



BISON

BISON

Basic and Risk Information of EUWAX Aktiengesellschaft and blocknox GmbH for Private Customers

A. Introduction

Cryptocurrencies are a relatively new asset class that is only suitable for highly informed investors. If you decide to buy cryptocurrencies, you should therefore obtain comprehensive information. In particular, you must research how cryptocurrencies work and find out about the risks of trading and storing cryptocurrencies. We have prepared this basic and risk information to support you in this respect.

Please note that this basic and risk information merely gives an overview and that it may be important for you to obtain additional information as well. It is therefore crucial that you also use additional sources of information.

As the trading and storing of cryptocurrencies carries specific risks, you should carefully consider the following before you start: your investment or speculation targets, your financial situation, your willingness to take risks, your requirements and your experience in and knowledge of the topic. The scope of your cryptocurrency commitment should match your personal circumstances. We also do not examine whether the use of the BISON-Online Services, including the use of BISON-App as well as BISON-Web; is appropriate for you personally, nor that it fits your knowledge and experience, in particular.

As the purchase of cryptocurrency also carries the risk of total loss, you should only purchase cryptocurrencies if you are in the financial position to absorb the total loss of your invested capital. Purchases should never be financed with loans.

Due to the risks associated with trading in cryptocurrencies, this type of trade is only suitable for investors who are willing to take risks. Investments in cryptocurrencies should generally not have any long-term targets, such as saving for your retirement. When investing in cryptocurrencies, you should intensively monitor price developments.

Please note that we do not provide personal recommendations to you with regard to the purchase or sale of cryptocurrencies, in particular, we do not provide investment advice or asset management services. We therefore generally advise that you obtain advice from suitable consultants, such as investment, financial and tax consultants, prior to concluding any transaction.

B. Basic information

B.1. Cryptocurrencies

General characteristics of the Bitcoin (BTC), Litecoin (LTC), Ether (ETH) and Bitcoin Cash (BCH) cryptocurrencies

Cryptocurrencies are also called "virtual currencies", "digital currencies" or "alternative currencies".



In its statement (EBA/Op/2014/08, margin number 18 et seqq.), the European Banking Authority (EBA) defined cryptocurrencies as a digital representation of value that is not created by a central bank or government agency and also does not have to have any link to legal tender. Cryptocurrencies can be used as means of exchange and electronically transferred and stored by natural persons and legal entities. They are currently traded in various financial markets as fungible asset items.

Cryptocurrencies are generally based on the idea of a non-governmental replacement currency of a limited volume. Other than with money, which central banks could theoretically issue in unlimited volumes, and bank money, which business banks create, new units of value for the cryptocurrencies, Bitcoin (BTC), Litecoin (LTC), Ether (ETH) and Bitcoin Cash (BCH) are generally created by applying a pre-determined mathematical method within a computer network. This process is called "mining".

Any interested party can generally become a miner by using a program specially designed for this purpose which makes it possible to participate in the network and the creation of cryptocurrencies. However, this requires the existence of the corresponding computational power. In some cases, miners also join mining pools to use their joint computational power for creating new blocks in the respective blockchain. When creating new blocks, new units of value of the cryptocurrency as created as so-called "block reward" (in the future possibly only up to a certain block). For the Bitcoin (BTC), Bitcoin Cash (BCH) and Litecoin (LTC) cryptocurrencies, miners can create new units of value up to a maximum total amount. No maximum total amount is currently defined for the Ether (ETH) cryptocurrency, but this may change in the future.

The respective networks work on the peer-to-peer principle. All users ("peers") are generally equal; there are no central instances that control or manage the transfers and/or balances. If a majority of users class a transfer as legitimate under the rules of the respective network, the transfer is logged in the blockchain and accepted as valid in the network. Accepted transfers are generally irreversible.

Cryptocurrencies are allocated to identifiable instances ("addresses") in the network. An address is derived from a randomly generated character sequence, the private key. The respective owner of an address manages it with the allocated key pair to authenticate transfers. All users can transfer their cryptocurrencies between each other within the network. They must regularly disclose to each other the respective target addresses outside the network.

The number of units of value that is allocated to an address and all previous transfers can be openly viewed in the blockchain. However, the owners of the units of value registered in the network are not discernible in the network. In addition to the transfer of units of value within the network, keys can also be physically transferred between persons by transferring them on data carriers, for instance.

Special characteristics of the Ripple (XRP) cryptocurrency

The Ripple (XRP) cryptocurrency has several special characteristics. In particular, the units of value in the Ripple network are not created locally by miners. The initiators of the network instead created a maximum total amount at the start. However, not all of this amount is currently in circulation.



The Ripple network also facilitates the transfer of certain additional asset items between persons. Depending on the capacity utilisation of the network, at least one XRP Drop is destroyed during each transfer as the condition for the transfer. The total number of units of value therefore decreases continuously.

In addition, not all users are equal when it comes to confirming the legitimacy of transfers. Instead, there are special server operators which create consent amongst each other based on the Ripple algorithm and thus validate transfers in the Ripple network.

ERC20 Token

ERC20 is the most commonly used token standard on the Ethereum blockchain. ERC20 specifies the protocol for a specific type of smart contracts.

ERC20 tokens are not running on their own blockchain, rather they are issued on the Ethereum blockchain. Token like UNI (native crypto currency of Uniswap) or LINK (native crypto currency of the decentralized network Chainlink) are two of many ERC20 tokens.

Bison enables the user to buy and sell selected ERC20 tokens. An overview of the currently supported ERC20 tokens can be found at bisonapp.com. Currently, Bison does not support the deposit of these ERC20 tokens into your personal ETH deposit address. Hence, it is not possible to transfer any ERC20 tokens from an external wallet to your Bison ETH deposit address. The transfer of the supported ERC20 tokens from your BISON account to your own blockchain address is possible as usual.

B.2. Trading model

EUWAX is available to you as a seller and buyer of cryptocurrency. Trading is designed as a request for trade system, i. e. you submit a binding trade request to EUWAX for your intended transaction volume at the price previously provided by EUWAX as an indication. A transaction (purchase or sale) is concluded when EUWAX accepts the trade request.

If you set a trading rule, your order will first be stored in a pending order book and continuously checked against the indicative prices of EUWAX. The trading system automatically activates a trade request for you under the following conditions.

- Limit: You define a limit for a purchase or sale, i. e. a maximum purchase price or minimum sale price. As soon as an indicative price matches the limit condition, the trading system activates the trade request at this indicative price.
- Stop: If you have defined a stop price for a buy or sell, our trading system activates the trade request at the indicative price that reaches or exceeds (stop buy) or reaches or falls below (stop loss) the stop price for the first time (stop market order).
- Validity: The validity period of a trading rule is displayed when the trading rule is created.

Please note that a transaction does not necessarily have to occur at the price you have defined. This is because the updating of the indicative prices does not take place fluidly, but stepwise. The price steps can also be larger depending on the market situation.

If you set a savings plan as a trading rule, you buy cryptocurrencies at intervals on specific dates (e. g. weekly or monthly). On the respective dates, EUWAX executes the savings plans to be executed for all customers in different tranches at different times. If you have set more than one savings plan, they may



be executed at different times. Purchases are executed at a price that corresponds to the current market situation at the time of execution.

A detailed description of the trading model can be found in Section 4 of the General Terms and Conditions of EUWAX.

B.3. Income tax treatment for taxpayers in Germany

The Federal Ministry of Finance (Bundesministerium der Finanzen – BMF) has not yet given an explicit statement regarding the treatment of cryptocurrencies held as private assets for income tax purposes. However, the Hamburg Tax Authority has issued a statement in this respect. Excerpts of its decree of 11 December 2017 (Hamburg Tax Authority, p. 2256-2017/003-52) are stated below.

Decree on the tax treatment of Bitcoins when traded as private assets

The Hamburg Tax Authority has been approached with the question of how to treat profits (or losses) from the sale of Bitcoins in terms of income tax. [...]

a) Acquisition and sale of Bitcoins as private assets

The profit (or loss) from the sale of Bitcoins results in other income from private sales transactions if the Bitcoins were acquired and sold during the course of one year (Section 22 No. 2 of the German Income Tax Act (Einkommensteuergesetz – EstG) in conjunction with Section 23 (1) Sentence 1 No. 2 EStG). Another condition is that the Bitcoins were not self-generated as in this case there would be no "acquisition".

b) Use of Bitcoins as means of payment

If acquired Bitcoins are used as means of payment, this is classed as a sale of the Bitcoins and also results in other income from private sales transactions (see above).

The value of the goods or services received as consideration must be stated as sales price. The average cost method must not be applied.

When determining the profit, the acquisition costs must be deducted from the sales price (Section 23 (3) Sentence 1 EStG). The FIFO method is applied to the acquisition costs if Bitcoins are acquired in several tranches.

Additional information

Please note that this decree is only binding for the Hamburg Tax Administration and merely refers to the Bitcoin (BTC) cryptocurrency. The scope of your tax liability may also depend on other factors that are not described in this decree.

You are generally responsible for paying any potential tax to your own tax authority. It may therefore be diligent to set aside part of the profits as a reserve.

You should always obtain advice from a tax or legal consultant with regard to your personal tax situation, especially on the particularities of your country of origin. This basic and risk information does not replace tax and legal advice.

B.4. Bid-ask-spread



EUWAX endeavours to always offer you prices via the BISON-Online-Services, which correspond to the current market situation (fair market prices). In order to calculate fair market prices, EUWAX refers to pricing information obtained from other liquid trading systems in which cryptocurrencies are being traded. EUWAX also takes into consideration the current bid-ask spreads, meaning the difference between the respective top bid and ask price for a certain trading volume. In other words, our bid prices are lower than our ask prices. Therefore, if you were to theoretically buy and sell the same amount of cryptocurrency from and to us at the same point in time, you would make a loss in the amount of the spread. You should consider the spread before every purchase and sale as it decreases your expected profits.

B.5. Dealing with conflicts of interest

As you buy and sell the cryptocurrencies directly from and to EUWAX, both you and EUWAX carry a market price risk from the respective transactions. The market price risk of EUWAX is diametrical to your market price risk. If, for instance, you have bought cryptocurrencies, you profit from an increase in market price after close of business. For us, on the other hand, the market price risk materialises in this case as we do not participate in the increasing market price. This constellation creates a fundamental risk of conflicts of interest. We have implemented special organisational measures in order to counteract this risk and avoid an impairment of your interests.

B.6. Investment strategy and criteria

This basic and risk information provides you with details on the basics as well as opportunities and risks in connection with trading and storing cryptocurrencies. However, this information only becomes pertinent to you in connection with your investment strategy and personal investment targets.

You therefore have to get an idea of your own ability to bear risks, your investment horizon and your investment targets, either on your own or together with a suitable consultant, and answer the following questions, amongst others:

- How willing am I to accept value fluctuations? Am I able to carry potential financial losses?
- How long can I go without the capital to be invested? When do I have to have the money back?
- What are the targets of my capital investment? What kind of return do I expect?

These questions reflect the three fundamental investment criteria: security, liquidity and profitability. These three criteria compete and interact with each other. You have to weight them according to your personal preferences, which will then influence the right individual investment strategy for you. You should take this into consideration for each investment decision.

The targets relating to the capital investment always depend on your personal circumstances and are also subject to changes over time. They should therefore be checked on a regular basis.

Security

Security means: retaining the capital invested. The security of a capital investment depends on the risks to which it is exposed. (for further information on risk in connection with cryptocurrencies, see Section C below).

You can increase security by implementing measures such as a balanced distribution of your assets. Assets can be distributed (diversified) under several criteria, such as different asset classes, including



cryptocurrencies, which are included in the capital investment as well as capital investments in various industries, countries and currencies.

Liquidity

The liquidity of a capital investment depends on how quickly an amount that has been invested in a certain capital investment can be realised, in other words changed back into bank balances or cash. The cryptocurrencies that can be traded through BISON that are stored for you at blocknox are well suited to this purpose as you can always sell them to EUWAX at their set prices and during the trading hours of EUWAX.

Profitability

The profitability of a capital investment depends on its income generated. These generally include income from the income from a security, generally includes interest and dividend payments, other distributions and value increases (in the form of price changes). The cryptocurrencies that can be traded over BISON are special in as much as there are no distributions. Income from an investment in cryptocurrencies can therefore only be generated from value increases. Any taxes due decrease your income.

The three criteria of profitability, security and liquidity cannot be combined without compromise. For example, a great deal of security can have a negative effect on potential income. It is your own responsibility, if necessary in collaboration with a suitable consultant, to set preferences between the investment criteria according to your investment targets and to take them into consideration when investing in cryptocurrencies.

C. Risk information

C.1. Trading-related risks

Market price risk

The prices of cryptocurrencies fluctuate continuously. These price fluctuations can continue over longer periods. Sometimes, however, prices may also fluctuate considerably within a short space of time. Price fluctuations are caused by a combination of supply and demand in the market. The market participants' psychology plays a significant role in this respect:

- Price developments can be entirely irrational;
- Political and economic news, sentiments and rumours affect price formation;
- Facts can easily be interpreted in different ways. It can be very difficult to separate rational and irrational influences and determine the direct effect of these factors on price movements.

In particular, significant price fluctuations can also result from great interest to sell by individual or several market players. Entering a large number of the Ripple (XRP) not in circulation in the market in one go, for example, could cause the price to collapse. There generally is the risk of prices changing unfavourably for you. As a result, you may suffer losses (up to total loss) or miss out on profits.

Risk of temporary unavailability



EUWAX is generally available 24 hours a day for buying and selling cryptocurrencies (trading times). EUWAX aims to enable you to trade crypto currencies during trading hours as interruption-free as possible. Also, with regard to its other services, EUWAX endeavours to provide these to you as interruption-free as possible. However, EUWAX does not guarantee uninterrupted availability of its services. In particular, it cannot be ruled out that the technical systems, including the BISON-Online-Services, the technical systems of a trading platform operator which EUWAX uses for settlement transactions, or the technical systems of a third party which are pertinent to the rendering of our services temporarily do not function properly. Furthermore, EUWAX may not be able to quote prices if trading at a trading platform which it uses for settlement transactions is temporarily suspended. There is the risk of you being unable to conclude any purchases and sales or obtain information through the BISON-Online-Service due to temporary unavailability. As a result, you may suffer losses (up to total loss) or miss out on profits.

Liquidity risk

From an investor's perspective, the liquidity of a cryptocurrency can be regarded as the option to buy and sell such cryptocurrency at prices in line with the market at all times. Liquid cryptocurrencies typically have a narrow spread (difference between the cash and ask price for a certain trading volume), amongst other factors. The spread of illiquid cryptocurrencies is usually wider. EUWAX generally offers you liquidity during trading hours by being available as a buyer and seller. However, as it bases its price calculations on the current market situation of other trading systems, the amount of liquidity of a cryptocurrency in other trading systems is also reflected in its spread. There is a risk of the liquidity of the cryptocurrency in other trading systems deteriorating and of EUWAX including wider spreads in its prices as a result. As a result, you may suffer losses or miss out on profits.

Risk of trade ceasing

The concept of the cryptocurrencies that can be traded through the BISON-Online-Service may change in the future, particularly due to software updates or upgrades performed by the respective network participants. EUWAX may therefore decide at its discretion to no longer offer the trade in certain cryptocurrencies or to do so only to a limited extent. Furthermore, it can not be ruled out that individual cryptocurrencies will no longer be traded, or only traded to a limited extent, in other financial markets in the future, which may impair EUWAX's ability to conclude settlement transactions. For this or other potential reasons, EUWAX may also decide to no longer offer the trade in certain cryptocurrencies or to do so only to a limited extent. You are exposed to the risk of no longer being able to buy or sell cryptocurrencies from or to EUWAX in the future or to be able to do so only to a limited extent. As a result, you may suffer losses (up to total loss) or miss out on profits.

Mistrade risk

In accordance with its General Terms and Conditions, EUWAX may rescind a mistrade by reversing the transaction. In the event of a mistrade, the price of the transaction deviates significantly from the market-congruent price at the time the transaction was concluded. There is the risk of EUWAX rescinding a mistrade where the deviation from the market-congruent price goes in your favour. There also is the risk of a significant price deviation that is a disadvantage for you not being recognised on time by either EUWAX or you and that such mistrade cannot be rescinded any more in accordance with EUWAX's General Terms and Conditions. As a result, you may suffer losses or miss out on profits.

Risk of inaccurate information



EUWAX also offers you the option to obtain specific information in connection with cryptocurrencies through the BISON-Online-Service. In particular, you can call up current and historical market prices. The Cryptoradar reflects the current public interest in cryptocurrencies as expressed in social networks. We cannot rule out that this information is inaccurate due to malfunctioning technical systems, for instance. There is the risk of you making a buying or selling decision based on inaccurate information which you would not have made had you known the accurate information. As a result, you may suffer losses or miss out on profits.

Risk of incomplete information

EUWAX also offers you the option to obtain specific information in connection with cryptocurrencies through the BISON-Online-Service. However, in order to make well-informed buying or selling decisions, it is necessary to also obtain and consider additional information that cannot be accessed through the BISON-Online-Service. There is the risk of you making a buying or selling decision based on incomplete information which you would not have made had you known the complete information. As a result, you may suffer losses or miss out on profits.

Increased risks for intra-day transactions

The conclusion of intra-day transactions (day trading) refers to a process where large volumes of trading objects are purchased and sold, often more than once a day. This is regularly done with the intention of generating profits even through low or minimal price fluctuations. The conclusion of intra-day transactions increases the risk of realising losses from purchases and sales, also due to the spread (see B.4 above).

C.2. Risks specific to cryptocurrencies

Acceptance risk

Goods and service providers or other market players are not obliged by law to accept cryptocurrencies as means of payment. The option of using cryptocurrencies as means of payment therefore depends on the acceptance of these market players. There is a risk of the cryptocurrencies no longer being accepted as means of payment to the same extent in the future.

Value risk

Cryptocurrencies do not have an intrinsic value, such as silver coins, for example, in the form of a material value. The value of cryptocurrencies is generally derived from a correlation between supply and demand in the market and is therefore determined by the market price (see "Market price risk" above). There is a risk of a market price drop without this loss being limited by an intrinsic value.

Discontinuation risk

In the event of Bitcoin (BTC), Litecoin (LTC) and Ether (ETH), the functionality of the distributed ledger technology that underlies a cryptocurrency primarily depends on the ability and willingness of the miners to provide their computation power for the creation of new blocks. These "technology operators" may discontinue their activities for various reasons, such as due to a lack of public interest in the respective cryptocurrency, lack of sufficient finance or insufficient income. There is the risk of "technology operators" discontinuing or reducing their activities and of the functionality of the respective distributed ledger technology no longer being assured to a sufficient extent.



This risk basically also exists for Ripple (XRP). If the operation of validation servers is discontinued, the functionality of the Ripple network may no longer be sufficiently assured.

Risk of not being able to reverse a cryptotransfer

You can instruct blocknox to transfer cryptocurrencies to your own address through the BISON-Online-Service. You have to enter your address in the BISON-Online-Service for this purpose. There is the risk, in particular, of you making a mistake when entering the address and the cryptocurrencies not being transferred to the correct address as a result. As a transfer cannot be reversed, you would lose the transferred amount. Please therefore always check that you have entered your address correctly.

You also have the possibility to deposit cryptocurrencies via the BISON-Online-Service at blocknox and put them into custody. To initiate such a deposit, you have to use the functionality of the BISON-Online-Service to generate your own deposit wallet address. You must make the deposit to this wallet address from your blockchain address. You have to make sure that the deposit wallet address you entered is correct; a withdrawal to a wrong blockchain address cannot be reversed. Due to the implemented security standards, the deposit may be delayed. In the event of such a delay, there is a risk that you will not be able to make purchases and sales via the BISON-Online-Service due to temporary unavailability of your cryptocurrencies in the deposit process. As a result, you may suffer losses (up to total loss) or miss out on profits.

Regulatory risk

There is the risk of certain legal systems applying existing regulations, or applying them in a different manner, or introducing new regulations for applications based on distributed ledger technology that have a negative effect on the current structure of the systems or may result in significant changes of these systems. This could result in a decline of value and potentially also in a total loss.

Tax risks

If you gain profits from the purchase and sale of crypto currencies, you will have to pay taxes on them. There is the risk of the current regulations on the scope of your tax liability changing to your disadvantage or of being applied in a different manner by the (national and foreign) tax authorities.

Cyber security risk

Blocknox stores your cryptocurrencies in accordance with extremely high security standards and has implemented a corresponding security concept. However, this security concept does not provide 100% security. There is therefore the risk of the EDP equipment used becoming the target of cyber or physical attacks. This could lead to a loss (up to a total loss).

Manipulation risk

Each distributed ledger technology that underlies a cryptocurrency is based on a certain cryptographic method for providing protection against manipulation. This method or the implementation of this method could turn out to be insufficiently secure in the future. This also applies to future updates or software upgrades, particularly of the benchmarking software. There is the risk of the functionality of the distributed ledger technology being impaired or entirely destroyed by cyber attacks, for instance. This could lead to a loss of cryptocurrencies (up to a total loss).

Risk of a majority attack



In the case of the Bitcoin (BTC), Litecoin (LTC), Ether (ETH) and Bitcoin Cash (BCH) cryptocurrencies, miners with more than half of the computation power can join forces and launch a majority attack (also: 51% attack). By doing so, they could prevent new transfers being accepted by the network, for example. There is the risk of the functionality of the distributed ledger technology being impaired or entirely destroyed by a majority attack. The Ripple (XRP) cryptocurrency is also exposed to a similar risk. A majority attack can also lead to a decline in the market price and a loss (up to a total loss).

Transfer cost risk

The transfer of units of value of a cryptocurrency to another address incurs certain costs. There is the risk of these costs increasing in the future. The increased costs, in turn, may reduce the attractiveness of the cryptocurrency as a means of payment. This could lead to a fall in the market price and a loss (up to a total loss).

C.3. Other specific risks

Risk of spying on your app, web or e-mail access data

You log in via the BISON-Online-Service using your access data (e-mail address and password). There is the risk of another person spying on your access data or obtaining knowledge thereof through other means and misusing the functionalities of the BISON-Online-Service in your name. In order to limit this risk, you should not store your password electronically unsecured and prevent spying when entering the password. If you find that another person has knowledge of your password or if you are suspicious of it, you must immediately change your password. If it is not possible to change it, you must notify us immediately. The same applies to your e-mail access data.

Risk of loan financing

If the money paid in originates from a loan, the opportunity of generating profits as well as the risk of losses is increased through the so-called leverage effect. In addition, the costs of the loan, particularly its interest, increase the total costs of your investment in cryptocurrencies. Should the market price develop differently to your expectations, you will have to absorb the potential loss and also repay the loan plus interest. You should therefore carefully weigh up the situation and consult a suitable consultant, if necessary, before financing your deposits with a loan.

D. ESMA, EIOPA and EBA warning

In a public statement of 12 February 2018, the joint committee of the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA) warned of potential risks in connection with the purchase and holding of cryptocurrencies, such as Bitcoin (BTC), Ether (ETH) and Ripple (XRP). You can read the warning at [EIOPA](#).

Please note that this warning does not fully apply to BISON. In particular, according to German law, cryptocurrencies are classed as financial instruments within the meaning of the German Banking Act (Kreditwesengesetz – KWG). EUWAX therefore provides a financial service that is supervised by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) when selling and buying cryptocurrencies to and from you.



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and blocknox GmbH for Private Customers

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