



Risk Disclosure for Trading Digital Assets with Paxos Trust Company Through the IBKR System

Important Information Regarding Trading Digital Assets with Paxos

Interactive Brokers LLC ("IBLLC") offers clients the ability to access digital asset trading and custody services ("**Paxos Services**") in an account in the client's name ("**Paxos Account**") at Paxos Trust Company ("**Paxos**") through its electronic trading software ("**IBKR System**").

The digital assets in your Paxos Account are carried at Paxos while all other assets are carried in your account for trading securities and equity options at IBLLC ("**Brokerage Account**") and /or your account for trading futures and options on futures at IBLLC (together with the Brokerage Account, the "**IBUK Account**"). Fiat currency is carried in your IBKR Account and may also be carried in your Paxos Account if you have designated that account as your source of payment for digital asset purchases ("**Payment Source Account**") pursuant to the *Supplement to Interactive Brokers (U.K.) Limited and Interactive Brokers LLC Client Agreement in Connection with Trading Digital Assets with Paxos Trust Company Through the IBKR System* and have moved fiat currency into your Paxos Account in anticipation of purchasing digital assets. 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.** Neither IBLLC nor Interactive Brokers (U.K.) Limited ("**IBUK**") provide investment, tax, or trading advice or recommendations. By making digital assets available to you, IBLLC, IBUK and Paxos do not make any assessment, representation, or warranty concerning the appropriateness or suitability of digital assets for your financial circumstances. The Paxos Services are "execution only." IBLLC, IBUK and Paxos will not advise you on any transaction. Neither IBLLC, IBUK 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, SIPC or FSCS.** 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. Digital assets are also outside the scope of the UK Financial Services Compensation Scheme ("**FSCS**"). IBLLC has selected Paxos as the Crypto Broker/Custodian with which to work. By requesting trading permissions for digital assets through the IBKR System, you are opening an account in your name at Paxos / a Paxos Account. All trading you do in digital assets through the IBKR System will be executed in your Paxos Account (and not your IBUK Account), 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, SIPC insurance or the FSCS in the event of either Paxos, IBLLC or IBUK's insolvency.**

Notwithstanding the above, because IBLLC is a member of the National Futures Association (the "**NFA**"), IBLLC 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 App; 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 the IBKR System, including purchasing or selling digital assets over the weekend, may be limited. Please visit IBLLC's public website, www.ibkr.com, 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 App**"). Through the Paxos Web App, 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 the IBKR System is unavailable for trading. If you have designated your Paxos Account as your Payment Source Account, you may also place buy orders directly with Paxos through the Paxos Web App, subject to the requirement that buy orders must be fully funded (including commission) when placed.

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 clients 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 stop-limit orders, while outstanding, are eligible to execute even outside of the times when the IBKR System 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. **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 Paxos Account as your Payment Source Account, you are responsible for transferring cash from your IBUK Account to Paxos before placing a buy order. If you have designated your Brokerage Account as your Payment Source Account, IBLLC will transfer cash from your Brokerage Account to your Paxos Account 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 Paxos Will Have No Margin Value In Your IBUK Account.** The assets (whether digital or cash) custodied in your Paxos Account will not be assigned any margin value. Such digital assets will not be considered in determining your IBUK Account's compliance with either securities or commodities margin requirements. If you have insufficient equity in your IBUK Account to meet your margin requirements, the assets in your IBUK Account may be liquidated.
8. **Digital Assets Carry Liquidity Risk.** Paxos is not obligated to provide quotes for digital assets at any time, and neither Paxos (nor IBLLC) 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.

9. **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> and click "*Cryptocurrencies*".
10. **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.
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 Paxos Account are limited. Paxos or IBLLC may further limit the available digital assets to be traded on the IBKR System 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 the IBKR System is available at <https://www.interactivebrokers.com/en/index.php?f=46390>.
13. **Risk Of Disruption Or Interruption Of Access To Paxos Account.** Both IBLLC 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 IBLLC and Paxos are inherently vulnerable to disruption, delay or failure, which may cause you to lose access to the IBKR System and thereby your Paxos Account or may cause IBLLC or Paxos not to be able to provide digital asset quotations or trading, or may negatively affect any or all aspects of the Paxos Services. Under the Interactive Brokers (U.K.) Limited and Interactive Brokers LLC 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 Paxos Terms & Conditions.** If at any time you wish to transfer some or all of your digital asset holdings in your Paxos Account out of your Paxos Account and into an independent Paxos account (not linked to your IBUK Account and from which you can then continue to freely trade such assets or transfer them to other addresses on the blockchain), please see the Paxos Terms & Conditions for instructions on how you may do so. In the event that IBLLC ceases operations, Paxos will contact you to transfer the holdings in your Paxos Account to an independent account, in accordance with the Paxos Terms & Conditions.