

## Stablecoin Risk Summary

Estimated reading time: 2 min

Investing in stablecoins carries certain risks that you should be aware of before making any financial commitments. Please carefully consider the following factors:

### Price Volatility

Stablecoins aim for stability but can experience price fluctuations due to market sentiment or unforeseen events. Stablecoins are designed to peg to their fiat counterparts at a 1:1 basis, but this can sometimes fail for unforeseen reasons.

### Regulatory Uncertainty

The regulatory landscape for stablecoins is evolving in the UK and worldwide, which can impact their use and value. Stay informed about regulatory changes.

### Counterparty Risk

Dealing with third-party issuers can pose counterparty risk if they lack transparency or necessary reserves

### Lack of Consumer Protections

Stablecoin investments are not protected by the Financial Services Compensation Scheme (FSCS). Use the FSCS investment protection checker for details [here](#).

### Market Liquidity

Stablecoin liquidity varies and may not be as high as major cryptocurrencies during peak times of trading or high volatility

### Tax Implications

The tax treatment of stablecoins can be complex and may vary depending on your specific circumstances. It's important to understand the tax implications of your stablecoin transactions and report them accurately to tax authorities.

### Financial Stability

Any financial investment carries the risk of loss, and stablecoins are no exception. It's essential to assess your financial situation and only invest what you can afford to lose.

### Lack of Understanding

Seek professional advice or education if you don't fully understand stablecoins.

Before investing, evaluate your risk tolerance, conduct thorough research, and consider consulting a qualified financial advisor. This risk warning is for informational purposes and not financial advice; make decisions based on your unique financial situation and goals.