



RISK DISCLOSURE STATEMENT FOR TRADING FORECAST CONTRACTS WITH INTERACTIVE BROKERS IRELAND LIMITED ("IBIE")

This Risk Disclosure Statement is provided to you in compliance with our requirements under MiFID II. It provides a general description of the nature and risks of trading "Forecast Contracts" with IBIE.

This Risk Disclosure Statement does not disclose all the risks and significant aspects of trading Forecast Contracts. However, it is designed to give you an understanding of the major risks that you need to consider. You should not engage in trading Forecast Contracts with IBIE unless you understand their nature and the extent of your exposure to risks.

The value of financial instruments may fall as well as rise. When investing in financial instruments, there is a risk that you may lose some or all of your original investment. You should consider whether investing in financial instruments is suitable for you in light of your individual circumstances and taking account of your investment objectives, experience and financial position.

Introduction:

IBIE may offer Forecast Contracts, which are contracts listed on an exchange operated by ForecastEx LLC ("**ForecastEx**"), which is a wholly owned subsidiary of IBIE's affiliate, IBG LLC. This document describes the characteristics and risks of trading Forecast Contracts.

The objective of trading a Forecast Contract is to allow investors to profit from their knowledge in predicting future developments and outcomes ("**Events**") in certain categories of markets, called "Forecast Markets". Investors can use Forecast Contracts to hedge against uncertain event-driven risks.

Investors can enter a Forecast Contract by bidding on a "Yes" or "No" proposition, known as the "Event Question", at prices between \$0.02 and \$0.99. The "Yes" contract and "No" contract are two separate Forecast Contracts each with a unique contract ID. Depending on the outcome of the Event Question, the holder of either the "Yes" or "No"

Contract will be entitled to receive the settlement value of \$1.00, while the opposing "Yes" or "No" Contract will expire with no value.

Throughout the term of the Forecast Contract, the investor will earn income on the contract's daily settlement value. The amount of that income is based on the Effective Federal Funds Rate published by the Federal Reserve Bank of New York and is paid monthly in the form of an Incentive Coupon.

For further information please refer to the ForecastEx website, [here](#). Unless otherwise defined in this disclosure, capitalized terms have the meaning assigned to them in the ForecastEx rulebook, [available here](#).

Forecast Contracts are complex instruments you may lose all funds used to purchase a Forecast Contract.

You should consider whether you understand how Forecast Contracts work and whether you can afford to take the high risk of losing money.

Risks

- 1. Trading of Forecast Contracts is risky and you may lose all funds used to enter a Forecast Contract.** Depending on the outcome of an Event Question, you will be entitled to receive either \$1.00 or \$0 when the Forecast Contract settles. This means that at the end of the contract you may lose all the funds you used to enter that contract.
- 2. No investment, tax or trading advice:** IBIE does not provide investment, tax or trading advice. Our service is "execution only", meaning we are only acting on your instructions and will not advise you on any transaction, nor will we monitor your trading decisions to determine if they are appropriate for you or to help you avoid losses. You should obtain your own financial, legal, taxation and other professional advice as to whether Forecast Contracts are an appropriate investment for you.
- 3. The outcome of an Event Question can be unpredictable and you may lose all funds used to enter a Forecast Contract:** The outcome of a Forecast Contract cannot be known in advance. In addition, your expectations may not match the outcome of the Event, which can lead to unexpected losses. You should be prepared for the possibility of losing your entire investment.
- 4. Forecast Contract prices may not accurately reflect the probability of an event occurring and you may suffer unexpected losses:** The prices of Forecast Contracts are dependent on the market's expected probability of Events occurring, which makes traditional derivative pricing models inapplicable for Forecast Contracts. Forecast Contract prices may not always be reflective of the

actual probabilities associated with the outcome of an Event Question, which mean that you may suffer unexpected losses.

5. **You may be unable to exit your Forecast Contract before its Expiration Date:** Forecast Contracts executed at ForecastEx cannot be sold or transferred to another Exchange. Contracts can only be exited before the date of expiry (the "**Expiration Date**") by acquiring an offsetting position, achieved by holding both a "Yes" and a "No" Position with the same Event Question. However, you may not be able to offset your positions if there is insufficient volume or Bid depth in the opposing Forecast Contract. You should also be aware that the resolution of an Event Question may be evident some time before the Expiration Date of a related Forecast Contract, which may mean that you are unable to purchase an opposing Forecast Contract despite the fact that there is a more or less substantial time period before its Expiration Date.
6. **You may suffer a loss if you exit your Forecast Contract before its Expiration Date:** To offset your position in a Forecast Contract, by purchasing the opposite position, you may need to pay a price which causes you to suffer an overall loss on your combined investment. Moreover, the off-setting contract's price may not accurately reflect the actual probability of the underlying Event and you could incur a loss which is not correlated to the probability of that Event.
7. **The profits you receive on your investments may be impacted by currency fluctuations:** Forecast Contracts are denominated in USD. If you use another currency to purchase a Forecast Contract, your profits will be affected by fluctuations in the exchange rates between that currency and USD.
8. **The amount you receive by way of an Incentive Coupon may fluctuate:** The amount of the Incentive Coupon paid to you may vary depending on the applicable interest rate and the daily settlement value of your Forecast Contract(s).
9. **If you have a margin account, Forecast Contracts cannot be used as collateral for margin loans:** Your ability to borrow funds for trading purposes depends on the value of the collateral you hold in your account. Forecast Contracts cannot be used as collateral for borrowing funds, meaning that if you invest in Forecast Contracts you may not be able to borrow the same amount as you would have been able to borrow had you invested in other financial instruments instead.
10. **You may not be able to exit a Forecast Contract due to a trading halt:** Exchanges, including ForecastEx have the authority to initiate trading halts if they deem it in the interest of Market Participants or if required to do so by their regulator. Such a trading halt would prevent you (and other Market Participants) from entering and/or exiting positions, and could affect your portfolios and

strategies. You should know and understand the emergency procedures that the Exchange has in place (Rule 409) that may lead to trading halts.

- 11. Your investment may be impacted by Events affecting the Source Agency responsible for providing the data needed to determine the outcome of an Event Question:** The value of a Forecast Contract is dependent upon the outcome of events which are reported by third party Source Agencies. You may be exposed to risk if these Source Agencies' data security is compromised, if the reported data is not accurate, or if the data is not reported at the expected date or time. You should familiarize yourself with ForecastEx's procedures for minimizing and handling Source Agency risk should it arise (Rule 415 in the Rulebook). These procedures may delay settlement for customers, or disrupt the market, leading to potential losses for Market Participants.
- 12. Your investment may be impacted by failures on the part of the Member through which IBIE accesses ForecastEx:** Your Forecast Contract is traded through a ForecastEx Member, which, in the case of IBIE, is Interactive Brokers LLC, IBIE's affiliate. You are exposed to risks associated with the Member including the failure of its hardware and software, bankruptcy of the Member, and the Member's failure to provide to ForecastEx adequate funds to guarantee their customer's Bids. These risks may result in Bids (including offsetting Bids) not being executed according to your instructions or not being accepted.
- 13. Your access to IBIE's electronic systems and services may be disrupted or fail:** IBIE relies on computer software, hardware and telecommunications infrastructure and networking to provide its services to clients, and without these systems IBIE cannot provide the services. These computer-based systems and services such as those used by IBIE are inherently vulnerable to disruption, delay or failure, which may cause you to lose access to the IBIE trading platform or may cause IBIE not to be able to provide Forecast Contract quotations or trading, or may negatively affect any or all aspects of IBIE's services. Under the [IBIE Customer Agreement](#), you accept the IBIE systems and services "As-Is" and our liability to you is limited. You must also maintain alternative trading arrangements in addition to your IBIE account for execution of your orders in the event that IBIE's electronic system and services are unavailable.
- 14. You could suffer losses arising from other risks not set out above.** These could include unforeseen operational risks associated with human error, systems failures, cyber-attack, or inadequate procedures and controls that may pose a risk to the success of Market Participants' Bids. Since ForecastEx is a fully electronic exchange and clearinghouse, the software system could be subjected to temporary interruptions or failure. In the unlikely event that the funds held by ForecastEx on behalf of clients are no longer available to ForecastEx, there is a risk that ForecastEx would be unable to pay you sums due under your Forecast Contract.