



INTERACTIVE BROKERS AUSTRALIA PTY LTD | ABN 98 166 929 568 | AFSL 453554

DISCLOSURE OF RISKS OF MARGIN TRADING AND AUTOMATIC LIQUIDATION

Section A – General Information applicable for all margin accounts and margin, or leverage facilities with IBA:

1. This document is intended to provide information about the risks of purchasing securities and other investment products on margin through IBA, and to alert you to the risks involved with trading in a margin account with IBA, automatic liquidation and margin facilities provided to retail clients and wholesale clients.
2. Important: This document is not intended as advice. It has been prepared to provide general information on IBA's margin accounts and was prepared without taking into account any individual person's circumstances, needs or objectives and as such you should consider whether it is appropriate for you. To the extent of any inconsistency between this document and any of Interactive Brokers Australia Pty Ltd ("IBA") terms and conditions, including any addendum governing a margin account or margin loan, the latter prevails.
3. "Margin trading" can mean engaging in a transaction in which securities are purchased partially through a margin loan extended to you by IBA, for which the securities act as collateral. Margin trading can also mean trading investment products such as options in which an initial "margin" deposit is made to secure your obligations and further margin (or variation margin) may be required to secure your obligations as the value of your position changes. For the purposes of this document, we are referring to engaging in transactions to fund the purchase of securities or other financial products.
4. Before trading securities, or other investment products in a margin account with IBA, you should carefully review the terms and conditions for the product provided by IBA and any disclosures prepared by IBA and you should consult IBA regarding any questions or concerns you may have with your margin accounts.

In addition to the terms of account, the following agreements apply:

Addendum name	For what customer type:
Addendum F – margin lending facility agreement	Natural person retail clients

Addendum H – Non-standard margin lending facility (NSML) Agreement and SLA	Natural person wholesale clients
Addendum K – Leverage Facility Agreement Retail Client Corporate only	Corporate retail clients
Addendum X - Leverage Facility Agreement Wholesale Corporate Customers Only	Corporate wholesale clients

IBA's legal terms and disclosures are set out on its website under "Forms and Disclosures": <https://www.interactivebrokers.com.au/en/accounts/forms-and-disclosures-disclosures.php>.

5. When you purchase securities, you may pay for the securities in full or, if you have a margin account, you may borrow purchase price (or a portion thereof) from IBA. The securities purchased become part of collateral security (along with other financial products) for the money you borrow from IBA. Further important information relevant to IBA's retail client lending programs is set out below in Section B.
6. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, IBA can take action, such as sell securities or other assets in any of your accounts held with IBA or issue a margin call, in order to maintain the required equity in the account.
7. You should be aware of the following in relation to your margin account with IBA:
 - A. IBA generally will not issue a call for you to deposit margin within a specific time period to rectify a margin deficiency which is sometimes referred to as a "margin call".
 - B. If your account becomes margin deficient, IBA will liquidate positions,
 - C. IBA will not credit your account to meet intraday margin deficiencies, and
 - D. IBA generally will liquidate positions in your account in order to satisfy margin requirements without prior notice to you and without an opportunity for you to choose the positions to be liquidated or the timing or order of liquidation.

Accordingly, you should monitor your account at all times.

8. In addition, it is important that you fully understand the risks involved in trading securities or other investment products on margin. These risks include the following:

A. You can lose more funds than your additional deposit in the margin account.

A decline in the value of securities or other investment products that act as collateral, including those you purchase on margin, may require you to provide additional assets as security to IBA or you must put up margin to avoid the forced sale of those securities or other assets in your account(s).

B. IBA can force the sale of securities or other assets in your account.

If the equity (generally speaking, the shares and ETFs and uninvested cash) in your account falls below the maintenance margin requirements (i.e. becomes "margin deficient", or "margin non-compliant") IBA can sell the securities or other investment products or other assets in any of your account held at the firm to cover the margin deficiency. You may also be responsible for any shortfall in the account after such a sale.

C. IBA can sell your securities or other assets without contacting you.

Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. **This is not true.**

As noted above, IBA generally will not issue calls for additional margin and is entitled to immediately sell your securities or other investment products without notice to you in the event that your account is margin non-compliant.

You will, however, be issued with various electronic warnings via email and through the various trading interfaces to alert you to top up your margin account with additional cash or collateral when your margin account is approaching margin deficiency; as such you should continually monitor your margin account(s). Depending on how quickly the account moves towards margin deficiency, these notices may on only be sent minutes or second prior to any liquidations.

D. You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.

IBA has the right to decide which positions to sell to protect its interests and its other clients.

E. IBA can increase its maintenance margin requirements at any time and is not required to provide you with advance written notice.

Changes in IBA's margin requirements often take effect immediately. Your

failure to maintain adequate margin in the event of an increased margin requirement generally will cause IBA to liquidate or sell securities or other assets in your account(s).

- F. If IBA chooses to issue a notice to pay margin and notifies you of a time in order to meet the margin requirement, rather than immediately liquidating under-margined positions, you are not entitled to an extension of time on the margin call and you must meet the margin requirement by the time notified to avoid IBA selling assets in your account.

Section B - Special risks and features of margin lending facilities and leverage facilities issued to retail clients ("retail client lending facility"):

1. This section only applies to retail clients¹ who have a margin lending facility (natural person) or leverage facility (non-natural person client) only.
2. Under the terms governing IBA's retail client lending facilities, IBA has a security interest in all assets in your account and in addition, has the right to grant a security interest in the assets held in your account to a third party up to a value equivalent to your margin loan. IBA does this, in part, to provide security for the loans it obtains to fund its loans to you and its other customers.

IBA has sourced funding from and granted the security interest to its related body corporate affiliate Interactive Brokers LLC ("Secured Party"). Notwithstanding this security interest, you remain the beneficial owner of the assets in your margin account.

3. If IBA defaults on its obligations to the Secured Party and is unable to remedy the default, IBA will typically attempt to provide you notice and a period for you to pay your margin loan from IBA. If IBA gives you notice, and you do not pay out your margin loan to IBA within the period specified, then IBA may increase the margin requirements for all positions in your account to 100% and sell assets in your account, or the Secured Party may sell assets if you have not defaulted in your obligations to IBA. In any event, the amount of assets in your account that may be sold by either IBA, or the Secured Party is capped at the value of your margin loan to IBA.
4. As IBA will be granting a security interest to the Secured Party (which is a related body corporate of IBA), you are exposed to the credit risk of the Secured Party. This means, in the case of the insolvency / bankruptcy of the Secured Party, the assets that IBA has granted security over to the Secured Party may be sold without you having defaulted to IBA or without IBA having defaulted on its obligations to the Secured Party. In any event, the amount of assets in your account that may be sold by either IBA or the Secured Party is capped at the value of your margin loan to IBA.

¹ Within the meaning of subsection 761G(7) of the Corporations Act 2001 (Cth).

5. IBA has elected to borrow from the Secured Party which is itself a registered broker dealer and further information on the financial strength of the Secured Party is set out here: <https://www.interactivebrokers.com/en/general/financial-strength.php>.

Important: you are a client or potential client of IBA. This document is intended only to present information in respect of the financial services and services IBA offers. IBA is not and the Secured Party is not itself soliciting or advertising any of the services it provides to Australian residents.

Section C - Special risks and features of non-standard margin lending facilities and leverage facilities issued to "wholesale clients":

1. This section only applies to wholesale clients of IBA,² whether natural persons or non-natural persons.
2. If you are a Wholesale Client and you apply for a margin account, and IBA approves your application, you will be granted either:
 - a. If you are a natural person, a Non-standard margin lending facility (or NSML), or
 - b. If you are a body corporate, a Leveraged Facility for Wholesale Corporates,

Both of these facilities which we shall refer to as "Wholesale Facilities" will operate differently to the margin account/leverage facility that a retail client may be issued as described in Section B.

3. Some of the key features are as follows:
 - A. Rather than IBA simply providing you with credit to acquire securities, which then act as security for the credit provided, if you apply for and are issued with a Wholesale Facility then you will also enter into an agreement under which IBA may "borrow" securities from you. Even though this is referred to as a "borrow" right, this involves the actual transfer of ownership of securities. IBA may borrow up to around 110% of the value of your loan value, in securities from your margin account(s) which otherwise act as collateral for the margin facility.
 - B. In respect of these borrowed securities, IBA has a right to use them as it sees fit, including "lending" them to third parties. You will have a contractual right to be returned equivalent securities on repayment of your loan to IBA under the Wholesale Facility (which you can do at any time by selling the securities or depositing cash to pay out the negative balance (or Loan) in any currency or currencies). This means you are exposed to counterparty risk of IBA, and although IBA and its affiliates have impressive financial strength and security, in the unlikely event that IBA defaults (or becomes insolvent) while title of your securities is with IBA (or lent by IBA) you may not be returned the securities

² Within the meaning of subsection 761G(7)(c) of the Corporations Act 2001 (Cth) ("Wholesale Clients").

"borrowed" by IBA. You would instead become a creditor in any insolvency proceedings involving IBA.

- C. Despite the transfer of legal ownership of the securities you purchase on margin, you will still be exposed to market risk on these securities.
- D. Other important risks relevant to securities which have been borrowed by IBA include that:
 - a. If the securities loan is over any record date or cut-off date, your right to vote will be limited.
 - b. You will receive any dividends in respect of any securities, which have been borrowed as of the dividend record date, as a cash payment in lieu of any stock dividend. You may also receive payments in lieu of other corporate actions undertaken by security issuers. You should consider the tax consequences of any such payments.
 - c. Whilst you have a contractual right to be returned these securities on repayment of the loan under the Wholesale Facility, in the event that the market for securities is or becomes illiquid and no securities are available, you may not be returned your securities. In these circumstances you will typically be provided equivalent securities instead.