ACCOUNT DISCLOSURES

Disclosure of Material Conflicts of Interest

The purpose of this document is to provide you with information about some of the material conflicts of interest that may arise between you and Plus500US Financial Services, LLC ("[FCM]") in connection with FCM performing services for you with respect to futures, options on futures, swaps (as defined in the Commodity Exchange Act), forwards or other commodity derivatives ("Contracts"). Conflicts of interests can arise in particular when FCM has an economic or other incentive to act, or persuade you to act, in a way that favors FCM or its affiliates. Under applicable law, including regulations of the Commodity Futures Trading Commission ("CFTC"), not all swaps are required to be executed on an exchange or swap execution facility (each, a "Trading Facility"), even if a Trading Facility lists the swap for trading. In such circumstances, it may be financially advantageous for FCM or its affiliate to execute a swap with you bilaterally in the over-the-counter market rather than on a Trading Facility and, to the extent permitted by applicable law, we may have an incentive to persuade you to execute your swap bilaterally. Applicable law may permit you to choose the CFTC-registered derivatives clearing organization ("Clearing House") to which you submit a swap for clearing. You should be aware that FCM may not be a member of, or may not otherwise be able to submit your swap to, the Clearing House of your choice. FCM consequently has an incentive to persuade you to use a Clearing House of which FCM or its affiliate is a member. You also should be aware that FCM or its affiliate may own stock in, or have some other form of ownership interest in, one or more U.S. or foreign Trading Facilities or Clearing Houses where your transactions in Contracts may be executed and/or cleared. As a result, FCM or its affiliate may receive financial or other benefits related to its ownership interest when Contracts are executed on a given Trading Facility or cleared through a given Clearing House, and FCM would, in such circumstances, have an incentive to cause Contracts to be executed on that Trading Facility or cleared by that Clearing House. In addition, employees and officers of FCM or its affiliate may also serve on the board of directors or on one or more committees of a Trading Facility or Clearing House. In addition, Trading Facilities and Clearing Houses may from time to time have in place other arrangements that provide their members or participants with volume, market-making or other discounts or credits, may call for members or participants to pre-pay fees based on volume thresholds, or may provide other incentive or arrangements that are intended to encourage market participants to trade on or direct trades to that Trading Facility or Clearing House. FCM or its affiliate may participate in and obtain financial benefits from such incentive programs. When we provide execution services to you (either in conjunction with clearing services or in an execution-only capacity), we may direct orders to affiliated or unaffiliated market-makers, other executing firms, individual brokers or brokerage groups for execution. When such affiliated or unaffiliated parties are used, they may, where permitted, agree to price concessions, volume discounts or refunds, rebates or similar payments in return for receiving such business. Likewise, where permitted by law and the rules of the applicable Trading Facility, we may solicit a counterparty to trade opposite your order or enter into transactions for its own account or the account of other counterparties that may, at times, be averse to your interests in a Contract. In such circumstances, that counterparty may make payments and/or pay a commission to FCM in connection with that transaction. The results of your transactions may differ significantly from the

results achieved by us for our own account, our affiliates, or for other customers. In addition, where permitted by applicable law (including, where applicable, the rules of the applicable Trading Facility), FCM, its directors, officers, employees and affiliates may act on the other side of your order or transaction by the purchase or sale for an account, or the execution of a transaction with a counterparty, in which FCM or a person affiliated with FCM has a direct or indirect interest, or may affect any such order with a counterparty that provides FCM or its affiliates with discounts related to fees for Contracts or other products. In cases where we have offered you a discounted commission or clearing fee for Contracts executed through FCM as agent or with FCM or its affiliate acting as counterparty, FCM or its affiliate may be doing so because of the enhanced profit potential resulting from acting as executing broker or counterparty. FCM or its affiliate may act as, among other things, an investor, research provider, placement agent, underwriter, distributor, remarketing agent, structurer, securitize, lender, investment manager, investment adviser, commodity trading advisor, municipal advisor, market maker, trader, prime broker or clearing broker. In those and other capacities, FCM, its directors, officers, employees and affiliates may take or hold positions in, or advise other customers and counterparties concerning, or publish research or express a view with respect to, a Contract or a related financial instrument that may be the subject of advice from us to you. Any such positions and other advice may not be consistent with, or may be contrary to, your interests or to positions which are the subject of advice previously provided by FCM or its affiliate to you, and unless otherwise disclosed in writing, we are not necessarily acting in your best interest and are not assessing the suitability for you of any Contract or related financial instrument. Acting in one or more of the capacities noted above may give FCM or its affiliate access to information relating to markets, investments and products. As a result, FCM or its affiliate may be in possession of information which, if known to you, might cause you to seek to dispose of, retain or increase your position in one or more Contracts or other financial instruments. FCM and its affiliate will be under no duty to make any such information available to you, except to the extent we have agreed in writing or as may be required under applicable law.

Anti-Money Laundering Policy Statement

Plus500US Financial Services, LLC (“Plus500US”) is committed to full compliance with all applicable laws and regulations regarding money laundering. Every officer, director, employee and associated person ("AP") of the Firm is responsible for assisting in the Firm's efforts to detect, deter and prevent money laundering and other activities intended to facilitate the funding of terrorist or criminal activities. Towards this end, it is the Firm's policy to screen all prospective customers before any account is established and to monitor transactions in customer accounts on an ongoing basis.

Notice To Introduced Customers

If your account has been introduced to Plus500US Financial Services, LLC (“Plus500US”) by an Introducing Broker (IB), Plus500US wants you to be aware of and understand the relationship between Plus500US, the Introducing Broker and the individual Account Executive who services your account on a day-to-day basis.

Please be aware of the following:

- Plus500US will only accept funds that are payable to Plus500US and which originated from the bank account of the named Plus500US account holder. No other funds can or will be accepted.
- Your Introducing Broker and individual Account Executive are authorized to accept only funds that are payable to Plus500US.
- Any funds that are withdrawn from your account will be made payable to the named account holder.
- All questions regarding your account should be directed to your Account Executive at your Introducing Broker.
- Your Account Executive will assist you in your trading. If you have granted a Power of Attorney to a third party, trading in your account is permitted without your specific authorization for each trade. If you have not granted a Power of Attorney or Letter of Direction, trading in your account is prohibited without your specific authorization.
- You may be called upon to deposit additional funds to your account in the event that your account falls below Plus500US's margin requirements. Failure to make such deposits when called for may require Plus500US to protect itself from potential losses.

If you have any questions about your account statements or transactions in your account, please contact your Account Executive at your Introducing Broker. However, if your questions are not resolved to your satisfaction, please contact the Compliance Department at Plus500US Financial Services, LLC (312) 546-4760 or email **us.compliance@plus500.com.**

Cross Trade Consent

Plus500US Financial Services, LLC, its officers, its directors, its employees or its affiliates or other clients of Plus500US Financial Services, LLC may be from time to time on the opposite side of orders for physicals or for purchase or sale of futures contracts and option contracts placed for your Account in conformity with regulations of the Commodity Futures Trading Commission and the by-laws, rules and regulations of the applicable market (and its clearing organization, if any) on which such order is executed.

Chicago Mercantile Exchange Average Price System Disclosure

A. Application of Average Prices

The Average Price System ("A.PS") allows a clearing firm to confirm to customers an average price when multiple execution prices are received on an order or series of orders for futures, options or combination transactions. An order or series of orders executed during a Regular Trading Hours Session at more than one price may only be averaged pursuant to APS if each order is for the same account or group of accounts and for the same commodity and month for futures, or for the same commodity, month, put/call and strike for options.

B. APS Orders

Any member or clearing member that accepts an order subject to APS must include an APS indicator on the order at the time of acceptance, and must comply with all other order requirements including those set forth in Rule 536. The APS indicator must appear on the office order and floor order.

C. Computation of Average

Upon receipt of an execution at multiple prices for an order with an APS indicator, an average will be computed by multiplying the execution prices by the quantities at those prices divided by the total quantities. An average price for a series of orders will be computed based on the average prices of each order in that series. The actual average price or the average price rounded to the next price increment may be confirmed to customers. If a clearing member confirms the rounded average price, the clearing member must round the average price ~ to the next price increment for a buy order or ~ to the next price increment for a sell order. The residual created by the rounding process must be paid to the customer. APS may produce prices that do not conform to whole cent increments. In such cases, any amounts less than one cent may be retained by the clearing member.

D. Disclosure

Each clearing member that confirms an average price to a customer must indicate on the confirmation and monthly statement that the price represents an average price.

QUESTIONS AND ANSWERS TO ADDRESS KEY FEATURES OF RULE 553 – AVERAGE PRICE SYSTEM

1. Q**:** What is the Average Price System ('APS")?

A: APS will enable a clearing member to confirm to customers an average price when multiple prices are received on an order or series of orders for the same accounts. For example, if an order transmitted by an account manager on behalf of several customers is executed at more than one price, those prices may be averaged and the average may be confirmed to each customer. Customers will have the choice of participating in APS.

2. Q**:** Does an order subject to APS have to be for the same commodity?

A: Yes. An APS order may be used for futures, options or combination transactions. An APS order for futures must be for the same commodity and month, and for options, it must be for the same commodity, month put/call and strike.

3. Q: Does the clearing firm calculate the average? How is the average calculated?

A: The CME computes the average by multiplying the price by the quantity executed at each price divided by the total quantity.

4. Q: Is the APS process limited to discretionary accounts?

A: No. APS may also be used for a non-discretionary account upon request of a customer.

5. Q: What will appear on a customer's confirmation and monthly statement for a position that has been confirmed at an average price?

A: An APS indicator will appear on the confirmation and monthly statement. This indicator will notify the customer that the confirmed price represents an average price or rounded average price.

6. Q: Is a clearing firm required to provide any specific disclosure to a customer prior to entering an order for a customer?

A: A firm should describe certain features of APS to customers. For example, a firm should inform a customer that the average price is not the actual execution price and that APS will calculate the same price for all customers that participate in the order.

Each clearing firm should decide how to communicate this information to the customer. If the firm or account controller provides the information in these Questions and Answers to the customer, the CME believes that will satisfy any disclosure obligation.

Similarly, if the firm provides the information to the pool operator, the CME believes this will satisfy any disclosure obligation to a commodity pool. A firm may choose to provide the information orally rather than providing a written copy of these Questions and Answers.

7. Q: Can APS be used when a series of orders are entered for a group of accounts?

A: Yes. For example, a bunched APS order (an order that represents more than one customer account) executed at 10:00 am. could be averaged with a bunched A PS order executed at 12:00 pm. provided that each of the bunched orders is for the same accounts. In addition, market orders and limit orders may be averaged, as may limit orders at different prices, provided that each order is for the same accounts.

8. Q: What will happen if an APS order is only partially executed? For example, at 10:00 am a buy 100 APS DEC S&P 500 futures order is transmitted at a limit price of 376.00; 50 are executed at 376.00, and the balance was not filled. At 12.00 p.m. a buy 100 APS DEC S&F 500 futures order is transmitted at a limit price of 375.00; 50 are executed at 375.00 and the balance was not filled. Both orders are part of a series for the same group of accounts.

A: In the above example, the two prices will be averaged. If the order was placed for more than one account, the account controller must rely on pre-existing allocation procedures to determine the proportions in which each account will share in the partial fill.

9. Q: Is there a requirement that a firm confirm the average price rather than the rounded average price?

A: No. Each firm will have the choice of confirming the actual average price or the average price rounded to the next price increment. If a clearing firm confirms the rounded average price, the firm must round the average price up to the next price increment for a buy order or down to the next price increment for a sell order. The rounding process will create a cash residual of the difference between actual average price and the rounded average price that must be paid to the customer.

10. Q: What will happen if the actual average or the residual is a price that does not conform to a whole cent increment?

A: APS may produce prices that do not conform to whole cent increments. In such cases, any amount less than one cent may be retained by the clearing member. For example, if the total residual to be paid to a customer on a rounded average price for 10 contracts is $83.333333, the clearing firm may pay to the customer $83.33.

11. Q: Will a customer be able to obtain information regarding the actual execution prices of a trade that has been confirmed at an average price?

A: Yes. The customer should contact the firm carrying the customer's account to obtain the actual execution prices. If the firm did not execute the trade, the firm will have to contact the executing firm to obtain the information.

Should you have any questions regarding APS, please contact your Customer Representative.

Non-Cash Margin Disclosure

THIS STATEMENT IS FURNISHED TO YOU BECAUSE REGULATION 1.55(p) OF THE COMMODITY FUTURES TRADING COMMISSION REQUIRES IT FOR REASONS OF FAIR NOTICE UNRELATED TO THIS COMPANY'S CURRENT FINANCIAL CONDITION.

1. YOU SHOULD KNOW THAT IN THE UNLIKELY EVENT OF THIS COMPANY'S BANKRUPTCY, PROPERTY, INCLUDING PROPERTY SPECIFICALLY TRACEABLE TO YOU, WILL BE RETURNED, TRANSFERRED OR DISTRIBUTED TO YOU, OR ON YOUR BEHALF ONLY TO THE EXTENT OF YOUR PRO RATA SHARE OF ALL PROPERTY AVAILABLE FOR DISTRIBUTION TO CUSTOMERS.
2. THE COMMISSION'S REGULATIONS CONCERNING BANKRUPTCIES OF COMMODITY BROKERS CAN BE FOUND AT 17 CODE OF FEDERAL REGULATIONS PART 190.

Electronic Trading And Order Routing Systems Disclosure Statement

Electronic trading and order routing systems differ from traditional open outcry pit trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchange(s) offering the system and/or listing the contract. Before you engage in transactions using an electronic system, you should carefully review the rules and regulations of the exchange(s) offering the system and/or listing contracts you intend to trade.

Differences Among Electronic Trading Systems

Trading or routing orders through electronic systems vary widely among the different electronic systems. You should consult the rules and regulations of the exchange offering the electronic system and/or listing the contract traded or order routed to understand, among other things, in the case of trading systems, the system's order matching procedure, opening and closing procedures and prices, error trade policies, orders executed around contract expiration and trading limitations or requirements; and in the case of all systems, qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times, and security. In the case of internet-based systems, there may be additional types of risks related to system access, varying response times and security, as well as risks related to service providers and the receipt and monitoring of electronic mail.

Risk Associated with System Failure

Trading through an electronic trading or order routing system exposes you to risks associated with system or component failure. In the event of system or component failure, it is possible that, for a certain time period, you may not be able to enter new orders, execute existing orders, or modify or cancel orders that were previously entered. System or component failure may also result in loss of orders or order priority.

Limitation of Liability

Exchanges offering an electronic trading or order routing system and/or listing the contract may have adopted rules to limit their liability, the liability of Futures Commission Merchants, and software and communication system vendors and the amount of damages you may collect for system failure and delays. These limitations of liability provisions vary among the exchanges. You should consult the rules and regulations of the relevant exchanges(s) in order to understand these liability limitations.

Request For Electronic Transmission of Customer Statements

Plus500US Financial Services, LLC ("Plus500US") will provide daily confirmation, P&S, monthly and 1009 tax statements ("Statements") by electronic transmission. Customer acknowledges its understanding that there is a risk of failure of any electronic transmission, and will not hold Plus500US liable directly or indirectly for such failure. If Customer fails to receive any Statement that reflects activity of which you are aware of in the account, Customer agrees to contact a Plus500US customer service representative by 8:00 a.m. (Central Time) on the business day following the day of such activity. This consent shall be effective until revoked via email by the undersigned and sent to **us.compliance@Plus500.com**. Customer authorizes Plus500US to provide all Statements solely by electronic transmission. Customer will access statements of activity and status online or via email, as provided by Plus500US Financial Services, LLC.

Negative Contract Prices Risk Disclosure

When trading in the futures markets, we wish to remind you of the risks if the market moves against your futures positions. These risks may be particularly acute in those instances in which a futures contract settles at a negative price. The circumstances that lead a futures contract to settle at a negative price may vary. One example of when a futures contract with a physical commodity as the underlying asset may settle at a negative price is when the supply of the commodity faces physical constraints in distribution or storage to such an extent that some suppliers are prepared to pay others to physically take away the commodity. Futures contracts across other asset classes may also settle at negative prices for any number of reasons. Regardless of whether prices are positive or negative, you should keep in mind that if the market moves against your futures positions:

- You may sustain a total loss of the funds that you have deposited to establish or maintain your positions and may incur additional losses beyond these amounts;
- You may be called upon to deposit additional margin funds, on short notice;
- If you do not provide the additional funds within the time we require, your positions may be liquidated at a loss; and
- You will be liable for any resulting deficit in your account.

Notice To Customers: Exchange For Related Positions

Certain futures exchanges permit eligible customers to enter into privately-negotiated off-exchange futures or option on futures transactions (collectively, "futures") known as exchange for related positions ("EFRP"). An EFRP involves the simultaneous execution of a futures transaction and an

equivalent related position. A "related position" is defined to mean the cash commodity underlying the exchange contract or a by-product, a related product or an over-the-counter ("OTC") derivative instrument of such commodity that has a reasonable degree of price correlation to the commodity underlying the exchange contract. Types of EFRPs include:

- Exchange of Futures for Physical ("EFP") or Against Actual ("AA") – the simultaneous execution of a futures contract and a corresponding physical transaction or a forward contract on a physical transaction.
- Exchange of Futures for Risk ("EFR") or Exchange of Futures for Swap ("EFS") – the simultaneous execution of a futures contract and a corresponding OTC swap or other OTC derivative transaction.
- Exchange of Option for Option ("EOO") – the simultaneous execution of an option contract and a corresponding transaction in an OTC option or other OTC instrument with similar characteristics.

EFRP transactions are subject to Applicable Law, as defined in the agreement between a futures commission merchant ("FCM") and its customers. Customers that engage in EFRP transactions are responsible for reviewing, understanding and complying with the provisions of Applicable Law governing EFRP transactions, including, but not limited to, Rule 538 of the CME Group (CME, CBOT and NYMEX) and Rule 4.06 of ICE Futures US, and the frequently asked questions and other guidance that each exchange has issued with respect thereto.

Customers are subject to the jurisdiction of the exchange through which the EFRP transaction is entered into and, therefore, may be required to produce records and otherwise cooperate in any inquiry that the exchange may undertake with respect to the EFRP transaction. Moreover, customers may be sanctioned by the exchange if an EFRP transaction does not comply with the requirements of applicable exchange rules and guidance. For this reason, customers are encouraged to review these requirements with any employees that may engage in EFRP transactions on their behalf.

Certain common requirements of the rules and guidance issued by CME Group and ICE Futures US are summarized below. However, this summary is not a substitute for the customer's obligation to review and understand such rules and related guidance in their entirety.

- The futures contract and the related position must be affected for the account of the same beneficial owner. If the customer is the seller of (or the holder of the short market exposure associated with) the related position, the customer must be the buyer of the futures contract(s) being exchanged in the EFRP; conversely, if the customer is the buyer of (or the holder of the long market exposure associated with) the related position, the customer must be the seller of the futures contract(s) being exchanged in the EFRP.
- The opposing accounts to an EFRP transaction must be: (a) independently controlled accounts with different beneficial ownership; (b) independently controlled accounts of separate legal entities with common beneficial ownership; or (c) independently controlled accounts of the same legal entity, provided the account controllers operate in separate business units. For EFRP transactions between accounts with common beneficial

ownership, the parties to the trade must be able to demonstrate the independent control of the accounts and that the transaction had economic substance for each party to the trade.

- Generally, there may be only two parties to an EFRP transaction. However, a third party, acting as principal, may facilitate the related position component of an EFRP on behalf of a customer, provided the third party is able to demonstrate that the related position was passed through to the customer that received the exchange contract as part of the EFRP.
- Each EFRP requires a bona fide transfer of ownership of the cash commodity between the parties or a bona fide, legally binding contract between the parties consistent with relevant market conventions for the particular related position transaction.
- Each side of an EFRP transaction must be independent. For example, confirmation of the related position may not be contingent on the acceptance of the futures transaction for clearing.
- Contingent EFRP transactions are prohibited. EFRP transactions may not be contingent upon the execution of another EFRP or related transaction that results in the offset of the related position without the incurrence of market risk that is material in the context of the related position transactions.
- Foreign currency EFPs, with immediate offset of the cash component of the transaction, are permitted, provided the parties to the transaction have acknowledged that, in the event the futures component of the transaction fails to clear, their responsibility for any resultant profit or loss associated with an offset of the cash component of the transaction.
- A party providing inventory financing for a storable agricultural, energy or metals commodity may, through the execution of an EFP, purchase the commodity and sell the equivalent quantity of futures contracts to a counterparty, and grant to the counterparty the non-transferable right, but not the obligation, to execute a second EFP during a specified time period in the future which will have the effect of reversing the original EFP.
- An EFRP may incorporate multiple exchange components with different market bias, provided the related components incur material market risk. An EFRP may incorporate multiple related position components, provided the net exposure of the related position components is approximately equivalent to the quantity of futures exchanged or, in the case of an EOO, the net delta-adjusted quantity of the OTC option components is approximately equivalent to the delta-adjusted quantity of the exchange-listed option.
- EFRP transactions may be executed at any commercially reasonable price agreed by the parties, provided the price of the exchange component of the EFRP transaction conforms to the minimum tick increment of the futures contract under exchange rules. Parties may be asked to demonstrate that EFRPs executed at prices away from the prevailing market price were executed at such prices for legitimate commercial purposes.
- The customer must maintain all records relevant to the futures transaction and the related cash, swap or derivative transaction in accordance with applicable exchange rules. Upon request, the customer must provide its FCM with documentation sufficient to verify its purchase or sale of the related position.
- EFR and EOO participants must comply with applicable Commodity Futures Trading Commission requirements governing eligibility to transact the related position component

of an EFR or EOO. Generally, EFR and EOO participants must be "eligible contract participants," as defined in section 1a (18) of the Commodity Exchange Act.

- A swap that is traded on or subject to the rules of an exchange or a swap execution facility ("SEF") is ineligible to be the related position component of an EFR or EOO transaction. OTC swaps that are bilaterally negotiated and submitted for clearing-only to a DCO qualify as a related position, provided such swaps have a reasonable degree of correlation to the underlying exchange product. Such swaps should be governed by the terms and conditions of an ISDA agreement negotiated between the parties.

Auto-Liquidation Disclosure

Plus500US Financial Services, LLC ("Plus500US") offers a platform(s) with functionality that allows for Plus500US, in its sole discretion, to automatically liquidate positions in accounts when certain criteria are met. Customer acknowledges and agrees that trading will be subject to auto-liquidation, without notice, at Plus500US' sole discretion, as described below and in the Customer Account Agreement. Customer further acknowledges that auto-liquidation does not offer price certainty for existing positions, nor does it create a "floor" or "limit" on potential trading losses. When possible, Plus500US recommends that customers submit orders to exit open positions. Customer acknowledges that he/she/it will not rely upon auto-liquidation to exit positions.

In futures trading, the margin to buy or sell a contract and/or hold a contract from one trading session to and/or through another is commonly referred to as Initial or Overnight Margin. If Customer intends to carry a position across sessions (or does not intend to close its position prior to 15 minutes before the close), Customer must maintain equity in excess of Initial/Overnight Margin by 30 minutes before the close. The Initial or Overnight margin requirement is set by the exchange on which the contract trades but may be raised at any time by Plus500US at its sole discretion. Intraday Margin refers to the amount of margin required to open or hold a position within the same trading session and may be a reduced requirement as compared to the Initial or Overnight Margin. The reduced requirement of Intraday Margin can be used to increase leverage. This increased leverage can increase the risk associated with the trades.

Intraday Margin applies during exchange market hours up to 15 minutes prior to market close. At any other time of the day the account is required to meet Plus500US' Initial/Overnight Margin requirements. Customer is required to monitor its account to maintain sufficient margin at all times.

Auto-Liquidation

If the account(s) is under margined or has a net liquidating value below a predetermined threshold at any time, Plus500US has the right, but not the obligation, in its sole discretion, to auto-liquidate any or all of the open positions in the account. In addition to the foregoing, Plus500US may not support contract adjustments arising from corporate actions affecting Single Stock Futures ("SSF") contracts, including but not limited to stock splits, reverse stock splits, mergers, acquisitions, spin-offs, recapitalizations, special dividends, or any other event that would ordinarily result in a contract or deliverable adjustment by the applicable exchange or clearinghouse (each, a "Corporate Action"). Accordingly, Plus500US similarly has the right, but not the obligation, in its sole discretion, to auto liquidate any or all open SSF positions in the affected underlying security at any time before or after the effective date of an announced Corporate Action. In the event of an

auto-liquidation, Plus500US retains sole discretion to determine the order by which positions will be auto-liquidated. Plus500US shall not be held liable for any losses arising from such liquidations. Plus500US further has the right, but not the obligation, at its sole discretion to cancel any or all working orders prior to liquidation. For the avoidance of doubt, Plus500US may cancel working orders in certain other scenarios where liquidating a position is not necessary. Customer acknowledges and agrees to his/her/its account being auto-liquidated as a market order. If for any reason, positions are unable to be liquidated, Customer remains liable for the positions and for adverse market movements affecting the account. Further, Customer is liable and shall promptly pay any debit balance that may result from the account being auto-liquidated. Plus500US shall not be liable for any losses or damages resulting from such liquidations or from its inability to accommodate adjustments for SSF positions (including any economic benefit or adjustment that may apply to the affected contract following the effective date of the Corporate Action).

Principal Risks of Auto-Liquidation

In accordance with the Customer Account Agreement, Plus500US has the right, but not the obligation, to liquidate (including via auto-liquidation) the Customer's account without prior notice. There are several risk factors associated with auto-liquidation, including Plus500US' receipt of erroneous data from the exchanges or other technological errors, including delays in executing auto-liquidation trades. In cases of erroneous data or technological error, Customer acknowledges that Plus500US shall not be liable for any trading losses. Furthermore, Plus500US shall not be responsible for late, lost, misdirected, misdelivered, incomplete, illegible or unintelligible orders; unavailable network connections; failed, incomplete, garbled or delayed computer transmissions; keypunch errors; online failure or other technical malfunctions or disturbances. Additional risks of auto-liquidation include, but are not limited to, liquidation upon market open due to changes in account value overnight, and cancellation of working orders resulting in a margin deficiency or otherwise negatively impacting Customer's trading strategy. Market volatility may cause an account to be auto-liquidated without notice to Customer. With respect to SSF positions specifically, the timing and announcement of Corporate Actions may result in auto-liquidation with little to no advance notice, and the resulting liquidation may occur at unfavorable prices due to market conditions at the time of the Corporate Action announcement or effective date. Customer remains liable for all trading losses, including those arising from the use of auto-liquidation.

Auto-Liquidation Fees

If Customer's account is auto-liquidated, Plus500US may charge a fee to Customer. Fees will be debited from Customer's account.

The strategy of trading futures by utilizing increased leverage can be extremely risky. The risks described herein relate primarily to the risks of Plus500US' auto-liquidation procedures and are in addition to the risks of futures trading generally described in the risk disclosure required under CFTC Regulation §1.55 and other risk disclosures that have been provided to Customer separately. You acknowledge that you are prepared to lose all funds employed for this strategy and acknowledge that such trading could result in losses beyond your initial investment.

DISCLOSURES FOR CLEARED SWAP CUSTOMERS OF PLUS500US FINANCIAL SERVICES LLC PURSUANT TO CFTC RULE 22.16

Default of a Non-Clearing Futures Commission Merchant

If Plus500US Financial Services LLC ("PFS") were to enter into an agreement with a clearing member (in the capacity of a "Collecting Futures Commission Merchant," as defined under CFTC Rule 22.1) of a registered derivatives clearing organization ("DCO") of which PFS was not a clearing member, for the purpose of giving its customers access to cleared swaps cleared by such DCO, you would have the right under CFTC Rule 22.16 to require PFS to disclose the provisions of the customer agreement between PFS and the clearing member FCM with which PFS was contracting for that purpose. Specifically, you have the right to require that PFS disclose the provisions of any such agreement relating to the use of Cleared Swaps Customer Collateral (as defined under CFTC Rule 22.1), and to the transfer, neutralization of the risks, or liquidation of Cleared Swaps in the event of a default by either PFS or the clearing member FCM. Please contact your PFS representative for additional information relating to clearing arrangements in respect of your Cleared Swaps Customer Account at PFS.

Default of a Clearing Futures Commission Merchant

Each DCO is required to have rules that govern the use of Cleared Swaps Customer Collateral, and the transfer, neutralization of risks, and liquidation of Cleared Swaps in the event of a default by a clearing futures commission merchant relating to a Cleared Swaps Customer Account. In further compliance with CFTC Rule 22.16, we are providing you with the URL links to the rules of the relevant derivatives clearing organizations where, as of the date hereof, PFS customers are authorized to clear swaps. Please note that such rules and the URL links are susceptible to change. If you encounter difficulty accessing these rules, please contact your PFS Representative for an updated URL link.

https://kalshi.com/regulatory/rulebook

THE INCLUSION OF A DERIVATIVES CLEARING ORGANIZATION ON THIS LIST DOES NOT MEAN THAT YOUR ACCOUNT IS ELIGIBLE TO CLEAR ANY OR ALL PRODUCTS ON THAT DERIVATIVES CLEARING ORGANIZATION. SHOULD YOU REQUIRE ADDITIONAL INFORMATION OR HAVE ANY QUESTIONS CONCERNING THE ABOVE, PLEASE CONTACT YOUR PFS REPRESENTATIVE. US LAW PROHIBITS THE OFFER TO OR EXECUTION OF SWAPS WITH PERSONS WHO DO NOT QUALIFY AS ELIGIBLE CONTRACT PARTICIPANTS AS DEFINED UNDER SECTION 1a(18) OF THE COMMODITY EXCHANGE ACT EXCEPT WHERE SUCH SWAPS ARE LISTED ON A DESIGNATED CONTRACT MARKET REGISTERED WITH THE CFTC AND CLEARED BY A DERIVATIVES CLEARING ORGANIZATION REGISTERED WITH THE CFTC. PFS WILL NOT OFFER OR PERMIT THE EXECUTION OF ANY SWAP BY A CUSTOMER EXCEPT IN COMPLIANCE WITH THE FOREGOING REQUIREMENT.

RISK DISCLOSURE STATEMENT FOR SECURITY FUTURES CONTRACTS

This disclosure statement discusses the characteristics and risks of standardized security futures contracts traded on regulated U.S. exchanges. At present, regulated exchanges are authorized to list futures contracts on individual equity securities registered under the Securities Exchange Act of 1934 (including common stock and certain exchange-traded funds and American Depositary Receipts), futures on certain debt instruments as well as narrow based security indices. Futures on other types of securities and options on security futures contracts may be authorized in the future. The glossary of terms appears at the end of the document.

Customers should be aware that the examples in this document are exclusive of fees and commissions that may decrease their net gains or increase their net losses. The examples also do not include tax consequences, which may differ for each customer.

Section 1 – Risks of Security Futures

1.1. Risks of Security Futures Transactions

Trading security futures contracts may not be suitable for all investors. You may lose a substantial amount of money in a very short period of time. The amount you may lose is potentially unlimited and can exceed the amount you originally deposit with your broker. This is because futures trading is highly leveraged, with a relatively small amount of money used to establish a position in assets having a much greater value. If you are uncomfortable with this level of risk, you should not trade security futures contracts.

1.2. General Risks

Trading security futures contracts involves risk and may result in potentially unlimited losses that are greater than the amount you deposited with your broker. As with any high risk financial product, you should not risk any funds that you cannot afford to lose, such as your retirement savings, medical and other emergency funds, funds set aside for purposes such as education or home ownership, proceeds from student loans or mortgages, or funds required to meet your living expenses.

Be cautious of claims that you can make large profits from trading security futures contracts. Although the high degree of leverage in security futures contracts can result in large and immediate gains, it can also result in large and immediate losses. As with any financial product, there is no such thing as a "sure winner."

Because of the leverage involved and the nature of security futures contract transactions, you may feel the effects of your losses immediately. Gains and losses in security futures contracts are credited or debited to your account, at a minimum, on a daily basis. If movements in the markets for security futures contracts or the underlying security decrease the value of your positions in security futures contracts, you may be required to have or make additional funds available to your carrying firm as margin. If your account is under the minimum margin requirements set by the exchange or the brokerage firm, your position may be liquidated at a loss, and you will be liable for the deficit, if any, in your account. Margin requirements are addressed in Section 4.

Under certain market conditions, it may be difficult or impossible to liquidate a position. Generally, you must enter into an offsetting transaction in order to liquidate a position in a security futures contract. If you cannot liquidate your position in a security futures contract, you may not be able to realize a gain in the value of your position or prevent losses from mounting. This inability to liquidate could occur, for example, if trading is halted due to unusual trading activity in either the security futures contract or the underlying security; if trading is halted due to recent news events involving the issuer of the underlying security; if systems failures occur on an exchange or at the firm carrying your position; or if the position is on an illiquid market. Even if you can liquidate your position, you may be forced to do so at a price that involves a large loss.

Under certain market conditions, it may also be difficult or impossible to manage your risk from open security futures positions by entering into an equivalent but opposite position in another contract month, on another market, or in the underlying security. This inability to take positions to limit your risk could occur, for example, if trading is halted across markets due to unusual trading activity in the security futures contract or the underlying security or due to recent news events involving the issuer of the underlying security.

Under certain market conditions, the prices of security futures contracts may not maintain their customary or anticipated relationships to the prices of the underlying security or index. These pricing disparities could occur, for example, when the market for the security futures contract is illiquid, when the primary market for the underlying security is closed, or when the reporting of transactions in the underlying security has been delayed. For index products, it could also occur when trading is delayed or halted in some or all of the securities that make up the index.

You may be required to settle certain security futures contracts with physical delivery of the underlying security. If you hold your position in a physically settled security futures contract until the end of the last trading day prior to expiration, you will be obligated to make or take delivery of the underlying securities, which could involve additional costs. The actual

settlement terms may vary from contract to contract and exchange to exchange. You should carefully review the settlement and delivery conditions before entering into a security futures contract. Settlement and delivery are discussed in Section 5.

You may experience losses due to systems failures. As with any financial transaction, you may experience losses if your orders for security futures contracts cannot be executed normally due to systems failures on a regulated exchange or at the brokerage firm carrying your position. Your losses may be greater if the brokerage firm carrying your position does not have adequate back-up systems or procedures.

All security futures contracts involve risk, and there is no trading strategy that can eliminate it. Strategies using combinations of positions, such as spreads, may be as risky as outright long or short positions. Trading in security futures contracts requires knowledge of both the securities and the futures markets.

Day trading strategies involving security futures contracts and other products pose special risks. As with any financial product, persons who seek to purchase and sell the same security future in the course of a day to profit from intra-day price movements ("day traders") face a number of special risks, including substantial commissions, exposure to leverage, and competition with professional traders. You should thoroughly understand these risks and have appropriate experience before

engaging in day trading. The special risks for day traders are discussed more fully in Section 7.

Placing contingent orders, if permitted, such as "stop-loss" or "stop-limit" orders, will not necessarily limit your losses to the intended amount. Some regulated exchanges may permit you to enter into stop-loss or stop-limit orders for security futures contracts, which are intended to limit your exposure to losses due to market fluctuations. However, market conditions may make it impossible to execute the order or to get the stop price.

You should thoroughly read and understand the customer account agreement with your brokerage firm before entering into any transactions in security futures contracts.

You should thoroughly understand the regulatory protections available to your funds and positions in the event of the failure of your brokerage firm. The regulatory protections available to your funds and positions in the event of the failure of your brokerage firm may vary depending on, among other factors, the contract you are trading and whether you are trading through a securities account or a futures account. Firms that allow customers to trade security futures in either securities accounts or futures accounts, or both, are required to disclose to customers the differences in regulatory protections between such accounts, and, where appropriate, how customers may elect to trade in either type of account.

Section 2 – Description of a Security Futures Contract

2.1. What is a Security Futures Contract?

A security futures contract is a legally binding agreement between two parties to purchase or sell in the future a specific quantity of shares of a security or of the component securities of a narrow-based security index, at a certain price. A person who buys a security futures contract enters into a contract to purchase an underlying security and is said to be "long" the contract. A person who sells a security futures contract enters into a contract to sell the underlying security and is said to be "short" the contract. The price at which the contract trades (the "contract price") is determined by relative buying and selling interest on a regulated exchange.

In order to enter into a security futures contract, you must deposit funds with your brokerage firm equal to a specified percentage (usually at least 20 percent) of the current market value of the contract as a performance bond. Moreover, all security futures contracts are marked-to-market at least daily, usually after the close of trading, as described in Section 3 of this document. At that time, the account of each buyer and seller reflects the amount of any gain or loss on the security futures contract based on the contract price established at the end of the day for settlement purposes (the "daily settlement price").

An open position, either a long or short position, is closed or liquidated by entering into an offsetting transaction (i.e., an equal and opposite transaction to the one that opened the position) prior to the contract expiration. Traditionally, most futures contracts are liquidated prior to expiration through an offsetting transaction and, thus, holders do not incur a settlement obligation.

Examples:

Investor A is long one September XYZ Corp. futures contract. To liquidate the long position in the September XYZ Corp. futures contract, Investor A would sell an identical September XYZ Corp.

contract.

Investor B is short one December XYZ Corp. futures contract. To liquidate the short position in the December XYZ Corp. futures contract, Investor B would buy an identical December XYZ Corp. contract.

Security futures contracts that are not liquidated prior to expiration must be settled in accordance with the terms of the contract. Some security futures contracts are settled by physical delivery of the underlying security. At the expiration of a security futures contract that is settled through physical delivery, a person who is long the contract must pay the final settlement price set by the regulated exchange or the clearing organization and take delivery of the underlying shares. Conversely, a person who is short the contract must make delivery of the underlying shares in exchange for the final settlement price.

Other security futures contracts are settled through cash settlement. In this case, the underlying security is not delivered. Instead, any positions in such security futures contracts that are open at the end of the last trading day are settled through a final cash payment based on a final settlement price determined by the exchange or clearing organization. Once this payment is made, neither party has any further obligations on the contract.

Physical delivery and cash settlement are discussed more fully in Section 5.

2.2. Purposes of Security Futures

Security futures contracts can be used for speculation, hedging, and risk management. Security futures contracts do not provide capital growth or income.

Speculation

Speculators are individuals or firms who seek to profit from anticipated increases or decreases in futures prices. A speculator who expects the price of the underlying instrument to increase will buy the security futures contract. A speculator who expects the price of the underlying instrument to decrease will sell the security futures contract. Speculation involves substantial risk and can lead to large losses as well as profits.

The most common trading strategies involving security futures contracts are buying with the hope of profiting from an anticipated price increase and selling with the hope of profiting from an anticipated price decrease. For example, a person who expects the price of XYZ stock to increase by March can buy a March XYZ security futures contract, and a person who expects the price of XYZ stock to decrease by March can sell a March XYZ security futures contract. The following illustrates potential profits and losses if Customer A purchases the security futures contract at $50 a share and Customer B sells the same contract at $50 a share (assuming 100 shares per contract).

Price of XYZ at Liquidation	Customer A Profit/Loss	Customer B Profit/Loss
$55	$500	- $500
$50	$ 0	$ 0
$45	-$500	$500

Speculators may also enter into spreads with the hope of profiting from an expected change in price relationships. Spreaders may purchase a contract expiring in one contract month and sell another contract on the same underlying security expiring in a different month (e.g., buy June and sell September XYZ single stock futures). This is commonly referred to as a "calendar spread."

Spreaders may also purchase and sell the same contract month in two different but economically correlated security futures contracts. For example, if ABC and XYZ are both pharmaceutical companies and an individual believes that ABC will have stronger growth than XYZ between now and June, he could buy June ABC futures contracts and sell June XYZ futures contracts. Assuming that each contract is 100 shares, the following illustrates how this works.

Opening Position	Price at Liquidation	Gain or Loss	Price at Liquidation	Gain or Loss
Buy ABC at 50	$53	$300	$53	$300
Sell XYZ at 45	$46	-$100	$50	-$500
Net Gain or Loss		$200		-$200

Speculators can also engage in arbitrage, which is similar to a spread except that the long and short positions occur on two different markets. An arbitrage position can be established by taking an economically opposite position in a security futures contract on another exchange, in an options contract, or in the underlying security.

Hedging

Generally speaking, hedging involves the purchase or sale of a security future to reduce or offset the risk of a position in the underlying security or group of securities (or a close economic equivalent). A hedger gives up the potential to profit from a favorable price change in the position being hedged in order to minimize the risk of loss from an adverse price change.

An investor who wants to lock in a price now for an anticipated sale of the underlying security at a later date can do so by hedging with security futures. For example, assume an investor owns 1,000 shares of ABC that have appreciated since he bought them. The investor would like to sell them at the current price of $50 per share, but there are tax or other reasons for holding them until September. The investor could sell ten 100-share ABC futures contracts and then buy back those contracts in September when he sells the stock. Assuming the stock price and the futures price change by the same amount, the gain or loss in the stock will be offset by the loss or gain in the futures contracts.

Price in September	Value of 1,000 Shares of ABC	Gain or Loss on Futures	Effective Selling Price
$40	$40,000	$10,000	$50,000
$50	$50,000	$ 0	$50,000
$60	$60,000	-$10,000	$50,000

Hedging can also be used to lock in a price now for an anticipated purchase of the stock at a later date. For example, assume that in May a mutual fund expects to buy stocks in a particular industry with the proceeds of bonds that will mature in August. The mutual fund can hedge its risk that the stocks will increase in value between May and August by purchasing security futures contracts on a narrow-based index of stocks from that industry. When the mutual fund buys the stocks in August, it also will liquidate the security futures position in the index. If the relationship between the security futures contract and the stocks in the index is constant, the profit or loss from the futures contract will offset the price change in the stocks, and the mutual fund will have locked in the price that the stocks were selling at in May.

Although hedging mitigates risk, it does not eliminate all risk. For example, the relationship between the price of the security futures contract and the price of the underlying security traditionally tends to remain constant over time, but it can and does vary somewhat. Furthermore, the expiration or liquidation of the security futures contract may not coincide with the exact time the hedger buys or sells the underlying stock. Therefore, hedging may not be a perfect protection against price risk.

Risk Management

Some institutions also use futures contracts to manage portfolio risks without necessarily intending to change the composition of their portfolio by buying or selling the underlying securities. The institution does so by taking a security futures position that is opposite to some or all of its position in the underlying securities. This strategy involves more risk than a traditional hedge because it is not meant to be a substitute for an anticipated purchase or sale.

2.3. Where Security Futures Trade

By law, security futures contracts must trade on a regulated U.S. exchange. Each regulated U.S. exchange that trades security futures contracts is subject to joint regulation by the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC).

A person holding a position in a security futures contract who seeks to liquidate the position must do so either on the regulated exchange where the original trade took place or on another regulated exchange, if any, where a fungible security futures contract trades. (A person may also seek to manage the risk in that position by taking an opposite position in a comparable contract traded on another regulated exchange.)

Security futures contracts traded on one regulated exchange might not be fungible with security futures contracts traded on another regulated exchange for a variety of reasons. Security futures traded on different regulated exchanges may be non-fungible because they have different contract terms (e.g., size, settlement method), or because they are cleared through different clearing

organizations. Moreover, a regulated exchange might not permit its security futures contracts to be offset or liquidated by an identical contract traded on another regulated exchange, even though they have the same contract terms and are cleared through the same clearing organization. You should consult your broker about the fungibility of the contract you are considering purchasing or selling, including which exchange(s), if any, on which it may be offset.

Regulated exchanges that trade security futures contracts are required by law to establish certain listing standards. Changes in the underlying security of a security futures contract may, in some cases, cause such contract to no longer meet the regulated exchange's listing standards. Each regulated exchange will have rules governing the continued trading of security futures contracts that no longer meet the exchange's listing standards. These rules may, for example, permit only liquidating trades in security futures contracts that no longer satisfy the listing standards.

2.4. How Security Futures Differ from the Underlying Security

Shares of common stock represent a fractional ownership interest in the issuer of that security. Ownership of securities confers various rights that are not present with positions in security futures contracts. For example, persons owning a share of common stock may be entitled to vote in matters affecting corporate governance. They also may be entitled to receive dividends and corporate disclosure, such as annual and quarterly reports.

The purchaser of a security futures contract, by contrast, has only a contract for future delivery of the underlying security. The purchaser of the security futures contract is not entitled to exercise any voting rights over the underlying security and is not entitled to any dividends that may be paid by the issuer. Moreover, the purchaser of a security futures contract does not receive the corporate disclosures that are received by shareholders of the underlying security, although such corporate disclosures must be made publicly available through the SEC's EDGAR system, which can be accessed at www.sec.gov. You should review such disclosures before entering into a security futures contract. See Section 8.1 for further discussion of the impact of corporate events on a security futures contract.

All security futures contracts are marked-to-market at least daily, usually after the close of trading, as described in Section 3 of this document. At that time, the account of each buyer and seller is credited with the amount of any gain, or debited by the amount of any loss, on the security futures contract, based on the contract price established at the end of the day for settlement purposes (the "daily settlement price"). By contrast, the purchaser or seller of the underlying instrument does not have the profit and loss from his or her investment credited or debited until the position in that instrument is closed out.

Naturally, as with any financial product, the value of the security futures contract and of the underlying security may fluctuate. However, owning the underlying security does not require an investor to settle his or her profits and losses daily. By contrast, as a result of the mark-to market requirements discussed above, a person who is long a security futures contract often will be required to deposit additional funds into his or her account as the price of the security futures contract decreases. Similarly, a person who is short a security futures contract often will be required to deposit additional funds into his or her account as the price of the security futures contract increases.

Another significant difference is that security futures contracts expire on a specific date. Unlike an

owner of the underlying security, a person cannot hold a long position in a security futures contract for an extended period of time in the hope that the price will go up. If you do not liquidate your security futures contract, you will be required to settle the contract when it expires, either through physical delivery or cash settlement. For cash-settled contracts in particular, upon expiration, an individual will no longer have an economic interest in the securities underlying the security futures contract.

2.5. Comparison to Options

Although security futures contracts share some characteristics with options on securities (options contracts), these products are also different in a number of ways. Below are some of the important distinctions between equity options contracts and security futures contracts.

If you purchase an options contract, you have the right, but not the obligation, to buy or sell a security prior to the expiration date. If you sell an options contract, you have the obligation to buy or sell a security prior to the expiration date. By contrast, if you have a position in a security futures contract (either long or short), you have both the right and the obligation to buy or sell a security at a future date. The only way that you can avoid the obligation incurred by the security futures contract is to liquidate the position with an offsetting contract.

A person purchasing an options contract runs the risk of losing the purchase price (premium) for the option contract. Because it is a wasting asset, the purchaser of an options contract who neither liquidates the options contract in the secondary market nor exercises it at or prior to expiration will necessarily lose his or her entire investment in the options contract. However, a purchaser of an options contract cannot lose more than the amount of the premium. Conversely, the seller of an options contract receives the premium and assumes the risk that he or she will be required to buy or sell the underlying security on or prior to the expiration date, in which event his or her losses may exceed the amount of the premium received. Although the seller of an options contract is required to deposit margin to reflect the risk of its obligation, he or she may lose many times his or her initial margin deposit.

By contrast, the purchaser and seller of a security futures contract each enter into an agreement to buy or sell a specific quantity of shares in the underlying security. Based upon the movement in prices of the underlying security, a person who holds a position in a security futures contract can gain or lose many times his or her initial margin deposit. In this respect, the benefits of a security futures contract are similar to the benefits of *purchasing* an option, while the risks of entering into a security futures contract are similar to the risks of *selling* an option.

Both the purchaser and the seller of a security futures contract have daily margin obligations. At least once each day, security futures contracts are marked-to-market and the increase or decrease in the value of the contract is credited or debited to the buyer and the seller. As a result, any person who has an open position in a security futures contract may be called upon to meet additional margin requirements or may receive a credit of available funds.

Example:

Assume that Customers A and B each anticipate an increase in the market price of XYZ stock, which is currently $50 a share. Customer A purchases an XYZ 50 call (covering 100 shares of XYZ at a premium of $5 per share). The option premium is $500 ($5 per share X 100 shares). Customer B

purchases an XYZ security futures contract (covering 100 shares of XYZ). The total value of the contract is $5000 ($50 share value X 100 shares). The required margin is $1000 (or 20% of the contract value).

Price of XYZ at expiration	Customer A Profit/Loss	Customer B Profit/Loss
65	1000	1500
60	500	1000
55	0	500
50	-500	0
45	-500	-500
40	-500	-1000
35	-500	-1500

The most that Customer A can lose is $500, the option premium. Customer A breaks even at $55 per share and makes money at higher prices. Customer B may lose more than his initial margin deposit. Unlike the options premium, the margin on a futures contract is not a cost but a performance bond. The losses for Customer B are not limited by this performance bond. Rather, the losses or gains are determined by the settlement price of the contract, as provided in the example above. Note that if the price of XYZ falls to $35 per share, Customer A loses only $500, whereas Customer B loses $1500.

2.6. Components of a Security Futures Contract

Each regulated exchange can choose the terms of the security futures contracts it lists, and those terms may differ from exchange to exchange or contract to contract. Some of those contract terms are discussed below. However, you should ask your broker for a copy of the contract specifications before trading a particular contract.

2.6.1. Each security futures contract has a set size. The size of a security futures contract is determined by the regulated exchange on which the contract trades. For example, a security futures contract for a single stock may be based on 100 shares of that stock. If prices are reported per share, the value of the contract would be the price times 100. For narrow-based security indices, the value of the contract is the price of the component securities times the multiplier set by the exchange as part of the contract terms.

2.6.2. Security futures contracts expire at set times determined by the listing exchange. For example, a particular contract may expire on a particular day, e.g., the third Friday of the expiration month. Up until expiration, you may liquidate an open position by offsetting your contract with a fungible opposite contract that expires in the same month. If you do not liquidate an open position before it expires, you will be required to make or take delivery of the underlying security or to settle the contract in cash after expiration.

2.6.3. Although security futures contracts on a particular security or a narrow-based security index may be listed and traded on more than one regulated exchange, the contract specifications may not be the same. Also, prices for contracts on the same security or index may vary on different regulated exchanges because of different contract specifications.

2.6.4. Prices of security futures contracts are usually quoted the same way prices are quoted in the underlying instrument. For example, a contract for an individual security would be quoted in dollars and cents per share. Contracts for indices would be quoted by an index number, usually stated to two decimal places.

2.6.5. Each security futures contract has a minimum price fluctuation (called a tick), which may differ from product to product or exchange to exchange. For example, if a particular security futures contract has a tick size of 1¢, you can buy the contract at $23.21 or $23.22 but not at $23.215.

2.7. Trading Halts

The value of your positions in security futures contracts could be affected if trading is halted in either the security futures contract or the underlying security. In certain circumstances, regulated exchanges are required by law to halt trading in security futures contracts. For example, trading on a particular security futures contract must be halted if trading is halted on the listed market for the underlying security as a result of pending news, regulatory concerns, or market volatility. Similarly, trading of a security futures contract on a narrow-based security index must be halted under such circumstances if trading is halted on securities accounting for at least 50 percent of the market capitalization of the index. In addition, regulated exchanges are required to halt trading in all security futures contracts for a specified period of time when the S&P 500 Index experiences one-day declines of seven-, 13- and 20- percent. The regulated exchanges may also have discretion under their rules to halt trading in other circumstances – such as when the exchange determines that the halt would be advisable in maintaining a fair and orderly market.

A trading halt, either by a regulated exchange that trades security futures or an exchange trading the underlying security or instrument, could prevent you from liquidating a position in security futures contracts in a timely manner, which could prevent you from liquidating a position in security futures contracts at that time.

2.8. Trading Hours

Each regulated exchange trading a security futures contract may open and close for trading at different times than other regulated exchanges trading security futures contracts or markets trading the underlying security or securities. Trading in security futures contracts prior to the opening or after the close of the primary market for the underlying security may be less liquid than trading during regular market hours.

Section 3 – Clearing Organizations and Mark-to-Market Requirements

Every regulated U.S. exchange that trades security futures contracts is required to have a relationship with a clearing organization that serves as the guarantor of each security futures contract traded on that exchange. A clearing organization performs the following functions: matching trades; affecting settlement and payments; guaranteeing performance; and facilitating deliveries.

Throughout each trading day, the clearing organization matches trade data submitted by clearing members on behalf of their customers or for the clearing member's proprietary accounts. If an account is with a brokerage firm that is not a member of the clearing organization, then the brokerage firm will carry the security futures position with another brokerage firm that is a

member of the clearing organization. Trade records that do not match, either because of a discrepancy in the details or because one side of the transaction is missing, are returned to the submitting clearing members for resolution. The members are required to resolve such "out trades" before or on the open of trading the next morning.

When the required details of a reported transaction have been verified, the clearing organization assumes the legal and financial obligations of the parties to the transaction. One way to think of the role of the clearing organization is that it is the "buyer to every seller and the seller to every buyer." The insertion or substitution of the clearing organization as the counterparty to every transaction enables a customer to liquidate a security futures position without regard to what the other party to the original security futures contract decides to do.

The clearing organization also affects the settlement of gains and losses from security futures contracts between clearing members. At least once each day, clearing member brokerage firms must either pay to, or receive from, the clearing organization the difference between the current price and the trade price earlier in the day, or for a position carried over from the previous day, the difference between the current price and the previous day's settlement price. Whether a clearing organization affects settlement of gains and losses on a daily basis or more frequently will depend on the conventions of the clearing organization and market conditions. Because the clearing organization assumes the legal and financial obligations for each security futures contract, you should expect it to ensure that payments are made promptly to protect its obligations.

Gains and losses in security futures contracts are also reflected in each customer's account on at least a daily basis. Each day's gains and losses are determined based on a daily settlement price disseminated by the regulated exchange trading the security futures contract or its clearing organization. If the daily settlement price of a particular security futures contract rises, the buyer has a gain and the seller a loss. If the daily settlement price declines, the buyer has a loss and the seller a gain. This process is known as "marking-to-market" or daily settlement. As a result, individual customers normally will be called on to settle daily.

The one-day gain or loss on a security futures contract is determined by calculating the difference between the current day's settlement price and the previous day's settlement price.

For example, assume a security futures contract is purchased at a price of $120. If the daily settlement price is either $125 (higher) or $117 (lower), the effects would be as follows:

(1 contract representing 100 shares)

Daily Settlement Value	Buyer's Account	Seller's Account
$125	$500 gain(credit)	$500 loss(debit)
$117	$300 loss(debit)	$300 gain (credit)

The cumulative gain or loss on a customer's open security futures positions is generally referred to as "open trade equity" and is listed as a separate component of account equity on your customer account statement.

A discussion of the role of the clearing organization in effecting delivery is discussed in Section 5.

Section 4 – Margin and Leverage

When a broker-dealer lends a customer part of the funds needed to purchase a security such as common stock, the term "margin" refers to the amount of cash, or down payment, the customer is required to deposit. By contrast, a security futures contract is an obligation and not an asset. A security futures contract has no value as collateral for a loan. Because of the potential for a loss as a result of the daily marked-to-market process, however, a margin deposit is required of each party to a security futures contract. This required margin deposit also is referred to as a "performance bond."

In the first instance, margin requirements for security futures contracts are set by the exchange on which the contract is traded, subject to certain minimums set by law. The basic margin requirement is 20% of the current value of the security futures contract, although some strategies may have lower margin requirements. Requests for additional margin are known as "margin calls." Both buyer and seller must individually deposit the required margin to their respective accounts.

It is important to understand that individual brokerage firms can, and in many cases do, require margin that is higher than the exchange requirements. Additionally, margin requirements may vary from brokerage firm to brokerage firm. Furthermore, a brokerage firm can increase its "house" margin requirements at any time without providing advance notice, and such increases could result in a margin call.

For example, some firms may require margin to be deposited the business day following the day of a deficiency, or some firms may even require deposit on the same day. Some firms may require margin to be on deposit in the account before they will accept an order for a security futures contract. Additionally, brokerage firms may have special requirements as to how margin calls are to be met, such as requiring a wire transfer from a bank, or deposit of a certified or cashier's check. You should thoroughly read and understand the customer agreement with your brokerage firm before entering into any transactions in security futures contracts.

If through the daily cash settlement process, losses in the account of a security futures contract participant reduce the funds on deposit (or equity) below the maintenance margin level (or the firm's higher "house" requirement), the brokerage firm will require that additional funds be deposited.

If additional margin is not deposited in accordance with the firm's policies, the firm can liquidate your position in security futures contracts or sell assets in any of your accounts at the firm to cover the margin deficiency. You remain responsible for any shortfall in the account after such liquidations or sales. Unless provided otherwise in your customer agreement or by applicable law, you are not entitled to choose which futures contracts, other securities or other assets are liquidated or sold to meet a margin call or to obtain an extension of time to meet a margin call.

Brokerage firms generally reserve the right to liquidate a customer's security futures contract positions or sell customer assets to meet a margin call at any time without contacting the customer. Brokerage firms may also enter into equivalent but opposite positions for your account in order to manage the risk created by a margin call. Some customers mistakenly believe that a firm is required to contact them for a margin call to be valid, and that the firm is not allowed to liquidate securities

or other assets in their accounts to meet a margin call unless the firm has contacted them first. This is not the case. While most firms notify their customers of margin calls and allow some time for deposit of additional margin, they are not required to do so. Even if a firm has notified a customer of a margin call and set a specific due date for a margin deposit, the firm can still take action as necessary to protect its financial interests, including the immediate liquidation of positions without advance notification to the customer.

Here is an example of the margin requirements for a long security futures position:

A customer buys 3 July EJG security futures at 71.50. Assuming each contract represents 100 shares, the nominal value of the position is $21,450 (71.50 x 3 contracts x 100 shares). If the initial margin rate is 20% of the nominal value, then the customer's initial margin requirement would be $4,290. The customer deposits the initial margin, bringing the equity in the account to $4,290.

First, assume that the next day the settlement price of EJG security futures falls to 69.25. The marked-to-market loss in the customer's equity is $675 (71.50 – 69.25 x 3 contacts x 100 shares). The customer's equity decreases to $3,615 ($4,290 – $675). The new nominal value of the contract is $20,775 (69.25 x 3 contracts x 100 shares). If the maintenance margin rate is 20% of the nominal value, then the customer's maintenance margin requirement would be $4,155. Because the customer's equity had decreased to $3,615 (see above), the customer would be required to have an additional $540 in margin ($4,155 – $3,615).

Alternatively, assume that the next day the settlement price of EJG security futures rises to 75.00. The mark-to-market gain in the customer's equity is $1,050 (75.00 – 71.50 x 3 contacts x 100 shares). The customer's equity increases to $5,340 ($4,290 + $1,050). The new nominal value of the contract is $22,500 (75.00 x 3 contracts x 100 shares). If the maintenance margin rate is 20% of the nominal value, then the customer's maintenance margin requirement would be $4,500. Because the customer's equity had increased to $5,340 (see above), the customer's excess equity would be $840.

The process is exactly the same for a short position, except that margin calls are generated as the settlement price rises rather than as it falls. This is because the customer's equity decreases as the settlement price rises and increases as the settlement price falls.

Because the margin deposit required to open a security futures position is a fraction of the nominal value of the contracts being purchased or sold, security futures contracts are said to be highly leveraged. The smaller the margin requirement in relation to the underlying value of the security futures contract, the greater the leverage. Leverage allows exposure to a given quantity of an underlying asset for a fraction of the investment needed to purchase that quantity outright. In sum, buying (or selling) a security futures contract provides the same dollar and cents profit and loss outcomes as owning (or shorting) the underlying security. However, as a percentage of the margin deposit, the potential immediate exposure to profit or loss is much higher with a security futures contract than with the underlying security.

For example, if a security futures contract is established at a price of $50, the contract has a nominal value of $5,000 (assuming the contract is for 100 shares of stock). The margin requirement may be as low as 20%. In the example just used, assume the contract price rises from $50 to $52 (a $200 increase in the nominal value). This represents a $200 profit to the buyer of the security futures contract, and a 20% return on the $1,000 deposited as margin. The reverse would be true if the

contract price decreased from $50 to $48. This represents a $200 loss to the buyer, or 20% of the $1,000 deposited as margin. Thus, leverage can either benefit or harm an investor.

Note that a 4% decrease in the value of the contract resulted in a loss of 20% of the margin deposited. A 20% decrease would wipe out 100% of the margin deposited on the security futures contract.

Section 5 – Settlement

If you do not liquidate your position prior to the end of trading on the last day before the expiration of the security futures contract, you are obligated to either 1) make or accept a cash payment ("cash settlement") or 2) deliver or accept delivery of the underlying securities in exchange for final payment of the final settlement price ("physical delivery"). The terms of the contract dictate whether it is settled through cash settlement or by physical delivery.

The expiration of a security futures contract is established by the exchange on which the contract is listed. On the expiration day, security futures contracts cease to exist. Typically, the last trading day of a security futures contract will be the third Friday of the expiring contract month, and the expiration day will be the following Saturday. This follows the expiration conventions for stock options and broad-based stock indexes. Please keep in mind that the expiration day is set by the listing exchange and may deviate from these norms.

5.1. Cash settlement

In the case of cash settlement, no actual securities are delivered at the expiration of the security futures contract. Instead, you must settle any open positions in security futures by making or receiving a cash payment based on the difference between the final settlement price and the previous day's settlement price. Under normal circumstances, the final settlement price for a cash-settled contract will reflect the opening price for the underlying security. Once this payment is made, neither the buyer nor the seller of the security futures contract has any further obligations on the contract.

5.2. Settlement by physical delivery

Settlement by physical delivery is carried out by clearing brokers or their agents with National Securities Clearing Corporation (NSCC), an SEC-regulated securities clearing agency. Such settlements are made in much the same way as they are for purchases and sales of the underlying security. Promptly after the last day of trading, the regulated exchange's clearing organization will report a purchase and sale of the underlying stock at the previous day's settlement price (also referred to as the "invoice price") to NSCC. In general, if NSCC does not reject the transaction by a time specified in its rules, settlement is effected pursuant to the rules of the exchange and NSCC's Rules and Procedures within the normal clearance and settlement cycle for securities transactions, which currently is two business days. However, settlement may be effected on a shorter timeframe based on the rules of the exchange and subject to NSCC's Rules and Procedures.

If you hold a short position in a physically settled security futures contract to expiration, you will be required to make delivery of the underlying securities. If you already own the securities, you may tender them to your brokerage firm. If you do not own the securities, you will be obligated to purchase them. Some brokerage firms may not be able to purchase the securities for you. If your

brokerage firm cannot purchase the underlying securities on your behalf to fulfill a settlement obligation, you will have to purchase the securities through a different firm.

Section 6 – Customer Account Protections

Positions in security futures contracts may be held either in a securities account or in a futures account. Your brokerage firm may or may not permit you to choose the types of account in which your positions in security futures contracts will be held. The protections for funds deposited or earned by customers in connection with trading in security futures contracts differ depending on whether the positions are carried in a securities account or a futures account. If your positions are carried in a securities account, you will not receive the protections available for futures accounts. Similarly, if your positions are carried in a futures account, you will not receive the protections available for securities accounts. You should ask your broker which of these protections will apply to your funds.

You should be aware that the regulatory protections applicable to your account are not intended to insure you against losses you may incur as a result of a decline or increase in the price of a security futures contract. As with all financial products, you are solely responsible for any market losses in your account.

Your brokerage firm must tell you whether your security futures positions will be held in a securities account or a futures account. If your brokerage firm gives you a choice, it must tell you what you have to do to make the choice and which type of account will be used if you fail to do so. You should understand that certain regulatory protections for your account will depend on whether it is a securities account or a futures account.

6.1. Protections for Securities Accounts

If your positions in security futures contracts are carried in a securities account, they are covered by SEC rules governing the safeguarding of customer funds and securities. These rules prohibit a broker-dealer from using customer funds and securities to finance its business. As a result, the broker-dealer is required to set aside funds equal to the net of all its excess payables to customers over receivables from customers. The rules also require a broker-dealer to segregate all customer fully paid and excess margin securities carried by the broker-dealer for customers.

The Securities Investor Protection Corporation (SIPC) also covers positions held in securities accounts. SIPC was created in 1970 as a non-profit, non-government, membership corporation, funded by member broker-dealers. Its primary role is to return funds and securities to customers if the broker-dealer holding these assets becomes insolvent. SIPC coverage applies to customers of current (and in some cases former) SIPC members. Most broker-dealers registered with the SEC are SIPC members; those few that are not must disclose this fact to their customers. SIPC members must display an official sign showing their membership. To check whether a firm is a SIPC member, go to www.sipc.org, call the SIPC Membership Department at (202) 371-8300, or write to SIPC Membership Department, Securities Investor Protection Corporation, 1667 K Street NW, Suite 1000, Washington, DC 20006-1620.

SIPC coverage is limited to $500,000 per customer, including up to $250,000 for cash. For example, if a customer has 1,000 shares of XYZ stock valued at $200,000 and $10,000 cash in the account, both the security and the cash balance would be protected. However, if the customer has shares of

stock valued at $500,000 and $250,000 in cash, only a total of $500,000 of those assets will be protected.

For purposes of SIPC coverage, customers are persons who have securities or cash on deposit with a SIPC member for the purpose of, or as a result of, securities transactions. SIPC does not protect customer funds placed with a broker-dealer just to earn interest. Insiders of the broker-dealer, such as its owners, officers, and partners, are not customers for purposes of SIPC coverage.

6.2. Protections for Futures Accounts

If your security futures positions are carried in a futures account, they must be segregated from the brokerage firm's own funds and cannot be borrowed or otherwise used for the firm's own purposes. If the funds are deposited with another entity (e.g., a bank, clearing broker, or clearing organization), that entity must acknowledge that the funds belong to customers and cannot be used to satisfy the firm's debts. Moreover, although a brokerage firm may carry funds belonging to different customers in the same bank or clearing account, it may not use the funds of one customer to margin or guarantee the transactions of another customer. As a result, the brokerage firm must add its own funds to its customers' segregated funds to cover customer debits and deficits. Brokerage firms must calculate their segregation requirements daily.

You may not be able to recover the full amount of any funds in your account if the brokerage firm becomes insolvent and has insufficient funds to cover its obligations to all of its customers. However, customers with funds in segregation receive priority in bankruptcy proceedings. Furthermore, all customers whose funds are required to be segregated have the same priority in bankruptcy, and there is no ceiling on the amount of funds that must be segregated for or can be recovered by a particular customer.

Your brokerage firm is also required to separately maintain funds invested in security futures contracts traded on a foreign exchange. However, these funds may not receive the same protections once they are transferred to a foreign entity (e.g., a foreign broker, exchange or clearing organization) to satisfy margin requirements for those products. You should ask your broker about the bankruptcy protections available in the country where the foreign exchange (or other entity holding the funds) is located.

Section 7 – Special Risks for Day Traders

Certain traders who pursue a day trading strategy may seek to use security futures contracts as part of their trading activity. Whether day trading in security futures contracts or other securities, investors engaging in a day trading strategy face a number of risks.

Day trading in security futures contracts requires in-depth knowledge of the securities and futures markets and of trading techniques and strategies. In attempting to profit through day trading, you will compete with professional traders who are knowledgeable and sophisticated in these markets. You should have appropriate experience before engaging in day trading.

Day trading in security futures contracts can result in substantial commission charges, even if the per trade cost is low. The more trades you make, the higher your total commissions will be. The total commissions you pay will add to your losses and reduce your profits. For instance, assuming that a round-turn trade costs $16 and you execute an average of 29 round-turn transactions per day each

trading day, you would need to generate an annual profit of $111,360 just to cover your commission expenses.

Day trading can be extremely risky. Day trading generally is not appropriate for someone of limited resources and limited investment or trading experience and low risk tolerance. You should be prepared to lose all of the funds that you use for day trading. In particular, you should not fund day trading activities with funds that you cannot afford to lose.

Section 8 – Other

8.1. Corporate Events

As noted in Section 2.4, an equity security represents a fractional ownership interest in the issuer of that security. By contrast, the purchaser of a security futures contract has only a contract for future delivery of the underlying security. Treatment of dividends and other corporate events affecting the underlying security may be reflected in the security futures contract depending on the applicable clearing organization rules. Consequently, individuals should consider how dividends and other developments affecting security futures in which they transact will be handled by the relevant exchange and clearing organization. The specific adjustments to the terms of a security futures contract are governed by the rules of the applicable clearing organization. Below is a discussion of some of the more common types of adjustments that you may need to consider.

Corporate issuers occasionally announce stock splits. As a result of these splits, owners of the issuer's common stock may own more shares of the stock, or fewer shares in the case of a reverse stock split. The treatment of stock splits for persons owning a security futures contract may vary according to the terms of the security futures contract and the rules of the clearing

organization. For example, the terms of the contract may provide for an adjustment in the number of contracts held by each party with a long or short position in a security future, or for an adjustment in the number of shares or units of the instrument underlying each contract, or both.

Corporate issuers also occasionally issue special dividends. A special dividend is an announced cash dividend payment outside the normal and customary practice of a corporation. The terms of a security futures contract may be adjusted for special dividends. The adjustments, if any, will be based upon the rules of the exchange and clearing organization. In general, there will be no adjustments for ordinary dividends as they are recognized as a normal and customary practice of an issuer and are already accounted for in the pricing of security futures. However, adjustments for ordinary dividends may be made for a specified class of security futures contracts based on the rules of the exchange and the clearing organization.

Corporate issuers occasionally may be involved in mergers and acquisitions. Such events may cause the underlying security of a security futures contract to change over the contract duration. The terms of security futures contracts may also be adjusted to reflect other corporate events affecting the underlying security.

Notwithstanding the above, your clearing firm may not be able to accommodate adjustments for corporate events. Accordingly, your clearing firm may, in its sole discretion, liquidate a security futures contract in the affected underlying security at any time before or after the effective date of a corporate event, and shall not be liable for any losses or damages resulting

from such liquidation or from its inability to accommodate the adjustment (including any economic benefit or adjustment that may apply to the affected contract following the effective date of the corporate event).

8.2. Position Limits and Large Trader Reporting

All security futures contracts trading on regulated exchanges in the United States are subject to position limits or position accountability limits. Position limits restrict the number of security futures contracts that any one person or group of related persons may hold or control in a particular security futures contract. In contrast, position accountability limits permit the accumulation of positions in excess of the limit without a prior exemption. In general, position limits and position accountability limits are beyond the thresholds of most retail investors. Whether a security futures contract is subject to position limits, and the level for such limits, depends upon the trading activity and market capitalization of the underlying security of the security futures contract.

Position limits are required for security futures contracts on a security. Position limits also apply only to an expiring security futures contract during its last three trading days. A regulated exchange must establish a default position limit on a security futures contract that is no greater than 25,000 100-share contracts (or the equivalent if the contract size is different than 100 shares), either net or on the same side of the market, unless the underlying security exceeds 20 million shares of estimated deliverable supply, in which case the limit may be set at a level no greater than 12.5 percent of the estimated deliverable supply of the underlying security, either net or on the same side of the market.

For a security futures contract on a security with a six-month total trading volume of more than 2.5 billion shares and there are more than 40 million shares of estimated deliverable supply, a regulated exchange may adopt a position accountability rule in lieu of a position limit, either net or on the same side of the market. Under position accountability rules, a trader holding a position in a security futures contract that exceeds 25,000 100-share contracts (or the equivalent if the contract size is different than 100 shares) or such lower level specified under the rules of the exchange, must agree to provide information regarding the position and consent to halt increasing that position if requested by the exchange.

Brokerage firms must also report large open positions held by one person (or by several persons acting together) to the CFTC as well as to the exchange on which the positions are held. The CFTC's reporting requirements are 1,000 contracts for security futures positions on individual equity securities and 200 contracts for positions on a narrow-based index. However, individual exchanges may require the reporting of large open positions at levels less than the levels required by the CFTC. In addition, brokerage firms must submit identifying information on the account holding the reportable position (on a form referred to as either an "Identification of Special Accounts Form" or a "Form 102") to the CFTC and to the exchange on which the reportable position exists no later than the following business day when a reportable position is first established.

8.3. Transactions on Foreign Exchanges

U.S. customers may not trade security futures on foreign exchanges until authorized by U.S. regulatory authorities. U.S. regulatory authorities do not regulate the activities of foreign exchanges and may not, on their own, compel enforcement of the rules of a foreign exchange or the laws of a foreign country. While U.S. law governs transactions in security futures contracts that are effected in

the U.S., regardless of the exchange on which the contracts are listed, the laws and rules governing transactions on foreign exchanges vary depending on the country in which the exchange is located.

8.4. Tax Consequences

For most taxpayers, security futures contracts are not treated like other futures contracts. Instead, the tax consequences of a security futures transaction depend on the status of the taxpayer and the type of position (e.g., long or short, covered or uncovered). Because of the importance of tax considerations to transactions in security futures, readers should consult their tax advisors as to the tax consequences of these transactions.

Section 9 – Glossary of Terms

This glossary is intended to assist customers in understanding specialized terms used in the futures and securities industries. It is not inclusive and is not intended to state or suggest the legal significance or meaning of any word or term.

Arbitrage – taking an economically opposite position in a security futures contract on another exchange, in an options contract, or in the underlying security.

Broad-based security index – a security index that does not fall within the statutory definition of a narrow-based security index (see Narrow-based security index). A future on a broad-based security index is not a security future. This risk disclosure statement applies solely to security futures and generally does not pertain to futures on a broad-based security index. Futures on a broad-based security index are under exclusive jurisdiction of the CFTC.

Cash settlement – a method of settling certain futures contracts by having the buyer (or long) pay the seller (or short) the cash value of the contract according to a procedure set by the exchange.

Clearing broker – a member of the clearing organization for the contract being traded. All trades, and the daily profits or losses from those trades, must go through a clearing broker.

Clearing organization – a regulated entity that is responsible for settling trades, collecting losses and distributing profits, and handling deliveries.

Contract – 1) the unit of trading for a particular futures contract (e.g., one contract may be 100 shares of the underlying security), 2) the type of future being traded (e.g., futures on ABC stock).

Contract month – the last month in which delivery is made against the futures contract or the contract is cash-settled. Sometimes referred to as the delivery month.

Day trading strategy – an overall trading strategy characterized by the regular transmission by a customer of intra-day orders to effect both purchase and sale transactions in the same security or securities.

EDGAR – the SEC's Electronic Data Gathering, Analysis, and Retrieval system maintains electronic copies of corporate information filed with the agency. EDGAR submissions may be accessed through the SEC's Web site, www.sec.gov.

Futures contract – a futures contract is (1) an agreement to purchase or sell a commodity for delivery in the future; (2) at a price determined at initiation of the contract; (3) that obligates each party to the contract to fulfill it at the specified price; (4) that is used to assume or shift risk; and (5) that may be satisfied by delivery or offset.

Hedging – the purchase or sale of a security future to reduce or offset the risk of a position in the underlying security or group of securities (or a close economic equivalent).

Illiquid market – a market (or contract) with few buyers and/or sellers. Illiquid markets have little trading activity and those trades that do occur may be done at large price increments.

Liquidation – entering into an offsetting transaction. Selling a contract that was previously purchased liquidates a futures position in exactly the same way that selling 100 shares of a particular stock liquidates an earlier purchase of the same stock. Similarly, a futures contract that was initially sold can be liquidated by an offsetting purchase.

Liquid market – a market (or contract) with numerous buyers and sellers trading at small price increments.

Long – 1) the buying side of an open futures contact, 2) a person who has bought futures contracts that are still open.

Margin – the amount of money that must be deposited by both buyers and sellers to ensure performance of the person's obligations under a futures contract. Margin on security futures contracts is a performance bond rather than a down payment for the underlying securities.

Mark-to-market – to debit or credit accounts daily to reflect that day's profits and losses.

Narrow-based security index – in general, and subject to certain exclusions, an index that has any one of the following four characteristics: (1) it has nine or fewer component securities; (2) any one of its component securities comprises more than 30% of its weighting; (3) the five highest weighted component securities together comprise more than 60% of its weighting; or (4) the lowest weighted component securities comprising, in the aggregate, 25% of the index's weighting have an aggregate dollar value of average daily trading volume of less than $50 million (or in the case of an index with 15 or more component securities, $30 million). A security index that is not narrow-based is a "broad based security index." (See Broad-based security index).

Nominal value – the face value of the futures contract, obtained by multiplying the contract price by the number of shares or units per contract. If XYZ stock index futures are trading at $50.25 and the contract is for 100 shares of XYZ stock, the nominal value of the futures contract would be $5025.00.

Offsetting – liquidating open positions by either selling fungible contracts in the same contract month as an open long position or buying fungible contracts in the same contract month as an open short position.

Open interest – the total number of open long (or short) contracts in a particular contract month.

Open position – a futures contract position that has neither been offset nor closed by cash

settlement or physical delivery.

Performance bond – another way to describe margin payments for futures contracts, which are good faith deposits to ensure performance of a person's obligations under a futures contract rather than down payments for the underlying securities.

Physical delivery – the tender and receipt of the actual security underlying the security futures contract in exchange for payment of the final settlement price.

Position – a person's net long or short open contracts.

Regulated exchange – a registered national securities exchange, a national securities association registered under Section 15A(a) of the Securities Exchange Act of 1934, a designated contract market, a registered derivatives transaction execution facility, or an alternative trading system registered as a broker or dealer.

Security futures contract – a legally binding agreement between two parties to purchase or sell in the future a specific quantity of shares of a security (such as common stock, an exchange-traded fund, or ADR) or a narrow-based security index, at a specified price.

Settlement price – 1) the daily price that the clearing organization uses to mark open positions to market for determining profit and loss and margin calls, 2) the price at which open cash settlement contracts are settled on the last trading day and open physical delivery contracts are invoiced for delivery.

Short – 1) the selling side of an open futures contract, 2) a person who has sold futures contracts that are still open.

Speculating – buying and selling futures contracts with the hope of profiting from anticipated price movements.

Spread – 1) holding a long position in one futures contract and a short position in a related futures contract or contract month in order to profit from an anticipated change in the price relationship between the two, 2) the price difference between two contracts or contract months.

Stop limit order – an order that becomes a limit order when the market trades at a specified price. The order can only be filled at the stop limit price or better.

Stop loss order – an order that becomes a market order when the market trades at a specified price. The order will be filled at whatever price the market is trading at. Also called a stop order.

Tick – the smallest price change allowed in a particular contract.

Trader – a professional speculator who trades for his or her own account.

Underlying security – the instrument on which the security futures contract is based. This instrument can be an individual equity security (including common stock and certain exchange traded funds and American Depositary Receipts) or a narrow-based index.

Volume – the number of contracts bought or sold during a specified period of time. This figure includes liquidating transactions.

Revised December 2002; December 2007; October 2010; April 2015; October 2018; and August 2020.

EVENT CONTRACTS RISK DISCLOSURE

Plus500US Financial Services, LLC ("PFS" or "we") is a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC") and member of the National Futures Association ("NFA").

As an FCM, PFS may clear "Event Contracts" for its clients as a clearing member of a registered derivatives clearing organization ("DCO") with the CFTC including but not limited to Kalshi Klear LLC. This Events Contract Risk Disclosure provides information on the features of Events Contracts, as exchange-traded products, and describes potential risks associated with such Events Contracts.

You should carefully consider whether trading Event Contracts are suitable for your circumstances, investment objectives and financial resources. Your trading Event Contracts through PFS constitute your acknowledgement that you have read this Event Contracts Risk Disclosure, understand the information and potential risks outlined herein, and accept the risks and responsibility for your decisions to trade Events Contracts.

Description of Event Contracts

Exchange-traded Event Contracts are a type of derivative that the CFTC classifies as cleared Swaps, and which are often referred to as forecast or prediction contracts. An Event Contract is a contract whose value is based on the occurrence, non-occurrence or extent of occurrence of a specific event at or before a specified time. The types of events underlying an Event Contract may vary widely. The Event Contracts are described by a "Yes" or "No" proposition. The "Yes" contract and "No" contract are two separate Event Contracts each with a unique contract ID. Market Participants place Bids on either the "Yes" or "No" event contract at prices between $0.01 and $0.99.

Once the execution has been reported to the Clearinghouse, each Market Participant will have entered into an Event Contract with the Exchange, and the Clearinghouse has the obligation to pay any monies required at such time as the Event Position settles. Event Positions are not novated because the Clearinghouse is the original contractual counterparty to each pairing.

All Event Contracts must be fully collateralized, meaning a FCM who is a member of the Exchange will reject any Bid placed by a customer unless funds sufficient to fully collateralize the Bid are deposited in an account with the FCM prior to the customer placing the Bid.

Once an Event Contract expires, it will no longer be available. Subsequently, the outcome of the Event Contract will be determined and the Event Contract will go through Settlement. Depending on the outcome of the Event Question, the holder of either the "Yes" or "No" Contract that reflects the outcome of the event will be entitled to receive the Settlement Value of $1.00 (or a fraction thereof for factional shares), while the opposing "Yes" or "No" Contract will expire with no value.

Event Contracts cannot be sold or transferred to another Exchange. Contracts can only be exited before Resolution by acquiring an offsetting position, achieved by holding both a "Yes" and a "No" Position with the same Event Contract question.

Event Contracts are a type of derivative, in that they derive their value from an underlying asset. However, Event Contracts have a number of important distinctions from other derivative products. Unlike futures and options, Event Contracts are fully collateralized and cannot be purchased on margin. Additionally, Event Contracts are not marked-to-market. As a result, Event Contracts will never require the deposit of additional funds to maintain an existing position. Event Contracts are further differentiated from other derivatives in that they are not restricted to using a physical commodity or tradable financial instrument as their underlying asset and are always settled by cash settlement. Finally, the value of a futures or in-the-money options contract at expiration will vary depending on the price of the underlying asset, whereas Event Positions will either have a Settlement value of $1.00 (or a fraction thereof for fractional shares) or $0.

Event Contract Risks

There are numerous risks associated with trading Event Contracts, and you hereby acknowledge and assume those risks. The risk of loss in trading Event Contracts can be substantial and is a highly speculative activity involving volatile markets. Trading may also incur fees, which will add to losses and may significantly reduce earnings.

Market Risk

The outcome of an Event Contract cannot be known in advance. Market Participants' expectations may not match the outcome of the event, which can lead to unexpected losses. Market Participants should be prepared for the possibility of losing their entire investment. Changes in the likelihood of an underlying event may not necessarily result in a change in the price of the Event Market, which could prevent a customer from offsetting an existing position at a profit.

Pricing Risk

The prices of Event Contracts are dependent on the market's expected probability of events occurring, which makes traditional derivative pricing models inapplicable. Event Contract prices may not always be reflective of the actual probabilities of the events occurring, which can lead to unexpected losses for Market Participants.

Potential Loss of Funds

It is possible to lose the entire amount invested in a relatively short period. You should carefully consider your financial situation, risk tolerance, and investment objectives before engaging in trading of Event Contracts.

If the outcome of the underlying event is unfavorable to the "yes" or "no" position taken by the long holder of an Event Contract, the long holder will lose the entire premium paid, assuming the position is not liquidated (offset) prior to the contract's expiration. If the outcome is favorable to the long and unfavorable to the short position holder, the short position holder likewise will lose the full amount of the collateral it is required to maintain in its account to carry the position.

Source Agency Risk

The value of an Event Contract is dependent upon the outcome of events which are reported by third party source agencies. Market Participants 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.

Liquidation Risk

Market Participants may not be able to offset their positions if there is insufficient volume in the opposing Event Contract. Market Participants may also struggle to offset their positions if the opposing contract has insufficient Bid depth. These could cause the pricing of contracts to not accurately correspond to the market's prediction of the underlying event, and Market Participants would be forced to pay higher prices to offset their positions.

Trading Halt Risk

Exchanges have the authority to initiate trading halts if they deem it in the interest of Market Participants, which would prevent Market Participants from exiting their positions, and could affect their portfolios and strategies. The CFTC can also direct the Exchange to initiate a trading halt.

FCM Risk

Market Participants will be exposed to risks associated with the FCM including the failure of the FCM's hardware and software, bankruptcy of the FCM, and the FCM failing to provide to the Exchange adequate funds to guarantee their customers' Bids. These risks may result in Bids (including offsetting Bids) not being executed according to the Market Participants instructions or not being accepted. Market Participants should consult their FCM concerning the nature of the protections in place to minimize these risks.

Legal and Regulatory Risk

Certain Events Contracts, and particularly sports-related event contracts, are currently the subject of various litigations, and courts may interpret applicable laws differently across jurisdictions. Due to judicial, regulatory, legislative or other action, certain Event Contracts may in the future be

required to cease trading in their current form, or in any form, in your jurisdiction, and could be modified, suspended or terminated on little to no notice.

In light of these risks, Market Participants should understand that regulatory actions or litigation – whether pending, threatened, or newly initiated – could materially affect their open positions. Among other outcomes, such actions could lead to (i) suspension or delisting of certain event contracts, (ii) trading halts, accelerated terminations, mandatory liquidations or close-outs, cancellations of transactions, (iii) prohibitions or geographic restrictions, or (iv) other interventions by an exchange, clearinghouse, regulator or court. Any of these outcomes may occur without advance notice, may apply differently across jurisdictions, and may require expedited or immediate position reduction or liquidation. These outcomes could adversely affect pricing, prevent Market Participants from entering or exiting positions, or require positions to be closed at prices or times not of the Market Participant's choosing. There is no assurance that affected positions can be offset at anticipated prices, or at all, and Market Participants may incur losses up to the total amount invested in a position as well as associated fees or costs.

If we determine in our discretion, or if we are directed by an exchange, clearinghouse, regulator, court or other authority, to liquidate or close out positions in Event Contracts, we may do so without further notice to the Market Participant, and any such action may occur at prices that are less favorable than those available before the regulatory or litigation event. We will handle related customer funds and property in accordance with applicable law and our account agreements.

Other Risks

In compliance with the CFTC Rule 22.16, we are advising you that in the unlikely event of PFS' insolvency, customer rights would be determined pursuant to the commodity broker liquidation provisions of the US Bankruptcy Code and CFTC Part 190. However, if the DCO or the insolvency proceeding is outside the US, local insolvency law could affect a customers' ability to recover funds and securities or the speed of any such recovery. DCOs have rules that govern the use of cleared swaps customer collateral, and/or the transfer, naturalization of risks, and liquidation of cleared swaps in the event of a default relating to a cleared swap customer account. In further compliance with CFTC Rule 22.16(17 CFR 22.16), we are providing you with the URL link to the rules of the relevant DCO. For further details, please see KalshiEx's Risk Disclosure.

Eligibility to trade event contracts vary by jurisdiction, residence, physical location, and customer type and may change without notice to you.

There are 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 Plus500 is a fully electronic platform the software system could be subjected to temporary interruptions or failure. If any of the events listed above occurred, it could lead to potential losses for the customer.

24/7 Futures and Perpetual Contracts Disclosure

With the expansion of round-the-clock derivatives markets, including 24/7 cryptocurrency futures trading, the CFTC requires Futures Commission Merchants to provide customers with additional risk disclosures pursuant to CFTC Regulation 1.55 regarding the unique risks associated with trading outside of traditional market hours. These disclosures are intended to inform both retail and institutional clients of the heightened operational, clearing, liquidity, and systemic risks that may arise in continuously traded markets.

Key Risks of 24/7 Futures and Perpetual Contracts

Plus500US Financial Services, LLC advises customers of the following risks, which include, but are not limited to:

- **Variation Settlement**: Unlike traditional futures markets that operate with set daily closes, settlement and margin payments for 24/7 perpetual and continuously traded contracts may occur multiple times—or even continuously—throughout the day.
- **Liquidity & Volatility**: Trading activity during off-peak hours (including overnight hours, weekends and holidays) may be significantly lower than during peak market sessions resulting in reduced market participation, which can lead to wider bid-ask spreads, decreased liquidity, higher volatility, and sudden price gaps. In addition, price volatility in an underlying asset can lead to rapid and significant price swings in perpetual futures contracts, which can result in substantial gains or losses.
- **System & Clearing Risks**: Trading conducted during weekends, holidays or other periods outside traditional trading hours may involve separate trade dates and clearing processing cycles. Customers are warned about potential disruptions if system maintenance, technology disruptions, communication failures, outages, or delays in clearing and settlement processes may affect their ability to manage positions or access account information.
- **Margin Calls**: Because these markets operate continuously, margin deficiencies may arise at any time. Margin calls, risk-reducing actions, or position liquidations may occur without regard to traditional business hours and may take place when banking systems, payment networks, or customer support services are unavailable or operating on a limited basis.
- **Market and Systemic Risks**: Continuous trading may increase exposure to market events occurring outside traditional trading hours. Significant news, geopolitical developments or market-wide stress events may result in rapid price movements and elevated systemic risk.
- **Funding Rate Risk**. Perpetuals have no expiration date, therefore exchanges use a "funding rate" to keep a contract's price in line with the underlying asset's spot price. If the funding rate is consistently positive or negative, it can impact profitability.

As with all derivatives products, these may not be suitable for everyone. Please review and consider these risks when deciding whether to trade these products.

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