October 2026
Please read this important information carefully.

Charles Schwab Premier Bank Cryptocurrency Account Risk Disclosure

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It is important you read and fully understand the following risks of buying, selling, transferring, and holding Cryptocurrencies in your Charles Schwab Premier Bank, SSB ("CSPB"), Cryptocurrency ("Schwab Crypto™") Account.

Introduction

This Schwab Crypto Account Risk Disclosure ("Risk Disclosure") applies to all Schwab Crypto Accounts and is intended to explain some of the risks associated with the use of the Cryptocurrency services offered by Charles Schwab Premier Bank, SSB pursuant to the Charles Schwab Premier Bank Cryptocurrency Account Agreement ("Schwab Crypto Account Agreement" or "Account Agreement").

The information presented in this Risk Disclosure is not comprehensive or exhaustive and does not reflect all of the risks you should consider before using CSPB's services, including trading or transferring Cryptocurrencies in your Schwab Crypto Account. The risks discussed below are important and should be read carefully. If you do not understand any of the risks discussed below, you should consult a financial professional.

You should carefully consider whether a Schwab Crypto Account and Cryptocurrencies are appropriate for your investing needs. To help you decide, this educational and disclosure document provides basic definitions related to Blockchain and Cryptocurrency and important background on the following:

1. how blockchain technology works;
2. how cryptocurrency markets are regulated and differ from securities trading;
3. how trading and transfers work in the Schwab Crypto Account program and associated risks; and
4. risks of investing in Cryptocurrency generally.

CSPB and its affiliates may offer additional educational content about Cryptocurrencies. Topics may include general insights, research, and educational materials. This information is not tailored to individual users and is not based on your specific financial, investment, tax, legal, or educational circumstances. It is not intended to be, and should not be considered, financial, investment, tax, legal, or trading advice or a recommendation of any kind.

Cryptocurrency Transfers in and out of Schwab Crypto Accounts are not currently available for all customers. CSPB expects to make transfer functionality broadly available in the future. You will be notified when Cryptocurrency Transfers are available for your Schwab Crypto Account. When available, any such functionality will be subject to the additional terms and conditions relevant to transfers in the Schwab Crypto Account

Agreement. Important disclosures related to Cryptocurrency Transfers, when available in your Schwab Crypto™ Account, are included in this document.

Summary of Important Cryptocurrency Risks

Investing in, trading, transferring, and holding Cryptocurrency involves substantial risks, which include, but are not limited to, the following:

- **Loss of the entire value of your investment.** Cryptocurrencies are highly speculative, volatile, and subject to rapid and significant price fluctuations.
- **Limited or no market liquidity.** The market for Cryptocurrencies remains nascent and may not develop or function as anticipated.
- **No insurance coverage.** Cryptocurrencies are not legal tender, not backed by any government or central bank, and not insured or protected by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC), or any other governmental insurance or protection program. Insurance, if any, carried by CSPB, Subcustodians, or third parties may be limited in scope and may not cover your losses.
- **Uncertain regulatory environment.** Regulatory treatment of Cryptocurrencies and blockchain technology is evolving and may change rapidly, which could adversely affect the value, transferability, usability, or legality of Cryptocurrencies.
- **Technology limitations.** Cryptocurrency networks and related technologies are subject to operational, technological, scaling, cybersecurity, and systemic risks, including the risk of software defects, protocol failures, network disruptions, Forks, hacking incidents, and loss, theft, compromise, or destruction of private keys, any of which may result in partial or total loss of your Cryptocurrency. In addition, confidence in the broader blockchain ecosystem may decline, which could materially impact the value of Cryptocurrencies.
- **Irreversibility of Trades and Transfers.** Cryptocurrency transfers and trades cannot be reversed, and using or sending to the wrong address or network may result in permanent loss of your Cryptocurrency.
- **Limitations on CSPB's liability.** CSPB's liability (and the liability of CSPB's affiliates, and CSPB's and such affiliates' directors, officers, employees, and agents) to you is limited in important ways, and there are specific restrictions on the types and amounts of losses for which CSPB can be held responsible with respect to your Schwab Crypto Account. Please see the Schwab Crypto Account Agreement for additional information.

By using the services, you accept the risks of buying, selling, transferring, and holding Cryptocurrencies through the Schwab Crypto Account program. You should carefully review all applicable risk disclosures before engaging in any Cryptocurrency transactions.

Key Questions to Consider When Deciding Whether to Invest in Cryptocurrencies

- Can I afford to lose all the money I invest in Cryptocurrency without affecting my daily living conditions or retirement security?
- Do I truly understand what I am investing in?
- Do I want to hold Cryptocurrency long term to diversify my existing portfolio?
- How much volatility am I comfortable with if the pricing of certain Cryptocurrencies swings wildly?
- Am I comfortable with the viability of Cryptocurrencies hinging on uncertain regulatory outcomes?
- Do I understand the transaction fees associated with trading Cryptocurrency?
- How are my investments in Cryptocurrencies taxed? Do I need assistance in reporting the correct information to the IRS?
- Do I feel comfortable identifying scam and hack risks when dealing with Cryptocurrencies?
- If something were to happen to me, would my family know how to access and manage these assets?

You should consult a financial professional to help answer the questions above.

Definitions

All definitions included in this Risk Disclosure are designed to supplement, and not replace, the definitions in your Schwab Crypto Account Agreement. In the case of conflict, the definitions in the Account Agreement apply. Definitions in this Risk Disclosure are for educational purposes and may be broader or more general than the definitions used in the Account Agreement, which governs your Schwab Crypto Account. Any capitalized terms not defined here are defined in the Schwab Crypto Account Agreement.

Airdrops

"Airdrops" are distributions of **Cryptocurrency** to recipients who provide no money, goods, services, or other consideration in exchange. Issuers of a Cryptocurrency (or related parties) may distribute tokens via an "Airdrop" in the hopes of seeding or kickstarting **Network Effects**.

Blockchain

The term "Blockchain" refers not to a single system, but to a general approach to storing and verifying data. Blockchain is a type of **Distributed Ledger Technology**. In a Blockchain, transactions are grouped into "blocks" that are cryptographically linked to one another in sequence, forming a continuous "chain." This record is maintained across a network of computers. Once a block is added to the chain, altering it would require changing every subsequent block across the entire network simultaneously, which may make the record highly resistant to tampering, depending on the design of a particular Blockchain. Blockchain implementations may vary in design, governance, and degree of decentralization.

For example, the Bitcoin and Ethereum networks are both built using Blockchain technology, but they run on entirely separate networks with different rules, purposes, and technical designs. There is no single "Blockchain," just as there is no single "internet application."

Consensus

The term “Consensus” refers to the process by which participants in a Blockchain network agree on the validity and order of transactions recorded on the Distributed Ledger. Consensus mechanisms, such as “Proof of Work” or “Proof of Stake,” are designed to help maintain the security, accuracy, and integrity of the Blockchain without relying on a central authority.

Cold Storage or Cold Wallet

“Cold Storage” (or a “Cold Wallet”) refers to a method of safeguarding Private Keys in environments not connected to the internet.

Cryptocurrency

The term “Cryptocurrency” means any digital representation of value that is recorded on a cryptographically secured Distributed Ledger. Bitcoin and Ether are examples of Cryptocurrencies, but there are many others. Cryptocurrencies are commonly referred to by other terms, such as virtual currencies, crypto assets, digital assets, tokens, and coins.

As used in connection with the Schwab Crypto™ Account program, “Cryptocurrency” is limited to those digital assets supported by CSPB, as described in the Schwab Crypto Account Agreement. A list of supported Cryptocurrencies is available in the Schwab Crypto FAQs, and general information about various Cryptocurrencies is available in Schwab Crypto educational materials available at **schwab.com/cryptocurrency**.

Cryptocurrency Transfer

The term “Cryptocurrency Transfer” means the transfer of a Cryptocurrency into your Account from an external Wallet or another Schwab Crypto Account, or from your Account to an external Wallet or another Schwab Crypto Account, that is not a trade and results in a corresponding transaction recorded on the applicable Cryptocurrency network.

Distributed Ledger

The term “Distributed Ledger” or “Distributed Ledger Technology” means technology in which data is shared across a network that creates a digital ledger of verified transactions or information among network participants and cryptography is used to link the data to maintain the integrity of the ledger and execute other functions. Distributed Ledgers may be public or permissioned.

Fork

A “Fork” is a split in a Blockchain network occurring when a **Blockchain’s** underlying code or protocol rules are changed. Certain Forks (“Hard Forks”) may result in the creation of two separate Blockchains: the original Blockchain and a new version of that Blockchain. Others (“Soft Forks”) are backwards-compatible and designed to make more minor adjustments to a Blockchain, without splitting the network.

Hot Storage or Hot Wallet

“Hot Storage” (or a “Hot Wallet”) refers to a method of holding **Cryptocurrency Private Keys** on a device that is connected to the internet, such as a desktop application, mobile phone app, or web-based **Wallet**. Hot Wallets are convenient for frequent trading or transfers because they can be accessed from any internet-connected device at any time. Because they are online, however, Hot Wallets are more vulnerable to hacking and cyber-attacks than **Cold Wallets**.

Inbound Cryptocurrency Transfer

An “Inbound Cryptocurrency Transfer” is a **Cryptocurrency Transfer** from an external wallet into a **Wallet** at the Subcustodian.

Mining/Proof of Work

“Mining” is the process by which participants (“miners”) use computing power to validate transactions and add new blocks to a **Blockchain**. In return for successfully producing a valid block, miners typically receive newly issued **Native Cryptocurrency** (a “block reward”) — which acts as new token issuance. Proof of Work refers to the **Consensus** mechanism that relies on this computational effort to secure the network. The Bitcoin network is an example of a Proof of Work Blockchain.

Native Cryptocurrency

The term “Native” in the context of a **Cryptocurrency** refers to a Cryptocurrency generated for use on a particular **Blockchain** network.

Network Effect

“Network Effects” refers to the phenomenon where the value, use, and security of a **Blockchain** network increase or may increase as more users participate and interact with the Blockchain network.

Network Events

“Network Events” include, but are not limited to, Forks, Airdrops, network upgrades, rollbacks, reorganizations, burns, token migrations, protocol changes, and other network-related occurrences.

Network Fees or “Gas Fees”

“Network Fees” or “Gas Fees” refer to charges paid to **Blockchain** validators or miners to process and confirm transactions on a **Distributed Ledger** network. These fees compensate participants for the computing resources and security required to maintain the network and may vary based on transaction complexity and network congestion.

Node

A "Node" refers to an individual computer connected to and participating in a **Blockchain** network. Nodes store copies of the Blockchain's transaction history, validate new transactions, and communicate with other Nodes to maintain the network' shared **Distributed Ledger**. Because anyone may run a Node, and no single entity controls all Nodes, the network is said to be "decentralized."

Outbound Cryptocurrency Transfer

An "Outbound Cryptocurrency Transfer" is a **Cryptocurrency Transfer** from a **Wallet** at the Subcustodian to an external Wallet.

Private Keys and Public Addresses

A "Public Key" is like a publicly available combination safe, and a Private Key is like the unique combination code belonging only to you. People who know the safe's location can attempt to open the safe; however, the only person that can retrieve the contents of the safe is the person that has the combination code. If a user loses their combination code, they lose access to the contents of the safe.

Blockchain transactions are authorized using cryptographic signatures rather than passwords. Private Keys are used to create digital signatures that prove ownership of, and authorize the transfer of, Cryptocurrencies associated with a corresponding Public Key (or Public Address). The Public Key or Address can be shared openly to receive Cryptocurrency, but the Private Key must remain secret — anyone who obtains it can transfer the associated Cryptocurrency. Typically, a Private Key consists of a long series of numbers and letters and functions similarly to a password.

Smart Contracts

"Smart Contracts" are self-executing software deployed on a **Blockchain** network that automatically performs predetermined operations involving **Cryptocurrencies** (such as transferring, creating, or trading Cryptocurrencies) based on a predetermined set of rules and criteria.

Staking or Proof of Stake

"Staking" refers to the process of locking up **Cryptocurrency** tokens that are **Native** to a particular **Blockchain** into one Node to assist in the validation of transactions. Proof of Stake refers to the concept that instead of spending computing resources to produce valid blocks, Nodes proffer their own tokens, subjecting them to forfeiture if they fall offline or propose an invalid block. The **Ethereum** blockchain is an example of a **Blockchain** that validates transactions using a Proof of Stake model. In a Proof of Stake blockchain, any holder of the network's **Native** token (with sufficient token balances) can stake and validate transactions. In return for Staking, and for acting in accordance with the network's rules, participants (i.e., "stakers") are typically granted rewards and transaction fees consisting of Native Cryptocurrency.

Wallets

A "Wallet" is software or hardware that stores **Public** and **Private Keys** and allows a user to interact with a **Blockchain** — for example, to view the balance associated with a Public Key address and to sign and broadcast transactions using the corresponding Private Key. The Cryptocurrency itself is not "in" the Wallet; ownership is reflected on the Blockchain, and the Wallet's role is to safeguard the Private Key needed to authorize transfers. Wallets are commonly characterized as either "**Cold Storage**" (offline) or "**Hot Storage**" (internetconnected).

How Blockchain Technology Works

Blockchain is a technology that contains records of transactions connected and shared among a community of users, using Nodes. Blockchains enable users to record transactions in a shared ledger or Node, such that under normal operation of the Blockchain network, no record of a transaction can be changed once published.

This distributed database continuously grows as new sets of transactions, or "blocks," are "linked" together to form a "chain." Each record in the data set is individually labeled, described, and time stamped within blocks. The subject of transactions executed on the Blockchain may be digital representations of assets, rights, privileges, securities, commodities, or other interests recorded on a Blockchain.

Blockchains are distributed, meaning that instead of the database being controlled by one person or entity, numerous computers connect to a network and work together to come to an agreement on which transactions are valid. The validation process is performed algorithmically by computer programs based on a set of predetermined rules.

Certain Blockchain networks utilize Native Cryptocurrencies or tokens to facilitate operation of the network, including compensating participants that validate transactions, securing the network against malicious activity, enabling governance functions, or paying transaction or "gas" fees required to process transactions and execute smart contracts. In this manner, Cryptocurrencies may serve as an integral component of the operation, maintenance, and security of a Blockchain network.

To initiate a transaction on a Blockchain, a Blockchain network user sends certain information to the network, which generally includes identifying information about the sender, the Public Key of the recipient, and the amount of Cryptocurrencies to be transferred. The recipient would then employ their Private Key to access the transferred amount and authenticate the transaction, while the distributed network validates the transaction block through a Consensus mechanism.

Certain public Blockchains (such as the Bitcoin Blockchain) utilize a "Proof-of-Work" Consensus mechanism, commonly referred to as "Mining," in which network participants use computational resources to validate transactions and add blocks to the Blockchain. Other public Blockchain networks (such as the Ethereum Blockchain) utilize alternative Consensus mechanisms, including "Proof-of-Stake," in which validators commit or "stake" Cryptocurrencies to participate in transaction validation and network security. This is generally how transactions work on public Blockchains (i.e., Blockchains which are generally open-source software and which do not require permission from any authority to read and write to the Blockchain).

In contrast, a private Blockchain requires permission to interact with the network (i.e., it is not publicly available). Continuing with the analogy above, a private Blockchain can be analogized to a combination safe that is hidden, or located in a private residence. In order to open the safe, regardless of whether the user held the combination code or Private Key, the user would need permission to access the private residence. The validation process can be granted by the network's developer, or by the network's predetermined set of criteria.

How Cryptocurrency Markets Are Regulated, and How Regulation Differs from Securities Trading

When you buy Cryptocurrencies through the Schwab Crypto™ Account program, you are purchasing the actual Cryptocurrency, with your ownership interest reflected on CSPB's internal books and records. You are not purchasing a security, futures contract, option, or other derivative associated with such Cryptocurrency. This type of transaction is referred to as a "spot" purchase. The price you pay in the Schwab Crypto Account program reflects the prevailing market price as determined through CSPB's execution arrangements for the asset at the time your order is executed.

Market Structure and Price Discovery

Unlike stocks or bonds, Cryptocurrencies are not traded on a single regulated exchange. They trade across a global network of platforms—including centralized exchanges, cryptocurrency trading firms, and institutional market makers—that operate continuously, 24 hours a day, 7 days a week. Prices across these platforms reflect supply and demand for each Cryptocurrency on the platform and can vary between venues. Cryptocurrency prices can move rapidly and without warning.

Regulation of Cryptocurrency Markets

In the United States, although the regulatory framework for Cryptocurrencies continues to evolve, firms providing Cryptocurrency trading, transfer, and custody services are generally subject to a combination of federal and state regulatory regimes.

Depending on the nature of their activities, entities that facilitate transactions in crypto may be registered as money services businesses with the Financial Crimes Enforcement Network (FinCEN), licensed as money transmitters under applicable state laws, chartered as state or national trust companies, and/or subject to specific state Cryptocurrency or virtual currency licensing requirements, among others. Certain entities may also operate pursuant to limitedpurpose trust charters or other specialized regulatory approvals.

CSPB will utilize one or more regulated entities as Subcustodians in connection with the Schwab Crypto Account program (each, a "Subcustodian"). CSPB may make information about Subcustodians available through its website or other communications.

Outside the United States, Cryptocurrency markets may be subject to materially different regulatory requirements or may have limited regulatory oversight.

The Cryptocurrencies traded or transferred through your Schwab Crypto Account are digital commodities and not treated as securities under U.S. federal law — and are therefore not subject to the same disclosure requirements and investor protections that apply to stocks and investment funds. This means that the federal securities laws, rules and related disclosure obligations—such as mandatory issuer disclosures, anti-fraud and other rules administered by the Securities and Exchange Commission (SEC), and Financial Industry Regulatory Authority, Inc. (FINRA) oversight of trading platforms—do not apply to Cryptocurrency transactions effected through your Schwab Crypto Account.

How Trading and Transfers Work in the Schwab Crypto™ Account Program

Your Schwab Crypto Account is maintained at CSPB, a federally insured Texas state savings bank and member of the Federal Reserve. CSPB does not take on market exposure and does not profit from price movements in Cryptocurrencies. CSPB never holds any market position or takes on market risk in the ordinary course of executing transactions.

As more fully described in your Schwab Crypto Account Agreement, trades completed by CSPB through your Schwab Crypto Account will be subject to a transaction fee payable to CSPB. Refer to the *Charles Schwab Premier Bank Cryptocurrency Account Pricing Guide* for more details.

You fund your Schwab Crypto Account by transferring cash from your linked CS&Co. brokerage account. You cannot fund your Account directly from an external bank account. Cash proceeds from the sale of Cryptocurrencies are credited to your Schwab Crypto Account and may be transferred to your linked CS&Co. brokerage account after settlement.

Your trades through the Schwab Crypto Account program are not recorded on a Cryptocurrency Blockchain. Instead, they are recorded on CSPB's internal books and records. You should refer to your Schwab Crypto Account statements and transaction history for records of your activity, as your trades will not appear in any public Blockchain transaction history. CSPB's internal books and records reflect the Cryptocurrencies that are custodied by the Subcustodian, which are recorded, in the aggregate, on a Blockchain ledger.

In contrast, Cryptocurrency Transfers are executed and will be recorded on chain. In addition, when Cryptocurrency Transfers are available to you, all Inbound Cryptocurrency Transfers, or transfers from another Schwab Crypto Account, will be added to your Schwab Crypto Account with a corresponding entry in CSPB's internal books and records, while all Outbound Cryptocurrency Transfers, or transfers into another Schwab Crypto Account, will be removed from your Schwab Crypto Account with a corresponding entry in CSPB's internal books and records.

The Schwab Crypto Account program is currently available to eligible residents of most U.S. states. Residents of New York, Louisiana, and U.S. territories are not currently eligible to participate.

Transacting in Cryptocurrencies through a CSPB Schwab Crypto Account Compared to Trading Securities with CS&Co.

You will hold trade, and transfer Cryptocurrencies through your Schwab Crypto Account, so while the interface on your computer or mobile app may appear similar to what you may be accustomed to when trading securities at CS&Co., there are key differences to be aware of when trading or transferring Cryptocurrencies.

Certain Cryptocurrencies, including those available through a Schwab Crypto Account, are not securities and are not regulated in the same way as securities. Critically, your holdings in Cryptocurrencies through your Schwab Crypto Account will not receive Securities Investor Protection Corporation (SIPC) protection as they would for your holdings in securities.

Cryptocurrencies do not have set trading hours like securities typically do. Cryptocurrencies can trade 24/7, so you may experience significant price volatility outside of traditional market hours.

Issuers of securities are subject to well-developed disclosure rules administered by the SEC, FINRA, and other market regulators. This is not the case for Cryptocurrencies, and that means that factors like quarterly earnings reports, which investors may look to for guidance in making investing decisions, will not be at play when investing in Cryptocurrencies. Similarly, the value of an issuer's stock is generally derived from the

company's performance. The value of Cryptocurrencies is generally derived from other factors, like developer activity, Staking rules, or secondary trading activity.

There are unique custody considerations when it comes to Cryptocurrencies. Securities are held in your CS&Co. brokerage account, and if you lose your password, you are able to recover it through normal means. Outside the Schwab Crypto™ Account program, it is generally the case that losing a Private Key means that you will likely lose access to Cryptocurrencies permanently. Within the Schwab Crypto Account program, Private Keys associated with your Schwab Crypto Account will be controlled by the Subcustodian. While CSPB only uses Subcustodians that employ industry-standard security protocols, CSPB is dependent on the Subcustodian to safeguard your Private Keys.

Securities trading on an exchange is subject to exchange rules, which include reporting obligations and circuit breaker rules. These controls limit the volatility that individual stocks may experience in a given trading day. This is not the case for Cryptocurrency markets, which can be extremely volatile and are not bound by the same exchange rules.

Schwab Crypto Accounts only allow buying, selling, transferring, and holding spot Cryptocurrencies. Certain Cryptocurrencies may have additional features such as the ability to Stake the Cryptocurrencies on a protocol and earn a fee (paid in additional Cryptocurrency). The Schwab Crypto Account does not allow for these features. Therefore, you will not be able to earn Staking or similar fees that may be available through other crypto offerings, including certain spot offerings and interests in Cryptocurrency exchange-traded products or funds ("ETFs" or "ETPs") outside the Schwab Crypto Account program.

Custody of Your Cryptocurrency

Within the Schwab Crypto Account program, you do not have direct access to a Wallet. Instead, the Subcustodian will sponsor and manage a group of Wallets that hold customer Private Keys. The Subcustodian will safeguard those Private Keys and the associated Cryptocurrencies.

Wallets and Private/Public Keys

When someone creates a Wallet, a Private Key and a Public Key are created:

- Private Keys, as discussed above, let the holder authorize and "sign" transactions in Cryptocurrencies. Private Keys cannot be changed or replaced once they are created; accordingly, if someone loses a Private Key, they will permanently lose access to the Cryptocurrency associated with the Private Key.
- Public Keys are a code or address used to allow someone else to send crypto assets to a Wallet. The Public Key does not permit anyone to access a Private Key and cannot be used to authorize transactions on someone's behalf. The Public Key can be thought of as an email address—other people can send you Cryptocurrency using a Public Key, but without directly accessing the associated Wallet, they cannot send and verify transactions on your behalf.

Some Wallets generate a "seed phrase" when they are created. These are a random sequence of words that allow the holder to restore access to a lost Private Key or if the Wallet's software is damaged in some way.

Hot and Cold Storage

There are two different kinds of Wallets:

- Hot Storage refers to a crypto Wallet that is connected to the internet. A person might use a Hot Wallet through a computer desktop, a cell phone application, or internet software.
- Cold Storage refers to a method of storing Private Keys where the keys are maintained in an environment that is not connected to the internet. This can be implemented using devices or media designed to securely store Private Keys offline, such as a USB drive, an external hard drive, or even a physical piece of paper.

Cold Wallets are generally considered less convenient than Hot Wallets for purposes of transacting in Cryptocurrencies. However, Cold Wallets are also considered more secure than Hot Wallets, because they are not connected to the internet and therefore have a more favorable cybersecurity posture.

Cold Wallets, on the other hand, may be susceptible to being lost, damaged, or stolen, which could result in a permanent loss of Cryptocurrency.

Each Wallet type has its own advantages, disadvantages, and use-cases. Hot Wallets provide flexibility and fast access. These Wallets can be accessed at any time or place, and from any device with an internet connection.

Cold Wallets provide maximum safety and security to their users. By virtue of being able to physically hold and store keys on a person or in a safe, Cold Storage Wallets cannot be accessed by hackers on the internet. The disadvantage is that Cold Storage Wallets are often inconvenient and impractical for engaging in daily transactions, and so are generally utilized for long-term storage only.

CSPB's Subcustodians use Wallet technology that predominantly relies on Cold Storage but allows the Private Keys associated with smaller portions of assets to be held in Hot Storage, which can be used for settlement of trading or transferring Cryptocurrency.

Self-Custody and Hosted Wallets

Holders of Cryptocurrency must also determine whether to maintain custody of their Cryptocurrency directly ("self-custody," also known as an "un-hosted Wallet") or to entrust custody to a professional third-party custodian ("third-party custody," also known as "hosted Wallets"").

With self-custody, the holder controls the Private Keys and bears sole responsibility for the security of those keys and any associated seed phrases.

With third-party custody, such as that used within the Schwab Crypto Account program, a professional custodian—such as a trading platform or a bank—manages and controls access to the Private Keys. Third-party custodians may hold Private Keys in Cold Wallets, Hot Wallets, or a combination of both. As noted above, CSPB's Subcustodians use a combination of Cold and Hot Wallets.

Custody of Cryptocurrency in your Schwab Crypto™ Account

Cryptocurrency held in your Schwab Crypto Account will be custodied by CSPB, which will delegate safekeeping to one or more Subcustodians. In contrast, CSPB will custody your US dollars directly to facilitate the purchase and sale of Cryptocurrency held on your behalf. You are required to fund your Schwab Crypto Account using funds sitting in your CS&Co. brokerage account.

Your Cryptocurrency is controlled (custodied) by the Subcustodian using omnibus Wallets—pooled Wallets that hold Private Keys for Cryptocurrencies on behalf of multiple customers simultaneously. These arrangements reflect operational custody practices and do not imply that individual customer ownership interests are separately recorded on a Blockchain. Your individual Cryptocurrency is not custodied using a dedicated Wallet in your name; instead, your ownership interest is reflected on CSPB's internal books and records. You will not have a direct account with the Subcustodian.

In certain cases, the Cryptocurrencies you own will be commingled in Wallets with those of CSPB, other CSPB customers, other clients of the Subcustodian, and the Subcustodian. **The Subcustodian commingles its proprietary assets with its customers in small amounts in order to pay Network Fees associated with Cryptocurrency Transfers.** Since the Cryptocurrencies custodied through omnibus Wallets are treated as fungible assets (i.e., one unit of a Cryptocurrency is indistinguishable from another unit of the same Cryptocurrency), you do not have an entitlement right to any particular, specifically identifiable Cryptocurrency. However, CSPB will maintain records showing the amount of each Cryptocurrency credited to your Schwab Crypto Account, which reflects your ownership interest.

The Subcustodian manages all Private Keys associated with the Cryptocurrency it holds in custody, employing industry-standard key management practices, including hardware security modules. As noted above, the Subcustodian custodies Cryptocurrency using a combination of Hot Wallets (internet-connected, used for active trading settlement activity and transfers) and Cold Wallets (offline, used for more secure long-term storage). The allocation between Hot Wallets and Cold Wallets is determined by the Subcustodian based on transaction volume and operational considerations.

You do not have access to, and do not directly control, the Private Keys corresponding to your Cryptocurrency holdings, and so are reliant on CSPB and the Subcustodian to safeguard them.

FDIC Insurance and SIPC Coverage

Cash balances in your Schwab Crypto Account may be eligible for FDIC insurance of up to $250,000, subject to the satisfaction of certain conditions and aggregated with other deposits you hold at CSPB. Cryptocurrencies in your Schwab Crypto Account are not deposits, are not FDIC-insured, and are not protected by SIPC or any comparable organization. There is no government guarantee against the loss of Cryptocurrency. You can lose the entire value of your Cryptocurrency holdings.

Risks Associated with the Schwab Crypto Account Custody Structure

By participating in the Schwab Crypto Account program, you are subject to certain risks, some of which may not apply if you held Cryptocurrency in another program or in your own Wallet. You are responsible for understanding the risks of holding Cryptocurrencies in your Schwab Crypto Account.

- **Insolvency Risk.** In the event of a Subcustodian's insolvency or operational failure, your access to Cryptocurrency could be temporarily or permanently impaired. The value of your Cryptocurrency may fluctuate during any resulting insolvency or receivership, which could result in losses.

  While CSPB and the Subcustodian have agreed to cooperate with regulators and facilitate the transfer of customer assets in such a scenario, the outcome of insolvency proceedings is uncertain, and access to your Cryptocurrency may be delayed or subject to legal proceedings.

  Because the Cryptocurrency you own will be custodied in one or more omnibus Wallets with Cryptocurrencies owned by other CSPB and Subcustodian customers, CSPB itself, and the Subcustodian, in the event of insolvency there may be delays associated with returning your Cryptocurrency, and you may never receive some or all of your Cryptocurrencies. CSPB will keep records of your Cryptocurrencies as belonging to you, but there will not be any record on a Blockchain of the holdings owned by you.

- **Hot/Cold Wallet Structure.** Your Cryptocurrency may be held using either Hot or Cold Wallets as determined by the Subcustodian based on transaction volume and other operational considerations. Hot Wallets are internet-based, and are therefore subject to higher risk of cyberattacks and similar events.

- **Reliance on the Subcustodian to Safeguard.** The Subcustodian will manage all Private Keys. Cryptocurrencies are controllable only by the possessor of both the unique Public Key and Private Key or Keys associated with the Cryptocurrency. You are therefore reliant on the Subcustodian to safeguard your assets. Private Keys must be safeguarded and kept private in order to prevent a third party from accessing the Cryptocurrency associated with a Wallet. The loss, theft, compromise or destruction of a Private Key required to access a Cryptocurrency may be irreversible. If a Private Key is lost, stolen, destroyed or otherwise compromised and no backup of the Private Key is accessible, the Subcustodian would be unable to access the Cryptocurrency corresponding to that Private Key, and the Private Key will not be capable of being restored by the Cryptocurrency network, resulting in the total loss of the value of the Cryptocurrency linked to the Private Key.

  While the Subcustodian is required by CSPB to employ industry-standard security protocols, the Subcustodian has its own regulatory overlay and internal controls, management, systems, policies, and procedures, which may impact the security of your Private Keys and, by extension, your Cryptocurrency. CSPB does not control the Subcustodian's internal controls, management, systems, policies, procedures, or any other operations or day-to-day activities. In addition, in certain cases a Subcustodian may be a relatively new company with limited experience and operating history.

- **Off-Chain Transactions.** "Off-chain transactions" used within the Schwab Crypto Account program involve the reallocation of ownership of Cryptocurrency in a digital Wallet maintained by the Subcustodian that contains assets owned by multiple persons. In contrast to on-chain transactions, information and data regarding off-chain transactions are not publicly available. Unlike Cryptocurrency Transfers (described below), the transfer of Cryptocurrency ownership within the Subcustodian's Wallets is not validated by a Blockchain's protocol and not recorded in (or validated through) the Blockchain's Consensus mechanism. Therefore, you will not be able to view a public transaction history, as you would if your ownership of Cryptocurrencies were recorded on a Blockchain.

- **Cryptocurrency Transfers.** Cryptocurrency Transfers initiated by you carry additional risks that differ from trading and custody within the Schwab Crypto™ program. A Cryptocurrency Transfer is recorded on the applicable Blockchain and is publicly visible to anyone. An Outbound Cryptocurrency Transfer to an external Wallet or to another Schwab Crypto Account, once it is broadcast to the network, cannot be canceled, reversed, or recalled—even while pending—and neither CSPB nor the Subcustodian guarantees the identity of any sender or recipient or that the network will confirm the transfer. You are solely responsible for verifying all transfer details before you submit them, and should understand that sending an unsupported Cryptocurrency, using the wrong Blockchain network, or transferring to an incorrect or incompatible wallet may result in your Cryptocurrency being delayed, lost, or permanently unrecoverable.

  Cryptocurrency Transfers (1) may also incur Network Fees payable by you, (2) are subject to compliance screening that may cause your Cryptocurrency to be held, delayed, declined, or rejected, and (3) are not complete—and the associated Cryptocurrency is not available for trading or other use—until they clear applicable compliance screening and receive the required number of network confirmations. CSPB may impose limits on, suspend, or discontinue transfer functionality at any time in its discretion. Finally, once Cryptocurrency leaves your Account for an external Wallet, it is no longer held by the Subcustodian, and you alone are responsible for safeguarding it and the associated Private Keys. The general risks of Cryptocurrency Transfers are discussed in more detail below.

- **Network Events.** While Network Events may materially affect the value of your investment, CSPB and its Subcustodians are not obligated to notify you of, or take any action in response to, any Network Event. CSPB's decisions regarding the support, suspension, or modification of any Network Event—including, but not limited to, Forks, Airdrops, upgrades, rollbacks, reorganizations, burns, token migrations, or protocol changes—are made in CSPB's sole discretion. If CSPB or its Subcustodian declines to support a Network Event, you will have no right, claim, or entitlement to any assets created, distributed, or available on an unsupported network. CSPB's ability to deliver assets resulting from Network Events may depend on third parties outside CSPB's control, and CSPB has no obligation to notify you of, or take any action in response to, any Network Event. Network Events may result in the loss of your assets or may lead to inconsistent records regarding ownership of assets.

- **Execution Quality.** CSPB may not be able to execute your order immediately due to, among other things, how many units of Cryptocurrency are available to CSPB and its customers in the market or other events occurring in the market at the time you place an order. It could also be the case that if you had submitted an order on another platform instead of with CSPB, you would have received more or less favorable pricing for your Cryptocurrency trades. Unlike regulated broker-dealers and investment advisers, entities engaged in facilitating Cryptocurrency trades generally do not have regulatory obligations to search, on your behalf, for the best available transaction terms. Any number of factors may impact the quality of execution you receive for Cryptocurrency trades placed with CSPB.

- **Market Data.** Prices of Cryptocurrencies displayed on the Cryptocurrency platform are for reference only and should not be relied upon as the final expected price for any order you submit for a variety of reasons, including those discussed below. Execution prices for your orders may differ from the reference prices and estimates displayed.

  You are responsible for verifying all market reference data provided by CSPB and determining that orders you submit within your Schwab Crypto Account are appropriate for you based on your investment objectives, financial circumstances, and risk tolerance. You must make independent transaction decisions. CSPB will have no liability for decisions made based on the market reference data provided.

  Prices and market reference data provided on the Cryptocurrency platform by CSPB are compiled and aggregated by the Subcustodian(s) and other third party-data providers. This information may be subject to time delays. CSPB makes no representations, warranties, or guarantees regarding accuracy, completeness, timeliness, or suitability of pricing, market information, value estimates, or educational content. All such information is provided "as-is" without any representation or warranty, whether express, implied, or statutory. CSPB expressly disclaims any responsibility for the use of this information.

  CSPB may provide an estimated U.S. dollar equivalent value of various Cryptocurrencies, including those received or held in your Account. Due to rapid price changes, the estimated U.S. dollar value may fluctuate even if the number of Cryptocurrencies remains the same. CSPB may use market data from third parties, such as affiliates or third-party service providers, to calculate these estimates.

You should monitor your Account statements, transaction confirmations, and other transaction-related communications to identify unauthorized transactions, erroneous Cryptocurrency Transfers, or other errors, and immediately notify CSPB if you identify any such error or unauthorized transaction.

General Risks of Investing in Cryptocurrency

Below is a discussion of important risk factors that exist with respect to an investment in Cryptocurrencies generally. This discussion is not comprehensive; you are responsible for understanding the risks of investing Cryptocurrencies.

- **Bad Actor Risk.** In the past, flaws in the source code for Cryptocurrency have been exposed and exploited, including by disabling some functionality for users, exposing users' personal information, and/or resulting in the theft of users' Cryptocurrency. The cryptography underlying Cryptocurrency could prove to be flawed or ineffective, or developments in mathematics and technology, including advances in digital computing, algebraic geometry and quantum computing, could result in that cryptography becoming ineffective.

  In any of these circumstances, a malicious actor may be able to compromise the security of the Blockchain network or take Cryptocurrency holdings, which could adversely affect the value of your investment. Moreover, functionality of a Blockchain network may be negatively affected such that it is no longer attractive to users, thereby dampening demand for Cryptocurrency. Even if a Cryptocurrency other than a product you hold were affected by similar circumstances, any reduction in confidence in the source code or cryptography underlying Cryptocurrency generally could negatively affect the demand for Cryptocurrency and therefore adversely affect the value of your investment.

- **Concentration Risk.** Investing in Cryptocurrency is risky, and you could lose the full value of your investment. Maintaining a diverse portfolio of investments is important, and you should consult a financial professional to help advise you regarding the best way to incorporate Cryptocurrency into your investment portfolio.

- **Fork Risk.** The acceptance of software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in a Cryptocurrency network could result in a "Fork" in such network's Blockchain that may result in the operation of multiple separate networks. A Fork in a network's Blockchain may impact the value of your Cryptocurrency holdings.
- **Governance Risk.** Governance of some Blockchain networks is achieved by voluntary Consensus and open competition. There may be a lack of Consensus or clarity on the governance of a Blockchain network, which may stymie the utility of a particular Cryptocurrency and its ability to grow in value. In particular, it may be difficult to find solutions or generate sufficient effort to overcome any future problems on a Blockchain network, especially long-term problems.
- **Internet Risk.** Cryptocurrency networks are dependent upon the internet. A disruption of the internet or a Cryptocurrency network could affect the ability to transfer Cryptocurrency and, consequently, its value.
- **Market Risk.** The adoption of Cryptocurrency is in its infancy, and there is a risk that investors and market participants may be unwilling to use Cryptocurrency.
- **Open-Source Development Risk.** The open-source structure of many Cryptocurrency network protocols means that developers and other contributors are generally not directly compensated for their contributions in maintaining and developing such protocols. As a result, the developers and other contributors of a particular Cryptocurrency may lack a financial incentive to maintain or develop the network, or may lack the resources to adequately address emerging issues. Alternatively, some developers may be funded by companies whose interests are at odds with other participants in a particular Cryptocurrency network. A failure to properly monitor and upgrade the protocol of the network could damage that network, which may impact the value of the Cryptocurrency.
- **Regulatory Risk.** Given that Cryptocurrency and Blockchain technology are still in development, governmental and regulatory authorities are beginning to develop various regulatory approaches. Regulatory postures related to Cryptocurrency can change quickly or gradually over time, and regulatory changes may affect the value of your holdings and the structure or viability of the Schwab Crypto™ Account program.
- **Scaling Risk.** Many Cryptocurrency networks face significant scaling challenges and may periodically be upgraded with various features designed to increase the speed and throughput of Cryptocurrency transactions. These attempts to increase the volume of transactions may not be effective, and such upgrades may fail, resulting in potentially irreparable damage to the Blockchain and the Cryptocurrency.
- **Systemic Risk.** In the event that the marketplace loses confidence in the Blockchain ecosystem, the price of the Cryptocurrency you hold at CSPB may be impacted, potentially in a material way.
- **Technological Risk.** Cryptocurrency networks and the software used to operate them are in the early stages of development. Given the recentness of the development of Cryptocurrency networks, Cryptocurrency may not function as intended and parties may be unwilling to use Cryptocurrency, which would dampen the growth, if any, of Cryptocurrency networks. Therefore, the value of your investment in Cryptocurrency is subject to a number of factors relating to the fundamental investment characteristics of Cryptocurrency, including the fact that Cryptocurrency are bearer instruments and loss, theft, compromise, or destruction of the associated Private Keys could result in permanent loss of the asset.
- **Third-Party Service Disruption.** In the event of a disconnection or extended outage involving a third-party service provider, your order(s) may be cancelled without prior notice or your ability to cancel an order and access associated assets may be restricted until service is restored.
- **Volatility.** The trading prices of many Cryptocurrencies have experienced extreme volatility in recent periods and may continue to do so.

Risks Specific to Cryptocurrency Transfers

A Cryptocurrency Transfer into or out of your Schwab Crypto Account involves additional risks, including but not limited to the following:

- **Wallet Address Accuracy Risk.** You are responsible for confirming that the destination wallet address for any Cryptocurrency Transfer between your Schwab Crypto Account and any other Wallet or Schwab Crypto Account is complete and accurate. Cryptocurrency sent to an incorrect, mistyped, incompatible, or unintended address may be permanently lost, and you will have no recourse under those circumstances.
- **Irreversibility Risk.** Once a Cryptocurrency Transfer is initiated between your Schwab Crypto Account and another Wallet or Schwab Crypto Account, it cannot be canceled, reversed, or recalled—even while it is pending—regardless of whether it was sent in error, for the wrong amount, or to the wrong recipient. CSPB has no liability for losses arising from the use of wrong addresses, wrong amounts, or unsupported networks.
- **Network and Asset Compatibility Risk.** Cryptocurrency Transfers can be completed only for supported Cryptocurrencies. Sending an unsupported Cryptocurrency, sending a Cryptocurrency that is not supported by the target Wallet, using the wrong or an unsupported network (even if the Cryptocurrency is supported), or transferring to or from an incompatible Wallet may result in delay, loss, or the permanent inability to recover the Cryptocurrency, which may not be recoverable.
- **Transfer Delay, Hold, and Rejection Risk.** Cryptocurrency Transfers are subject to compliance screening and to receiving the required number of Blockchain network confirmations before they are complete. A Cryptocurrency Transfer may be delayed, placed on hold, declined, or rejected—including for compliance reasons or because of network conditions—and Cryptocurrency involved in a pending or held Cryptocurrency Transfer will not be available to you during that period. Because Cryptocurrency prices can move significantly while a Cryptocurrency Transfer is pending, the value of the Cryptocurrency may change before the Cryptocurrency Transfer is complete. Additionally, Cryptocurrency Transfers may be flagged for manual compliance review by CSPB or the Subcustodian, in which case the Cryptocurrency will not be available for use until the review is complete.
- **Confirmation Timing Risk.** The number of Blockchain network confirmations required before a Cryptocurrency Transfer is complete is set by the Subcustodian and may be increased at any time, including without prior notice, in response to network or security conditions. As a result, the time required for a Cryptocurrency Transfer to complete may lengthen, and your Cryptocurrency may remain unavailable to you for longer than expected.
- **Network Congestion Risk.** During periods of high Blockchain network congestion, Cryptocurrency Transfers may be delayed, may require adjusted or replacement network fees in order to be processed, or may remain unconfirmed for an extended period. Network conditions are outside the control of CSPB and the Subcustodian, and confirmation of any Cryptocurrency Transfer is not guaranteed.
- **Transfer Fee Risk.** Cryptocurrency Transfers may require payment of Network Fees (also called Gas Fees) that may fluctuate with Blockchain network congestion. Network Fees can be substantial, are estimated at the time the Cryptocurrency Transfer is initiated, and are generally not refundable, including if a Cryptocurrency Transfer fails.

- **Fraud, Scam, and Destination Risk.** When you transfer Cryptocurrency to an external Wallet or a third party, neither CSPB nor the Subcustodian is able to control or verify the identity, security, or legitimacy of the recipient or destination. You bear the risk of fraud, scams, social-engineering schemes, and transfers to malicious, compromised, or unintended addresses, and such Cryptocurrency Transfers generally cannot be reversed.
- **Limited Recovery for Transfer Errors and Delays.** Even where CSPB or the Subcustodian is responsible for a Cryptocurrency Transfer error or an undue delay, the amounts recoverable by you may be limited to the documented, out-of-pocket costs necessary to correct or complete the affected Cryptocurrency Transfer. You may not be able to recover other losses, such as changes in the price or value of the Cryptocurrency while a Cryptocurrency Transfer was delayed or pending, lost trading or investment opportunities, or other indirect or consequential losses.
- **Transfer Availability Risk.** Cryptocurrency Transfer functionality, and the particular Cryptocurrencies and Blockchain networks that can be transferred, may be limited, suspended, changed, or discontinued at any time, and Cryptocurrency Transfers may be unavailable during outages, maintenance, or network disruptions.
- **Continued Existence of Blockchain Addresses after Account Closure.** Even after closure of your Schwab Crypto™ Account, any deposit address or other blockchain address previously associated with your Account may continue to exist on the applicable Cryptocurrency network. CSPB does not control, and cannot delete, such addresses. You are solely responsible for ensuring that no Cryptocurrencies are sent to any address associated with a closed Account.
- **Unauthorized "Dust."** From time to time, attempted cyberattacks on Wallets can result in small amounts of Cryptocurrency, or "dust," being transferred into a Wallet on an unauthorized basis. You will have no rights to or ownership in any unauthorized dust that may be transferred into your Account, and no such dust will be evident on any Account statements related to your Account. For security purposes, we will transfer any unauthorized dust out of your Account.

II. Archive of Changes to Disclosure Document

[To be updated over time]



Investment and Insurance Products: Not a Deposit
Not FDIC Insured • Not Insured by any Federal Government Agency
No Bank Guarantee • May Lose Value

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E-0926-04766 REG129069-02 (09/26)