TradeStation Crypto, Inc. Risk Disclosure on Investment and Trading in Cryptocurrencies

CFTC Customer Advisory: Understand the Risks of Virtual Currency Trading

CFPB Consumer Advisory – Risks to Consumers Posed by Virtual Currencies

FINRA Investor Alert – Bitcoin: More Than a Bit Risky

SEC Investor Alert: Bitcoin and Other Virtual Currency-Related Investments

SEC Investor Alert – Ponzi Schemes Using Virtual Currencies

Joint ESA Warning on Risks of Virtual Currencies
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Cryptocurrency (also called virtual currency, digital currency or digital assets) is a digital representation of value that functions as a medium of exchange, a unit of account, or a store of value, **but it does not have legal tender status.** Cryptocurrencies are often exchanged for U.S. dollars or other currencies around the world, but they are not backed or supported by governments or central banks. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional currencies. The cryptocurrency market is a fragmented market, and available prices to buy or sell cryptocurrencies may vary significantly based on the liquidity sources of the cryptocurrency brokerages, exchanges, market makers or other counterparties which are directly or indirectly on the other side of, or seeking to process, your transactions. The value of cryptocurrency also is supported (or not supported) by the continued willingness (or unwillingness) of market participants to exchange fiat currency for cryptocurrency, the loss of which may result in the permanent and total loss of value of a particular cryptocurrency should the market for that cryptocurrency disappear.

*Neither cryptocurrencies, nor any cash assets in your TradeStation Crypto, Inc. account (if any), are 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 cryptocurrencies, and several new laws and regulations are being considered in several jurisdictions.*

Purchasing cryptocurrencies comes with a number of risks, including volatile market price swings, as well as flash crashes, fraud, market manipulation, and cybersecurity risks. In addition, cryptocurrency markets and exchanges are not regulated with the same controls or customer protections available in equities, options, futures, or foreign exchange markets. **There is no regulated centralized clearing or settlement for spot cryptocurrency purchase, sale or exchange transactions.** There is no assurance that the cryptocurrency market will remain viable, or that persons or companies that accept cryptocurrency as a form of payment for goods, property or services today will continue to do so in the future.

*Investors and traders should conduct extensive research into the legitimacy of each individual cryptocurrency, including its platform, before investing.* The features, functions, characteristics, operation, use and other properties of a specific cryptocurrency may be complex, technical, or difficult to understand or evaluate. The cryptocurrency may be vulnerable to attacks on the security, integrity or operation of its blockchain or other
underlying technology, including attacks using computing power sufficient to overwhelm the normal operation of the cryptocurrency's blockchain or other underlying technology. Cryptocurrency transactions generally will be deemed to be made or completed when recorded on a public ledger, which is not necessarily the date or time that a transaction may have been initiated.

**Cryptocurrency trading requires knowledge of cryptocurrency markets.** In attempting to profit through cryptocurrency trading you must compete with traders worldwide. You should have appropriate knowledge and experience before engaging in cryptocurrency trading. Any individual cryptocurrency may change or otherwise cease to operate as expected due to changes made to its underlying technology, or changes resulting from an attack. These changes may include, but are not limited to, a "fork," a "rollback," an "airdrop," or a "bootstrap." Such changes may dilute the value of an existing cryptocurrency position and/or distribute the value of an existing cryptocurrency position to another cryptocurrency. **TradeStation Crypto retains the right and sole discretion to support or not support any of these changes.** Any cryptocurrency may be cancelled, lost or double spent, and may permanently lose all or most of its value, due to forks, rollbacks, attacks, or failures to operate as intended. The nature of cryptocurrency means that any technological difficulties experienced by TradeStation Crypto may prevent you from accessing your cryptocurrency. Any surety bonds or other collateral maintained by TradeStation Crypto for the benefit of its customers may not be sufficient to cover all losses incurred by customers.

**Cryptocurrency trading is extremely risky.** Cryptocurrency trading can lead to large and immediate financial losses. Transactions in cryptocurrency are generally irreversible and, accordingly, losses due to fraudulent or accidental transactions likely are not recoverable. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price, or at all. This can occur, for example, when the market for a particular cryptocurrency suddenly drops, or if trading is halted due to recent news events, unusual trading activity, or changes in the underlying cryptocurrency system. The greater the volatility of a particular cryptocurrency, the greater the likelihood that problems may be encountered in executing a transaction. In addition to normal market risks, you may experience losses due to one or more of the following: system failures, hardware failures, software failures, network connectivity disruptions, and data corruption. **Cryptocurrency trading is therefore not appropriate for you if you are not prepared to lose the entire amount of your investment, and it is inadvisable for you to fund your crypto investments with cash drawn from your retirement savings, student loans, mortgages, or any other borrowed funds, emergency funds, or funds set aside for other purposes.**
Your TradeStation Crypto, Inc. Customer Account Agreement, which you have acknowledged has been read and agreed to by you as part of your account application process, summarizes many of the risks described above, and describes additional risks, in the Risk Disclosures and other sections of that agreement, and we urge you to review them again carefully.

Your access to and use of TradeStation Crypto's services (the “Services”), including the buying, selling, carrying or trading of cryptocurrencies, is at your own risk. By using the Services, you knowingly and voluntarily accept all of the risks described in this document, the TradeStation Crypto, Inc. Customer Account Agreement, and all of the other risk disclosure or warning statements that are provided to you, including, but not limited to, the following risks:

- **The nature of cryptocurrency may lead to an increased risk of fraud or cyber-attack.**
- **Transactions in cryptocurrency may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable.**
- **The nature of cryptocurrency means that any technological difficulties experienced by TradeStation Crypto or its affiliates or third-party service providers may prevent you from being able to access or use your cryptocurrency. In addition, the failure, or breach of security, of any third-party service providers that have custody of your cryptocurrency could result in the loss of your cryptocurrency. Any cryptocurrencies that are lost may not be recoverable or replaced.**
- **Any bond or trust account maintained by TradeStation Crypto for the benefit of its customers may not be sufficient to cover all losses incurred by customers (and you should not assume that TradeStation Crypto has or maintains any such bond or trust account).**
- **The market for cryptocurrency has historically been very fragmented, volatile and unpredictable and it will likely continue to be very fragmented, volatile and unpredictable. This volatility may make it difficult or impossible for you to purchase or sell cryptocurrency when you want at prices you find attractive.**
- **The volatility and unpredictability of the price of cryptocurrency may result in significant loss over a short period of time.**
- **The value of cryptocurrency may be derived from the continued willingness of market participants to exchange legal tender for cryptocurrency, which may result in the potential for permanent and total loss of value of a particular cryptocurrency should the market for that cryptocurrency disappear.**
• Placing contingent orders, such as limit orders, will not necessarily limit your losses to the intended amounts because market conditions may make it difficult or impossible to execute such orders.

• Some cryptocurrency transactions are deemed to be made when recorded on a public ledger, which is not necessarily the date or time that the customer initiates the transaction. Therefore, there may be a delay (which may be significant) between the time that you place an order for a transaction and the time that the transaction is executed.

• There is no assurance that persons and companies who accept cryptocurrency as payment today will continue to do so in the future, which may significantly decrease its value.

• Legislative and regulatory changes or actions at the state, federal or international level may adversely affect the use, transfer, exchange and value of cryptocurrency.

• Cryptocurrency is not legal tender, is not backed by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC) protections.

• There are various risks with using electronic and internet-based trading systems, including, but not limited to, the failure of hardware, software, technology, platforms and Internet connections.

• TradeStation Crypto does not own or control, and makes absolutely no representations or warranties about, the cryptocurrencies that TradeStation Crypto supports for trading, whether with respect to their value, suitability, market or underlying blockchain technology.

• The underlying technology of a cryptocurrency may suddenly change such that the new version of the cryptocurrency is no longer compatible with existing versions or there is otherwise a permanent divergence of the cryptocurrency’s blockchain (i.e., a Fork). Any such change could adversely impact the value, functionality and other characteristics of the cryptocurrency.

• In the event of a Fork, TradeStation Crypto may temporarily suspend the operation of the Services (with or without advance notice to you). TradeStation Crypto, in its sole discretion, will determine whether to continue providing Services with respect to a cryptocurrency that is subject to a Fork and/or whether to provide Services in connection with the new version of the cryptocurrency.
NOTE: THE REMAINING DISCLOSURE STATEMENTS IN THIS BOOKLET ARE EACH PROVIDED TO YOU VIA A HYPERLINK PLACED DIRECTLY BENEATH THE DISCLOSURE STATEMENT’S TITLE. USING SUCH HYPERLINK WILL BRING YOU DIRECTLY TO THE AGENCY THAT ISSUED THE DISCLOSURE STATEMENT. IF FOR ANY REASON YOU CANNOT SUCCESSFULLY USE ANY HYPERLINK, YOU MAY COPY AND PASTE IT INTO YOUR DEVICE’S BROWSER, OR YOU MAY DIRECTLY TYPE IT IN.
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