

Important Information About Equity, Options and Futures Exchange Rules

- 1. Manipulative Trading:** It is a violation of exchange rules for a customer, acting alone or in concert with others, to engage in manipulative trading, including trading designed to unlawfully influence the price or volume of an instrument, and trading without a bona fide investment or hedging or speculative purpose. Manipulative trading includes, but is not limited to: "wash sales", "matched orders", "painting the tape", "spoofing/small-lot baiting" (sending an order to an exchange in order unlawfully to manipulate the execution price of a separate order on that exchange or on another exchange), "marking the close" (sending an order to influence the price of an instrument near the close of trading) and sending orders whose primary purpose is the collection of rebates or payment for order flow rather than investment or trading of the relevant instrument.
- 2. Pre-Arranged Trading, Block Trading, Crossing and Facilitation:** Exchange rules govern the circumstances and procedures under which customers can seek to trade against each other, including pre-arranged trading, block trading, crossing trades, facilitation trades and solicitation trades. Customer must review relevant exchange rules before seeking intentionally to trade against another person or entity. See e.g., ISE Rules 716 (Block Trades), 717 (Limitations on Orders), and 723 (Price Improvement Mechanism for Crossing Transactions); CME Rule 539 (Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited); CBOT Rule 539 (Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited) and NYSE Liffe Rules 615 (Pre-Arranged Trades), 422 (Exchange for Related Positions) and 423 (Block Trading).
- 3. Improper Market Making:** It is a violation of U.S. option exchange rules and American Stock Exchange ETF rules for a customer effectively to act as a market maker by holding itself out as willing to buy and sell securities on a regular or continuous basis. In determining whether a customer effectively is operating as a market maker, the exchanges will consider, among other things, the simultaneous or near-simultaneous entry of limit orders to buy and sell the same security; the multiple acquisition and liquidation of positions in the security during the same day; and the entry of multiple limit orders at different prices in the same security.
- 4. Order Designation:** It is a violation of exchange rules to transmit an order for a broker-dealer account or an account in which a broker-dealer has a beneficial ownership interest unless such order is properly marked as a broker-dealer order. Users of the IB system cannot transmit broker-dealer orders with a "customer" designation.

BY OPENING AN IB ACCOUNT AND USING THE IB SYSTEM, CUSTOMERS REPRESENT THAT THEY WILL CONDUCT THEIR TRADING IN ACCORDANCE WITH EXCHANGE RULES.