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mintos

Disclosure of risks of investing in Notes

Investing in loans via Notes might be a good way to diversify your investment portfolio. However, it is important to understand investing in Notes is not risk free. Investors must carefully evaluate their readiness to tolerate the risks of investing in Notes based on their investing experience, investment goals, and wealth.

Using risk management tools decreases the risk of loss, however, it does not exclude the possibility to lose part or all of the invested funds if some of the risks materialize.

Investors should consider at least the following risks before making an investment:

Market risk
The value of the investment may decline due to events outside the control of market participants, such as an economic downturn, a financial crisis, or geopolitical events.

Risks related to the underlying loan
Payments are linked to the underlying loan receivables. If the borrower does not make a scheduled payment on time, the investor will also not receive a payment on time. If the borrower does not repay the underlying loan at all and the lending company is not able to recover the money, the investor will not receive further payments.

The borrower may repay the principal amount at any time. The loan agreement might also be canceled by the lending company, triggering early repayment by the borrower. While the investor may invest the repaid money in other Notes, the return on the investments could be lower than the initially planned return. If the investor decides not to reinvest, the uninvested money in their account will not earn any returns.

Risks related to the lending company
The lending company may become insolvent, become unable to service loans, or stop cooperating with Mintos. As a result, the company could fail to honor its contractual obligations, leading to not making payments or defaulting on the buyback obligation.

Risks specific to Notes
Investors are investing in Notes backed by loan receivables. The legal title to the loan receivables is held by the Notes issuer. This means investors don’t have direct recourse against the borrower and can’t independently pursue the borrower to collect payments.

Investors will only receive payment after payment obligations of a higher priority, such as taxes or recovery costs, have been settled. Moreover, the outcome of an insolvency or court procedure could overrule the creditors’ priority.

Risks related to the investment firm
Mintos may become insolvent, its license may be revoked, or the company may become unable to service its clients. This could lead to delayed repayments or loss of invested amounts.

Risks related to the Notes issuer
The company issuing the Notes may default on its obligation or become insolvent. This could lead to delayed repayments or loss of invested amounts.

Counterparty risk

Mintos holds investors' uninvested funds in several banks within the European Union and Switzerland according to the requirements for investment firms on safeguarding clients' funds. As part of the safeguarding requirements, the banks acknowledge that the funds are held by them not as deposits, but as third party funds in a special account opened by Mintos on behalf of its clients. In the event that any of these banks becomes insolvent or fails to perform their obligations under the agreements concluded with Mintos, access to funds held with these banks may be disrupted, or these funds could be partially or fully lost.

When investors' funds are held in a bank outside the European Union, they will be subject to local law, and the rights of the investors may differ.

Intermediary risk

The legal setup of the Notes may involve additional intermediary companies which are involved in the process of transferring funds from the borrowers and lending companies to Mintos. In the event that these companies may fail to honor their contractual obligations or become insolvent, this could lead to delayed repayments or loss of invested funds.

Liquidity risk

Notes typically have a fixed term, and investors have to hold them until they mature. Investors who want to sell their investment early can only do so on the Mintos Secondary Market. There is a possibility that investors will not be able to sell the investments made in the Notes before their maturity. Mintos does not guarantee demand on the Secondary Market, nor availability of the Secondary Market as such.

Currency risk

The value of an investment in a foreign currency may depreciate against the investor's home currency as the exchange rate fluctuates.

Also, when a Note is listed on the platform in a currency that is different from the currency in which the underlying loans were issued, the lending company assumes a currency exchange risk. When borrower repayments are received or when repurchase or buyback prices have to be paid, the lending company must transfer the amount to Mintos in the listed currency. If the currency of the underlying loans devalues significantly against the listed currency, the lending company could fail to honor its contractual obligations. This could lead to delayed repayments or loss of invested amounts.

Conflicts of interest

The best interests of the lending company, the investors and Mintos might not be aligned.

Legal, regulatory and compliance risk

The underlying loans of Notes available for investment on Mintos come from multiple geographies. Each country might have different requirements regarding supervision of lending companies, investor rights protection, collateral management, insolvency proceedings etc. Such differences may influence the risk of investment.

Operational risk

In their operations, Mintos and lending companies rely on sound performance of their IT systems, internal processes, and employees, as well as external partners such as banks and web service providers.

A failure or breach of IT systems can affect Mintos or the lending company's ability to serve its customers. In this event, investors' orders might not be executed to the full extent, or investors might not receive information on their investments in real time. An error in any internal process, including human error, may result in availability or quality issues for some or all of the provided services. Any problems with external partners could also impact some of the services Mintos provides.

Please note that this is not an exhaustive list of risks investors should consider before investing.