Cryptoasset Specific Risks

It is important for you to understand the unique risks that different types of cryptoassets and crypto products carry.

Staking

Staking cryptoassets, like DOT or ETH, locks your assets for network security and rewards, but come with risks:

- **Slashing**: A potential penalty (loss of assets) due to validator non-compliance.
- **Liquidity risk**: some tokens involve a lock-up period, meaning you will have to wait before you are able to sell tokens.
- **APY not guaranteed**: Reward rates are subject to change and are not guaranteed.
- **Consensus risks**: Changes to how a protocol is validated (how ‘consensus’ is reached), can introduce new, unexpected vulnerabilities.

Stablecoins

"Stablecoins" are cryptoassets whose value is linked to reserve assets, like the Euro or US Dollar (or other assets), and which seek to maintain stability through various methods, each carrying distinct risks.

- **Collateral risk**: Fluctuations in the value of collateral may impact price stability.
- **Redemption risk:** Redemption processes might not work efficiently during market volatility or operational incidents. For e-money tokens (EMTs), your right to redeem at par value is a claim against the issuer and depends on the issuer's ability to honour it; in the case of EMTs where the authorised Revolut entity is not the issuer, such entity does not guarantee the issuer's obligations or the value of the assets backing the EMT.
- **FX risk**: Depending upon your base currency, exposure to exchange rate fluctuations (e.g. from/to USD or Euro) may impact the value of your holdings.
- **Counterparty risk**: The management of collateral maintenance depends upon third-parties, over which you have no control.

- **Regulatory risk**: changes to the regulatory regime applying to the issuer or to the EMT may affect its availability.

DeFi Tokens

DeFi tokens, such as AAVE, are associated with decentralised financial applications, but they come with specific risks.

- **Smart contract risk**: Vulnerabilities in smart contracts may be exploited and lead to significant losses.
- **Scam risk**: Bad actors may launch tokens with no real intention of developing the project, resulting in the exploitation of investors and complete loss of funds.
- **Data risk**: Reliance by some protocols on external data sources, which may be vulnerable to attack, could result in disruption and devaluation.
- **Protocol complexity**: Understanding the intricate nature of DeFi protocols can be challenging, take time to educate yourself.

Wrapped Tokens

Wrapped cryptoassets, like wAXL, represent cryptoassets native to another blockchain, and are typically used to facilitate interaction between different blockchains, but they carry risks.

- **Collateral risk**: Failures to adequately collateralise the underlying tokens could destabilise the wrapped value.
- **Custodial risk**: Underlying assets may be held with third-party custodians, who could be exposed to an insolvency or cyber crime event. This can impact the value of the wrapped tokens.
- **Smart contract risk**: Vulnerabilities in smart contracts could be exposed and lead to fund losses.
- **Bridging risk**: Technical issues in integration layers between protocols (‘Bridges’) can disrupt token movement or redemption.
- **Price divergence**: A liquidity crisis, or other market issue, might cause price disparities between the wrapped token and its underlying asset.

Meme Tokens

Meme coins, like DOGE, derive their value from online trends, resulting in distinct risks.

- **Volatility risk**: Rapid and unpredictable price fluctuations are common, with value reliant on community interest, social media trends and speculation.
- **Market abuse**: High vulnerability to market manipulation schemes, such as pump-and-dump, where value can crash instantly.
- **Lack of transparency**: Limited information about development teams and financials mean traditional market value assessments cannot be done.
- **Emotional investing:** Emotional reactions can lead to impulsive decisions and amplify your losses.

Revolut-Issued Stablecoins

EURR is an electronic money token issued by Bridge Building S.A., 26, Boulevard Royal, 2449 Luxembourg, Grand Duchy of Luxembourg, an electronic money institution authorised in Luxembourg and supervised by the CSSF (*Commission de Surveillance du Secteur Financier*). Revolut Digital Assets Europe Ltd acts as the offeror and it is admitting the token for trading on the Revolut X Platform.

Crypto-asset white papers have been published for EURR:
https://reserves.bridge.xyz/eurr

Further information is available on the issuer's website at www.bridge.xyz. You can contact the issuer at euissuance@bridge.xyz or [+325 27 86 80 03].

Holders of EURR have the right to redeem their tokens against Bridge Building S.A. at any time and at par value, subject to the applicable terms and redemption process.