

Risk Disclosure Statement

The Risk Disclosure Statement is provided in accordance with VARA Custody Services Rulebook - Rule IV.F

This Risk Disclosure Statement outlines a non-exhaustive list of risks which may be associated with the products and services including custody and custodial staking, we offer. In this Risk Disclosure Statement, references to “Komainu” or “we”, “us” or “our” means Komainu MEA FZE.

This Risk Disclosure Statement does not set out all risks arising in relation to our products and services we may offer and should not be relied upon as doing so.

Acquiring, holding, divesting yourself of, or otherwise doing business involving digital assets is subject to a number of risks which you are solely responsible for determining the nature, severity, scope, and impact of.

Komainu does not give advice or recommendations regarding digital assets, including the suitability and appropriateness of, and investment strategies for such digital assets.

Some of the potential and actual risks associated with virtual assets are listed below:

- the value of digital assets may be highly volatile and can decrease sharply and/or permanently, putting your capital at risk;
- transfers in digital assets may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable;
- issuers of digital assets may cease operations, no longer support digital assets, or modify the characteristics of digital assets without notice;
- digital assets are subject to high liquidity risk, the value of digital assets may be derived from the continued willingness of market participants to exchange them for fiat currency or other digital assets, which may result in the potential for permanent and total loss of value of a particular digital asset, should the market for that digital asset disappear;
- the nature of digital assets means they may not benefit from legal or regulatory protections (such as deposit protection schemes) and may lead to an increased risk of collusion, fraud, or cyber-attacks, and may mean that technological difficulties experienced by Komainu, or a particular distributed ledger network may prevent the access to or use of the affected digital assets;
- some transactions involving digital assets are not private and may be recorded on public distributed ledger networks;
- the various types of risks associated with crypto staking include but not limited to market risk, liquidity risk, lock up periods, rewards duration, validator risk, validator cost and slashing. These Risks are explained below:

Market Risk: The price of the staked asset may fall leading to lose money even if you earned a reward in staking.

Liquidity Risk: the asset’s liquidity (or rather illiquidity) can be considered a major risk factor for staking. If coin with little liquidity is staked it can be hard to sell or convert your staking rewards.

Lockup Periods: Some stakable assets have a locked period during which you can't use or access your staked assets. If an asset with locking period is staked and the price falls sharply you won't be able to withdraw your investment. This will reduce your overall earnings.

Rewards Duration: Some staking assets don't pay out staking rewards every day. This means you have to wait to receive your rewards.

Validator/Slashing Risk: The validator node needs to be operational 100% of the time to maximize staking returns. If a validator node mistakenly misbehaves, it could lead to penalties and affect your staking returns.

Validator Costs: you'll usually have to pay a percentage of your staking rewards as fees to validators.

- you have independently considered the suitability of custody, staking and /or collateral management of digital assets, considering your own specific objectives, experience, financial situation, and particular needs, including consulting such independent tax, financial, legal, accounting, or other advisors as you deem appropriate.

You should consider carefully whether or not any product is suitable for you in light of your circumstances and financial position, and if in any doubt, seek professional advice.