

Risk Disclosure

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An investment in crypto is speculative in nature and involves a high degree of risk, including the risk of loss of capital. Any such investment is suitable only for sophisticated investors who are familiar with, fully comprehend and are willing to accept high risk, and have read through all information provided or requested from empanelled advisor. No assurance is given by the Company that users of this Platform will achieve his/her investment objectives.

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EARN DISCLOSURE

Earn is a product available to you on an ‘opt-in’ basis, wherein you may opt to create Earn orders and deliver your Virtual Digital Assets (“Digital Assets”) to the Company for a specific period (“**Tenure**”) for generating rewards denominated in the same Digital Assets that were delivered by you. Set out below are some of the key risks associated with the Earn product. This Risk Disclosure statement must be read with [Terms of Use](#) of the Online Platform(s)] and the [FAQ’s on Earn](#) available on the Company’s website (“**FAQs**”). Any capitalized term used herein but not defined shall have the same meaning as assigned under the Terms of Use of the Online Platform(s).

1. General Risks:

- 1.1. The risk of loss in relation to Digital Assets can be substantial. You should, accordingly, carefully consider whether the Earn product is suitable for you in light of your financial situation and risk tolerance. In considering opt-in for the Earn product, you should be aware that the price or value of Digital Assets can change rapidly, decrease, and potentially even fall to zero. Past performance is not an indicator of future

performance. We are not responsible for the market of Digital Assets, and we make no representations or warranties concerning the real or perceived value of Digital Assets. Although we may provide historical and/or real-time data regarding the performance of the Digital Assets delivered by you to the Company under Earn, including graphs displayed within the Online Platforms showing the price fluctuations of Digital Assets, and/any other information, details, and documents, however, such data or graphs or information or details or documents are for reference and general information purposes only and any reliance you place on them is strictly at your own risk and cost. We make no representations regarding the quality, suitability, veracity, usefulness, accuracy, or completeness of such data or graphs or information or details or documents.

- 1.2. You understand and agree that we are not in any way responsible or liable for any losses including loss of Digital Assets incurred in relation to the deployment of the Digital Assets delivered by you to the Company under Earn.
- 1.3. The Earn product is not a depository account and the Digital Assets delivered by you from your Coin Wallet to the Company under Earn shall not amount to a deposit of any sort and your Earn orders are not protected by any government-backed depositor compensation, insurance or guarantee scheme and is not subject to any statutory deposit insurance scheme or other similar arrangement for your benefit. You agree that your participation in Earn does not constitute an investment of any kind, nor a financial product.
2. **Specific Risks:** The Company, in its discretion can deposit/deploy the Digital Assets delivered by you to the Company by way of Earn orders for various purposes, including but not limited to any other exchange or custodial service provider. Below detailed is an indicative list of reasons for which the Company, in its sole discretion may directly or through a third party deploy the Digital Assets delivered by you by way of Earn orders, along with a summary of the key risks associated with such deployment:
 - 2.1. **Staking:** The Company may either custodial or non-custodial stake the Digital Assets with a view of getting rewards. Detailed below is an indicative summary of some of the risks associated with staking:
 - 2.1.1. There exists a significant market risk that during the period for which the said Digital Assets are locked up by way of staking, due to market volatility, the depreciation in the price of the Digital Assets may be greater than the rewards earned by way of staking the said Digital Assets.
 - 2.1.2. Running a validator node to stake a cryptocurrency involves technical know-how to ensure that there are no disruptions in the staking process. Nodes need to have 100% uptime to ensure that they maximize staking returns and in case any misbehaviour of any validator node (even if mistakenly), you could result in penalties which can affect overall staking rewards. In the worst-case scenario, validators could even have their stake “slashed,” at which point a share of the staked Digital Assets would be lost. While we take utmost care to ensure that validator nodes we deploy on are maintained by large institutional staking service providers, the degradation in performance of these nodes may result in reduction in rewards or partial / complete loss of Digital Asset staked.
 - 2.1.3. Most of the Digital Assets are governed by their respective Decentralized Autonomous Organizations (DAO). These DAOs may pass certain resolutions from time to time which may result in slashing of tokens or reduction of rewards distributed or loss of staked Digital Asset. CoinDCX reserves the right to pass on any such losses to users who have delivered the Digital Asset delivered in Earn.

2.1.4. Some stakable Digital Assets come with locked periods during which the staked Digital Assets cannot be accessed. Large volumes of withdrawals of Digital Assets delivered in Earn may result in liquidity mismatches for CoinDCX and result in delay in delivery of these Digital Assets to you. Accordingly, there may be a delay in delivering the Digital Assets deployed as part of Earn product, back to you.

2.2. Decentralized Finance (“DeFi”): The Company may invest the Digital Assets on DeFi protocols custodially to get passive income. Detailed below is an indicative summary of some of the risks associated with DeFi:

2.2.1. While the Company monitors risk with help of smart contracts to ensure liquidation whenever there is breach of any predetermined parameters, loss of Digital Assets on account of high leverage, liquidity mismatches, built-in interconnectedness and the lack of shock-absorbing capacity on various DeFi protocols cannot be ruled out.

2.2.2. Further, large withdrawals from DeFi liquidity pools can result in price slippages.

2.2.3. The use of DeFi and smart contracts do not completely eliminate risks of fraud and bad actors may still succeed in gaming the system or finding loopholes, hacks, attacks, vulnerabilities, etc.

2.2.4. The DeFi industry is still in its early phases and remains quite complicated. In many cases, losses are the result of human error. DeFi deployments are exposed to cybersecurity and fraud risks, which can result in partial / total loss of deployed Digital Assets.

2.3. Asset Managers: The Company may deploy the Digital Assets to professional asset managers through specially managed accounts and such deployment may include transfer of the Digital Assets to third-party exchanges. While the Company shall thoroughly vet such professional asset managers before engaging them, loss of Digital Assets on account of discretionary actions like adverse trade positions and adverse investment decisions taken by such professional asset managers cannot be ruled out.

2.4. Lending / Borrowing: The Company may lend the Digital Assets to counterparties and such lending may be done on a fully collateralized or on an under-collateralized basis. While the Company shall ensure thorough risk management while lending the Digital Assets, loss of Digital Assets on account of default by counterpart cannot be ruled out. Further, situations may arise where due to market volatility, the value of the collateral may not fully cover the loss of Digital Assets.

2.5. Margin on CoinDCX: The Company may deploy the Digital Assets as margin to other Users of the Online Platforms enabling such other Users to trade on the Online Platforms with leverage. While such deployment is undertaken on the Online Platforms itself and the Digital Assets do not leave CoinDCX ecosystem, loss of Digital Assets on account of various factors such as high risk, speculative trading, etc. cannot be ruled out.

3. Technology and Security Risks:

3.1. A significant disruption in the Company’s products or services, in the Company’s information technology systems (including a system failure, outage, or interruption, both as to the Online Platforms or a third-party network), or in any of the underlying blockchain networks the Digital Assets, could affect your user experience and/or ability to access your account.

- 3.2. There is risk of loss of Digital Assets in the event of disruptions, hacks, forks (i.e., a split in the underlying network(s)), and significant attacks such as a double spend or 51% attack. You acknowledge and understand that there is risk associated with third-party cyberattacks and security breaches, as well as breaches of privacy.
- 3.3. You acknowledge that the Digital Assets delivered by you to the Company, may be subject to scams and other types of fraud perpetrated by third parties outside of our control which may result in loss of the Digital Assets.

4. Regulatory Risks:

- 4.1. Earn is not presently subject to regulation by any financial sector regulator in India or under any specific legislation in India, however, in case if the Company or the Earn product were to become subject to any legal or regulatory stipulations then the Company may not be able to service its obligations or be required to modify its obligations to you in relation to the Earn product. Additionally, various governmental and regulatory bodies in India and in other countries may adopt new laws and regulations. The extent, scope, and effect of such new laws and regulations are difficult to predict and may require changes to the Earn product.
- 5. The above detailed risks are purely indicative and there may exist risks which are not captured in this Risk Disclosure Statement. You are required to undertake your own independent research and assess your risk appetite prior to opting-in for the Earn product. Note that CoinDCX reserves the right to pass on any losses to the Users that may be incurred in connection with the Earn product.