



## GENERAL RISK FACT SHEET

1. This Risk Fact Sheet is provided to you to highlight the common risks of trading in capital markets products (e.g. securities, futures, bonds) and complements the trading agreement and associated risk disclosures furnished by Interactive Brokers Singapore Pte Ltd ("IBSG").
2. This Risk Fact Sheet does not disclose all the risks of trading in capital markets products. It is important to read the trading agreement and associated risk disclosures before deciding whether to trade in capital markets products. You should also carefully consider whether trading in capital markets products is appropriate for you in the light of your experience, objectives, financial resources and other relevant circumstances. Before trading capital markets products, you should consider consulting a financial adviser, who can provide advice on whether a particular investment suits your financial goals and for your full understanding of the capital markets products you may choose to transact in.
3. If you do not have a copy of the trading agreement and associated risk disclosures, please contact IBSG to request for a copy. You should not trade in capital markets products if you do not understand the product or are not comfortable with the accompanying risks.
4. IBSG only provides execution services and does not provide specific or any trading or investment advice or recommendation. IBSG also claims the benefit of all exemptions available to it for dealing with the client as an accredited investor under both the SFA and the FAA. IBSG will not monitor your trades and investments to determine if they are appropriate or suitable for your financial needs or otherwise.

### TRADING IN CAPITAL MARKETS PRODUCTS

In considering whether to trade in capital markets products or enter into any such transaction, you should be aware of the following:

- (a) Trading in capital markets products can be extremely risky. You should be prepared to lose all of the funds used for trading in capital markets products. You should not fund your trading activities with retirement savings, emergency funds or funds set aside for purposes such as education or home ownership.
- (b) You should be cautious of claims of large profits from trading in capital markets products. You need to be wary of advertisements or other statements that emphasise the potential for large profits in trading in capital markets products. Trading capital markets products can also lead to large and immediate financial losses.
- (c) Trading in capital markets products requires knowledge of the capital markets. Trading in capital markets products require in-depth knowledge of the capital markets and trading techniques and strategies. You should have the appropriate experience before engaging in the trading of capital markets products.
- (d) Trading in capital markets products through IBSG requires knowledge of IBSG's operations. You should be familiar with IBSG's business practices, including the operation of IBSG's order execution systems,

procedures, and should confirm that IBSG has adequate systems capacity to permit you to engage in capital markets products trading activities.

(e) Trading in capital markets products may result in large commissions payable. Trading in capital markets products may require you to pay commissions on each trade. The total daily commissions that you pay on trades may add to losses or significantly reduce earnings.

(f) Trading in capital markets products normally requires the use of specialised software. You must be knowledgeable in the use of this software. Otherwise, you may not be able to correctly interpret your positions, trades may be entered or routed incorrectly, positions may not be correctly closed out, and you could be at a competitive disadvantage to more skilled traders.

(g) Disruptions in the electronic trading systems or failure, interruption or down time of the computer hardware, communication lines, and data networks could disrupt trading and the liquidity and availability of timely execution or reporting could diminish substantially. This could result in substantial losses, especially during periods of volatility.

(h) Capital markets products can be very volatile and can open at dramatically different prices on the opening of each day. Similarly, regulatory authorities can halt trading in a security or securities and prices can vary dramatically at the reopening with no interim capability of trading during the halt. Holding large positions in volatile capital markets products, especially after the end of the trading day, can result in tremendous losses.

(i) Market and specific product volatility add to the risk on on-line trading. High volumes of trading at the market opening or intra-day may cause delays in execution and executions at prices significantly away from the market price quoted or displayed at the time the order was entered. Market makers may execute orders manually or reduce their size guarantees during periods of volatility resulting in possible delays in order execution and losses. Program trading, institutional buying/selling, mutual fund buying/selling, and news related events also add to the volatility of the overall market and specific capital markets products.

(j) IBSG is required to execute a market order fully and promptly without regard to price and that, while you may receive a prompt execution of a market order, the execution may be at a price significantly different from the current quoted price of that product. Limit orders will be executed only at a specified price or better than that, while you receive price protection, there is the possibility that the order will not be executed. Since market orders must be executed as promptly as possible, it may not be feasible to cancel a market order since it may have already been executed, even if a customer has not yet received a report confirming the execution. Entering a cancel order and separate replacement order may result in you being responsible for the execution of duplicate orders.

(k) You may suffer market losses during periods of volatility in the price and volume of a particular product when system problems result in inability to place buy or sell orders. If you trade on-line, you may experience difficulties accessing your accounts due to high Internet traffic or because of system's capacity limitations. When on-line trading has been disabled or is not available because of system limitations, you may have difficulty reaching our representatives on the telephone during periods of high volume.

(l) If you have filled out a trading authorisation and designated someone other than yourself to trade your capital, you should be aware this leads to new risks. Your authorised trader will have discretion to trade any capital markets products he/she deems appropriate, and he/she will have no legal responsibility to report the trades or executions to you. You may not be able to monitor your capital at times on a real time basis. If your authorised trader is unreliable or unsuccessful, you could lose all of your capital.

(m) Security is a key requirement for your protection. You must protect your user identification and password. You must also protect against computer entry by someone other than yourself. You are responsible for all trades entered under your user identification and password.

(n) It is very important that you reconcile your account on a daily basis. Your review should include confirmations and monthly statements. You must always know your buying power and positions held in your account. Any suspected errors should immediately be brought to the attention of IBSG. All losses are your responsibility. The sole responsibility of IBSG shall be limited to loss of funds caused solely by the fraudulent or dishonest acts of its employees.

## **RISKS OF TRADING IN OVERSEAS MARKETS**

Trading in overseas markets may expose you to additional risks. Such markets may be subject to regulation which may offer different or diminished investor protection to you. Before you trade, you should enquire about any rules relevant to your particular transaction. The Singapore regulatory authorities will not be able to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask for details about the types of redress available in your home jurisdiction and other relevant jurisdiction before you state to trade.

You should only consider trading outside Singapore market if you fully understand the nature of the relevant foreign market and the extent of your exposure to risks. You should not rely on this information as a complete explanation of the risks of trading in overseas markets. You should ask IBSG for copies of risk disclosure statements issued by foreign brokerage companies that it trades with on your behalf for a full understanding of the risks involved in trading in overseas markets. You should also carefully consider such trading is appropriate for you in the light of your experience, objectives, financial resources and other relevant circumstances.

In the event that the transaction is being executed outside Singapore, you must recognise that such transactions will be subject to the applicable local laws, or rules and regulations of the overseas jurisdiction, which may be different to the jurisdiction of Singapore. In particular, you should familiarise yourself with the rules and regulations in relation to shareholding restrictions and disclosure obligation and to comply with such rules and regulation.

You must also accept where IBSG arranges for the execution of orders on various exchanges and markets centres, such transactions will be cleared and settled by the relevant market participant or its nominated clearing agent, which maybe an affiliate of IBSG.

All transactions executed based on your instructions on an overseas market will be subject to a transaction fee/levy and any such costs that the relevant exchange may impose from time to time. IBSG is authorised to collect such fees/levies and costs in accordance with the rules prescribed by the relevant affiliate or exchange.

IBSG will determine the amounts required to meet your obligations (including without limitation for settlement, premium payments, initial or maintenance margins required by either of the relevant exchange or the market participant, and amounts to which you may be entitled (in relevant foreign currencies). You should closely monitor your positions, as in some unforeseen market conditions, IBSG may be unable to contact you and forced liquidation may be necessary.

You should recognise that, without limitation, for the transaction executed on any exchanges outside of Singapore will not be subject to the right to claim under the Investor Compensation Scheme established under the Securities and Futures Act 2001, and may be marked with different level of type of protection compared to the protection afforded under the laws of Singapore.

In considering whether to trade in foreign capital markets products or enter into any such transaction, you should also be aware of the following risks:

(a) All orders to buy and sell capital markets products are made in the relevant foreign currency but the settlement amount may, at your request, be converted and paid in Singapore dollars. The currency conversion will occur after the trade has occurred. You carry the risk that the foreign exchange rate may have changed since your order was entered. The volatility of the exchange rate is a matter you should consider. The past performance of the exchange rate is not necessarily a guide to future performance. Depending on the circumstances and timing of the transaction, and relevant movements in currencies during that period, the difference between what you originally expected to pay or receive and what you actually pay or receive may be substantial. In extreme cases, currency volatility may significantly erode potential profits (or significantly increase any losses) you make from buying or selling the relevant foreign capital markets products.

(b) **Automatic foreign exchange conversion for cash accounts:**

**Please refer to the terms and conditions governing the Account to determine if this functionality is enabled.**

Where you conduct transactions and trade products denominated in different currencies and you do not hold a margin account, IBSG is authorised to enter into foreign exchange transaction(s) with you or on your behalf to cover the necessary amount (including associated commissions and fees) when required in such other currency ("Purchase Currency") to meet your settlement obligation you do not have the requisite amount of Purchase Currency in your cash account.

You understand that the currency conversion will be undertaken at a rate derived from prevailing market conditions at the time of the execution and adjusted for differences between the agreed settlement cycle for the purchase transaction and the standard settlement cycle for that currency pair and that IBSG will have the sole discretion to determine which of your long currency balance(s) will be sold to buy the required Purchase Currency, having regard to, without limitation, the amount of Client's long currency balance(s) and the number of transactions IBSG is required to enter into or arrange in order to meet your settlement obligation.

You understand that you may be exposed to loss, including but not limited to foreign exchange losses resulting from specific long currency balance(s) being sold as opposed to other currency balance(s) existing in your account, or the resulting number and costs of the foreign exchange transactions IBSG is required to undertake to procure delivery of the Purchase Currency may not achieve the most favourable outcome for you compared to if a different currency or currencies was/were utilised and/or relying on the service may cause a long currency position in your account to decrease which you may not otherwise have selected to sell at the relevant time.

You understand that if you prefer to avoid the automatic currency conversion functionality, you should ensure that your cash account has sufficient settled funds in that Purchase Currency (or buy the required amount of Purchase Currency through the manual currency conversion functionality) before conducting a transaction in a particular Purchase Currency.

(c) While you hold foreign capital markets products, you are exposed to the risks of currency movements. Changes in the relevant foreign exchange rate may adversely affect the value of your investment and the investment return. Understanding how the exchange rate impacts your investment is important. The direction of the Singapore dollar will influence the value of your foreign investments. Ignoring market price movements, if the value of the Singapore dollar falls relative to the currency in which capital markets products are denominated, then the value of your foreign securities will rise in Singapore dollar terms. Conversely, if the value of the Singapore dollar rises, then the value of your foreign capital markets products will fall. Similarly, movements in the relevant exchange rate will impact on the Singapore dollar value of any dividends or distributions you receive.

- (d) You may suffer liquidity risk in that you will not be able to dispose of your foreign capital markets products for a reasonable price in the market. Like all markets, this may be because there are insufficient buyers for the foreign capital markets products, or the price buyers are prepared to pay is lower than sellers are prepared to accept. Overseas markets may have lower trading volumes and fewer listed companies. The trading times for each day may be different to the Singapore market. Factors such as these may affect the liquidity of trading in the foreign capital markets products.
- (e) Some foreign markets are much more volatile than the Singapore market, and this can have adverse consequences for orders designated "at market". To limit this risk you should always consider putting a "limit price" on your orders. Volatility can be particularly high in markets that continue to operate outside normal trading hours in other countries.
- (f) The market price of foreign capital markets products is affected by the same risks that affect all capital markets investments. These include the present and anticipated economic environment, investor sentiment, interest rates, exchange rates and the general level of economic activity. However, it may be difficult to fully understand all of the political, economic and social factors that influence the relevant overseas market. While these factors provide benefits of diversification, they also contribute to the risk of investing overseas.
- (g) Collateral you provide and which are held overseas may not have the same segregation or trust protection for you and may in any event be delayed in recovering should a relevant overseas correspondent broker used by IBSG be the subject of insolvency proceedings in that jurisdiction.
- (h) Where your securities and/or money are held in a foreign jurisdiction, they may be subject to the risks of exchange control restrictions being imposed.

## **RISKS OF TRADING IN CRYPTOCURRENCY PRODUCTS**

This section is relevant to all clients who wish to trade in products linked to cryptocurrencies, known locally as Digital Payment Tokens, through your account with IBSG.

### *What are Cryptocurrencies*

Cryptocurrency is a digital currency that uses cryptography as a means of security. Most cryptocurrencies are not operated by an authority like a central bank or a government, and instead, operate through a distributed ledger known as a blockchain. The absence of central bank support and the fact that cryptocurrencies are generally not legal tender means that no central bank can take corrective measures to protect the value of cryptocurrencies in a crisis, or issue more currency. Cryptocurrency value is generally derived by market forces of supply and demand and are usually more volatile than traditional currencies. For most cryptocurrencies, traders put their trust in a digital, decentralized and partially anonymous system that relies on peer-to-peer networking and cryptography to maintain its integrity.

There are various types of products and instruments for which one or more cryptocurrencies is the reference underlying. In addition, there are several funds that make investments in cryptocurrencies. Such products might be listed on an exchange or trade over-the-counter. These products are collectively termed "Cryptocurrency Products".

**CRYPTOCURRENCY PRODUCTS ARE HIGH RISK PRODUCTS AND ARE ONLY SUITABLE FOR EXPERIENCED INVESTORS WITH A HIGH-RISK TOLERANCE.**

### *Types of Risks:*

Price Gapping: In highly volatile markets, and in response to economic or country/ jurisdiction specific news, Cryptocurrency Products prices can "gap" by substantial amounts, particularly overnight. Rates to exchange fiat currencies (such as SGD or USD) and Cryptocurrency Products can change rapidly due to a wide range of economic, political and other conditions, and there is a significant risk of gapping following news events. This can result in you losing the entirety of your investment in Cryptocurrency Products, or more if trading with leverage.

Risk of Hacking and Theft: Further, it is well publicized that Cryptocurrency Products have been stolen or misappropriated from exchanges in the past, some of which have collapsed. These risks can be exacerbated by the manner in which Cryptocurrency Products are stored. For example, storage in "hot wallets" is less secure than storage in "cold wallets". Investors should take steps to understand how their Cryptocurrency Products would be held before investing.

Cryptocurrency Products could become worthless: There is a potential for permanent and total loss of value of a particular Cryptocurrency Product should the market for that particular underlying Cryptocurrency/Cryptocurrency Product disappear, or if the Cryptocurrency is discontinued or no longer supported technologically.

Inadequate and Inconsistent Regulation: It is also important to note that the Cryptocurrency Product markets may not be subject to requirements usually associated with a regulated licensed financial product, including, but not limited to, market integrity and price transparency rules, registration and/or licensing requirements, audit, market surveillance and trade reporting requirements, anti-money laundering and anti-fraud rules, disaster recovery or cybersecurity requirements, and market manipulation rules. This is particularly true for the underlying Cryptocurrency. The markets for cryptocurrency are therefore especially susceptible to manipulation and fraud which can have a negative impact on Cryptocurrency Products.

Global Regulatory Developments: It is possible that certain jurisdictions will apply existing regulations on, or introduce new regulations addressing, Cryptocurrency, which may result in substantial modifications of the ability to trade and/or use of the Cryptocurrency, including termination and the loss of such Cryptocurrency. This will naturally affect the value of any related Cryptocurrency Products.

Legal Uncertainty: Underlying cryptocurrencies may not be considered as property under the law of certain jurisdictions, which may affect the nature and enforceability of a client's interest in some underlying Cryptocurrency Products. Moreover, investor compensation regimes in some jurisdictions may not provide cover to clients who've made investments in some Cryptocurrency Products. Finally, transactions in underlying Cryptocurrency Products may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable.

Technological Challenges: the nature of Cryptocurrency Products means that technological difficulties experienced by IBSG or the exchange or sub-custodian appointed by IBSG to execute and custody underlying Cryptocurrency Products may prevent clients from dealing in such products temporarily. Relatedly, some Cryptocurrency Product transactions may be deemed to be executed only when they are recorded and confirmed by IBSG or the exchange or sub-custodian appointed by IBSG, which may not necessarily be the time at which the client initiates the transaction.

Unknown Risks: As a relatively new asset class, there may be additional risks which have not yet been identified. Due to the additional risk and volatility, clients should only invest in Cryptocurrency Products if they are prepared to accept the risk of losing all the monies they have invested in such products. Clients are advised not to transact in a Cryptocurrency Product if you are not familiar with it and to seek professional advice, if needed.

Additional Risk of Futures over Cryptocurrency Products: All of the above risks associated with the underlying Cryptocurrency may be magnified by trading Futures over Cryptocurrency/Cryptocurrency Products given the speculative nature of the underlying asset and the leverage inherent in futures contracts. Moreover, the difficulty

of valuing the underlying Cryptocurrency poses significant challenges for investors in reliably valuing the associated Future.

*IBSG can force the sale of Cryptocurrency Products or other assets in your accounts*

The equity of your account must not fall below the maintenance margin required for your open positions. If the equity becomes insufficient to cover maintenance margin IBSG has the right to immediately commence liquidations in your account until it meets margin requirements. IBSG may liquidate your Cryptocurrency Products to satisfy a margin deficit you incurred while trading other products in your account.

**ACKNOWLEDGEMENT OF RECEIPT OF THIS NOTIFICATION ON THE GENERAL RISK FACT SHEET**

Your signature on the account opening forms will indicate your acknowledgement that you have read this NOTIFICATION ON THE GENERAL RISK FACT SHEET and understand its contents.