INTERACTIVE BROKERS AUSTRALIA PTY LTD DISCLOSURE OF RISKS OF MARGIN TRADING AND AUTOMATIC LIQUIDATION

This document is intended to provide information about the risks of purchasing securities and other investment products on margin, and to alert you to the risks involved with trading in a margin account, automatic liquidation and margin facilities provided to wholesale clients. This document is not intended as advice and was prepared without taking into account any individual person's circumstances, needs or objectives and as such you should consider whether it is appropriate for you. To the extent of any inconsistency between this document and any of Interactive Brokers Australia Pty Ltd's ("IBA") terms and conditions, the latter prevails.

IBA is furnishing this document to you to provide some basic information about risks trading in a margin account.

"Margin trading" can mean engaging in a transaction in which securities are purchased partially through a margin loan extended to you by IBA, for which the securities act as collateral. Margin trading can also mean trading investment products such as options in which an initial "margin" deposit is made to secure your obligations and further margin (or variation margin) may be required to secure your obligations as the value of your position changes.

Before trading securities, or other investment products in a margin account, you should carefully review the margin agreement provided by IBA and you should consult IBA regarding any questions or concerns you may have with your margin accounts.

When you purchase securities, you may pay for the securities in full or, if you have a margin account, you may borrow money from IBA for the purchase. The securities purchased become part of IBA's collateral (along with other financial products) for the money you borrow, the loan, from IBA. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, IBA can take action, such as sell securities or other assets in any of your accounts held with IBA or issue a margin call, in order to maintain the required equity in the account.

You should understand that pursuant to your agreement with IBA,

- IBA generally **will not** issue a call for you to deposit margin within a specific time period to rectify a margin deficiency which is sometimes referred to as a "margin call"[1] - if your account becomes margin deficient, IBA will liquidate positions,
- IBA **will not** credit your account to meet intraday margin deficiencies, and
- IBA generally **will** liquidate positions in your account in order to satisfy margin requirements without prior notice to you and without an opportunity for you to choose the positions to be liquidated or the timing or order of liquidation.

In addition, it is important that you fully understand the risks involved in trading securities or other investment products on margin. These risks include the following:

- **<u>You can lose more funds than you deposit in the margin account.</u>**
  A decline in the value of securities or other investment products that act as collateral, including those you purchase on margin, may require you to provide additional assets as security to IBA or you must put up margin to avoid the forced sale of those securities or other assets in your account(s).
- **<u>IBA can force the sale of securities or other assets in your account(s).</u>**
  If the equity in your account falls below the maintenance margin requirements, or if IBA has higher "house" requirements, IBA can sell the securities or other investment products or other assets in any of your accounts held at the firm to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.
- **<u>IBA can sell your securities or other assets without contacting you.</u>**
  Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. As noted above, IBA generally will not issue margin calls and is entitled to immediately sell your securities or other investment products without notice to you in the event that your account has insufficient margin. You will, however, be issued with various electronic warnings via email and through the various trading interfaces to alert you to top up your margin account with additional cash or collateral when your margin account is approaching margin call; as such you should continually monitor your margin account(s).
- **<u>You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.</u>**
  IBA has the right to decide which positions to sell in order to protect its interests.
- **<u>IBA can increase its "house" maintenance margin requirements at any time and is not required to provide you with advance written notice.</u>**
  These changes in firm policy often take effect immediately. Your failure to maintain adequate margin in the event of an increased margin requirement generally will cause IBA to liquidate or sell securities or other assets in your account(s).

[1] IBA will generally, however, issue electronic warnings to alert you to top up the margin account with additional collateral or cash. This is in the form of an email automatically issued to you, as well as various alerts within the various trading interfaces.

- **<u>If IBA chooses to issue a margin call rather than immediately liquidating under-margined positions, you are not entitled to an extension of time on the margin call.</u>**

<u>Special risks and features of non-standard margin lending facilities issued to natural persons or margin loans issued to corporate / organisational accounts</u>

This section only applies to wholesale clients within the meaning of subsection 761G(7)(c) of the Corporations Act 2001 (Cth) ("Wholesale Clients").
If you are a Wholesale Client and you apply for a margin account, and IBA approves your application, your margin account will operate differently to the margin account that a retail client may be issued. Some of the key features are as follows:

- Rather than IBA simply providing you with credit to acquire securities, which then act as security for the credit provided, if you apply for and are issued with a margin account then you will also enter into an agreement under which IBA may "borrow" <u>securities from you - even though this is referred to as a "borrow" right, this involves the actual transfer of ownership of securities.</u> IBA may borrow up to around 110% of the value of your loan value, in securities from your margin account(s) which otherwise act as collateral for the margin facility.
- <u>In respect of these borrowed securities, IBA has a right to use them as it sees fit, including "lending" them to third parties.</u> You will have a contractual right to be returned equivalent securities on repayment of the margin loan (which you can do at any time by selling the securities or depositing cash to pay out the negative balance (or Loan) in any currency or currencies). This means you are exposed to counterparty risk with IBA, and although IBA and its affiliates have impressive financial strength and security, in the unlikely event that IBA defaulted while title of your securities is with IBA in that you may not be returned the securities "borrowed" by IBA.
- Despite the transfer of legal ownership of the securities you purchase on margin, you will still be exposed to market risk on these securities.
- Other important risks relevant to securities which have been borrowed include that,

  - Your right to vote with respect to any securities, which have been borrowed as of the record date or deadline for any such vote, will be limited.
  - You will receive any dividends in respect of any securities, which have been borrowed as of the dividend record date, as a cash payment in lieu of any stock dividend. You may also receive payments in lieu of other corporate actions undertaken by security issuers. You should consider the tax consequences of any such payments.
  - Whilst you have a contractual right to be returned your margined securities on repayment of the margin loan, in the event that the market for securities is or becomes illiquid and no securities are available, you may

not be returned your securities. In these circumstances you will be provided equivalent securities instead.