Important Risks and Disclosures for UK Clients

Galaxy Digital UK Derivatives Risk Disclosure Statement

THIS BRIEF STATEMENT COVERS SOME, BUT NOT ALL OF THE RISKS OF TRANSACTING IN DERIVATIVES CONTRACTS RELATING TO DIGITAL ASSETS WITH OR THROUGH GALAXY DIGITAL UK LIMITED ("**GALAXY DIGITAL**"). BY ENTERING INTO SUCH TRANSACTIONS WITH OR THROUGH GALAXY DIGITAL, YOU REPRESENT AND WARRANT THAT YOU HAVE EVALUATED THE MERITS AND RISKS OF TRADING SUCH CONTRACTS WITH OR THROUGH GALAXY DIGITAL AND HAVE DETERMINED THAT SUCH CONTRACTS ARE APPROPRIATE FOR YOU AND THAT YOU ARE CAPABLE OF ASSUMING, AND ARE PREPARED TO ASSUME, THE RISKS ASSOCIATED WITH SUCH CONTRACTS.

TRADING DERIVATIVES CONTRACTS RELATING TO DIGITAL ASSETS AND TRADING WITH OR THROUGH GALAXY DIGITAL IS NOT SUITABLE FOR EVERYONE AND CAN RESULT IN LOSSES UP TO, AND IN SOME CIRCUMSTANCES ABOVE, THE ENTIRE AMOUNT YOU INVEST. YOU SHOULD ONLY ENTER INTO SUCH TRANSACTIONS AFTER YOU ARE CERTAIN THAT YOU FULLY UNDERSTAND THE RISKS ASSOCIATED WITH DOING SO.

For purposes of this Disclosure Statement, the term "digital asset" refers to an asset that is issued and/or transferred using distributed ledger or blockchain technology, including, but not limited to, assets often referred to as "cryptocurrencies", "cryptoassets", "cryptocoins", "virtual currencies," "coins," and "tokens"; and the term "digital asset network" refers to the online distributed network by reference to which a digital asset exists.

Please also refer to the link **here**, for the ISDA General Disclosure Statement for Transactions, the ISDA Disclosure Annex for Commodity Derivative Transactions, which this Disclosure Statement supplements. If you cannot access this link please reach out to sdonboarding@galaxy.com.

Clients transacting in derivatives contracts relating to digital assets with or through Galaxy Digital must be categorised as professional clients or eligible counterparties for the purposes of the rules in the Financial Conduct Authority's Conduct of Business Sourcebook. Galaxy Digital does not transact with retail clients.

Risk Disclosures for Derivatives that Provide Exposure to or Reference Digital Assets

High Volatility, Speculation, Low Liquidity and High Market Concentration

Derivatives that provide exposure to digital assets may trade at a value other than that which may be inferred from current values of the underlier due to factors including, but not limited to, high volatility, low liquidity and high market concentration in the underlier, as well as the fact that there may be significant variations in publicly available pricing sources.

The prices for many digital assets are highly volatile and can fluctuate significantly in short periods of time, sometimes even absent the occurrence of the types of economic events that normally precipitate price changes for other types of assets. Depending on how quickly prices change, you might not be able to terminate or hedge your digital asset-referencing transactions before you suffer significant losses. The absence of widely used industry standard terms for digital asset and digital asset derivatives transactions can also increase this risk. Another source of volatility for digital asset prices is the high degree of digital asset demand that is generated by speculators and investors seeking to profit from the short- or long-term holding of digital assets. Such speculators and investors losing interest in digital

assets could reduce liquidity and increase volatility, and ultimately make it difficult to accurately value digital assets.

Liquidity (and relative liquidity) is another source of potential volatility for digital asset prices. The overall size of many digital asset markets can be significantly smaller than markets for other types of assets, which can limit liquidity and increase volatility. In addition, liquidity in digital asset markets can change quickly. Because the market forces that determine digital asset prices are not entirely clear, it is difficult to predict what market factors can lead to substantially more or less liquidity in digital asset markets. Digital assets trade across different exchanges and in varied jurisdictions, so local and regional events can affect the liquidity, prices and volatility of digital assets in unexpected ways. Liquidity can also be adversely affected by the development of updated or new technologies, market standard terms and new digital assets and the migration of trading interest to such new digital assets or away from existing technologies and market standard terms. You should monitor liquidity developments in digital assets carefully.

The liquidity of digital assets and the volatility of digital asset prices also depend on the concentration of owners of a digital asset or the traders in such digital assets. There is little transparency in the ownership of or trading interest in most digital assets, nor are there generally limits on concentrated ownership or trading interest. Ownership of or trading in particular digital assets can be concentrated in a limited number of countries or regions and may be controlled by a small number persons or entities. Events in such countries and regions, or events that affect such persons or entities, could have a disproportionate impact on the prices of digital assets. Greater concentration in ownership or trading interest can also lead to heightened volatility due to sharp swings in the level of supply or demand. High levels of concentration can also make a market susceptible to manipulation or distortion. If large holders of digital assets engage in large-scale sales or distributions, either on nonmarket terms or in the ordinary course, this could affect the price of digital assets and the derivative transactions that reference them.

Volatility, liquidity and concentration risk with respect to digital assets may ultimately affect the terms of derivatives contracts that reference digital assets. High volatility or low liquidity could, for example, lead to difficulties in ascertaining the correct valuation for a digital asset, which could in turn pose challenges with respect to payment, delivery and collateral obligations, among others, under a related derivatives contract since these obligations rely upon the value of the underlying digital asset.

The market value of a digital asset derivative transaction may also be influenced by other factors unconnected to the use and technical operation of the relevant digital asset networks, including economic, financial, political, regulatory, geographical, biological, or judicial events, and the general interest rate environment.

Malicious Actors

“Mining” or “validating” is the act of using a computer to run computations in order to process or validate transactions on a digital asset network. A material concentration in the capacity to verify or process transactions on a digital asset network can increase the risk of a malicious actor or botnet, i.e., a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers, obtaining the power to control, exclude or modify the ordering of transactions. Such activity by the malicious actor or botnet could have significant effects on the liquidity and price of the digital asset. Such acts could also affect digital asset derivatives by disrupting markets in the underlying digital asset and introducing uncertainty as to the price or other characteristics of the digital asset.

Lack of Trading History

The markets for digital assets and derivatives that reference digital assets are relatively new. Accordingly, there do not exist long histories of pricing information for digital assets, and the market forces that determine the prices for digital assets continue to evolve. This risk is heightened for newer digital assets and the derivatives that reference them, as these are less developed markets with shorter trading histories. The evolution of these market factors can lead to significant changes to market trading behavior and digital asset prices, and can in turn affect the terms of derivatives contracts that reference digital assets.

Adoption and Consumer Preferences

The growth of the digital asset industry is subject to a high degree of uncertainty. Changes in consumer demographics and public tastes and preferences over time can affect the further development of this industry, which in turn could move the price of digital assets in unexpected and unpredictable directions.

Such changes in public tastes and preferences could be in response to, among other factors, the failure to maintain and update digital asset software and technology and a growing perception that the use and holding of digital assets is no longer safe and secure. The open-source nature of digital asset networks means that contributors are not generally directly compensated for their contributions in maintaining and updating the digital asset software and technology. Consequently, there is a lack of financial incentive for developers to maintain or develop the networks or adequately address issues that may emerge over time. A failure to do so can negatively impact consumer preferences for digital assets and consequently the prices of the relevant digital assets.

Further, social media and the news can affect consumer perception of digital assets. In particular, in circumstances where the digital asset is issued or sponsored by a single team or company, negative press of the team or issuing or sponsoring company could adversely impact the price of that digital asset.

Changing public perception with respect to digital assets could very well affect the terms of derivatives contracts that reference digital assets. By way of example, negative press that leads to public discontent with a particular digital asset (or, for that matter, digital assets more broadly) could dramatically affect the value of derivatives contracts which rely upon the value of an underlying digital asset.

The ongoing development and improvement of open-source network protocols are crucial for sustaining digital asset networks. However, these efforts rely on volunteer developers and there can be no assurance that these developers will continue to be involved in a digital asset network, or that new volunteer developers will emerge to replace them. To the extent that material issues arise with a network protocol or related software and the developers are unable or unwilling to address the issues adequately or in a timely manner, the digital asset may diminish in value or become worthless which could affect the value of a digital asset derivative transaction.

Other factors that may affect the adoption and use of digital assets, and therefore the value of digital asset derivatives, include regulatory actions and economic conditions, and the extent to which new smart contracts and distributed applications are created and deployed on relevant digital asset networks.

Digital Asset Trading Venues

The venues through which digital assets trade are relatively new and may be more exposed to operational problems or failures than those for other assets, potentially adversely affecting the value of digital assets and resulting in a loss. These trading venues are generally subject to different regulatory requirements than venues for trading more traditional assets and may be subject to limited or no regulation. Furthermore, many such venues, including exchanges and over-the-counter trading venues, do not provide the public with significant information regarding their ownership structure, management teams, corporate practices, or regulatory compliance. Such venues may impose daily, weekly, monthly, or customer-specific transaction or distribution limits, or suspend withdrawals entirely, making the exchange of digital assets for fiat currency difficult or impossible. They may also hold legal title to the digital assets traded and held on the venue, such that the customer's asset is the trading venue's obligation to redeliver equivalent assets rather than a proprietary entitlement to the digital assets themselves. In this scenario, the customer is exposed to the risk of losing its assets upon the insolvency of the relevant trading venue.

Operational problems, clerical and systems errors, cyber-attacks, fraud or failed trading venues may disrupt the operation of digital asset markets and reduce confidence in digital assets generally. This could affect the price of digital assets and, in turn, affect the value of a digital asset derivative transaction.

Lack of Regulation; Possibility of Government Intervention

The "cash" or "spot" markets for most digital assets are largely unregulated in most jurisdictions. In addition, in some jurisdictions, the digital asset derivatives markets are largely unregulated. In particular, depending on their location, these markets and the participants therein may not be subject to market integrity or transparency rules, and participants in these markets may not be subject to registration, licensing or fitness requirements, business continuation, disaster recovery or cybersecurity requirements, or know your customer and anti-money laundering rules. This lack of regulation can make digital asset markets susceptible to manipulation or distortion, which may adversely affect your digital asset transactions and your derivatives contracts that reference digital assets. This is particularly the case to the extent that the digital asset derivatives we enter into with you reference digital assets or related derivatives that trade in unregulated markets, for example to establish one or more settlement prices or in connection with disruption or similar events.

Digital asset trading has also been associated with illegal activity, including drug dealing, money laundering and other forms of illegal commerce. Law enforcement may respond to such actions by limiting or shutting down trading venues or participation on such venues.

Certain jurisdictions have imposed stringent regulatory controls on digital asset transactions, greatly limiting liquidity in those jurisdictions. Other jurisdictions may, in the future, impose similar controls, or significant taxes or other requirements that greatly restrict participation in digital asset markets and funding markets, either in general or based on the nature of specific participants or transactions. All of these actions can significantly affect liquidity, volatility and prices for digital assets and derivatives contracts which rely on the value of an underlying digital asset.

Intellectual Property Claims

Third parties may assert intellectual property claims relating to the operation of a digital asset exchange or network and the source code relating to the holding and transfer of digital assets. Regardless of the merit of any intellectual property or other legal action, any threatened action could reduce the confidence in the long-term viability of digital asset networks or adversely affect prices for digital assets and their related derivatives.

Trading Hours May Not Align

The market for many digital assets operates on a global, twenty-four hour basis. Therefore, your and our hours of operation, during which you and we may transact in and value digital asset derivatives transactions, calculate margin and settlement amounts, issue margin calls and settle collateral delivery or return amounts, may not conform to the hours during which the underlying digital assets are most traded. To the extent this occurs, significant changes in digital asset prices as well as market, economic and political conditions due to reasons beyond our control, and thus the value of digital asset transactions and the amount of credit exposure they create between us, may take place during times when it may be difficult for you to monitor or react to them.

Digital asset markets that operate continuously may also impact digital asset derivative transactions. For example, derivatives transactions typically rely upon the underlying asset market having conventional times during which valuations are established, such as an official closing price at the end of a business day. This concept would not apply to digital asset markets that operate on a twenty-four hour basis. Furthermore, while some digital asset trading venues may publish prices at a certain time or across a certain period, these times or windows are typically not intrinsically tied to any circumstances regarding underlying market activity (such as the availability of trading or trading volume). This may lead to uncertainty as to how and when valuation of a digital asset will be ascertained for purposes of a digital asset derivative.

Forks

It is possible that planned, unplanned, sudden, scheduled, expected, unexpected, publicized, not well-known, consensual, and/or controversial changes to the underlying operating rules of certain digital assets may occur from time to time in such a way as to result in the creation of one or more related versions of an existing digital asset (each instance of any such change, a “Fork”). Forks may result in multiple versions of a digital asset network operating concurrently, and competing for participants such as users, developers, and node operators. This could lead to the dominance of one of the relevant digital assets and the partial or total abandonment or loss of value of others. The competition between multiple digital asset networks can also contribute to volatile and unpredictable post-fork asset values, possibly lowering the market value of the relevant digital assets. Success of the resulting digital asset networks will also heavily depend on ongoing support from node operators and developers; inadequate support could elevate their vulnerability to attacks and other risks. This increased instability and fluctuation may significantly affect the confidence in network integrity and the value of relevant digital assets and their related derivatives.

A fork could also fundamentally alter the nature or functionality of the digital asset, which could in turn affect the terms of a derivatives contract that reference that digital asset. Depending on its terms, the derivatives contract may not account at all for Forks or the potential existence of multiple versions of the digital asset underlier, may provide discretion for one of the parties to determine how to address the potential impact of a Fork (including adjustments to payment and settlement terms), or may permit or require early termination of the transaction upon the occurrence of a Fork, all of which could affect the economic terms of the transaction or result in disputes.

Airdrops

An airdrop involves the unilateral issuance of a new digital asset to the holders of an associated digital asset. An airdrop could affect the value of the digital asset in unknown ways, which in turn may impact the terms of a related digital asset derivative. Depending on its terms, the derivatives contract may not account at all for airdrops, may provide discretion for one of the parties to determine how to address the potential impact of an airdrop (including adjustments to payment and settlement terms), or may permit or require early termination of the transaction upon the occurrence of an airdrop, all of which could affect the economic terms of the transaction or result in disputes.

Delisting

Digital assets or related futures or options may be delisted from a trading platform suddenly and for any reason or no reason whatsoever, including, without limitation, changes in applicable law or regulation or by court order. Delisting could make it difficult or impossible to liquidate your positions in derivatives contracts that reference the delisted digital asset, future, or option and could ultimately result in a complete loss of value. Depending on its terms, the derivatives contract may not account at all for delistings, may provide discretion for one of the parties to determine how to address the potential impact of a delisting (including adjustments to payment and settlement terms), or may permit or require early termination of the transaction upon the occurrence of a delisting, all of which could affect the economic terms of the transaction or result in disputes.

Risk of Market Disruption

In addition to those mentioned above, several other events or factors can result in disruption of digital asset markets and the derivatives contracts that reference them, including:

- Commencement of insolvency proceedings in respect of one or more digital assets, digital assets derivatives exchanges or custodians;
- Temporary or permanent suspensions or limitations on trading in digital assets or related derivatives, including the triggering of limits on the amount of price fluctuation, an unscheduled market close, or, as noted above, intervention by a government authority;
- Developments in regulation or taxation of digital assets or related derivatives or securities, including heightened enforcement activity or the imposition of limits on owning or trading in digital assets or related derivatives or securities;
- The inability for a party to hedge effectively the price risk in respect of a digital asset derivatives or the inability to recover or realise the proceeds from one or more hedge positions;
- An increase in the cost to hold or otherwise deal in any assets a party deems necessary to hedge the price risk of entering into and performing obligations under a digital asset derivatives;
- Political or economic crises that might trigger large-scale sales of digital assets, leading to price drops and affecting transaction values; and
- Changes in a digital asset's underlying technology protocols (such as a Fork in the distributed ledger used by a digital asset), initiation or discontinuation of use or support by a significant merchant, investor or other market participant, exchange or other intermediary, or a migration of developers or miners away from certain platforms.

Fraud, Theft and Cyber-Attacks

Cyberattacks, theft, fraud or other operational losses at exchanges, wallet providers or other platforms or market intermediaries also pose a significant risk of disruption of digital assets markets and their related derivatives. Particularly, 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, such as a coordinated attack on one or more digital asset exchanges or other market intermediaries, could result in a substantial, immediate and irreversible loss for market participants that trade in digital assets and the derivatives contracts that reference them. Similarly, it is possible that the holder of a digital asset could lose access to the platform or infrastructure through which it holds the digital asset as the result of the loss or theft of the private key relating to that digital asset. In many cases, the private key would not be recoverable, thus potentially resulting in a permanent inability to deal in the relevant digital asset and a dramatic impact on the liquidity and value of any derivatives contract that references the unrecoverable digital asset. Even a minor cybersecurity event in a digital asset is likely to result in downward price movement on that product and may also potentially impact other digital assets and their related derivatives. The viability of any digital asset derivative generally depends upon an accurate and immutable ledger recording digital asset transfers, as well as the safe and sound operation of digital asset platforms and infrastructure.

Digital asset networks are heavily dependent on consistent internet connectivity and significant disruptions could impede their operation and adversely affect asset prices. Moreover, these networks require a broadly decentralized base of node operators for security and reliability. If transaction processing capabilities become concentrated, there is a risk of transaction record manipulation, including malicious activities like double spending, which could undermine confidence in digital asset networks. As the value of certain digital assets rises, their networks may experience increased cybersecurity threats, including heightened vulnerability to hacking and denial-of-service attacks.

Transactions in digital assets rely on public key cryptography. Digital assets are recorded to an address that is typically a hash of a public key, which corresponds cryptographically to a unique private key. This private key is required to sign or authenticate any transfer of digital assets recorded to the corresponding public key address. This cryptographic process is integral to the operation of digital asset networks and the transfer of digital assets. Any flaw or vulnerability in the cryptography, or advancements in mathematics and technology (including developments in digital computing, algebraic geometry, and quantum computing) that may render such cryptography ineffective, could undermine the integrity of a digital asset network and confidence in its native digital asset. This could, in turn, affect the value of a digital asset derivative transaction.

Depending on its terms, the derivatives contract may not account at all for these sorts of disruptions, but may provide discretion for one of the parties to determine how to address the potential impact of a disruption (including adjustments to payment and settlement terms), or may permit or require early termination of the transaction upon the occurrence of a disruption, all of which could affect the economic terms of the transaction or result in disputes.

Transaction Fees

Many digital assets require market participants to pay a transaction fee to “miners” or “validators” (i.e., parties that process transactions and record them on a blockchain or distributed ledger) in order for their transactions to be processed. The amounts of these fees are often subject to market forces and it is possible that the fees could increase substantially during a period of stress, which could impact network usage and the value of derivatives that reference the implicated digital assets. Conversely, if the incentives from fees fall short of

covering operational costs, “miners” or “validators” might cease operations, reducing network processing power and potentially increasing its vulnerability to attacks. Furthermore, the possibility of collusion among “miners” or “validators” to manipulate fee structures poses additional risks. Such actions could lessen the network's attractiveness and consequently impact the value of digital asset derivatives referencing that network's underlying digital assets.