

[Bank Letterhead/Logo]

Date: [Insert Date]

To: All Clients and Stakeholders

Subject: Advisory Letter on Custodial Risks of Digital Assets

Dear Valued Client,

As [Bank Name] continues to expand its service offerings within the digital asset ecosystem, we are committed to ensuring our clients are fully informed regarding the unique risks associated with the custody of digital assets, including cryptocurrencies and tokenized securities.

Unlike traditional financial instruments, digital assets rely on cryptographic private keys. The management of these keys introduces specific risks that differ from conventional commercial banking protections:

- **Irreversibility of Transactions:** Transfers on a distributed ledger are generally final. Once a transaction is initiated, it cannot be reversed or recovered by the bank in the event of error or fraud.
- **Cybersecurity Vulnerabilities:** Digital assets are targets for sophisticated hacking attempts, phishing, and malware. While we employ institutional-grade "cold storage" and multi-party computation (MPC) protocols, no system is entirely immune to breach.
- **Regulatory and Legal Uncertainty:** The legal framework governing digital asset ownership and insolvency is still evolving. In the event of a service provider's liquidation, the treatment of segregated digital assets may vary by jurisdiction.
- **Market Volatility:** The underlying value of digital assets can fluctuate significantly. Our custodial services do not protect against losses resulting from market price movements.
- **Operational Risks:** Access to assets depends on complex technological infrastructure. Network forks, outages, or protocol changes (Layer 1 upgrades) may temporarily restrict your ability to trade or withdraw assets.

Client Responsibility: Clients are advised to maintain robust internal controls and secure their access credentials to the bank's digital platform. [Bank Name] shall not be liable for losses resulting from the compromise of client-side security.

By continuing to utilize our digital asset custodial services, you acknowledge that you have read and understood these risks. We recommend consulting with legal and financial advisors to ensure these assets align with your risk tolerance.

For further information, please contact your Relationship Manager or visit our Digital Asset Resource Center.

Sincerely,

[Signature]

[Name of Authorized Officer]

[Title]

[Department Name]