

Risk Disclosure for Trading Digital Assets with Paxos Trust Company Through IBKR's Platform

Important Information Regarding Trading Digital Assets with Paxos

Interactive Brokers LLC ("IBKR") offers clients the ability to access digital asset trading and custody services (the "Paxos Services") in an account in client's name (the "Paxos Account") at Paxos Trust Company ("Paxos") through IBKR's electronic trading software. The digital assets in your Paxos Account are carried at Paxos while all other assets, including securities, commodities and fiat currency, are carried in your IBKR account. You should carefully consider the risks below before making a decision to utilize the Paxos Services.

1. **Trading Of Digital Assets is Risky.** Digital asset prices are highly volatile and can rise or fall dramatically and quickly. If you hold a position in digital assets and the value of the asset falls, you can lose money. You should carefully consider your financial circumstances and your risk tolerance before trading digital assets with Paxos and you should not trade digital assets unless you have the financial capability to sustain losses if they occur. You should be aware that you may sustain a total loss of the assets in your Paxos Account.
2. **No Investment Advice, Recommendations, Or Tax Advice.** IBKR does not provide investment, tax, or trading advice or recommendations. By making digital assets available to you, neither IBKR nor Paxos makes any assessment, representation, or warranty concerning the appropriateness or suitability of digital assets for your financial circumstances. The Paxos Services are "execution only." IBKR and Paxos will not advise you on any transaction. Neither IBKR nor Paxos will assess whether your transactions are suitable for you or help you avoid losses. You should obtain your own financial, legal, taxation, and other professional advice as to whether digital assets are appropriate investments for you.
3. **Digital Asset Holdings Are Not Covered By FDIC or SIPC.** In general, US broker-dealers cannot custody non-securities digital assets. Therefore, US brokers seeking to offer their clients the ability to trade digital assets must work with another entity (a "Crypto Broker/Custodian") which is suitably licensed, and at which clients trading digital assets have separate accounts in their own name. These Crypto Broker/Custodians are not broker-dealers, and digital assets are not securities, and so SIPC coverage does not apply to accounts at Crypto Broker/Custodians. Likewise, most Crypto Broker/Custodians are not insured banks, and digital assets are not cash, so FDIC coverage does not apply to accounts at Crypto Broker/Custodians.

IBKR has selected Paxos as the Crypto Broker/Custodian with which to work. By requesting trading permissions for digital assets through IBKR's platform, you are opening an account in your name at Paxos (the previously mentioned Paxos Account). All trading you do in digital assets through IBKR's platform will be executed in your Paxos Account (and not an account at IBKR), and Paxos will be your custodian and counterparty for those trades, which means that Paxos holds your digital assets for you and represents your ownership of them on their internal ledger. **As explained above, the holdings in your Paxos Account are not protected by FDIC or SIPC insurance in the event of Paxos' or IBKR's insolvency.**

Notwithstanding the above, because IBKR is a member of the National Futures Association (the "NFA"), IBKR is required to provide you with the following disclosure in connection with trading digital assets / "virtual currencies":

INTERACTIVE BROKERS LLC IS A MEMBER OF NFA AND IS SUBJECT TO NFA'S REGULATORY OVERSIGHT AND EXAMINATIONS. HOWEVER, YOU SHOULD BE AWARE THAT NFA DOES NOT HAVE REGULATORY OVERSIGHT AUTHORITY OVER UNDERLYING OR SPOT VIRTUAL CURRENCY PRODUCTS OR TRANSACTIONS OR VIRTUAL CURRENCY EXCHANGES, CUSTODIANS OR MARKETS.

4. **Trading Hours May Be Limited; Paxos Web Interface; Stop Loss Orders.** Digital assets generally trade 24/7, and their prices may change dramatically over the weekend. But your ability to access your Paxos Account through IBKR's platform, including purchasing or selling digital assets over the weekend, may be limited. Please visit IBKR's public website for additional detail on trading hour limitations.

To mitigate this risk, Paxos will make available to you at <https://ibkr.paxosclients.com/>, on a best-efforts-basis, a separate web-based interface (the "Paxos Web Interface"). Through the Paxos Web Interface, you can view digital asset positions at any time, and you can place orders to close (or reduce) positions in digital assets at times when IBKR's platform is unavailable for trading.

Paxos may offer stop and/or stop-limit orders (generally, "stop-loss orders") that you may choose to use to manage your risk, with respect to sudden decreases in the value of digital assets in your Paxos Account.

A stop order is an order to buy or sell a digital asset once the price of the digital asset reaches a specified price (the "stop price"). When the stop price is reached, a stop order becomes a market order and can execute at any price (not necessarily at the stop price). A sell stop order is entered at a stop price below the current market price. Investors generally use a sell stop order to limit a loss or to protect a profit on a digital asset that they own.

A stop-limit order is an order to buy or sell a stock that combines the features of a stop order and a limit order. Once the stop price is reached, a stop-limit order becomes a limit order that will be executed (if possible) at a specified price (or better). Like a regular limit order, stop-limit orders will only execute if there is liquidity at your limit price or a better price.

In a quickly falling market, including in situations where many customers submit stop orders with a similar stop price, or when there is a lack of liquidity in the market, a stop order may execute a significant amount away from the specified stop price and a stop-limit order may not execute at all.

Stop and stoplimit orders, while outstanding, are eligible to execute even outside of the times when IBKR's platform is available for trading.

Using stop orders carries its own risks, including that your order may execute at an unfavorable price, and that the price of the digital asset may subsequently rise sharply above the level of the stop price, and you could lose money if you then reestablish your position at a price above the price at which you exited it as a result of your stop-loss order executing.

5. **The Digital Asset Market Is Highly Speculative And Extremely Volatile.** The market for digital assets can be extremely volatile. The price of digital assets may be influenced by, among other things, the performance of the economy as a whole; new or amended government regulation; the changing supply and demand relationships for digital assets; governmental, commercial and trade programs and policies; interest rates; technological developments; inflation; national and international political and economic events; statements by internet celebrities; social media sentiment; and the prevailing psychological characteristics of the relevant marketplace.
6. **Digital Assets Custodied with Paxos Will Have No Margin Value In Your IBKR Account.** The digital assets custodied in your Paxos Account will not be assigned any margin value. Such digital assets will not be considered in determining your IBKR account's compliance with either securities or commodities margin requirements. If you

have insufficient equity in your IBKR account to meet your margin requirements, the assets in your IBKR account may be liquidated.

7. **Digital Assets Carry Liquidity Risk.** Paxos is not obligated to provide quotes for digital assets at any time, and neither Paxos (nor IBKR) guarantee the continuous availability of quotations or trading for digital assets on Paxos' or any other digital asset exchanges. Paxos may in its sole discretion cease quoting digital assets and/or cease entering new digital asset transactions at any time.
8. **You Will Pay Commissions For Trading Digital Assets.** Paxos will charge commissions on your digital asset trades. For more details on the commissions, please see <https://www.interactivebrokers.com/en/index.php?f=1590>.
9. **Your Agreement with Paxos Governs Your Paxos Account.** Your Paxos Account is governed by the Paxos Exchange Terms & Conditions ("Paxos T&Cs"). You should read the Paxos T&Cs carefully and understand the terms of your relationship with Paxos.
10. **You Are Not Permitted To Short Digital Assets.** Short sales of digital assets are prohibited. The inability to open short digital asset positions may negatively impact your ability to protect against trading losses.
11. **The Digital Assets Available to You Are Limited and Subject to Change.** The digital assets available for trading in your Paxos Account are limited. Paxos or IBKR may further limit the available digital assets to be traded on the IBKR platform at their own discretion and without prior notice to you. A complete list of available digital assets that may be purchased in your Paxos Account through IBKR's platform is available at <https://www.interactivebrokers.com/en/index.php?f=46390>.
12. **Risk Of Disruption Or Interruption Of Access To Paxos Account.** Both IBKR and Paxos rely on computer software, hardware and telecommunications infrastructure and networking to provide their respective services to you, and without these systems neither can provide you with access to your respective accounts. These computer-based systems and services such as those used by Paxos are inherently vulnerable to disruption, delay or failure, which may cause you to lose access to the IBKR trading platform and thereby your Paxos account or may cause IBKR or Paxos not to be able to provide digital asset quotations or trading, or may negatively affect any or all aspects of Paxos' services. Under the IBKR Client Agreement, you accept the IBKR systems and services "As-Is" and IBKR's liability to you is limited.
13. **Other Important Information Covered by Paxos T&Cs.** If at any time you wish to transfer some or all of your digital asset holdings in your IBKR-linked Paxos account out of your IBKR-linked Paxos account and into an independent Paxos account (from which you can then continue to freely trade such assets or transfer them to other addresses on the blockchain), please see the Paxos T&Cs for instructions on how you may do so. In the event that IBKR ceases operations, Paxos will contact you to transfer the holdings in your IBKR-linked account to an independent account, in accordance with the Paxos T&Cs.