Risk Information Sheet of Digital Assets for Clients of SDX Web3 Services

A. General risks of Digital Assets

SET OUT BELOW IS AN OVERVIEW OF SOME OF THE RISKS INVOLVED WITH DIGITAL ASSETS, HOWEVER THIS LIST IS NOT EXHAUSTIVE AND CLIENTS MUST ONLY USE SDX WEB3 AG (SDX WEB3) SERVICES AFTER TAKING AN INDEPENDENT ASSESSMENT OF THE POTENTIAL RISKS INVOLVED.

1. Price volatility

Price volatility is the primary risk in the digital assets markets. Volatility is a challenge for price determination. The value and liquidity of digital assets may be subject to large fluctuations. Market downturns, where digital asset valuations depreciate massively, are frequent. Massive price changes can trigger automatic collateral liquidation within lending protocols. This may lead to a price spiral and further downturn the value of the digital asset in question or even bank runs to redeem the underlying value of the collateralized assets. The realization of these specific risks may lead to a downturn of digital assets market overall.

2. Conduct risks

Conduct risks, including fraud and theft, may realize themselves in a variety of ways. Hackers or other malicious persons, groups or organizations may attempt to interfere with the blockchain protocol in different ways, including, but not limited to, malware attacks, denial of service attacks, consensus-based attacks, sybil attacks, 51 % attacks, byzantine faults, eclipse attacks, hostage data attacks, smurfing, spoofing or phishing of emails.

A private key (or the combination of private keys) is necessary to control and dispose of any digital asset. Accordingly, if Clients lose their requisite private key(s) associated with Clients' digital wallet or vault storing digital assets, this will result in loss of such digital assets. Any third party that gains access to such private key(s), including by gaining access to login credentials of a hosted wallet service the Client uses, may be able to misappropriate Clients' digital assets.

Any errors or malfunctions caused by or otherwise related to the wallet the Client chooses to receive and store digital assets, including Clients' own failure to properly maintain or use such wallet, may also result in the loss of Clients' digital assets.

In addition, fraud or cyber-attacks can result in technical difficulties which could prevent the access to or use of the Client's digital assets.

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3. Operational risks

SDX Web3 neither owns nor controls the underlying software protocols which govern digital assets, such as Bitcoin or ETH. SDX Web3 is not responsible for the operation of the underlying protocols and cannot guarantee their functionality, security, or ongoing availability. As many of the protocols underlying digital assets are still being developed, there can be unforeseen viruses or vulnerabilities. Bugs in smart contracts can be exploited to deprive users of their assets.

In addition there might be future changes in the protocols governing a blockchain which SDX Web3 may, at its sole discretion, chose not to support through its services, including but not limited to a hard fork (consensus affecting protocol change to which the participants that did not adopt the change will not be able to continue validating and verifying transactions) affecting the underlying distributed ledger of the relevant digital asset or even leading to the creation of a new digital asset.

SDX Web3 may at its sole discretion chose not to support through its services Airdrop events (a distribution of digital asset units to a defined scope of digital ledger addresses usually without any compensation or other form of remuneration due by the unit recipients, often for promotion or similar purposes). Furthermore, it may chose not to take the appropriate administrative actions, e.g., withdrawal of newly created or airdropped digital assets within specific deadlines, waiting periods, or other technological limitations or other reasons outside of SDX Web3´s control.

General features of decentralized governance, relating to security of transactions versus scalability tradeoffs, or validation incentives to delay transactions are outside of SDX Web3´s control. In decentralized governance structures a small group of governance token holder may influence the main characteristics of the protocol. The willingness of persons to participate in the governance of a token regime may influence the value. Behind the claim of decentralized structures in the governance of the protocols unfair practices in the transfer of funds may be hidden, resulting in front running or manipulation of voting mechanisms to change the rules for the withdrawal or use of funds. In comparison to financial decisions in traditional finance governance decisions related to blockchain protocols are more consequential for users due to the irreversibility of transactions running on the blockchain.

4. Risks in digital assets intermediation

Risks in digital asset intermediation, including but not limited to mismanagement, information asymmetry, and lack of transparency in the digital assets market have been demonstrated by Ponzi schemes disguised as token issuance in earlier years of the evolving digital assets market and recently by bankruptcy cases of prominent lending platforms and digital assets exchanges, taking excessive leverage, risks and mismatched liquidity. Also, data breach and ransomware continue to be a major risk, especially with centralized platforms constituting a single point of failure.

5. Risk exposures related to existing regulatory gaps and evolving regulation and market oversight for digital assets

Risk exposures related to existing regulatory gaps and evolving regulation and market oversight for digital assets result in legal uncertainty. This includes but is not limited to effects of legal and regulatory noncompliance and effects of changes in the scope and application of laws and regulations.

The transnational nature of digital assets, the changing composition of its applications, the absence of a centralized authority often results in inapplicability or uncertainty in the applicability of financial regulation, or oversight.

SDX Web3 has the right, at its sole discretion, to limit and/or cease providing services within the jurisdiction, SDX Web3 is operating in, and shall not be liable for any losses because of such decision.

Please note that there may be other risks involved with digital assets in general in addition to those outlined above in relation to holding digital assets and using SDX Web3 services, and there may be further risks that arise in the future.

B. Staking Risks

Specific risks are involved with participating in staking of digital assets, including but not limited to the following:

SDX Web3 DOES NOT GUARANTEE THAT CLIENTS USING ITS STAKING SERVICES RECEIVE ANY STAKING REWARDS AND THE SIZE OF REWARDS MAY CHANGE AT ANY TIME DURING THE USE OF SDX Web3 STAKING SERVICE. SDX Web3 DOES NOT OWE ANY REWARDS TO CLIENTS.

6. Staking Services are optional

Staking Services are optional with SDX Web3 and the instruction to stake does not affect ownership of staked digital assets in any way. SDX Web3 will only stake, once SDX Web3 has received Clients Staking request. Equally SDX Web3 will only unstake upon Client's request by taking the necessary blockchain related operational measures for the Client to terminate Client's participation in the validation process of the relevant protocol. Protocol related unstaking periods may apply, they are outside of SDX Web3´s control and may cause a delay in the completion of this process.

7. Clients are not required to stake with SDX Web3 and Clients can request to unstake at any time

If Clients stake with SDX Web3, Clients may choose SDX Web3 services to facilitate the bonding process of assets determined for staking. Using SDX Web3 staking service means that SDX Web3 will act as transaction validator on the applicable network for the staked digital asset. Depending on the protocol, there may be a delay before Clients' assets are eligible for the transaction validation process and earn rewards.

Some digital asset networks require that a certain amount of staked assets is locked (restricted from sale or transfer) for a certain period of time while staking. In some cases, withdrawal of staked assets may be delayed as a result of protocol unstaking periods or network conditions.

8. Staking rewards

Staking rewards are built in positive incentives generated and determined by the underlying blockchain protocol on which the specific digital asset runs and are therefore outside the control of SDX Web3. Rewards are distributed for protocol compliant performance. SDX Web3 does not issue any rewards for staked digital assets. Clients only receive the rewards they would receive if they staked on their own.

ETH staking rewards' size is variable and depend upon several factors, including how much total ETH is staked across the entire Ethereum Network. The more ETH is staked by persons generally, the less Clients in staking ETH will receive staking rewards. Only after the end of the lock-up period Clients will be able to access their rewards.

9. Penalties

Penalties are built in negative incentives for validators being offline due to technical or operational reasons which may result in permanent or temporary exclusion from block production and opportunity to earn rewards. SDX Web3 offers its staking service "as is". Clients bear the risk of such missed opportunity to earn rewards.

10. SDX Web3 does not guarantee the success of upgrades to protocols underlying the staked digital assets.

Protocol upgrades are outside of SDX Web3´s control and SDX Web3 does not undertake any voting on any matters in connection with protocol-related upgrades or matters. SDX Web3 will not be responsible for any loss of staked digital assets caused by any such upgrade failure.

11. Protocol Lockups and Unbonding in Ethereum Staking

If Clients chose to stake ETH and transfer ETH to its underlying protocol, called the Beacon Chain Protocol, ETH will stay locked on the Beacon Chain Protocol until the Ethereum network's underlying Beacon Chain Protocol has been successfully upgraded. In addition, the unstaking of ETH will become subject to a so-called unbonding period. Unbonding period is the amount of time it takes before the owner of these ETH is able to access his assets, to move or sell their ETH. The length of this period will be determined by the Beacon Chain protocol and is outside of SDX Web3´s control, and can last from a few days up to a few weeks. Only after the upgrade and completion of the unbonding period, Clients will be able to transfer their ETH from the Beacon Chain Protocol to an external ETH address on the so-called execution layer, meaning transfer their ETH to another wallet. Until the ability to transfer is implemented, Client's staked ETH will be illiquid.

12. Slashing and Penalties

SLASHING REPRESENTS THE RISK OF FULL OR PARTIAL LOSS OF ETH STAKED BY CLIENT. CLIENT BEARS THE FINANCIAL AND ECONOMIC COSTS THIS IMPLIES, UNLESS CLIENT HAS CHOSEN SDX Web3 OPTIONAL OFFER OF SLASHING PROTECTION.

Slashing and Penalties are protocol built in negative incentives consisting in the Beacon Chain protocol burning staked ETH. Burning means burned ETH are with-drawn from circulation by the protocol and become inaccessible for the participants in the Ethereum network.

Slashing occurs when validator nodes trigger a so-called slashing event, which is automatically determined by the Beacon Chain protocol alone, and caused by vouching for an invalid transaction.

Penalties apply if Clients' staked ETH and staking software provided by SDX Web3 go offline resulting in missed opportunity to be selected for block production and earn rewards.

13. Regulation of ETH and the Ethereum Network

Regulation of ETH and the Ethereum Network is rapidly evolving. Regulation varies significantly between jurisdictions and is subject to uncertainty. For example, regulators could determine that ETH is a financial instrument requiring some form of registration, authorization, or other licensing and SDX Web3 has the right, at its sole discretion, to limit or cease providing Staking Services within the jurisdictions of such regulators and shall not be liable for any loss as a result of such decision.

Please note that there may be other risks in addition to those outlined above in relation to participating in staking of ETH through SDX Web3 staking service, and there may be further risks that may arise in the future.

C. Custody Risks

14. Technical and Operational Risks

CLIENTS ARE IN TOTAL CONTROL OF THE DIGITAL ASSETS, IF HELD IN OWN CUSTODY IN THEIR OWN WALLET. IF HELD IN CUSTODY BY SDX WEB 3, AT ANY TIME, TO FULLFILL CLIENTS REQUEST TO WITHDRAW THE DIGITAL ASSETS TO A DIFFERENT BLOCKCHAIN ADDRESS IS SUBJECT TO OUTAGES, DOWNTIME, PROTOCOL REQUIREMENTS, TIME TO CONDUCT BLOCKCHAIN OPERATIONS AND OTHER APPLICABLE POLICIES REGULATION OR LAW.

Digital assets are fundamentally different from traditional asset classes from a technological perspective. The transfer in (deposit) and the transfer out (withdrawal) of certain digital assets supported by SDX Web3 by eligible Clients into custodial accounts consists of multiple meticulous processes for encryption (e.g., key generation), secure storage, and decryption of digital assets. Due to these differences, there are unique risks involved with securing their custody and their servicing beyond which is required to custody securities, fiat currencies, or any other legacy financial instrument. Foremost the immutability of the blockchain makes transactions irreversible. For example, if the Client inputs incorrect information when sending an instruction for a transfer, there is a risk that the relevant digital asset will be lost and not be recoverable. Also, the anonymity of transfer makes it more challenging to police theft caused by unauthorized transfers in comparison to traditional cash transfers, where parties involved in the transaction, are much easier identifiable.

15. Hardware and software under Clients' control

Hardware and software under Clients' control, could be subject to security failure due to human error, theft, fraud, or compromise in any way, including physical intrusion. Such a security failure ultimately may lead to the complete loss of the relevant digital assets. SDX Web3 does not bear any of such risks, outside of SDX Web3's control, in particular due to hacking and other security attacks by third parties on data giving access to and enabling the disposition over relevant digital assets or enabling individual transactions of digital assets.

EVEN THOUGH SDX Web3 PROTECTS THE DEVICES, SYSTEMS, SOFTWARE AND NETWORKS ON ITS END, AS APPLICABLE, AGAINST ELECTRONIC ATTACKS AND UNAUTHORIZED USE, AND TAKES DUE CARE AND REASONABLE MEASURES TO ADDRESS AND MITIGATE THE REALIZATION OF ABOVE-MENTIONED RISKS, THEIR REALISATION CANNOT BE EXCLUDED AND MAY CAUSE THE PERMANENT PARTIAL OR TOTAL LOSS OF DIGITAL ASSETS HELD IN CUSTODY. IF THESE RISKS CANNOT BE ATTRIBUTED TO SDX Web3 NON-COMPLIANCE WITH ITS DUTY OF CARE, CLIENTS BEAR THE RISK OF NOT RECOVERING THEIR LOST DIGITAL ASSETS.

16. Key Management, Access, and Storage Risks

AS LONG AS CLIENTS USE SDX Web3 CUSTODY SERVICE SDX Web3 SHALL RETAIN CONTROL OVER ELECTRONIC PRIVATE KEYS ASSOCIATED WITH BLOCKCHAIN ADDRESSES OPERATED BY SDX Web3, INCLUDING BLOCKCHAIN ADDRESSES USED TO HOLD CLIENTS' DIGITAL ASSETS.

Private keys are the cryptographic tools that give users access to their digital assets to move or transfer them. Access to digital assets' private key is equivalent to access to the underlying assets themselves. Holding digital assets means taking possession and control of the cryptographic access keys to that unit of the digital assets. Private keys can exist in multiple instances and locations. Private key

material, including seed phrases and passwords can and often do exist apart from the copy held in custody. To protect these private keys against theft, loss, and unauthorized and accidental access and transfer simply having the possession and control of private key material, without exclusivity of this control is not enough to eliminate these risks. SDX Web3 has established policies, procedures, and controls for safekeeping and maintaining exclusive possession of digital assets on behalf of its Clients.

Multiparty computation ("MPC") is the technique SDX Web3 uses for key management and storage. In MPC no key is held by one party at any point in time at one place. Instead of exclusivity of control of one key holder, the private key is divided into shares and predetermined parties compute their part of the key and the MPC software confirms their approval before the private key can be used or restored in case of loss. Although MPC eliminates the heightened risk entailed with one point of failure or compromise, represented by one key holder, and therefore drastically reduce the likelihood of hackers attacking all shares of the private key at the same time, exclusivity of control of these MPC participants cannot be guaranteed with absolute certainty.

Hot storage of assets held in custody generally means that the wallet in which the key is stored is connected to the internet. Here, it refers to the use of MPC software which is connected to the internet or other public networks for the purpose of storing the shares of the private keys enabling the access to and disposal over the relevant digital asset addresses or wallets for the digital assets of Clients.

Cold storage generally means that the key is stored on a physical device that is completely offline. Here, this may be the chosen storage solution by SDX Web3 with respect to MPC-based private keys. More specially it means that SDX Web3 stores cryptographic materials off-line and encrypted shares online. In addition, SDX Web3 requires multi-factor authentication to process shares of the private keys and back-up key materials are secured in vault facilities. This mitigates the risk of unauthorized or accidental access. At the same time, it creates the risk that access, or transfer of private keys could get affected by disruption or the destruction due to events at the storage facility, or with the software or hardware system used for storage. Also, it cannot be excluded that the transfer from cold to hot storage may cause significant delays in the overall transfer of digital assets.

17. Segregation of Assets, Proof of Existence

ALTHOUGH SDX Web3 PROVIDES SEPARATE BLOCKCHAIN ADDRESSESS, CONTROLLED BY SDX Web3, AND SEPARATE OFF CHAIN LEDGERS ON BEHALF OF THE CLIENT FOR CLIENTS, SDX Web3 HAS NO OBLIGATION TO CREATE A SEGREGATED BLOCKCHAIN ADDRESS FOR CLIENTS' DIGITAL ASSETS HELD IN CUSTODY ON BEHALF OF THE CLIENT, UNLESS REQUESTED BY CLIENT OR REQUIRED IN ONE OF THE SERVICES SDX Web3 OFFERS.

Omnibus accounts may be used by SDX Web3 to more securely or efficiently custody digital assets on behalf of Clients. If SDX Web3 uses shared blockchain addresses for their Clients, Clients will only be able to determine their proportional entitlement of each of its digital assets held in custody. This means that there is no direct connection between the Clients' assets and the Client's identity. Due to the anonymity of the wallet address (linked to a public key address and not to Client's identity), Clients will not be able to track or claim a specific share of digital assets in custody.

Also, Clients do not have the ability to verify with certainty whether their associated digital

assets recorded off chain still exist on chain. If digital assets are held in omnibus accounts, SDX Web3 solely keeps track of movements of each of its Clients' units of digital assets through its own books and records and records transfers of Clients' assets solely on its own ledger off-chain.

Proof of existence of an equal amount of digital assets on the blockchain as the amount of digital assets under custody of SDX Web3 is limited to the books and records in which SDX Web3 documents their existence and whereabouts, if Clients' assets are stored in omnibus accounts. Accidental or intentional manipulation of the off-chain ledger on which Clients' units of digital assets are recorded, is a risk that cannot be excluded as with the immutable blockchain.

Contact

inbox@sdx.com **+41 (0)58 508 30 00** **www.sdx.com**

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