



Interactive Brokers Central Europe Zrt.

**ANNOUCEMENT**

**Business Rules for CFD Trading**

Effective from: 14 December 2020

Interactive Brokers Central Europe Zrt. ("**IBCE**") is furnishing this announcement to you to provide additional terms regarding the **Contracts For Differences ("CFD")** transactions.

Retail Clients are afforded a higher degree of regulatory protection than is afforded to Professional Clients. CFD transactions for Retail Clients are subject to applicable domestic and European laws and regulations, including the product intervention decision of the European Securities and Markets Authority ("**ESMA**") in 2018, replaced by the product intervention decision of Central Bank of Hungary ("**MNB**"), which ordered restrictions on the marketing, distribution and sale of CFDs to retail investors.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. For clients are classified as retail client, IBCE continuously publishes on its website what percentage of retail investor accounts lose money when trading CFDs with IBCE. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing money.

- 1. Nature of CFDs; no Voting or Other Rights in Underlying Product:** CFDs are contracts with IBCE as your counterparty, and are not traded on a regulated exchange and are not cleared or settled on a central clearing house. A CFD is to secure a profit or avoid a loss by reference to fluctuations in the price of the underlying product (e.g. shares, foreign currencies, etc.), rather than by taking delivery of any underlying product. With respect to CFDs in shares, no CFD transaction shall confer on you any right, voting right, title or interest in any underlying product or entitle or oblige you to acquire, receive, hold, vote, deliver, dispose of or participate directly in any corporate action of any underlying product.
- 2. Detailed Contract Specifications Available on the IBCE Website:** Further detail on contract specifications for CFDs will be provided on the IBCE website and Client agrees to review such specifications prior to engaging in any CFD transaction. Contract specifications on the IBCE website shall be binding on Client and on IBCE unless specifically in conflict with this Agreement or unless specifically agreed otherwise in writing between Client and IBCE.
- 3. Trading Hours, no Obligation to Provide Quotations:** IBCE generally will make CFD quotations available on the IBCE platform beginning after the regular market opens in the underlying product and ending prior to or at the close of regular trading hours in the underlying product, although longer hours may be provided. Regardless of the foregoing, however, IBCE is not obligated to provide quotes for any CFD at any time, and IBCE does not guarantee the continuous availability of quotations or trading for any CFD. **IBCE may in its sole discretion cease quoting CFDs and/or cease entering new CFD transactions at any time** based on lack of market data, halts, suspensions, delistings, errors, illiquidity or volatility in the market for the underlying product, IBCE's own risk or profit parameters, technical errors, communication problems, market or political or economic or governmental events, acts of God or nature, or other reasons. In the event that Client wishes to close an open CFD transaction with IBCE but IBCE is not providing a quotation, if it is during regular trading hours and if the market in the underlying product is trading normally and is not subject to a halt or suspension or other extraordinary market condition, then Client may contact IBCE and IBCE shall use reasonable efforts to provide a quotation promptly to Client, absent extraordinary circumstances. Client orders sent to IBCE for CFDs are not orders for the underlying product and will not be represented on exchanges that may list or trade the underlying product.
- 4. Errors** IBCE has the right to cancel, adjust or close out CFD transactions after confirmation to you to correct errors, including but not limited to CFD transactions subject to technical errors in

IBCE's platform; CFD transactions at prices not reasonably related to the correct market price for the underlying product; and CFD transactions executed at a time and price at or near which trades in the market for the underlying product were cancelled or adjusted by exchanges or market centres.

**5. Opening and Closing CFD Transactions**

A CFD transaction with IBCE will not expire but rather shall remain open until Client enters an offsetting (closing) transaction or until IBCE exercises any of its rights to close out a transaction with you (e.g., because of a margin deficiency, because the underlying shares in a CFD held short have become unborrowable, etc.). A CFD transaction may also be closed or be altered or adjusted in the event of an action or event affecting the underlying product as described in this Agreement.

**6. Settlement**

All transactions relating to CFDs on shares and indexes shall be settled by payment of cash in the currency in which the CFD is denominated. Realised profit/loss and interest cash flows for CFDs involving Forex settle in the quote currency of the relevant currency pair. CFD purchases and sales shall settle in the same settlement period as the underlying product, unless otherwise specified on the IBCE website or in a notice to Clients. You do not have any right or obligation to receive delivery of the underlying product in connection with any CFD.

**7. Commissions, Spreads**

IBCE will charge a commission for CFD transactions, in the amount specified on the IBCE website, and will deduct commissions as described in this Agreement. IBCE, and/or its affiliates or third parties with or through whom IBCE may hedge or effect its CFD trade with you, may also earn a "bid-ask spread" on the CFD transaction (meaning that you may pay a higher price to buy the CFD or receive a lower price to sell the CFD compared to the market prices for the underlying product or compared to prices offered for the CFD by other dealers).

**8. Margin for CFDs**

- a. CFD transactions are subject to the IBCE Margin Policies described in this Agreement.
  - (i) If Client is a Retail Client, Margin Requirements for CFDs will be subject to the ESMA Decision and MNB resolution (number H-JÉ-III-10/2020). To the extent that IBCE's Margin Requirements exceed the margin levels prescribed by the ESMA Decision, IBCE may modify Margin Requirements for any CFD or all CFDs for any open or new positions at any time, in IBCE's sole discretion.
  - (ii) If Client is a Professional Client, Margin Requirements for CFDs generally will be calculated based on risk models utilised in IBCE's sole discretion. IBCE may modify Margin Requirements for any CFD or all CFDs for any open or new positions at any time, in IBCE's sole discretion.

- b. Client shall monitor their account so that at all times (including intra-day) the account contains sufficient equity to meet Margin Requirements. IBCE generally will not issue margin calls and generally will not allow any grace period in Client's account for Client to meet intraday or other margin deficiencies.
- (i) If Client is a Retail Client, Margin Requirements for CFDs are subject to the minimum requirements in the ESMA Decision. In addition, IBCE's Margin Requirements may exceed the levels in the ESMA Decision. IBCE is authorised to liquidate CFD positions immediately in order to satisfy Margin Requirements without prior notice. Retail Client's accounts are subject to the negative balance protection in the ESMA Decision if still in effect. **IF YOU HAVE NOT BEEN CLASSIFIED AS A RETAIL CLIENT YOU WILL NOT BE ELIGIBLE FOR NEGATIVE BALANCE PROTECTION.**
  - (ii) If Client is a Professional Client, IBCE is authorised to liquidate CFD and other account positions immediately in order to satisfy Margin Requirements without prior notice.
- c. IBCE shall calculate a Reference Price for the CFD after the close of trading on each trading day. For CFDs on shares and indexes the Reference Price shall generally be based on the daily settlement price of the underlying product on the primary exchange on which the underlying product is traded. However, for those CFDs, and for CFDs involving Forex, IB reserves the right to use any reasonable price as the Reference Price in IBCE's sole discretion (e.g., in the event of a trading interruption or halt at the end of day on the primary exchange, or in the event of other circumstances affecting the underlying product or market pricing, or if the underlying product is not traded on an exchange). After the close of trading, if, on any business day during the term of the CFD, the current Reference Price is higher than the close of business Reference Price of the preceding business day, then if you are long IBCE shall be liable to you for such difference, and if you are short you shall be liable to IBCE for such difference. If, on any business day during the term of the CFD, the current Reference Price is lower than the close of business Reference Price of the preceding business day, then if you are long you shall be liable to pay IBCE the difference, and if you are short, IBCE shall be liable to pay you the difference. IBCE generally will process these credits/debits prior to the opening of trading on the following trading day, but IBCE reserves the right to delay processing if circumstances reasonably warrant the delay.
- d. In the event that any price for an underlying product published on an exchange or by the sponsor of an index, and which is utilised by IBCE for its Reference Price calculation, is subsequently corrected, IBCE reserves the right to make an appropriate adjustment to your account in the amount payable by you as a result of the erroneous Reference Price, including any interest due accruing from the date of the error to the date of the correction adjustment.

## **9. Financing Charges (Interest) for CFDs**

You will pay a financing charge (interest) on the amount of all open long share or index CFD positions held overnight. Depending on prevailing interest rates, and excluding applicable borrow charges, you may receive a rebate (interest) for short CFD positions held overnight or you may pay a financing charge. You will pay a financing charge or receive a rebate on the amount of all rolled-over Forex CFD positions based on a rate calculated as the prevailing cash rebate for the base currency less the cash rate for the quote currency. The rate may be positive or negative, and a positive rate will be a credit for long positions and a charge for short positions. The financing charge or credit is calculated individually for each Forex CFD without regard to other balances you may have in those currencies. Financing charges and/or rebates on open CFD positions are calculated and charged/credited daily in the currency in which the CFD is denominated. CFD interest rates are determined by IBCE and may be adjusted at any time in IBCE's sole discretion. CFD interest rates are indicated on the IBCE website and may vary based on the CFD balance interest. In addition to interest charged or rebated on CFD positions, margin account cash balances may earn (for positive balances) or be charged (for debit balances), cash interest at the prevailing rates on the IBCE website may not be paid for cash balances under specified amounts, and interest rates paid/charged may vary based on the credit/debit balance.

## **10. Short Transactions in CFDs; Possibility of Forced Closure of Open Short Positions**

**Borrow Charges:** Depending on regulatory restrictions, stock loan and borrow market conditions, or other factors, short sales of CFDs may or may not be allowed depending on the underlying product. Further, IBCE reserves the right, at any time in its sole discretion, to close out your open short CFD transaction by requiring you to buy in the CFD or by IBCE issuing order(s) for your account to buy in the CFD (without notice to or consent by you) (including but not limited to in the event that the underlying product becomes difficult or impossible to borrow). In addition to standard CFD financing rebates or charges, borrow charges apply to short sales of CFDs. Borrow charge rates generally are based on the stock loan and borrow market for the underlying product. Indicative borrow charge rates for specific CFDs may be found on the IBCE website but such rates are indicative only and may change at any time based on market conditions or at IBCE's discretion.

## **11. Market Abuse**

- a) You represent and warrant that:
- (a) you will not open, and have not opened, any CFDs with us relating to a particular financial instrument, if to do so would result in you, or persons related with you, having an exposure to that financial instrument which is equal to or exceeds the amount of a Declarable Interest under any laws, rules or regulations in the relevant company unless you, or persons related with you, make the required declarations and notify us about your Declarable Interest immediately;
  - (b) you will notify us and keep us updated at all times of your aggregate Declarable Interests;
  - (c) you will not open, and have not opened, any CFDs with us in connection with:
    - (i) a placing, issue, distribution or other analogous event; or
    - (ii) an offer, take-over, merger or other analogous event in which you are involved or otherwise interested; and
  - (d) you will not open, and have not opened, any CFDs that contravene any primary or secondary legislation or other law, including those against insider trading.

- b) You agree that we may proceed on the basis that when you open or close a CFD with us on a financial instrument price, you may be treated as trading in securities within the meaning of Regulation EU 596/2014 and the European Union (Market Abuse) Regulations 2016 (as amended).
- c) If we have grounds to believe that you have opened any CFD in breach of the representations in this Agreement, we may in our sole discretion and without being under any obligation to inform you of our reason for doing so, close that CFD and any other CFDs that you may have open at the time. We may also: (a) enforce the CFD or CFDs against you if it is a CFD or CFDs under which you have lost money; and (b) treat all your closed CFDs as void if they are CFDs under which you have made money, unless and until you produce, promptly upon our request, conclusive evidence that you in fact have not committed any breach of warranty, representation or undertaking.
- d) You acknowledge that we shall not transfer voting rights relating to an underlying product to you or otherwise allow you to influence the exercise of voting rights held by us or on our behalf.