

# Definitions and Digital Assets Risk Disclosure

## 1. Definitions

The terms and abbreviation set forth below shall have the following meaning, if not set forth differently in this Agreement.

Bitcoin	Is a cryptocurrency, a decentralized digital currency without a central bank or single administrator that can be sent from user to user on the peer-to-peer bitcoin network without the need for intermediaries. Transactions are verified by network nodes through cryptography and recorded in a public distributed ledger called a blockchain.
Blockchain	Is one possible form of distributed ledger technology (DLT). It is a digital ledger or database that can be continually added to and cannot be altered. A network of computers (referred to as "nodes") executes the software protocol. In principle, the network independently and continuously groups transactions or other data into blocks, validates them and adds them to an existing chain of validated blocks. Blockchains are used, for example, for transactions in Bitcoin, Ethereum and other cryptocurrencies. A blockchain uses a cryptographic signature known as a "hash" to chain blocks together. The hash employs an asymmetric encryption procedure in which every user has a public key and a private key. These are kept in a wallet, which may be stored online, on a computer, smartphone or hardware wallet or even on paper. A public blockchain is distributed, accessible to anyone and operated by a large number of anonymous participants with no intermediary (e.g. Bitcoin and Ethereum). A private blockchain, on the other hand, is operated by one or more network administrators and is only accessible to identified and authorised participants. Hybrid forms also exist, and consortium blockchains, in which the protocol may be public, but only certain participants can validate transactions.
Cryptocurrency	Is a digital currency of value that is not issued or guaranteed by a central bank or a public authority and do not possess a legal status of currency or money.
Digital Assets	Refers to Cryptocurrencies based on a Blockchain or another DLT, that are intended or used for payment purposes, and do not qualify as nor represent securities or other financial instruments.
Distributed Ledger (DLT)	Is a shared and secure means of managing data on a distributed computer network. In simple terms, a distributed ledger is a database that is spread across a large number of networked computers and, in principle, independently and continuously synchronises and validates data/transactions entered by participants. Participants have access at all times to a verifiable history, which cannot be manipulated, of all information stored in a specific data set. DLT is more broadly defined than Blockchain, covering further possibilities.

<p>Ether</p>	<p>Is the Cryptocurrency generated by the Ethereum platform as a reward to mining nodes for computations performed and is the only currency accepted in the payment of transaction fees on the platform Ethereum.</p>
<p>Ethereum</p>	<p>Is an open source, public, blockchain-based distributed computing platform featuring smart contract (scripting) functionality.</p>
<p>Fiat Currency</p>	<p>Is legal tender that is backed by the central government who issued it. Examples are the Swiss Franc, Euro and the US Dollar.</p>
<p>Hot Storage</p>	<p>Is an online wallet. Because it is connected to the Internet, hot storage is more accessible with the disadvantage of being more vulnerable to hacking/theft than a Cold Storage.</p>
<p>Private Key</p>	<p>Is a cryptographic code that functions as a secret password that allows the user to sign a Digital Asset transaction and transfer the Digital Assets to another address. Using the Private Key proves ownership of the Digital Assets.</p>
<p>Public Address</p>	<p>Is a string of letters and numbers which Digital Assets can be sent to and from. A Bitcoin address starts with either a 1,3, or bc1 and is 27-34 alphanumeric characters in length. The address is usually a hashed version of the public key.</p>
<p>Public Key</p>	<p>Is a string of letters and numbers that is derived from a Private Key. A Public Key allows one to receive crypto assets by generating a Public Address.</p>
<p>Smart Contract</p>	<p>Is a self-executing computer protocol based on a Blockchain that replicate predefined contractual conditions in the form of program code. A transaction conducted using a smart contract is executed automatically if all parties involved meet the predefined conditions. Smart contracts can technically replicate, verify or help to process the content of legal contracts. The computer protocol automatically monitors the predefined conditions and independently carries out the actions agreed by the parties when a specific trigger event occurs. Depending on their design, smart contracts may also constitute legal contracts in their own right.</p>
<p>Transfer</p>	<p>Refers to executing incoming and outgoing Transfers in Fiat Currency or Digital Assets with approved third parties following travel rule criteria with a strong KYC / AML process.</p>
<p>Wallet</p>	<p>Is a means (software application, hardware or other mechanism/medium) for holding, storing and transferring digital assets.</p>
<p>Warm Storage</p>	<p>Is a Hot Storage with enhanced security features by using a multi-signature procedure.</p>

## 2. General Remarks

### 2.1. Description of Cryptocurrencies

Cryptocurrencies are a digital representation of value that is not issued or guaranteed by a central bank or a public authority and do not possess a legal status of currency or money.

Cryptocurrencies are accepted by natural or legal persons as a means of exchange and which can be transferred, stored and traded electronically. Their value depends to a large extent on market forces of supply and demand.

### 2.2. Distributed Ledger

Distributed ledger technology (DLT) is a shared and secure means of managing data on a distributed computer network. In simple terms, a distributed ledger is a database that is spread across a large number of networked computers and, in principle, independently and continuously synchronises and validates data/transactions entered by participants. Participants have access at all times to a verifiable history, which cannot be manipulated, of all information stored in a specific data set. DLT is more broadly defined than blockchain, covering further possibilities.

### 2.3. Blockchain

A blockchain is one possible form of distributed ledger technology (DLT). It is a digital ledger or database that can be continually added to and cannot be altered. A network of computers (referred to as “nodes”) executes the software protocol. In principle, the network independently and continuously groups transactions or other data into blocks, validates them and adds them to an existing chain of validated blocks. Blockchains are used, for example, for transactions in Bitcoin, Ethereum and other cryptocurrencies. A blockchain uses a cryptographic signature known as a “hash” to chain blocks together. The hash employs an asymmetric encryption procedure in which every user has a public key and a private key. These are kept in a wallet, which may be stored online, on a computer, smartphone or hardware wallet or even on paper. A public blockchain is distributed, accessible to anyone and operated by a large number of anonymous participants with no intermediary (e.g. Bitcoin and Ethereum). A private blockchain, on the other hand, is operated by one or more network administrators and is only accessible to identified and authorised participants. Hybrid forms also exist, and consortium blockchains, in which the protocol may be public, but only certain participants can validate transactions.

### 2.4. Bitcoin and Ether

Bitcoin is a cryptocurrency. It is a decentralized digital currency without a central bank or single administrator that can be sent from user to user on the peer-to-peer bitcoin network without the need for intermediaries. Transactions are verified by network nodes through cryptography and recorded in a public distributed ledger called a blockchain.

Ether is the cryptocurrency generated by the Ethereum platform as a reward to mining nodes for computations performed and is the only currency accepted in the payment of transaction fees on the platform. Ethereum is an open source, public, blockchain-based distributed computing platform featuring smart contract (scripting) functionality.

The Bank currently does not support the custody, administration or execution of smart contracts based on the Ethereum or any other blockchain-based distributed computing platform.

The Bank may in its discretion from time to time determine to offer custody, administration, execution or any other type of services for and with respect to any type of smart contracts.

### 2.5. Fiat Currency

Fiat currency is legal tender whose value is backed by the government that issued it. Examples are the Swiss franc, Euro and the US Dollar.

### 3. Digital Asset Agreement

#### 3.1. Capitalised Terms and Definitions

Capitalised Terms in this Digital Assets Risk Disclosure document have the same meaning as defined in the Digital Asset Agreement with BBVA. As in the Digital Asset Agreement, cryptocurrencies, in particular Bitcoin and Ether, are defined as Digital Assets in this Digital Assets Risk Disclosure.

### 4. Risks of Digital Assets

#### 4.1. Introductory Remarks

This Digital Assets Risk Disclosure describes certain risks associated with Digital Assets. Additional risks concerning Digital Assets are likely as not all risks of Digital Assets can be anticipated. Due to the new technology on which Digital Assets are based on, new risks may occur.

**The Bank recommends the Client to get professional advice before investing in Digital Assets.**

#### 4.2. Volatility

The value of cryptocurrency depends mainly on the willingness of market participants to exchange fiat currency for Digital Assets or cryptocurrencies with cryptocurrencies or to accept cryptocurrencies as payment.

This large dependence on supply and demand of cryptocurrencies and the lack of assurance that a person who accepts a digital currency as payment today will continue to do so in the future leads to a larger volatility compared to traditional currencies.

Digital Assets are not legal tender and thus no central bank or other may intervene to stabilize the value of Digital Assets and to prevent or mitigate illogical price developments.

Other circumstances such as changes and advances in technology, fraud, theft and cyber-attacks, among others, may increase volatility further and thus increase the possibility of investment gains and losses.

**This volatility and, as a consequence, the unpredictability of the price of cryptocurrencies may result in significant loss over a short period of time and even intraday.**

#### 4.3. Liquidity Risks

Depending on the market conditions, it may be difficult or impossible to liquidate Digital Assets positions speedily for a reasonable price, in particular if the Bank is unable to trade the Digital Assets at a certain time or permanently. Such conditions may occur, for example, when no Third Party Provider is willing to trade the Digital Assets or if trading is halted in specific circumstances, or in case of unusual trading activity. The execution of a transaction will be particularly difficult when the volatility of a particular Digital Assets is high.

This means that in certain circumstances, in particular in cases of illiquidity, the Bank may not be able to (i) purchase or sell Digital Assets and/or (ii) execute any Orders or Transactions. The Client's ability to purchase or sell Digital Assets or to liquidate may be limited. In such circumstances the Client may find it difficult or impossible to be able to purchase or sell Digital Assets.

#### 4.4. Legislative and Regulatory Risks

Legislative and regulatory changes or actions of any state or on an international level may adversely affect the use, transfer, exchange, and the value of Digital Assets and may increase the volatility of Digital Assets.

#### 4.5. Transaction risks

Transactions in digital currency may be irreversible. As a result, losses due to fraudulent or accidental transactions may not be recoverable.

#### 4.6. IT-Risks

The Client may experience losses due to one or more of the following IT risks (list is not exhaustive): system failures, hardware failures, software failures, network connectivity disruptions, and data corruption.

The functioning of Digital Assets is based on the Distributed Ledger technology which is still at an early stage. It is thus likely that it will undergo significant changes in the future. Technological advances such as cryptography, code breaking and specific computing techniques may pose a risk to the security of Digital Assets. In addition, alternative technologies may negatively affect the price and the liquidity of the Digital Assets.

The functioning of the Digital Assets and of cryptocurrencies relies on open-source software. Developers of such open-source software are not employed or controlled by the Bank and they may install programming errors into the open-source software keeping Digital Assets weaknesses such as programming errors and threats of fraud, theft or cyber-attacks.

Distributed Ledger networks have experienced an increase in the number of transactions over the last couple of years. An increasing number of transactions coupled with the inability to implement changes to Distributed Ledger technology may result in a slower processing time of Transactions.

#### 4.7. Cyber Risks

The nature of Digital Assets may lead to an increased risk of fraud or cyber attacks such as attacks using computing power sufficient to overwhelm the normal operation of the Digital Assets's blockchain or other underlying technology. Such attacks could result in a substantial, immediate and irreversible loss of virtual currencies. Even a minor cybersecurity event regarding Digital Assets may result in downward price of the respective Digital Asset.

#### 4.8. Required Knowledge for Trading in Digital Assets

**Digital Assets trading requires knowledge of Digital Assets markets. In attempting to profit through Digital Assets trading the Client competes with traders worldwide. The Client must have appropriate knowledge and experience before engaging in substantial Digital Assets trading.**

#### 4.9. Investments and trading in Digital Assets is speculative

**Investments and trading in Digital Assets is speculative and can thus be extremely risky. Digital Assets trading can lead to large and immediate financial losses. The volatility and unpredictability of the price of Digital Assets relative to fiat currency may result in a total or significant loss over a short period of time.**

**The risk of substantial or total loss by investing or trading in Digital Assets exists. The Client acknowledges and agrees that he shall access and use this service at his own risk.**

#### 4.10. Occurrence of Hard Forks and other attacks

Any disagreement among stakeholders of a particular distributed ledger may result in a split of a relevant Digital Asset into two or more incompatible versions (such an event called a "Hard Fork"). The treatment of Hard Forks and similar events (including "airdrops" and other Digital Asset allocation events) is uncertain from a legal and practical perspective. Hard Forks may in particular cause the Digital Assets to be duplicated, i.e., one version of the Digital Assets will remain on a specific version of the distributed ledger, while the other version of the Digital Assets will be traded on another version of the same distributed ledger.

The Client acknowledges that the Bank may be unable to benefit from any Hard Fork or similar events (incl. "airdrops" and other Digital Asset allocation events). The Bank may also be unable (and has no obligation) to support both versions of a distributed ledger. Depending on the decision of the Bank, the Client may be unable to claim the version of the Digital Assets that is supported by the Bank. This could lead to the total loss of value of the Digital Assets.

A 51% attack refers to an attack on a blockchain by a group of miners controlling more than 50% of the network's mining hash rate or computing power.

The attackers would be able to prevent new transactions from gaining confirmations, allowing them to halt payments between some or all users. They would also be able to reverse transactions that were completed while they were in control of the network, meaning they could double-spend the Digital Assets.

### Public nature of Distributed Ledgers

Clients must know that any purchase and sale of Digital Assets may be stored in a public Distributed Ledger and may therefore be visible to the public.