

October 2021

Staking

Terms & Conditions / Risk Disclosure

I. Introduction

SEBA Bank AG (“SEBA”) may provide a range of services to its clients that relate to the staking of digital assets registered on a blockchain or another digital, distributed ledger or based on similar technology (collectively “Staking Services”).

These terms and conditions (the “Terms and Conditions for Staking”) govern the access and use by the client (the “Client” or “you”) or its authorised representatives of the Staking Services of SEBA Bank AG.

The Terms and Conditions for Staking form an integral part of the contractual relationship between the Client and SEBA and apply together with and in addition to the general terms and conditions (the “GTC”), the custody regulations (the “Custody Regulations”), the risk disclosure document “Special Risks in Digital Assets” and any other terms and conditions of SEBA, subject to any special agreements between the Client and SEBA. Capitalized terms used, but not otherwise defined, in these Terms and Conditions for Staking shall have the meanings ascribed to them in the GTC, the Custody Regulations, the disclosure document Special Risks in Digital Assets and any other terms and conditions of SEBA.

SEBA reserves the right to adjust and amend these Terms and Conditions at any time and to communicate such changes to the Client in accordance with the GTC.

II. Staking of Digital Assets

Staking requires miners to lock up and put at risk (stake) a certain amount of Digital Assets associated with a given network to process transactions. The concept of staking comes from the consensus mechanism called “proof of stake” or “PoS”. In contrast to Proof-of-Work (PoW), where networks heavily rely on mining to add new blocks to the network, a PoS mechanism produces and validates new blocks through the process of randomly selecting a validator at regular intervals to create a block based on how much “skin in the game” they have: the higher the stake, the higher the chances for a validator to be selected for block production. Staked Digital Assets are lost if a miner processes a transaction in a way that is fraudulent or violates the rules of the underlying network. Newer networks like Tezos, Polkadot, Solana, Avalanche, Tron, EOS, Algorand and Cardano use proof-of-stake and Ethereum is in the process of switching to this new scheme. Some networks that use PoS permit other holders of the network’s native Digital Assets to permit miners to use some amount of such other holders’ Digital Assets for staking. If a miner uses Digital Assets of other holders and is chosen as the validator and receives a reward, the miner will give some of its rewards to such holders whose Digital Assets the miner used. Delegated proof-of-stake (DPoS) is an evolution of PoS that disperses the power to validate transactions and create new blocks only to a few nodes that generally have been elected by the holders of the native Digital Assets of the relevant network.

III. SEBA Staking Services

SEBA offers to its Clients the possibility to stake Digital Assets according to the rules of the relevant network and to earn rewards for staking Digital Assets for a certain period according to the rules of the relevant underlying network (collectively and throughout this document referred to as the “Staking Services”).

When holding Digital Assets with SEBA the Client may choose to stake certain Digital Assets supported by SEBA for Staking Services.

Staking Services will be available for selected Digital Assets where staking functionality is available and SEBA decides to offer such services. By requesting Staking Services for Digital Assets held with SEBA, the Client instructs SEBA to stake such Digital Assets according to the rules of the underlying network. Digital Assets are staked on the Client’s behalf by a third-party staking provider providing staking services. SEBA excludes any liability for such third-party staking providers to the fullest extent permitted by applicable law.

IV. Staking Rewards

SEBA will use reasonable efforts to stake any Digital Assets available for Staking Services. If a block of transactions regarding the staked assets is successfully validated, the Client may earn a reward calculated and granted by that Staking Assets’ network according to the applicable rules (“Staking Reward”). The reward is determined by the rules of the protocols of the applicable network (“Staking Protocol”). Any rewards from the Staking Protocol for your Staked Digital Assets (minus SEBA’s fees) will be distributed to you by crediting the respective staking account with SEBA.

The Client has no right to rewards until it is received by SEBA accordingly. The timing of such remittance to the Client and the percentage is in SEBA’s full discretion. All applicable fees as available and agreed in the Pricing Schedule will be deducted from the Staking Rewards. SEBA does not provide any warranty or guarantee that you will receive Staking Rewards, any specific percentage or type Staking Rewards, or any staking return over time, including stated potential Staking Rewards.

Any information regarding potential Staking Rewards are estimates only that may be changed by SEBA at any time in its sole discretion. The actual Staking Rewards may be more or less than the Staking Rewards SEBA receives from the third-party staking provider of a Staking Protocol.

Some networks subject staked assets to “slashing” if the transaction validator representing those assets incorrectly validates a transaction (sees Slashing Penalty below). SEBA will use commercially reasonable efforts to ensure that your staked Digital Assets will not be slashed, but in the unlikely event they are, you may lose part or all of your staked Digital Assets. SEBA is under no obligation to replace any Digital Assets subject to slashing and excludes all liabilities to the fullest extent permitted by applicable law.

V. Lockup Period

Some staked Digital Assets may be subject to a lockup period. SEBA has no control over the duration of or end date for the lockup period, which will ultimately be determined by the respective protocol. Unlike other Staking Services provided by SEBA, you will be unable to opt out of staking of certain Digital Assets once you have staked your assets. SEBA will not refund or replace such Digital Assets you wish to unstake. Unless otherwise stated by SEBA, you will not be able to trade, transfer or otherwise access your staked Digital Assets during the lockup period. Please refer to the Staking Factsheet which is updated in SEBA's discretion from time to time for specific lockup periods.

VI. Governance

Some of the Staking Protocols include governance and voting mechanisms. In this type of governance, rules for instituting changes are encoded into the network protocol. Changes are proposed through code updates, and each staking node operator votes on the proposed changes.

The Client acknowledges and agrees that SEBA may exercise any such governance decision and/or voting right on the Client's behalf, and you have no rights whatsoever in regard to the governance decisions derived from the staked Digital Assets.

VII. Tax Treatment

The tax treatment of Staking Rewards is uncertain, and it is your responsibility to determine what taxes if any, arise from using the Staking Services. You are solely responsible for reporting and paying any applicable taxes arising from staking through the Staking Services and all related transactions (e.g., any exchange or sale of your staked Digital Assets), and acknowledge that SEBA does not provide investment, legal, or tax advice to you in connection with such election to participate. You should conduct your own due diligence and consult your advisors before making any investment decision including whether to participate in staking and related transactions.

VIII. Staking Risks

Apart from the general risks associated with Digital Assets as described in the document "Special Risks in Digital Assets", Staking Services involve some specific risks as outlined below. In addition to the outlined risks, there are risks associated with staking Digital Assets including those that SEBA cannot anticipate or foresee. Such risks may further materialize as unanticipated variations or combinations of the risks discussed in these Staking Terms and Conditions or other risks. The Client agrees and acknowledges all such risks associated with the staking of Digital Assets with the acceptance of these Staking Terms and Conditions.

1. Slashing Penalty

Each Staking Protocol may determine penalties for certain events associated with the staking of Staking Assets (e.g. unavailability, slow, incorrect or malicious performance) ("Slashing Penalty"). This may occur if a Staking Service has been erroneously operated, the transaction validator incorrectly validated a transaction and/or in any other case determined by the Staking Protocol, that may result in a Slashing Penalty, non-payment of the Staking Reward and/or partial or complete loss of staked assets.

2. Critical Bugs

Staking Services are based on various Staking Protocols and may require the transfer of Digital Assets into smart contracts on the underlying network that are not under anyone's control. As such, any malfunction, unintended function or unexpected functioning of the Staking Protocols and/or 'staking assets' networks may consequently cause Staking Services to malfunction or function in an unexpected or unintended manner.

Hackers and other groups or organizations may attempt to interfere with Staking Protocols, Staking Services and Staked Assets in any number of ways, including, without limitation, denial of service attacks, sybil attacks, spoofing, smurfing, malware attacks or consensus-based attacks.

Critical bugs including, but not limited to, the ones described above may result in a loss of part or all Staked Assets.

IX. No Guarantee, Representation or Warranty

The Client agrees and acknowledges that SEBA does not provide any guarantee or warranty that the Client will receive any Staking Rewards. Furthermore, the applicable percentage of the Staking Rewards is an estimate only and does not constitute a guarantee, warranty or representation of any sort and that this may change at any time in SEBA's full discretion and may be less than the actual Staking Rewards SEBA receives from the Staking Protocol.

SEBA makes no representations, warranties or guarantees that any particular Digital Assets will be available for staking continuously. SEBA has the right to initiate or terminate Staking Services for any Digital Assets or modify the terms and conditions of Staking Services at its sole discretion.

SEBA uses best effort to ensure that the Staking Services are accessible without interruptions. Notwithstanding the foregoing, SEBA cannot guarantee or provide any warranty for an uninterrupted or error-free operation of the Staking Services. The Client acknowledges and agrees that in the event of such disruptions the staked assets may not generate any Staking Reward.

X. Limitation of Liability

SEBA's obligation towards the Client consists in the due performance of its services and contractual duties in accordance with the standard of care customary in Swiss banking practice or as otherwise specified in these Terms and Conditions for Staking, the Custody Regulations and/or the GTC.

Any liability of SEBA for any loss or damage suffered in the absence of any breach by SEBA of its applicable duty of care is excluded. In addition, the liability is also excluded (regardless of any breach of the applicable duty of care) where explicitly stated in these Terms and Conditions for Staking. In the event of a loss or damage due to a breach by SEBA of its applicable duty of care, SEBA shall only be liable for direct losses caused with intent or gross negligence. Any liability of SEBA for indirect or consequential losses (including loss of profit, loss of data, loss of revenue, or missing of other opportunities) is excluded. SEBA is not liable for any loss or damage due to events or the materialization of risks outside its sphere of influence nor for any loss or damage caused or increased by the Client, in particular due to any failure on the part of the Client to take measures to avoid, mitigate or reduce any loss or damage.

XI. Acceptance of Terms and Conditions

By using SEBA's Staking Services, the Client acknowledges and accepts the risks described in the Terms and Conditions for Staking and agrees to comply with the Terms and Conditions for Staking. Clients that do not understand the Terms and Conditions for Staking should retain competent counsel or refrain from engaging in activities involving Staking Services.

The Client is required to study and acknowledge the Terms and Conditions for Staking before using the Staking Services and shall take into account the risk factors disclosed herein in its decision-making process, in addition to the risks described in this Digital Asset Risk Disclosure.

Furthermore, these Terms and Conditions for Staking do not discuss any matters of taxation or other legal matters in any jurisdiction relating to the Staking Services. The Client is advised to retain appropriate counsel in respect of legal and tax matters.

SEBA is not responsible for any loss or damage resulting from the realization of risks specific to the Staking Services that are outside the sphere of influence of SEBA or that cannot be attributed to any non-compliance by SEBA with its duties of care according to the GTC, the Custody Regulations and any other general or special terms of SEBA, as applicable. Further, SEBA is under no obligation to inform the Client of the realization or possibility of realization of any of the risks described above or any other risks relating to the Staking Services.

Client Name

Partner Number

Place and Date

Signature

Full name (in block letters) / Title / Position

