CRYPTOCURRENCY CFDS – ADDITIONAL RISK WARNINGS & CONDITIONS

CFDs ON CRYPTOCURRENCIES INCLUDING, WITHOUT LIMITATION, BITCOIN AND ETHEREUM ARE A VERY HIGH RISK INVESTMENT THAT ARE NOT SUITABLE FOR ALL INVESTORS. CRYPTOCURRENCIES AND, THEREFORE, CRYPTOCURRENCY CFDs ARE SUBJECT TO EXTREME PRICE VOLATILITY. SPECULATING ON CRYPTOCURRENCIES USING CFDs SHOULD ONLY BE PERFORMED BY SOPHISTICATED INVESTORS THAT ARE PREPARED TO LOSE THEIR ENTIRE INVESTMENT. CRYPTOCURRENCIES DO NOT HAVE ANY INTRINSTIC VALUE AND MAY BECOME WORTHLESS. CRYPTOCURRENCY CFDs ARE DERIVATIVE INSTRUMENTS THAT DO NOT ENTITLE INVESTORS TO UNDERLYING COINS. IF YOU ARE NOT PREPARED TO ACCEPT THESE RISKS, AND THE CONDITIONS OUTLINED BELOW, DO NOT TRADE CRYPTOCURRENCY CFDs.

Cryptocurrencies, including, without limitation, Bitcoin and Ethereum, and the blockchain industry in general, are subject to a very high degree of uncertainty. Investors in cryptocurrency CFDs are exposed to a number of additional risks not present in more traditional investments. These risks are set out below, but this is not an exhaustive list.

Extreme Market Risk:
Cryptocurrencies are subject to extreme price volatility as evidenced by the large daily movements in the price of Bitcoin and Ethereum since their inception. Although the price of a number of cryptocurrencies have appreciated rapidly throughout 2017, the price of many have also crashed on multiple occasions, for example in previous years, Bitcoin has fallen by as much as 80% in a single day. Many market commentators have warned that the recent price rise in cryptocurrencies is a “bubble”. Cryptocurrency markets do not close and so sudden price swings could occur at any time.

ADSS may, in its sole and absolute discretion, suspend trading in cryptocurrency CFDs thereby preventing investors from opening or closing cryptocurrency CFD positions and, when such trading suspension is lifted, the price of cryptocurrencies may have moved significantly.

Alternative Investment:
Cryptocurrencies are virtual currencies that are a novel product when compared to traditional investments. Accordingly, cryptocurrencies do not have a meaningful track record to provide credibility and are still in a developmental phase. Although Bitcoin is, currently, the most popular cryptocurrency, a technological break-through by a rival cryptocurrency could undermine its dominance. Accordingly, there may be sudden and significant impacts on the price of cryptocurrencies arising from unforeseen events.

Regulatory Risk:
Cryptocurrencies are alternatives to traditional fiat currencies issued by governments and the anonymity of cryptocurrencies means that they may be used to facilitate money laundering or other illegal activities. As a result, governments may seek to regulate, restrict or ban the use and sale of cryptocurrencies, and some have already taken this approach. Any such regulatory action may impact the value of cryptocurrencies.

Cryptocurrency Exchanges:
ADSS sources prices for its cryptocurrency CFDs from cryptocurrency exchanges and ADSS hedges its market risk generated by entering into cryptocurrency CFDs with its clients using cryptocurrency exchanges. Cryptocurrency exchanges are entirely digital and are at risk from hackers, malware and operational glitches. If a cryptocurrency exchange is hacked, an event that has recently occurred, there is no authority to resolve disputes and this is particularly problematic because all cryptocurrency transactions are irreversible. ADSS will pass on to its clients any losses that it occurs from hackers, malware and operational glitches impacting ADSS’ hedging via a cryptocurrency exchange.

Cryptocurrency exchange servers are unreliable, which can result in the suspension of markets, and cryptocurrency exchanges and may impose restrictions on funding and withdrawals. If a cryptocurrency exchange is hacked or unavailable, this may impact the value of cryptocurrency CFDs and ADSS may restrict your ability to purchase or sell such cryptocurrency CFDs in such circumstances.

Blockchain Forks:
In respect of each cryptocurrency, there is one generally accepted decentralised ledger that records all cryptocurrency transactions called the “blockchain”. When the software of participants in the relevant cryptocurrency network (known as “miners”) becomes misaligned, a split (or “fork”) in the relevant blockchain may occur thereby resulting in two different blockchains.

Generally, miners for the relevant cryptocurrency quickly agree which version of the blockchain to continue to use, causing minimal disruption, and the less favoured version of the blockchain is discontinued. However, when one version is not discontinued (known as a “hard fork”) ADS shall determine, in its sole and absolute discretion, which blockchain and cryptocurrency unit to follow. When a hard fork occurs, this may cause substantial price volatility to the relevant cryptocurrency CFDs. Also, if a hard fork results in a viable second cryptocurrency, ADSS may, in its sole and absolute discretion, create an equivalent position on a client’s accounts to reflect this but, ADSS has no obligation to do so.

Closing Only Trading:
At any point in time, ADSS may, in its sole and absolute discretion, switch cryptocurrency CFD trading to “Closing Only”. When “Closing Only” is applied, new cryptocurrency CFDs positions cannot be opened and existing positions can only be maintained or closed. Although, ADSS may apply “Closing Only” without providing any reason or justification for this decision, this may occur to facilitate ADSS complying with its own internal market risk limits.