

Risk Statement

Effective: June 1, 2026

All capitalized terms used and not defined herein are defined in the Client Account Agreement.

This risk statement (the “**Risk Statement**”) is presented to you at the time of opening your Account with Coinsquare. You must acknowledge having received, read, and understood this Risk Statement in order to open and operate an Account and use the Services. Please read this Risk Statement in its entirety.

Coinsquare believes that its clients should be aware of the risks involved in using the Services to purchase, hold, stake, or sell Digital Assets. Digital Asset trading or staking may not be appropriate for you, particularly if you use funds which you cannot afford to lose. The volatility and unpredictability of the price of Digital Assets relative to fiat currency may result in significant loss over a short period of time.

By opening an account with Coinsquare to use the Services, you are acknowledging that you have received, read and understand the risks set out herein. This Risk Statement does not necessarily capture all of the risks associated with trading or staking Digital Assets. Please refer to the terms of the Client Account Agreement for a more detailed description of your relationship with Coinsquare and the Platform. This Risk Statement provides a summary of certain risks you should take into account when deciding whether to trade or stake Digital Assets. It also provides a general description of what is meant by the term, “Crypto Contract” (which is defined below) as that term relates to securities regulatory jurisdiction over Coinsquare and the Platform. For information on the individual Digital Assets available on the Platform, Coinsquare has made available [crypto asset statements](#) which describe each Digital Asset in plain language. Clients are required to acknowledge, for each of the Digital Assets that they purchase through the Platform, that they have read and understand the respective individual crypto asset statements published on Coinsquare’s website.

No securities regulatory authority in Canada or any other jurisdiction has expressed an opinion about any of the Digital Assets (or Crypto Contracts) that are available through the Platform, including an opinion that the Digital Assets are not themselves securities and/or derivatives.

While Coinsquare has conducted due diligence, in accordance with its written policies, to evaluate each of the Digital Assets before making them available on the Platform and has concluded that none of the Digital Assets constitutes a security or derivative under the respective securities legislation of each of the jurisdictions of Canada and the securities and derivatives laws of the foreign jurisdiction with which each Digital Asset has the most significant connection, there is a risk that Coinsquare has incorrectly determined that none of the Digital Assets is a security or

derivative. There is also a risk that Coinsquare's conclusion that any particular Digital Asset is not a security or derivative may change over time.

Additionally, Coinsquare's due diligence process includes a cybersecurity audit of each token's code or smart contract, and a qualitative analysis of the purpose, design, and risks of each token and their respective network by a committee of appointed personnel. In regards to making assets available for staking through the Coinsquare platform, Coinsquare conducts additional due diligence that focuses on the consensus mechanism of the network, the nuances of validator activity, reward frequency, and other factors that may make any asset or network similar or dissimilar from other assets or networks that have already been approved for staking on the platform. This staking due diligence is conducted by the same appointed committee that oversees the general asset review and approval process. For both staking and trading, Coinsquare conducts periodic reviews of the due diligence that was previously completed for an asset, and if any significant changes, updates, or news can be found, then the due diligence for that asset is refreshed and reviewed again by the committee.

Crypto Contracts

Canadian Securities Administrators ("CSA") Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets*, and Joint CSA / CIRO (then called IIROC) Staff Notice 21-329 *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements* set out the basis of securities law jurisdiction over crypto asset trading platforms that do not necessarily, as part of their business model, immediately deliver crypto assets off the platform to a client-controlled private wallet. By facilitating the provision of custody of crypto assets for clients, a contractual relationship between the platform and its clients is created in connection with the clients' purchase and sale of crypto assets through the platform. A client's contractual right to delivery of the crypto assets upon request constitutes a "Crypto Contract."

Coinsquare is offering Crypto Contracts for the Digital Assets on the Platform in reliance on a prospectus exemption granted by the CSA in the exemptive relief decision dated October 12, 2022.

The statutory rights of action for damages and the right of rescission in section 130.1 of the *Securities Act* (Ontario) and similar legislation in other CSA jurisdictions would not apply in respect of a misrepresentation in this Risk Statement or any of the plain-language crypto asset statements published on Coinsquare's website.

Risks in Trading on the Platform

The following is a list of risks you should consider when using the Services to purchase, hold, or sell Digital Assets and/or to enter into Crypto Contracts. This list may not be exhaustive.

1. Platform Risk

Crypto-asset trading platforms, including Coinsquare, may cease operations or permanently shut down due to fraud, technical glitches, hackers, or malware, which could have an adverse impact on the value of Digital Assets. CCML reserves the right to not offer a quote should there be technical difficulties, extreme volatility, or counterparty problems. CCML will put a notice on its website in these extreme circumstances.

2. Short History Risk

Digital Assets are just over a decade old, and as such, it is unclear whether the economic value, governance or functional elements of Digital Assets will persist over time. The Digital Asset community has successfully navigated a considerable number of challenges since the introduction of blockchain technology. That said, the continued engagement of the Digital Asset community is not guaranteed, and any future challenges that the community is not able to navigate could have an adverse impact on the price to purchase or proceeds received from the sale of a Digital Asset.

3. Price Volatility

The price of Digital Assets on public trading platforms has a limited history. Digital Asset prices have historically been volatile and subject to influence by many factors including the levels of liquidity on trading platforms, public speculation on future appreciation in value, swings in investor confidence, and changes in regulatory characterization.

A Digital Asset may lose most or all of its value.

4. Potential Decrease in Global Demand for Digital Assets

If speculators, investors, merchants, or consumers stop purchasing, using, holding, or dealing in Digital Assets, or the rate of adoption of Digital Assets slows, then the price of Digital Assets may be adversely impacted. There is no guarantee that Digital Assets will maintain their long-term value in terms of purchasing power in the future or that the acceptance of Digital Assets for payments by mainstream retail merchants and commercial businesses will continue to grow.

5. Potential for Illiquid Markets

If there is a relatively small volume of buy and sell orders in the marketplace, it may become difficult to execute a trade of Digital Assets. Unexpected market illiquidity may cause major losses to the holders of Digital Assets.

6. Transfers of Digital Assets are Irreversible

Transfers of Digital Assets are irreversible. An improper transfer (whereby a Digital Asset is accidentally sent to the wrong recipient), whether accidental or resulting from theft or unauthorized access, can only be undone by the receiver of the Digital Asset agreeing to send the Digital Asset back to the original sender in a separate subsequent transaction. To the extent your access credentials are taken over by another party (with or without your permission) and transfers are

made, you may be unable to recover the Digital Assets. You are responsible for maintaining the security of your access credentials and for all authorized and unauthorized use of your Account, including all transfers of Funds or Digital Assets.

7. Concentration Risks

With respect to certain Digital Assets, a significant percentage of their total outstanding units are held by a disproportionately small amount of Digital Asset wallet addresses. If one of these top holders were to exit their Digital Asset position, a block sale of a large amount of a Digital Asset could adversely affect the price of that Digital Asset.

8. Uncertainty in Regulation

The regulation of Digital Assets continues to evolve in Canada and in foreign jurisdictions which may restrict the use of Digital Assets or otherwise impact the demand for Digital Assets.

9. Financial Institutions May Refuse to Support Transactions Involving Digital Assets

Financial institutions provide bank accounts to facilitate transfers of fiat currency in connection with Digital Asset transactions. Canadian regulated banks and other financial institutions may refuse to process funds for Digital Asset transactions or to process wire transfers to or from Digital Asset trading platforms, Digital Asset-related companies, or service providers, or maintain accounts for persons or entities transacting in Digital Assets.

10. A Digital Asset's Blockchain May Temporarily or Permanently Fork and/or Split

Many Digital Asset blockchain networks are powered by open source software. When a modification to that software is released by developers, and a substantial majority of miners consent to the modification, a change is implemented and the blockchain network continues uninterrupted. However, if a change were to be introduced with less than a substantial majority consenting to the proposed modification, and if the modification were not compatible with the software in operation prior to its modification, the consequence would be what is known as a "fork" (i.e., a split) of the blockchain. One blockchain would be maintained by the pre-modification software and the other by the post-modification software. The effect is that both blockchains would operate in parallel, but independently. There are precedents for this occurring, for example on both the Bitcoin and Ethereum blockchain networks. In the future, such a fork could occur again, and affect the viability or value of a Digital Asset. Coinsquare may choose not to support any future fork of the underlying blockchain of the Digital Assets available on the Platform, in which case you might not have any rights to the new digital assets that may be created as a result of that fork. By using Coinsquare you forfeit any profit, loss, or voting right claims to any Digital Assets forked on the Platform.

11. Cyber-Security Risk

Digital Asset companies, such as Coinsquare, and their service providers may be subject to operational and information security risks resulting from cyber-attacks. These include, among

other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information, and various other forms of cyber-security breaches. This in turn could cause Coinsquare to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss.

12. Airdrops

Third parties may send Digital Assets into wallets operated by Coinsquare or Coinsquare's third-party custodians ("**Digital Asset Airdrops**"). Should Coinsquare be issued any additional Digital Assets alongside the ones held by Coinsquare or Coinsquare's third-party custodians, we would not be responsible for any consequences arising from such an issuance, including any perceived or actual losses or missed gains. Coinsquare will decide in its sole discretion whether or not to support the Digital Asset Airdrops or whether or not to distribute the Digital Asset Airdrops to our clients, with or without prior notification. By using the Services, you forfeit any profit, loss, voting right claims, demands or claims of any kind to any Digital Asset Airdrops to Coinsquare.

13. Issues with Cryptography Underlying Digital Asset Networks

Cryptographic and algorithmic protocols are used to protect the secrecy of codes regulating the blockchain system used to effect transfers of Digital Assets. In the past, flaws in the source code for Digital Assets have been exposed and exploited, including flaws that disabled some functionality for users, exposed users' personal information, and/or resulted in the theft of users' Digital Assets. The cryptography underlying the Digital Assets could prove to be flawed or ineffective, or developments in mathematics and/or technology, including advances in digital computing, algebraic geometry, and quantum computing, could result in such cryptography becoming ineffective. Any of these circumstances could result in the theft of users' Digital Assets by malicious actors. Moreover, functionality of Digital Asset networks may be negatively affected such that they are no longer attractive to users, thereby dampening demand for Digital Assets.

14. Internet Risk

Coinsquare accesses Digital Assets' blockchains via the internet, and its clients access Coinsquare's Platform via the internet. Thus, the entire system is dependent upon the continued functioning of the internet. Coinsquare maintains an independent and secure ledger of all transactions to minimize loss and maintains contingency plans to minimize the possibility of system failure; however, Coinsquare does not control signal power, reception, routing via the internet, configuration of your equipment, or the reliability of your connection to the internet.

15. Open Loop System

When you enter into a Crypto Contract with Coinsquare to buy and sell Digital Assets, that Crypto Contract provides you with certain rights and imposes certain responsibilities; the Crypto Contract, and your contractual right to the Digital Assets that you may deposit, buy, hold, and sell pursuant to the Crypto Contract, may constitute a security or derivative. In particular, the contract you sign with Coinsquare enables you to deposit, buy, sell, withdraw (with some limitations), and hold

Digital Assets in your own private wallet. We refer to this as an “open loop” system. Please note that some Digital Assets may not be eligible for withdrawal from the platform for technical reasons.

16. Risk if Entity Gains a 51% Share of a Digital Asset Network

If an entity gains control over 51% of the computational power (hash rate) of a Digital Asset network, the entity could use its majority share to interfere with the operation of that network in ways that could undermine trust in the network.

17. Possible Increase in Transaction Fees

There are transaction fees applicable to certain Digital Asset transactions. These transaction fees have historically been relatively low, but there is no assurance that they will remain low. Higher transaction fees may result in a decrease in the value of the relevant Digital Asset(s).

18. Possible Increase in Service Fees

Certain fees Coinsquare charges you for the Services are based in part on the fees charged to Coinsquare by its third-party service providers. Those third-party service provider fees are subject to change, which may result in Coinsquare increasing its fees.

19. Limited Canadian Investor Protection Fund Account

Coinsquare is a member of the Canadian Investor Protection Fund (“CIPF”). However, the Digital Assets held by Coinsquare (directly or indirectly through third-party custodians) on behalf of clients will not qualify for CIPF protection, nor will they qualify for protection by the Canadian Deposit Insurance Corporation or any other investor protection scheme.

20. No Voting Rights

Coinsquare will not enable voting functionality for any Digital Assets that would confer a right to vote on topics that may directly and indirectly affect functionality and economics of the particular Digital Asset (e.g., changes to block reward amounts, inflation percentages, consensus modeling, or governance models). Therefore, if you have a Crypto Contract in respect of any Digital Assets that confer these rights to vote, you will not be able to exercise any such voting rights, and you forfeit any such rights to Coinsquare.

21. Custody of Digital Assets

As provided in the Client Account Agreement, Coinsquare may hold your Digital Assets on your behalf, directly in a hot wallet temporarily, and indirectly through a third-party custodian in cold wallet storage on an ongoing basis. Coinsquare has developed a robust set of policies, procedures, and controls to safeguard the Digital Assets in its custody. However, the “open loop” nature of the system means that while you are able to transfer Digital Assets on and off the Platform, there is an inherent risk that a part or all of your Digital Assets may be lost without any means of retrieving them. You may access the Digital Assets that you have purchased on the

Platform by placing an order to sell the Digital Assets or by requesting a transfer of those Digital Assets to your own private wallet. Notwithstanding the foregoing, certain Digital Assets may be “Trade Only” (no withdrawals permitted) until the Platform supports withdrawals for the particular Digital Asset.

Coinsquare uses Coinbase Custody Trust Company, LLC (“Coinbase”) for cold storage custodial services to securely hold certain digital assets belonging to clients. Coinbase is a New York trust company regulated by the New York State Department of Financial Services (<https://www.dfs.ny.gov>).

Coinsquare also uses BitGo Trust Company, Inc. (“BitGo”) for Coinsquare’s staking offering and for cold storage custody of client digital assets. BitGo is a South Dakota trust company licensed under the South Dakota Division of Banking. Coinsquare is authorized to use BitGo as a Digital Asset custodian pursuant to exemptive relief from CRO’s prescribed Acceptable Securities Location requirements to have minimum net worth of \$100,000,000 on the condition that BitGo maintains its good standing under the South Dakota Division of Banking’s requirements and other conditions disclosed to clients.

When you hold the following Digital Assets in your account on the CCML platform, your Digital Assets may be held by the following custodian:

Digital Asset	Coinbase	Bitgo
Bitcoin	Yes	Yes
Ethereum	Yes	Yes
1Inch	Yes	Yes
Aave	Yes	Yes
Algorand	Yes	Yes
ApeCoin	Yes	Yes
Arbitrum	Yes	No
Avalanche	Yes	Yes
Axie Infinity	Yes	Yes
Bitcoin Cash	Yes	Yes
Basic Attention Token	Yes	Yes
Berchain	Yes	Yes
Bonk	No	Yes
Cardano	Yes	Yes
Celestia	No	Yes
Chainlink	Yes	Yes
Chiliz	Yes	Yes
Compound	Yes	Yes

Cosmos	Yes	Yes
Curve DAO	Yes	Yes
Dai	Yes	Yes
Dash	No	Yes
Decentraland	Yes	Yes
Dogecoin	Yes	Yes
Dogwifhat	No	Yes
Eigen	No	Yes
EOS	Yes	Yes
Enjin Coin	Yes	Yes
Ethereum Classic	Yes	Yes
Fantom	Yes	Yes
Filecoin	Yes	No
Floki	No	Yes
Gala	No	Yes
Hedera	No	Yes
Injective	Yes	Yes
Internet Computer	Yes	No
Jupiter	No	Yes
Lido DAO	Yes	Yes
Litecoin	Yes	Yes
Loopring	Yes	Yes
Maker	Yes	Yes
Near Protocol	Yes	Yes
Official Trump	No	Yes
Optimism	Yes	No
Pepecoin	No	Yes
Polkadot	Yes	Yes
Polygon	Yes	Yes
Pudgy Penguins	No	Yes
Pyth Network	No	Yes
Render	Yes	No
Sei	No	Yes
Sui	No	Yes
Shiba Inu	Yes	Yes
Solana	Yes	Yes
Stellar	Yes	Yes
SushiSwap	Yes	Yes
Tezos	Yes	Yes

The Graph	Yes	Yes
Toncoin	No	Yes
USD Coin	Yes	Yes
Uniswap	Yes	Yes
XRP	Yes	Yes
Yearn.Finance	Yes	Yes
Wrapped Bitcoin	Yes	Yes
Worldcoin	No	Yes

22. Custody Risk Insurance

Coinsquare and any third-party custodians it may retain have insurance to protect the Digital Assets they hold. However, it is important to note that the insured sum may not be sufficient to cover all of the potential losses that may be incurred by Coinsquare or by any third-party custodian, and any losses of Digital Assets held in custody may only be covered partially by existing insurance. As such, you are reminded that you may withdraw any Digital Assets that you purchase on Coinsquare’s Platform or hold through Coinsquare’s Platform into your own private wallet(s).

23. Threats to Coinsquare’s Physical Assets

Coinsquare’s physical assets, such as its personnel, hardware, buildings, or data processing infrastructure could experience a range of threats, such as fire, flood, natural disaster, theft, vandalism, or terrorism. As such, there exists a risk of partial or full loss of your Digital Assets due to the aforementioned events.

24. Use of Leverage

Coinsquare does not offer its clients margin or any other type of loan, but we cannot prevent clients from borrowing cash from other sources to purchase Digital Assets on the Platform. However, using borrowed money to finance the purchase of Digital Assets involves a potentially greater degree of risk than purchases made with cash. If you borrow money to purchase Digital Assets, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the Digital Assets purchased declines.

25. Halting, Suspending, and Discontinuing Digital Assets

Coinsquare maintains written policies that govern the halting, suspending, and discontinuing of trading in Digital Assets on the Platform. If a Digital Asset is selected for removal from the Platform, and if the applicable blockchain allows it, you will be notified that Coinsquare will be discontinuing support for the Digital Asset in 21 days, after which you will no longer be able to

trade the Digital Asset or fund your Account with the Digital Asset. Upon receipt of such notice, you should take steps to withdraw the discontinued Digital Assets from your Account. If you have not done so after the 21-day period has lapsed, you will receive further notification that in 30 more days, you will not be permitted to withdraw the discontinued Digital Assets from your Account. If you still do not withdraw the discontinued Digital Assets from your Account, after the 30-day period has lapsed, Coinsquare will liquidate the discontinued Digital Assets and credit your Account in fiat currency. Notwithstanding the foregoing, Coinsquare may, in its sole discretion, abridge or extend the timeframe for you to withdraw discontinued Digital Assets for reasons that include increased cyber security risks, changes in legal or regulatory risk associated with the Digital Asset, changes in relevant blockchain support for the Digital Asset, changes in market trends, changes in the demand for the Digital Asset, changes in third-party custodian availability of the Digital Asset or changes in operational costs associated with holding the Digital Asset on the Platform.

Risks in Staking on the Platform

In addition to the risks outlined above, there are particular risks associated with staking on the Platform.

1. What is Staking?

The blockchain networks associated with certain Digital Assets made available for trading on the Platform enable holders to earn rewards by participating in transaction confirmation activities through processes known as “staking” and “delegating”. While each blockchain network that allows for staking and delegating has unique processes, we provide a high-level explanation of what these terms generally refer to below.

Staking refers to proof-of-stake (“PoS”) consensus protocols, which are mechanisms for ensuring that transactions are properly recorded on the blockchain. Owners who stake the blockchain’s native currency validate the block transactions, and those with the most holdings are able to validate at a higher rate, proportional to their amount staked. Blockchain networks that employ PoS protocols generally rely on “validators”. Validators are network node operators that serve to verify the accuracy of data being recorded on the blockchain. Validators are typically rewarded in Digital Assets for their transaction confirmation activities. In order to become a validator, a node operator is required to “stake” Digital Assets, which is generally accomplished by locking Digital Assets on the relevant blockchain network. Staked Digital Assets essentially function as a form of collateral. If validators act maliciously or incompetently, they may lose their staked Digital Assets and their access to the blockchain network through a process known as “slashing”. Slashing is designed to ensure that validators act with integrity while validating transactions. On certain blockchains, rather than the Digital Assets being burned, they can be redistributed to other participants on the network.

Delegating refers to delegated proof-of-stake (“DPoS”) consensus protocols. DPoS protocols are similar to PoS protocols, but they also allow for holders to earn rewards without having to operate a network node. Staking requires validators to run their own hardware, software and maintain

close to 100% uptime, which can be difficult and costly for regular holders to accomplish. Instead, these holders can commit (or “delegate”) their Digital Assets to a validator, who will complete the transaction confirmation activities on the delegator’s behalf. In exchange for delegating their Digital Assets to the validator, the delegator is entitled to a portion of the reward earned by the validator.

When a validator or a delegator wants to stop staking their Digital Assets, a request needs to be sent to the blockchain network. Generally, these requests are only processed after a period of time known as an “unbonding period”, which may last up to 30 days (or, in some cases, much longer). The length of the unbonding period is specific to each blockchain network.

Blockchain networks employing PoS or DPoS protocols generally allow validators (and sometimes delegators) to vote on network upgrades and other matters relating to the blockchain network based on the amount of staked Digital Assets. See “No Voting Rights” above for more information.

2. How Does Coinsquare Help You Earn Staking Rewards?

We provide staking services for certain supported Digital Assets in order to enable our users to earn rewards based on Digital Assets that we hold on their behalf. Upon receiving instructions from a user, we may delegate the user’s Digital Assets to a third-party service Custodian, who may act as the validator in respect of staked Digital Assets or may select a third-party service provider to act as the validator.

In order to receive the staking services offered by Coinsquare, each user will be required to enter into an addendum to the Client Account Agreement (the “Staking Addendum”), which will outline the contractual obligations of Coinsquare and the user with respect to the staking services. Because of the unique nature of each blockchain network, the Addendum will incorporate by reference certain additional terms in respect of the delegation of Digital Assets of each supported blockchain network (the “Additional Terms”), which the user must also agree to if it wishes to access the staking services.

At a high level, staking transactions will occur as follows:

- a user will direct Coinsquare to stake its Digital Assets;
- Coinsquare will direct a Custodian to delegate the Digital Assets to a validator;
- either the Custodian or a third-party service provider will act as validator in respect of the Digital Assets;
- rewards, which would be paid in Digital Assets, may be earned in connection with the staking of the Digital Assets;
- the Custodian will be entitled to a fee in respect of the rewards and may pay a portion of that fee to any third-party service provider it selects to act as validator;

- any remaining portion of the rewards (the “Net Rewards”) will be delivered to one of Coinsquare’s custodial wallets with the Custodian;
- Coinsquare will be entitled to a fee in respect of the rewards (the “Coinsquare Service Fee”);
- after Coinsquare’s fee has been paid, the user’s account will be credited with any remaining portion of the rewards (the “User Rewards”), and, subject to any unbonding or lock-up period, the user will be able to hold, sell or withdraw their rewards; and
- the user may request that Coinsquare stop staking their Digital Assets, and, after the passage of any relevant unbonding or lock-up period, the user may sell or withdraw their Digital Assets.

3. Validators

One of our Custodians may act as the validator in respect of staked Digital Assets or may select one or more third-party service providers to act as the validator. For example, our Custodian currently uses Figment Inc., a third-party service provider, to act as the validator. Figment has a strong reputation as a staking provider in the digital asset industry. As at the signature date below, Figment has over \$8B+ in assets staked to its infrastructure and supports over 100 institutional staking clients.

Before Coinsquare allows a Custodian to stake users’ assets with a third-party service provider, Coinsquare will obtain information regarding the due diligence conducted by the Custodian on the validator, including but not limited to the following:

- the persons that manage and direct the operations of the validator;
- the validator’s reputation and use by others;
- the amount of Digital Assets the validator has staked on its own nodes;
- the measures in place by the validator to operate the nodes securely and reliably;
- the financial status of the validator;
- the quality of the validator’s work (i.e., the amount of downtime of the validator, past history of “double signing” and “double attestation/voting”); and
- any slashing penalties incurred by the validator.

4. Custody

Coinsquare is not required to transfer Digital Assets out of its custodial accounts with a Custodian to provide the staking services. As a result, all staked assets will remain in the possession, custody and control of the Custodians. Staked Digital Assets are held in different wallets than client Digital Assets that are not staked. For the risks associated with Coinsquare’s use of a Custodian as a custodian of users’ Digital Assets, see “Custody of Digital Assets” above.

5. Slashing

Coinsquare may, at its sole discretion, transfer reimbursements for slashing penalties it receives from a Custodian to its users less any administrative costs or expenses Coinsquare incurs in reimbursing users.

6. Unbonding periods

Each crypto asset for which Coinsquare provides staking services is subject to specific unbonding periods because of the unique nature of each blockchain network. For more information on the length of the unbonding periods for each supported crypto asset, please see the Additional Terms.

7. Rewards

The user is entitled to all rewards earned in connection with the staking of their Digital Assets less any fees paid in connection with the staking services. Coinsquare will provide statements to users indicating the amount of the rewards that the user is entitled to as well as the total rewards that were earned and any fees payable.

8. Fees

Each crypto asset for which Coinsquare provides staking services is subject to specific fees because of the unique nature of each blockchain network. These fees are calculated on a percentage basis in relation to the amount of rewards earned. The Coinsquare Service Fee may be up to 30% of Net Rewards earned by a user. For more information on the fees associated with each supported crypto asset, please see the Additional Terms.

9. Risks Related to Staking

The following is a summary of some of the risks connected with the staking services Coinsquare provides to its users.

10. Reliance on third party vendors

Coinsquare's staking services could be interrupted or disrupted if a Custodian or any third-party service providers selected by a Custodian to act as a validator, or even the vendors and third-party service providers of a Custodian or any third-party service providers selected by a Custodian to act as a validator, experience operational or other systems difficulties, terminate their service, fail to comply with regulations, raise their prices or dispute key intellectual property rights sold or licensed to, or developed for, Coinsquare. Coinsquare may also suffer the consequences of such vendors and third-party providers' mistakes. For example, if a Custodian or any third-party service providers selected by a Custodian to act as a validator fail to behave as expected, suffer cybersecurity attacks, experience security issues or encounter other problems, users' Digital Assets may be irretrievably lost. The failure or capacity restraints of vendors and third-party services, a cybersecurity breach involving any third-party service providers or the termination or change in terms or price of a vendor and third-party software license or service agreement on

which Coinsquare relies could interrupt Coinsquare's provision of the staking services. Replacing vendors and third-party service providers or addressing other issues with Coinsquare's vendors and third-party service providers could entail significant delay, expense and disruption of service. As a result, if these vendors and third-party service providers experience difficulties, are subject to cybersecurity breaches, terminate their services, dispute the terms of intellectual property agreements or raise their prices, and Coinsquare is unable to replace them with other vendors and service providers, particularly on a timely basis, Coinsquare's provision of the staking services could be interrupted or disrupted.

11. Slashing and missed rewards

Certain blockchain networks dictate requirements for participation in the relevant decentralized governance activity and may impose slashing penalties if the relevant activities are not performed correctly, such as if the validator or delegator acts maliciously on the network, "double signs" any transactions or experiences extended downtime. If we or any of our service providers are slashed by the underlying blockchain network, users' Digital Assets may be confiscated, withdrawn or burnt by the network. Even if the validator does not incur slashing penalties as a result of extended downtime, Coinsquare and its users would not be able to benefit from any rewards missed by the validator on account of its inactivity.

12. Due diligence on validators may be insufficient

As noted in "Slashing and missed rewards" immediately above, Coinsquare and its users will be exposed to the risk of loss of staked Digital Assets if a Custodian or any third-party service providers selected by a Custodian to act as a validator fails to operate their network nodes in accordance with applicable protocol rules, as Digital Assets may be "slashed" or inactivity penalties may be applied if the validator node "double signs" or experiences extended downtime. Coinsquare and its users may also be prevented from obtaining rewards in respect of periods during which the validator is inactive on the blockchain network. Coinsquare intends to mitigate these risks by relying on the due diligence it has conducted in respect of a Custodian and by carefully monitoring the staking activities performed by the validator. In particular, Coinsquare has obtained the following information regarding each Custodian and will obtain information regarding the due diligence conducted by each Custodian on third-party validators that includes (but is not limited to):

- the persons that manage and direct the operations of the validator;
- the reputation of the validator and use by others;
- the amount of Digital Assets the validator has staked on its own nodes;
- the measures in place by the validator to operate the nodes securely and reliably;
- the financial status of the validator;

- the quality of the validator’s work (i.e., the amount of downtime of the validator, past history of “double signing” and “double attestation/voting”); and
- any slashing penalties incurred by the validator.

Notwithstanding these efforts to mitigate risks related to malicious or incompetent validators, new facts may come to light which demonstrate that our initial assessment of a validator was flawed. In such instances, Coinsquare and its users may be subject to the risks identified in “Slashing and missed rewards”, and Coinsquare’s provision of the staking services could be interrupted or disrupted. If Coinsquare believes that its initial assessment of a validator was flawed, it will likely seek out new vendors and third-party service providers to assist it in providing the staking services, which could cause significant interruptions, disruptions or delays. In addition, notwithstanding the occurrence of an event that demonstrates that Coinsquare’s initial assessment of a validator was flawed, the Digital Assets staked with that validator may still be subject to an unbonding period during which Coinsquare will continue to have to rely on the services provided by such validator.

13. Illiquidity during unbonding periods

When a user wants to stop staking their Digital Assets, a request needs to be sent to the blockchain network. Generally, these requests are only processed after a period of time known as an “unbonding period”. The length of the unbonding period is specific to each blockchain network and may take up to 30 days depending on the time of withdrawal and the validator. In addition, several Digital Assets require validators to commit to securing the network and staking their Digital Assets for an extended period of time (see, for example, “Elevated illiquidity risk related to staking ether” below). During the unbonding period, a Custodian will generally continue to control the Digital Assets, but users will not be able to withdraw or liquidate the Digital Assets being staked. Due to the volatile nature of Digital Assets, users may not be able to liquidate their crypto asset holdings because of an unbonding period even where the price of a crypto asset is experiencing an extreme decline. As a result, the illiquidity of Digital Assets during unbonding periods may significantly and adversely impact a user’s ability to realize the fiat value of staked Digital Assets and rewards earned on staked Digital Assets. Given the volatility of Digital Assets, the value of a user’s staked Digital Assets at the time of withdrawal may be significantly less than the value of its Digital Assets at the time of staking.

14. Due diligence on Digital Assets may be insufficient

In addition to the review described earlier in this Risk Statement, Coinsquare conducts due diligence on the Digital Assets that it offers for staking, including a review of how the blockchain for that crypto asset operates and the staking protocols for that crypto asset. Coinsquare’s review will focus on, among other things, publicly available information concerning: (i) material technical risks associated with the crypto asset’s staking protocol, including any code defects, security breaches and other threats concerning the staking protocol; (ii) the scope and applicability of slashing and other penalties; (iii) whether the staking protocols of the crypto asset can be simply and efficiently integrated into its existing staking infrastructure; and (iv) the legal and regulatory

risks associated with its staking protocol, including any pending, potential, or prior civil, regulatory, criminal or enforcement action relating to the issuance, distribution or use of the crypto asset.

Should new facts come to light which demonstrate that our initial review of a crypto asset's staking protocol did not account for an unacceptable risk to our users, we may determine that it is advisable to discontinue support for staking the crypto asset through the Platform. While Coinsquare cannot predetermine with certainty what risks may constitute such unacceptable risks to our users, Coinsquare anticipates that those risks would be so severe such that they would put users' Digital Assets at significant risk of loss. Upon Coinsquare making such a determination, Coinsquare may further determine to discontinue staking services for other Digital Assets that have similar characteristics to the relevant crypto asset. Coinsquare's undertaking of these steps may occur concurrently with a rapid decline in the value of the crypto asset(s) in question and may also be a contributing factor to such decline. Users are subject to the risk that there may be very little liquidity in the crypto asset(s) while Coinsquare is undertaking these steps – especially if the crypto asset continues to be staked or subject to an unbonding period – and, as a result, users may be unable to liquidate their positions in the crypto asset(s) or may only be able to liquidate their positions in the crypto asset(s) for very little value.

15. Short history risk

PoS blockchain networks are newer and generally not as widely used as proof-of-work blockchain networks and may be untested at scale. As a result, PoS blockchain networks may not work as intended. If PoS blockchain networks do not function as intended or fail to gain adoption, the value of Digital Assets relying on PoS consensus protocols may be negatively affected, which could adversely affect the value of staked Digital Assets and any rewards earned by users.

16. No guarantee of receiving rewards

There is no guarantee that users will receive any rewards in respect of staked Digital Assets. Past rewards are not indicative of expected future returns. Rewards may vary depending on many elements beyond Coinsquare's control, including applicable Blockchain Protocols.