Finst

The crypto platform you will love.

Risk Disclosure

Trading & staking cryptocurrencies

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1 Introduction

This Risk Disclosure Statement outlines several risks associated with trading of digital assets. The information presented in this Risk Disclosure Statement is not comprehensive and does not include all the risks (or other important factors) you should consider before using the Services.

You must make your own independent decision to access or use the services of Finst B.V. and should seek any advice that you consider necessary or desirable (including financial and/or legal advice) from independent advisors. Additionally, you should ensure that you have the risk appetite, relevant experience knowledge before you decide to trade digital assets.

By accessing and using Finst services, you hereby represent and warrant that you have read and consent to the risks as included in this Risk Disclosure statement.

Investing in digital assets involves risks of losses. Your capital is at risk.

2 General risks of trading cryptocurrencies

Cryptocurrencies are a form of digital assets which can be defined as an electronic intangible form of currency which do not have legal tender status (unlike euros for instance). In general, Transactions in cryptocurrencies are verified and records are maintained by a decentralized system using cryptography (the blockchain), rather than by a centralized authority such as an exchange when trading financial instruments.

Trading cryptocurrencies involves risks and it is therefore important that you are aware of and understand these risks before you start investing in these products. We have outlined a number of risks associated with trading in digital assets in the following paragraph.

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. The nature of cryptocurrency may lead to an increased risk of fraud or cyber-attack.

2.1 Price volatility

Digital assets (including so-called “stablecoins”) are highly volatile and their value is unpredictable and only derived from supply and demand. Unlike traditional financial instruments, cryptocurrencies have no underlying or intrinsic value. You can incur substantial and even a full loss of capital when trading cryptocurrencies. You must therefore carefully consider whether trading digital assets is suitable for your risk tolerance and financial position. You should not invest funds that they are not prepared to lose entirely.

Cryptocurrencies prices are usually not transparent, highly speculative and susceptible to market manipulation. In the worst case scenario, the value of a cryptocurrency could become worthless.

It is important to note that cryptocurrency prices displayed on the Website and Platform are for indication purposes only and may differ significantly from actual order execution prices. This may be due to the fact that Finst uses multiple parties to provide market data to you, or to a change in price between the time of the order placement and the execution of the order (known as “slippage”). This is especially important during times of high market volatility or illiquidity where the difference in displayed and execution prices may become more significant.

2.2 Liquidity

Markets for certain digital assets may be more or less liquid. This means that, there may be more or less market participants willing to buy or sell a certain digital asset at a given point in time. Illiquid markets imply an increased risk of loss because they can be subject to high volatility of prices and participants may find it impossible to open or close their positions at favorable prices. In general and although this is not a certainty, the higher the market capitalization of a digital asset, the higher its liquidity.

2.3 Default risk

When a digital asset in which you are invested is not being used or supported anymore by any platform (that Finst makes us of), the value of such digital asset may become worthless. In this case, there is a substantial risk that you may lose part or all of your invested funds. There is no guarantee that you will get back your invested amount in such circumstances.

2.4 Market manipulation

Cryptocurrencies are unregulated and are not generally backed or supported by any government or central bank, nor covered by any insurance. Due to their nature, a risk of market manipulation therefore exists. It consists of, but is not limited to, the intentional dissemination of (false) information intended to influence the price of a certain digital asset.

2.5 Platform functioning

Especially during periods of high volumes and high volatility, access to and functioning of the platform may become degraded. This could result in limitations on access to your account and any of the services, including the inability to place orders. In such circumstances, prices of digital assets displayed on the platform might differ significantly from the prices at which orders are executed.

2.6 Cybersecurity

The cybersecurity risks of digital assets and related “wallets” or spot exchanges include hacking vulnerabilities and a risk that publicly distributed ledgers may not be immutable. A cybersecurity event could result in a substantial, immediate and irreversible loss of the digital assets you hold with Finst. Even a minor cybersecurity event in a digital asset is likely to result in downward price pressure on that digital asset and potentially others.

2.7 Custody

Although Finst and the foundation (Stichting Finst Custody) take all reasonable measures to secure the assets of your assets and the Finst Credits, they cannot guarantee full security. Any defects or breaches can lead to a full loss of funds. Use of the Finst digital assets wallet is at your entire risk.

In order secure your assets, Finst and the Foundation may store digital assets with third party custody providers, over which they do not have control. In case of default, technical failure, or a security failure by a third party custody provider, this may lead to a full loss of your assets.

2.8 Third parties

Finst may make use of third-parties to, among others, execute orders or store (digital) assets. Although such third parties have been selected with due care, Finst does not have over control over these third parties and there is a risk that a third party Finst makes us of becomes insolvent. In such case, this may result in a partial or total loss of your assets. You understand that no insurance or deposit guarantee scheme applies to your assets stored in your Finst account.

2.9 Decentralized protocols

Finst does not have control over, or liability for, the delivery, the quality, safety, legality or any other aspect of the digital assets that you may purchase, hold or sell using the services. Finst does not own or control any of the underlying software protocols which govern the operation of the digital assets supported by Finst services. These underlying protocols may change or cease to function without prior notice, which may lead to a full loss of digital assets or the value thereof.

Due to the nature of blockchain technology and the underlying protocols thereof, any digital asset stored or traded on the platform may be irretrievably lost, corrupted, erased, either temporarily of indefinitely.

2.10 Laws and regulations

The market, technology and legal framework for digital assets is relatively new and uncertain. Finst services operate in a partly regulated field of law. The services may be subject to changes or termination based on the development of relevant laws and regulations.

You are responsible for knowing and understanding how digital assets and the services to these digital assets will be addressed, regulated and taxed under the laws applicable to you.

2.11 Past performance

Past performance is not an indication of future performance. The value of investments can increase and decrease.

2.12 Account freeze

Finst may freeze your account, including any digital assets or Finst Credits and any subaccount, in the event that you are believed to be engaged in suspicious activity or to be in breach of any of the Terms and Conditions. If your account is frozen, you will not be able to trade or to make any transfers to or from your Account. This may result in the closure of your open orders.

2.13 Information

Materials and information provided on Finst website or platform or otherwise by Finst are purely for informational purposes. They may change without prior notice and do not constitute investment advice. Finst may provide access to third party contents, which are not endorsed by Finst in any way. Any information provided in such content may be misleading, incomplete or erroneous. You are always solely responsible for assessing the relevance, accuracy, adequacy, and reliability of any materials provided.

2.14 Tax

You are responsible for any taxes that may be due by you depending on your country of residence. Finst does not provide any tax advice to its clients and it is therefore recommended for you to seek professional advice. It cannot be ruled out that tax authorities and courts may adjust or change previous tax assessments on the treatment of income related to the services Finst provides.

3 General risks of staking cryptocurrencies

Staking cryptocurrencies can potentially generate attractive and variable returns, known as Annual Percentage Yield (APY). However, crypto staking incurs risks that can lead to the partial or complete loss of the cryptocurrencies you stake. Before you start staking, you should do your own research and be aware of the risks involved. We recommend you read the explanations below carefully. Although we endeavor to provide a broad and complete overview of the risks involved with staking, please note that the list below is not exhaustive.

3.1 Protocol risk

Staking cryptocurrencies depends and relies on the underlying blockchain protocols. There is a risk of technical errors, bugs, security vulnerabilities and unforeseen events that can impact the protocol. In general, a protocol malfunction can lead to a partial of complete loss of both the stake assets and staking rewards. Finst has not control over the protocol itself, its performance, or its security. Although we carefully review the assets eligible for staking to mitigate such risks, protocol risk cannot be eliminated.

3.2 Slashing risk

Slashing refers to a penalty imposed by the blockchain protocol for violating the rules or engaging in suspicious activities on the network. Slashing penalties can lead to a (partial) loss of your staked cryptocurrencies and can occur, for instance, for incorrect voting, validator downtime or double staking (when an asset is used on multiple validators simultaneously). Finst collaborates with carefully selected third party technical providers which mitigate the risk of slashing and, in some cases, provide insurance against slashing penalties (up to certain amounts). However, despite these mitigating measures, the risk of slashing remains and cannot be eliminated entirely.

3.3 Liquidity risk

Every blockchain protocol has its own particularities and constraints regarding staking. For instance, some protocols impose activation periods, lock-up periods, bonding periods, unbonding periods, and withdrawal periods that can last up to several weeks. Finst endeavors to provide you with a high level of flexibility so that you can sell and withdraw your assets even when they are being staked. However, in spite of all measures in place to ensure such level of flexibility, in exceptional circumstances, there is a risk that Finst may impose certain temporary limits on sell orders and/or withdrawals until your staked assets have been unstaked and withdrawn from the relevant blockchain protocols. This would mean that you may not always be able to sell or withdraw your staked cryptocurrencies. In such case, Finst will inform you of such temporary limits as soon as possible.

3.4 Risk of fluctuating rewards

Staking rewards are dependent on each blockchain protocol and fluctuate over time. Finst has no influence on the rewards distributed by the various protocols. The current estimated staking rewards (APY) are indicated on our website and our platform and may change at any time without notice. Therefore, there is a risk that the rewards rates decrease after you have enabled staking.