks to crypto assets. There is also a risk that the software underlying blockchain technology contains vulnerabilities or errors that could result in the complete loss of a crypto asset.

Acceptance risk

Providers of goods and services and other market participants are not legally required to accept crypto assets as a means of payment. The usability of crypto assets as a payment instrument therefore depends on their acceptance by market participants. There is a risk that crypto assets may in future be accepted as a means of payment to a lesser extent than at present. This may lead to a decline in value, up to and including total loss.

Value risk

Crypto assets have no intrinsic value—unlike, for example,

silver coins, which possess a material value. The value of crypto assets arises from market supply and demand and is therefore determined by the market price (see "Market Price Risk" above). There is a risk of a decline in the market price that is not limited by any intrinsic value.

Operational risk

The functionality of the distributed-ledger technology underlying a crypto asset depends—at least in the case of BTC (Bitcoin), BCH (Bitcoin Cash), LTC (Litecoin), and DOGE (Dogecoin)—on the ability and willingness of miners to provide computing power for the creation of new blocks. These "technology operators" may cease their activity for various reasons, such as lack of public interest in the crypto asset, insufficient financing, or inadequate profitability. There is a risk that such operators could reduce or discontinue their activity and that the proper functioning of the relevant distributed-ledger technology would no longer be adequately ensured.

For the crypto assets Ether (ETH), Solana (SOL), Cardano (ADA), Algorand (ALGO), Polygon (MATIC), and all Ethereum-based tokens (e.g., ERC-20 tokens), the functionality of the distributed-ledger technology on which a crypto asset is based may be jeopardized if a small number of holders control a large proportion of the network's staked value (approximately 50 percent). An attack of this scale could prevent settlement within the network or prevent honest validators from verifying the canonical chain. Such attacks may disrupt the network's functionality and halt the validation of pending transactions. A similar risk exists for XRP (Ripple). If the operation of validation servers were to cease, the Ripple network's functionality might no longer be adequately ensured. These developments may cause a decline in value up to and including total loss.

Risk of irreversibility of crypto withdrawals

Participants may instruct BSD Custody to transfer crypto assets to their own blockchain address. For this purpose, the blockchain address must be entered by the participant via the website. There is a particular risk that an error in entering the blockchain address may result in the crypto assets being sent to an incorrect address. Because such transfers cannot be reversed, the transferred amount would be lost. Participants must therefore ensure that they provide the correct blockchain address.

Participants may deposit crypto assets with BSD Custody for safekeeping. To initiate such a deposit, participants must use the designated function to generate a personal deposit-wallet address. Deposits must be made to this wallet address from the participant's own blockchain address. Participants must verify that the deposit wallet address entered is correct; any transfer to an incorrect blockchain address cannot be reversed. Due to implemented security standards, deposits may occasionally be delayed. During such delays,

participants may not be able to buy or sell crypto assets because the deposited assets are temporarily unavailable. Price fluctuations during this time may result in losses (including total loss) or missed gains.

Regulatory risks

There is a risk that existing legislation may be amended or applied differently and/or that new laws may be enacted governing applications based on distributed-ledger technology—for example, to strengthen consumer or data protection. Such changes could adversely affect the current system structures or discourage technical operators from continuing their involvement. This may result in a loss of value (including total loss).

There is also a risk that existing or new legislation may impose specific requirements on the custody of crypto assets. This could have adverse effects for participants, such as a general decline in the value of affected crypto assets. Participant losses (including total loss) cannot be ruled out.

Tax risks

Profits realized from the purchase and sale of crypto assets may be subject to taxation. There is a risk that current rules governing the scope of tax liability could change to the detriment of the participant or be interpreted differently by domestic or foreign tax authorities. This would increase the participant's overall tax burden and reduce their net return.

Cybersecurity risk

BSD Custody stores crypto assets in accordance with very high security standards and has implemented a corresponding security concept. However, this concept cannot guarantee 100 percent protection. There is therefore a risk that the IT systems used could be targeted by cyberattacks or physical attacks, potentially leading to the loss of crypto assets (up to and including total loss).

Manipulation risk

Every distributed-ledger technology underlying a crypto asset is based on a cryptographic process designed to prevent manipulation. These processes or their implementations may in the future prove insufficiently secure. There is a risk that the functionality of the distributed-ledger technology could be impaired or even entirely disrupted by cyberattacks. This may lead to the loss of crypto assets (including total loss).

Risk of a majority attack

For crypto assets based on Proof-of-Work networks, there is a possibility that miners controlling more than half of the network's computing power could combine to carry out a majority attack (also known as a "51 percent attack"). Such an attacker could prevent new transfers from being recognized by the network. Once in control, the attacker could reverse or redirect their own transactions, enabling "double spending" (multiple transactions with the same coins or tokens). The attacker could also block others' transactions by refusing confirmation, or block other miners in order to claim their corresponding rewards (payments miners receive for extending the blockchain). In the event of a majority attack, the functionality of the distributed-ledger technology could be impaired or even suspended. A similar risk exists for XRP (Ripple). A majority attack may also cause a decline in market price and a loss of value (up to and including total loss).

Comparable risks may also arise for Ether (ETH), Solana (SOL), Cardano (ADA), Algorand (ALGO), Polygon (MATIC), and all Ethereum-based tokens (e.g., ERC-20 tokens) if a small number of holders control a large portion of the network's total stake (approximately 50 percent).

Transfer-fee risk

Transferring units of a crypto asset to another blockchain address entails specific costs. There is a risk that such costs may increase in the future. Rising transfer fees could make these crypto assets less attractive as a means

of payment, which may lead to a decline in market price and a loss of value (up to and including total loss).

C4 FURTHER RISKS

Risk of misuse of web front-end and mobile TAN access data

Participants can log in to the website using their access credentials (email address and password) to access the Institutional Broker trading environment. There is a risk that another person could obtain or spy on a participant's access data and misuse the website's functions to initiate purchases or sales of crypto assets, or to withdraw euro or crypto balances. Such misuse could result in losses for the participant (including total loss).

Risk of financing through credit

If the deposited funds originate from a loan, the so-called leverage effect increases not only the potential for profit but also the risk of loss. In addition, the costs of the loan—particularly interest—raise the overall cost of the investment in crypto assets. Any agreed interest must be paid during the loan term, even if no proceeds are realized from the sale of the assets. If the market price develops differently than expected, the participant must not only bear the potential loss but also repay the loan with interest. Therefore, purchases of crypto assets should generally not be financed through credit.

Higher risks in same-day trading

Engaging in same-day trading (day trading) refers to buying and selling trading instruments at a high frequency—often several times a day—typically with the aim of realizing profits from small or very small price movements. Such behavior increases the participant's risk of incurring losses from buying and selling activities.

Risk of incomplete information

Participants face the general risk of making decisions to buy or sell crypto assets based on insufficient information. These risk information documents do not claim to be exhaustive. Additional information beyond that provided here may be relevant. Participants are therefore advised to consult additional sources of information and, where appropriate, to seek advice from suitable professionals such as investment, financial, and/or tax advisors. There is a risk that a buy or sell decision may be made on the basis of inadequate information that would not have been made with sufficient information. This may result in losses or missed gains.

D. WARNINGS BY EUROPEAN SUPERVISORY AUTHORITIES AND BAFIN

The Joint Committee of the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA), and the European Insurance and Occupational Pensions Authority (EIOPA) issued a public statement on 12 February 2018 warning of potential risks associated with purchasing and holding crypto assets such as BTC (Bitcoin), ETH (Ether), and XRP (Ripple).

BaFin also warns consumers of the risks involved in investing in crypto assets. Its warning highlights the potential for significant capital losses up to and including

total loss, as well as the risks arising from high volatility and possible illiquidity, which must be taken into account when making investment decisions.

On 22 August 2022, BaFin issued a further warning, noting that crypto assets are not covered by deposit protection schemes and that, as a general rule, investor compensation protection also does not apply. The legal position of the customer is determined by insolvency law and depends on whether, based on the structure and implementation of the contractual relationship between the custodian and the customer, a right of segregation (*Aussonderungsrecht*) exists.

EUWAX AG

BOERSE STUTTGART DIGITAL CUSTODY GMBH