

## **BITCOIN RISK WARNING**

### **BITCOIN DEFINITION**

Unlike most currencies, which are backed by governments or other legal entities, or by commodities such as gold or silver, Bitcoin is a unique kind of "fiat currency", backed by technology and trust. There is no central bank that can take corrective measure to protect the value of Bitcoins in a crisis or issue more currency. Instead, Bitcoin is an as-yet autonomous and largely unregulated worldwide system of currency firms and individuals. Considering abovementioned information, Bitcoin formally cannot be deemed as a currency.

### **CHARACTERISTIC OF INVESTMENT IN BITCOINS**

Traders in Bitcoins put their trust in a digital, decentralized and partially anonymous system that relies on peer-to-peer networking and cryptography to maintain its integrity.

Confidence of the Traders in Bitcoins might collapse as a result of unexpected changes imposed by the software developers or others, a government crackdown, the creation of superior competing alternative currencies, or a deflationary or inflationary spiral.

Confidence might also collapse because of technical problems: if the anonymity of the system is compromised, if money is lost or stolen, or if hackers or governments are able to prevent any transactions from settling

### **RISKS IN INVESTING IN BITCOINS**

Without prejudice to Risk Warning investing in Bitcoins involves particular risks in particular (but not limited to) specified herein below:

- Bitcoin exchanges are entirely digital and, as with any virtual system, are at [risk from hackers](#), malware and operational glitches. If a thief gains access to a Bitcoin owner's hard drive and steals his private encryption key, he could transfer the stolen Bitcoins to another account. This is particularly problematic once you remember that all Bitcoin transactions are permanent and irreversible.
- Some investments are insured through the [Securities Investor Protection Corporation](#) (or other), like normal bank accounts, which are insured through the Federal Deposit Insurance Corporation (or other) up to a certain amount depending on the jurisdiction. Bitcoin exchanges and Bitcoin accounts are not insured by any type of federal or government program.
- While Bitcoin uses private key encryption to verify owners and register transactions, fraudsters and scammers may attempt to sell false Bitcoins. For instance, in July 2013, the SEC brought legal action against an operator of a Bitcoin-related Ponzi scheme.

- Like with any investment, Bitcoin values can fluctuate. Indeed, the value of Bitcoin has seen wild swings in price over its short existence. If fewer people begin to accept Bitcoin as a currency, these digital units may lose value and could become worthless.
- Bitcoins are a rival to government currency and may be used for black market transactions or tax evasion. Governments may seek to regulate, restrict or ban the use and sale of Bitcoins. Some governments have already put this into practice.
- The IRS has already announced that it treats Bitcoin as property for federal tax purposes. As Bitcoin is ineligible to be included in any tax-advantaged retirement accounts, there are no good, legal options to shield investments in Bitcoin from taxation.

There may be additional risks that SimpleFX Ltd. (“the Company”) has not foreseen or identified in this Bitcoin Risk Warning. Customer should carefully assess whether his or her financial situation and tolerance for risk is suitable for buying, selling or trading Bitcoins.