



Risk Disclosure Statement

Important Warning

Virtual asset custody involves risks that may cause delays, restricted access, reduced value, or permanent loss. This Statement is intended to provide a comprehensive inventory of the material custody-specific risks identified by Zand Custody as at the date shown above. It should be read with the Client Agreement, and any service-specific terms.

1. Purpose and Regulatory Context

This Risk Disclosure Statement describes the material risks associated with Zand Custody's virtual asset custody services. It is designed to help clients and prospective clients understand the nature of those risks, the circumstances in which they may arise, and the potential consequences for access to, transfer of, and value of virtual assets.

This Statement is published having regard to the applicable requirements of the Dubai Virtual Assets Regulatory Authority (VARA), including the Market Conduct Rulebook and the Custody Services Rulebook, as amended from time to time. It does not replace the Client Agreement and does not reduce or exclude any liability that cannot lawfully be reduced or excluded.

2. Scope and Relationship with Other Documents

The Material Risk Notice provides a concise overview of the principal risks of virtual assets. This Statement provides the detailed custody-specific disclosure. The Client Agreement sets out the contractual rights and obligations of Zand Custody and the client, including supported assets, instructions, withdrawals, fees, service limitations and treatment of events affecting a virtual asset or its underlying network.

Where Zand Custody offers a service that requires a separate disclosure, such as staking from custody or collateral wallet services, the relevant service-specific disclosure and acceptance process will apply in addition to this Statement.

3. Important Characteristics of Virtual Asset Custody

Virtual assets exist on distributed ledger networks and are controlled through cryptographic keys and wallet infrastructure. Custody reduces certain risks associated with a client holding its own keys, but it does not eliminate market, technology, protocol, fraud, legal or operational risk. Some events may be outside Zand Custody's control and may prevent or delay the transfer, withdrawal, use or recovery of a virtual asset.

A custody arrangement does not guarantee the value, liquidity or continued existence of a virtual asset. Safe custody of an asset does not prevent its market value from falling, an issuer or protocol from failing, a network from becoming unavailable, or a legal or regulatory restriction from affecting the asset.

4. Material Risk Disclosures

A. Asset Value, Market and Issuer Risks

4.1 Price Volatility and Total Loss

Virtual assets can experience extreme and rapid price movements. Their value may be affected by market sentiment, speculation, leverage, concentration of holdings, manipulation, macroeconomic conditions, changes in technology, regulatory action or events affecting an issuer or network. A virtual asset may lose a substantial part or all of its value even while it remains securely held in custody.



Potential Client Impact: A client may suffer a partial or total economic loss and may be unable to realize an expected value when an asset is withdrawn, transferred, or sold.

4.2 Liquidity and Market Discontinuity

A virtual asset may have limited trading activity or may cease to be supported by exchanges, market makers, or other market participants. Liquidity may deteriorate suddenly, particularly during stressed market conditions. Price quotations may be unavailable or may differ materially between venues.

Potential Client Impact: A client may be unable to sell or transfer an asset promptly, may receive a materially adverse price, or may be unable to establish a reliable valuation.

4.3 Issuer and Project Failure

An issuer, developer, foundation, decentralized autonomous organization, or other person supporting a virtual asset may cease operations, become insolvent, lose key personnel, fail to maintain technology, or change the asset's economic or governance arrangements. Governance decisions may be made by parties over whom Zand Custody and the client have no control.

Potential Client Impact: The asset may lose value, become technically unsupported, be subject to migration or become impossible to transfer or recover.

4.4 Stablecoin, Reserve, and De-Pegging Risk

A virtual asset intended to maintain a reference value may fail to do so because of reserve shortfalls, liquidity stress, redemption restrictions, banking or custodian failure, operational disruption, regulatory action, market confidence, or flaws in an algorithmic mechanism. Public attestations or reserve reports may be delayed, incomplete, or inaccurate.

Potential Client Impact: A stablecoin may trade materially below its reference value, become difficult to redeem or lose all or part of its value.

B. Private Key, Wallet, and Access Risks

4.5 Private Key or Seed Compromise, Loss, or Destruction

Control of a virtual asset depends on cryptographic private keys, seed material and related credentials. A key may be lost, destroyed, corrupted, disclosed, or compromised through cyberattack, equipment failure, human error, insider misconduct, or failure of a recovery process. Some key-loss events may be irreversible.

Potential Client Impact: Access to an affected wallet may be delayed or permanently lost, and the virtual assets controlled by the key may be stolen or become unrecoverable.

4.6 Key-Generation and Cryptographic Risk

A weakness in random-number generation, cryptographic implementation, key-generation ceremony, signature algorithm or hardware security module may reduce the security of a wallet. Future advances in computing or cryptanalysis may also weaken cryptographic methods that are considered secure today.

Potential Client Impact: An attacker may be able to derive or misuse a key, or Zand Custody may need to migrate assets or change wallet arrangements on short notice.

4.7 Multi-Signature, Authorization, and Collusion Risk

Wallet controls may require multiple approvals or signatures. Misconfiguration, unavailability of authorized persons, breakdown of approval procedures, or collusion among authorized parties may result in an unauthorized transfer or prevent a valid transfer from being completed.



Potential Client Impact: A withdrawal or transfer may be delayed, rejected or executed without proper authority, potentially resulting in loss.

4.8 Hot, Warm, and Cold Wallet Architecture Risk

Different wallet types involve different trade-offs. Online or connected wallets may allow faster processing but have greater exposure to cyberattacks. Offline or cold-storage arrangements may reduce online exposure but can involve longer processing times and operational complexity when assets are moved or recovery procedures are used.

Potential Client Impact: A client may experience withdrawal delays, service interruption, or loss if a wallet tier or transfer process is compromised or unavailable.

4.9 Wallet Configuration and Unsupported-Address Risk

Wallet software, address formats, derivation paths, token standards, and network settings can change. A configuration error or incompatibility may prevent Zand Custody from detecting or processing an asset or transaction correctly.

Potential Client Impact: Assets may not appear promptly in a client account, may require manual recovery, or may be permanently inaccessible.

4.10 Client Credential and Device Risk

A client's email account, mobile device, authentication method, or authorized-user credential may be compromised. A malicious person may impersonate the client, alter instructions or defeat security checks. Client-side malware or social engineering may not be detectable by Zand Custody in every case.

Potential Client Impact: Unauthorized instructions may be submitted, or legitimate instructions may be delayed while their authenticity is investigated.

C. Transfer, Instruction, and Settlement Risks

4.11 Irreversibility of Transactions

Once a transaction has been confirmed on a distributed ledger, it is generally not possible for Zand Custody, a network operator, or any other party to cancel or reverse it. A fraudulent, mistaken, or unauthorized transaction may therefore be final.

Potential Client Impact: Assets transferred to an unintended recipient may be unrecoverable, resulting in a permanent loss for the client.

4.12 Incorrect Address, Network, Memo, or Token Standard

A client or authorized person may provide an incorrect wallet address, select the wrong network, or omit a required tag, memo, or destination identifier. An address may be valid on one network but unsupported or controlled by another person on a different network.

Potential Client Impact: The transfer may fail, be delayed, be credited incorrectly, or result in permanent loss of the asset.

4.13 Instruction Verification and Authorized-Agent Risk

Zand Custody acts on verified instructions from the client or a duly authorized agent. A mandate may be unclear, outdated, forged, or disputed, or an authorized agent may exceed its authority. Additional verification may be necessary when an instruction is unusual or poses a heightened risk.

Potential Client Impact: A valid instruction may be delayed or refused, or a disputed instruction may result in loss, cost, or legal proceedings.



4.14 Transaction Finality and Blockchain Reorganization

A transaction may appear on a network before it is considered sufficiently final. A blockchain reorganization, validator disagreement, or consensus event may remove or replace transactions that previously appeared confirmed. Confirmation standards may vary by asset and network conditions.

Potential Client Impact: A deposit may be credited later than expected, a transfer may need to be reprocessed, or an apparent transaction may become invalid.

4.15 Duplicate, Failed, or Delayed Processing

System errors, network errors, inaccurate fee estimation, nonce conflicts, or reconciliation issues may cause a transaction to fail, remain pending, or be submitted more than once. Corrective action may depend on the characteristics of the relevant network.

Potential Client Impact: A transaction may be delayed, additional network fees may arise or a client balance may require investigation and adjustment.

4.16 Withdrawal, Suspension, or Delay

Zand Custody may need to delay or suspend deposits, withdrawals, or transfers where required by law, regulation, sanctions, court order, security controls, incident response, maintenance, network conditions, asset support decisions, or verification requirements. A third-party or network event may also cause a delay.

Potential Client Impact: The client may be unable to access or transfer an asset at the desired time and may be exposed to market movements or other opportunity costs.

D. Blockchain, Protocol, and Smart-Contract Risks

4.17 Network Outage, Congestion, and Transaction-Fee Risk

A distributed ledger network may become unavailable or congested because of high demand, attack, validator failure, software defect or other disruption. Network fees can rise rapidly and transaction processing times can become unpredictable.

Potential Client Impact: Deposits, withdrawals, or transfers may be delayed or become uneconomic, and a transaction may require a higher fee or later resubmission.

4.18 Consensus, Validator, and Majority-Attack Risk

A network may be affected by validator misconduct, concentration of validation power, a 51% majority attack, censorship, double-spend attempts, or failure of its consensus mechanism. Permissioned networks may also depend on a small group of operators.

Potential client impact: Transactions may be delayed, censored, reorganized, or invalidated, and the asset's value or usability may be materially affected.

4.19 Forks, Protocol Upgrades, and Source-Code Changes

A network may divide into competing versions or materially change its source code, rules, token economics, or address format. There may be uncertainty about which version to support, whether both resulting assets are secure, and how balances should be attributed. Zand Custody may not support every fork or upgrade.

Potential Client Impact: Access to an asset may be delayed, one version may not be credited or supported, or the asset may become insecure, illiquid, or technically incompatible with custody systems.



4.20 Airdrops, Token Migrations, and Newly Created Assets

A holder may become eligible for an airdrop, distribution, migrated token, or newly created asset. Receipt may require technical action, disclosure of information, interaction with a smart contract, or acceptance of legal or tax consequences. Zand Custody may not support or claim every new asset.

Potential Client Impact: The client may not receive an airdrop or new asset, may receive it after a delay, or may be unable to transfer or dispose of it through Zand Custody.

4.21 Smart-Contract and Token-Contract Risk

A virtual asset may depend on smart or token contracts that contain coding errors, design defects, malicious functions, upgrade keys, privileged administrator rights, or economic vulnerabilities. Contract behavior may differ from documentation and may be changed by an authorized party.

Potential Client Impact: Assets may be frozen, minted, burned, transferred, rendered unusable, or stolen, and the resulting loss may not be recoverable.

4.22 Bridge, Wrapped-Asset and Cross-Chain Risk

Bridges, wrapped assets, and cross-chain protocols may depend on smart contracts, validators, custodians, or other intermediaries. A failure or compromise may cause the representation of an asset on another network to lose backing or become non-transferable.

Potential Client Impact: A wrapped or bridged asset may lose value or become irredeemable even if the underlying asset or original network remains operational.

E. Cybersecurity, Technology and Operational Risks

4.23 Cybersecurity Attack

Custody infrastructure may be targeted by malware, ransomware, phishing, social engineering, credential theft, denial-of-service attacks, supply-chain compromise, or advanced persistent threats. Security controls reduce but cannot eliminate these risks.

Potential Client Impact: Services may be interrupted, confidential information may be exposed, transactions may be delayed, or virtual assets may be stolen or lost.

4.24 Insider Threat, Fraud, and Misconduct

An employee, contractor, service provider, or other trusted person may act dishonestly, collude with another person, misuse privileged access, or bypass controls. Fraud may remain undetected for a period despite segregation of duties and monitoring.

Potential Client Impact: Unauthorized activity, service disruption, data compromise, or asset loss may occur.

4.25 Hardware, Software, and Infrastructure Failure

Servers, hardware security modules, storage media, communications links, databases, wallet software, APIs, or other components may fail, contain defects, or become incompatible after an update. Technology may also be affected by power, telecommunications, or data center disruptions.

Potential Client Impact: Balances or transactions may be temporarily unavailable, and deposits, withdrawals, or reporting may be delayed.

4.26 Data Integrity, Recordkeeping, and Reconciliation Risk

Internal books and records must be reconciled with on-chain balances and transaction data. Timing differences, software defects, duplicate records, incorrect asset identifiers, or incomplete data may create discrepancies. Investigation may require input from external parties or network data.



Potential Client Impact: A client statement or available balance may be delayed or corrected, and access to an affected amount may be restricted while a discrepancy is resolved.

4.27 Human Error and Process Failure

Custody activities involve operational procedures, approvals, monitoring, and manual interventions. An error in processing, configuration, instruction handling, change management, or incident response may affect assets or service availability.

Potential Client Impact: A transaction may be delayed, rejected, misdirected, or require recovery action, and loss may occur in severe cases.

4.28 Business Continuity and Disaster-Recovery Risk

A major cyber incident, natural disaster, fire, pandemic, civil disturbance, loss of premises, utility failure, or unavailability of key personnel may disrupt normal operations. Recovery arrangements may not restore every system or service within the expected period in all scenarios.

Potential Client Impact: Access, withdrawals, reporting, and support may be delayed or temporarily unavailable.

4.29 Change-Management and System-Upgrade Risk

Updates to wallet software, security systems, APIs, network nodes, or internal platforms may introduce defects or incompatibilities. Emergency changes may be necessary where a network or asset changes with limited notice.

Potential Client Impact: Service functionality may be restricted, transactions may be delayed or an asset may be temporarily unsupported.

F. Third-party and Outsourcing Risks

4.30 Material Third-Party Dependency

Zand Custody may depend on third parties for cloud hosting, telecommunications, cybersecurity, wallet technology, blockchain nodes, screening, data, or other services. A provider may experience failure, breach, insolvency, regulatory action, or service termination. Zand Custody remains responsible for regulatory compliance where a function is outsourced, but cannot eliminate all external dependency risk.

Potential Client Impact: Custody services may be delayed, degraded, or unavailable, and recovery may depend on the actions and financial condition of a third party.

4.31 Concentration and Single-Point-of-Failure Risk

A critical service, technology component, geographic region, or provider may not have an immediately available substitute. Common dependencies may also cause multiple controls or service providers to fail simultaneously.

Potential Client Impact: A single incident may have a wider or longer impact than expected, delaying the restoration of custody services.

4.32 Third-Party Cyber and Supply-Chain Risk

Software, hardware, or services supplied by third parties may contain vulnerabilities, malicious code, or compromised updates. An incident may occur at a vendor without compromising Zand Custody's own systems.

Potential Client Impact: Data, credentials, or custody infrastructure may be affected, resulting in disruption, investigation, or potential loss.



4.33 Third-Party Insolvency and Exit Risk

A critical provider may become insolvent, cease operations, terminate a service, or be unable to promptly return data, equipment, or assets. Contractual exit rights and contingency arrangements may not prevent all disruption.

Potential Client Impact: Migration to an alternative provider may take time, during which services may be restricted or unavailable.

G. Legal, Regulatory, and Financial-Crime Risks

4.34 Changes in Law, Regulation, or Regulatory Treatment

The legal and regulatory treatment of virtual assets is evolving. An asset, network, activity, or counterparty that is permitted today may later become restricted or prohibited, or may become subject to additional licensing, disclosure, reporting, or control requirements.

Potential Client Impact: Zand Custody may need to restrict, suspend, or terminate support for an asset or service, and the client may need to withdraw or transfer an asset within a specified period.

4.35 Sanctions, AML, Fraud-Prevention, and Transaction-Screening Risk

Zand Custody may screen clients, wallet addresses, and transactions to comply with sanctions, anti-money laundering, counter-terrorism financing, fraud prevention, and other legal obligations. Blockchain analytics may produce incomplete or false-positive results, and risk indicators may change after a transaction.

Potential Client Impact: A deposit, withdrawal, or account may be delayed, rejected, restricted, or reported to a competent authority. Additional information may be required from the client.

4.36 Asset Freezing, Seizure, and Legal-Process Risk

A court, regulator, law-enforcement body, or other competent authority may require Zand Custody to freeze, block, disclose information about, or transfer an asset. An issuer or smart-contract administrator may also have technical powers to freeze or restrict a token.

Potential Client Impact: The client may be unable to access or transfer the asset, potentially for an extended or indefinite period.

4.37 Insolvency, Wind-Down and Recovery Delay

Client virtual assets are intended to remain client property and are subject to applicable safeguarding and segregation requirements. Nevertheless, the insolvency or wind-down of Zand Custody, a provider, issuer, or other relevant entity, may cause operational delays, legal uncertainty, competing claims, or increased costs in identifying and returning assets.

Potential Client Impact: Access to assets may be delayed, and recovery may depend on legal, insolvency, or administrative proceedings.

4.38 Limited Deposit Protection and Compensation Arrangements

Virtual assets held in custody are not bank deposits and generally do not benefit from deposit protection, investor compensation, or similar statutory schemes. Any insurance arrangement may be subject to limits, exclusions, deductibles, and conditions for claims.

Potential Client Impact: A client may not receive compensation for some or all losses, even where the loss results from theft, cyberattack, or operational failure.



4.39 Jurisdiction and Conflict-of-Laws Risk

A virtual asset, network participant, issuer, provider, or counterparty may be located in another jurisdiction. Different laws may apply to ownership, transfer, insolvency, data, sanctions, tax, and enforcement. Court judgments or regulatory decisions may be difficult to enforce across borders.

Potential Client Impact: The client may face delay, cost, or uncertainty in asserting rights or recovering an asset.

4.40 Tax, Accounting, and Reporting Risk

The tax and accounting treatment of virtual assets may be uncertain and may change. Transactions, forks, airdrops, rewards, or migrations may create reporting or payment obligations. Zand Custody may not have all the information required to determine a client's obligations.

Potential Client Impact: The client may incur unexpected tax, accounting, or reporting consequences and remains responsible for obtaining appropriate professional advice.

H. Privacy, Disclosure, and External-Event Risks

4.41 Public-Ledger Transparency and Privacy Risk

Many distributed ledgers publicly record wallet addresses, balances, and transaction histories. Even where a wallet address does not show a client's name, data analytics and information from other sources may enable a person to link an address or pattern of activity to a client.

Potential Client Impact: A client's financial activity, counterparties or holdings may be inferred or disclosed, and the public record may be difficult or impossible to remove.

4.42 Confidentiality and Data-Breach Risk

Zand Custody and its providers process client, transaction, and security information. A cyber incident, human error, legal disclosure, or provider failure may expose confidential or personal information despite data-protection controls.

Potential Client Impact: The client may experience fraud, identity theft, privacy loss, regulatory consequences, or other harm.

4.43 Force Majeure and External-Event Risk

Events beyond reasonable control may include natural disasters, war, terrorism, civil unrest, government action, widespread cyber events, internet or power failures, and disruptions to financial or telecommunications infrastructure.

Potential Client Impact: Custody, communication, access, withdrawal or recovery services may be delayed or unavailable for an extended period.

4.44 Unknown and Emerging Risk

Virtual-asset technology and markets evolve rapidly. New technical vulnerabilities, attack methods, legal interpretations, or market structures may arise that were not reasonably identifiable at the date of this Statement. Zand Custody reviews its risk assessment and disclosures as material risks develop.

Potential Client Impact: An emerging event may have consequences that are difficult to predict, including loss, restricted access, or a need to change or discontinue a service.



5. Supported Assets and Service Limitations

Zand Custody supports only the virtual assets, networks, and services it has approved. Support for an asset does not constitute an endorsement of its value, security, issuer, or protocol. Zand Custody may impose deposit and withdrawal requirements, confirmation thresholds, transaction limits, maintenance windows, or other controls. The Client Agreement and current service information should be reviewed before a client sends an asset to Zand Custody.

A client should not send an unsupported virtual asset, token standard or network transaction to a Zand Custody wallet. Recovery, if technically and legally possible, may be delayed, may require third-party action, and may involve cost. Zand Custody cannot guarantee recovery.

6. Client Responsibilities

- maintain accurate and current authorized-person, contact, and security information;
- protect devices, credentials, and authentication factors and notify Zand Custody promptly of suspected compromise;
- verify wallet addresses, networks, token standards, tags, memos, and transaction details before submitting an instruction;
- use only supported assets and networks and follow applicable deposit and withdrawal instructions;
- respond promptly to requests for information required for security, legal, regulatory, or transaction-screening purposes;
- review statements, balances, and transaction records and report any suspected error without delay; and
- assess whether virtual assets and custody services are suitable for the client and obtain independent legal, tax, accounting, or investment advice where appropriate.

7. No investment or Professional Advice

Zand Custody provides custody services and does not, by publishing this Statement or supporting a virtual asset, provide investment, legal, tax, or accounting advice or recommend that a client acquire, hold, or dispose of an asset.

8. Updates to this Statement

Zand Custody may update this Statement to reflect changes in services, technology, market practice, legal requirements, or its assessment of material risks. The current version will be made available through the Zand website or another publicly accessible means. Material changes will be communicated where required by applicable law, regulation, or contract.

9. Acknowledgment

By entering into or continuing to use Zand Custody services, the client acknowledges that it has been given access to this Risk Disclosure Statement, has had an opportunity to consider the risks described in them, and understands that virtual asset custody may result in delay, restricted access, reduction in value, or permanent loss.