

## Floor/Pit Based Exchanges - Risk Disclosure

Certain exchanges to which you may route orders through Interactive Brokers ("IB") are *non-electronic, open outcry* market places. On such exchanges, orders submitted via the TWS will be routed to the floor electronically but are thereafter delivered into the trading pits manually and are subject to time disadvantages inherent with such markets. Trades execute when 2 brokers meet in the trading pit and verbally agree on a trade price and other trade details.

Traders acting on these exchanges must be aware of the following:

- ▶ All order actions (new orders, modifications, cancellations) are subject to delays relating to the delivery process. The delays are usually 30-60 seconds but can last several/many minutes in busy conditions such as at the open or close of the trading session.
- ▶ Frequent order modifications (price or quantity) will often result in poor executions since a modification requires that the pre-existing order be cancelled and a new order instated. If modifications are submitted faster than they can be processed, there is a strong likelihood of poor or missed executions.
- ▶ There is no time or price priority for orders. It is possible that an order will not be executed even though trades are reported at, or better than, the expected price.
- ▶ Market orders may be executed at unfavorable prices. Use of market orders is permitted, but not recommended.
- ▶ Cancelled orders may be executed. It is not uncommon that the report of an executed order is delayed due to market volume. When the cancel request is sent, the pit broker is then forced to report the status which may be "filled, too late to cancel".

IB recognizes the limitations of open outcry trading as compared to electronic trading and has designed the TWS system to remove as many of the problems as possible. Nevertheless, traders should not expect a similar performance from the IB brokerage system for floor-traded markets as for electronic markets.

I acknowledge the limitations of floor-traded markets and agree that IB will not be liable for delays and errors outside of its control relating to the manual open outcry trading process.