

# EMCD Risk Disclosure

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**IMPORTANT NOTICE:** This Risk Disclosure document is intended to inform EMCD users of the general and product-specific risks associated with digital asset services offered by EMCD (the “Platform”). It applies to all EMCD products and services – including Mining Pool, Hashport (Hosted Mining), EMCD Wallet, Payment Card, P2P Trading, Instant Buy/Sell (Fiat On/Off-Ramp), Coinhold, OnLock, and any other current and future service offerings. Please read this document carefully. By using EMCD services, you acknowledge that you have fully considered and understood these risks and that you use the Platform at your own sole option, discretion, and risk. This disclosure is not exhaustive; it highlights major risk factors but does not disclose all possible risks of using EMCD’s services or engaging in transactions involving digital assets. You should carefully assess your financial situation, objectives, and risk tolerance before using these services, and never invest or hold funds that you cannot afford to lose.

EMCD provides a technology platform and does not offer investment advice or recommendations. All decisions to use EMCD products or transact in digital assets are made independently by you. EMCD and its affiliates are not liable for any losses you may incur, and you bear sole responsibility for any decisions or strategies you implement.

**Jurisdictional Limitations.** All or part of EMCD’s services may be unavailable, restricted, or subject to additional requirements in certain jurisdictions. It is your responsibility to comply with local laws and to use EMCD services only if legal in your location. Note that EMCD is not licensed or registered as a regulated financial service in some jurisdictions (e.g. not a broker-dealer, securities exchange, or capital markets service provider). Protections under financial laws may not apply to your use of EMCD. For example, digital asset balances on EMCD are not deposits or bank accounts and are not insured by government deposit insurance schemes. Consumers may have limited or no legal recourse in the event of loss. In the European Union, new regulations (MiCA) are being implemented to enhance consumer protection, but during transitional periods or in the absence of authorization, you may not benefit from these protections and losses may be unrecoverable. Please refer to EMCD’s Terms of Service and the EMCD Personal Account interface for details on regional restrictions. If you are unsure about your rights and obligations in your jurisdiction, consult a qualified legal advisor before proceeding.

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## General Risk Factors

Using EMCD's platform and engaging in digital asset transactions entail significant risks. These general risks apply to all users and all products on the Platform. You must carefully consider and understand the following:

- **Market & Price Volatility.** The cryptocurrency markets are highly volatile and unpredictable. The prices of Bitcoin, Ether, stablecoins, and other digital assets can fluctuate dramatically over short periods. You should be prepared for sudden and substantial declines in value. An investment yielding 10% annual interest can be wiped out by a 40% drop in the asset's price, and even so-called "stablecoins" may lose their peg or collapse (e.g. the TerraUSD stablecoin failure in 2022). Downward price movements can even render an asset worthless. By using EMCD services, you accept the risk that the value of your digital assets may decrease or even drop to zero due to market conditions. Past performance of any coin or token is no guarantee of future results. Irrational market dynamics (such as bubbles or loss of confidence) can cause rapid depreciation of digital assets. In extreme scenarios, you may sustain a total loss of all digital assets held or transacted on the Platform. Additionally, certain digital assets may have limited liquidity or be subject to market manipulation, thin order books, or artificial price movements. You may be unable to buy, sell, or liquidate your assets at expected prices or within desired timeframes. The Platform does not guarantee any quoted rate, price, spread, or execution outcome. All quotes are indicative until execution; the only binding price is the executed price shown in your order/transaction confirmation. Rates and prices may differ from third-party sources due to latency, liquidity, routing, fees, and slippage. The Platform is not liable for losses arising from differences between expected and executed prices, including where you expected to buy or sell at a specific rate (e.g., "price X") but the final execution differed. You are responsible for monitoring prices and using available order types (e.g., limit orders) to manage execution risk.
- **Not Legal Tender & No Intrinsic Value.** Digital assets transacted on EMCD are not fiat money and not legal tender in any jurisdiction. They are not backed by any government or central bank. Unlike fiat currencies, cryptocurrencies are not supported by physical commodities (such as gold or silver) or any issuer's promise. Their value derives purely from the market's perception and willingness of others to exchange them for fiat or goods. If that demand disappears, a digital asset may lose all value permanently. No central authority can intervene to maintain or stabilize crypto prices. By participating in these markets, you trust a decentralized, peer-to-peer network and cryptographic system. There is no guarantee of maintaining value, and you should understand you're relying on a largely unregulated global market. EMCD does not issue, redeem, or guarantee the value of any digital asset and has no obligation to repurchase or maintain any peg, price, or conversion rate.

- **Irreversibility of Transactions.** Blockchain transactions are typically irreversible. When you send cryptocurrency on-chain (e.g. withdrawing from EMCD to an external wallet), the transaction generally cannot be undone. If you make an error — such as sending to an incorrect or incompatible wallet address, or sending the wrong amount — you may not be able to recover your funds. EMCD cannot reverse a broadcasted blockchain transaction. Likewise, fraudulent or accidental transactions may not be recoverable. Always double-check recipient addresses and transaction details before confirming. Internally, off-chain transfers within the EMCD platform ("Platform") are recorded on EMCD's systems rather than on a public blockchain. While this enables speed and zero network fees for certain transfers, it means the final settlement to you occurs only when you withdraw to an external wallet. Until that point, you are exposed to EMCD's operational risks (see below). You should also note that a transaction may be considered complete only when recorded on the public ledger, which might not coincide with the moment you initiate it on our Platform.
- **Liquidity Risk.** Digital asset markets can suffer from low liquidity for certain tokens or during stressed market conditions. You may not always be able to buy or sell at your desired price. In fast-moving markets, it could become difficult or impossible to liquidate a position without significant loss. EMCD does not guarantee the liquidity of any asset. The Platform makes no promise of ongoing market making or an active market for any supported cryptocurrency. Thin order books or rapid market movements may result in large price slippage on trades or an inability to execute orders at all. Even assets that are usually liquid can become illiquid during market turmoil or if trading halts for any reason. You should be aware that you might not be able to exit your investment when you wish, and that prolonged illiquidity could result in losses if prices move against you during that time. EMCD is not obliged to repurchase, redeem, or otherwise provide liquidity for any digital asset or product offered on the Platform.
- **Custodial/Counterparty Risk.** When you deposit crypto with EMCD or hold balances in your EMCD Wallet or Coinhold account, you are entrusting your assets to EMCD (and its custody partners, where applicable) as a centralized custodian. This introduces counterparty risk: if EMCD or its partners were to fail, become insolvent, or suffer a security breach, you may lose some or all of your assets. Unlike holding crypto in a personal wallet, you do not possess the private keys to assets in your EMCD account — EMCD controls the assets on your behalf (you have a claim in our records). Insolvency or mismanagement of the platform could lead to losses that are borne by users, as seen in past collapses of other crypto platforms. EMCD has operated for over 7 years without losing user funds and employs distributed cold storage and a professional custodian for asset protection. However, past security and performance are not a guarantee of future results. By using EMCD, you acknowledge that your assets are exposed to the risks of EMCD's business operations and the effectiveness of its safeguards. No insurance or

government guarantee protects your digital asset holdings on EMCD. EMCD's services are *not* bank deposits; funds are not insured by the FDIC, SIPC, or any European, or otherwise, deposit guarantee scheme. In the event of EMCD's insolvency, hacking, or other loss event, you may be treated as an unsecured creditor and may not recover your assets in full. Custody and operational infrastructure may be distributed across multiple jurisdictions, which could affect applicable laws, enforcement, and recovery mechanisms.

- **Security Breaches & Cyber Attacks.** Digital assets and online platforms are frequent targets of hacking, fraud, and cyber attacks. While EMCD employs advanced security measures (such as two-factor authentication, encryption, cold storage, multisig, AML monitoring, etc.) and has had no known security breaches to date, no system is infallible. A successful hack of EMCD's infrastructure or that of its third-party providers could result in theft or loss of user assets or personal data. Furthermore, users themselves are targets: phishing scams, malware, SIM-swapping, and other attacks can compromise your EMCD account or personal devices. Be vigilant against unofficial communications or websites impersonating EMCD. Always confirm you are using the correct EMCD website or app. Enable security features like 2FA and never share your credentials. EMCD will never ask for your password or 2FA codes. You understand that the integrity and security of your account also depend on your own precautions. If your account is compromised due to your failure to follow security best practices, you may incur loss for which you are solely responsible. Additionally, broader network attacks on blockchains (e.g. 51% attacks) or smart contract exploits could affect the value and availability of assets you hold. EMCD is not responsible for inherent vulnerabilities in specific cryptocurrencies or blockchains. By using the Platform, you assume all risks associated with potential cyber threats, hacks, or security failures.
- **Operational Risks (Systems & Technology).** EMCD's services rely on sophisticated software, hardware, and internet connectivity. System outages, downtime, or technical failures may occur and could severely affect your ability to use the platform. As with any computer-based system, hardware or software failures may lead to service interruptions, unexecuted transactions, or other errors. For example, an order you place might not be processed, might be delayed, or might be executed at an unfavorable price due to latency or system glitch. The Internet is not a completely reliable medium; you may experience delays, disconnections, or inability to access your account due to internet issues beyond EMCD's control. EMCD performs regular stress tests and maintains redundant systems, but unplanned outages or maintenance could occur, especially during peak market volatility when you may urgently need to transact. You should be aware that any system failure or unavailability of the Platform could result in financial losses – for instance, if you are unable to withdraw funds, adjust positions, or respond to margin calls in a timely manner. EMCD will endeavor to notify users of planned downtime and resolve incidents swiftly, but no uptime guarantee is given. You are advised to have contingency plans

(such as alternative access methods or backup funds storage) for critical needs. EMCD is not liable for losses due to technical or communication failures, except as provided by law or explicitly stated in our Terms.

- **Regulatory & Legal Uncertainty.** The regulatory environment for crypto assets is complex and rapidly evolving across multiple jurisdictions. Changes in laws, regulations, or government policy can materially impact your use of EMCD and the value or legality of your digital assets. Regulatory authorities in various countries have taken actions including classifying certain digital assets as securities or commodities, banning or restricting crypto mining and trading, imposing strict KYC/AML requirements, or limiting how crypto services can operate. For example, cryptocurrency mining could be suspended or banned by new laws in some region, or offering interest on crypto might be deemed an unregistered securities offering in a jurisdiction. You are responsible for staying informed of and complying with local laws applicable to your activities. EMCD may be required to suspend or terminate services for certain users or in certain jurisdictions to comply with law, possibly without advance notice. You acknowledge that legislative or regulatory changes, including outright bans or onerous compliance requirements, could adversely affect the use, transfer, or value of your digital assets. If EMCD is required by a court or authority to freeze accounts or confiscate assets, or if EMCD must cease operations in your area, you may not be able to access the Platform or your assets, potentially resulting in loss. Additionally, EMCD and our Partners are subject to regulatory oversight in various forms. EMCD's primary operating entity is based in the UAE, and certain services and products are offered via partner companies ("Partners"). Neither EMCD nor its Partners are currently regulated as licensed financial institutions in any jurisdictions. The trading and settlement of crypto transactions on EMCD are not overseen by any governmental authority or financial regulator (except where specific licenses are obtained). As a result, you will not have the same protections as you would in regulated securities or banking markets. Regulatory actions or inquiries (for example, a government investigating EMCD or declaring some tokens illegal) could also disrupt services or require EMCD to share user information or assets with authorities. By using EMCD, you accept these legal risks. We advise you to monitor the legal status of cryptocurrency activities in your home country and consult legal counsel if unsure.
- **Taxation Risks.** The tax treatment of cryptocurrency transactions is often unclear or evolving. Profits from trading or investing in digital assets, mining rewards, digital asset rewards earned on Coinhold, and other gains may be subject to taxes, levies, duties or charges in your jurisdiction. Tax laws vary greatly by country and could change, potentially even with retroactive effect. You are solely responsible for determining, reporting, and paying all taxes applicable to your activities on EMCD. EMCD's transaction history and account statements are provided solely for informational purposes

and may not meet the record-keeping standards required by your local tax authority. EMCD does not provide tax advice, and nothing on the Platform should be taken as such. Be aware that failing to comply with tax obligations can result in penalties or enforcement actions. You should maintain your own records of transactions for tax purposes. Note that certain payment methods (e.g. large bank transfers in P2P or card top-ups) might be reported to tax authorities by financial institutions. Also, tax authorities may take positions on cryptoassets that are not obvious; for instance, they may treat certain token rewards as income upon receipt, or they may view an exchange of one crypto for another as a taxable event. Consult a qualified tax professional regarding your individual situation. EMCD is not responsible for any tax liability you may incur. Additionally, if you are unsure about how taxes apply, err on the side of caution and assume any income or gains might be taxed. It is also possible that new tax laws could impose withholding taxes or transaction taxes on crypto activities, which could affect net outcomes. Ultimately, staying compliant with tax law is your responsibility, and you accept any risk of ambiguous tax treatment.

- **No Guarantee of Profit; Possibility of Total Loss.** Participating in the digital asset economy carries no guarantees of profit. On the contrary, there is a substantial risk of financial loss. Losses may exceed gains, and you could lose the full value of your holdings. High-return opportunities often come with high risk. EMCD does not guarantee any rate of return on Coinhold or any success in mining or trading. All interest rates, APYs, or yield figures quoted are subject to change and are not assured. Past or advertised performance is not indicative of future results. By using EMCD, you acknowledge that you may incur losses and you proceed at your own risk. You should never invest or hold funds that you cannot afford to lose entirely. Speculative trading, mining hardware investments, and even holding cryptocurrency as a store of value all carry significant risk. Only engage in these activities if you have sufficient knowledge and financial resources to withstand losses. EMCD shall not be responsible for any unrealized profits, missed opportunities, or losses of principal you experience.
- **Self-Responsibility and Due Diligence.** You, the user, are expected to exercise prudence and continuous due diligence when using EMCD services. This includes understanding how each product works, checking fee schedules, reading our terms/policies, and keeping informed about developments in the crypto market. EMCD may provide educational materials, FAQs, and support, but ultimately all decisions and their consequences rest with you. For each asset or service, ensure you understand the specific risks (as outlined below in product-specific sections and otherwise). If you do not understand a product or the risks involved, do not use it. If you have any doubt about whether digital asset activities are suitable for you, seek independent financial advice. By continuing to use EMCD, you represent that you have read and understood this Risk Disclosure and that you are willing to accept the risks involved.

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## Product-Specific Risks

In addition to the general risks above, each EMCD product or service carries unique risks. The following sections outline dedicated risk factors for EMCD's major offerings: Mining Pool, Hashport hosted mining, Wallet services, Card, P2P, Instant Buy/Sell (fiat onramp/offramp), Coinhold, and OnLock. Please review the sections relevant to any product you use. Using any specific service indicates your acknowledgment of and acceptance of that service's risks.

### 1. Mining Pool (Cryptocurrency Mining) Risks

EMCD operates one of the world's top mining pools, enabling users to contribute hashing power to mine BTC and other coins. While pooled mining can offer more consistent rewards than solo mining, crypto mining remains highly risky and subject to numerous factors. If you participate in EMCD's mining pool or related mining services, consider the following:

- **Cryptocurrency Mining Volatility.** The profitability of mining is uncertain and can vary greatly over time. Mining rewards depend on many factors outside your control: the market price of the mined coin, the coin's block reward (which can reduce, e.g. Bitcoin halving events), and the network difficulty (which generally rises as more miners join). An initially profitable mining operation can quickly turn unprofitable due to a price crash or a spike in difficulty. There is no guarantee that mining revenue will cover your costs (such as electricity, equipment, or pool fees). You should be prepared for the possibility that you earn lower rewards than expected or even incur net losses from mining activities. EMCD provides tools like profitability calculators for estimation, but these are based on recent data and do not promise future returns.
- **Hardware and Operational Risks.** Mining involves running specialized hardware (ASICs, GPUs, etc.) continuously. If you operate your own mining equipment (either personally or colocated via Hashport), you face risks of hardware failure, degradation, and downtime. Equipment can overheat, break due to wear-and-tear, or become damaged by environmental factors or power surges. Such malfunctions can interrupt your mining and cause lost revenue. EMCD's pool cannot control your hardware reliability. Additionally, mining hardware becomes obsolete over time as new, more efficient models are released – your hardware's value and efficiency will depreciate, potentially rapidly. If network hashpower increases (e.g. major new mining farms coming online), older machines might no longer mine profitably. You must decide when to upgrade or cease mining; EMCD bears no responsibility for losses due to hardware obsolescence or inefficiency.

- **Pool Dependency and Payout Risks.** By mining with EMCD, you rely on the pool's correct and honest operation to receive payouts. EMCD uses a FPPS (Full Pay Per Share) or similar payout model to credit miners daily. While EMCD has a track record of timely payouts, delays or errors in distribution can occur due to technical issues or blockchain anomalies. You should monitor your mining dashboard and reports. If you believe your rewards are misallocated, notify EMCD support immediately. Also note that pool fees can change; EMCD's fee is normally 1.5% but can vary up to 4% under partner terms. Any fee increase would reduce your net revenue. There is no guarantee the fee won't be raised in the future (though changes would be communicated).
- **Network and Block Reward Risks.** Mining rewards come from finding valid blocks on the blockchain. If the pool fails to find blocks due to bad luck or network issues, rewards can be lower. Conversely, high luck periods are possible but not assured. The availability of transactions fees in blocks can also affect rewards (especially if block subsidies decline over time). Furthermore, mined coins like Bitcoin have periodic "halvings" that cut the block reward in half – these events will instantly reduce mining revenue per hash by 50%, which can render many operations unprofitable if not anticipated. The next BTC halving, for example, may drastically alter mining economics. Regulatory or protocol changes could also impact mining: e.g., a government ban (see Regulatory Risk) could force miners offline, or a protocol change (like a hard fork or the transition of a coin from Proof-of-Work to Proof-of-Stake) could make your mining setup obsolete overnight. Always stay informed about the outlook for the coin you are mining.
- **Geographic and Legal Risks for Miners.** Mining can be specifically targeted by regulators because of its energy usage and often semi-anonymous cash flows. Some countries have banned or restricted crypto mining (for example, bans in certain regions of China, limitations in Kazakhstan, etc.). EMCD Terms highlight that mining might be suspended or banned due to law changes. If you mine in a jurisdiction that prohibits or later outlaws mining, you risk legal consequences and financial loss. Authorities could seize mining equipment or fine operators. Even if mining is allowed, local utilities or grid operators might impose higher electricity tariffs or ration power for miners. Power cost risk is significant: rising electricity prices will erode or eliminate your profit. If you use EMCD's pool from a location with unstable power or internet, downtime can also reduce earnings. EMCD's pool is accessible mostly globally, but each miner is responsible for complying with local regulations and ensuring EMCD has the legal right to mine. EMCD may restrict access from certain regions to comply with sanctions or legal requirements.
- **Custodial & Withdrawal Risk for Mined Coins.** By default, EMCD mining payouts go to your EMCD Wallet or Coinhold account for convenience. This means the freshly mined coins are held by EMCD on your behalf. The risks of custody discussed above apply – you might consider withdrawing to a personal wallet regularly to mitigate

counterparty risk. If you choose to send mining rewards directly to an external wallet, note that many coins have a minimum payout threshold. If your daily mined amount is below that minimum, it will roll over (which introduces delay in receiving funds). Check the FAQ for minimum withdrawal amounts for each coin and plan accordingly. Additionally, withdrawals could be delayed by blockchain congestion or maintenance. EMCD typically processes mining payouts daily. If technical issues occur, payouts might be pushed to the next cycle. While EMCD has not lost mining payouts to date, in a worst-case scenario an operational failure or attack coinciding with payout time could affect distribution. By participating, you acknowledge this timing risk.

- **Shared Mining & Pool Solvency.** EMCD's pool operates by distributing block rewards to miners even if a given miner's contributed share hasn't directly found a block, smoothing out variance. This means EMCD (as pool operator) often pays out from its own reserves based on calculated shares. There is a risk, albeit small, that the pool's financial reserves could be strained – for example, if a long period passes with no blocks found (in FPPS the pool still pays as if expected blocks were found), or if many miners withdraw funds simultaneously. EMCD has managed this risk for years, but extreme scenarios could conceivably impact the pool's ability to pay promptly. We stress that this is a low-likelihood risk; however, users should be aware that pooled mining introduces reliance on the pool's internal payout policy and solvency.
- **Hashrate Fluctuation and Mining Difficulty.** The mining environment is competitive. If EMCD's pool grows or shrinks significantly, or if other pools do, the variability of your payouts may change. More miners in EMCD's pool means each individual's share of a block is smaller (though blocks may be found more frequently). Conversely, pool attrition could make block discovery less frequent, increasing variance. Mining difficulty adjustments on the network (usually biweekly for Bitcoin) will directly affect your output; if difficulty rises (due to more global hashrate), your rewards per TH/s drop. Difficulty can also drop if miners leave the network, potentially improving rewards for those who remain – but typically difficulty trends upward over the long term. You should consider that mining rewards generally decline over time as network hashpower and difficulty increase relative to fixed or halving rewards. This industry trend means what is profitable today may not be in the near future.
- **Pool Fee and Merged Mining.** EMCD's pool fee is up to 1.5% (may vary up to 4% with partners), deducted from your rewards automatically. This is intended to cover the pool's operation. Should EMCD engage in merged mining (mining multiple coins simultaneously, e.g. BTC and Namecoin, etc.), note that distribution of merged-mined coin rewards might have different rules or timing. Typically, merged mining rewards are small and may accumulate to a threshold before payout. Ensure you understand how any merged mining benefits are passed on. EMCD may also depend on third-party market

values and could be subject to change or discontinuation if not viable. These complexities notwithstanding, the primary risk is that pool fees and policies can change, and that the net rewards you receive can be lower than anticipated.

- **White-Label or Third-Party Pools.** EMCD may offer a White Label program for mining pool services. If you are mining through a white-label partner or a sub-pool rather than directly on EMCD's main pool, be aware that there may be additional terms or layers of risk introduced by that partner. For example, if a business is running a branded sub-pool on EMCD's platform, that business might have its own fee or payout schedule. While EMCD's infrastructure underpins it, any partner-specific arrangements could affect your payouts or support process. Make sure you know if you are mining on the official EMCD pool or via a reseller/partner, and read any supplemental agreements (the Hashport Service Agreement for hosted mining is one example of a partner agreement).

In summary, cryptocurrency mining via EMCD's pool is subject to financial, technical, and regulatory risks. You should join the mining pool only if you fully accept the possibility of earning less than expected or nothing at all, and if you have assessed the cost-benefit given your particular mining setup and jurisdiction. Define your personal loss tolerance before mining and operate within those limits. EMCD will endeavor to provide a stable, transparent mining experience, but all mining operations are undertaken at your own risk.

## 2. Hashport (Hosted Mining Hardware) Risks

EMCD's Hashport service provides a turnkey solution for users to purchase or lease mining hardware which EMCD will host, operate, and maintain remotely. This allows users to start mining without dealing directly with hardware logistics. If you use Hashport (for example, by purchasing an ASIC miner through EMCD for hosting in our facilities), you face unique risks in addition to the general mining risks described above:

- **Upfront Hardware Investment & Depreciation.** When you buy mining equipment (e.g. a Bitcoin ASIC for ~\$3,990 or otherwise) through Hashport, you are making a significant capital expenditure. There is no guarantee you will recoup this cost through mining proceeds. In fact, due to the volatility and difficulty factors mentioned, there is a substantial risk that the hardware will not pay for itself before it becomes obsolete or fails. The resale value of mining hardware drops quickly as newer models launch and as the end of its efficient life approaches. Should you decide to stop mining, you may only sell used equipment for a fraction of purchase price – if at all. EMCD does not buy back your hardware, and market demand for second-hand miners can be very low especially if profitability wanes. Essentially, the entire upfront cost can be lost, and you should only invest an amount you can afford to lose.

- **Hosting Fees and Ongoing Costs.** In addition to the hardware cost, Hashport users must pay monthly hosting fees (primarily electricity charges) to cover the miner's power consumption and maintenance. For example, an energy rate might be around \$0.06 per kWh plus a monthly service fee. These costs are typically deducted from your mining earnings or billed to you regularly. If your mining earnings do not cover the electricity and fees, you will be running at a loss and may need to pay the difference out-of-pocket. EMCD's Hashport Service Agreement likely specifies that failure to pay fees can result in suspension of service or even sale of the equipment to recover costs. If you do not pay the monthly electricity fee on time, EMCD is entitled to stop your miner and potentially terminate the hosting agreement (check the specific contract terms for grace periods or penalties). Thus, lack of timely fee payment could lead to loss of mining revenue and possibly forfeiture of your hardware or collateral. Always ensure you budget for ongoing costs and maintain a sufficient balance or payment method to cover them.
- **Operational Downtime & Performance Risk.** EMCD will handle the setup, operation, and upkeep of your miner in its facilities (which likely feature stable power, cooling, and monitoring). However, Hashport does not completely eliminate operational risks:
  - There could be **downtime due to maintenance, repairs, or facility issues.** EMCD aims to keep high uptime, but if a machine goes offline (hardware fault, needed firmware update, etc.), you lose mining time which reduces income. The Hashport terms may not guarantee 100% uptime and might exclude certain downtime from compensation.
  - **Power outages or Internet disruptions** at the hosting site can occur (e.g., grid failure, ISP downtime). If such events happen, your miner might be offline for hours or days, cutting into expected earnings.
- **Hardware failure or damage.** Despite professional hosting, miners can still fail due to component wear or manufacturing defect. If a part needs replacement (like a fan or a hashboard), there may be delays and possibly costs not covered. EMCD is not liable for normal hardware malfunctions due to wear and tear or factors beyond its control. For instance, if your ASIC's chips degrade or the power supply dies after months of operation, the downtime and repair costs (if any) might fall on you. Additionally, if the equipment is irreparable, you bear the loss of that asset's value.
- **Hosting facility risks.** There is a possibility of extraordinary events like fire, theft, or environmental disasters at the mining farm. The Service Agreement states that EMCD (the "Contractor") is not liable for loss/damage due to criminal acts of third parties beyond its control, though it will assist in seeking compensation if due to gross negligence of the host or its partners. This means if, for example, someone breaks into the data center and steals or destroys equipment, EMCD's liability is limited. You may not be made whole for the loss of your machine or lost mining revenue. Ensure you understand

what, if any, insurance or guarantees are provided for your hardware in such scenarios. Often, hosting agreements require the customer to carry insurance or accept these risks.

- **Performance variance.** Hashport promotes next-gen miners like Canaan A1556 with certain hash rates (e.g. 206 TH/s). In practice, individual units may perform slightly above or below the advertised rate due to silicon lottery or conditions. EMCD's firmware and setup aim to optimize performance, but you might see some variance. If the miner underperforms significantly, EMCD may, but has no obligation to, troubleshoot. Similarly, electricity usage may slightly differ from estimates, affecting your costs.
- **Contractual Commitments and Early Termination.** When you engage Hashport, you may be committing to a minimum term for hosting or have limited options to terminate early. Review the Hashport Service Agreement for any lock-in period. If you decide to stop mining or want to retrieve your hardware, there could be early termination fees or logistical costs (such as shipping the machine to you). In some cases, customers in hosted mining find it difficult to take possession of the hardware, especially if located in another country and dealing with customs/export controls. EMCD terms may allow termination with notice, but you may forfeit certain fees or the hardware might remain with EMCD until contract end. Make sure you are comfortable with the duration of the agreement. Also note, if mining becomes unprofitable and you want to shut down, EMCD may still charge a minimum fee or require notice before powering off to remove your machine. On the flip side, EMCD can possibly terminate or suspend the hosting agreement under certain conditions (e.g. prolonged non-payment, legal changes making hosting untenable, etc.). If EMCD terminates due to your breach (like non-payment), there may be penalties or you might lose priority to claim your machine until debts are settled.
- **Legal & Regulatory Risks (Hosting).** The Hashport service is operated by Blockchain Technical L.L.C-FZ in the UAE (Dubai) as per the Service Agreement. If you are an international user, any dispute might need to be resolved in UAE courts under UAE law, which could be costly or impractical for small losses. Additionally, if the hosting facilities are in a certain country, local regulations could impact operations. For instance, if a jurisdiction imposes a tax or surcharge on mining farms, costs could rise. EMCD may pass through such costs to customers within contractual allowances. Also, consider export regulations: the hardware is likely considered your property; if political sanctions or export bans hit (imagine a scenario where moving tech out of a country becomes restricted), retrieving or servicing your miner could be complicated. In summary, hosting services are subject to cross-border legal complexities, and you assume the risk that external legal factors may adversely affect your hosted mining.
- **No Guaranteed Yield or Break-Even.** Hashport marketing emphasizes quick start and passive income, but it does not guarantee you will achieve a particular result. Any ROI or payback calculations are estimates, not promises. EMCD may provide guidance on

expected output for a given hash rate, but as stated, those depend on numerous external parameters. You carry the full risk of the mining venture's success or failure. EMCD's role is as a service provider facilitating mining; it is not entering a profit-sharing or performance contract with you. The Hashport Service Agreement disclaims any warranties of profitability or fitness for a particular purpose. You should approach hosted mining with the same caution as if you were buying the machine and running it yourself – the risks are very similar; Hashport just outsources the physical operation.

- **Limited Liability of Host.** The Hashport Service Agreement contains clauses limiting EMCD's liability. Notably, EMCD's total liability for any claims may be capped (for example, limited to a few months' worth of fees). It also explicitly disclaims liability for indirect/consequential losses (like lost profit due to downtime). That means if something goes wrong and you lose potential mining income, you likely cannot recover those lost profits from EMCD. At best, you might get some prorated service fee refund or minor compensation if the contract provides. It is important to realize that you bear the primary risk of your mining investment – EMCD's liability is very limited. For example, if EMCD staff accidentally fail to properly maintain your device leading to damage, the contract might protect EMCD from paying the full cost. Accept that the risk of equipment loss, performance issues, or economic loss largely falls on you as the miner.

In essence, Hashport offers convenience and professional management at the cost of taking on hosting and hardware investment risks. Before using Hashport, evaluate whether you could handle the outcomes if mining revenue is far lower than expected, if your costly machine becomes a paperweight due to market changes, or if unexpected issues cut your mining short. Diversifying your risk (e.g. starting with one machine, not investing all capital at once, etc.) and keeping realistic expectations are prudent. EMCD does not make any guarantee that Hashport users will earn profits or avoid losses – by using the service, you acknowledge and accept all the above risks inherent to hosted mining.

### 3. EMCD Wallet Risks

The EMCD Wallet is a core service that allows users to store, send, receive, and manage various cryptocurrencies through a single custodial account interface. It also ties together EMCD's ecosystem (mining payouts (for non-US persons and the users who opted to use Wallet, P2P trades, Coinhold, etc.) under one login. While the Wallet provides convenience and features like instant internal swaps and gas-free transfers on certain networks, it is crucial to understand the risks of using a custodial online wallet:

- **Custodial Nature (Not Your Keys).** The EMCD Wallet is not a personal, on-chain wallet under your sole control. It is an online custodial account – meaning EMCD holds the private keys to the addresses that ultimately control the crypto. You access your funds through your EMCD login (secured by email/password, 2FA, MFA etc.), but you do not

directly interact with the blockchain for most operations. No seed phrase is provided to you and you cannot independently import this wallet into another service. If EMCD's systems were compromised or if EMCD were to restrict access, you could lose control or ownership of the assets in your Wallet. This is a fundamental difference from using a self-hosted wallet: with EMCD Wallet, you are trusting EMCD with custody of your funds (see Custodial/Counterparty Risk in General Risks). While EMCD employs strong security and has had "zero hacks" since inception, this does not eliminate the risk of future breaches or failures. By using the Wallet, you acknowledge that you are foregoing direct custody and accepting the risk of EMCD's custody.

- **Off-Chain Transactions & Balance Management.** Many of the transactions you perform within EMCD Wallet are processed off-chain on EMCD's internal ledger. For example, if you send crypto to another EMCD user by email or between your accounts, or if you swap assets using the internal exchange, those movements may not immediately register on a blockchain (EMCD updates your account balances internally and later consolidates or settles on-chain). This yields benefits like no gas fees for intra-EMCD transfers and instant execution, but it carries risks:
  - **Internal Ledger Risk.** You are reliant on EMCD's internal accounting to be accurate and solvent. If there were a bug, database corruption, or hack affecting the internal ledger, your balance could be wrongly credited or debited – and if such an error or attack occurs, EMCD may need to suspend withdrawals or reverse transactions. There is no blockchain record to independently verify your exact holdings; you must trust EMCD's records. EMCD's Terms state that users accept all risks of asset loss associated with missing required memos/tags on deposits (for certain coins), implying that if you make a deposit mistake, EMCD will try to help but isn't liable for lost funds if instructions weren't followed. Similarly, an internal mishap could lead to loss if not recoverable.
  - **Consolidation and Hot Wallet Risk.** EMCD pools user funds in hot and cold wallets. When you withdraw or send externally, EMCD will aggregate transactions. This means sometimes your transaction might be slightly delayed or batched. More importantly, funds need to reside in hot wallets to service frequent withdrawals, which are more vulnerable to hacking than cold storage. EMCD likely keeps the majority in cold storage, but working capital is hot. If an attacker breaches EMCD's hot wallet, multiple users could be affected simultaneously.
  - **No On-Chain Proof of Reserve.** Because of the commingled custody, you cannot view your balance on a public explorer tied exclusively to you. You must rely on EMCD's transparency and audits (if any) to know that all customer balances are fully backed. EMCD asserts it has operated without fund losses and presumably manages reserves conservatively. Nonetheless, the lack of on-chain segregation means a shortfall in reserves (due to a hack or mismanagement) would impact all

users proportionally. There is currently no publicly verifiable proof-of-reserves report for EMCD (unless provided separately).

- **Account Security and Credentials.** The Wallet’s accessibility “with just email” and no complicated seed phrase is a user-friendly feature but also a security concern if not managed properly. With EMCD Wallet, your account is protected by your email, password, and (we strongly recommend enabling) two-factor authentication (2FA) or multi-factor authentication. The risk factors include:
  - If someone gains unauthorized access to your email account, they could potentially compromise your EMCD account (for instance, by resetting the password if 2FA isn’t enabled, since EMCD uses email-based account confirmations).
  - If you use a weak password or reuse it on multiple services, a data breach elsewhere could lead to your EMCD Wallet being hacked.
  - If you do not enable 2FA, MFA or PassKey (supported by EMCD for extra security), the attacker’s job is easier. Even with 2FA, phishing attacks might trick you into giving up codes. Users must take responsibility for securing their credentials – EMCD cannot guarantee safety if your own devices or email are compromised.
  - EMCD’s system might lock your account after certain failed attempts or suspicious activity, but this too can impact you – if your login is locked as a precaution, you might be temporarily unable to access funds until you verify identity or reset credentials via support. This is done for safety, but it means you might face short-term access issues if there’s a security flag on your account.
  - In summary, the convenience of a password login comes with the absolute necessity of good security hygiene on the user’s part. The Wallet has no mnemonic or recovery phrase; if EMCD for some reason ceased operations or you lost access without recovery options, you cannot retrieve your assets on your own. So, protect your EMCD login diligently.
  
- **Transaction Errors and Limitations.** When using the Wallet to send or receive crypto, be aware of specific requirements:
  - Some assets require destination tags or memos (for XRP, XLM, BNB Chain tokens, etc.). If you omit a required tag or memo, your deposit may not be credited and could be lost. EMCD’s policy is that the user accepts the risk of loss in such cases, though support may assist at its discretion. Always follow deposit instructions exactly.
  - EMCD may enforce transaction limits for compliance or security. For example, daily withdrawal limits depending on your verification level, or volume limits for

new accounts. These are for AML and risk control. If you hit a limit, you might be unable to move funds until the next period or until you verify further. For instance, large fiat inflows/outflows via P2P might trigger review; similarly, large crypto withdrawals might require manual approval.

- o At times, EMCD might suspend certain transactions (like temporarily disabling withdrawals of a specific blockchain if the network is unstable or undergoing maintenance). The Wallet interface will typically inform you, but this can happen unexpectedly. During such events, you cannot withdraw that asset, meaning you're exposed to market movements without ability to transfer out. EMCD endeavors to minimize downtime, yet such suspensions (often to protect users from potential loss if network issues could cause failed transactions) are part of using a centralized wallet service.
- **Internal conversion rate risk.** The Wallet allows instant swaps between assets with no explicit fee, but with a spread (the rate shown is what you get). EMCD prides itself on transparency in rates. However, be aware that the exchange rate you receive might not be the absolute market best – there could be a small hidden cost in the spread. Also, displayed rates are for reference and final rates may vary, meaning the price could update by the time of execution. In volatile times, this could result in getting less crypto than expected for your money. Always review the final quote before confirming a swap or purchase. EMCD is not liable for price fluctuations during the conversion process unless explicitly stated.
- **AML/KYC and Freezing Risk.** EMCD follows KYC (Know Your Customer) and AML (Anti-Money Laundering) policies. Using the Wallet requires verification steps, especially for higher tiers or certain features (like the Payment Card requires identity verification). This means:
  - o If you **fail to comply with KYC requests** or provide false information, EMCD may freeze or terminate your account. Funds could be locked until you adequately verify or possibly forfeited if compliance cannot be achieved.
  - o EMCD actively monitors for suspicious activity as part of AML/CTF (Counter-Terrorist Financing) compliance. **If your account is flagged** (for example, large transactions linked to risky sources, mixing services, or blacklisted addresses), EMCD can suspend your transactions and ask for source-of-funds documentation. During review, you might not be able to withdraw or use some services. In extreme cases, EMCD might be required to lock your account and report to authorities, which could result in legal action or seizure of funds by law enforcement. This is standard in regulated environments – users engaging in EMCD services must abide by laws and not use the platform for illicit purposes. EMCD may act on its own discretion to freeze or restrict access to your

assets pending investigation, and shall not be liable for any loss, delay, or inconvenience resulting from such compliance actions.

- o Also note, **users from certain high-risk or sanctioned jurisdictions are not allowed**. If EMCD discovers you are located in or a citizen of a restricted country, EMCD may freeze your account and require withdrawal to be done in a compliant manner or not at all. For instance, U.S. persons or OFAC-/UK-/EU-sanctioned country residents may be restricted. Check EMCD's terms of service for the list of restricted locations (e.g. OFAC-sanctioned regions, etc.). Attempting to circumvent geo-blocking or providing false residency info is a serious violation that can result in account closure and other circumstances as per EMCD terms. EMCD also applies its own internal risk assessment and compliance policies, which may include automated or AI-assisted monitoring to detect unusual patterns of user behavior, transactional anomalies, or other indicators of risk. Such internal assessments may result in temporary or permanent account restrictions even if no formal regulatory list is triggered..
- **Integration with Other EMCD Services.** The Wallet is integrated with services like P2P exchange, Instant Buy, Coinhold, OnLock, etc. While this makes moving funds between these services seamless, it can also expose you to cross-product risks:
  - o For example, if you enable auto-transfer from mining to Coinhold, your mining earnings will automatically go into Coinhold savings. This is convenient to earn interest, but it means those funds are now subject to Coinhold's terms (like lock-up if you chose a term deposit). If you didn't intend that or market conditions change, you would need to manually disable it. One should be cautious enabling automated features without monitoring.
  - o Similarly, the Wallet app may encourage you to use Coinhold or OnLock with in-app prompts. Always make a deliberate decision; transferring funds into other products can change the risk profile (as detailed in the respective sections below).
  - o If you link the EMCD Payment Card to your Wallet, spending from the card will draw down your Wallet balance (converted to USD). Ensure you understand that card spending will reduce your crypto holdings accordingly, and if you have recurring card transactions, you must keep sufficient USDT (or other required asset) in your Wallet to top-up the card. Insufficient balance could lead to card transaction failures and/or negative balances, specifically if you use your EMCD Payment Card for recurring payments.
- **Platform Changes and Termination.** EMCD may change wallet policies or supported assets at any time. EMCD might add new coins or remove existing ones. If an asset is delisted, EMCD will likely give notice and ask you to withdraw it by a deadline. If you fail to withdraw delisted coins in time, EMCD could charge storage fees or potentially

convert the asset to another (if feasible) or in worst case, you might lose the unsupported asset. Always pay attention to announcements about support changes. Also, EMCD reserves the right to terminate or suspend the Wallet service for any user in accordance with the Terms. That could be due to violation of terms, security incidents, or business decisions. If EMCD decided to discontinue the Wallet offering (for instance, in a certain jurisdiction or entirely), you would be given instructions to withdraw assets elsewhere. However, an abrupt termination (say due to regulatory order) might force EMCD to freeze assets until clearance is given, which is a risk to be mindful of.

In summary, the EMCD Wallet is a powerful all-in-one crypto account that offers ease of use at the cost of centralized risk and responsibility. By using the Wallet, you accept that EMCD will act as custodian of your funds and that you are exposed to, without limitation, the operational, security, and regulatory risks of that arrangement. You also commit to maintaining strong personal security over your account. If you are not comfortable entrusting a third party with your crypto, you should consider holding your assets in a self-custodial wallet instead. Otherwise, if you continue with EMCD Wallet, understand that any losses or issues arising from the above risks are ultimately borne by you (except as required by law).

#### **4. Payment Card Risks**

EMCD offers a virtual Payment Card (Mastercard) that allows users to spend their crypto balances in everyday transactions by converting crypto to fiat (USD and/or other currencies as may be available subject to applicable terms) on the fly. This service is provided in partnership with a licensed card issuer (since *EMCD is not itself a card issuer*). The card enables convenient usage of crypto for online/offline payments via Apple Pay, Google Pay, and standard card purchases. While this bridges crypto with traditional payment networks, it comes with specific risks:

- **Conversion and Exchange Rate Risk.** The EMCD Card works by using USDT in your EMCD Wallet to top-up a USD-denominated card account. When you top up the card, your USDT (a cryptocurrency ostensibly pegged to USD) is converted to actual USD on the card. One immediate risk is stablecoin depeg or volatility: USDT is meant to equal \$1, but market fluctuations or issuer solvency issues could change that. If, hypothetically, USDT lost parity (say 1 USDT = \$0.90), and you converted at that moment, you'd effectively lock in a 10% loss on funds. EMCD likely sources conversion at 1:1 when USDT is stable, but in extreme events the card might suspend top-ups. Nonetheless, users should be aware that stablecoins are not risk-free – TerraUSD's collapse is an example – though USDT is more established.
- Additionally, foreign exchange rates could apply. The card operates in USD; if you make a purchase in a non-USD currency, Mastercard's FX rates and possibly fees will apply (EMCD's FAQ does not explicitly list a forex fee, which suggests the standard network rate is used, typically competitive). However, if the USD strengthens or weakens relative

to your local currency, the effective cost in crypto of your purchase could vary. You hold value in crypto which might fluctuate independently too. Essentially, between the time you top-up and the time you spend, and after factoring any currency conversion, the value outcome can differ from expectations.

- **Price volatility of underlying crypto.** If you keep most of your balance in a volatile crypto (say BTC) and only top-up just before spending, a sudden price drop in BTC means your purchases become more “expensive” in BTC terms. Conversely, if price surges after you top-up a lot of USD, you might feel an opportunity loss that those BTC could be worth more than the goods you bought. These are inherent in using crypto for payments – EMCD’s card doesn’t shield you from market swings. A prudent approach is to only convert what you plan to spend in the near term to minimize exposure.
- **Fees and Charges.** The EMCD Card touts no hidden fees and free issuance, but there are some transaction fees:
  - A **2.5% fee on each card top-up from your USDT Wallet.** This means if you load \$100 worth of USDT, \$2.50 is taken as fee. Over many uses, these fees can add up and reduce your balance. It’s not “hidden” but users should not overlook it – it’s a direct cost to convert crypto to fiat for spending.
  - A **\$0.25 fee per online or offline purchase transaction.** Small, but if you do many microtransactions, it’s effectively additional cost per purchase. If you spend \$5 on a coffee, a \$0.25 fee is 5% extra. This could discourage very small purchases.
  - An additional **\$0.02 fee for transactions made via Apple Pay or Google Pay** (meaning if you use your phone’s wallet, each tap costs an extra 2 cents) – minor but notable for those who use mobile payments often.
  - A **\$0.05 fee for each SMS/email 3D-Secure code sent.** If a website triggers a 3DS verification code during purchase, you pay \$0.05 to receive it. Again small, but if you do many online purchases requiring 3DS, it accumulates.
  - **No ATM withdrawals yet** (so no ATM fee, but also you simply cannot get cash currently). When ATM becomes available with a future plastic card, typically ATM usage might have fees.
  - **No monthly/annual fee** now. However, always check if there are inactivity fees or expiry fees for the card account – EMCD or service partner may amend the fees from time to time and reserve the right to do so.

The risk here is primarily that using the card incurs costs that reduce your crypto holdings. It’s important to factor these in. There is a risk of misunderstanding the fee structure – always consult the current fee schedule in case of changes. Fees can change with notice (for example, if card issuer raises their charges, EMCD might pass that on).

- **Third-Party Issuer and Funds Custody.** The EMCD Card is issued by a partner financial institution (often an e-money institution or bank licensed to issue Mastercard prepaid cards). EMCD itself does not hold the fiat funds on your card – those are held by the issuer (METABANK INC, operating under the KazePay brand). This introduces additional parties and respective risks:
  - You must agree to the card Issuer's, and, where applicable, other relevant service partners' terms and conditions when getting the card (for instance, a User Agreement with the e-money institution). This means you have a contractual relationship with that issuer. Any funds loaded onto the card (post conversion from USDT) become a liability of that issuer to you. Thus, if the issuer were to face financial difficulties (insolvency, etc.), the funds on your card could be at risk. Many card issuers safeguard client funds (segregated accounts, etc.), but they may not be insured like bank deposits. There's often no deposit insurance for e-money balances. So, similar to how exchange users are exposed to exchange solvency, card users are exposed to issuer solvency. This risk is small if working with reputable issuers, but not zero.
  - **Operational risk at the issuer.** If the issuer's systems go down or they have a card network issue, your card might not work temporarily. This could be frustrating or worse if you rely on it while traveling or for emergencies. Neither EMCD nor you control that – you are subject to the uptime of the card provider and Mastercard network.
  - **Compliance risk with issuer.** The issuer requires KYC. However, the issuer might have additional compliance rules. If the issuer flags your spending or top-up patterns as suspicious, they could freeze the card. For example, if you frequently top-up maximum amounts and immediately spend in unusual patterns, automated systems might block transactions. This could happen without EMCD's direct involvement (though EMCD would assist to resolve). You must adhere to both EMCD's and the card issuer's (plus, where applicable, relevant service partners') acceptable use policies. Some card issuers prohibit using the card for gambling, subscriptions or certain high-risk payments. If you unknowingly violate those, your card could be suspended.
- **Usage Limitations.** The card currently is virtual only (no plastic) and does not support ATM withdrawals, subscriptions or direct fiat transfers off the card. This means you can only use it to pay merchants (online by entering card details, or in-person via mobile wallet). Not all merchants accept virtual cards, particularly some may require a physical card present or don't support Apple/Google Pay. This could limit its usefulness in some situations (e.g., you can't use it at an ATM or maybe some offline point-of-sale without phone payment or, if you used it for a recurring subscription service it may not work correctly or result in negative balance of such card).

- The **card's spending limit** is set to certain USD value by default. This may or may not suffice for you. If you need more, you must contact support to request a higher limit, which might involve further review. There's risk that if you have more crypto you want to spend, you can't due to limits – requiring planning. Also, regulators might require limits for consumer protection. If you attempt to spend beyond the set limit, transactions will be declined.
- **Card expiration.** Virtual cards have an expiry date (often 3-5 years). The FAQ notes you'll need a new card when it expires. If EMCD or the issuer decide not to renew the program by then, you might lose the ability to use it. That's a long-term consideration but still.
- **Single card per user.** You can only have one card currently. If you were thinking of multiple cards for budgeting, that's not available at present.
- **Global Acceptance and Foreign Jurisdictions.** The card “works in all countries where Mastercard is accepted” (so presumably worldwide). However, usage in certain countries might be blocked for regulatory reasons. For example, if you travel to a sanctioned country or a country outside the issuer's service scope, the card might not function. Also, note that **Mastercard can decline transactions that appear to involve sanctioned entities or countries.** While unlikely for normal travel, be mindful that geopolitics can intrude.
- If you are not a resident of the card's issuing region, there might be specific **tax or reporting implications.** Some jurisdictions treat foreign prepaid cards as foreign financial accounts. This is beyond EMCD's scope but something users should individually consider.
- **Cross-border fees.** If you use the card in a currency other than USD, Mastercard's conversion will apply. EMCD did not list an extra FX fee, but sometimes issuers do (e.g. 0–3%). If none, just the rate. But that means you carry FX risk each spend – for example, buying something in EUR, Mastercard converts at market rate. It could be favorable or not. It's usually fine, but fluctuations can occur.
- **Reliance on EMCD Wallet & System.** To use the card, you must have USDT in your EMCD Wallet to top up. This links back to the Wallet's custodial risk. If EMCD's platform is down, or if your account is frozen for some reason, you cannot top up the card. Even if the card itself is fine, it depends on EMCD's backend to provide the funds. So any downtime or wallet issue on EMCD side can render your card unusable if the balance is low. It's wise to load enough for a day or two of expected expenses to mitigate short outages, but not so much that you overexpose funds to the issuer if you're concerned.

- Moreover, the card's security also partly relies on EMCD's app security. You control the card through the EMCD app (to freeze/unfreeze, set limits, view transactions). If someone compromises your EMCD account, they could potentially misuse the card or see your card details. Conversely, if someone somehow got your card number and made fraudulent charges, you'd dispute that through EMCD/issuer. Usually, Mastercard has zero-liability for fraud for cardholders, but ensure you report any unauthorized use immediately through EMCD support and card channels. There is a risk if you don't notice fraudulent transactions; timely detection is key (enable notifications of card spends).
- **Card Freeze & User Control.** The card can be instantly frozen via the app if you suspect unauthorized use. This is a good safety feature. However, note that if EMCD detects suspicious activity, EMCD might proactively freeze the card as well. If your card gets compromised or if you lose access to your EMCD account, someone could freeze you out. Always keep backup access to EMCD (e.g., remember your credentials or have recovery options) to manage the card. If for some reason the app is not working, you should contact support to freeze the card.
- **Platform or Program Termination.** The card program is new. If EMCD, the issuer or, where applicable, the relevant decided to terminate the card offering (due to regulatory reasons, business decision, etc.), your card could be canceled. There is a risk the program could be suspended with little notice if regulatory bodies intervene. For instance, if a regulator in a major market says crypto cards are not allowed, EMCD might have to shut it down in that region. Always have an alternative payment method; never rely solely on EMCD's card as your only way to access funds.
- **Regulatory Compliance and Consumer Protection.** The EMCD card, being a form of prepaid debit card, is typically governed by e-money regulations. The issuer is likely regulated and must safeguard your funds, but also must enforce strict AML rules. If you fund your card with crypto, convert to fiat, and spend, note that this could be seen as a taxable event in some jurisdictions (e.g., spending crypto is like selling it). You should keep track for tax purposes of what value you disposed of when topping up the card. Neither EMCD nor the issuer will do that for you beyond providing transaction history.
- From a consumer protection standpoint, spending via card might offer some protections (like the ability to dispute unauthorized transactions or merchant fraud under card network rules). Check the issuer's terms: they often allow chargebacks for goods not delivered or services not rendered, similar to credit cards, albeit since it's your own money, outcomes may vary. However, some credit-card-like protections might not fully apply to prepaid cards. Understand that **dispute resolution for card transactions will be handled by the issuer/Mastercard/relevant service partner rules, not by EMCD** (EMCD may facilitate communication).

- If authorities suspect your card is being used for money laundering or evasion, they can involve the issuer to freeze it. Always use the card for legitimate purposes to avoid such issues.

In summary, the EMCD Payment Card offers a bridge between your crypto and the traditional financial world with considerable convenience, but you must accept fees, dependency on partners, and the need for responsible use.

## 5. P2P Risks

EMCD's P2P platform allows users to buy and sell cryptocurrencies directly with each other, exchanging crypto for fiat (and vice versa) through a marketplace of offers. EMCD hosts interface allowing to engage in peer-to-peer (P2P) trading through an integrated service model where two distinct Partners, as defined in the EMCD terms, of EMCD jointly enable user experience: one Partner provides custodial wallet infrastructure and escrow/release mechanisms, while the other operates the P2P marketplace (bulletin board), communications interface, and dispute resolution system. Although EMCD presents a unified front-end, users must understand that the services involved are operationally and legally provided by separate entities ("Partners", as defined in the ECMD terms), which may create additional risks in execution, liability, and regulatory clarity:

**Structural and Coordination Risk Between Partners.** Given that P2P functionality relies on two independent Partners—one for holding and releasing digital assets (escrow) and another for listing, matching, and arbitrating trades—users assume risk that inter-Partner coordination may fail or become impaired. For instance:

- If a dispute arises, the arbitration Partner may freeze a transaction, but the custodial Partner may be limited in its ability to act without direct control over escrow mechanics or underlying wallet logic.
- Technical or operational downtime at either Partner may interrupt trade settlement or prevent the release of funds, despite the other Partner remaining functional.
- Divergent jurisdictional oversight or legal interpretations may affect users' rights or recovery mechanisms differently depending on the nature of the issue (e.g., custody failure vs. dispute mishandling).

Neither Partner may bear full liability for issues originating from the other, and EMCD cannot guarantee complete inter-jurisdictional redress in the event of miscoordination or default by either Partner.

- **Counterparty Risk.** P2P transactions involve direct dealings between users, meaning you rely on the other party to honor their payment or delivery obligations. Even with an escrow mechanism in place, counterparty default or misconduct is a core risk: if the buyer fails to pay, or the seller fails to release crypto, you may suffer loss. The inclusion of two Partners mitigates some counterparty risk (for example, the custodial Partner’s escrow holds crypto until payment confirmation), but it also adds complexity:
  - **Reliance on Partner Coordination.** The escrow Partner and marketplace Partner must coordinate to confirm payments and releases. Any miscommunication or technical failure between their systems could result in crypto being released without payment, or funds being held even after payment, exposing you to loss or prolonged delays.
  - **Partner Insolvency or Failure.** Because one Partner holds users’ crypto in custody, its financial instability or technical failure can directly threaten those assets. If the custodial Partner experiences an outage or insolvency, even temporarily, you might be unable to retrieve escrowed crypto or complete trades, regardless of the counterparty’s actions.
  - **Dispute Resolution Dependence.** In a dispute (e.g., one party claims non-receipt of funds), the outcome depends on effective mediation by the marketplace Partner and cooperation from the custodial Partner (to either release or retain assets). If the Partners have misaligned processes or response times, resolution may be delayed or impaired, increasing the risk that you cannot promptly recover your funds.
- **Illicit Funds Risk.** Engaging in P2P trades carries the risk that a counterparty’s funds or crypto may be linked to illicit activities (such as fraud, money laundering, or sanctions violations). If you unknowingly transact with illicit funds or tainted crypto, you could face frozen assets, legal investigations, or loss of access to your accounts. In a dual-Partner framework, these risks are heightened by the division of oversight:
  - **Fragmented Compliance Controls.** Each Partner maintains its own anti-money laundering (AML) and illicit finance monitoring. The custodial Partner might screen cryptocurrency wallet addresses and enforce holds on suspicious crypto, while the marketplace Partner oversees user profiles and fiat transaction monitoring. There is a risk of gaps or inconsistencies between their compliance programs. For example, one Partner might flag a transaction as high-risk and freeze assets while the other has not, leading to confusion or delayed action.
  - **Cross-Jurisdictional Legal Exposure.** The two Partners may operate under different jurisdictions or regulatory regimes. If a counterparty uses illicit funds,

multiple legal authorities could become involved. You, as the user, might be subject to investigation or account restrictions initiated by one Partner (or its local regulators) even if you followed all rules on the other Partner's platform. This cross-jurisdictional complexity can complicate your ability to resolve issues or assert your rights.

- o **Account Freezes and Seizures.** Should law enforcement or a regulator suspect that a P2P trade involved illicit funds, they might direct one or both Partners to freeze accounts or seize assets. Because custody lies with the custodial Partner, your crypto could be frozen on that side while your marketplace account is simultaneously suspended pending investigation. Navigating two sets of procedures to clear your name or recover funds (one with each Partner) can be challenging and time-consuming.
- **Fraud Schemes and Scams.** P2P trading is a target for fraudsters who exploit direct user-to-user transactions. Common schemes include fake payment receipts or forged confirmations, chargeback fraud (where a buyer reverses a payment after receiving crypto), impersonation scams, and social engineering to lure users off the official platform. The presence of two distinct Partners introduces additional vectors for scams and requires users to stay vigilant:
  - o **Impersonation of Platform or Partners.** Scammers may pretend to be official support staff from either the custodial Partner or the marketplace Partner to trick you. They might send fake "support" messages instructing you to release crypto outside the escrow or to transfer funds to a "secure" wallet. Always verify communications through official Platform channels; neither Partner will ask you to bypass the official escrow or trade process.
  - o **Off-Platform Payment Schemes.** Fraudsters often attempt to move the transaction out of the protected environment (for example, asking you to cancel the on-platform trade and complete it privately). In a dual-Partner system, you might be misled into thinking that using an external wallet or alternative payment method is necessary due to "Partner requirements." In reality, this is a scam designed to make you forfeit the protections of the escrow Partner and the dispute mediation process of the marketplace Partner.
  - o **Abuse of Dispute Mechanisms.** A dishonest counterparty might try to exploit the two-layer dispute process. For example, a buyer could falsely claim to the marketplace Partner that they paid when they haven't, hoping the custodial Partner will release the crypto from escrow. Conversely, a seller might assert they never received payment despite evidence to the contrary, attempting to retain both the crypto and the buyer's funds. While the Partners have procedures to detect

such fraud, the multi-party structure could slow down verification (one Partner may need to provide information to the other). This delay can be stressful and potentially advantageous to scammers if users panic or do not follow official procedures.

- o **Chargeback fraud.** Some payment methods like credit cards, PayPal, or even bank transfers in some regions allow the sender to dispute after the fact. A scammer could legitimately send money, get your crypto, then later claim fraud to their bank. If the bank believes them, they revoke the transfer, leaving you without payment after you've released crypto. For this reason, many P2P platforms (as EMCD may at its own discretion) discourage reversible payment methods or at least caution sellers about their risk. It's usually safer to trade via domestic bank transfers or cash deposits which are harder to reverse. Still, no method is 100% irreversible.
- o **Phishing and Data Breaches.** With two separate systems to interact with (the wallet interface and the marketplace interface), there are more login credentials and communication channels that could be targeted by phishing attacks. Scammers might create fake websites or emails mimicking one of the Partners to steal your passwords or two-factor authentication codes. A breach of one Partner's system (or a compromise of your account on one side) could jeopardize your assets or trades on the other. This underscores the need for strong security practices across both platforms and caution when clicking links or sharing information.
- **Legal and Compliance Risk.** The legal and regulatory environment for P2P crypto trading is complex, and the use of two Partners to provide the service adds additional legal considerations. You are subject to the terms and policies of multiple entities, and there may be uncertainty about responsibilities or recourse if something goes wrong:
  - o **Multiple Contracts and Liability Limits.** By using the Platform's P2P service, you likely agree to separate user agreements: one with the custodial Partner for wallet/escrow services, and another with the marketplace Partner for marketplace and mediation services. Each agreement may contain disclaimers or liability limits specific to that Partner's role. This means if a loss occurs, each Partner might only accept responsibility for issues within its own system or scope. You face the risk that a given loss could fall into a gap where neither Partner's terms clearly cover it, potentially leaving you without full recourse for your loss.
  - o **Regulatory Compliance and Changes.** The Partners may be regulated differently. Changes in law or regulatory policy could impact one Partner's ability to continue offering its part of the service. For instance, a new regulation might

prohibit the marketplace Partner from facilitating certain conduct, or require the custodial Partner to implement new holding limits or reporting obligations. Such regulatory changes could disrupt the P2P service or impose new requirements on you (such as additional KYC verification or transaction reporting) with little advance notice.

- o **Jurisdiction and Dispute Resolution.** If the Partners are located in different legal jurisdictions, determining which laws apply to a dispute and where claims can be brought becomes complicated. You may find that resolving a serious issue (such as recovering funds lost due to a system failure) could involve legal processes in multiple countries. Cross-jurisdictional liability is a real risk: you might need to pursue remedies against two separate companies governed by different laws. This fragmented oversight means no single regulator may have a full view of the entire P2P service, possibly reducing the overall protections available to you compared to a single integrated platform.
- o **Compliance Actions and Account Restrictions.** As noted in Illicit Funds Risk, compliance-related actions (freezes, investigations, or account closures) could be initiated by either Partner independently. You could find your access to funds limited by the custodial Partner due to a compliance review, even while your marketplace Partner account remains active (or vice versa). Navigating two compliance departments to resolve such issues is inherently slower and more complicated than dealing with one. This raises the likelihood of protracted account freezes or limitations if any concern arises, as you may need to satisfy the requirements of both Partners before normal activity can resume.
- **Settlement Risk and Bank Delays.** Settlement risk refers to the possibility that the fiat payment or crypto transfer in a P2P trade does not occur as expected or is significantly delayed, which can result in one party not receiving the value they are owed despite fulfilling their side of the trade. In P2P trades, typically the buyer sends fiat (e.g., via bank transfer) and the seller releases crypto from escrow upon confirmation of receipt. The dual-Partner setup influences this process and its associated risks:
  - o **Payment Delays and Release Timing.** If a bank transfer or other payment method used by the buyer is delayed or held by the banking system, the marketplace Partner's system might not receive timely confirmation that the funds were delivered. The custodial Partner will not release the crypto from escrow until the marketplace Partner signals that payment has been received or verified. If there are bank delays (especially across borders or over weekends/holidays), a trade could remain in limbo beyond the expected timeframe. The misalignment of banking hours with the Partners' support or system timers can exacerbate this issue – for example, the marketplace Partner might automatically cancel a trade

after a set window if payment isn't confirmed in their system, while the bank transfer actually arrives shortly after the auto-cancellation. This could result in the crypto being returned to the seller and the buyer's late payment needing to be refunded or traced separately, creating confusion and potential financial loss if not handled properly.

- o **Failed or Reversed Payments.** In cases where a buyer's payment fails to go through or is later reversed (for instance, due to insufficient funds, a bank recall, or fraud), the seller risks not getting paid after releasing the crypto. The escrow mechanism is intended to prevent crypto release until payment is verified, but verification processes can be imperfect or defrauded. If the marketplace Partner accepts a fake payment receipt as proof or is misled by a fraudulent confirmation, the custodial Partner could unwittingly release the crypto. Conversely, if a payment is legitimately made but subsequently flagged as fraudulent by the bank after the crypto has been released, the seller may lose the funds with limited recourse. The two-Partner structure means any error or gap in verifying settlement (whether by the marketplace Partner in reviewing payment evidence, or by the custodial Partner in following release instructions) can lead to a failed trade settlement and potential financial loss to one or both parties.
- o **Banking and Technical Dependencies.** Fiat payment settlement occurs outside of the Platform (through traditional banks or payment networks) while crypto settlement occurs within the custodial Partner's system. This exposes you to both traditional banking risks and crypto-transfer risks at the same time. Any technical issue that prevents the marketplace Partner from communicating a payment confirmation to the custodial Partner (for example, an outage in the marketplace system or a delayed API response) could stall a transaction even if the buyer has sent the money. Similarly, if the custodial Partner has a delay or error in processing a crypto release (due to blockchain network congestion, system maintenance, or other internal issues), it could cause disputes or uncertainty despite the fiat payment being made properly. These interdependencies mean that a glitch in either the banking channels or either Partner's platform could disrupt the completion of a trade, leaving one party temporarily without their funds or crypto.
- **Platform-Specific and Operational Risks.** The P2P service relies on two integrated platforms working in tandem, which creates operational risks that would not exist if one entity handled everything. Users should be aware of the following structural and technical risks:
  - o **Technical Integration Failures.** The interface between the marketplace Partner's system and the custodial Partner's escrow system is critical for P2P trades. If the

API integration or communication between them fails, information about trades (such as payment confirmations or release instructions) may not be transmitted or synchronized. This could leave transactions stuck at a critical phase – for instance, you might have paid the seller and the marketplace marks the trade as completed, but the escrow system doesn't release the crypto because it never received the confirmation message. While the Platform strives to minimize downtime and bugs, the technical dependency between two systems means that an outage or error in one Partner's platform can halt or adversely affect the entire P2P trading process.

- o **Misaligned Support and Response Timing.** Each Partner maintains its own support and operations teams, which may operate on different schedules or have different incident response procedures. If an issue arises (such as a payment dispute or a technical glitch in a trade), you could experience delays while the Partners communicate and coordinate a resolution. You may even end up needing to contact two separate support channels (one for the marketplace interface and one for the wallet/escrow) to address a single issue. This dual-layer support structure can slow down urgent responses – for example, the marketplace Partner's support might be ready to help, but if the solution requires action by the custodial Partner's team (such as manually releasing funds or resetting an escrow), you might wait until that team is available. Such misaligned support timing can be frustrating and may prolong the impact of incidents on your trading.
- o **Fragmented Oversight and Accountability.** No single entity has end-to-end control or oversight of a P2P transaction on the Platform. The marketplace Partner oversees the listing, matching, and initial dispute handling, while the custodial Partner controls the actual movement and custody of crypto funds. If something goes wrong, accountability can be fragmented. Each Partner might point to the other's domain when diagnosing the issue or assigning fault (for example, labeling a problem as a “technical glitch in the escrow system” versus a “user issue or rule violation on the marketplace”). This can make it harder for you to get clear answers or timely solutions, as both organizations must investigate their side of the transaction. It also means operational policies (like fraud detection rules, downtime schedules, or maintenance windows) may differ between Partners, potentially causing one part of the service to be paused or restricted while the other is still running.
- o **Security and Data Sharing.** Using two Partners means your data and activities are split between two separate systems. Although both Partners implement security measures and are contractually required to uphold certain standards, involving multiple parties inherently broadens the attack surface. You trust both

the custodial Partner and the marketplace Partner to safeguard your personal information, transaction data, and digital assets. If either system is compromised – or if there is any lapse in the secure transfer of data between the Partners – you could be exposed to risks such as unauthorized account access, theft of funds, or privacy breaches. The Platform has agreements and technical protocols in place to facilitate secure data sharing and to respond to security incidents, but no system is infallible. Users should remain vigilant with their own security (e.g., using strong passwords and two-factor authentication on both the wallet and marketplace accounts).

- o **Changes and Updates.** Each Partner may update its technology, features, or policies independently of the other. A change in the custodial Partner’s wallet or escrow system (for example, adding support for a new cryptocurrency or altering how confirmations are handled) or an update in the marketplace Partner’s platform (for example, a new user interface or changes to offer posting rules) could introduce unforeseen issues until both systems are fully synchronized. There is a risk of temporary disruption or user confusion whenever one side changes something significant. In some cases, one Partner might implement a change or maintenance that temporarily limits the P2P functionality (such as disabling new trades or withdrawals), while the other Partner’s system remains operational, leading to partial service outages. Users must adapt to each platform’s updates, and in the interim, there may be a learning curve or need for additional support.
- **Market and Price Risk (Including Arbitrage Risk).** Cryptocurrency prices are volatile, and P2P trades are subject to market risk – the value of the crypto being traded can change rapidly before a transaction is completed. Additionally, because P2P markets may have pricing and liquidity that differ from large centralized exchanges, users might engage in arbitrage or seek better rates, which carries its own risks. The two-Partner structure can influence these market-related risks:
  - o **Price Volatility During Transactions.** There is often a time gap between when a P2P trade is agreed (price locked in) and when it is settled (crypto released for fiat). During this interval – which can last from minutes to hours depending on payment method and confirmation time – crypto prices may move significantly. If the market price moves against your position, you could incur a loss or opportunity cost. For example, if you are selling crypto and its price skyrockets while you are waiting for the buyer’s payment to be confirmed, you miss out on that increase since you are committed to a lower price. Conversely, a buyer could overpay relative to the market if prices drop mid-trade. The Partners’ systems do

not protect against market fluctuations – even if a delay is caused by one Partner’s process, you bear the risk of any value change in the interim.

- o **Arbitrage and Market Inefficiencies.** P2P platforms can sometimes offer prices that deviate from the broader market due to local demand/supply imbalances or slower price updates. You might attempt to profit from these differences (arbitrage), such as buying crypto cheaply on the Platform to sell elsewhere at a higher price, or vice versa. However, arbitrage strategies can be foiled by any delays or failures in trade execution. The dual-Partner model means there are more points where a slowdown can occur – for instance, a slow escrow release or a delayed payment confirmation could cause you to miss the brief window of price discrepancy you aimed to capture. Additionally, if one Partner’s pricing data or order matching engine is not updating in real time with global markets, you might execute a trade based on an outdated price. This can result in immediate losses or lost arbitrage opportunities once the true market price is realized.
- o **Liquidity and Order Book Differences.** The marketplace Partner’s P2P platform may have limited liquidity in certain currencies or for large trade sizes. This means that the price you see for a small trade might not be available if you try to execute a much larger trade – the act of fulfilling your order could move the price unfavorably (slippage). Meanwhile, the custodial Partner may impose limits (such as maximum transaction sizes, daily withdrawal limits, or minimum wallet balances) that affect how much you can trade or withdraw at once. Even if a price looks favorable, the practical ability to execute the trade at that price may be constrained by these platform limits. If either Partner imposes a sudden halt or limit (for instance, pausing all trades for maintenance or risk management reasons), you might not be able to execute transactions when desired, potentially causing you to miss market opportunities or leaving you holding assets longer than intended while prices shift.
- o **No Unified Market Surveillance.** Unlike a centralized exchange run by a single entity, the P2P marketplace operates with a more peer-to-peer dynamic and split responsibilities. The marketplace Partner monitors activity on its platform for suspicious trading behavior or price manipulation, but it may not have full visibility into external market movements or the status of funds in escrow with the custodial Partner. There could be situations where abnormal pricing or fraudulent trading practices (like wash trading or collusion between users) occur on the P2P platform without immediate detection. You must exercise caution and not rely solely on the Platform or its Partners to alert you to market irregularities or protect you from trading losses. Stay informed about broader market conditions and be

wary of deals that seem too good to be true, as they might indicate hidden risks or potential manipulation.

- **Bank and Card Blocking Risk.** Many P2P trades involve transferring fiat money via banks, online payment services, or card payments. A significant risk in these transactions is that banks or payment providers may intervene by freezing, delaying, or blocking payments associated with cryptocurrency transactions. The two-Partner model does not eliminate this risk and in some cases may add complexity to resolving such issues:
  - **Bank Fraud Alerts and Freezes.** If your bank detects an unusual or large transfer to or from your account – for example, sending funds to a stranger for a crypto purchase – it may flag the transaction as suspicious and freeze the transfer or even lock down your account. Such bank actions can cause a P2P trade to fail or be delayed indefinitely. For instance, the seller might not receive the funds, and thus the custodial Partner will not release the crypto from escrow. The marketplace Partner’s system may automatically mark the trade as failed or flag it for dispute if no payment confirmation arrives within the allotted time. To resolve a bank freeze, you will likely need to engage directly with your bank (providing additional verification or explanation for the transaction) while also informing the marketplace Partner’s dispute team of the situation. During this period, your crypto remains in escrow. This process can be time-consuming and stressful, and neither Partner can lift a bank-imposed freeze – it depends entirely on the external financial institution.
  - **Card Payment Reversals.** Some P2P transactions utilize credit/debit cards or certain digital payment services that allow chargebacks. If you accept a card payment as a seller, be aware that the buyer (or the card issuer) might reverse the transaction after you have released the crypto. In a two-Partner setup, once the custodial Partner releases crypto to the buyer, retrieving those funds is extremely difficult if the payment is later disputed or reversed. The cheated party (in this case, the seller) would have to rely on the marketplace Partner’s dispute resolution process and any evidence of the trade to attempt recovery, but if the fiat reversal is upheld by the bank or card network, the platform cannot compensate the loss. Additionally, payment processors and card companies often have policies against cryptocurrency purchases; they might preemptively block such transactions or even close accounts that engage in them. Users should be cautious when using reversible payment methods in P2P trades and understand the heightened fraud risk.
  - **Partner Account Designations.** P2P trades are intended to be direct peer-to-peer transfers between users, which can sometimes avoid drawing bank scrutiny that occurs when paying a known crypto exchange. However, there are scenarios

where a Partner's involvement might become visible in the payment process. For example, if during a dispute the marketplace Partner instructs a refund through an intermediary account, or if users reference the platform name or a Partner's name in payment memos, banks could identify the transaction as related to a crypto platform. If a bank or card issuer associates a payment with one of the Platform's Partners or with cryptocurrency activity broadly, they may block the transaction or impose additional checks. You should be prepared to explain the nature of P2P transactions to your bank or card provider, and understand that neither Partner has control over external institutions' decisions to delay or block payments.

- o **Delayed Refunds or Returns.** If a bank or payment provider issue causes a trade to be canceled (for example, the buyer's funds never arrive or are retracted), getting your money back can become complicated. The custodial Partner will return the crypto to the seller if a trade is canceled prior to completion, but if you're the buyer whose payment was halted, you must work with your bank or payment provider to track down or recover those funds. Neither Partner can guarantee if or when the bank will release held funds or reverse a mistaken charge. You may also incur fees or currency exchange losses during this process (for instance, if your bank converts money back after a failed international transfer). Moreover, coordinating evidence between what your bank needs and what the marketplace Partner's dispute records show can be cumbersome, since information about the transaction is divided between two systems. Patience and diligent record-keeping are required to resolve such situations.

P2P trading on the Platform provides flexibility and access to a global marketplace for exchanging cryptocurrency and fiat, but it carries significant risks. The involvement of two separate Partners – one managing crypto custody/escrow and the other operating the marketplace and user interface – introduces unique challenges in coordination, responsibility, and oversight. You are urged to approach P2P transactions with caution, perform due diligence on counterparties, and be prepared for the procedural complexities that may arise from the Platform's dual-partner structure. By understanding the above risks and taking appropriate precautions (such as using all available security features, complying with both Partners' policies, and promptly reporting any issues), you can better protect yourself while using the P2P service.

By engaging in P2P on EMCD, you acknowledge that there is a risk of financial loss, fraud, or other difficulties, and that you will not hold EMCD or Partners responsible for losses arising from trades with other users except in cases of EMCD's or Partners' proven negligence. EMCD's role is limited to introducing you to the Partners' services; custodial Partner's role is as a facilitator, marketplace Partner's role is as a bulletin board operator; the trades are between you and other users. Use the P2P marketplace only if you understand these risks and are prepared to assume them, and always adhere to the safety guidelines provided by EMCD and/or Partners.

## 6. Instant Buy/Sell (On-Ramp & Off-Ramp) Risks

EMCD's Instant Buy (and Sell) service allows users to purchase cryptocurrency directly with fiat (such as via bank card or other payment methods) and to sell crypto for fiat in a quick, user-friendly way. It functions as an on-ramp/off-ramp integrated in the platform – you input an amount, EMCD gives a quote including fees, and you get crypto in your wallet or fiat to your card. While convenient, there are specific risks to consider:

- **Pricing and Slippage Risk.** The rates displayed in the Instant Buy widget are indicative and update in real time. EMCD notes that the displayed rates are for reference and the final rate may vary by the time of execution, and that the display “isn't a formal offer”. This means:
  - If the crypto market moves between the time you initiate the purchase and the time it's executed (which could be seconds or longer depending on payment processing), **you might receive slightly more or less crypto than initially quoted**. Generally, EMCD will fill as close to the quoted price as possible, but you should be prepared for small deviations.
  - In periods of high volatility, this slippage could be larger. EMCD likely has limits or refreshes to prevent huge differences, but extreme moves could theoretically lead to a failed quote (EMCD might cancel the trade) or a noticeable change in outcome. For example, you agree to buy at a rate, but by the time your card is charged, the price spiked and you get fewer BTC, which could feel like a loss (though that's just market risk).
- **No user control over price.** Unlike an exchange where you can place limit orders, for Instant Buy you accept the price given. If you want to avoid any slippage or set your own price threshold, this service doesn't provide that facility. Using Instant Buy implies you are okay with the current market rate plus fees as offered.
- **Fees and Exchange Spread.** EMCD advertises transparency and that “all fees are included in the amount shown”. This suggests that any fee or markup is baked into the quote you see. Risks to note:
  - There might be a **spread or fee margin** between EMCD's market rate and the rate offered to you, which is how EMCD or its liquidity provider earns revenue. The risk is if you don't compare rates, you might pay a premium. EMCD aims to be competitive, but rates could be slightly worse than on a big exchange due to convenience factor. Always consider checking the approximate market price on another source to gauge the difference. EMCD doesn't charge an additional commission on top, but the rate difference is effectively the fee.
  - Where EMCD uses third-party partners for processing, their fees might be part of the price. Usually those fees are a percentage plus a minimum. The risk is the fee

might be a bit high for large purchases (e.g., 1-3%). For small purchases, there might be a minimum fee too.

- **Limits and possible charges.** EMCD FAQ indicates limits depend on verification level. If you try to buy beyond your allowed limit, it will likely not proceed. Also, note that your bank or card issuer could categorize the crypto purchase in a certain way; some card issuers treat crypto buys as cash advances which incur extra bank fees. EMCD doesn't control that but it's a risk: you should check if your bank charges extra for crypto purchases. Many classify them under miscellaneous e-commerce, but some do cash-advance, which is costly interest from day one.
- **Payment Processing Risk.** Instant Buy requires you to pay via a supported method (likely a debit/credit card, possibly bank transfer or e-wallet in some locales). Risks include:
  - **Payment failure or delay.** The transaction with your card might not go through. Could be declined by your bank, flagged for fraud, or hit a daily limit. If the payment fails after you agreed to purchase, either the purchase will be canceled (no crypto delivered), or if partial, it's messy. EMCD only delivers crypto after confirmation of fiat received by partner. If your card is debited but confirmation lags, EMCD might delay releasing crypto until resolved. This uncertainty can be stressful. Usually these on-ramps are pretty fast though (crypto in seconds after card approval).
  - **Refunds and cancellations.** If a purchase fails but your card was charged, you may have to wait for a refund. EMCD's partner will initiate reversal, but it can take days for the bank to put it back. Similarly, if you make a mistake (like input wrong amount and want to cancel), it might be too late if it already executed; if not executed, you could cancel but the hold on your funds might remain temporarily. Be sure you want to transact before confirming because reversing is not instant.
  - **KYC for large buys.** EMCD says identity verification is needed to purchase. If you haven't verified, you might be blocked from buying. Or if you try to exceed certain thresholds, EMCD could ask for more information (proof of funds, etc.). This could delay your transaction or require extra steps.
- **Service Availability and Supported Regions.** Instant Buy might not be available in all jurisdictions (footnote said some assets/features not in certain jurisdictions). If you travel or if your jurisdiction changes laws, the service could be cut off. For instance, regulatory changes could make buying crypto via card illegal or require EMCD to exclude certain areas. Also, specific fiat currencies may not be supported, you might incur conversion by your bank if paying in a different currency (e.g., you have a EUR card but buying USD-pegged crypto).

- If regulators in your country require transactions to go through a registered entity, using EMCD's on-ramp might be considered unregulated usage (except possibly EU MiCA soon might cover this). There's a risk in some places (like US states) that users technically might be using an unlicensed money transmitter if EMCD isn't licensed there. This is more of a compliance risk – meaning if the government found out, they might caution EMCD or user. That said, EMCD likely avoids offering to places where illegal. You should only use Instant Buy if you're in a location where it's permitted and if EMCD allows it.
- **Custody of Purchased Crypto.** When you buy through Instant Buy, the crypto goes into your EMCD Wallet. So until you withdraw it, it's subject to the Wallet risks described earlier. If you sell crypto for fiat through the off-ramp solution, the fiat likely goes to your bank or card. There's a risk if you provided wrong details for receiving fiat – money could bounce or go to wrong account if details don't match. Ensure you use your own accounts and accurate info.
- **Transaction Limits and Anti-Fraud.** EMCD has limits to avoid fraud, as mentioned. If you attempt multiple buys quickly, our system might flag it. EMCD could temporarily lock the buy feature for you if suspicious. This is to protect against stolen cards being used – fraudsters often try to buy crypto with stolen cards. If your account got compromised, a hacker might attempt that. EMCD's anti-fraud might save you by delaying or stopping that. But if you are legitimate and get flagged, it could inconvenience you. Always provide accurate KYC and if you get flagged for no clear reason, be prepared to contact support and possibly provide additional documentation to continue using the service.
- **Partner Risk.** Often for card processing, platforms integrate third-party processors. It's not explicitly stated who powers EMCD's buy feature, but the risk is:
  - If the third-party has downtime or an issue, your transaction could be affected.
  - If they have a dispute with you or EMCD, it could disrupt service.
  - The third-party might have separate terms (most of them require you accept their terms of service when transacting). Check if during purchase you had to agree to something.
- **Data sharing.** Buying crypto with card usually means sharing some personal data (name, card info) with the payment processor. EMCD presumably ensures it's handled securely, but it's something to remember privacy-wise.
- **Reversals and Chargebacks.** If you purchase crypto and later dispute the charge with your bank (or if your bank reverses it as fraud), EMCD will likely deduct the crypto (if still in your account) or pursue collection. If you initiate a chargeback, EMCD has the right to claw back the crypto equivalent or any funds you have. If you've withdrawn the

crypto already, you might owe them money, which could lead to account suspension or legal action. So do not attempt to game the system – it will end badly. Also if a chargeback does happen erroneously, expect EMCD to lock your account until resolved. This is to combat fraud. So one risk is if your bank mistakenly flags the purchase and chargebacks it, you'd need to straighten it out to avoid losing access or funds.

- Conversely, if you sell crypto for fiat to your card and something goes wrong where EMCD or partner couldn't actually debit your crypto, we or Partner might reverse the fiat. This scenario is less likely as EMCD might lock crypto first. But just know things can be reversed if underlying transfer fails.
- **Speed and Delivery.** EMCD's service promises quick delivery: "coins appear in your wallet right after payment". In most cases it's minutes. But if there's a delay (e.g., further manual review needed for a large purchase), **you might not get crypto instantly.** That could expose you to price changes (if it fails and you have to try again later at a different rate). Or if you needed crypto urgently, a delay hurts. Usually, small moderate buys are automated; very large might require manual approval.
- If you're selling crypto for fiat through an off-ramp, how quick you get the money depends on the payout method – card refund can be fairly quick but sometimes a few days to show up, bank transfers can be next day or more. So plan with that in mind; you can't always get cash out immediately.
- **Alternative Options.** Understand that Instant Buy is one of multiple ways to get crypto. It's great for ease, but often a direct bank transfer to an exchange might yield better rates or higher limits. The risk is if you rely solely on it, you might at some point exceed its practical limits.
- For example, maybe EMCD has a monthly buy limit. If you needed more, you'd have to find alternatives or get further verification.
- Or if a certain card stops working (some banks block crypto purchases), you might need to find another method. So always have contingency if you regularly acquire crypto. It's more of a usage note than risk.

In essence, using EMCD's Instant Buy/Off-ramp involves trading a bit of cost for convenience, and trusting EMCD and its partners to handle the fiat side of the transaction swiftly and fairly. By using it, you accept that the final exchange rate you get might differ slightly from the initial quote, that fees are embedded in the rate, and that once the purchase is executed it is generally irreversible (you can't return the crypto to EMCD for a refund, unless perhaps under special circumstances).

Be mindful of the above risks: price slippage, payment failures, bank/card issues, and custodial aspects. If any of these are not acceptable, you have the option to not use the Instant Buy service

and instead use other channels (like the P2P market or external exchanges). If you do proceed, you agree that EMCD is facilitating the purchase/sale on a best-effort basis and is not liable for market fluctuations or losses inherent to the fiat payment system, except as per our terms).

Always double-check the details of your transaction and ensure you are in a secure environment when entering card information. And as with all EMCD services, **only transact within your financial means and knowledge** – if something is unclear about how the Instant Buy works (e.g., the rate or limit), ask support or read FAQs before committing.

## 7. Coinhold (Crypto Savings Wallet) Risks

Coinhold is EMCD's product that allows users to earn interest (up to 14% APY) on deposited cryptocurrencies. Users can choose flexible or fixed-term deposits, and interest accrues daily, with options for compounding and partial withdrawals on certain plans. While Coinhold offers an attractive way to deploy crypto by generating yield, it carries significant risks that users must carefully consider:

- **Counterparty/Custodial Risk (Heightened):** When you move crypto into Coinhold, you are effectively lending your assets to EMCD's platform in return for interest. This amplifies the earlier mentioned custodial risk: not only does EMCD hold your funds, but also actively utilize them within our ecosystem (for liquidity in exchanges, etc.). Coinhold user deposits serve as liquidity for internal exchanges. This exposes Coinhold users to the following risks:
  - If **EMCD's overall business fails or incurs losses, Coinhold users could suffer.** Coinhold interest payouts and even principal repayment ultimately depend on EMCD's financial health and profitable operations. As seen with other crypto lenders (Celsius, BlockFi), if the company becomes insolvent, users can lose deposits. EMCD indicates EMCD distributes the majority of earnings back to users, implying a portion is retained which is sensible, but if EMCD's calculations go wrong, EMCD might not have enough to pay promised interest and could even tap into reserves. There is no insurance or guarantee on Coinhold deposits – they are not bank accounts nor impersonate such.
  - While EMCD may mention using distributed storage and a custodian to protect funds, this may potentially mitigate security risk but not insolvency or mismanagement risk. You must accept the risk of total loss of your Coinhold balance in extreme scenarios, as harsh as that sounds. This is inherent to yielding your crypto to a third party for interest.
- **Interest Rate Risk and Variability.** EMCD advertises up to 14% APY on certain coins. However, these rates **are NEVER guaranteed or promised:**

- o EMCD's earnings that fund interest come from internal exchange fees. These profits depend on exchange volume and market conditions. If trading volumes decline or margins shrink, EMCD reserves the right to unilaterally lower the Coinhold interest rates. EMCD has the right to adjust rates.
  - o If you locked in a fixed term, presumably that rate is fixed for that term. But for flexible deposits, the rate could change. EMCD would credit what was earned, but future rates might drop. There's a risk that after you deposit, the yield environment worsens and you earn much less than expected. In the worst case, EMCD might even suspend interest accrual for a period if EMCD had to.
  - o Conversely, there's opportunity cost risk: if general market yields go up (say DeFi or competitors offer more), you might be stuck at a lower rate in Coinhold, especially if in a fixed term (unless EMCD raises for all, which EMCD might not if it doesn't match EMCD's internal profit).
  - o Also note, the **up to 14% APY** often applies to certain coins (likely stablecoins with highest yield). Don't assume max potential APY applies universally or is guaranteed anyhow.
- **Lock-Up and Liquidity Constraints.** If you opt for a fixed-term Coinhold (30 to 360 days), you are committing to keep your funds locked for that period to get the higher interest. Risks:
    - o **Early withdrawal penalty.** EMCD allows early closure but if you close a term deposit early, the accumulated interest since last compounding is forfeited. So you lose whatever you've earned in that cycle as a penalty. If you withdraw extremely early, you might effectively get 0 interest for that period.
    - o **24-hour freeze on withdrawals.** After you request any Coinhold withdrawal (partial or full/closure), the withdrawn amount is frozen for 24 hours before it appears in your wallet. This is a security feature, but risk-wise, it means you can't access your money instantly. In a rapidly moving market or personal emergency, that day of illiquidity could have consequences (e.g., if you wanted to sell in a crash, you have to wait, possibly missing the window).
  - **No secondary market.** Once you put your cryptoassets in a Coinhold, you can't transfer these cryptoassets to someone else. You either wait or exit Coinhold with penalty. There's no way to trade your locked Coinhold position if you change your mind (common to all such products).
  - For flexible Coinhold, you can withdraw anytime (with 24h notice) without loss of past interest except since last daily accrual maybe. But if everyone tries to withdraw at once, EMCD might institute limits (if EMCD can't quickly liquidate internal positions). This is speculative, but some platforms in stress have put withdrawal limits. There's no evidence EMCD has, but it's a theoretical risk in extreme conditions.

- **Reinvestment/Compounding Risks.** Coinhold supports interest compounding and auto-top-ups (like from mining rewards). While compounding boosts yield, it also keeps more value locked in; you're essentially doubling down. If you turn on auto-top-up from mining, you increase the amount at risk in Coinhold beyond just what you manually put. Be mindful – you can turn it off if you decide to keep new mining rewards separate.
- Compounding interest means interest is paid into Coinhold (for flexible, likely daily) and itself earns interest. However, if you withdraw or break a term, typically the already paid interest you keep (except last accrual). But if interest was compounded in a term deposit, and you break early, presumably you lose the last un-capitalized portion as per rule. Not a huge risk, just mechanical: ensure you understand how often interest is added to principal (maybe daily or monthly).
- **Platform Utilization of Funds.** As EMCD explains on the website, EMCD use Coinhold funds as liquidity for internal exchange transactions. This implies:
  - **Your cryptofunds might be used to fulfill other users' trades or withdrawals.** The risk is if EMCD miscalculates and too many withdrawals or too large trades happen, EMCD could face a shortfall.
  - However, EMCD does not engage in external margin lending or high-risk DeFi yield farming. EMCD prioritizes security of funds over chasing high yield. Still, “internal exchange liquidity” usage isn't risk-free – exchange activities can have risks (counterparty fails to pay, or crypto volatility causing a temporary loss if EMCD has to cover something).
  - There's also a **concentration risk**: If Coinhold grows large relative to actual exchange volume, EMCD might not be able to deploy all that liquidity profitably. EMCD could lower interest to discourage excess or find other uses (temptation to invest externally against original promise).
- **Interest Payment Risk.** EMCD may pay interest for Coinhold daily. But this is not obligatory if something goes wrong:
  - **Force majeure or platform issues** could halt interest accrual for a time. If, say, the exchange operations are suspended by regulators, EMCD's source of yield might dry up, forcing a pause in interest. EMCD can adjust or suspend in extraordinary circumstances.
  - The interest is paid in the same asset (so if you deposit BTC, you earn BTC interest, building your BTC stack). Realize that while number of BTC grows, the fiat value still subject to BTC price swings (market risk). 10% more BTC over a year doesn't help if BTC price dropped 50%. Actually, EMCD's blog points out that if Bitcoin price falls, even a 10% yield results in net loss in fiat. So interest doesn't eliminate market risk of the underlying asset.

- o If you deposit stablecoins, the interest gives you more stablecoins which maintain value better, but stablecoins still have issuer risk (USDT or USDC could theoretically depeg or be frozen, which would directly impact Coinhold since it likely heavily uses stablecoins).
- **Partial Withdrawals and Account Management:** EMCD allows partial withdrawals on certain Coinhold types without closing the account. This flexibility is good – you can take out some money and still earn on the rest. But note:
  - o If you withdraw partially, your future interest is on the remaining balance only. That’s logical, just be aware if you pull too much out, your interest drops accordingly.
  - o Partial withdrawals are only available on “certain types of Coinholds” (likely flexible and some term ones allow maybe one penalty-free withdrawal). If you happened to choose a term that doesn’t allow partial, you can’t touch it until maturity without breaking.
  - o After withdrawal (partial or full), that amount is frozen 24h (mentioned before). So always plan withdrawals in advance by a day if you need funds by a specific time.
- **Platform Changes (Terms and Conditions):** EMCD can modify Coinhold terms (as well as interest rates, min/max deposit, supported coins) for new deposits at any time. For existing locked deposits, EMCD generally keeps terms consistent, but if something extreme happened, EMCD might make changes to the terms. Also, EMCD might discontinue Coinhold for some jurisdictions if laws demand.
- **Regulatory Risk (Securities/Licensing).** Crypto interest products have drawn regulatory scrutiny in multiple jurisdictions. In the US, for example, similar products were deemed unregistered securities and forced to halt or register. In the EU, under MiCA, offering interest on crypto might bring specific obligations. **There’s a risk that a regulator could demand EMCD to cease offering Coinhold or modify it** (e.g., to only offer to certain users or cap interest, etc.). If such an order came, EMCD might have to freeze interest accrual and/or return funds early to users from that region. EMCD might presumably communicate and try to do it orderly, but users could end up having their Coinhold terminated before expected, possibly losing some expected interest.
- Additionally, tax regulators might say interest from Coinhold is taxable income for you (likely yes in many places). So keep in mind your earned interest could be taxed even if you don’t withdraw it, which can eat into net gains.
- While Coinhold is a centralized offering (no smart contract risk), EMCD does incur **platform risk**. DeFi yields carry smart contract and market risks, but not custodian risk

in the same way (if you manage keys). With EMCD, you have no on-chain control. **If EMCD were hacked or platform becomes compromised for any reason, you may not be able to retrieve Coinhold funds.**

- EMCD has had third-party security audits and 7+ years no incident, which is reassuring. However, as always, past performance is not a guarantee. The crypto landscape is rife with surprise collapses.

In conclusion, Coinhold promises steady returns in exchange for placing your crypto under EMCD's management. You must acknowledge:

- You may lose some or all of your assets or interest if EMCD fails, if markets move adversely, or if you need to withdraw early (penalties).
- The interest rates are dependent on EMCD's internal business performance and are not assured. High yields come with commensurate risk – 14% APY is far above bank savings rates because you are taking on risk of a relatively new, largely unregulated domain.
- Withdrawals are not on-demand as for a checking account – there's processing time and possibly limitations.

**By using Coinhold, you confirm that you understand these risks and that you accept the possibility of loss, reduced earnings, or delayed access to your funds.** You also agree that EMCD's obligation is limited to returning your principal and due interest as per the program terms, and that many factors could impede that, which are not guaranteed by any insurance or government protection. If EMCD faces issues (financial or technical), Coinhold users will likely share the impact. Consider this carefully and perhaps diversify (don't put all holdings in Coinhold; keep some accessible in personal wallets) to mitigate risk.

## 8. OnLock Risks

OnLock is EMCD's crypto-backed lending service, allowing users to borrow USDT stablecoin against their Bitcoin (and other supported crypto) as collateral. It essentially provides liquidity without selling your crypto: you lock up your BTC for a term, and receive an immediate USDT loan, then repay later to unlock your BTC. This is similar to a crypto mortgage or pawn — and it comes with specific risks akin to margin trading and lending:

- **Liquidation (Collateral) Risk.** The primary risk in OnLock is that if the value of your collateral (BTC) falls too much relative to the loan, your collateral can be partially or fully liquidated (sold by EMCD) to cover the loan. EMCD provides a margin call alert system and a 5-day grace period to manage this risk, but:
  - When you initiate a loan, an LTV (Loan-to-Value) ratio is set (for example, you might get 50% of your BTC value as USDT). If BTC price drops and that LTV

threshold is exceeded (meaning the loan is now too high a percentage of collateral value), you will receive a margin call from EMCD, asking you to either repay some loan or add more collateral within a timeframe.

- o EMCD's OnLock includes a built-in grace period of 5 days for margin calls. This is generous compared to many platforms. However, if you do not shore up your position within that grace period and the collateral value remains too low, EMCD will have to liquidate some or all of your BTC to repay the loan. EMCD likely sells your BTC (likely to themselves or on market) and uses proceeds to cover your USDT loan amount.
  - o Liquidation means you lose ownership of some/all BTC. And likely at a worse price, since it happens when market is down. You could end up with no BTC and only whatever USDT you borrowed (or leftover after loan payoff). If the sale of BTC doesn't fully cover the loan due to a sudden crash, terms might allow EMCD to keep all collateral and consider the loan settled (i.e., you lose your BTC but don't owe more USDT). But in extreme cases, if collateral gap is huge, you might even owe additional funds (though platforms usually avoid non-recourse beyond collateral).
  - o To avoid liquidation, you must monitor BTC price and respond to margin calls. This requires vigilance. Crypto can drop fast; e.g., a 30-70% drop in days is not rare. OnLock's grace period is helpful but not foolproof – a flash crash beyond a certain size could force immediate action even before 5 days (if BTC plunged 50% overnight, EMCD might not wait as the loan could become under-collateralized).
  - o There is risk that during a broad market crash, the process of adding collateral or repaying might be slow (network congestion, etc.). EMCD might consider those factors, but if you cannot act due to external issues, you still risk liquidation. Plan ahead: keep some stablecoins or other funds outside to use if you get a call.
- **Interest and Repayment Obligations:** Borrowing via OnLock comes with an interest rate on the USDT loan. Specifics:
    - o The interest rate is transparent and updated in real-time by EMCD's system. This interest accumulates over the loan term. When you repay, you must pay back the principal plus accrued interest. Failing to account for interest could leave you short on repayment.
    - o If you choose a longer loan term (up to 360 days), interest can accumulate significantly. Ensure you understand the cost. It's not free money – effectively you're paying to not sell your BTC. If BTC's price doesn't rise enough, you might end up worse off than if you'd sold BTC to get cash. For example, if interest is, say, 10% APR and BTC is flat, you'll have 10% less BTC (because you paid interest effectively by giving up some BTC at repay or lost growth).

- o What if you reach the end of term and do not have the USDT to repay? EMCD allows extension with no penalty (if agreed). EMCD might let you roll over or extend term. But if you neither repay nor extend, then presumably after grace EMCD will liquidate collateral to settle (essentially the same as a margin call scenario). So not repaying is effectively defaulting and means losing collateral.
- o If you repay early, EMCD says there are no penalties for early repayment or extension. That's good (no extra fee). You likely only pay interest for the days you had the loan (need to confirm if interest is pro-rated; presumably yes). But check if there's maybe a minimum interest or not.
- **Stablecoin-Specific Risks.** You borrow USDT, which is a stablecoin. Consider:
  - o If something happened to USDT (regulatory action, depeg) such that it loses value or becomes frozen, what happens? If USDT lost value, ironically it benefits borrowers (because you pay back in cheaper units). But EMCD might then prefer switching to another stable or ask for adjust. But likely not a big risk unless catastrophic.
  - o You might convert that USDT to fiat or other assets once borrowed. If you keep USDT around, ensure you handle it safely; if you lose those tokens or their value, you still owe EMCD the full amount. E.g., if you send USDT off-platform and get scammed, you still owe the loan.
  - o EMCD currently only supports USDT loans with BTC collateral. If EMCD adds more assets (KAS, DOGE, etc. as press implies), each has its own volatility profile and risk. Altcoins might be even more volatile, increasing liquidation risk.
- **Opportunity Cost & Market Risk.** By locking your BTC, you cannot sell it or use it elsewhere during the term (unless you repay and unlock). If BTC's price skyrockets during your loan, you still have BTC but it's locked as collateral (that's fine, you'll get it back and can then enjoy gains, minus interest cost). However, if BTC's price collapses, you may get liquidated, meaning **you sold at the bottom effectively** and lost upside. This is akin to margin trading risk: if you leverage (which a loan effectively is), you can get forced out at the worst time.
- There's also opportunity cost: rather than locking BTC for loan, one might have sold some BTC to get needed cash and potentially rebuy later at lower price or invest elsewhere, etc. OnLock is for those confident in BTC long-term and who don't want to sell. But if BTC enters a prolonged bear and you eventually get liquidated or spend the USDT and can't repay, you'd have been better off selling initially. It's a personal decision risk.
- **Use of Loan and Financial Management.** People borrow for reasons (buy equipment, invest, pay bills). The risk is if you misuse the loan or it doesn't yield the benefit

expected. For example, if you borrow USDT to buy more mining equipment, and then mining profits don't meet expectations, you could end up with debt and a miner that might not cover it, plus possibly losing the BTC if cannot repay. That's more of a personal/business risk.

- Essentially, OnLock introduces leverage to your financial position (you hold BTC and get more liquid funds without selling, effectively having both BTC and money now, but debt attached). Leverage amplifies outcomes: can be good or disastrous. Many caution that using debt on a volatile asset can lead to trouble. So ensure you use OnLock for something that clearly outweighs the cost and risk.
- **Platform Specific Terms & Risks:**
  - Check if EMCD requires periodic interest payments or all at end – likely interest accrues and is paid at end with principal. If interest is not paid till end, it effectively increases your LTV as time goes (because interest accrues as additional liability). If the platform considers accrued interest in collateral ratio, a long loan sees collateral requirement slowly creep. EMCD's real-time risk updates probably factor that in.
  - EMCD keeps collateral in **secure cold storage** during loan – that's good (less hack risk). But if multiple assets, EMCD might re-value collateral daily with price feeds. There's risk of price feed errors.
  - OnLock is presumably structured such that **EMCD legally still owns your BTC for the term** (since EMCD holds it and can sell if needed), but you have a contractual right to get equivalent BTC back if you repay. This is fine as long as EMCD is operational. But if EMCD became insolvent during your loan, you'd have to hope you can claim back your BTC (or portion). You'd be a creditor possibly. **If EMCD fails, collateral could be at risk.** That risk is similar to any assets on the platform, but worth noting: you could lose both your BTC (collateral) and not owe the USDT (small comfort) in a platform collapse scenario.
  - If collateral is liquidated, EMCD may take what's needed to cover loan + any interest or fees, and return any surplus to you. For instance, if you had 1 BTC locked, borrowed \$10k USDT, and then liquidated at say \$12k value, EMCD may use \$10k+interest, and ideally give you remaining value in BTC or USDT. The risk is if markets are chaotic, you might not get an optimal sale price – EMCD might quick sell to cover, leaving minimal remainder.
- **Regulatory Considerations.** Crypto-backed loans can be considered lending services. EMCD and its affiliates are not licensed as credit institutions, banks, or securities dealers in most jurisdictions. Some places might require lending licenses or impose limits (like

interest rate caps). If you are from a country (such as some US states) where such services to residents are not allowed, using it might be blocked or at least not protected. Make sure it's available legally to you. You are solely responsible for determining whether access to EMCD's lending features is lawful in your jurisdiction before using them. If regulators in your country decide such products are securities or need registration, EMCD might have to stop offering them there. That could mean forcing loans to close early for compliance (maybe returning collateral and asking loan back early or closing positions by selling collateral to repay loan). EMCD shall not be liable for any losses, costs, or opportunity loss resulting from regulatory-driven service suspension, early termination, or mandatory liquidation.

- Also, borrowing USDT against BTC might not have immediate tax events (since you don't sell BTC), which is one appeal in some jurisdictions. However, if collateral is later liquidated by EMCD, that is effectively a sale of your BTC (potential taxable event in some tax regimes). Even if you personally didn't trigger it, tax might treat it as disposal. It's a nuance, but consider consulting tax advisors if this is a big move for you.
- **Operational and Platform Risk.** OnLock is a new service. As with any new product, there might be **unforeseen technical or UX issues**:
  - Possibly calculation bugs (e.g. interest miscalc, or margin call triggers too early/too late).
  - If many use it, in a crash EMCD's systems will be under heavy load sending alerts, liquidating. There's risk of delays or errors.
  - Communication risk. Ensure you have updated contact info for alerts (email, app notifications). If you miss a margin call because you didn't see the notification, that's on you, but maybe EMCD tries multiple channels. Always keep an eye if your collateral value is dropping regardless of alerts.

In summary, OnLock combines the risks of borrowing and crypto volatility. By using it, you assume the risk that you could lose your collateral (crypto) if market moves against you or if you fail to repay as agreed. EMCD provides tools (alerts, grace period) to help manage, but cannot eliminate the fundamental risk that if you borrow against an unstable asset, you must either maintain that position or forfeit the asset in a downturn.

Use OnLock only if you have a clear plan for the borrowed funds and a clear plan for repayment. It's intended to be "smart liquidity", not free money. **Speculate responsibly**: do not borrow more than you can afford to lose, and consider keeping a buffer of extra collateral or funds to reduce chances of liquidation. Understand that **EMCD will enforce loan terms strictly** – if you default or collateral plunges, EMCD will take action to protect the loan's value (as any lender would).

By engaging OnLock, you acknowledge all these risks including potential loss of your crypto collateral, responsibility to monitor and maintain your loan, and the obligation to repay with interest in accordance with the terms. There are no external guarantees or insurance; your collateral is your security and if its value goes down, you, not EMCD, bear that consequence.

## **Final Acknowledgment.**

Using EMCD's ecosystem of services can be advantageous for an integrated crypto experience, but it also means consolidating risks within one platform. **General risks (market, regulatory, security) apply across all products, and each product adds its own layer of specific risk** – from mining fluctuations to P2P fraud to interest account solvency and loan liquidation.

It is crucial that you, as an EMCD user, thoroughly understand and accept these risks before utilizing any service. EMCD strives to be transparent about these risks and has implemented various safety measures (security audits, escrow for trades, collateral management for loan, etc.), but no measure can remove all uncertainty from novel financial services like crypto assets. There also may be risks that we have not foreseen or listed (“unpredictable risks” as EMCD's Terms mention).

By continuing to use EMCD's products, you confirm that you have read this Risk Disclosure in its entirety, that you understand the range of risks involved, and that you are willing to assume these risks in pursuit of the potential benefits. You further agree that EMCD's liability is limited as described in our Terms of Service and that you use the platform and services at your own risk.

If you are ever in doubt about any risk or aspect of a service, please seek independent advice or reach out to EMCD's support for clarification before proceeding. Crypto markets can reward bold innovation, but they can also be unforgiving to the uninformed. EMCD encourages its users to remain informed, cautious, and in control of their financial decisions.

**Remember:** Notwithstanding the opportunities, digital asset activities carry high risks including possible loss of all invested capital. Proceed only if you have the requisite knowledge and financial capacity to endure such risks.