

INTRODUCTION

The Risk Disclosure Statement (the “Statement”) provides the Client with information about the risks associated with Transacting in Virtual Assets and Stablecoins listed on Ousoul’s MTF. Clients are strongly advised to read this Risk Disclosure Statement carefully before Transacting on the Platform.

The risks outlined in this statement are not exhaustive and describe the general nature of the risks involved with Transacting in Virtual Assets and Stablecoins. Clients should undertake their own assessment regarding the suitability of Transacting in Virtual Assets or Stablecoins, based on their own investigation, research, experience, financial resources, and objectives.

OVERVIEW OF RISKS

The Risk Disclosure Statement addresses the risks that are associated with Transacting in Virtual Assets and Stablecoins below:

- (i) Virtual Assets and Stablecoins are not legal tender;
- (ii) Loss of value, volatility and uncertainty of future performance;
- (iii) Market and Economic Factors;
- (iv) Financial Crime and Cyber Attacks;
- (v) Availability of Virtual Assets and Stablecoins;
- (vi) Technology Risk;
- (vii) Regulatory Risk.

DISCLOSURES

A. Risks related to the Services, Virtual Assets, Stablecoins and Accepted Virtual Assets and Stablecoin

THE RISK OF LOSS FROM TRADING VIRTUAL ASSETS AND STABLECOIN CAN BE SUBSTANTIAL AND YOU SHOULD, THEREFORE, CAREFULLY CONSIDER WHETHER SUCH TRADING IS APPROPRIATE FOR YOU IN LIGHT OF YOUR CIRCUMSTANCES AND FINANCIAL RESOURCES. YOU SHOULD BE AWARE OF THE FOLLOWING:

(i) Virtual Assets and Stablecoins are Not Legal Tender

Most Virtual Assets and Stablecoins are not backed by central governments or legal tender (in the UAE), and each country has different standards.

There is no assurance that a person who accepts Virtual Assets and Stablecoins as payment today, will continue to do so in the future. Holders of Virtual Assets and Stablecoins put their trust in a digital, decentralized and partially anonymous system that relies on peer-to-peer networking and cryptography to maintain its integrity, and neither vendors nor individuals have an obligation to accept Virtual Assets and Stablecoins as payment in the future;

(ii) Loss of Value, Volatility and Uncertainty of Future Performance

There is limited or no fundamental reasoning behind the pricing of Virtual Assets, creating the risk of volatility and unpredictability with the price of Virtual Assets relative to Fiat Currencies. Virtual Assets have had historically higher price volatility than Fiat Currencies without or with limited

tangible underlying assets for price reference, allowing irrational and exorbitant moves in price, as the process for valuation is speculative and uncertain.

(iii) Market and Economic Factors

Trading in Virtual Assets and Stablecoins may be susceptible to irrational market forces, such as speculative bubbles, manipulation, trading scams and fraud. Market risks inherent in trading Virtual Assets and Stablecoins entail exposure to price volatility, fluctuations in Fiat currency exchange rates that may, adversely impact the overall market performance. Thus, potentially affecting the value of investment or trading position.

Ousoul does not guarantee the availability of Counterparties, nor does it guarantee the ability to establish or liquidate Virtual Assets and Stablecoins at favourable prices at any given time. There may be illiquidity for Virtual Assets and Stablecoins trading pairs on the Platform, denoting a limited number of Counterparties available for trading at any given time. Illiquid trading pairs may be susceptible to augmented risk of potential loss due to irrational price volatility. Counterparties may encounter significant challenges in liquidating their market positions or may do so at highly unfavourable prices.

(iv) Financial Crime and Cyber Attacks

The nature of Virtual Assets and Stablecoins may lead to an increased risk of financial crimes due to its decentralized nature and utilization of augmented anonymity mechanisms, which can potentially obscure traceability for transactions within the ecosystem. Notable financial crimes that may arise include fraud, money laundering, terrorism financing, and breaches of economic sanctions. It is important to recognize that these financial crimes can also manifest in the form of cybercrimes and cyberattacks.

As the Virtual Assets and Stablecoins ecosystem operates entirely in the digital realm devoid of traditional governance structures, cybercrime and cyberattacks are more susceptible. The inherent exposure to cybercrimes and attacks may be attributed to the digital nature of Virtual Assets and Stablecoins. Ousoul's operations involve the use of computers, internet, networks, and associated technologies within this digital ecosystem. Given the heavy reliance of Virtual Assets and Stablecoins and services provided by Ousoul on these advanced technologies, vulnerability to malicious actors have higher risk exposure.

Clients may be exposed to an increased risk to financial crimes and cyberattacks due to the decentralized and open nature of the blockchain ecosystem and its link to digital technologies. For example, a 51% attack, which is an attack on a blockchain by any Person or group of Persons who control more than 50% of the network's mining hash rate. Attackers with majority control of the network can interrupt the recording of new blocks by preventing other miners from completing blocks (block finality), altering payment history, and subverting funds.

Clients should always take care of their passwords and double check the addresses and URLs before loading any software.

Cybercrimes, cyberattacks and related vulnerabilities associated with Virtual Assets and Stablecoin include but are not limited to:

- Hacking and unauthorized Access utilizing:
 - Malware and Ransomware
 - Brute Force Attacks

- Social Engineering
- Smurfing / Distributed Denial of Service (DDoS) Attacks:
- Overwhelming Network Traffic Exploiting Smart Contract Code Weaknesses/ Vulnerabilities
- Double spending
- Sybil attacks
- Phishing attacks:
 - fake/hijacked addresses
 - Zero-Value Transactions
 - Ice Phishing Attacks
 - Dusting attacks

(v) Availability of Virtual Assets and Stablecoins

Ousoul makes no guarantee to the availability or time of providing clients with the ability to sell or purchase Virtual Assets and Stablecoin on the Platform. The availability of Virtual Assets or Stablecoin is outside of Ousoul's control and is dependent on Counterparties who are willing to sell the desired Virtual Asset or Stablecoins and vice versa.

Virtual Assets and Stablecoins require approval by the FSRA prior to trading it on the Platform. Such approval may be withdrawn at any time. Any Virtual Assets or Stablecoins may be delisted at any time without notice or consent. Similarly, any new Virtual Asset or Stablecoins arising from a hard fork or similar changes to a Virtual Asset's or Stablecoin's protocol, will require approval by the FSRA prior to being traded on the Platform.

There is no assurance that an Accepted Virtual Asset or Stablecoin will continue to be admitted in the future.

(vi) Technology Risk

The risks of Virtual Assets and Stablecoins being transacted via new technologies, including distributed ledger technologies ('DLT') are among other things; anonymity; irreversibility of transactions; accidental transactions; transaction recording; and settlement.

Transacting in Virtual Assets and Stablecoins on the blockchain relies on the proper functioning of complex software which exacerbates the risk of access to or use of Virtual Assets or Stablecoins being impaired or prevented.

Interacting with third-party technologies and software, relatively new technologies (such as bridge tools), novel and unproven blockchain infrastructures (including blockchain networks and platforms with advanced privacy features utilizing pseudonymisation mechanisms and sidechains) in transacting Virtual Assets and Stablecoins may expose Clients to vulnerabilities. These vulnerabilities may include delays in transaction finality, defects, and errors that may result in loss of funds, hijacked addresses, and unforeseen consequences in some instances.

Consequently, there may be no or limited access to existing mechanisms for the recovery of lost or stolen Virtual Assets and Stablecoins.

It is important to note that Virtual Assets, Stablecoins or associated technology may change or cease to operate as expected, due to improvements and or alterations made to the underlying

technology, utilization of built-in features or functions within the technology, or attacks targeting the technology. These changes may involve actions that may result in events such as a "fork" or "rollback" of the underlying technology or blockchain network for a Virtual Assets and Stablecoins.

Given the inherent technology risks associated with Virtual Assets and Stablecoins, Ousoul shall only permit at a given time, Virtual Assets and Stablecoins, that are supported on specific blockchain networks to its Custody Service and Platform. Additionally, these Virtual Assets and Stablecoins may be made available for trading in various trading pairs, including Fiat currency, on the Multilateral Trading Facility (MTF).

Transactions posted on the blockchain are irreversible and in most cases cannot be stopped. There is no guarantee that transactions submitted in error will be recovered. Clients should always check that the address and network they are sending the assets to is correct.

Hitherto transacting Virtual Assets and Stablecoins, Clients should ensure that they double-check the address(es), the versions of the Virtual Assets, Stablecoins and the blockchain networks of the Virtual Assets and Stablecoins as permitted by Ousoul.

Conducting transactions through networks that are not admitted to the Platform, or utilizing optional privacy features of an underlying blockchain network for Virtual assets and Stablecoins transactions will not be permitted, as outlined in the Ousoul's [Accepted Virtual Assets](#) .

Clients will not be given the option to make withdrawals using anonymisation features.

Failing to acknowledge this Risk Disclosure Statement can prevent Clients from using/accessing Virtual Assets and Stablecoin.

(vii) Regulatory Risk

Many trading venues and Virtual Assets or Stablecoins services are not regulated, or subject to limited regulation, and Clients should conduct their own due diligence.

The regulation of Virtual Assets and Stablecoins continues to evolve. The emergence of new regulations may restrict the use of Virtual Assets and Stablecoins or influence the demand and availability of Virtual Assets and Stablecoins, resulting in price volatility and limited support for Virtual Assets and Stablecoins related transactions by Banks and or other financial institutions.

You further acknowledge that the above list of risks is non-exhaustive and there may also be unpredictable risks. The Firm is not responsible for any losses arising from the Client's use of the Website except as described in the MTF Rules and Client Agreement.

(B) SPECIFIC RISKS ASSOCIATED WITH CERTAIN VIRTUAL ASSETS OR STABLECOINS AND NETWORKS

(i) LITECOIN SPECIFIC RISKS

Litecoin (LTC) as an open source blockchain network that utilizes the Proof of Work consensus mechanism to secure peer-to-peer payments, facilitate fast transaction processing, at low transaction costs within a decentralized ecosystem. Litecoin through its efforts to solve the scalability issues in Bitcoin Network, introduced additional blockchain protocols over the period

including the Litecoin Lightning Network often referred to as layer-two (Layer2) solution and the MimbleWimble Hogwarts Express Sidechain.

The Litecoin Lightning Network which is an off-chain protocol, employs two-way payment channels, allowing users to transact, with the Payment channels managed off-chain allowing peer-to-peer (P2P) tunnels in the form of enabling two “untrusted” parties to transact with each other back and forth without congesting the mainchain at lower transaction fees.

The Litecoin MimbleWimble Hogwarts Express Sidechain utilizes Extension Blocks (EB) allowing users to opt-in or opt-out between the main network and the extension block with the aim of enhancing privacy, and fungibility on the main network (mainnet).

While the aim of the MimbleWimble Hogwarts Express Sidechain (which has also been enabled on the Litecoin Lightning Network), is to offer pseudonymous transactions by providing users with the peg-in and peg-out functions of sending confidential LTC transactions without revealing adequate information of transactions on the sidechains, these render the transactions as untraceable with the propensity for promoting money laundering or facilitating other illicit activities. Consequently, transactions of such nature may no longer be compliant with Anti-Money Laundering regulations and may be liable to applicable sanctions amidst the potential technology vulnerabilities.

Clients should conduct their own research and be aware of the potential risks associated with LTC transactions and in particular, transactions that may involve (either directly or indirectly) the Litecoin MimbleWimble Hogwarts Express Sidechain and or the Litecoin Lightning Network.

Clients will be subject to Ousoul’s Anti-Money Laundering (AML) and Know-Your-Customer (KYC) requirements and procedures.

Clients are further required to ensure that all LTC transactions initiated from an external venue to their Ousoul Litecoin wallet addresses, do not interact with both the Litecoin Lightning Network and/or the Litecoin MimbleWimble Hogwarts Express Sidechain.

In regard to Litecoin, Ousoul will only permit transactions for Virtual Assets that do NOT use the optional privacy features. Clients will not be given the option to make withdrawals (outbound transfers) through a network that uses anonymisation features.

By proceeding with transactions on the Litecoin blockchain with direct or indirect exposure to the MimbleWimble Hogwarts Express Sidechain, the client acknowledges that they have read, understood, and accepted the risks outlined in this Risk Disclosure Statement. Thus, the client is solely responsible for their actions and bear the associated risks involved with Litecoin transactions.

C. SPECIFIC RISKS ASSOCIATED WITH STABLECOINS

Ousoul only acts as an MTF and custodian for Stablecoin activities, and is not an issuer, operator, manager nor by any means a beneficiary of a Stablecoin. Therefore, before conducting any transaction or trading in Stablecoins, you should review the project page for detailed information and be aware of any terms and conditions of the Stablecoin’s issuer.

Stablecoins are designed to be pegged to Fiat Currency and be collateralized as 1:1. However, Stablecoins are not part of any deposit insurance protection scheme, and the presence of Fiat

Currency reserves is not a guarantee for redemption. There is a possibility that the assets held in reserves may not be sufficient or may not be available for redemption at times of extremely high demand. Volatility spikes in the market might lead to occasions where the price of a Stablecoins deviates from the underlying Fiat Currency.

Stablecoin to Fiat Currency pairs fall outside of FSRA's direct remit, and therefore Stablecoin to Fiat Currency pairs are not subject to FSRA oversight for market abuse purposes. However, the said pair is still subject to fair and orderly trading requirements, as well as other checks and controls performed by Ousoul.

(i) USDC SPECIFIC RISKS

Launched in 2018, USD Coin (USDC) is one of the top fiat-backed stablecoins. USDC is a centralized token issued by Centre Consortium that was originally founded by the companies Coinbase and Circle Financial.

Each USDC is designed to be backed by USD collateral held in reserve by leading regulated US financial institutions. Circle voluntarily publishes financial reports on assets held in reserve monthly.

However, USDC are not subject to any deposit insurance protection scheme, and the presence of the USD reserve is not a guarantee for redemption. There is a possibility that the assets held in reserve are not sufficient or may not be available for redemption at times of extremely high demand.

As USDC is a token with a target (price) stability which is said to be secured by assets denominated in USD or that are the equivalent of USD, there is a risk that, as a result of controlling and regulatory rules imposed for such currency or assets, there may be unfavourable changes in use, transfer and redemption of USDC or tax liability may be imposed upon USDC holders.

The issuer of USDC relies on its ability to continuously access multiple banking and insurances services and platforms. The loss of a critical banking or insurance relationship could adversely impact its operating results, and financial conditions, potentially marring its ability to continuously offer USDC to users.

Centre Consortium decides on the countries where USDC transactions will be supported or materialized and the eligibility and appropriateness of persons who are to perform transactions. There is a risk that the UAE may be removed from countries supported and/or transactions by certain users with USDC may be blocked. In such case, Ousoul may stop accepting, remove and/or close USDC for transactions.

Ousoul supports USDC on the Ethereum ERC-20 network. Hence specific risks pertaining to Ethereum's ecosystem could potentially exert influence on the USDC that is operating on the Ethereum ERC-20 network. Please refer to [Accepted Virtual Assets](#) and network. For further information or support please contact Customer Support via email at support@ousoul.com.