Risk Disclosure
REAL EXCHANGE (REX) LTD.

Risk Disclosure Document

This risk disclosure document (this “Risk Disclosure Document”) has been prepared and approved by REAL EXCHANGE (REX) LTD (the “Company”) in line with the Chapter 3 of the Virtual Financial Assets Rulebook issued by the Malta Financial Services Authority (the “MFSA”) as applicable to the Company in the provision of VFA Services (as defined below).

Dated: 30th of September 2024

Introduction

Information about the Company

The Company is a private limited liability company incorporated and registered in Malta under company registration number C 88077.

The Company’s registered office is situated at LEVEL 2, FLAT 1, ST. JULIAN'S BUSINESS CENTRE, TRIQ ELIJA ZAMMIT, ST. JULIANS, STJ 3153, MALTA.

The link to the Company’s website is: kyrrex.mt/.

Regulation

The Company is regulated by the MFSA and is subject to the laws of Malta.

The Company is licensed by the MFSA as a VFA service provider under the Virtual Financial Assets Act, Chapter 590 of the Laws of Malta (the “VFA Act”) and holds a Class 4 VFA Licence (the “Licence”).

The Company undertakes its business in relation to virtual financial assets (“VFAs”) in accordance with the Licence issued in its favour by the MFSA on the 8th February 2022. A copy of the Licence is available upon request. You may also refer to the MFSA’s online financial services register for further detail.

Services which may be offered

The Company is authorised to provide:
Custodian or Nominee services;
Operation of a VFA Exchange; and
VFA Transfer Services;
(individually, a “VFA Service” and, collectively, the “VFA Services”);

to experienced investors and non-experienced investors in relation to distribution ledger technology assets which have been determined to be VFAs in terms of the MFSA’s financial instrument test. For the avoidance of doubt, in terms of the VFA Act, a VFA is any form of digital medium recordation that is used as a digital medium of exchange, unit of account, or store of value, and that is not (i) electronic money, (ii) a financial instrument, or (iii) a virtual token.

The VFA Service(s) which will be provided to the client will be set out in the relevant client agreement which will be signed between the Company and the client prior to the provision of a VFA Service.

When engaged to provide the service of 'Custodian or Nominee Services, the Company offers digital wallet services in respect of the VFA Exchange and custody/nominee services in order to facilitate and expedite the acquisitions and/or disposal of VFAs.

When engaged to provide the service of 'Operation of a VFA Exchange', the Company provides its clients with an order matching online platform that automatically, and according to pre-established non-discretionary criteria, matches a client's trades with open orders from other clients.

Virtual Financial Asset offered by Company

The Company shall be offering the following VFAs on its platform:
Bitcoin (BTC) – Bitcoin is a decentralised cryptocurrency that was launched back in January 2009. It can be defined as a peer-to-peer online currency, which essentially means that all transactions happen directly between equal and independent network participants, without the required intervention of an intermediary to permit or facilitate them. Moreover, Bitcoin was the first ever cryptocurrency that came into use and remains at the top of the cryptocurrency market with over a decade of existence.

Ethereum (ETH) - Ethereum is another type of decentralised open-source blockchain that features its own cryptocurrency called Ether. However, ETH has its own purpose, that being a global platform for decentralised applications. ETH allows users, world-wide, to write and run software that is resistant to censorship, downtime, and fraudulent activity, ultimately make the software more robust in nature. On the contrary to LTC, the Ethereum Network suffers from higher transaction costs, which in turn may lead to having scalability issues.

Litecoin (LTC) – Litecoin's existence is based on the BTC protocol, however, differs slightly in its hashing algorithm, transaction time and a few other factors. Moreover, LTC differs from BTC as it has a shorter block time of only 2.5 minutes with lower transaction costs. This makes it more fit for purpose for smaller transactions. In fact, LTC was designed with the primary aim of being faster, more secure, and lower cost whilst also using the distinct properties of blockchain technologies.

TRON (TRX) – Tron is a blockchain-based operating system that tries to ensure technology is suitable for daily use, more specifically for content sharing and the entertainment industry. TRON attempts to differ itself from its competitors as it has positioned itself as an environment whereby content creators can position themselves and connect directly with their respective audience. The scope here is the elimination of centralised platforms and the reduction of commission fees to middle parties. In turn, reducing the cost for consumers.

Ripple (XRP) is a technology that acts as both a cryptocurrency and a digital payment network for financial transactions. It was first released in 2012. Ripple's main process is a payment settlement asset exchange and remittance system, similar to the SWIFT system for international money and security transfers, which is used by banks and financial middlemen dealing across currencies.

Stellar (XLM) is cryptocurrency refers to a digital or virtual currency developed by Stellar Development Foundation. The organization's currency, which is called the lumen, is traded under the symbol XLM on various cryptocurrency exchanges. Lumens can be used by traders on the Stellar network, which is a blockchain-based distributed ledger network that connects banks, payments systems, and people to facilitate low-cost, cross-asset transfers of value, including payments.2

Risk Disclosures

All financial transactions involve a degree of risk and may result in losses to the client's capital. You should not enter into transactions unless you fully understand their nature, the risks associated with them and can bear any potential financial losses. In terms of R3-3.4.3.7.1. of Chapter 3 of the MFSA's VFA Rulebook, the Company is required to appropriately warn clients of the risks associated with investing in VFAs.

The below list of risks is of a generic nature and is also intended to describe various risk factors associated with VFAs. This Risk Disclosure Document is not intended to provide an exhaustive list of risks (or other important factors) associated with an investment in a VFA, and hence there may be other considerations which should be taken into account before soliciting a VFA Service. You should therefore refrain from relying exclusively on the risk disclosures set out below as covering all possible risks and should always independently verify that the VFA Services or transactions are suitable for you (or, if applicable, your principal) in light of your specific circumstances.

You must make your own independent decision to access or use the VFA Services and should seek any advice that you consider necessary or desirable (including financial and/or legal advice) from independent advisors.

Trading Risk

The use of the VFA Services is at your own risk. There can be no assurance that the use of the VFA Services will provide a positive return or profit, that significant losses will not be incurred, or that your objectives will be achieved. If you decide to deal in VFAs, you should be aware that you could lose a large amount, or even all, of the money invested. Dealing in VFAs is generally unsuitable for most consumers, including those with a short-term investment horizon, and especially consumers pursuing long-term goals, such as saving for retirement.

Volatility Risk

The price of a cryptocurrency is based on the perceived value of the cryptocurrency and subject to changes in sentiment, which make the price of these products highly unpredictable and volatile when compared to financial instruments such as stocks and bonds. Several factors may affect the price of cryptocurrencies, including, inter alia: (a) the total number of cryptocurrencies in existence, (b) global demand and supply, (c) interest rates and currency exchange rates, including the rates at which cryptocurrencies may be exchanged for fiat currencies, (d) fiat currency withdrawal and deposit policies of cryptocurrency exchanges and liquidity of such cryptocurrency exchanges, (e) cyber theft of cryptocurrencies from online digital wallet providers, or news of such theft from such providers or from individuals' digital wallets, (f) regulatory measures, if any, that restrict the use of cryptocurrencies as form of payment or the purchase of cryptocurrencies on the market, (g) the availability and popularity of business that provide cryptocurrency-related services, (h) increased competition from other forms of cryptocurrency or payments services, (i) global or regional political, economic or financial events and situations, and (j) fees associated with processing a cryptocurrency transaction. Certain cryptocurrencies have experienced daily price volatility of more than 20%. Therefore, there is a high volatility risk and holders may suffer large losses. You should not deal in cryptocurrencies unless you understand their nature and the extent of your exposure to risk.

Valuation Risk

Cryptocurrencies can be traded through privately negotiated transactions and through numerous cryptocurrency exchanges and intermediaries around the world, each with its own pricing mechanism and/or order book. The lack of a centralised pricing source poses a variety of valuation challenges. There is therefore a risk that investors will not receive a fair and accurate price when buying or selling VFAs.

Liquidity Risk

Cryptocurrencies may be riskier, less liquid, more volatile, and more vulnerable to economic, political, market, industry, regulatory and other changes than traditional financial instruments. The liquidity of the cryptocurrency market will depend on, inter alia, supply and demand and the commercial and speculative interest in the market for these products. Thinly traded or illiquid markets have potentially an increased risk of loss because they can experience high volatility of prices, and, in such markets, market participants may find it impossible to liquidate market positions except at very unfavourable prices. Also, the lack of liquidity in any market for cryptocurrencies may result in delays in order execution and some orders may not be executed at all; these effects may be exacerbated where an order is larger. There is no guarantee that the markets for any cryptocurrency will be active and liquid or permit you to establish or liquidate positions when desired or at favourable prices.

Political and/ or Regulatory Risk

The performance of a cryptocurrency or the possibility to purchase, sell, or repurchase may be affected by changes in general economic conditions and uncertainties such as political developments, changes in government policies, laws, or regulations (including regarding taxation), the imposition of restrictions on the transfer of capital and changes in regulatory requirements.

Operational Disruptions/ Settlement Risk

Some VFA exchanges have suffered severe operational problems, such as trading or settlement disruptions. During these disruptions, consumers have been unable to buy and sell VFAs at the moment they intended to and have suffered losses due to the price fluctuation of VFAs held during the period of disruption.

Lack of Exit Options

Investors are at risk of being unable to trade in VFAs or to exchange them for traditional fiat currencies for a long period of time. Investors may therefore suffer losses in the process.

Systemic Risk

Since the market for digital assets is still very small compared to other market segments, a problem in one of the cryptocurrencies can impact the market value of the entire virtual financial assets market. The value of different cryptocurrencies is still strongly correlated. A negative impact on any cryptocurrency can have an impact on the value of another.

Opaque Spot Market Risk

Cryptocurrency balances are generally maintained as an address on the blockchain and are accessed through private keys, which may be held by a market participant or a custodian. Although cryptocurrency transactions are typically publicly available on a blockchain or distributed ledger, the public address does not identify the owner, controller or holder of the private key. Unlike bank and brokerage accounts, cryptocurrency exchanges and custodians that hold cryptocurrencies do not always identify the owner. The opaque underlying or spot market poses asset verification challenges for market participants, regulators and auditors and gives rise to an increased risk of manipulation, fraud and money laundering, including the potential for Ponzi schemes, bucket shops and pump and dump schemes, which may undermine market confidence in a cryptocurrency and negatively impact its price.

Cryptocurrency Exchanges, Intermediaries and Custodians

Cryptocurrency exchanges, as well as other intermediaries, custodians and vendors used to facilitate cryptocurrency transactions, are relatively new and largely unregulated in most jurisdictions. The opaque underlying spot market and lack of regulatory oversight creates a risk that a cryptocurrency exchange may not hold sufficient cryptocurrencies and funds to satisfy its obligations and that such deficiency may not be easily identified or discovered. In addition, many cryptocurrency exchanges have experienced significant outages, downtime and transaction processing delays, flash crashes, and may have a higher level of operational risk than regulated futures or securities exchanges. It may be difficult or even impossible to identify and/or locate the issuer of a cryptocurrency, the trading platform, wallet provider or intermediary, especially in a cross-border situation where it may also be difficult to determine which laws may be applicable. Thus, if a holder has a claim, it might be difficult to sue the issuer or the wallet provider and enforce a title.

Technology Risk

Cryptocurrency networks' functionality relies on technology. The relatively new and rapidly evolving technology underlying cryptocurrencies introduces unique risks. Technological disruptions may affect cryptocurrency operations, which may adversely affect the cryptocurrency industry. For example, a unique private key is required to access, use or transfer a cryptocurrency on a blockchain or distributed ledger. The loss, theft or destruction of a private key may result in an irreversible loss of cryptocurrency associated with this private key.

Cybersecurity Risk

Cryptocurrencies involve the storage and transmission of investors' proprietary information, and security breaches could cause a risk of loss or misuse of this information, and of resulting claims, fines and litigation. The VFAs may be subject to a variety of cyber-attacks, which may continue to occur from time to time. An attack or a breach of security could result in a substantial, immediate and irreversible loss for market participants that trade in cryptocurrencies, including through the loss of private data, unauthorized trades, an interruption in potential trading for an extended period of time, significant legal and financial exposure, damage to reputation, and a loss of confidence in security measures, any of which could have a material adverse effect on the financial results and business of the issuer of the

VFA. Attackers can also manipulate the cryptocurrencies market. Moreover, markets for cryptocurrencies are generally not subject to oversight by any supervisory, prudential or other regulators that impose minimum financial or business conduct standards, or that require minimum cybersecurity protections. Additionally, attackers can target platforms that buy and sell cryptocurrencies and digital wallets that hold cryptocurrencies. A minor cybersecurity event in a cryptocurrency is likely to result in downward price pressure on that product and potentially other cryptocurrencies.

Transaction Fees Risk

Many cryptocurrencies allow market participants to offer miners (i.e., parties that process transactions and record them on a blockchain or distributed ledger) a fee. While not mandatory, a fee is generally necessary to ensure that a transaction is promptly recorded on a blockchain or distributed ledger. The amounts of these fees are subject to market forces and it is possible that the fees could increase substantially during a period of stress. In addition, cryptocurrency exchanges, wallet providers and other custodians may charge high fees relative to custodians in many other financial markets.

Legal/ Regulatory Risk

The regulatory environment concerning cryptocurrencies and other digital assets continues to develop. The application and interpretation of existing laws and regulations are often largely untested and there is a lack of certainty as to how they will be applied. New laws and regulations will be promulgated in the future that apply to blockchain technology and digital assets, and related services providers, and no assurance can be given that any such changes will not adversely affect digital assets generally or the VFA Services. It is not possible to predict how such changes would affect the price and liquidity of digital assets generally or the VFA Services. Regulatory actions could negatively impact cryptocurrencies and other digital assets in various ways, including, for purposes of illustration only, through a determination (with retrospective or prospective effect) that cryptocurrencies are regulated financial instruments requiring registration or licensing in certain jurisdictions.

Insufficient/ Inaccurate/ Misleading Information Disclosure Risk

Information regarding any specific cryptocurrency may be missing, inaccurate, incomplete and/ or unclear with respect to the project and its risks. Documents may be highly technical and require sophisticated knowledge to understand the characteristics of a particular cryptocurrency.