

## **Passfolio Financial Cryptocurrency Risk Disclosure**

Cryptocurrency 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 sometimes exchanged for U.S. dollars or other currencies around the world, but they are not generally backed or supported by any government or central bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional currencies. The value of cryptocurrency may be derived from the continued willingness of market participants to exchange fiat currency 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. 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, fraud, 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.

Buyers should conduct extensive research into the legitimacy of each individual cryptocurrency, including its platform, before buying. The features, functions, characteristics, operation, use and other properties of the 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, including attacks using computing power sufficient to overwhelm the normal operation of the cryptocurrency's blockchain or other underlying technology. Some cryptocurrency transactions will be deemed to be made 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 substantial cryptocurrency trading.

Any individual cryptocurrency may change or otherwise cease to operate as expected due to changes made to its underlying technology, changes made using its underlying technology, or changes resulting from an attack. These changes may include, without limitation, 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. Passfolio Financial retains the right to support or not support any of these changes. Any cryptocurrency may be cancelled, lost or double spent, or otherwise lose all or most of their value, due to forks, rollbacks, attacks, or failures to operate as intended. The nature of cryptocurrency means that any

technological difficulties experienced by Passfolio Financial may prevent the access of your cryptocurrency. Any surety bonds maintained by Passfolio Financial for the benefit of its customers may not be sufficient to cover all losses incurred by customers.

Cryptocurrency trading can be extremely risky. Cryptocurrency 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. Cryptocurrency trading can lead to large and immediate financial losses. The volatility and unpredictability of the price of cryptocurrency relative to fiat currency may result in significant loss over a short period of time. Transactions in cryptocurrency may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable.

Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. 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.

Several federal agencies have also published advisory documents surrounding the risks of virtual currency. For more information see, the [CFPB's Consumer Advisory](#), the [CFTC's Customer Advisory](#), the [SEC's Investor Alert](#), and [FINRA's Investor Alert](#).