**Cryptocurrency Risk Disclosure**

Cryptocurrency (also called virtual currency, or digital currency or digital assets) is a digital instrument that is intended to function as a store of value or a medium of exchange. Although cryptocurrencies are often exchangeable for various fiat currencies, unlike fiat currencies, cryptocurrencies are not backed by any government or central bank and do not constitute legal tender. Cryptocurrencies have no intrinsic value and there is no investment underlying cryptocurrencies. The price of cryptocurrencies is based on the agreement of the parties to a transaction, which may or may not be based on the market value of the cryptocurrency at the time of the transaction. Cryptocurrencies are not covered by either FDIC or SIPC insurance.  Legislative and regulatory changes or actions at the state, federal, or international level may  adversely affect the use, transfer, exchange, and value of cryptocurrency.

Purchasing cryptocurrencies comes with a number of risks, including volatile market price swings or flash crashes, market manipulation, and cybersecurity risks. In addition, cryptocurrency  markets and exchanges are not regulated with the same controls or customer protections  available in equity, option, futures, or foreign exchange investing. There is no assurance that a  person who accepts a cryptocurrency as payment today will continue to do so in the future.

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Cryptocurrencies derive their value from the markets in which they trade, and the markets for cryptocurrencies are global. The price of cryptocurrencies is based on the perceived value of the cryptocurrency and subject to changes in sentiment, which make these products highly volatile and unpredictable. The fluctuations of cryptocurrency prices are much greater than the price fluctuations of fiat currencies, which are also risky to trade. If participants in a given cryptocurrency market change their view about the value of a given cryptocurrency versus fiat currency, the price of the cryptocurrency can decline precipitously. It may be difficult to liquidate a position in cryptocurrencies at all or, if possible, such liquidation may occur at a significant loss. It is possible that the market for a given cryptocurrency can collapse altogether.

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Cryptocurrencies can be traded through privately negotiated transactions and through numerous cryptocurrency exchanges and intermediaries around the world, each with its own pricing mechanism and/or order book. Generally accepted auditing methods for cryptocurrencies do not exist and cryptocurrency platforms do not have consistent methods for auditing their holdings and some do not have audits at all. The lack of generally accepted auditing methods and a centralized pricing source poses a variety of valuation challenges. In addition, the dispersed liquidity may pose challenges for market participants trying to exit a position, particularly during periods of stress.

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The cybersecurity risks of cryptocurrencies and related wallets or spot exchanges include hacking vulnerabilities, cybersecurity attacks and a risk that publicly distributed ledgers may not be immutable. A cybersecurity event could result in a substantial, immediate and irreversible loss for market participants that trade cryptocurrencies. Cryptocurrency transactions may be irreversible, and, accordingly, losses due to a cybersecurity event may not be recoverable. Even a minor cybersecurity event in a cryptocurrency is likely to result in downward price pressure on that product and potentially other cryptocurrencies. In addition, the trading of cryptocurrencies may be adversely affected by network connectivity issues and dissemination of inaccurate data. You may incur losses due to software or hardware failures and system failures.

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The relatively new and rapidly evolving technology underlying cryptocurrencies introduces unique risks. For example, a unique private key is required to access, use or transfer a cryptocurrency on a blockchain or distributed ledger. The loss, theft or destruction of a private key may result in an irreversible loss. Changes in the technology of a given cryptocurrency platform or changes resulting from cybersecurity attacks include but are not limited to a “fork,” which can have a negative impact on the value of a particular cryptocurrency and can result in the loss or cancellation of a cryptocurrency position or a sudden loss of value. The ability to participate in forks could also have implications for investors. For example, a market participant holding a cryptocurrency position through a cryptocurrency exchange may be adversely impacted if the exchange does not allow its customers to participate in a fork that creates a new product.

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A number of governmental and self-regulatory agencies have published information alerting the public of the risks of digital currency. For example, see the CFPB's Consumer Advisory (<https://files.consumerfinance.gov/f/201408_cfpb_consumer-advisory_virtual-currencies.pdf>), the CFTC's Customer Advisory ([https://www.cftc.gov/sites/default/files/idc/groups/public/@customerprotection/documents/file/cust](https://www.cftc.gov/sites/default/files/idc/groups/public/%40customerprotection/documents/file/customeradvisory_urvct121517.pdf) [omeradvisory\_urvct121517.pdf](https://www.cftc.gov/sites/default/files/idc/groups/public/%40customerprotection/documents/file/customeradvisory_urvct121517.pdf)), the SEC's Investor Alerts (for example, <https://www.sec.gov/investor/alerts/ia_virtualcurrencies.pdf>) and FINRA's Investor Alerts ([http://www.finra.org/investors/alerts/bitcoin-more-bit-risky,](http://www.finra.org/investors/alerts/bitcoin-more-bit-risky) [http://www.finra.org/investors/highlights/getting-a-handle-on-virtual-currencies,](http://www.finra.org/investors/highlights/getting-a-handle-on-virtual-currencies) [http://www.finra.org/investors/bitcoin-basics-9-things-you-should-know-about-digital-currency).](http://www.finra.org/investors/bitcoin-basics-9-things-you-should-know-about-digital-currency))

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