

# OCC RISK DISCLOSURE STATEMENT AND ACKNOWLEDGEMENTS

I acknowledge that:

1. I have received and carefully read each section of, and the supplements to, the Options Clearing Corporation ("OCC") document "[Characteristics and Risks of Standardized Options](#)" (the "OCC Risk Disclosure Document");
2. I have received and carefully read the "Special Statement for Uncovered Option Writers" (set forth below);
3. I have received and carefully read the "[Disclosure Regarding Interactive Brokers' Procedures for Allocating Equity Option Exercise Notices Assigned by OCC](#)" ("[IB Exercise Allocation Disclosure](#)"); (Requires Adobe Reader: [Download Reader](#))
4. I understand the OCC Risk Disclosure Document, the "Special Statement for Uncovered Option Writers" and the IB Exercise Allocation Disclosure, each of which is in a language I fully understand; and
5. If there is any aspect of the OCC Risk Disclosure Document, the "Special Statement for Uncovered Option Writers" or the IB Exercise Allocation Disclosure that I do not understand, I shall consult my independent adviser and obtain a full understanding of such term(s).

## Special Statement for Uncovered Option Writers

There are special risks associated with uncovered option writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

1st The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.

2nd As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

3rd Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.

4th For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

5th If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.

6th The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

**NOTE:** It is expected that you will read the booklet entitled CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS available from your broker. In particular your attention is directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

## Risks of Trading Equity Options and Terms and Conditions for Trading Equity Options

Customers trading equity options understand and agree to the following:

1. Customer understands that trading equity options is highly speculative in nature and involves a high degree of risk.
2. Customer acknowledges that Customer has read and fully understands (a) the current Options Clearing Corporation ("OCC") disclosure document "Characteristics and Risks of Standardized Options" (the "OCC Document") and (b) the "Special Statement for Uncovered Option Writers." Customer agrees to seek clarification of any term, condition or risk contained in either of these documents prior to making such acknowledgment to IB.
3. Customer is financially able to undertake the risks associated with trading equity options and withstand any losses incurred in connection with such trading (including the total loss of premiums paid by Customer for long put and call options, margin requirements for short put and call options, and transaction costs).
4. Among the risks Customer acknowledges are: (a) option contracts are traded for a specified period of time and have no value after expiration; (b) trading halts in the underlying security, or other trading conditions (for example, volatility, liquidity, systems failures) may cause the trading market for an option (or all options) to be unavailable, in which case, the holder or writer of an option would not be able to engage in a closing transaction and an option writer would remain obligated until expiration or assignment.
5. The IB System is an electronic system and is, therefore, subject to unavailability. Customer represents that it has alternate trading arrangements for the placement of Customer's orders and shall use such arrangements in the event that the IB System becomes unavailable. Although the IB System is designed to perform certain automatic functions, IB does not warrant that the IB System will perform as it is designed to, and IB will not have any liability to Customer for losses or damages which result from such failures of performance or unavailability. Subject to the foregoing, Customer acknowledges that the IB System is designed to automatically liquidate Customer positions if Customer's account equity is not sufficient to meet margin requirements.
6. Customer has reviewed and understands the applicable margin requirements for trading equity options.
7. Each equity option transaction entered into is subject to the rules and regulations of the Securities & Exchange Commission ("SEC"), the Financial Industry Regulatory Authority ("FINRA"), the OCC, the self-regulatory organizations that regulate IB and, the relevant options exchanges. Customer is aware of and agrees to be bound by the rules applicable to the trading of options contracts promulgated by the SEC, FINRA, the OCC and the self-regulatory organizations that regulate IB and the relevant options exchanges.

8. Equity options traded in the US are issued by the OCC.
9. Customer is aware of and agrees not to, alone or in concert with others, exceed the position and exercise limits imposed by FINRA or by other exchange rules and regulations, including but not limited to FINRA Rules 2360(b)(3) and (4).
10. With certain exceptions, IB will not execute a Customer order to purchase an equity option if Customer does not have equity in its account at least equal to the full purchase price of a put or call option (equity options may not be purchased on margin).
11. Customer shall comply with IB margin requirements in connection with Customer's sale of put and call options.
12. Customers who wish to exercise an option on a particular trading day acknowledge that they must provide specific, written instructions to IB using the procedure specified on the IB website before the Close Out Deadline specified. Customer further acknowledges that, absent receipt of such instructions, IB has no obligation to exercise Customer's option on any given trading day or prior to the expiration of the option. Customer acknowledges that, subject to paragraph H below, OCC will automatically exercise any long equity option held by a Customer that is in-the-money by \$.01 or more at expiration, absent specific instructions to the contrary provided by Customer to IB using the procedures specified on the IB website.
13. Customer understands that OCC assigns exercises to clearing firms such as IB and Customer acknowledges that it has read and understands the description of the OCC assignment procedures available on request from the OCC as set forth in Chapter VIII of the OCC Document. Customer acknowledges that, upon assignment, Customer shall be required: (1) in the case of an equity option, to deliver or accept the required number of shares of the underlying security, or (2) in the case of an equity index option, to pay or receive the settlement price, in cash. Customer understands that it may not receive notice of an assignment from IB until one or more days following the date of the initial assignment by OCC to IB and that the lack of such notice creates a special risk for uncovered writers of physical delivery call stock options. Customer acknowledges that it has read and understands this risk as described in Chapters VIII and X of the OCC Document.
14. Customer is responsible for entering an offsetting transaction to close out a Customer position, or to exercise an equity option by written e-mail instruction to IB prior to the expiration date, and Customer's failure to do so may result in the equity option expiring worthless, regardless of the monetary value of the equity option on its expiration date.
15. If, prior to expiration of an option contract, Customer does not have sufficient equity to meet the initial margin requirement for the purchase or sale of the underlying security (the higher of IB's "house" margin requirements or margin requirements mandated by exchanges or regulators), then IB shall have the option, at its discretion, to: (1) decline to purchase or sell such underlying security for the customer's behalf (e.g., by filing a Contrary Exercise Notice); OR (2) exercise the option and liquidate the underlying security position which results from the exercise of the option contract. If Customer violates the IB Customer Agreement by failing to close out an open option position prior to expiration, which creates a margin deficiency (e.g., upon exercise or automatic exercise of the option), then Customer shall be liable for resulting losses and costs and shall not be entitled to any profits or gains.

In connection with the exercise of a long put option that results in a short position in the underlying stock, Customer acknowledges that: (1) short sales may only be effected in a margin account and are subject to initial and maintenance margin requirements; and (2) if IB is unable to borrow such stock on Customer's behalf or if a lender subsequently issues a recall notice for such stock, then IB, without notice to Customer, is authorized by Customer to cover Customer's short position by purchasing stock on the open market at the then current market price and Customer agrees that it shall be liable for any resulting losses and all associated costs incurred by IB. As noted above, the market value of short stock is treated as a debit item to Customer's IB margin account.