

DATE: [Insert Date]

TO: Investment Committee / Institutional Clients

FROM: [Insert Risk Management Department/Firm Name]

SUBJECT: Market Risk Advisory: Institutional Digital Asset Exposure

1. PURPOSE

This advisory outlines the prevailing market risk factors associated with institutional investment in digital assets, including cryptocurrencies, tokenized securities, and decentralized finance (DeFi) protocols.

2. CORE MARKET RISKS

- **Volatility Risk:** Digital assets exhibit significantly higher annualized volatility compared to traditional equities or fixed-income instruments, necessitating adjusted Value-at-Risk (VaR) modeling.
- **Liquidity Risk:** Market depth varies across exchanges. Large-block liquidations may result in substantial slippage and price impact during periods of market stress.
- **Correlative Shifts:** Historical data shows increasing correlation between digital assets and high-growth technology equities during macroeconomic tightening.
- **Regulatory Risk:** Sudden shifts in jurisdictional oversight can lead to fragmented liquidity and restricted access to off-ramp banking channels.

3. RISK MITIGATION STRATEGIES

- Implementation of multi-venue execution to minimize slippage.
- Utilization of cold-storage institutional custody solutions.
- Setting strict concentration limits per asset and protocol.
- Frequent stress-testing of portfolio drawdowns against historical "black swan" events.

4. DISCLOSURE

Institutional participants are advised that past performance is not indicative of future results. Digital assets are speculative and may result in the total loss of principal.

AUTHORIZED BY:

[Name]

[Title]

[Organization]