VFIL MiCAR Crypto Risk Disclosure

Key Risks Associated with Transactions in Crypto Assets

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1 Introduction

Virtu Financial Ireland Limited ("VFIL", "the Firm", "we") is authorised by the Central Bank of Ireland to provide an exchange of crypto-assets for funds or other crypto assets. As a crypto-assets service provider, VFIL is required to warn clients of the risks associated with transactions in crypto-assets in accordance with Article 66(3) of Regulation (EU) 2023/1114 ("MiCAR").

Crypto-asset transactions involve substantial risks and may result in the loss of all or a substantial part of the economic value of the assets involved. The nature and severity of the risks depend on factors including the relevant crypto-asset, transaction size and structure, market conditions, the parties involved and the applicable settlement arrangements.

Each client is responsible for determining whether a transaction is consistent with its risk appetite, investment objectives, internal policies and other relevant considerations.

This document provides a non-exhaustive list of the risks associated with transactions in crypto-assets.

2 Risks Associated with Transactions in Crypto-Assets

2.1 Risk of depreciation in value and extreme volatility

Many crypto-assets are subject to sudden and extreme price movements, as they are determined by the prevailing market price and can be influenced by demand, liquidity and global events, and may be subject to extreme volatility within short periods. Prices may be affected by various factors (e.g., concentrated ownership, user confidence, governmental restrictions, market misconduct or regulatory developments) and past performance is not an indicator of future peforformance.

A client may consequently incur sudden and substantial valuation losses, including a total loss, and may be unable to dispose of a position at its expected value or at any given time.

2.2 Liquidity and execution risk

Not all crypto-assets are considered liquid. Liquidity may also deteriorate rapidly, particularly during periods of market stress or low trading activity. This could result in wider bid-offer spreads and significant price slippage.

A client's ability to trade at a desired price or time may therefore be limited and they may face delays or partial executions.

2.3 Counterparty, settlement and third-party risk

Provision of crypto-asset services involves other third parties, including liquidity providers, which may expose clients to counterparty, operational and settlement risks. Third party failure, insolvency, delay or operational disruption could prevent or delay execution or settlement which may potentially result in losses or other adverse effects for the clients.

2.4 Technology, cyber and operational risk

Crypto-asset transactions depend on distributed ledgers, software protocols, smart contracts, wallets, communications networks and systems operated by VFIL or other third parties. Distributed ledgers and other networks used for crypto-assets can bear specific risks which are outside of VFIL's control.

Network congestion, protocol changes, cyber attacks, compromised credentials, software defects and outages may disrupt transactions or access to crypto assets. These events may also result in delayed, erroneous, duplicated or unauthorised transactions, theft, permanent loss of access or a material reduction in value.

2.5 Legal, regulatory, accounting and tax risk

The classification and treatment of a crypto-asset or transaction may differ between jurisdictions. Legal or regulatory requirements can change, potentially with limited notice. Such developments could restrict or prohibit the holding, transfer or exchange of a crypto-asset, require a service to be suspended, delay or prevent settlement, or adversely affect the asset's liquidity, use or value. Transactions may also have regulatory, capital, liquidity, reporting, accounting, audit or tax consequences for a client.

2.6 Limited protection

MiCAR provides a certain level of client protection (e.g., conflicts of interest management, complaints handling). However, these measures are not as extensive as those applicable to more traditional financial products. Crypto-assets are not covered by deposit guarantee schemes or investor compensation schemes as opposed to those applicable to more traditional financial products. A client may therefore be unable to recover some or all of its loss.