

Risk Disclosure

This **Risk Disclosure Statement** describes the general and specific risks associated with using the platform and services provided by **CIFDAQ**. Trading in Virtual Digital Asset (“VDA”) and derivatives, involves significant risk and may result in substantial or total loss of funds. It is crucial to carefully read and understand the risks outlined here before engaging in any activities on the platform. This document is not exhaustive, and users should seek independent financial, legal, and tax advice before using the platform. **CIFDAQ** assumes no responsibility for any losses or damages incurred as a result of the risks outlined below or any other risks not mentioned here.

1. General Risk in Virtual Digital Assets Trading

1.1 Speculative Nature of Virtual Digital Assets

VDAs are highly speculative. The value of these assets can experience extreme fluctuations within short periods due to various external and internal factors, including market demand, regulatory announcements, and technological innovations. As a result:

- **Price Volatility:** Prices may rise or fall significantly within short periods, often without any warning.
- **Market Sentiment:** The value of VDAs may be influenced by market sentiment, which can shift abruptly based on real-world events, rumors, or purely speculative behavior.
- **Supply and Demand:** The supply of certain VDAs, whether limited or inflationary, and the demand for these assets across markets can lead to price spikes or drops, sometimes with no prior indication.
- **Technological Failures:** Blockchain technology is still evolving. Protocol bugs, network congestion, or forked blockchain incidents can lead to temporary or permanent losses in the value of VDA.

1.2 Suitability for Users

Trading in VDA is not suitable for everyone. Only users who:

- Are financially able to withstand significant losses.
- Have a high tolerance for risk.
- Are experienced in the use of blockchain technologies.

- Have conducted thorough research on the nature of VDA should participate in trading.

Users should never invest funds they cannot afford to lose. Losses can exceed initial capital, and recovery may not be possible.

1.3 Legal Uncertainty and Regulatory Risk

The legal status of VDA varies across jurisdictions, and certain activities related to buying, selling, or holding VDA may be restricted or illegal. Users are responsible for understanding the legal implications of their actions, including whether:

- Legal Classification: VDA are considered property, securities, or commodities in their jurisdiction.
- Regulatory Restrictions: Some countries may impose restrictions on trading VDA, requiring licenses or approvals.
- Tax Obligations: Users are responsible for understanding and fulfilling tax obligations in their jurisdiction when trading or holding VDA.

Regulatory changes can have an immediate and adverse impact on the value of VDA, platform operations, or user access.

1.4 No Guarantees or Investment Advice

CIFDAQ does not provide any form of advice, including but not limited to investment, legal, financial, or tax advice. Users should not interpret any information on the platform as recommendations or endorsements of any particular VDA or trading strategy. Decisions made by users are solely at their own discretion and risk. **CIFDAQ** does not guarantee that any information presented is accurate, current, or complete, and users should verify all information independently.

1.5 Forward-Looking Statements

Some content on the platform may include forward-looking statements regarding the performance of VDAs or the platform itself. These statements are based on assumptions that may not hold true in the future. Factors such as market conditions, regulatory changes, and technological advancements may cause actual outcomes to vary dramatically from expectations. Users should not rely on these statements when making trading decisions.

1.6 Independent Decision-Making

Every user is expected to make informed decisions. While the platform may provide tools, analytics, and data feeds, all decisions related to trading are ultimately the user's responsibility. Users should conduct independent research and seek third-party professional advice before committing to any trade or investment.

1.7 Limited Supervision and Market Protection

The VDA markets are largely unregulated and may not be subject to oversight by governmental or financial regulatory bodies. This lack of regulation increases the risk of:

- **Market Manipulation:** The absence of oversight can result in price manipulation, fraud, or artificially inflated prices.
 - **No Centralized Protection:** There is no centralized entity that can stabilize the market or guarantee the value of VDAs in times of crisis.
-

2. Trading and Market Risks

2.1 Price Volatility

VDA are notorious for their high volatility. The price of VDA may change rapidly, often without warning, due to market dynamics or external factors such as government regulations, exchange hacks, or technological advancements. Factors contributing to volatility include:

- **Low Market Depth:** Some VDAs have relatively small markets, making them prone to sharp price movements in response to modest trading volumes.
- **News and Social Media:** News events, celebrity endorsements, or social media speculation can lead to significant price swings, often disconnected from the intrinsic value of the asset.
- **Regulatory Changes:** New laws, regulatory enforcement, or government statements can cause market disruptions.
- **Technical Developments:** Network upgrades, forks, or the discovery of technical vulnerabilities can significantly impact asset prices.

Volatility can lead to:

- Rapid gains or losses in a user's account.
- Inability to sell assets at desired prices.

- Slippage in trade execution, where users receive worse prices than expected due to rapid market changes.

Due to this volatility, users may experience rapid losses, and it may be difficult or impossible to exit positions at desired prices.

2.2 Liquidity Risk

Liquidity refers to the ability to buy or sell assets quickly without causing a significant change in the asset's price. Certain VDAs may be illiquid due to:

- **Low Trading Volume:** Some assets may not have sufficient trading activity, leading to price distortions and making it difficult to exit a position.
- **Order Book Thinness:** Even on exchanges with high liquidity, certain assets may have thin order books, meaning that large orders can have outsized impacts on the market price.
- **Exchange-Specific Liquidity:** Liquidity on **CIFDAQ** may not reflect the liquidity of other platforms, leading to discrepancies in asset prices and the availability of buyers or sellers.
- **Inability to Execute Trades:** Users may find it difficult to sell assets at fair market prices, particularly during periods of high volatility or market stress.
- **Slippage:** Trades may be executed at prices significantly different from the quoted prices due to low liquidity.

2.3 Leverage and Margin Trading

Leverage allows users to amplify their exposure to VDAs without needing to fully fund a position upfront. While leverage can enhance profits, it also magnifies losses. Specific risks include:

- **Margin Calls and Liquidation:** If the market moves against a user's position, they may be required to deposit additional margin or face liquidation. In cases of liquidation, all assets allocated to a position could be lost.
- **Market Volatility:** High volatility can lead to forced liquidations before users have a chance to react. Positions may be closed at unfavorable prices, exacerbating losses.
- **Overleveraging:** Overuse of leverage can lead to account wipeouts. Users should carefully monitor their risk and margin levels and be prepared to meet margin calls at any time.

2.4 Derivatives and Complex Products

Derivative products (e.g., futures, options) available on **CIFDAQ** come with additional risks:

- **Non-Ownership of Assets:** Derivatives are contracts based on the price movements of underlying assets, meaning users do not own the asset itself. As such, the performance of the derivative may not directly reflect the price movement of the underlying asset.
- **Expiration and Settlement:** Some derivatives have expiration dates, after which they are settled based on market conditions. This can result in unexpected gains or losses at settlement.

2.5 Irreversible Transactions

Transactions with VDAs are generally irreversible due to the decentralized nature of blockchain technology. If users:

- **Send to Incorrect Addresses:** Any VDA sent to an incorrect address may be lost permanently. **CIFDAQ** cannot reverse or recover such transactions.
- **Fraudulent or Accidental Transactions:** Users may be subject to fraud or may make mistakes that lead to the loss of assets. The platform cannot compensate for these losses.

2.6 Forks and Network Changes

Blockchain networks may undergo forks, where the network splits into two separate chains. A fork may:

- **Create Duplicate Assets:** Forks can result in new VDAs, and there may be disputes over which chain holds the original asset's value.
- **Impact Asset Viability:** A fork may reduce the value or utility of a VDA, especially if one chain becomes less supported by the network or community.

Users may not receive new assets resulting from a fork, and **CIFDAQ** is not responsible for managing or distributing such assets.

Users should fully understand the mechanics of these products before trading and should review the terms of each contract carefully.

3. Platform, Cybersecurity, and Technology Risks

3.1 Platform Downtime, Maintenance, and Operational Risks

CIFDAQ may need to perform scheduled or unscheduled maintenance, which could lead to the platform being temporarily unavailable. Users should understand that:

- **Access to Funds:** During maintenance or technical outages, users may be unable to withdraw funds, execute trades, or access account data.
- **Impact on Open Positions:** Any positions open during downtime may be subject to market movements, leading to potential gains or losses that users cannot mitigate due to lack of access.
- **Network Congestion:** High demand or issues with the underlying blockchain network may delay transactions or prevent them from being processed altogether.
- **Signal and Connection Issues:** Interruptions in internet service can result in incomplete or delayed trade executions.

Additionally, operational risks such as:

- **Software Bugs:** Software issues could cause incorrect display of account balances, trade execution errors, or other technical problems.
- **Third-Party Dependencies:** The platform may rely on third-party service providers (e.g., data feeds, cloud services), and outages or issues with these providers could impact users.

3.2 Cybersecurity Risks

The VDA industry is a prime target for cybercriminals, and **CIFDAQ** may be subject to attacks such as:

- **Hacking and Theft:** Hackers may attempt to breach platform security to steal funds or user data. While the platform uses industry-standard security protocols, there is no guarantee that breaches will not occur. Hackers may target users' accounts, private keys, or the platform itself, leading to potential loss of assets.
- **Phishing and Social Engineering:** Users may be targeted by phishing attacks or social engineering attempts to compromise their accounts. **CIFDAQ** does not bear responsibility for any losses resulting from such attacks.
- **Ransomware:** Malicious actors may attempt to introduce ransomware to the platform, potentially freezing access to accounts or funds.

Users are responsible for ensuring the security of their accounts by:

- **Using Strong Passwords:** Users must create and regularly update strong, unique passwords for their accounts.
- **Enabling Two-Factor Authentication (2FA):** Users are strongly encouraged to enable 2FA to enhance the security of their accounts.
- **Keeping Private Keys Secure:** Users should take care not to share private keys or other sensitive information related to their accounts.

3.3 Technology-Specific Risks (Blockchain Forks, Protocol Changes, and Bugs)

- **Forks:** Blockchains can undergo forks, which may result in two competing chains. In such cases, **CIFDAQ** may decide to support only one chain, leading to potential loss of funds on the unsupported chain.
 - **Protocol Changes:** Blockchain protocols can change, impacting the value of assets or the ability to transact. Users should stay informed of updates to the blockchains of the assets they hold.
 - **Bugs and Exploits:** Blockchain networks may have undiscovered vulnerabilities that can be exploited by bad actors, leading to loss of funds.
-

4. Regulatory and Legal Risks

4.1 Regulatory Changes and Compliance Risk

VDAs are subject to varying regulations globally. Governments may impose restrictions, taxes, or outright bans on the use of VDAs. This could result in:

- **Restrictions on Trading:** Users may be restricted from trading certain assets or accessing certain services due to regulatory actions in their jurisdictions.
- **Forced Asset Liquidation:** In extreme cases, users may be required to liquidate their assets due to new laws or regulatory demands.
- **Increased Reporting Obligations:** Regulatory bodies may impose stricter reporting and KYC/AML requirements, potentially requiring users to provide additional personal information or transaction details.

4.2 Jurisdiction-Specific Risk

VDAs are subject to evolving regulations in India. The legal status of VDAs in India is still under development, with various government bodies. Users are responsible for understanding and complying with the following:

- **Regulatory Framework:** The Indian government and regulatory bodies may impose restrictions or prohibitions on the use, trading, or holding of VDAs. Failure to comply with these regulations may result in legal consequences.
- **Tax Obligations:** VDA transactions may be subject to taxation under the Income Tax Act, 1961, including capital gains tax on profits from the sale of VDAs. Users must maintain accurate records of all transactions and ensure they comply with any reporting obligations to the tax authorities.
- **Future Legislative Changes:** The Indian government may introduce new laws or guidelines that further regulate VDAs. Users should be aware that such changes could affect the legality of trading, holding, or transferring VDAs in India.

Non-compliance with Indian laws regarding VDAs may result in penalties, asset seizure, fines, or imprisonment under applicable laws.

4.3 Asset Confiscation and Freezing

In certain situations, government authorities may freeze or confiscate VDAs due to legal actions or violations of laws, including sanctions, money laundering regulations, or tax evasion. **CIFDAQ** is required to comply with such actions and is not liable for any losses or delays incurred.

5. Custody and Asset Ownership Risks

5.1 No Custodial Services

CIFDAQ does not provide custodial services and does not hold VDAs in trust for users. The platform merely facilitates the movement and storage of assets in wallets controlled by users. Users are responsible for ensuring the security of their private keys and wallet credentials.

5.2 Loss of Private Keys

If a user loses their private key or access to their wallet, **CIFDAQ** cannot recover the funds. The loss of a private key is equivalent to the permanent loss of assets stored in the wallet.

5.3 No Insurance or Deposit Guarantee

VDA held on the platform are not insured by any government-backed insurance or deposit protection scheme. In the event of a hack, technological failure, or bankruptcy of **CIFDAQ**, users may lose their assets entirely with no recourse for recovery.

6. Product-Specific Risks

6.1 Staking

Staking involves locking VDAs for a period to participate in network governance or earn rewards. Staked assets may be subject to slashing (penalties) due to network misbehavior or technical issues. Furthermore:

- **Locked Periods:** During staking periods, assets may be locked and unavailable for withdrawal or sale, leaving users exposed to market volatility.
- **Validator Risk:** Delegating assets to a validator node carries risks related to node performance, technical failures, or malicious behavior, which could result in loss of rewards or the staked assets themselves.

6.2 Decentralized Finance (DeFi) Products

DeFi protocols are experimental, and engaging with them carries risks such as:

- **Smart Contract Bugs:** The underlying code of DeFi protocols may have vulnerabilities that can be exploited by hackers, resulting in loss of funds.
 - **Liquidity Risks:** DeFi liquidity pools may be drained, resulting in large price slippages or loss of the ability to exit positions.
 - **Governance Changes:** DAOs (Decentralized Autonomous Organizations) governing DeFi protocols may pass resolutions that change the rules, fees, or rewards of the protocol without user input, potentially leading to losses.
-

7. Tax, Legal, and Reporting Obligations

7.1 Taxation of Virtual Digital Assets

Users are responsible for understanding and complying with their local tax laws concerning VDA transactions. Many jurisdictions treat VDAs as taxable property, and users may incur tax liabilities when trading, selling, or holding VDAs. **CIFDAQ** does not provide tax advice and is

not responsible for any tax obligations or consequences arising from users' activities on the platform.

7.2 Reporting Obligations

Certain jurisdictions may require users to report their VDA holdings or transactions for tax or regulatory purposes. Users are responsible for maintaining accurate records and submitting required reports. **CIFDAQ** is not responsible for users' compliance with their local reporting obligations.

8. Acknowledgment and Acceptance of Risk

By accessing and using the platform, users acknowledge that they have read and understood this Risk Disclosure Statement in its entirety. Users accept that they are solely responsible for their trading and investment decisions. **CIFDAQ** will not be held liable for any losses or damages arising from users' failure to understand or manage the risks associated with VDA trading and use of the platform. Users should only engage in activities on the platform if they are fully aware of and willing to assume these risks.