

## Crypto Lending in the Current Market Environment FAQs

14 November 2022

### Summary/TLDR:

- 21Shares ETPs have no loans outstanding.
  - 21Shares USD Yield ETP (USDY) has suspended lending given current market turbulence.
  - Neither USDY nor any other 21Shares ETP have any exposure to BlockFi or any other borrower.
  - 21Shares Bitcoin Core ETP (CBTC) and 21Shares Ethereum Core ETP (CETH) have not yet engaged in lending and continue to operate normally as physically-backed products.
- No 21Shares ETP has any exposure to Tether (USDT).

### Full Details:

#### **1. How is 21Shares protecting investors in ETPs that are eligible for lending given current conditions in the crypto lending markets?**

- 21Shares halted all loans on USDY and has no loans outstanding to lending partners, such as BlockFi.
  - At the time of the halt, collateral levels on USDY were 149%.
  - As the current projected yield of USDY is zero, 21Shares has waived fees until the market has stabilized and loans can be safely redeployed.
  - As the underlying coin of USDY is USDC, there is no exposure to USDT.
- CBTC and CETH have not yet engaged in lending and continue to operate normally as physically-backed products.

#### **2. Which 21Shares ETPs allow lending?**

- 21Shares has three ETPs that can engage in lending:
  - 21Shares USD Yield ETP (USDY)
  - 21Shares Bitcoin Core ETP (CBTC)
  - 21Shares Ethereum Core ETP (CETH)
- None of the above ETPs are currently engaged in lending.
- No other 21Shares ETP is allowed to lend.

### **3. How can investors tell which 21Shares ETPs are permitted to lend?**

- Each ETP product web page indicates whether a product is eligible to engage in lending.
- For 21Shares non-lending products, the ETP product webpage and fact sheet will also specify that they do not engage in lending.
- Only ETPs that expressly reference lending in their final terms are permitted to lend.

### **4. When will 21Shares resume lending in USDY or other ETPs?**

- Once the market stabilizes, 21Shares will look to resume lending.
- In the meantime, we will closely monitor market conditions to evaluate when a resumption of lending is warranted.

## DISCLAIMER

This document is not an offer to sell or a solicitation of an offer to buy or subscribe for securities of 21Shares AG (21Shares). Neither this document nor anything contained herein shall form the basis of, or be relied upon in connection with, any offer or commitment whatsoever in any jurisdiction. Nothing contained herein represents investment advice and investors should take their own independent advice.

This document and the information contained herein are not for distribution in any jurisdiction in which the distribution or release would be unlawful. This document does not constitute an offer of securities for sale in or into the United Kingdom, the EEA, United States, Canada, Australia or Japan. The securities of 21Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will not be a public offering of securities in the United States.

Within the United Kingdom, this document is only being distributed to and is only directed at: (i) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 ("FSMA") (Financial Promotion) Order 2005 (the "Order"); or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; or (iii) any other persons to whom this document can be lawfully distributed in circumstances where section 21(1) of the FSMA does not apply.

Within the EEA, this communication is only addressed to and is only directed at qualified investors within the meaning of the Prospectus Regulation (EU) 2017/1129.

This document constitutes an advertisement within the meaning of the Swiss Financial Services Act (the "FinSA") and not a prospectus.

21Shares is not an investment advisor and makes no representation regarding the advisability of investing in any such investment product or other investment vehicle. A decision to invest in any such investment product or other investment vehicle should not be made in reliance on any of the statements set forth on this website. Prospective investors are advised to make an investment in any such product or other vehicle only after carefully considering the risks associated with investing in such products, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment product or other investment product or vehicle. 21Shares is not a tax advisor. A tax advisor should be consulted to evaluate the impact and consequences of making any particular investment decision. Inclusion of any assets within an index is not a recommendation by 21Shares to buy, sell, or hold such security, nor is it considered to be investment advice. The website materials have been prepared solely for informational purposes based upon information generally available to the public and from sources believed to be reliable. No content contained in these materials (including index data, ratings, credit-related analyses and data, research, valuations, model, software or other application or output therefrom) or any part thereof ("Content") may be modified, reverse-engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of 21Shares. The Content shall not be used for any unlawful or unauthorized purposes. 21Shares does not guarantee the accuracy, completeness, timeliness or availability of the Content. 21Shares is not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the content. The content is provided on an "as is" basis. 21Shares disclaims any and all express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use, freedom from bugs, software errors or defects, that the content's functioning will be uninterrupted or that the content will operate with any software or hardware configuration. In no event shall 21Shares be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages. Investments into crypto currencies and/or digital assets are subject to material and high risk including the risk of total loss. The calculated prices may not be achieved by investors as the calculated price is based on prices from different trading platforms. Furthermore, an investment into crypto currencies and/or digital assets may become illiquid depending on the trading platform or investment product used for the specific investment. Investors should carefully review all risk factors disclosed by the relevant trading platform or in the product documents of relevant investment products.