

# Interactive Brokers Ireland Limited

## Stock Yield Enhancement Program

The Interactive Brokers Ireland Limited (“IBIE”) Stock Yield Enhancement Program (“SYEP”) is governed by the terms contained in the IBIE Customer Agreement to which you have provided your express consent and agreement to. In particular, we draw your attention to Clause 4B(ii) titled “Right of Use”, Schedule 4 titled “Stock Yield Enhancement Program” and Appendix 3 titled “Information Statement in Accordance with Article 15 of the Securities Financing Transactions Regulation”. For your convenience we have reported below the terms and the disclosures included in the IBIE Customer Agreement that apply to the SYEP. If there is any conflict between the terms of this SYEP document and the terms in the IBIE Customer Agreement, the terms of the IBIE Customer Agreement will prevail with respect to the SYEP. Defined terms in this SYEP document shall have the meanings accorded under the IBIE Customer Agreement unless otherwise defined.

The SYEP allows you to earn an income stream by lending securities to IBIE (each such loan of securities, a “**Securities Loan**”), who may on-lend those securities to one of its affiliates or to an unrelated third party participant in the securities lending market who wants to borrow those securities. In return for a Securities Loan, IBIE will transfer cash collateral to your account with IBIE and pay to you interest on that cash collateral.

Despite the use of expressions such as “borrow” or “lend”, which are used to reflect terminology used in the securities lending market, title to securities “borrowed” by or “lent” to IBIE, in accordance with the terms of the SYEP, shall pass from you to IBIE as provided for in the IBIE Customer Agreement, with IBIE being obliged to deliver equivalent securities to you upon termination of the loan. When IBIE borrows securities from you, IBIE will exercise its right of use set out in Clause 0 of the IBIE Customer Agreement:

**Right of Use:** To the extent permitted by law, you expressly grant to IBIE a right of use of your financial instruments which are pledged with IBIE in accordance with the above. This right of use may only be exercised by IBIE in circumstances in which you enter into either: (i) margin trading; and/or; (ii) a stock loan transaction, with IBIE. The right of use shall comprise the right for IBIE to dispose of the relevant pledged financial instruments as if it were the owner of such financial instruments. However, the right of use does not temporarily or permanently deprive you of your ability to use or deal in those financial instruments. In addition, IBIE will only use the pledged financial instruments in order to secure its own commitments. When IBIE exercises the right of use, the pledged financial instruments that are the subject of the margin trading or stock loan will be moved from your client account with IBIE to the IBIE account where clients’ pledged assets are held. IBIE will in return deposit cash collateral (and/or securities in the case of a stock loan) into your client account in an amount that is equivalent to the market value of the relevant pledged financial instruments. The value of the cash collateral (and/or securities in the case of a stock loan) will be adjusted daily in order to take into account market fluctuations in the value of the relevant pledged financial instruments. The collateral transferred to your client account by IBIE will be protected in accordance with applicable client asset requirements. IBIE undertakes to return such pledged financial instruments to you in the same or an equivalent form, but will not return to you financial instruments of a different type.

You confirm that you understand and acknowledge the risk incurred by the granting of the pledge of financial instruments and the right of use, as set forth in Appendix 3 of the IBIE Customer Agreement which can be consulted under the appended “Information Statement in accordance with Article 15 of the Securities Financing Transactions Regulation”.

Furthermore, you confirm that you understand and acknowledge that the pledged financial instruments are deemed to be under an exclusive pledge with IBIE and may not be concurrently pledged for other purposes.

By electing to participate in the SYEP, you confirm that you understand and acknowledge the risk incurred by the granting the right of use, as set forth in Appendix 3 of the IBIE Customer Agreement which can be consulted under the appended "Information Statement in accordance with Article 15 of the Securities Financing Transactions Regulation". Please carefully review the information statement appended to this SYEP document.

1. **IBIE may initiate and terminate Securities Loans:** By electing to participate in the SYEP, you agree to lend and hereby authorise IBIE to borrow any securities that it holds for your account. IBIE is under no obligation to enter into or continue any Securities Loan. If IBIE elects to enter into a Securities Loan in respect of securities in your account with IBIE, IBIE will exercise its right of use set out in Clause 0 of the IBIE Customer Agreement in order to transfer those securities ("**Loaned Securities**") from your account. You will not be asked to approve any Securities Loan before it is initiated, and IBIE has the sole discretion to determine which of your securities that it borrows, when it borrows those securities and the term of any Securities Loan. You do not have the right to initiate or terminate any individual Securities Loan, but you can terminate your participation in the SYEP (which will result in the termination of all Securities Loans).
2. **Collateral for Securities Loans:** If IBIE initiates a Securities Loan, it will transfer collateral in the form of cash ("**Cash Collateral**") to your account with IBIE prior to the close of business on the day that IBIE borrows the Loaned Securities. The amount of Cash Collateral that IBIE will provide upon the initiation of any Securities Loan will be at least equal to the Market Value, based on the prior trading day's closing price, of the Loaned Securities. On each day during the term of a Securities Loan, IBIE will adjust the amount of Cash Collateral deposited in your account (by withdrawing cash from or transferring cash to your account with IBIE) to ensure that the amount of Cash Collateral therein is not less than the Market Value of the Loaned Securities (valued at the prior trading day's closing price). If there is more than one Securities Loan outstanding on any day, IBIE will determine the required amount of Cash Collateral on an aggregated or net basis, taking into account the aggregate Market Value of all Loaned Securities and the value of all of the Cash Collateral that it has provided.
3. **Interest on Cash Collateral:** IBIE will pay you interest on the Cash Collateral computed on a daily basis. Generally, the interest paid to you by IBIE will be a portion of the net income that IBIE earns from on-lending the Loaned Securities. The income that IBIE earns from on-lending any Loaned Securities cannot be pre-determined or guaranteed by IBIE, as it is determined by prevailing conditions at the time in the securities lending market and may vary from day to day. IBIE offers no assurance of a minimum rate of interest on Cash Collateral.
4. **Income and distributions on Loaned Securities:** If any cash dividends or other cash distributions on Loaned Securities are made, IBIE shall pay to your account with IBIE an amount equal to such dividends or distributions on the date on which such dividend or distribution is paid, irrespective of whether IBIE is the beneficial owner of the Loaned Securities at that time. Any noncash dividends or distributions on Loaned Securities will form part of the assets that IBIE shall be obliged to transfer to you upon termination of the relevant Securities Loan.
5. **No voting rights on Loaned Securities:** You will have no right to exercise (or instruct IBIE or any other person to exercise) any voting or other rights attaching to Loaned Securities. Accordingly, you will have no right to vote or otherwise participate in any corporate action concerning Loaned Securities during the term of a Securities Loan.
6. **Right to sell Loaned Securities:** Irrespective of any Securities Loan of Loaned Securities, you will retain the right to sell those Loaned Securities at any time that IBIE is able to purchase or otherwise source such Loaned Securities in the securities lending market or from its own inventory. Upon the execution of an order from you to sell the Loaned Securities, IBIE will, provided that it has purchased or otherwise sourced such Loan Securities, terminate the Securities Loan in respect of such Loaned Securities and, instead of transferring securities to your account in accordance with paragraph 7 below, will be responsible for settling the sale

of those Loaned Securities in accordance with the standard settlement cycle in the relevant market. IBIE will settle the proceeds of any such sale into your account with IBIE.

7. **Termination of Securities Loans:** If IBIE elects to terminate a Securities Loan (other than pursuant to paragraph 6 above), it shall transfer to your account a number of securities equal to and of the same type as the number of Loaned Securities the subject of that Securities Loan (and/or such additional or replacement non-cash assets that IBIE determines are derived from, replace or have been exchanged for such Loaned Securities) (“**Equivalent Securities**”), together with (without double-counting) any non-cash dividends or distributions made on such Loaned Securities during the term of that Securities Loan, and you will be obliged to pay to IBIE (and authorise IBIE to withdraw from your account with IBIE) an amount equal to any Cash Collateral attributable to that Securities Loan.
  
8. **Consequences of an Event of Default:** If an Event of Default occurs under Clause 6A of the IBIE Customer Agreement, your and IBIE’s payment and delivery obligations in respect of each Securities Loan shall be accelerated so as to require performance thereof at the time such Event of Default occurs (the date of which shall be the “Termination Date”) so that performance of such delivery and payment obligations shall be effected only in accordance with this paragraph 8:
  - a. the Market Value (as defined below) of the Equivalent Securities to be delivered by IBIE and the amount of any cash to be paid by you shall be established by IBIE as of the Termination Date;
  - b. on the basis of the sums so established, an account shall be taken (as at the Termination Date) of what is due from each party to the other and the sums due from you shall be set off against the sums due from IBIE and only the balance of the account shall be payable (by the party having the claim valued at the lower amount pursuant to paragraph (a) above) and such balance shall be payable on the next following business day after such account has been taken and such sums have been set off in accordance with this paragraph;
  - c. in addition, you shall be liable to IBIE for the amount of all reasonable legal and other professional expenses incurred by IBIE in connection with or as a consequence of an Event of Default, together with interest thereon at a rate as determined by IBIE acting reasonably and notified to you. Interest will accrue daily on a compound basis; and
  - d. any amount payable by you pursuant to this paragraph 8 shall be an obligation that is secured by the security interest granted by you pursuant to Clause 4b(i) of the IBIE Agreement.

The “**Market Value**” of Equivalent Securities shall be the amount which, in the reasonable opinion of IBIE, represents their fair market value, having regard to such pricing sources and methods (which may include, without limitation, available prices for securities with similar maturities, terms and credit characteristics as the relevant Equivalent Securities) as IBIE considers appropriate, less all reasonable costs, commissions (including internal commissions), fees and expenses (including any mark-up or mark-down or premium paid for guaranteed delivery) incurred or reasonably anticipated in connection with the purchase or sale of such securities.

For the purposes of this calculation, any sum not denominated in EUR shall be converted into EUR at the spot rate prevailing at such dates and times determined by IBIE acting reasonably.

9. **Taxes:** All payments under the SYEP shall be made without any deduction or withholding for or on account of any tax unless such deduction or withholding is required by any Applicable Law. You hereby undertake promptly to pay and account (and indemnify IBIE) for any stamp tax chargeable in connection with any transaction effected pursuant to or contemplated by the SYEP. IBIE may, in its discretion, deduct or withhold from your account with IBIE or from any

amount due to you all forms of tax (whether a tax of Ireland or elsewhere in the world and whenever imposed) in accordance with Applicable Law. In accounting for taxes or in making deductions or withholdings of tax, IBIE may estimate the amounts concerned.

10. **Acknowledgement of short sales:** By electing to participate in the SYEP, you acknowledge that, if IBIE on-lends Loaned Securities to its affiliates or an unrelated third party participant in the securities lending market, it is likely that such recipient of those Loaned Securities will use those Loaned Securities to settle or facilitate short sales of those Loaned Securities. Such short-selling may negatively affect the value of the Loaned Securities and therefore your portfolio. Short-selling of securities is commonly motivated by an expectation that the market price of those securities will fall and short-selling may contribute to a decline in the market price of those securities.
  
11. **Single Agreement:** By electing to participate in the SYEP, you and IBIE agree that it has entered into the SYEP and each Securities Loan in consideration of and in reliance upon the fact that, all Securities Loans constitute a single business and contractual relationship and are made in consideration of each other. Accordingly, each of you and IBIE agrees to perform all of its obligations in respect of each Securities Loan, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Securities Loans and that payments, deliveries and other transfers made by either of them in respect of any Securities Loan shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Securities Loan.

# Information Statement in Accordance with Article 15 of the Securities Financing Transactions Regulation

THIS INFORMATION STATEMENT APPLIES IF YOU HAVE ENTERED INTO, OR MAY IN FUTURE ENTER INTO A COLLATERAL ARRANGEMENT DURING THE COURSE OF YOUR RELATIONSHIP WITH US.

This Information Statement is provided for information purposes only and does not amend or supersede the express terms of any Transaction, Agreement, Collateral Arrangement or any rights or obligations you may have under applicable law, create any rights or obligations, or otherwise affect your or our liabilities and obligations.

This Information Statement is not intended to be, and should not be relied upon as, legal, financial, tax, accounting or other advice.

## 1. INTRODUCTION

- a) You have received this Information Statement because you have entered into or may hereafter enter into one or more security collateral arrangements containing a right of use or, where specifically relevant to you, if you are a Professional Client, title transfer collateral arrangements ("**Collateral Arrangements**") with us.
- b) This Information Statement has been prepared to comply with Article 15 of the Securities Financing Transactions Regulation by informing you of the general risks and the consequences that may be involved in consenting to a right of use of collateral provided under a security collateral arrangement or, where specifically relevant to you, if you are a Professional Client, a title transfer collateral arrangement with respect to money or non-cash assets belonging to you ("**Re-use Risks and Consequences**"). This Information Statement relates only to Re-use Risks and Consequences and does not address any other risks or consequences that may arise as a result of your particular circumstances or as a result of the terms of a particular Transaction.

## 2. RE-USE RISKS AND CONSEQUENCES

- a) If we exercise a right of use in relation to cash or non-cash assets that you have provided to us by way of collateral under a security collateral arrangement ("**Relevant Assets**"), we draw your attention to the following Re-use Risks and Consequences:
- b) your rights, including any proprietary rights that you may have had, in those Relevant Assets will be replaced by an unsecured contractual claim for delivery of equivalent cash or non-cash assets subject to the terms of the relevant Collateral Arrangement;
- c) those Relevant Assets will not be held by us in accordance with client money or client asset rules, and, if they had benefited from any client money or client asset protection rights, those protection rights will not apply (for example, the Relevant Assets will not be segregated from our assets);
- d) in the event of our insolvency or default under the relevant Transaction or Agreement your claim against us for delivery of equivalent cash or non-cash assets will not be secured and will be subject to the terms of the relevant Collateral Arrangement and applicable law and, accordingly, you may not receive such equivalent cash or non-cash assets or recover the full value of the Relevant Assets (although your exposure may be reduced to the extent that you have liabilities to us which can be set off or netted against or discharged by reference to our obligation to deliver equivalent cash or non-cash assets to you);

- e) in the event that a resolution authority exercises its powers under any relevant resolution regime in relation to us, any rights you may have to take any action against us, such as to terminate our Agreement, may be subject to a stay by the relevant resolution authority and: i) your claim for delivery of equivalent cash or non-cash assets may be reduced (in part or in full) or converted into equity; or ii) a transfer of assets or liabilities may result in your claim on us, or our claim on you, being transferred to different entities, although you may be protected to the extent that the exercise of resolution powers is restricted by the availability of set-off or netting rights;
- f) as a result of your ceasing to have a proprietary interest in those Relevant Assets you will not be entitled to exercise any voting, consent or similar rights attached to the Relevant Assets, and even if we have agreed to exercise voting, consent or similar rights attached to any equivalent assets in accordance with your instructions or the relevant Collateral Arrangement entitles you to notify us that the equivalent assets to be delivered by us to you should reflect your instructions with respect to the subject matter of such vote, consent or exercise of rights, in the event that we do not hold and are not able to readily obtain equivalent assets, we may not be able to comply (subject to any other solution that may have been agreed between the parties);
- g) in the event that we are not able to readily obtain equivalent assets to deliver to you at the time required: you may be unable to fulfil your settlement obligations under a hedging or other Transaction you have entered into in relation to those Relevant Assets; a counterparty, exchange or other person may exercise a right to buy-in the Relevant Assets; and you may be unable to exercise rights or take other action in relation to those Relevant Assets;
- h) subject to any express agreement between you and us, we will have no obligation to inform you of any corporate events or actions in relation to those Relevant Assets;
- i) you will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to those Relevant Assets, although the express written terms of the relevant Collateral Arrangement may provide for you to receive or be credited with a payment by reference to such dividend, coupon or other payment (a "**manufactured payment**");
- j) a title transfer collateral arrangement or our exercise of a right of use under a security collateral arrangement in respect of any Relevant Assets and the delivery by us to you of equivalent assets may give rise to tax consequences that differ from the tax consequences that would have otherwise applied in relation to the holding by you or by us for your account of those Relevant Assets;
- k) where you receive or are credited with a manufactured payment, your tax treatment may differ from your tax treatment in respect of the original dividend, coupon or other payment in relation to those Relevant Assets.

**3. Where we provide you with clearing services (whether directly as a clearing member or otherwise), we draw your attention to the following additional Re-use Risks and Consequences:**

- (i) if we are declared to be in default by a CCP, the CCP may, pursuant to applicable law, try to transfer ("**port**") your Transactions and cash or non-cash assets to another clearing member or, if this cannot be achieved, the CCP may terminate your Transactions;
- (ii) in the event that other parties in the clearing structure default (including (but not limited to) a CCP, a custodian, a settlement agent or any clearing broker that we may instruct) you may not receive all of your cash or non-cash assets back and your rights may differ depending on the law of the country in which the relevant party is incorporated (which may not necessarily be Irish law) and the specific protections that such party has put in place;

- (iii) in some cases a CCP may benefit from legislation which protects actions it may take under its default rules in relation to a defaulting clearing member (e.g., to port transactions and related assets) from being challenged under relevant insolvency law.

#### 4. DEFINITIONS

The following definitions are applicable to this Information Statement:

**"Agreement"** means any agreement between you and us pursuant to which a Collateral Arrangement arises or may arise.

**"Collateral Arrangement"** means a (a) title transfer collateral arrangement or (b) security collateral arrangement.

**"CCP"** means an entity authorised by the relevant regulatory authority to act as a central counterparty or clearing house.

**"right of use"** means any right we have to use, in our own name and on our own account or the account of another counterparty, cash or non-cash assets received by us by way of collateral under a security collateral arrangement between you and us.

**"security financial collateral arrangement"** means an arrangement under which a collateral provider provides financial collateral by way of security in favour of, or to, a collateral taker, and where the full ownership of the financial collateral remains with the collateral provider when the security right is established and where the arrangement contains a right of use in favour of the collateral taker.

**"title transfer collateral arrangement"** means any arrangement under which a collateral provider transfers full ownership of financial collateral (cash or non-cash assets) to a collateral taker for the purpose of securing or otherwise covering the performance of relevant financial obligations.

**"Professional Client"** means a client categorised as Professional Client under the MiFID Regulations.

**"Securities Financing Transactions Regulation"** means Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (as amended from time to time).

**"Transaction"** means a transaction entered into, executed or agreed between you and us under which you agree to provide financial instruments as collateral, either under a security collateral arrangement or under a title transfer collateral arrangement.

**"we", "our", "ours" and "us"** refer to the provider of this Information Statement that may conduct Transactions, or enter into Agreements, with you (or, where we are acting on behalf of another person, including where that person is an affiliate, that person).

**"you", "your" and "yours"** refer to each of the persons to which this Information Statement is delivered or addressed in connection with entering into, continuing, executing or agreeing upon the terms of transactions or Agreements with us (or, where you are acting on behalf of other persons, each of those persons).