InteractiveBrokers

Risk Disclosure for Trading and Staking Digital Assets with Zero Hash Through IBKR's Platform

Important Information Regarding Trading and Staking Digital Assets with Zero Hash. Interactive Brokers LLC ("IBKR") offers clients the ability to access digital asset trading and custody services (the "Zero Hash Services") and digital asset staking services (the "Staking Services") in an account in client's name (the "Zero Hash Account") at Zero Hash LLC (together with its affiliate Zero Hash Liquidity Services, LLC, "Zero Hash") through IBKR's electronic trading software. The digital assets in your Zero Hash Account are carried at Zero Hash while all other assets are carried in your IBKR account. Fiat currency is carried in your IBKR account and may also be carried in your Zero Hash Account if you designated that account as your source of payment for digital asset purchases pursuant to the *Supplement to Interactive Brokers LLC Client Agreement in Connection with Trading and Staking Digital Assets with Zero Hash* ("Payment Source Account") and moved fiat currency into that account in anticipation of purchasing digital assets. You should carefully consider the risks below before making a decision to utilize the Zero Hash Services or the Staking 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 Zero Hash 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 Zero Hash 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 Zero Hash makes any assessment, representation, or warranty concerning the appropriateness or suitability of digital assets for your financial circumstances. The Zero Hash Services are "execution only." IBKR and Zero Hash will not advise you on any transaction. Neither IBKR nor Zero Hash 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 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 digital assets held in accounts at Crypto Broker/Custodians.

   IBKR has selected Zero Hash as a 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 Zero Hash (the previously mentioned Zero Hash Account). All trading you do in digital assets and any staking (or unstaking) of digital assets through IBKR's platform will be executed in your Zero Hash Account (and not an account at IBKR), and Zero Hash will be your custodian and counterparty for those trades and staking activities, which means that Zero Hash holds your digital assets for you and represents your ownership of them on their internal ledger. **As explained above, the holdings in your Zero Hash Account, including any staked digital assets, are not protected by FDIC or SIPC insurance in the event of Zero Hash' 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; Zero Hash 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 Zero Hash 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, Zero Hash will make available to you at https://ibkr.zerohashforclients.com on a best- efforts-basis, a separate web-based interface (the "Zero Hash Web Interface"). Through the Zero Hash 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. If you have designated your Zero Hash Account as your Payment Source Account, you may also place buy orders

directly with Zero Hash through the Zero Hash Web App, subject to the requirement that buy orders must be fully funded (including commission) when placed.

5. **Digital Asset Purchases Must Be Fully Funded When Orders Are Submitted.** You are responsible for ensuring that there is sufficient cash available in your designated Payment Source Account to fully fund your purchase of digital assets at the time you submit an order. If you have designated your Zero Hash Account as your Payment Source Account, you are responsible for transferring cash from IBKR to Zero Hash before placing a buy order. If you have designated your IBKR brokerage account as your Payment Source Account, IBKR will transfer cash from your IBKR brokerage account to Zero Hash when you execute a trade to purchase digital assets. Orders that are not fully funded will be rejected.

6. **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.

7. **Digital Assets Custodied with Zero Hash Will Have No Margin Value In Your IBKR Account.** The assets (whether digital or cash) custodied in your Zero Hash 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.

8. **Digital Assets Carry Liquidity Risk.** Zero Hash is not obligated to provide quotes for digital assets at any time, and neither Zero Hash (nor IBKR) guarantee the continuous availability of quotations or trading for digital assets on Zero Hash' or any other digital asset exchanges. Zero Hash may in its sole discretion cease quoting digital assets and/or cease entering new digital asset transactions at any time.

9. **You Will Pay Commissions For Trading Digital Assets.** Zero Hash will charge commissions on your digital asset trades. For more details on the commissions, please see https://www.interactivebrokers.com/en/pricing/commissions-cryptocurrencies.php.

10. **Your Agreement with Zero Hash Governs Your Zero Hash Account.** Your Zero Hash Account, through which Zero Hash provides the Zero Hash Services and the Staking Services, is governed by the Zero Hash User Agreement ("Zero Hash Agreement"). You should read the Zero Hash Agreement carefully and understand the terms of your relationship with Zero Hash.

11. **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.

12. **The Digital Assets Available to You Are Limited and Subject to Change.** The digital assets available for trading in your Zero Hash Account are limited. Zero Hash 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 Zero Hash Account through IBKR's platform is available at https://www.interactivebrokers.com/lib/cstools/faq/#/content/182856890.

13. **Risk Of Disruption Or Interruption Of Access To Zero Hash Account.** Both IBKR and Zero Hash 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 Zero Hash are inherently vulnerable to disruption, delay or failure, which may cause you to lose access to the IBKR trading platform and thereby your Zero Hash account or may cause IBKR or Zero Hash not to be able to provide digital asset quotations or trading, or may negatively affect any or all aspects of Zero Hash's services. In particular, service disruptions may result in the inability to trade, withdraw, deposit, stake, or unstake digital assets, delayed crediting of Staking Rewards, or other adverse effects on Client's use of the Zero Hash Services and/or Staking Services. Under the IBKR Client Agreement, you accept the IBKR systems and services "As-Is" and IBKR's liability to you is limited.

14. **Other Important Information Covered by Zero Hash Agreement.** If at any time you wish to transfer some or all of your digital asset holdings in your IBKR-linked Zero Hash account out of your IBKR- linked Zero Hash account and into an independent Zero Hash account (from which you can then continue to freely trade such assets or transfer them to other addresses on the blockchain), please see the Zero Hash Agreement for instructions on how you may do so. In the event that IBKR ceases operations, Zero Hash will contact you to transfer the holdings in your IBKR-linked account to an independent account, in accordance with the Zero Hash Agreement.

15. **Staking Services and Risks of Staking**

A. **What is Staking**

Staking is the process by which you may commit, or "lock up," your digital assets to a blockchain network that uses a proof-of-stake ("PoS Network") consensus mechanism. Staking your digital assets in a PoS network helps validate transactions and secure the network. In return, you may earn rewards, typically paid in the form of additional units of the same digital asset.

Certain blockchain networks require participants known as "validators" to pledge a specified amount of digital assets as collateral in order to be eligible to propose and validate new blocks of transactions on the network. When you stake digital assets, those assets are delegated-either directly or through an intermediary-to a validator who participates in the network's consensus process. If the validator successfully validates transactions, the network distributes staking rewards.

B. **Staking Process**

You should understand that Zero Hash may use a "batch" staking process whereby all digital assets requested to be staked by clients are batched before being committed to the applicable PoS Network at a regular interval, at which time such digital assets are staked and bonded in a single omnibus wallet. As a result of this omnibus batching process, your individual staking transactions (and Staking Rewards) may not be posted to a public blockchain ledger but may instead form part of a larger transaction on-chain and ledgered and recorded off-chain by Zero Hash in its internal books and records. **As such, (i) you will not be able to independently verify individual Staking Reward allocations or staked balances on the public blockchain and must rely on Zero Hash's internal recordkeeping for the tracking and allocation of your staked digital assets; (ii) your entitlement to staked digital assets is reflected in Zero Hash's internal books and records rather than in a segregated on-chain wallet; and (iii) in the event of any discrepancy, system failure, or insolvency of Zero Hash, your ability to recover specific staked digital assets may be limited and/or delayed by the omnibus structure and the accuracy of Zero Hash's off-chain books and records.**

C. **IBKR's role**

IBKR's role with respect to the Staking Services is limited to providing you with access to the Staking Services through the IBKR platform. IBKR does not act as a staking validator, does not operate any PoS Network nodes, and does not have custody, control or possession of any digital assets, including those staked through the Staking Services. IBKR does not

guarantee the performance of Zero Hash, any third party validator, or any PoS Network. Further, IBKR has no ability to reverse, cancel, or modify any staking or unstaking instruction once submitted to Zero Hash, and IBKR has no responsibility for the execution, timing, or outcome of any staking or unstaking transaction. Your relationship with respect to the Staking Services is with Zero Hash pursuant to the Zero Hash User Agreement, and IBKR shall not be deemed a party to, or have any obligations under, that agreement.

D. **Staking Timelines; Bonding and Lock-Up Periods**

Digital assets may take extended periods of time to stake to the applicable PoS Network and begin earning Staking Rewards. For example, certain digital assets may take up to five (5) days following Zero Hash's receipt of a staking instruction to completely stake and begin earning Staking Rewards. Neither Zero Hash, nor IB, guarantees that Staking Rewards will be earned immediately or promptly upon Zero Hash's receipt of a staking instruction.

Once staked, digital assets may be required by the PoS Network to be locked for a certain period of time (the "Lock-Up Period"). During any such Lock-Up Period, your staked digital assets cannot be sold or transferred. You may request to unstake digital assets at any time; however, the unstaking process may take several weeks depending on the asset, the PoS Network, and network conditions. Unstaking is not guaranteed to be completed in any specific amount of time. Once completely unstaked, digital assets will be remitted to your Zero Hash Account.

E. **Risk of Slashing**

Certain PoS Networks subject staked digital assets to a "slashing" penalty, such as non-payment of staking rewards or even loss of some or all staked assets, if the validator node representing the staked digital assets incorrectly validates a transaction. Accordingly, if your staked digital assets are subject to a slashing penalty, you may not earn staking rewards for the relevant staked digital assets or may lose some portion or all of your staked digital assets.

F. **Lock-Up Period Risks**

Once digital assets are staked, they may be locked for a period required by the PoS Network. During this Lock-Up Period, the staked digital assets cannot be sold or transferred. The unstaking process may take several weeks depending on the asset, the PoS Network, and network conditions. You are solely responsible for researching and understanding any lock-up requirements or provisions associated with any PoS Network before

directing Zero Hash to stake digital assets on your behalf. Digital assets prices can be highly volatile, and the market value of staked digital assets may significantly change during the Lock-Up Period and the time it takes to unstake the digital assets. You assume all risk of price fluctuation during any Lock-Up Period or unstaking process.

G. **Tax Considerations**

Staking Rewards may constitute taxable and reportable income under applicable law. Zero Hash may report activity and the proceeds from Staking Rewards to the Internal Revenue Service or other applicable taxing authority to the extent and in the manner required by applicable law. You are solely responsible for determining your tax obligations relating to the Staking Services and any Staking Rewards earned. Neither IB nor Zero Hash provides tax advice, and you should consult with a qualified tax advisor regarding the tax consequences of participating in the Staking Services provided by Zero Hash.