

SUPPLEMENT NO. 2
dated 27 July 2020
to the Base Prospectus of
21Shares AG

The prospectus

This document constitutes a supplement to 21Shares AG's base prospectus approved and registered by the Swedish Financial Supervisory Authority (**SFSA**) on 25 November 2019 (SFSA reg. no. 19-18966), as amended and updated through Supplement No.1 approved and registered by the SFSA on 28 February 2020 (SFSA reg. no. 20-4009), (the **Base Prospectus**).

This supplement

This supplement forms an integral part of and should be read together with the other parts of the Base Prospectus. This supplement has been prepared by 21Shares AG pursuant to the provisions of Article 23 of the Prospectus Regulation (EU) 2017/1129. This supplement was approved and registered by the SFSA on 27 July 2020 (SFSA reg. no. 20-16799).

Reasons for this supplement

This supplement has been prepared for the following reasons:

- to broaden the collateral held by the Issuer for each product as permitted by the SIX;
- to change the details of the parent company of the Issuer;
- to include details of a new administrator/product calculation agent who may be used for certain products; and
- to make reference to the fact that the Issuer has now published audited financial statements.

Right of withdrawal

Only investors who have already agreed to purchase or subscribe for any Products offered under the Base Prospectus before this supplement was published shall have the right, exercisable within two working days after the publication of this supplement, to withdraw their acceptances, provided that the circumstances stated above arose or were noted before the closing of the relevant offer or the delivery of the Products, whichever occurs first.

Such investors can exercise their right of withdrawal during the period from publication of this supplement up to and including **29 July 2020**. This right of withdrawal cannot be exercised after said date.

Such investors should contact the relevant financial intermediary through which the investor has purchased or subscribed for the Products in question should they wish to exercise the right of withdrawal.

AMENDMENTS TO THE SECTION “OVERVIEW OF THE PROGRAMME”

The sub-section “Administrator” on page 2 of the Base Prospectus shall be deleted and replaced by the following:

“**Administrators** MG Stover & Co. or Sudrania Fund Services Corporation as specified in the relevant Final Terms”

The sub-section “Collateral” on page 3 of the Base Prospectus shall be deleted and replaced by the following:

“**Collateral** The Underlyings or Underlying Components credited to the Collateral Account and which serve as collateral for the Product. Collateralisation of ETPs, as further described in the section headed “*Collateral*” herein, eliminates the credit risk of the Issuer only to the extent that the proceeds from the liquidation or realisation of Collateral (less the costs of liquidation fees and expenses of the Collateral Agent and payout) meet the Investors’ claims. The Investor bears the following risk, among others: the market risk associated with the Collateral results in insufficient liquidation proceeds or, in extreme circumstances, the Collateral might lose its value entirely, including through theft, hacking, or fraud, prior to the liquidation taking place or it may not be possible to realise the Collateral. The costs for the service with respect to the collateralisation of the Products may be taken into account for the pricing of a specific Product and may therefore be borne by the Investors. With regard to the payment to the respective Investors of the relevant share of the net liquidation proceeds, each Investor shall bear the solvency risks of The Kingdom Trust Company (**Kingdom Trust**), Coinbase Custody Trust Company, LLC (**Coinbase**) or any other custodian of the Underlying or Underlying Components (Kingdom Trust, Coinbase or such other custodian, the **Custodian**) and/or The Law Debenture Trust Corporation p.l.c. (**Collateral Agent** or **Law Debenture**) effecting the liquidation of the collateral, as well as the financial intermediaries along the payout chain. The payment to the Investors may be delayed for factual or legal reasons. To the extent the calculation of the current value of Products proves to be incorrect, the collateralisation of the Products may be insufficient. “

The subsection “Issuer Security” on page 4 of the Base Prospectus shall be deleted and replaced with the following:

“**Issuer Security** The security created over the Collateral in favour of the Collateral Agent and for the benefit of Investors pursuant to the Pledge of Collateral Account Agreement, the ACA and the Additional Pledges.”

The subsection “Governing Law of Products” on page 6 of the Base Prospectus shall be deleted and replaced with the following:

“**Governing Law of Products** The Products are governed by and shall be construed in accordance with Swiss law (without reference to the principles of conflicts of law rules). In relation to any proceedings in respect of the Products, the Issuer has submitted to the jurisdiction of the courts of the City of Zurich, the place of jurisdiction being Zurich 1.

The Collateral Agent Agreement is governed by English law, with certain provisions of the Collateral Agent Agreement being governed by the laws of Switzerland as stated within the Collateral Agent Agreement.

The Custodial Services Agreement, the Pledge of Collateral Account Agreement, the Additional Pledges and the ACA are governed by the laws of the State of South Dakota or by the laws of the State of New York, as applicable.”

AMENDMENTS TO THE SECTION “RISK FACTORS”

In the sub-section “Risk Factors relating to the Issuer” on page 8 of the Base Prospectus, the risk factor headed “Credit Risk” shall be deleted and replaced with the following:

“*Credit Risk*”

Investors are exposed to the credit risk of the Issuer and the Custodian. An Investor’s ability to obtain payment in accordance with the General Terms and Conditions is dependent on the Issuer’s ability to meet these obligations. The Products are not, either directly or indirectly, an obligation of any other party. As a result, irrespective of the collateralisation, the creditworthiness of the Issuer may affect the market value of any Products and, in the event of a default, insolvency or bankruptcy, Investors may not receive the amount owed to them under the General Terms and Conditions. In addition to direct credit risks, the Investors are indirectly exposed to any credit risk that the Issuer is exposed to. For example, the Issuer may incur losses and/or fail to obtain delivery under any arrangements in place in respect of any crypto-denominated assets held as Collateral.

Risk Rating: medium.”

In the sub-section “Risk Factors relating to the Issuer” on page 9 of the Base Prospectus, the risk factor headed “Counterparty Risk” shall be deleted and replaced with the following:

“*Counterparty Risk*”

The Issuer will be exposed to the credit risk of a number of counterparties with whom the Issuer transacts, including, but not limited to, the Custodian, the Administrator, Wallet Provider(s), Depositories, Paying Agents, Market Makers, Authorised Participants, any party to any arrangements in place in respect of any crypto-denominated assets held as Collateral and exchanges. Consequently, the Issuer is exposed to risks, including credit risk, reputational risk and settlement risk, arising from the failure of any of its counterparties to fulfil their respective obligations, which, if any such risks occur, may have a material adverse effect on the Issuer’s business and financial position.

With respect to the Custodian, the Issuer will be exposed to the credit risk of depository institutions with whom it holds cash and other Crypto Assets. Credit risk, in this case, is the risk that the depository holding a financial instrument (cash or crypto) will fail to fulfil an obligation or commitment to the Issuer. The Issuer’s Crypto Assets are maintained by the Custodian in segregated accounts, which are intended to be protected in the event of insolvency of the Custodian. However, any insolvency of the Custodian may result in delayed access to Crypto Assets serving as Underlyings or Underlying Components, including those serving as Collateral for any Products. In such a situation, Investors may face a loss due to asset price fluctuation.

It is important to note that no party, including the Wallet Providers, Custodian or Issuer is liable for the loss of the Underlyings or Underlying Components. In the case of theft, the liability belongs solely to the Investor.

Risk Rating: low.”

At the end of the sub-section "Risk Factors Relating to the ETPs" starting on page 10 of the Base Prospectus the following new risk factor shall be added:

"Lending arrangements denominated in the Underlying or Underlying Components"

The Issuer may enter into lending arrangements whereby it lends certain Underlying or Underlying Components to third parties. In such a case, the Collateral consisting of directly held Underlyings or Underlying Components is replaced by Collateral in the form of a futures contract. In order to mitigate the Issuer's, and the Investor's indirect, credit risk exposure to any parties to any lending arrangements, that third party must post eligible collateral assets with a market value at least equivalent to the value of the Underlying or Underlying Components lent. Underlyings or Underlying Components may be lent to third parties over a period of time. All of the Issuer's rights in any lending arrangements or assets posted back thereunder will be pledged to the Collateral Agent acting on behalf of Investors. The risks of lending the Underlyings or Underlying Components include the risk that a borrower may not post back additional collateral assets when required or may not return the Underlying or Underlying Components when due. A default by the borrower under such lending arrangements combined with a fall in the value of the collateral assets that borrower has posted back may result in the Issuer holding insufficient assets to meet its obligations in connection with redemptions of Products and a corresponding fall in the value of an Investors holding.

Risk rating: low."

In the sub-section entitled "Conflicts of Interests of the Issuer and Jura Pentium Limited" starting on page 12 of the Base Prospectus, the words "which owns 100% of the Issuer" shall be deleted and replaced with:

"which is under common ultimate control as the Issuer".

AMENDMENTS TO THE SECTION "GENERAL TERMS AND CONDITIONS"

In the section entitled "1. Definitions" starting on page 17 of the Base Prospectus each of the definitions of "Administrator", "Administration Agreement", "Collateral", "Crypto Asset Collateral" and "Pledge of Collateral Account Agreement" shall each be deleted and replaced with the following:

"Administrator means MG Stover & Co. or Sudrania Fund Services Corporation as specified in the relevant Final Terms and any successor administrator(s)."

"Administration Agreement means either the agreement dated on or about 5 November 2018 between the Issuer and MG Stover & Co. in relation to the Programme or the agreement dated on or about 1 June 2020 between the Issuer and Sudrania Fund Services Corp. as applicable, as each may be amended and/or supplemented and/or restated from time-to-time."

"Collateral means the Underlyings or Underlying Components credited to the Collateral Account and other assets denominated in the Underlyings or Underlying Components and which serve as collateral for the Product."

"Crypto Asset Collateral means the amount of eligible Crypto Assets or other assets denominated in Underlying or Underlying components collateralising a Product."

In the section entitled "1. Definitions" starting on page 17 of the Base Prospectus the following additional definition shall be inserted before the definition of "Administrator":

"Additional Pledges means any pledge agreement other than the Pledge of Collateral Account Agreements between the Issuer and the Collateral Agent granted in respect of the Collateral specified in the applicable Final Terms."

In the section entitled "1. Definitions" the following additional definition shall be inserted on page 23 after the definition of "Required Threshold":

“Security Documents means the ACA, the Pledge of Collateral Account Agreement and the Additional Pledges.”

Under the heading “3.2 Collateralisation” on page 24, the text shall be deleted and replaced with the following:

“The Issuer will, by no later than the Issue Date of the relevant Series of Products, credit the Underlyings or Underlying Components of the Products to the respective Collateral Account for such Series. The Issuer has entered into the ACA, the Pledge of Collateral Account Agreement, the Additional Pledges and the Collateral Agent Agreement in order to provide the Collateral for the benefit of the Investors to secure its payment obligations under the Product Documentation.”

Under the heading “21.1 Enforcement” on page 36 of the Base Prospectus, paragraph (b) shall be deleted and replaced with the following:

“(b) Subject to the provisions of the Collateral Agent Agreement, the ACA, the Pledge of Collateral Account Agreement and the Additional Pledges, at any time after the Issuer Security has become enforceable, the Collateral Agent shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction, if so instructed by Investors representing not less than 25% of Products in the relevant Series following an Event of Default or any Investor following an Insolvency Event, in writing, without notice, take such steps, actions or proceedings as it may think fit to enforce such Issuer Security.”

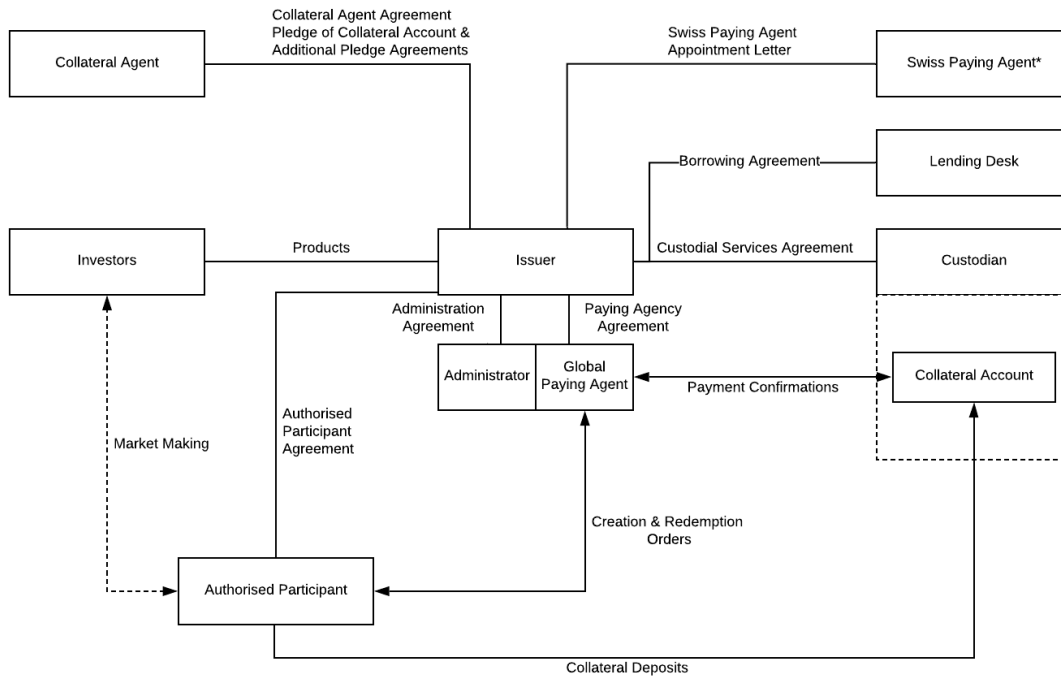
AMENDMENTS TO THE SECTION “FORM OF FINAL TERMS”

In the section “Form of Final Terms” starting on page 40 of the Base Prospectus the following three fields shall be added after “Product Calculation Agent” but before “Swiss Agent”:

Calculation Agent:	Name: [•] Address: [•]
Index Calculation Agent:	Name: [•] Address: [•]
Administrator:	Name: [•] Description: [•]

AMENDMENTS TO THE SECTION “SUMMARY OF THE PARTIES AND THE STRUCTURE”

Under the heading “Structure of the Programme” on page 49 of the Base Prospectus, the diagram shall be deleted and replaced with the following:



* for SIX listed Series of Products

Under the heading “Principal Parties” on page 49 of the Base Prospectus the descriptions of Administrator and Product Calculation Agent shall be deleted and replaced with the following:

- Administrators and Product Calculation Agents:** Pursuant to the Administration Agreements, the Administrators and Product Calculation Agents will: (i) supply, or arrange the supply of, all management and administration services for the Issuer, (ii) as Administrators, be responsible, *inter alia*, for Authorised Participant administration, general administration and fee calculation among other responsibilities, (iii) and as Product Calculation Agents, be responsible for making certain determinations and calculations in accordance with the General Terms and Conditions of the Products, such as whether there has been a Market Disruption Event, the determination of the Redemption Amount and, in respect of redemption by an Authorised Participant in accordance with Condition 5.4, the determination of the Crypto Asset Collateral required to be delivered. The Final Terms for each Tranche of Products will specify the details of the relevant Administrator and Product Calculation Agent.
- Calculation Agent:** The Final Terms for each Tranche of Products will specify the details of the Calculation Agent. The Product Calculation Agent will create portfolio composition files in respect of the Products (the PCF) and/or disseminates Indicative Optimized Portfolio Values in respect of the Products (the IOPV values).

Under the heading “Principal Transaction Documents – Collateral Agent Agreement” on page 52 of the Base Prospectus, the first two paragraphs shall be deleted and replaced with the following:

“On or about 13 November 2018, the Issuer entered into a Collateral Agent Agreement with the Collateral Agent. The Collateral Agent Agreement was amended and restated on 15 April 2019 and 23 July 2020. The Collateral Agent Agreement sets out the terms on which The Law Debenture Trust Corporation p.l.c. will act as Collateral Agent in relation to the secured assets under the Programme.

Pursuant to the terms of the Pledge of Collateral Account Agreement and Additional Pledges, the Issuer has pledged and granted to the Collateral Agent (in favour of the Investors) a security interest and lien in and on all of the Issuer’s right, title and interest in and to the Collateral.”

Under the heading “Principal Transaction Documents – Administration Agreement” on page 53 of the Base Prospectus, the first paragraph shall be deleted and replaced with the following: **“Administration Agreement**

As at 23 July 2020, the Issuer has entered into the Administration Agreements with the Administrators. The Administration Agreements sets out the terms on which each Administrators will act in relation to the Products issued under the Programme. Pursuant to the Administration Agreement, the Administrators agrees to provide certain services, including:

- (a) *Implementation Services* – including, *inter alia*: (i) defining reporting requirements and establishing a client web portal; (ii) establishing an automated data feed between the Administrators and the Issuer; (iii) collecting and loading portfolio and financial data;
- (b) *Daily Administrator & Accounting Services* – including, *inter alia*: (i) daily processing of portfolio activity; (ii) daily reconciliation of cash and position with the Issuer’s prime broker, custodian, bank or exchange; and (iii) daily pricing of the Product portfolio using third party pricing sources; and
- (c) *Reporting Services* – including reporting in respect of: (i) daily cash and position reconciliations and a break report; (ii) daily portfolio reporting; and (iii) daily production of a net asset value (NAV) closing package, portfolio composition file and investor fee file, supported by a trial balance.

The Issuer has agreed to indemnify and hold the Administrators harmless against any liability, actions, proceedings, claims, demands, costs or expenses (including but without limitation any reasonable attorneys’ fees) whatsoever, which the Administrators may incur or be subject to, in its capacity as providing the services provided under the Administration Agreements, provided, however, that such indemnity shall not apply to any liability or expense occasioned by or resulting from that Administrator’s wilful misfeasance, bad faith, fraud or gross negligence in the performance of its duties or from reckless disregard by it of its obligations or duties under the relevant Administration Agreement.

The Administration Agreement with MG Stover & Co. is governed by the laws of the State of Colorado and the Administration Agreement with Sudrania Fund Services Corporation is governed by the laws of the State of Illinois.”

At the end of the section under the heading “Principal Transaction Documents” the following additional paragraph shall be added on page 55:

“Additional Pledges

As of 23 July 2020, the Issuer and the Collateral Agent have entered into a pledge of loan agreement and account control agreement which is governed by the laws of the State of South Dakota. This pledge provides a security interest in favour of the Collateral Agent for the benefit of Investors in certain agreements that the Issuer has entered into. The security interest created in the pledge of loan agreement and account control agreement is for the benefit of the Investors holding relevant Products issued under the Programme.”

AMENDMENTS TO THE SECTION “COLLATERAL & SUMMARY OF SECURITY ARRANGEMENTS”

Under the heading “Collateralisation Method” on page 58 of the Base Prospectus, the first paragraph shall be deleted and replaced with the following:

“Each Product issued under the Programme shall be collateralised through the purchase of a pool of Crypto Asset Collateral on a 1:1 basis. Any Crypto Assets will be held on behalf of the Issuer by the Custodian in accordance with the Custodial Services Agreement. The Custodian is responsible for creating and maintaining wallet addresses and all safety and security measures associated with the wallet. See “*Summary of the Parties and the Structure—Principal Transaction Documents—Custodial Services Agreement*”.

The custody for the Crypto Assets is provided by either The Kingdom Trust Company or Coinbase Custody Trust Company, LLC, qualified custodians located in the United States, as applicable.

The Issuer, the Collateral Agent and the Custodian have entered into the Account Control Agreement with respect to the Collateral. See “*Summary of the Parties and the Structure—Principal Transaction Documents—Account Control Agreement*”.

Any Crypto Asset Collateral that is not represented by Crypto Assets but rather in assets denominated in Crypto Assets, such as futures contracts, will be pledged to the Collateral Agent under the Additional Pledge Agreements. See “*Summary of the Parties and the Structure – Principal Transaction Documents – Additional Pledge Agreements*”.

Under the heading “Practical Procedure in the Event of Realisation” on page 61 of the Base Prospectus, the text shall be deleted and replaced with the following:

“In the event of a realisation, the Collateral Agent (in the event of an Event of Default) or the Swiss bankruptcy official or a party appointed by it (including the Collateral Agent) (in the event of an Insolvency Event) will (i) enforce any of the Issuer’s rights in any assets of the Issuer under the terms of the Additional Pledge Agreements and arrange for any Crypto Assets due under those agreement to be delivered to a designated collateral account and (ii) place an order through the designated collateral account under the terms of the Custodial Services Agreement. With the assistance of the Custodian and the relevant exchanges, the Collateral Agent or the Issuer will undertake to liquidate the assets as soon as possible assuming sufficient liquidity is available in the market.”

AMENDMENTS TO THE SECTION “FEES RELATED TO THE PRODUCTS”

Under the heading Crypto Asset Collateral on page 63, the first sentence shall be deleted and replaced with the following:

“The Crypto Asset Collateral is the amount of physical Crypto assets or assets denominated in Crypto backing the Product.”

AMENDMENTS TO THE SECTION “AUTHORISED PARTICIPANT’S ROLE”

The heading “Initial Authorised Participants” on page 64 of the Base Prospectus shall be deleted and replaced with the heading “Authorised Participants” and the following additional text shall be added at the end of that section:

“Lang & Schwarz

The information in this section (Lang & Schwarz) consists only of information published by Lang & Schwarz. The Issuer accepts responsibility for the accurate reproduction of such information. As far as the Issuer is aware and is able to ascertain from information published by Lang & Schwarz, no facts have been omitted which would render such reproduced information inaccurate or misleading.

Lang & Schwarz TradeCenter AG & Co. KG, a subsidiary of the Lang & Schwarz AG which is a holding company that was founded on January 19th in 1996, is located on Breite Straße 34, in 40213 Düsseldorf, Germany. The entity is mainly focused on market making of securities such as exchange traded products, equities, mutual funds, fixed income products and derivatives, issued by Lang & Schwarz AG. Its core business is the German market

where it is engaged in market making on Börse Stuttgart and solely on the LS Exchange, an electronic trading platform operated by Börse Hamburg since 2016.”

AMENDMENTS TO THE SECTION “INFORMATION ABOUT THE ISSUER”

Under the heading “Group” on page 67 of the Base Prospectus, the text shall be deleted and replaced with the following:

“As at 8 May 2020, the Issuer is a fully owned subsidiary of Amun Holdings Limited, CO Services Cayman Limited, PO Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands.”

Under the heading “Share Capital” on page 68 of the Base Prospectus, the last paragraph shall be deleted and replaced with the following:

“The share capital is held in its entirety by Amun Holdings Limited.”

Under the heading “Business” on page 68 of the Base Prospectus, the first paragraph shall be deleted and replaced with the following:

“Amun AG was set up to issue exchange traded products and other financial products linked to the performance of Crypto Assets such as Bitcoin (BTC), Ethereum Ether (ETH), Bitcoin Cash (BCH), Ripple (XRP), Litecoin (LTC), Stellar Lumens (XLM) and EOS (EOS) and indices of Crypto Assets. The Issuer will also engage in other activities related to the issuance of the Exchange Traded Products and the maintenance of the Programme and the creation of new crypto-linked financial products. It does not have other revenue generating business activities.”

Under the heading “Financial Statements” on page 70 of the Base Prospectus, the first paragraph shall be deleted and replaced with the following:

“The audited IFRS financial statements for the period (i) from the Issuer’s incorporation on 27 July 2018 to 31 December 2018, and (ii) from 1 January 2019 to 31 December 2019, respectively, and the unaudited interim IFRS financial statements for the period ended 30 June 2019 are incorporated by reference into this Base Prospectus (see section “*Incorporation by Reference*”). The financial statements for the period ending on 31 December 2018 were given an unqualified auditor’s opinion by the Auditor.”

AMENDMENTS TO THE SECTION “GENERAL INFORMATION”

On page 92 of the Base Prospectus the information under the following sub-headings shall be deleted and replaced with the following:

“Recent events relevant for evaluation of Solvency

On 8 May 2019, the Issuer entered into a subordination agreement with Jura Pentium Limited, whereby the latter agreed to subordinate loans granted to the Issuer. Jura Pentium Limited has assumed and assumes all past, present and future liabilities of the Issuer other than as a result of, or arising under, any ETP issued by the Issuer in order to keep it solvent.

Save for the preceding paragraph, there has been no recent events particular to the Issuer and which are to a material extent relevant to an evaluation of the Issuer’s solvency.

Significant Change

Save as disclosed herein, there has been no significant change in the financial position of the Issuer since 31 December 2019.

Trend Information

Save as disclosed herein, there has been no material adverse change in the prospects of the Issuer since 31 December 2019 and there has been no significant change in the financial performance of the Issuer since 31 December 2019.”

Under the heading “No verification by other parties” on page 93 of the Base Prospectus shall be deleted and replaced with the following:

“None of the Authorised Participants, the Administrators, Bank Frick & Co. AG (the **Global Paying Agent**), the Custodian, the Collateral Agent, any Product Calculation Agent, any Index Calculation Agent, any Swiss Paying Agent or any listing agent has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by such parties as to the accuracy or completeness of the information contained herein, or any other further information prepared by the Issuer and supplied in connection with the Programme or any of the Products or their distribution.”

Under the heading “Incorporation by reference” on page 93, the following new item shall be added at the start of the list:

- “the Issuer’s audited IFRS financial statements for the period ended on 31 December 2019”

Under the heading “Documents on Display” on page 93, the following new item shall be added at the end of the list:

- “the Additional Pledge Agreements”

Under the heading “Description of Service Providers” on page 94, the following additional text shall be included:

“Sudrania Fund Service Corporation (“**Sudrania**”) is a corporation incorporated in the State of Illinois in the United States of America with identification number 72079728. Sudrania has its registered office at 633 Rogers Street, Suite 106, Downers Grove, IL 60523. Sudrania Fund Services is a fund accounting and fund technology company providing NAV Calculation and other services. It provides fund administration for hedge funds, commodity pools, private equity funds, and digital asset funds. Sudrania was established with the purpose of accomplishing such lawful business and activities as determined by its shareholders.”

AMENDMENTS TO APPENDIX 1 – GLOSSARY OF FREQUENTLY USED TERMS

In the section “Appendix 1 – Glossary of Frequently Used Terms” starting on page 97 of the Base Prospectus, the definitions of “Administrator”, “Collateral”, “Issuer Security” and “Security Documents” shall each be deleted and replaced with the following:

“**Administrator** means MG Stover & Co., or Sudrania Fund Services Corp. as specified in the relevant Final Terms and any successor administrator(s).”

“**Collateral** means the Underlyings or Underlying Components credited to the Collateral Account and other assets denominated in the Underlyings or Underlying Components which serve as collateral for the Product.”

“**Issuer Security** means the security created over the Collateral in favour of the Collateral Agent pursuant to the Pledge of Collateral Account Agreement, the ACA and the Additional Pledge Agreements.”

“**Security Documents** means the ACA, the Pledge of Collateral Account Agreement and the Additional Pledge Agreements.”