



Risk Disclosure

Trading, transferring & staking crypto-
assets

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1 Introduction

This Risk Disclosure Statement outlines several risks associated with crypto-assets services. The information presented in this Risk Disclosure Statement is not comprehensive and does not include all the risks (or other important factors) you should consider before using the services.

You must make your own independent decision to access or use the services of Finst B.V. (hereafter “Finst”) and should seek any advice that you consider necessary or desirable (including financial and/or legal advice) from independent advisors. Additionally, you should ensure that you have the risk appetite, relevant experience and/or knowledge before you decide to trade crypto-assets.

By accessing and using Finst’s services, you hereby represent and warrant that you have read and consent to the risks as included in this Risk Disclosure statement.

Investing in crypto-assets involves risks of losses. Your capital is at risk.

2 General risks of trading crypto-assets

Under the Markets in Crypto-Assets Regulation (hereafter “MiCAR”), crypto-assets are defined as a digital representation of a value or of a right that is able to be transferred and stored electronically using distributed ledger technology or similar technology. In general, transactions in crypto-assets are verified and records are maintained by a decentralized system using cryptography (the blockchain).

Trading crypto-assets involves risks and it is therefore important that you are aware of and understand these risks before you start trading or investing in these products. We have outlined a number of risks associated with trading in crypto-assets in the following paragraph.

Crypto-asset trading may not generally be appropriate, particularly with funds drawn from retirement savings, student loans, mortgages, emergency funds, or funds set aside for other purposes. Crypto-asset trading can lead to large and immediate financial losses. The volatility and unpredictability of the price of crypto-asset relative to fiat currency may result in significant loss over a short period of time. Transactions in crypto-assets may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable. The nature of crypto-assets may lead to an increased risk of fraud or cyber-attacks.

2.1 Price volatility

Crypto-assets (including ‘stablecoins’) are highly volatile and their value is unpredictable and only derived from supply and demand. Unlike traditional financial instruments, crypto-assets generally have no underlying or intrinsic value. You can incur substantial and even a full loss of capital when trading crypto-assets. You must therefore carefully consider whether trading crypto-assets is suitable for your risk tolerance and financial position. You should not invest funds that you are not prepared to lose entirely.

Crypto-assets prices are usually not transparent, highly speculative and susceptible to market manipulation. In the worst case scenario, the value of a crypto-asset could become worthless.

It is important to note that crypto-asset prices displayed on the Finst Website and Platform are for indication purposes only and may differ significantly from actual order execution prices. This may be due to the fact that Finst uses multiple parties to provide market data to you, or to a change in price between the time of the order placement and the execution of the order (known as ‘slippage’). This is especially important during times of high market volatility or illiquidity where the difference in displayed and execution prices may become more significant.

2.2 Liquidity

Markets for certain crypto-assets may be more or less liquid. This means that, there may be more or less market participants willing to buy or sell a certain digital asset at a given point in time. Illiquid markets imply an increased risk of loss because they can be subject to high volatility of prices and participants may find it impossible to open or close their positions at favorable prices. In general

and although this is not a certainty, the higher the market capitalization of a crypto-asset, the higher its liquidity.

2.3 Default risk

When a crypto-asset in which you are invested is not being supported anymore by any third party (that Finst makes use of), the value of such crypto-asset may become worthless. In this case, there is a substantial risk that you may lose part or all of your invested funds. There is no guarantee that you will get back your invested amount in such circumstances.

2.4 Market manipulation

Crypto-assets are generally unregulated and not generally or supported by any government or central bank, nor covered by any insurance. Due to their nature, a risk of market manipulation therefore exists. It consists of, but is not limited to, the intentional dissemination of (false) information intended to influence the price of a certain crypto-assets. MiCAR has introduced a prohibition on such market manipulation practices. Nevertheless, the risk is still present.

2.5 Platform functioning

Especially during periods of high volumes and high volatility, access to and functioning of the Finst platform may become degraded. This could result in limitations on access to your account and any of the services, including the inability to place orders. In such circumstances, prices of crypto-assets displayed on the platform might differ significantly from the prices at which orders are executed.

2.6 Cybersecurity

The cybersecurity risks of crypto-assets include hacking vulnerabilities and a risk that publicly distributed ledgers may not be immutable. A cybersecurity event could result in a substantial, immediate and irreversible loss of the crypto-assets you hold with Finst. Even a minor cybersecurity event in a crypto-asset is likely to result in downward price pressure on that crypto-asset and potentially others.

2.7 Custody

Although Finst and SPV (Stichting Finst Custody) take all reasonable measures to safeguard your crypto-assets and Finst Credits, full security cannot be guaranteed. Any defects or breaches can lead to a full loss of your funds. Use of the Finst services is entirely at your own risk. You understand that no insurance or deposit guarantee scheme applies to the crypto-assets held in your Finst account.

2.8 Third parties

In order to safeguard your crypto-assets, Finst and SPV may hold crypto-assets with third party custody providers. Although such third parties, if used, are selected with due care, Finst does not have control over these third parties. In case of default, technical failure, or a security failure by a third party custody provider, this may lead to a full loss of your crypto-assets.

2.9 Decentralized protocols

Finst does not have control over, or liability for, the delivery, the quality, safety, legality or any other aspect of the crypto-assets that you may purchase, hold or sell using the services. Finst does not own or control any of the underlying software protocols which govern the operation of the crypto-assets supported by Finst services. These underlying protocols may change or cease to function without prior notice, which may lead to a full loss of crypto-assets or the value thereof.

Due to the nature of blockchain technology and the underlying protocols thereof, any crypto-asset traded or held on Finst may be irretrievably lost, corrupted, erased, either temporarily or indefinitely.

2.10 Laws and regulations

The market, technology and legal framework for crypto-assets is relatively new and uncertain. Finst services operate in this developing landscape. The services may be subject to changes or termination based on the development of relevant laws and regulations.

You are responsible for knowing and understanding how crypto-assets and the services to these crypto-assets will be addressed, regulated and taxed under the laws applicable to you.

2.11 Past performance

Past performance is not an indication of future performance. The value of investments can increase and decrease.

2.12 Account freeze

Finst may freeze your account, including any crypto-assets or Finst Credits and any subaccount if applicable, in the event that you are believed to be engaged in suspicious activity or to be in breach of any of the Terms and Conditions. If your account is frozen, this results in limitations on access to your account and any of the services. You will not be able to trade or to make any transfers to or from your Account.

2.13 Information

Materials and information provided on Finst website or platform or otherwise by Finst are purely for informational purposes. Unless explicitly indicated such as with our legal agreement, this information may change without prior notice and does not constitute investment advice. Finst may provide access to third party contents, which are not endorsed by Finst in any way. Any information provided in such content may be misleading, incomplete or erroneous. You are always solely responsible for assessing the relevance, accuracy, adequacy, and reliability of any materials provided.

2.14 Tax

You are responsible for any taxes that may be due by you depending on your country of residence. Finst does not provide any tax advice to its clients and it is therefore recommended for you to seek professional advice. It cannot be ruled out that tax authorities and courts may adjust or change previous tax assessments on the treatment of income related to the services Finst provides.

3 General risk of crypto-asset transfer services

Transferring crypto-assets using Finst services can provide convenience and flexibility when managing your crypto-assets. Crypto-asset transfer services are generally used for self-custody of crypto-assets, enabling you to have full control over your holdings. However, crypto-asset transfers incur significant risks that may lead to partial or complete loss of your transferred crypto-assets. Before initiating any transfers, you should conduct thorough research and be fully aware of the risks involved. We recommend you read the explanations below carefully. Although we endeavor to provide a broad and complete overview of the risks involved with crypto-transfers, please note that the list below is not exhaustive.

3.1 Irreversible Transaction Risk

Once a crypto-asset transfer is instructed, it cannot be reversed. You are solely responsible for ensuring that all transaction details are correct before submission, as no modifications can be made post-execution. Using unsupported crypto-assets, using incorrect networks, or entering wrong wallet addresses can result in permanent crypto-asset loss. You must carefully follow platform instructions and verify all details to ensure your transfers are successful.

3.2 Incorrect Recipient Address Risk

When transferring crypto-assets, any error in entering recipient details may result in the permanent and irretrievable loss of crypto-assets. You must ensure that transfers are only made from and to wallets you own and that all provided details are accurate. Even minor mistakes, such as a single incorrect character in the wallet address, can lead to loss of your crypto-assets, with no recourse for recovery.

3.3 Regulatory Compliance

Crypto-transfer services provided by Finst are regulated under MiCAR and the Transfer of Funds Regulation. This means that for a transfer additional information may need to be provided when applicable, to comply with regulatory requirements. Finst is obligated to perform due diligence on all transfers in accordance with applicable regulations. Finst offers transfer services limited to deposits (receipt) from a client's external wallet (or external crypto-asset account) to their Finst account and withdrawals (sending) from the Finst account to a client's external wallet (or external crypto-asset account). Transfers to or from third parties are not supported. Transfers suspected of illicit activity may be refused, and assets may be frozen or blocked until legitimacy is confirmed.

3.4 Legitimacy Verification Risk

You are responsible for verifying the legitimacy of your transfers before initiating a transfer instruction. Finst conducts due diligence on all incoming and outgoing transfers, including wallet ownership verification, but you must also exercise caution to avoid transferring to or from bad actors.

3.5 Fraud and Scam Risk

When sending crypto-assets, you might be susceptible to scams or fraud. Fraudulent third parties often target private individuals through phishing, impersonation, and other deceptive tactics to gain access to their crypto-assets. In most cases, private individual themselves initiate transfers to these bad actors due to misleading information. Finst cannot recover the crypto-assets once a transfer has been executed. You must ensure that no one else has access to the wallets or crypto-asset accounts to which you are transferring your crypto-assets, as transfers are irreversible and not recoverable once sent. Be extra cautious when performing transfers on the request or suggestion of third parties, some common scams are the use of 'fake crypto-asset exchanges', 'pig-butcherer scams', 'investment opportunities'. Please consider that if something is too good to be true, it generally is!

3.6 Network Congestion Risk

High network traffic on the blockchain can lead to delays in transfer processing or increased transaction fees. During periods of congestion, there may be prolonged waiting times for confirmations, which can affect the timing and cost of transfers. Such delays are beyond Finst's control and can impact the ability to complete timely transactions.

3.7 Transfer Failure Risk

Technical failures within blockchain networks or the Finst platform itself may cause transfer requests to fail. Such failures can lead to asset loss, transaction delays, or the need to resend transactions, all of which carry potential financial implications.

4 General risks of staking crypto-assets

Staking crypto-assets can potentially generate attractive and variable returns, known as Annual Percentage Yield (APY). However, crypto-asset staking incurs risks that can lead to the partial or complete loss of the crypto-assets you stake. Before you start staking, you should do your own research and be aware of the risks involved. We recommend you read the explanations below carefully. Although we endeavor to provide a broad and complete overview of the risks involved with staking, please note that the list below is not exhaustive.

4.1 Protocol risk

Staking crypto-assets depends and relies on the underlying blockchain protocols. There is a risk of technical errors, bugs, security vulnerabilities and unforeseen events that can impact the protocol. In general, a protocol malfunction can lead to a partial or complete loss of both the staked crypto-assets and staking rewards. Finst has not control over the protocol itself, its performance, or its security. Although we carefully review the crypto-assets eligible for staking to mitigate such risks, protocol risk cannot be eliminated.

4.2 Slashing risk

Slashing refers to a penalty imposed by the blockchain protocol for violating the rules or engaging in suspicious activities on the network. Slashing penalties can lead to a (partial) loss of your staked crypto-assets and can occur, for instance, for incorrect voting, validator downtime or double staking (when an asset is used on multiple validators simultaneously). Finst collaborates with carefully selected third party technical providers which mitigate the risk of slashing and, in some cases, provide insurance against slashing penalties (up to certain amounts). However, despite these mitigating measures, the risk of slashing remains and cannot be eliminated entirely.

4.3 Liquidity risk

Every blockchain protocol has its own particularities and constraints regarding staking. For instance, some protocols impose activation periods, lock-up periods, bonding periods, unbonding periods, and withdrawal periods that can last up to several weeks. Finst endeavors to provide you with a high level of flexibility so that you can sell and withdraw your assets even when they are being staked. However, in spite of all measures in place to ensure such level of flexibility, in exceptional circumstances, there is a risk that Finst may impose certain temporary limits on sell orders and/or withdrawals until your staked assets have been unstaked and withdrawn from the relevant blockchain protocols. This would mean that you may not always be able to sell or withdraw your staked crypto-assets. In such case, Finst will inform you of such temporary limits as soon as possible.

4.4 Risk of fluctuating rewards

Staking rewards are dependent on each blockchain protocol and fluctuate over time. Finst has no influence on the rewards distributed by the various protocols. The current estimated staking rewards (APY) are indicated on our website and our platform and may change at any time without notice. Therefore, there is a risk that the rewards rates decrease after you have enabled staking.