

## **Risk Disclosure Statement for Trading CFDs and Foreign Currencies (“Forex”) with Interactive Brokers (U.K.) Limited („IB UK“) for Retail Clients**

### A. Introduction:

IB UK may offer trading in Contracts for Differences (“CFDs”) on shares, indexes, foreign currencies and/or other Underlying Products. IB UK may also offer spot trading of foreign currencies, (“Spot Forex”) including on a leveraged basis (in this document, Spot Forex and foreign currency CFDs collectively are referred to as “Forex”). This document describes the characteristics and risks of trading CFDs and Forex.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage.

**64 % of retail investor accounts lose money when trading CFDs with IB UK.**

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

### B. CFDs

#### 1. Trading Of CFDs Is Risky And You May Lose All Funds Related to CFDs Trading:

CFD trading is highly risky due to the speculative and volatile markets in these products and the leverage involved. Trading these products may result in a loss of all funds related to CFDs trading. You must carefully consider your financial circumstances and risk tolerance before trading CFDs, and you should not trade CFDs unless you are an experienced investor with a high risk tolerance and the capability to sustain losses if they occur. Trading shares of stock or exchange-traded funds without using margin is less risky than trading leveraged CFDs on shares or indexes.

#### 2. No Investment, Tax Or Trading Advice:

IB UK 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 CFDs are an appropriate investment for you.

#### 3. CFDs Are not Traded On A Regulated Exchange And Are Not Cleared On A Central Clearinghouse:

CFDs are contracts with IB UK as your counterparty, and are not traded on a regulated exchange and are not cleared on a central clearinghouse. Thus, exchange and clearinghouse rules and protections do not apply to trading CFDs with IB UK.

#### 4. You Are Subject to Counterparty Credit Risk on CFD Trades:

Since IB UK is the counterparty to your CFD trades, you are exposed to the financial and business risks, including credit risk, associated with dealing with IB UK. That is, in the unlikely event that IB UK were to become insolvent, it may be unable to meet its obligations to you. Please note, however that IB UK is a

participant in the UK Financial Services Compensation Scheme („FSCS“). You may be entitled to compensation from the FSCS in the event we cannot meet our obligations. Further information about compensation is available from the UK Financial Services Compensation Scheme at <http://www.fscs.org.uk>.

#### 5. CFDs Do Not Give You Any Rights In The Underlying Product:

A CFD is to secure a profit or avoid a loss by reference to fluctuations in the price of the Underlying Product, rather than by taking delivery of any Underlying Product. 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.

#### 6. CFD Markets Are Diverse, Speculative And Volatile:

We may offer CFDs on a range of Underlying Product Types (e.g., shares, indexes and currency pairs) and each of the Underlying Product Types has risks that are specific to that type, for example with regard to the range and speed of price fluctuations and market liquidity. You should make sure you understand the specific risks of the Underlying Product Type before you trade the related CFDs. Derivative markets such as markets for CFDs can be highly volatile. The prices of CFDs may fluctuate rapidly and over wide ranges and will be influenced by, among other things, the market price of the Underlying Product of the CFD, the earnings and performance of the company or companies whose shares comprise the Underlying Product or a related index (for CFDs on shares and indexes), the performance of the economy as a whole, the changing supply and demand relationships for the Underlying Product or related instruments and indexes, governmental, commercial and trade programs and policies, interest rates, national and international political and economic events and the prevailing psychological characteristics of the relevant marketplace.

#### 7. Example of Leverage and Margin Losses on CFDs:

Margin Requirements for CFDs are subject to the European Securities and Markets Authority Decision (EU 2018/796 (“ESMA Decision”). In addition, IB UK’s Margin Requirements may exceed the levels prescribed in the ESMA Decision. For example, if you purchase a CFD position on shares of ABC and the total value of the CFD position is £ 50,000, and if the Margin Requirement is 20%, you will be required to deposit £ 10,000 as margin. If the value of the CFD position in ABC then drops to £ 35,000, you will have lost your original £ 10,000 deposit, plus an additional £ 5,000, which you will be required to pay to IB UK subject to the negative balance protection in the ESMA Decision (this excludes commissions, spreads and financing costs).

#### 8. IB UK Has the Right to Liquidate Your Positions Without Notice In the Event of a Margin Deficiency:

You must monitor your account so that at all times the account contains sufficient funds to meet IB UK’s Margin Requirements. IB UK does not have to notify you of any failure to meet Margin Requirements prior to IB UK exercising its rights under its Agreement with you, including but not limited to its right to liquidate positions in your account subject to the ESMA Decision. IB UK will not issue margin calls; will not allow a grace period for you to meet intraday or other margin deficiencies; and is authorized to liquidate account

positions immediately in order to satisfy Margin Requirements, without prior notice. Markets may “gap” or lose liquidity and IB UK may not be able to close out a position at a price that would avoid losses greater than your margin deposit. Likewise, subject to the ESMA Decision, IB UK may in its sole discretion delay or decide not to liquidate a position with a margin deficit. If you wish to avoid losses on any CFD position, you must close out the position yourself and not rely on IB UK to do so.

#### 9. IB UK Has the Right to Change or Increase Its Margin Requirements At Any Time:

Margin Requirements for CFDs will be subject to the ESMA Decision. To the extent that IB UK's Margin Requirements exceed the margin levels prescribed by the ESMA Decision, IB UK may modify Margin Requirements for any or all clients for any open or new positions at any time, in IB UK's sole discretion. If we increase our margin requirements, it may prevent you from adding positions or hedging existing positions if you have insufficient equity. If margin requirements increase on your existing CFDs, you will have to deposit additional equity in advance or your positions may be liquidated as described above.

#### 10. CFDs Carry Liquidity Risk:

IB UK is not obligated to provide quotes for any CFD at any time, and IB UK does not guarantee the continuous availability of quotations or trading for any CFD. IB UK 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 or suspensions or errors or illiquidity or volatility in the market for the Underlying Product, IB UK's own risk or profit parameters, technical errors, communication problems, market or political or economic or governmental events, Acts of God or Nature, or for other reasons.

#### 11. You Will Pay Commissions, Spreads And Financing Charges Among Other Costs Of Trading CFDs:

IB UK will charge commissions on your CFD trades. In addition, you will pay a spread on your CFD transactions, meaning that the price you pay to buy a CFD generally will be some amount higher than the theoretical market value of the CFD and the price you receive when you sell a CFD generally will be some amount lower than the theoretical market value of the CFD. You will also pay financing charges (interest) on your long CFD positions (you may receive a rebate on your short CFDs or pay interest, depending on interest rates). All of these costs will lower the total return (or increase the loss) on your investment in the CFD.

#### 12. Risk of Foreign Currency Fluctuation:

When you deal in a CFD that is denominated in a currency other than the base currency or currency you have on deposit in your IB UK account, all margins, profits, losses and financing credits and debits in relation to that CFD are calculated using the currency in which the CFD is denominated. Thus, your profits or losses will be further affected by fluctuations in the exchange rates between the account currency and the currency in which the CFD is denominated. IB UK applies a margin “haircut” to reflect this risk, and so the Margin Requirement on the CFD will effectively be higher.

#### 13. Risk of Interest Rate Fluctuation:

Interest rates fluctuate, which will affect the financing charges (or rebates) you will pay (or may receive) on your long (or short) CFD positions. This will also affect your total profits or losses.

#### 14. Risk of Regulatory and Taxation Changes:

Changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have an adverse effect on the value of your CFDs, the tax you pay on your CFDs, and the total return on your CFDs.

#### 15. IB UK Has the Right to Correct Trade Errors:

IB UK can cancel, adjust or close out CFD transactions after confirmation to you to correct errors, including but not limited to 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 centers, CFD transactions subject to technical errors in IB UK's platform, and CFD transactions not reasonably related to the correct market price for the Underlying Product or CFD.

#### 16. You May Be Unable To Short CFDs Or May Suffer Forced Closeout Of An Open Short Position:

Depending on regulations, stock loan and borrow market conditions, or other factors, short sales of CFDs on shares and indexes may or may not be allowed depending on the Underlying Product. Further, subject to the ESMA Decision, IB reserves the right, at any time in its sole discretion, to close out your open short CFD transaction.

#### 17. IB UK's Rights To Adjust, Modify And/Or Close-Out CFD Transactions In The Event Of A Corporate Action Affecting The Underlying Product:

In the event of a Corporate Action affecting the Underlying Product of a CFD on shares or indexes (e.g. splits, spin-offs, rights offerings, mergers and acquisitions, etc.): i) IB UK in its sole discretion will determine the appropriate adjustment or modification or action to take, if any, and when, with respect to the CFD to preserve the economic equivalent of the rights and obligations of the parties; ii) As an addition or alternative to the foregoing, IB UK reserves the right in its sole discretion to close out your open CFD position in the Underlying Product prior to the Corporate Action.

#### 18. Risk Of Disruption Or Interruption Of, Access To IB UK's Electronic Systems And Services:

IB UK relies on computer software, hardware and telecommunications infrastructure and networking to provide its services to Clients, and without these systems IB UK cannot provide the services. These computer-based systems and services such as those used by IB UK are inherently vulnerable to disruption, delay or failure, which may cause you to lose access to the IB UK trading platform or may cause IB UK not to be able to provide CFD quotations or trading, or may negatively affect any or all aspects of IB UK's services. Under the IB UK Trading Agreement, you accept the IB UK systems and services "As-Is" and our liability to you is limited. You must also maintain alternative trading arrangements in addition to your IB UK account for execution of your orders in the event that IB UK's electronic system and services are unavailable.

### C. FOREX

1. This section describes the characteristics and risks of trading Spot Forex and Forex CFDs through IB UK. If you are trading Forex CFDs through IB UK, the risks described in this section are in addition to the risks described in the section above regarding CFDs.
2. BECAUSE OF THE LEVERAGE AND THE OTHER RISKS DISCLOSED HERE, YOU CAN RAPIDLY LOSE ALL OF THE FUNDS YOU DEPOSIT FOR FOREX TRADING AND YOU MAY LOSE MORE THAN YOU DEPOSIT SUBJECT TO THE ESMA DECISION.
3. Exchange Rate Risk: Exchange rates between foreign currencies can change rapidly due to a wide range of economic, political and other conditions, exposing you to risk of exchange rate losses. If you are trading Forex using leverage (as with leveraged Spot Forex or Forex CFDs) the impact of currency fluctuation is greater and you are incurring more risk and the possibility for greater losses.
4. Nature of Forex Transactions Between You and IB UK: When you enter into a Forex transaction with IB UK, IB UK is the counterparty to your trade. Forex is not traded on a regulated exchange and is not cleared on a central clearinghouse. Thus, exchange and clearinghouse rules and protections do not apply to Forex trading with IB UK. Since IB UK is the counterparty to your CFD trades, you are exposed to the financial and business risks, including credit risk, associated with dealing with IB UK. That is, in the unlikely event that IB UK was to become insolvent, it may be unable to meet its obligations to you. The IB UK Forex trading platform that you may use to enter Forex transactions is only connected to IB UK and you are accessing the trading platform only to transact with IB UK. You are not trading with any other entities or clients of IB UK by accessing such platform. The availability and operation of the platform, including the consequences of the unavailability of the trading platform for any reason, is governed only by the terms of your IB UK Client Agreement.
5. When you enter into a Forex transaction with IB UK, IB UK may hold the risk of acting as counterparty itself or may hedge its risk by entering into an offsetting transaction with one of IB UK's affiliates, with another client that enters quotes into IB UK's system, or with a third party bank or liquidity provider (IB UK's "Forex Providers"). In such transactions, the Forex Provider is not acting in the capacity of a financial adviser or fiduciary to you or to IB UK, but rather, is taking the other side of IB UK's offsetting trade in an arm's length contractual transaction. You should be aware that IB UK or the Forex Provider may from time to time have substantial positions in, and may make a market in or otherwise buy or sell instruments similar or economically related to, Forex transactions entered into by you. IB UK and its Forex Providers may also undertake proprietary trading activities, including hedging transactions related to the initiation or termination of Forex transactions with IB UK, which may adversely affect the market price or other factors underlying the Forex transaction entered by you and consequently, the value of such transaction.
6. Prices on IB UK Forex Transactions: The prices quoted by IB UK to clients for Forex transactions will be determined in IB UK's discretion and/or based on Forex Provider quotes and are not determined by a competitive auction as on an exchange market. Prices quoted by IB UK for Forex transactions therefore may not be the most competitive prices available.

7. Price Slippage, Order Cancellation and Adjustment: Prices quoted on IB's system generally reflect the prices at which IB UK's Forex Providers are willing to trade. Prices quoted on IB UK's platform reflect changing market conditions and therefore quotes can and do change rapidly. As such, when a Client order is received and processed by IB UK's system, the quote on IB UK's platform may be different from the quote displayed when the order was sent by Client. This change in price is commonly referred to as "slippage." IB UK generally will not execute a Client order at a certain price unless IB UK is able to trade at that price against one of IB UK's Forex Providers. If a Client sends an order for a Forex transaction but Client's requested price is no longer available and therefore the order is non-marketable, IB UK will not execute the order then but may place it in IB UK's limit order book in accordance with Client's time-in-force instructions. IB UK may later execute the order if it becomes marketable. Although IB UK attempts to obtain the best price for Client orders on Forex transactions, because of the inherent possibility of transmission delays between and among Clients, IB UK and Forex Providers, or other technical issues, execution prices may be worse than the quotes displayed on the IB platform. To execute your order, IB UK generally engages in back-to-back transactions with one or more counterparties. These counterparties on occasion may cancel or adjust Forex trades with us in the event of market or technical problems. In these cases we may have to cancel or adjust Forex trades that you have executed.