# DISCLOSURE OF RISKS OF MARGIN POSITIONS, INVESTMENT LOAN AND SHORT SELLING

Interactive Brokers Central Europe Zrt ("IBCE") is furnishing this document to you to provide some basic facts about purchasing securities and futures contracts on margin, and to alert you to the risks of trading involving an investment loan. A transaction effected using an investment loan is one in which you purchase securities partially through an investment loan extended to you by IBCE, for which the securities act as collateral. "Margin positions" mean trading investment products such as futures or options (derivatives) in which an initial "margin" deposit is made to secure your obligations and further margin may be required to secure your obligations as the value of your positions changes.

Before trading stocks, derivatives or other investment products using an investment loan, you should carefully review the Investment Loan Framework Agreement ("Agreement") and the Business Rules and General Terms and Conditions provided by IBCE and you should consult IBCE regarding any questions or concerns you may have.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from IBCE. If you choose to borrow funds from IBCE, you will open a margin account with the firm. Transactions that involve an investment loan, derivatives positions, or short selling, may be executed only in margin accounts. The securities purchased are IBCE's collateral for the loan to you. The positions you hold may decline in value after you take out an investment loan. If the securities or derivatives contracts in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, IBCE can take action, such as sell securities or other assets in any of your accounts held with IBCE.

You should understand that pursuant to the Agreement, IBCE will <u>not</u> issue margin calls, IBCE will <u>not</u> credit your account to meet intraday margin deficiencies, and that IBCE will liquidate positions in your account in order to satisfy margin requirements without prior notice to you and without an opportunity for you to choose the positions to be liquidated or the timing or order of liquidation.

In addition, it is important that you fully understand the risks of margin positions and trading securities or derivatives contracts using an investment loan. These risks include the following:

- <u>You can lose more funds than your initial deposit.</u> A decline in the value of securities or derivatives contracts that are purchased on margin may require you to provide additional funds to IBCE or you must put up margin to avoid the forced sale of those securities or derivatives contracts or other assets in your account(s).

- <u>IBCE can force the sale of securities or other assets in your account(s).</u> If the equity in your account falls below the maintenance margin requirements, or if IBCE has higher "house" requirements, IB can sell the securities or derivatives contracts or other assets in any of your accounts held at the firm to cover the margin deficiency. You also will be responsible for any shortfall in the accounts after such a sale.

- <u>IBCE can sell your securities or other assets without contacting you.</u> <u>IBCE</u> <u>will not issue margin calls</u> or call you if you violate the terms of your investment loan. We can and typically will immediately sell your securities or derivatives contracts without notice to you in the event that your account has insufficient margin or you do not meet the terms of your investment loan.

» You are not entitled to choose which securities or derivatives contracts or other assets in your account(s) are liquidated or sold to meet a margin call. IBCE has the right to decide which positions to sell in order to protect its interests and the order in which they are sold.

» IBCE takes the necessary steps to maintain the balance with the value of client instruments and therefore can increase "house" margin requirements at any time and is not required to provide you with advance written notice. These changes in firm policy takes effect immediately unless otherwise communicated. Your failure to maintain adequate margin in the event of an increased margin rate generally will cause IBCE to liquidate or sell securities or derivatives contracts in your account(s).

You will pay interest on your investment loan at the rates disclosed on the IBCE website, which can increase or decrease over time. These margin interest costs reduce your return on investment. For details on IBCE's investment loan interest rates, please visit https://www.interactivebrokers.hu/en/index.php?f=1340.

## Special Risks of Short Selling

There are additional risks associated with short selling stocks that may expose you to significant losses. This strategy is not suitable for all customers. Fees associated with short selling are available on the IBCE website (https://www.interactivebrokers.hu/en/index.php?f=46787).

Please read the following carefully. For details regarding short-selling, please review the information available on website at https://ibkr.info/article/2880.

- Short sales must be done in a margin account and are subject to IBCE's margin requirements. IBCE may close out your short position by buying the stock if you do not maintain adequate margin in your account. This may expose you to substantial losses if the price of the stock is above the price at which you sold it short. Short selling carries unlimited market risk and could lead to extraordinary losses because you may have to purchase a stock at a higher price than you sold it for in order to cover a short position, and **there is no limit to how high the price of a stock can go**.
- When you sell a stock short IBCE must lend you the shares. You are charged interest in connection with borrowing securities in order to maintain a short position. Interest rates paid to, or rates and fees collected from clients in connection with borrowing or lending securities are subject to frequent change without notice and will vary based on the nature of the security being sold short (i.e., the interest charge to finance a short position in a hard-to-borrow stock may be more costly than a stock that is not hard-to-borrow). Please refer to the IBKR website for details on short sale costs.
- Before selling short, IBCE must confirm that it can locate shares of the stock to borrow for delivery to the buyer. Borrowed stock is subject to recall without notice. Stock lenders retain the right to recall their stock at any time. IBCE may buy-in stock on your behalf, without notice to you, to cover short positions in the event that IBCE cannot borrow stock or re-borrow stock after a recall notice. You are liable for any losses or costs incurred in the event of a buy-in, including any associated trade commissions or fees. Please refer to the IBCE website for additional details on short selling, recalls and buy-ins.
- You may be liable for dividend payments and certain other corporate actions. If you are maintaining a short settled position as of the close of business two business days prior to the Record Date (or one business day prior to the Ex-Dividend date) you will be liable to the lender for the dividend.