coinbase

Risk Disclosure

CB Payments, Ltd

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1. Introduction

CB Payments Ltd ("**we**", "**us**", "**our**" or "**CBPL**") is authorised and regulated by the Financial Conduct Authority ("**FCA**") in the United Kingdom as an electronic money institution and registered to carry out specific cryptoasset activities under the Money Laundering Regulations 2017 (firm reference number 900635) and as a MiFID investment firm (firm reference number 1045733). We are authorised to undertake the following regulated activities (including but not limited to):

(i) arranging (bringing about) deals in investments;
(ii) making arrangements with a view to deals in investments; and
(iii) arranging safeguarding and administration of assets.

The financial instruments that we may make available as part of our arranger service include (together, the "**MiFID Products**"):

- "**Equities**" which includes shares and American Depositary Receipts ("**ADRs"**) relating to publicly listed companies and certain other securities available to retail clients, professional clients, and eligible counterparties ("**ECPs**"), including securities made available through initial public offerings ("**IPOs**") or other primary-market offerings ;
- "**Derivatives**" which includes:
    - perpetual futures ("**PERPs**"), with a range of underlyings including cryptoassets and non-crypto assets, available to professional clients and ECPs;
    - other derivatives including U.S. Commodity Futures Trading Commission ("**CFTC**") - regulated futures contracts ("**Futures**"), with a range of underlyings including crypto assets and non-crypto assets available to professional clients and ECPs; and
    - options contracts referencing crypto assets ("**Options**"), available to professional clients and ECPs.

You should not invest in the MiFID Products unless you understand:

- the nature of the instruments;
- the nature of the relevant contracts and contractual relationships into which you are entering when investing;
- the market underlying the instruments; and
- the extent of your exposure to risk.

This Risk Disclosure is provided by CBPL and sets out important information about the risks associated with our arranger service and the instruments we may make available. The information contained in this Risk Disclosure is not exhaustive. Before engaging with any instrument, you should be satisfied that it is appropriate for your individual circumstances, investment objectives, and financial situation.

If you have any questions or doubts about any of the content of this Risk Disclosure, you should seek independent professional advice. We do not offer any type of legal, financial, or tax advice.

2. General Risks Associated with Our Arranger Service

General Risk

CBPL provides an arranger service on a non-advised basis. Before engaging with our arranger service in relation to any instrument, you should understand the risks set out in this Risk Disclosure.

Engaging with instruments involves capital risk. The value of your investment may fall as well as rise, and you may receive back less than your initial investment. In some cases, you may lose your entire initial investment. Past performance of an instrument is not an indication of its future performance. You must have the ability to bear losses when using our arranger service.

We may amend this Risk Disclosure from time to time in accordance with applicable law and regulatory requirements.

Third-Party and Partner Risk

We rely on affiliate and/or third-party brokers, custodians, exchanges, trading venues, clearing firms, settlement agents, banking partners, technology providers and other service providers to facilitate aspects of your activity. Their performance can affect your ability to trade or access your account. Failures, delays, outages, cyber incidents, insolvencies or other issues at these providers may cause execution delays, prevent you from opening or closing positions, or result in losses. Although we perform due diligence and maintain oversight, we cannot guarantee the continued availability or performance of any third-party service.

In relation to IPOs, this includes the UK Public Offer Platform ("**POP**") Operators operating under the Public Offers and Admissions to Trading Regulations 2024 ("**POATR**"), as well as other parties such as issuers, underwriters, other intermediary brokers, settlement agents and custodians involved in, but not limited to, receiving and processing applications, determining allocations, settling transactions and/or holding securities.

Conflicts of Interest

Conflicts of interest may arise where we, members of our group, our directors, employees or other persons connected to us, or other customers, have interests that differ from yours. Conflicts may include situations where we or a connected person could make a financial gain or avoid a loss at your expense, have an interest in the outcome of a service or transaction that is distinct from your interest, receive inducements from third parties, or have incentives to favour the interests of one customer or group of customers over another. Conflicts may also arise where we or another group entity invest for our own account in MiFID Products in which customers are seeking to invest, or where employees engage in personal account dealing. We maintain policies, procedures and internal controls designed to identify, manage and mitigate conflicts, but those efforts cannot eliminate all potential conflicts.

Arranger-only

CBPL acts as an arranger and transmits your orders to third-party brokers, venues and/or affiliated entities for execution; we do not execute trades ourselves nor do we hold client money or assets as custodian. Execution quality depends on many factors, such as the executing broker or venue, market conditions, available liquidity, order size and type, and any instructions you provide. There is no guarantee that an order will be executed at the price shown when you place it, or that it will be executed at all. Orders may be delayed, rejected, partially filled or filled at a price different from the one initially displayed. While we seek to achieve best execution and handle client orders promptly and fairly, we cannot guarantee the best available price in every circumstance.

Please refer to the Best Execution Policy for further detail on CBPL's execution arrangements.

Financial Resources

You should ensure that you have appropriate financial resources to engage with instruments through our arranger service and that you are able to bear any losses that may arise. Do not rely on expected profits to meet repayment obligations.

You must not enter into any borrowing arrangements, including loans or credit facilities, to fund any investments made through our arranger service. It is your sole responsibility to ensure you understand the risks involved and have the financial means to meet your obligations and absorb potential losses.

No Advice

Our arranger service is provided on a non-advised basis. We do not provide personal recommendations or assess suitability. Factual information we may provide about instruments does not constitute advice. If you are uncertain about the suitability or appropriateness of any instrument, you should obtain independent professional advice.

Provision of Information

We may provide financial and market data, news, research, graphs or other third-party information. Such information is indicative, may not reflect the price at which a transaction can be executed and does not consider your individual circumstances. It is provided solely to enable you to make your own investment decisions and does not constitute investment advice or a personal recommendation.

Technical Risk

While we will endeavour to make our platforms and services available without interruption, we cannot guarantee uninterrupted availability. In such circumstances, you might not be able to engage with our arranger service or monitor your positions. Access may also be affected by a weak internet connection. You should ensure you are connected to a reliable network and that any applications you use are kept up to date.

Instrument Availability

The instruments available through our arranger service may change from time to time. We cannot guarantee

that any specific instrument will remain available, and we reserve the right to suspend or remove any instrument at any time at our sole discretion. If an instrument is removed, you will no longer be able to submit orders to buy that instrument, though we will endeavour, where the law permits, to allow you to close any existing positions.

Examples of circumstances that may lead to an instrument being removed include, but are not limited to: changed market conditions, business decisions, or restrictions driven by regulatory requirements.

Tax

Various tax regimes may apply to your activity depending on your personal tax status and applicable laws. You have sole responsibility for determining the tax implications of your activity, and you should consult an appropriate professional advisor. CBPL does not provide tax advice and will not be liable to you for any tax implications arising from your activity.

Legal and Regulatory Changes

Changes to legislation and regulations could impact the availability, functionality, and/or price of instruments and affect your positions. Such changes may be material and unexpected, and may impact certain companies, markets, or jurisdictions more than others.

Legal and regulatory changes may also affect the arranger service we provide. Where possible, we will inform you in advance of material changes so you have sufficient time to assess their potential impact.

Professional Client status

If you elect to be treated as a Professional Client, you will no longer benefit from certain regulatory protections that apply to Retail Clients. You should ensure that you understand the implications of Professional Client status before opting up. Further information about the protections you may lose is available in our User Terms (here).

If you rely on the value of crypto assets to meet the portfolio-size threshold for Professional Client categorisation, changes in their value may affect whether you meet the relevant threshold. This risk may be greater where a significant proportion of your portfolio consists of crypto assets.

We may review your Professional Client status where relevant circumstances or applicable requirements change.

3. General risks associated with the MiFID Products that we offer

The following table sets out the key risk types applicable to the instruments available through our arranger service.

Risk Type	Description
Political Risk	Political decisions made by governments and administrative bodies may negatively impact market participants. Issuers may not be able to fulfil earlier commitments, reducing the value of financial instruments. Examples include trade embargoes, interest rate changes, or other decisions affecting the social, economic, and legal environment.
Emerging Markets Risk	Investments in instruments from countries classified as emerging markets may be subject to increased and unpredictable volatility due to more unstable political and economic conditions.
Currency Risk	Unfavourable exchange rate fluctuations may impact your profits or losses in connection with instruments denominated in foreign currencies.
Market and Price Risk	You may incur losses due to unfavourable fluctuations in the prices of instruments. The market price of instruments is influenced by a broad array of factors and can change rapidly and unexpectedly. You have sole responsibility for monitoring the value of your positions and must ensure you can access the relevant platform on an ongoing basis to do so.
Volatility Risk	The value of certain instruments, particularly options, may be significantly affected by changes in the expected volatility of the underlying asset, independently of movements in the price of the underlying itself.
Liquidity Risk	Insufficient market liquidity may hinder your ability to sell or buy instruments at a favourable price. You may receive lower returns or incur losses as a result.
Systemic Risk	You may incur losses due to disruptions in custody systems, depositories, exchanges, and other institutions. You may irrecoverably lose investments if such institutions fail to meet their obligations.
Interest Rate Risk	The performance of certain instruments may be dependent on the level of global and regional interest rates. Changes in interest rates may negatively impact investment returns.
Issuer Risk	If the issuer of securities suffers financial difficulties, underperforms, or faces other challenges, this could have a negative effect on the securities it has issued. You may bear losses as a result.
Information Risk	It may be impossible or challenging to obtain adequate and accurate information about all instruments. In such cases, it may be difficult for you to make appropriate investment decisions.

Credit Risk	The risk that the issuer of an instrument or a counterparty may default on their obligations.

4. Specific risks associated with investing in our MiFID Products

A. Equities

4.1. Risks associated with shares and ADRs

Shares represent equity interests in companies and may provide returns through price appreciation and/or dividends. However, they potentially also carry significant risks.

Shares acquired through an IPO or other primary-market offering may involve additional risks before and at the time of admission, including uncertainty over the final offer price and allocation, the possibility of a reduced or zero allocation, restrictions on cancellation, limited liquidity after admission, and restrictions on selling or transferring the securities. These risks are described in section 4.2 below, and also described in your Coinbase User Agreement.

ADRs are a type of security representing a claim on shares in a company incorporated outside the United States. The underlying shares are held by a depositary bank, so you do not directly own those shares. Each ADR may represent one share, several shares or a fraction of a share, depending on the applicable depositary ratio. In addition to the general risks associated with shares detailed in this section, ADRs may expose you to additional risks arising from differences in accounting and reporting standards, and in the information available about the issuer, compared with U.S. companies.

The depositary bank may charge fees in respect of ADRs, which may be deducted from dividends or otherwise passed on to you. Dividends may be subject to withholding tax in the issuer's home country, and the value of an ADR may be affected by movements in the exchange rate between the US dollar and the currency of the underlying shares. If an ADR programme ends, the depositary may sell the underlying shares and pay you the proceeds after fees. The sale may take place at an unfavourable time or price. Market and

Price Risk
The price of shares can fluctuate significantly and unpredictably, driven by a wide range of factors including, but not limited to, the company's financial performance, macroeconomic conditions, sector developments, regulatory changes, and broader investor sentiment. You may lose part or all of your initial investment.

Issuer Risk
The financial health of the issuing company directly impacts the value of its shares. If the company faces financial difficulty, enters insolvency, or ceases to operate, the value of its shares may decline substantially, and you may lose your entire investment.

Liquidity Risk
While shares listed on major exchanges are generally considered liquid, liquidity can vary significantly depending on the size of the company, the exchange on which it is listed, and prevailing market conditions. In some circumstances, you may be unable to sell your shares at the desired price or at all.

Dividend Risk
Dividends are not guaranteed. The decision to pay a dividend rests with the issuing company's board of directors and is subject to the company's financial performance and applicable legal requirements. You should not assume that any anticipated dividend income will be received.

Voting Rights
Whilst shares may carry voting rights at general meetings of the issuing company, you may not always be able to exercise these rights due to the structure of your holdings, the timing of corporate actions, and/or other operational processes.

Currency Risk
Where shares are denominated in a currency other than your base currency, fluctuations in exchange rates may increase or reduce the value of your investment, independently of the performance of the underlying shares.

Dilution Risk
A company may issue additional shares from time to time, which could dilute the value of existing shareholders' interests. Such events, including rights issues or other equity offerings, may have a material effect on the price and value of your shareholding.

Suspension and Delisting Risk
Shares may be suspended from trading or delisted from an exchange for a variety of reasons, including regulatory action, financial distress, or failure to meet exchange listing requirements. Suspension or delisting may significantly impair your ability to sell your investment and may result in substantial losses.

Extended Hours (24/5) Trading
Extended hours trading takes place outside regular market hours of 9:30 a.m. to 4:00 p.m. U.S. Eastern Time zone (“ET”). Trading during these hours involves extra risk including:

- There may be fewer buyers and sellers, which can make it harder to buy or sell shares, cause wider spreads, and mean your order is only partly filled, not filled at all, or filled at a worse price than during regular market hours.
- Prices during extended hours may also change more quickly and may differ from prices available during regular market hours.
- Prices shown on one extended hours trading venue may also differ from prices available on another venue trading the same security.
- Company announcements or other important news released outside regular market hours may cause sudden and significant price movements.
- Orders may fill during pre-market, overnight and after-hours sessions, but market orders are not accepted during those sessions; only collared limit orders are accepted.
- There is also a short period from 7:44:30 p.m. to 8:00 p.m. ET when orders cannot be accepted due to third-party system limitations.

Not all shares are available for extended hours trading.

We do not currently offer fractional share trading services outside of market hours (9:30 a.m. to 4:00 p.m. ET).

Absence of Investor Protection

You may not receive FSCS protection unless you are an eligible claimant and have a valid claim arising from regulated investment business carried on by an FCA-authorised firm that has failed.

The FSCS does not cover losses caused by movements in the value of shares or poor investment performance. If CBPL fails, protection may apply to a valid claim arising from our regulated arranging services.

You may have a separate contractual relationship with one or more third-party service providers. Any FSCS protection relating to a third party will depend on its regulatory status, the services it provides, your eligibility and the circumstances of the claim.

Complaints regarding CBPL's conduct in relation to Shares may be eligible for consideration by the FOS, subject to applicable FOS eligibility criteria and jurisdictional limits. FOS protection does not cover poor investment performance.

4.2. Risks associated with IPOs

IPOs involve applying to subscribe for securities before they are admitted to trading. It is different from buying securities that are already trading on a secondary market. You will not know the final offer price or the number of securities that will be allocated to you when you submit your application.

An application does not guarantee that you will receive any securities. You may receive a reduced allocation or no allocation at all. The final market price of the securities after admission may be below the offer price, and you may lose some or all of the amount invested.

Please note that capitalised terms used in this risk disclosure related to IPOs are defined in Appendix 4 (Investment Services), Annex B of your Coinbase User Agreement.

Offerings may not proceed

An offering may be withdrawn, postponed, cancelled or restructured, for reasons including but not limited to market conditions, regulatory requirements, issuer decisions and/or decisions of an Offering Party. If this happens, your application may be cancelled and the return of any held funds may be delayed by settlement, reconciliation or other operational processes.

Offer price and allocation risk

The final Offer Price is set under the arrangements for the offering and may differ from the Indicative Price Range or Estimated Offer Price shown before you submit your application. You are not guaranteed any particular allocation. The number of securities made available and allocated to Coinbase customers may depend on, for example, overall market demand, the allocation methodology used and any other limits or restrictions set by the Offering Parties. Different offerings may use different allocation methodologies, including but not limited to first-come first-served, pro-rata, or random allocations, or a combination of such methodologies. The applicable methodology/ies may be disclosed on the Coinbase Platform and/or in the Offering Deal Terms.

Binding application and limited cancellation rights

Once submitted, your application may be binding and irrevocable. Cancellation may only be available in the circumstances described in the relevant Offering Deal Terms, the Offering Participation Terms and/or applicable law. Where cancellation or resubmission is permitted, resubmitting an application may affect your allocation under the allocation methodology/ies used for the relevant offering.

You should not submit an application unless you are prepared to proceed on the basis that you may receive a partial allocation, no allocation, or an allocation at a price that is different from the price you expected, and with the understanding that the required funds will be placed on a hold and unavailable to you while your application is pending.

Offering documents and information risk

The Offering Disclosure Documents made available for an offering, which may include but are not limited to a price range prospectus, UK disclosure summary, retail fact sheet, financial accounts of the offering issuer, and announcements in relation to the Offering, including revised versions thereof, are prepared by the issuer and/or other offering parties. For some offerings, those documents may not have been approved under UK rules and may not contain the same information as documents prepared under the UK prospectus or public-offer regime.

You should read and consider all Offering Disclosure Documents, including any revised or supplemented versions, before submitting an application. Offering documents may be amended or supplemented during the offer period. You should not rely on information other than the applicable Offering Disclosure Documents and other information expressly identified in the relevant Offering Deal Terms.

Funds, currency and foreign-exchange risk

When you submit an application, the application amount will be held and will not be available for other transactions or withdrawals until your application is cancelled, settled or otherwise processed. The amount required to participate is generally a monetary amount in the currency specified for the relevant offering, rather than a fixed number of securities.

If you intend to fund an application with a different currency or cryptoasset from the currency or cryptoasset specified for the offering by CBPL, conversion may be required. This may expose you to foreign exchange risk and conversion fees. The value of your funds may change between conversion, application, allocation and settlement. Any unused amount will be returned in USDC.

Third-party risk

IPOs depend on the performance of third parties, which may include, for example, the POP Operators, issuers, underwriters, brokers, execution venues, settlement agents, technology providers and/or securities custodians. Their failure, delay, refusal to process an application, operational error, insolvency, cyber incident or other disruption may delay or prevent your application, allocation or settlement, and/or may result in losses.

Post-admission price and liquidity risk

The price of securities may fall after they are admitted to secondary trading and may be volatile. There may be limited trading volume or liquidity after admission, which may make it difficult to sell your securities at

your desired price or at all. The fact that securities are offered through an IPO does not indicate that they will increase in value or that a secondary market will be available at the price or time you expect.

Eligibility and access risk

Not all customers will be eligible to participate in every offering. Eligibility may depend on factors including residence, tax residence, account type, restricted-person status, offering party requirements, applicable law and/or completion of required declarations or tax documentation.

Access to a particular offering is not guaranteed. CBPL, a POP Operator, an issuer, an underwriter or another Offering Party may refuse, restrict, suspend or cancel access or an application where eligibility requirements are not met or where this is required by applicable law, regulation, risk management requirements or at the request of an Offering Party.

Restrictions after allocation

Securities allocated through an offering may be subject to anti-flipping, lock-up, holding-period or other restrictions after settlement. These restrictions may prevent or limit your ability to sell, transfer or otherwise deal in the securities for a specified period without potential consequences. Breaching such restrictions may affect your ability to participate in future offerings or may result in other consequences described in the relevant Offering Deal Terms.

No advice

IPOs are provided on an execution-only, non-advised basis. CBPL does not provide a personal recommendation or assess whether participation in a particular offering is suitable for you or whether you can afford any resulting loss. You are responsible for deciding whether participation is appropriate for your circumstances and should obtain independent professional advice if you are uncertain.

B. Derivatives

4.3. Risks Associated with Futures (not available to retail clients)

A “Futures” contract is a legally binding agreement between two parties to buy or sell a specified underlying asset at a predetermined price on a specified future date (the ‘expiry’ or ‘settlement date’). Unlike purchasing the underlying asset directly, Futures derive their value from the performance of the underlying asset. We offer Futures trading in both ‘crypto’ and ‘non-crypto’ (e.g. commodities and equity indices), which impacts the risk profile of the Futures product in certain circumstances. We clarify how in the sections below where relevant.

Futures contracts are complex instruments that potentially involve significant risk. You may be required to post additional funds at short notice to avoid liquidation of your position and your losses may substantially exceed your initial outlay. You should only engage with Futures if you fully understand how they work and have the financial capacity to absorb significant losses.

Leverage Risk

Futures contracts are leveraged instruments. This means that you are only required to deposit a fraction of the total contract value (known as "initial margin") in order to open a position. Whilst leverage can amplify potential gains, it equally amplifies potential losses, which can significantly exceed your initial margin deposit.

Settlement Risk

Futures contracts offered through CBPL's arranger service may be cash or USDC settled. At expiry, open positions will be automatically settled at the expiry settlement price as determined by the relevant platform or exchange methodology.

You should be aware of the following crypto Futures settlement-specific risks:

- Index and Reference Price Risk:
  The settlement price of these futures is determined by reference to an external index or benchmark rather than the price on any single trading venue. The settlement price may therefore differ from the price observed on any individual exchange at the time of settlement. The methodology, constituents, and fallback procedures of the relevant benchmark are set by its administrator and may be amended from time to time. You should review the administrator's published methodology before trading.

- Automatic Settlement at Expiry: If you do not close your position prior to the contract's expiry date, your position will be automatically settled at the determined expiry price. You should actively monitor your positions and be aware of relevant expiry dates. CBPL accepts no liability for losses arising from automatic settlement where you have failed to close a position prior to expiry.

- Settlement Finality and Blockchain Risk: Settlement of crypto futures may be contingent upon the finalisation of transactions on the relevant blockchain network. Blockchain congestion, technical failures, or network forks may delay or disrupt the settlement process, potentially resulting in losses or unexpected outcomes. Stablecoin issuer actions, such as address freezing, redemption suspension, or de-pegging, may further impair it. Any of these may result in losses, delayed access to funds, or other unexpected outcomes.

- Platform Settlement Methodology Risk: The methodology used to determine the settlement price may be amended by the relevant exchange or platform from time to time. Changes to the settlement methodology may affect the price at which your position is settled and may not always be to your advantage.

Mark-to-Market Risk

Futures positions are revalued against prevailing market prices on a continuous or daily basis, with the resulting gains and losses applied to your account. These adjustments can cause significant and rapid changes in your account balance and may require you to post additional margin at short notice. Failure to meet a margin call may result in your positions being closed out, potentially at a loss.

Crypto Futures positions are marked to market on a continuous basis, reflecting the real-time price movements of the underlying cryptoasset. Gains and losses are credited or debited to your account based on the prevailing market price. Given the extreme volatility that can characterise cryptoasset markets,

mark-to-market adjustments may be rapid and substantial, potentially resulting in significant and sudden changes to your account balance, including the need to deposit additional margin at very short notice or the triggering of automatic liquidation.

Rollover and Basis Risk

Dated Futures contracts have a fixed expiry date. If you wish to maintain exposure beyond the expiry of a contract, you must roll over your position into the next available contract. Rolling over a position may result in additional costs and may expose you to basis risk — the risk that the price of the expiring contract and the price of the next contract diverge in an unexpected manner, resulting in a loss.

Cryptoasset Volatility Risk

For crypto Futures, the underlying cryptoassets referenced are subject to significant price volatility, which significantly exceeds the volatility typically associated with non-crypto regulated financial instruments such as equities or commodities. Cryptoasset prices can fall or rise by large percentages within very short periods of time, including within a single trading day, as a result of factors including but not limited to:

- Regulatory announcements or enforcement actions in any jurisdiction;
- Changes in market sentiment, media coverage, or social media activity;
- Technical developments or failures in the underlying blockchain network;
- Large-scale buying or selling by major market participants;
- Cybersecurity incidents, exchange failures, or fraud; and
- Macroeconomic events and broader financial market conditions.

Such volatility may result in rapid and total loss of your margin deposit and may trigger automatic liquidation of your position with little or no prior warning.

Liquidity Risk

Whilst many Futures contracts trade on regulated exchanges with significant liquidity, liquidity can vary depending on the underlying asset, the contract month, and broader market conditions. In periods of market stress or for less actively traded contracts, it may be difficult to enter or exit a position at your desired price, potentially resulting in losses.

Counterparty and Platform Risk

Where Futures contracts are traded on a regulated exchange, they are typically cleared through a central counterparty clearing house ("**CCP**"). Whilst this mitigates direct counterparty risk, you remain exposed to the risk of failure of the CCP itself, which, although considered unlikely, could result in significant losses.

Crypto Futures contracts may be traded on centralised digital asset trading platforms rather than non-crypto regulated exchanges with CCP clearing arrangements. This means you may be exposed to platform-specific risks, including:

- The risk of platform insolvency or failure, which may result in the loss of your margin deposit and any open positions;
- Operational outages or technical failures, which may prevent you from managing your positions or meeting margin calls;
- Cybersecurity incidents, including hacking, theft of assets, or compromise of platform systems; and
- Fraud or misappropriation of client assets held on the platform.

In the event of platform failure, you may have limited or no recourse to recover your funds, and the protections available to you may be significantly less than those applicable in non-crypto regulated financial markets.

Blockchain and Technology Risk

Crypto Futures transactions may be dependent on the operational integrity of one or more blockchain networks. You should be aware of network-specific risks, such as the following:

- **Exchange/Broker Availability and Connectivity**: An exchange or broker may experience outages, degraded performance, processing delays, or network latency. This could affect your ability to open, close, or adjust futures or perpetual positions, or to meet margin requirements in a timely manner;
- **Network Forks:** A blockchain network may undergo a hard fork or soft fork, which could affect the value or availability of the underlying cryptoasset and, consequently, the value of your futures position; and
- **Protocol Vulnerabilities:** Cryptoasset networks and associated smart contracts may contain undiscovered technical vulnerabilities that, if exploited, could result in the loss of assets or disruption to trading.

Tracking and Correlation Risk

The price of a Futures contract may not perfectly track the price of the underlying asset. This divergence, known as basis, may result in your position performing differently from the underlying asset, even where the direction of price movement is the same.

Regulatory and Market Disruption Risk

Exchanges, regulators, and other authorities may impose restrictions on Futures trading, including position limits, price limits, trading halts, or forced liquidation requirements. Such interventions may prevent you from managing your position effectively and could result in losses.

Absence of Investor Protection

You may not receive Financial Services Compensation Scheme ("**FSCS**") protection unless you are an eligible claimant and have a valid claim arising from regulated investment business carried on by an FCA-authorised firm that has failed.

The FSCS does not cover losses caused by market movements, leverage, margin calls, liquidation, settlement or the performance of a futures contract. If CBPL fails, protection may apply to a valid claim arising from our regulated arranging services.

You may have a separate contractual relationship with one or more third-party service providers. Any FSCS protection relating to a third party will depend on its regulatory status, the services it provides, your eligibility and the circumstances of the claim.

Complaints regarding CBPL's conduct in relation to Futures products may be eligible for consideration by the FOS, subject to applicable FOS eligibility criteria and jurisdictional limits. FOS protection does not cover poor investment performance.

4.4. Risks Associated with PERPs (not available to retail clients)

A PERP is a derivative contract that is intended to provide continuous exposure to an underlying asset (e.g. shares, commodities, crypto) or index without a fixed expiry date. Depending on the underlying asset, a PERP may reference, for example, a regulated financial instrument or commodity (a "**non-crypto-asset PERP**") or a cryptoasset (a "**crypto PERP**") . This is different to other derivatives with an expiration date such as Futures. PERPs can theoretically be held indefinitely, subject to the ongoing payment of a funding rate and the maintenance of sufficient margin. PERPs typically include a funding-rate mechanism: periodic payments between long and short position holders intended to align the PERP's price with a reference price.

We offer to arrange PERPs trading in both 'non-crypto' and 'crypto' assets, which impacts the risk profile of the PERPs product in certain circumstances. Where the underlying is a regulated financial instrument, some of the risks described below (for example, those relating to the underlying blockchain network) may not apply. Unless otherwise stated, the risks described below apply to all PERPs regardless of the underlying asset.

You should ensure you fully understand the mechanics of PERPs, including the funding rate mechanism, the margin model applicable to your account, the liquidation process, and the settlement arrangements, before engaging with these instruments. If you are in any doubt, you should seek independent professional advice.

A. General PERP Risks

<u>Funding Rate Risk</u>
Unlike non-crypto Futures contracts, PERPs do not have an expiry date. Instead, convergence is achieved through a funding rate — a periodic payment exchanged between holders of long positions (those expecting the price to rise) and holders of short positions (those expecting the price to fall), based on the difference between the PERP contract price and the reference price of the underlying asset. Funding rates for crypto PERPs can be more volatile than those for PERPs referencing non-crypto assets.

The funding rate can be positive or negative and is typically calculated and settled at regular intervals (for example, every eight hours, though this may vary by platform). Key funding rate risks include:

- **Cost of Carry**: If you hold a long position and the funding rate is positive, you will be required to pay the funding rate to holders of short positions at each settlement interval. Conversely, if the funding rate is negative, you will receive a payment. Over time, cumulative funding rate payments can be substantial and significantly erode the value of your position, particularly where the funding rate remains persistently positive or negative over an extended period.
- **Funding Rate Volatility**: The funding rate is determined by prevailing market conditions and can change materially and rapidly, particularly during periods of extreme market volatility. Funding rates in cryptoasset markets can reach levels significantly higher than those observed in non-crypto derivatives markets, substantially increasing the cost of maintaining a position.
- **Unpredictability**: Funding rate payments may be unpredictable and cannot always be reliably estimated in advance. You should not assume that historical funding rate levels will be indicative of future funding rate levels.

Leverage, Margin and Liquidation Risk

PERPs are margined instruments. You are required to deposit a fraction of the total notional value of your position as initial margin, which means you may obtain exposure that is significantly larger than the funds you have deposited. Leverage amplifies gains and losses equally: a relatively small adverse movement in the price of the underlying may result in the loss of all of the margin you have deposited in respect of your position, and in some circumstances all of the funds in your account.

Four margin modes are available, formed by two independent choices: whether your derivative positions are margined individually (standard margin) or on a portfolio basis (portfolio margin); and whether collateral is held separately for each settlement currency (segregated) or pooled across currencies (cross). Unless changed, your account will use cross standard margin. The margin model applicable to your account affects how much margin you are required to post, which of your positions may be liquidated, and what information about liquidation risk is made available to you.

Your positions are monitored on a continuous basis against margin requirements set by the exchange. If your account equity falls below a specified maintenance margin threshold — which may occur rapidly given the extreme volatility of relevant markets — the exchange may without notice cancel your open orders, close all or part of your positions, open positions in futures or perpetual contracts in order to reduce the risk of your account, or close your account entirely. Liquidation is carried out automatically by the exchange's liquidation engine, and neither CBPL nor CBBM controls whether, when, at what price or in what order liquidation occurs. Margin requirements, risk-model parameters, leverage limits, position limits and collateral haircuts are set by the exchange and may be changed at any time, including with immediate effect in respect of existing positions and including during periods of market stress, which may cause liquidation to occur sooner than you expect.

Key liquidation risks include:

- **Speed of Liquidation**: In fast-moving markets, liquidation may occur within seconds and may not be preceded by any effective opportunity to act. Although the platform may display warnings or send notifications as your margin ratio deteriorates, they may not be received in time and must not be relied upon as a margin call. You may have insufficient time to deposit additional margin, reduce your position or take other remedial action.;
- **No Estimated Liquidation Price**: An estimated liquidation price is displayed only for accounts using segregated standard margin, which is not the default margin model for your account. In cross and portfolio margin models, risk is assessed at account or portfolio level and no per-position estimated liquidation price is available. You should not expect to be shown a price level at which liquidation will occur;
- **Slippage and Liquidation Costs**: Liquidation orders are executed at prevailing market prices. During periods of extreme volatility, price gapping, market closure of an underlying, or low liquidity, execution may occur at a price materially worse than the exchange's mark price. Mark prices are determined by the exchange's own methodology and may differ from any price at which the contract last traded or could actually be closed. A liquidation fee may be charged on the amount liquidated. As a result, you may lose all of the margin you have deposited; and
- **Liquidity Support, Auto-Deleveraging and Socialised Loss**: Where liquidation cannot be completed on the order book, some PERP positions may be assigned to the exchange's liquidity support providers, or closed through auto-deleveraging against participants holding opposing positions.

Where auto-deleveraging occurs, a profitable position of yours may be closed at a price and at a time determined by the exchange and not of your choosing. Whether these mechanisms are available depends on the contract and on the margin model applicable to your account. In particular, they are not applied to perpetual futures on underlying assets that also have options listed on the platform, and the liquidity support layer is not available in respect of those contracts to accounts using portfolio margin. Where these mechanisms are unavailable or insufficient and a liquidation leaves a negative margin balance, the exchange may apply its insurance fund; to the extent that fund is depleted or otherwise insufficient, the exchange may apply its socialised loss arrangements, under which uncovered losses — including losses arising in the accounts of other participants — may be allocated to accounts on the platform, including yours. Agreement to those arrangements is a condition of access to the platform and is not something you can opt out of.

- **Cascade Liquidations**: In leveraged markets, the simultaneous liquidation of large numbers of positions can trigger further adverse price movements, potentially accelerating losses for other participants and creating systemic market disruption. Liquidity may deteriorate sharply in such conditions, increasing slippage.

You should actively monitor your margin levels and open positions at all times and maintain sufficient collateral in your account to reduce the risk of liquidation.

No Expiry and Indefinite Holding Risk

PERPs have no fixed expiry date, meaning positions can be held indefinitely. However, holding a PERP position over an extended period exposes you to risks such as:

- **Cumulative Funding Costs**: The cumulative cost of funding rate payments over an extended holding period may be substantial and can significantly erode or eliminate any gains arising from favourable price movements in the underlying asset. This is particularly pronounced for crypto PERPs;
- **Sustained Adverse Price Movements**: The absence of an expiry date means there is no fixed point at which a position must be closed, which could lead to holding positions through prolonged adverse market conditions; and
- **Increased Exposure to Platform and Operational Risk**: The longer a position is held, the greater the cumulative exposure to platform-specific risks, including the risk of platform failure, operational outages, and cybersecurity incidents.

Mark-to-Market and Realised Loss Risk

PERP positions are marked to market on a continuous, real-time basis, reflecting the live price movements of the underlying asset. In particular, given the extreme volatility of cryptoasset markets, unrealised losses can accumulate rapidly and substantially, and may be realised through automatic liquidation before you have the opportunity to respond. You should not assume that a short-term adverse price movement will necessarily reverse before your position reaches the liquidation threshold.

Settlement Risk

PERPs are generally USDC-settled instruments and do not involve the physical delivery of any underlying crypto asset or other tangible asset. Settlement of funding rate payments occurs at regular periodic intervals as described above. Upon closure of a PERP position, settlement is determined by reference to the prevailing market price at the time of closure, subject to the following risks:

- **Coin-Margined Settlement Risk:** Where crypto PERPs are margined or settled in the underlying crypto asset (rather than in a fiat currency or stablecoin), the fiat-equivalent value of your settlement proceeds will be subject to additional crypto asset price volatility at the point of

settlement. Even where your PERP position is profitable in terms of the underlying crypto asset, the fiat value of your settlement proceeds may be lower than anticipated if the price of the crypto asset has declined;

- **Stablecoin Settlement Risk:** Where settlement is made in a stablecoin, you should be aware that stablecoins are not legal tender and their value is not guaranteed. A stablecoin may lose its peg to the reference currency, particularly in stressed market conditions, which could result in settlement proceeds being worth less than their nominal value; and
- **Funding and Withdrawal Risk**: Settlement of your PERP positions is effected on the exchange's own systems and does not itself require a blockchain transaction. However, your ability to fund your account, post collateral or withdraw settlement proceeds depends on the operational integrity of the relevant blockchain networks. Network congestion, technical failures, forks or protocol changes may delay deposits, withdrawals or transfers, and may therefore impair your ability to meet margin requirements or access funds in a timely manner..

Counterparty and Platform Risk

PERPs are traded on centralised trading platforms rather than on regulated exchanges with CCP clearing arrangements. This is the case for all PERPs available through our arranger service, including PERPs referencing non-crypto assets. You are therefore exposed to heightened platform-specific risks, including:

- **Platform Insolvency or Failure:** If the platform through which you access PERPs becomes insolvent or fails, you may lose your margin deposit and any open positions, with limited or no prospect of recovery;
- **Operational Outages:** Technical failures or system outages may prevent you from managing your positions, depositing margin, or closing positions during critical market periods;
- **Cybersecurity Incidents:** Centralised platforms hold significant concentrations of digital assets and are frequent targets for hacking, theft, and fraud. A successful cyberattack could result in the loss of assets held on the platform; and
- **Misappropriation of Assets:** Unlike regulated financial institutions, centralised crypto asset platforms may not be subject to equivalent requirements regarding the segregation and safeguarding of client assets, increasing the risk of loss in the event of platform failure or misconduct.

Liquidity and Slippage Risk

Whilst major PERP markets can exhibit significant liquidity, liquidity can deteriorate rapidly and unpredictably, particularly during periods of market stress or following significant price movements. Insufficient liquidity may result in:

- An inability to close positions at your desired price or at all;
- Slippage — the difference between the expected execution price and the actual execution price — which can substantially increase your losses, particularly when closing large positions during periods of high volatility; and
- Wider bid-ask spreads, increasing the overall cost of trading.

These risks are particularly acute in crypto PERP markets given the potential for rapid and extreme price movements.

Regulatory Uncertainty

The regulatory treatment of PERPs is subject to significant ongoing development in the UK and internationally. The classification of PERPs under UK and other country financial services laws remains an evolving area, and regulatory changes may affect:

- The availability of PERP products to eligible clients;
- The terms on which PERPs may be offered and the obligations applicable to CBPL;
- The protections available to you as a client; and
- The tax treatment of gains and losses arising from PERP positions.

Absence of Investor Protection

You may not receive FSCS protection unless you are an eligible claimant and have a valid claim arising from regulated investment business carried on by an FCA-authorised firm that has failed.

The FSCS does not cover losses caused by market movements, leverage, funding payments, margin calls, liquidation or the performance of a PERP. If CBPL fails, protection may apply to a valid claim arising from our regulated arranging services.

You may have a separate contractual relationship with one or more third-party service providers. Any FSCS protection relating to a third party will depend on its regulatory status, the services it provides, your eligibility and the circumstances of the claim.

Complaints regarding CBPL's conduct in relation to PERP products may be eligible for consideration by the FOS, subject to applicable FOS eligibility criteria and jurisdictional limits. FOS protection does not cover poor investment performance.

B. Specific Crypto PERP Risks

Crypto PERPs are among the most complex and highest-risk derivative instruments available in crypto asset markets. They combine the risks of crypto asset price volatility with the additional risks associated with leverage, funding rate payments, and the absence of investor protections typical of regulated financial markets. You may be required to post additional funds at short notice. You will not hold, receive, or have any claim over the underlying crypto asset as a result of entering into a crypto PERP.

Crypto PERPs involve multiple risks that can interact and crystallise losses very quickly: leverage can amplify losses, extreme volatility can trigger rapid margin shortfalls, reduced liquidity can make it harder to exit a position at the expected price, and automatic liquidation may occur at a materially worse price than you anticipated.

Crypto Asset Volatility and Risk of Total Loss

The underlying crypto assets referenced by crypto PERPs are subject to extreme and unpredictable price volatility, which may significantly exceed the volatility typically associated with non-crypto financial instruments or stablecoins (a cryptocurrency whose value is tied to another asset). Crypto asset prices can decline or increase by large percentages within very short periods of time, including within minutes or seconds, as a result of factors including but not limited to:

- Regulatory announcements, enforcement actions, or policy changes in any jurisdiction;
- Changes in market sentiment, media coverage, or activity on social media platforms;

- Technical developments, vulnerabilities, or failures in the underlying blockchain network;
- Large-scale buying or selling by major market participants (commonly referred to as "whale activity");
- Cybersecurity incidents, exchange failures, hacking events, or fraud;
- Macroeconomic developments and broader financial market conditions; and
- The inherently nascent and developing nature of crypto asset markets.

Given the use of leverage in crypto PERP positions, such volatility can result in the rapid and total loss of your margin deposit, potentially within a single trading session. You should be fully prepared for the possibility of losing your entire investment. Non-crypto-asset PERPs are also subject to market volatility; however, the magnitude and speed of price moves in regulated markets may be different from crypto asset markets.

Blockchain and Technology Risk

Crypto PERPs are contractual instruments recorded, traded, margined and settled through the systems of the relevant trading platform, rather than directly on a blockchain. Nevertheless, they may be affected by risks relating to the blockchain network or networks supporting the underlying crypto asset, and by risks relating to blockchain-based infrastructure used in connection with the product:

- **Exchange/Broker Availability and Connectivity**: An exchange or broker may experience outages, degraded performance, processing delays, or network latency. This could affect your ability to open, close, or adjust futures or perpetual positions, or to meet margin requirements in a timely manner;
- **Network Forks:** A blockchain network may undergo a hard fork or soft fork, which could affect the value or availability of the underlying crypto asset and consequently the value of your PERP position; and
- **Protocol Changes:** Changes to the underlying blockchain protocol, including changes to consensus mechanisms (for example, transitions from proof-of-work to proof-of-stake), may affect the value and operational characteristics of the underlying crypto asset.

4.5. Risks Associated with Crypto Options (not available to retail clients)

An “Crypto Option” contract is a derivative contract that gives the buyer the right, but not the obligation, to buy or sell a specified amount of an underlying crypto asset at a predetermined price (the “strike price”) on a specified future date (the “expiry date”). A call option gives the buyer the right to buy the underlying, while a put option gives the buyer the right to sell the underlying. The seller of an option assumes the corresponding obligation if the option is exercised. Unlike purchasing the underlying crypto asset directly, Options derive their value from the performance and expected volatility of the underlying crypto asset and do not give you ownership of, or any other rights in relation to, that crypto asset. Options available through our arranger service are European-style cash-settled options and are generally settled automatically at expiry by reference to the relevant platform’s settlement price and methodology without delivery of the underlying crypto asset. The relevant settlement, margin and collateral arrangements may vary depending on the contract and may change in future.

Options contracts are complex instruments that potentially involve significant risk. Their value may be affected by the price and volatility of the underlying crypto asset, the time remaining until expiry, the strike price and other factors. If you buy an Option, you may lose the entire premium paid. If you sell or write an Option, you may be required to post additional funds at short notice to avoid liquidation of your position and

your losses may substantially exceed the premium you received. You should only engage with Options if you fully understand how they work, including the applicable margin, expiry and settlement arrangements, and have the financial capacity to absorb significant losses.

Complexity and Non-Linear Payoff Risk

The value of an option depends on multiple interacting factors, including the price and volatility of the underlying crypto asset, the strike price, the time remaining to expiry and interest rates. These relationships are commonly expressed through sensitivity measures known as "the Greeks" (including delta, gamma, theta and vega). The payoff profile of an option is non-linear: small changes in market conditions can produce disproportionate changes in an option's value, and gains or losses may accelerate as the price of the underlying moves. Estimates of Greeks, margin impact or post-trade exposure displayed on our platforms are indicative only and may differ from actual outcomes. You should not trade options unless you understand how these factors interact.

Risk of Total Loss of Premium (Option Holders)

If you buy an option, your maximum loss is limited to the premium paid plus fees and charges, provided that your account uses a standard margin model. This is not the case under a portfolio margin model, under which options you have purchased form part of the assessed portfolio risk and may be liquidated. Options frequently expire worthless. You will lose your full premium if the option is "out of the money" at expiry. Even where the underlying crypto asset moves in the direction you anticipated, you may still lose some or all of your premium if the movement is too small, happens too slowly, or is offset by time decay or a fall in implied volatility. Buying options with defined maximum loss does not mean buying options is low risk.

Risks of Selling (Writing) Options

If you write options you receive a premium in exchange for accepting an obligation that may result in losses substantially greater than that premium. You may be required to post additional margin, in excess of the premium received and any amounts already deposited. For uncovered (naked) call writing — that is, writing a call option without holding an offsetting position in the underlying — your potential losses are theoretically unlimited because there is no limit to how high the price of the underlying can rise; writing puts may expose you to losses up to the full strike value of the contract if the price of the underlying falls towards zero. Crypto asset prices can move by large percentages in very short periods, which can cause the value of a short option position — and your resulting margin obligation — to deteriorate extremely rapidly (see Leverage and Margin Risk and Liquidation Risk below). "Covered" strategies reduce but do not eliminate risk: a covered call - writing a call against a holding in the underlying asset - requires you to forgo gains above the strike price, and a cash-secured put - writing a put while holding sufficient funds to meet the strike value - may oblige you to acquire the underlying at above its market price. Option-writing strategies are sometimes described, by market commentators or others, as generating "yield" or "income". Such descriptions do not change the fact that writing options carries the risk of substantial loss.

Time Decay Risk

Options are wasting assets with a finite life. As expiry approaches, an option's time value erodes, at an accelerating rate in the final weeks and days before expiry. Time decay works against option holders and generally in favour of option writers, but does not reduce the other risks of writing options described above.

Volatility Risk

The price of an option is sensitive to changes in the expected future volatility of the underlying crypto asset ("implied volatility"). An increase in implied volatility generally increases the value of both calls and puts; a

decrease reduces their value, even where the price of the underlying has not moved. Implied volatility in crypto asset markets can change rapidly and by large magnitudes, and often falls sharply following anticipated events. You can lose money on a purchased option even if you correctly predicted the direction of the underlying's price movement, if implied volatility falls or the move is smaller than the market had priced in.

Leverage and Margin Risk

Writing options requires you to post margin. Margin requirements are calculated by the platform's risk engine and are driven by implied volatility, time to expiry and other risk factors as well as by the price of the underlying. They may therefore increase rapidly and materially, including where the price of the underlying has not moved against you. The platform may change margin parameters, risk-model parameters, position limits and collateral haircuts at any time, including with immediate effect in respect of existing positions and including during periods of market stress.

Four margin modes are available, formed by two independent choices: whether your derivative positions are margined individually (standard margin) or on a portfolio basis (portfolio margin); and whether collateral is held separately for each settlement currency (segregated) or pooled across currencies (cross). Unless changed, your account will use cross standard margin. The mode applicable to your account is selected separately for each account and sub-account and is not inherited between them.

Under standard margin, margin is calculated separately for each position and the results are added together. No credit is given for positions that hedge one another. Options you have purchased are fully funded at the outset, carry no margin requirement and cannot be liquidated. Only written options and other margined positions carry margin.

Under portfolio margin, margin is calculated by stress-testing your portfolio across a range of simulated price and volatility movements and applying the worst result of those tested scenarios, together with additional risk charges. The “worst case scenario” produced by this model is the worst of the scenarios tested; it is not the maximum amount your account could lose. Under portfolio margin, all instruments in the portfolio, including options you have purchased, form part of the assessed risk and may be liquidated. It is therefore possible for an account holding only purchased options to be liquidated. If you do not wish to be exposed to that risk, purchased options should be held in an account using standard margin.

Switching an account from standard margin to portfolio margin may substantially increase your margin requirement, because positions that carried no margin under standard margin become margined. Changing margin mode does not of itself trigger liquidation, but it changes the amount of margin you must post and the basis on which your liquidation risk is assessed.

Risk offsets under portfolio margin are calculated on a per-currency basis. Positions in different underlying crypto assets are not offset against one another, in either segregated or cross portfolio margin. You should not assume that a position in one asset will reduce the margin required for a position in another.

Where your account uses a cross collateral mode, your options positions are margined together with your other derivatives positions, including PERPs and Futures, against a single pool of collateral valued in a single reference currency. Losses on one position will reduce the collateral available to support your other positions, and liquidation may affect positions in markets that have not moved against you, including positions you regarded as unrelated or as a hedge. Where collateral other than the reference currency is

accepted, it may be subject to a haircut set by the platform, which may be changed at any time and may differ between margin models; a fall in the value of collateral you have posted, or an increase in the applicable haircut, may reduce your available margin and trigger liquidation even where your open positions have not moved against you.

Under cross modes, the equity in an individual settlement currency may become negative while your account as a whole remains solvent; where this occurs the platform may charge a fee on the negative balance, may restrict the amount you are able to withdraw, and may convert other currencies in your account in order to eliminate the deficit, without notice and without your instruction.

The margin model applicable to your account directly affects how your liquidation risk is calculated. You should ensure you understand it before trading.

Liquidation Risk

If your margin balance falls below the applicable maintenance margin requirement — which may occur rapidly given the volatility of crypto asset markets — the platform may without notice cancel your open orders, close all or part of your positions, open positions in futures or perpetual contracts in order to reduce the risk of your account, or close your account entirely. Liquidation is carried out automatically by the platform's liquidation engine; neither CBPL nor CBBM controls whether, when, at what price or in what order liquidation occurs. Any warnings displayed as your margin usage deteriorates are provided on a best-efforts basis, may not be received in time, and must not be relied upon as a margin call.

An estimated liquidation price is displayed only for accounts using segregated standard margin, which is not the default margin model for your account. In cross and portfolio margin models, risk is assessed at account or portfolio level and no per-position estimated liquidation price is available. You should not expect to be shown a price level at which liquidation will occur.

Liquidation orders are executed at prevailing market prices. Options markets may be illiquid and spreads may be wide, particularly for far-dated or deeply out-of-the-money contracts, so execution may occur at a price materially worse than the platform's mark price. Mark prices for options are model-derived and may differ from any price at which the contract last traded or could actually be closed. Liquidation fees may be charged. Simultaneous liquidations of leveraged positions across the market can accelerate adverse price movements and cause liquidity to deteriorate sharply.

Where liquidation is incomplete. Options positions are not subject to the platform's auto-deleveraging procedure and are not assigned to the platform's liquidity support providers. Where the liquidation of positions in your account cannot be completed on the order book, or completes at a price that leaves your margin balance negative, the platform may apply its insurance fund to cover the shortfall. To the extent that fund is depleted or otherwise insufficient, the platform may apply its socialised loss arrangements, under which uncovered losses — including losses arising in the accounts of other participants — may be allocated to accounts on the platform, including yours. Agreement to those arrangements is a condition of access to the platform and is not something you can opt out of. Where your account also holds perpetual futures positions, those positions may in addition be subject to assignment to liquidity support providers or to auto-deleveraging, as described above.

Under a standard margin model, a purchased option position may lose all of its value through market movement or the passage of time even though it is not subject to liquidation. Written option positions may be liquidated at very short notice.

European-Style Exercise Risk

Options available through our arranger service are European-style: they can only be exercised at expiry and cannot be exercised early. This means that, as a holder, you cannot realise the intrinsic value of an in-the-money option before expiry other than by selling the option in the market, which may not be possible at a favourable price, or at all, if liquidity is insufficient (see Liquidity Risk below). You should not assume you will be able to exit or monetise a position before expiry.

Expiry and Automatic Exercise Risk

Options cease to exist after their expiry date and are automatically exercised at expiry if they are in the money, by reference to a settlement price determined by the platform. You are solely responsible for monitoring expiry dates and for closing or rolling your positions before expiry. Automatic exercise will result in a settlement credit or debit to your account which you must be able to fund (see Settlement Risk below). Where the price of the underlying is at or very near the strike price at expiry, small price movements around the expiry time can determine whether the option is exercised, which may produce outcomes you did not intend.

Settlement Risk

Options available through our arranger service are settled in USDC. There is no physical delivery and no fiat settlement. You should be aware of the following:

- Index and Reference Price Risk: Settlement and mark prices are determined by reference to an index or methodology set by the platform, rather than the price on any single trading venue. The settlement price is typically derived from a time-averaged measure taken over a period around expiry, rather than the price at the precise moment of expiry. The settlement price may therefore differ from the price you observe at expiry. The platform may amend its methodology from time to time, and such changes may not always be to your advantage.

- Stablecoin Settlement Risk: Stablecoins are not legal tender and their value is not guaranteed. A stablecoin may lose its peg to its reference currency, particularly in stressed market conditions, which could result in settlement proceeds being worth less than their nominal value. Stablecoin issuer actions, such as address freezing or redemption suspension, may impair settlement.

- Funding and Withdrawal Risk: Settlement of your Crypto Options positions is effected on the platform's own systems and does not itself require a blockchain transaction. However, your ability to fund your account, post collateral or withdraw settlement proceeds depends on the operational integrity of the relevant blockchain networks and of the stablecoin used. Network congestion, technical failures, forks or protocol changes may delay deposits, withdrawals or transfers, and may therefore impair your ability to meet margin requirements or access funds in a timely manner.

Counterparty and Platform Risk

Options available through our arranger service are traded on a centralised digital asset platform rather than on a regulated exchange with central counterparty clearing arrangements. You are therefore exposed to heightened platform-specific risks, including:

- Platform insolvency or failure: you may lose your margin, collateral and any open positions, with limited or no prospect of recovery;

- Operational outages: technical failures or system outages may prevent you from managing positions, depositing margin, or closing positions during critical market periods — including during the volatile market conditions when you are most likely to need to act;

- Cybersecurity incidents: centralised platforms hold significant concentrations of digital assets and are frequent targets for hacking, theft and fraud; and

- Misappropriation of assets: digital asset platforms may not be subject to requirements regarding the segregation and safeguarding of client assets equivalent to those applicable to regulated financial institutions.

In the event of platform failure, you may have limited or no recourse to recover your funds, and the protections available to you may be significantly less than those applicable in regulated financial markets.

Liquidity Risk

Liquidity in crypto options markets varies significantly across underlyings, strikes and expiry dates, and many options series trade infrequently with wide bid-ask spreads. Liquidity can deteriorate rapidly and unpredictably, particularly during periods of market stress. Because options are European-style and cannot be exercised early, an inability to sell an option in the market may leave you unable to exit or monetise a position before expiry. Insufficient liquidity may also result in slippage, partial fills, and liquidation at prices materially worse than expected.

Multi-Leg Strategy Risk

If you enter into multi-leg options strategies (such as spreads, straddles, strangles, or iron condors), each leg carries its own risks. Combined positions may have risk profiles that are not obvious from the individual legs, and you may misunderstand your net exposure if you do not review the combined payoff, net Greeks, maximum loss and break-even points. Where a multi-leg order cannot be executed as a single combined transaction, you may be exposed to "leg risk" — the risk that market movements between the execution of individual legs result in a materially different position or price than intended. Liquidity for particular legs or combinations may be thin, widening spreads and increasing execution costs.

Crypto Asset Volatility Risk

The underlying crypto assets referenced by Options are subject to extreme and unpredictable price volatility, which may significantly exceed the volatility typically associated with regulated financial instruments. Crypto asset prices can decline or increase by large percentages within very short periods of time, as a result of factors including but not limited to:

- Regulatory announcements, enforcement actions, or policy changes in any jurisdiction;
- Changes in market sentiment, media coverage, or activity on social media platforms;
- Technical developments, vulnerabilities, or failures in the underlying blockchain network;
- Large-scale buying or selling by major market participants;
- Cybersecurity incidents, exchange failures, hacking events, or fraud; and
- Macroeconomic developments and broader financial market conditions.

Because option values are sensitive to both price and volatility, such conditions can cause rapid and substantial changes in the value of your positions, trigger margin calls or liquidation with little or no warning, and (for option holders) result in the total loss of your premium.

Regulatory Uncertainty

The regulatory treatment of options referencing crypto assets is subject to ongoing development in the UK and internationally. Regulatory changes may affect the availability of these products, the terms on which they may be offered, the protections available to you, and the tax treatment of gains and losses.

Absence of Investor Protection

You may not receive FSCS protection unless you are an eligible claimant and have a valid claim arising from regulated investment business carried on by an FCA-authorised firm that has failed.

The FSCS does not cover losses caused by market movements, changes in volatility, time decay, leverage, margin calls, liquidation, exercise, settlement or the performance of an options contract. If CBPL fails, protection may apply to a valid claim arising from our regulated arranging services.

You may have a separate contractual relationship with one or more third-party service providers. Any FSCS protection relating to a third party will depend on its regulatory status, the services it provides, your eligibility and the circumstances of the claim.

Complaints regarding CBPL's conduct in relation to Options may be eligible for consideration by the FOS, subject to applicable FOS eligibility criteria and jurisdictional limits. FOS protection does not cover poor investment performance.