

Interactive Brokers Stock Yield Enhancement Program (SYEP)

For a complete discussion of the risks and characteristics of the program please visit:

https://qdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Discussion Topics

- What is the Stock Yield Enhancement Program?
- What are the Benefits of Enrolling?
- Who is Eligible?
- Where to Track SYEP Participation
- Considerations and Disclosures

- Questions & Answers

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Introduction & Overview

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

The Stock Yield Enhancement Program

The Stock Yield Enhancement Program provides customers with the opportunity to earn additional income on fully-paid and excess margin securities by permitting IBKR to lend out those securities to other customers and to external counterparties.

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Benefits

- Enables investors to access the stock loan market
- Earn Interest Income
- Automation
- Managed by Interactive Brokers
- No restriction on loaned shares. Can sell any time without the need for pre-trade approval.
- Full Transparency
- Can terminate participation at any time

For a complete discussion of the risks and characteristics of the program please visit:

https://qdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Mechanics of a Loan

- IBKR has demand to borrow your securities
- Securities will be removed from your account
- You receive cash collateral to secure the stock loan
- Interest is paid on cash collateral value daily until loan termination

For a complete discussion of the risks and characteristics of the program please visit:

https://qcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Eligible Account Types

Individual or Organizational Accounts
Cash (minimum equity over \$50,000 on enrollment date)
Margin
Financial Advisor Client Accounts
Introducing Broker Clients Accounts: Fully Disclosed and Non-Disclosed
Introducing Broker Omnibus Accounts
Separate Trading Limit (STL)

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Who Is Eligible For SYEP?

Accounts under these entities
Interactive Brokers LLC
Interactive Brokers UK (excluding SIPP accounts)
Interactive Brokers HK
Interactive Brokers Canada (excluding RRSP/TFSA accounts)

You can confirm the IB Entity on the statement (example)



Activity Statement
May 29, 2020

Interactive Brokers Hong Kong Limited
Suite 1512, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Which Securities Are Eligible?

	United States	Canada	Europe	Hong Kong
Common Stock (exchange listed) <small>Also PINK and OTCBB for US</small>	●	●	●	●
ETF	●	●	●	●
Preferred Stock	●	●	●	●
Corporate bonds	●			

*For Europe, IBKR supports SYEP lending for Belgian, French, German, Dutch, Swiss and UK shares

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

What are Fully Paid and Excess Margin Securities?

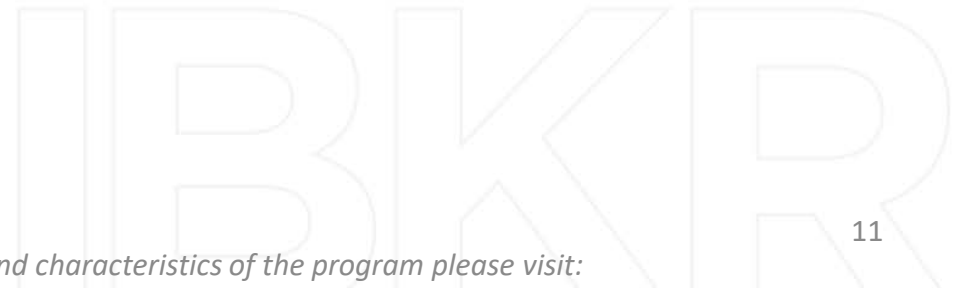
- Fully Paid:
Securities have been completely paid for
- Excess Margin:
Have not been completely paid for, but whose market value exceeds 140% of the customer's margin debit balance

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

What is likely to be lent from my account?

- Hard to Borrow stock
- Stock in demand
- Easy to Borrow aka General Collateral “GC” stock is less likely to be lent



For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Why do borrowers pay high rates for stock?

- Securities loaned out by you are typically used to facilitate short sales
- The short seller is hoping the stock will decline in value
- Short sellers need to borrow shares before selling in the open market and are willing to pay for them
- Note that selling activity potentially could affect the value of your holdings

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

To whom are my stocks lent?

- An SYEP participant's counterparty is always Interactive Brokers
- Interactive Brokers on-lends shares to:
 - (1) customers holding a short position
 - (2) "Street" counterparties; this includes banks and other broker-dealers

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

How can I gauge demand?

- Statement example

Open Positions									
Symbol	Quantity	Mult	Cost Price	Cost Basis	Close Price	Value	Unrealized P/L	Code	
Stocks									
USD									
NIO	1,350,000	1	3.1029421	4,188,971.83	3.6100	4,873,500.00	684,528.17	SY	
Total				4,188,971.83		4,873,500.00	684,528.17		
Notes									
1. Code SY: Positions that may be eligible for Stock Yield. Potential for additional annualized income of 22,960.80 USD									


- Fee rate column in TWS:
Higher fee rate stocks are more likely to be lent than lower-fee rate stocks
- Utilization column in TWS:
A measure of demand in the securities lending market, expressed as a percentage

For a complete discussion of the risks and characteristics of the program please visit:


https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Examples of stocks in TraderWorkstation

Highly Utilized stock example: SmileDirectClub Inc (Nasdaq: SDC)

Financial Instrument	Shortable Account	Utilization Action	Shrtbl Shrs Lmt Price	Fee rate Quantity
SDC		97%	186,266	66.03%

Low Utilized stock example: Amazon.com Inc (Nasdaq: AMZN)

Financial Instrument	Shortable Account	Utilization Action	Shrtbl Shrs Lmt Price	Fee rate Quantity
AMZN		0.6%	13,833,875	0.25%

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

More hard to borrow stock examples

Company	Symbol	Currency
Tilray Inc	TLRY	USD
Aphria Inc	APHA	CAD
Wirecard AG	WDI	EUR
Aston Martin Lagonda Global Holdings PLC	AML	GBP
Koolearn Technology Holding Ltd.	1797	HKD

Demand subject to change

There is still market risk on lent shares because you own them

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

SYEP Pool Lending Allocation

How many shares will my account lend if there are others at IBKR with the same stock?

- Loaned quantities from each individual account are calculated pro-rata

Total SYEP supply at IBKR	20,000 XYZ shares
IBKR is able to lend	10,000 XYZ shares
Each client lends this portion of their eligible position	50%

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

SYEP Loan Interest Rate and Utilization Considerations

Interest Rate paid to you

- Subject to frequent change and can go down (or up) substantially.
- There is no guarantee to receive the best loan rates for your shares.

Utilization of your particular shares

- Subject to daily fluctuations and is not guaranteed

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Loans Are Secured by Cash Collateral

USD	102%; rounded up to the nearest dollar
CAD	102%; rounded up to the nearest dollar
EUR	105%; rounded up to the nearest cent
CHF	105%; rounded up to the nearest rappen
GBP	105%; rounded up to the nearest pence
HKD	105%; rounded up to the nearest cent

Interest is paid on the collateral amount, not the market value

Collateral is marked-to-market daily

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Collateral Calculation Example

Loan	100 shares
Closing Price	\$59.24
Market Value	\$5,924
Collateral industry convention calculation	$\$59.24 \times 1.02 = \60.42 (rounded to \$61)
Collateral amount	$\$61.00 \times 100 = \$6,100$

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

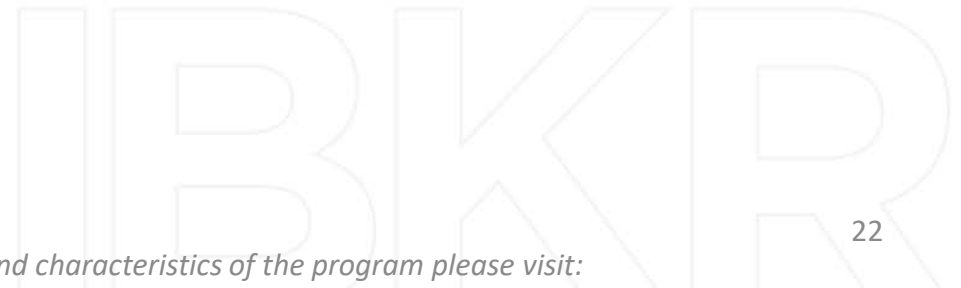
Interest Example

Collateral amount (from previous slide)	$\$61 \times 100 = \$6,100$
Gross Interest Rate Paid to IBKR	15%
Annualized payment to IBKR	$\$915 \quad (6,100 * 0.15)$
Daily Interest Paid to IBKR	$\$2.54 \quad (915 / 360 \text{ days})$
Net Daily Interest Accrued to Customer	$\$1.27 \quad (2.54 * 0.50)$

IBKR

Option Transactions On Stocks Lent

- No restriction
- If a call is assigned or a put is exercised, the SYEP loan is terminated



For a complete discussion of the risks and characteristics of the program please visit:

https://qdc.dyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Reasons a Stock is Not Lent

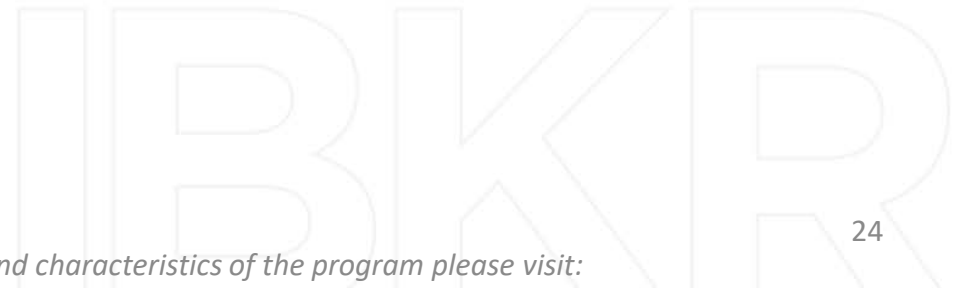
- Not eligible for SYEP because of type
- Not eligible for SYEP because it is not excess margin
- May not generate interest income in the securities lending market (General Collateral stocks such as Apple, Amazon etc.)
- Supply exceeds demand
- Upcoming Dividend

For a complete discussion of the risks and characteristics of the program please visit:

https://qdc.dyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Automatic Termination Of Loaned Shares

- Borrower returns shares to IBKR
- SYEP participant sells shares
 - Including Call assignment and Put exercise
- SYEP participant unenrolls
- Transfer request
- Taking a margin loan against shares
- Account closure



For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

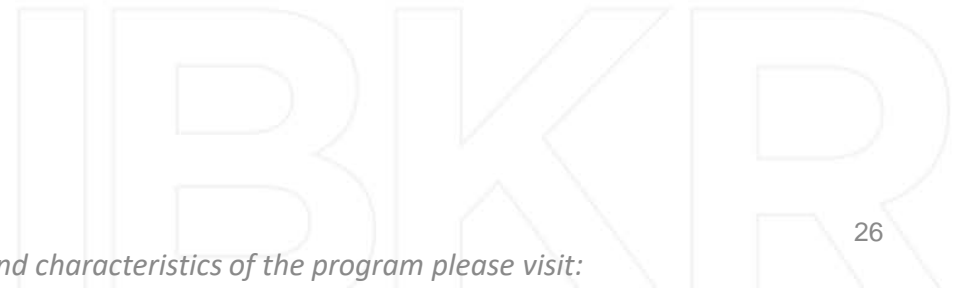
Tracking SYEP Participation

For a complete discussion of the risks and characteristics of the program please visit:

https://qdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Daily Transparency

- Activity Statement Review
- 3 Sections reflect SYEP Activity, updated Daily



For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

1. IBKR Managed Securities Lent

IBKR Managed Securities Lent (Stock Yield Enhancement Program) ?				
Symbol	Transaction ID	Quantity	Interest Rate on Customer Collateral (%)	Collateral Amount
Stocks				
USD				
TLRY	SLB.55445143	-8,255	59.38	66,040.00
Total				66,040.00
Total in EUR				61,176.15



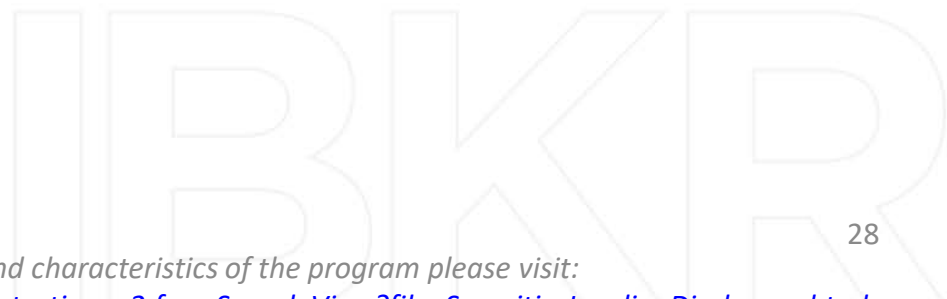
2. IBKR Managed Securities Lent Activity

IBKR Managed Securities Lent Activity (Stock Yield Enhancement Program) ?

Symbol	Date	Description	Transaction ID	Quantity	Collateral Amount
USD					
TLRY	2020-05-06	Loan Return Allocation	SLB.55445143	9,000	-72,000.00
TLRY	2020-05-06	New Loan Allocation	SLB.55445143	-8,255	66,040.00
Total					-5,960.00
Total in EUR					-5,521.05

Notes

1. Important Notice re: SIPC Protection for Loans of Fully Paid and Excess Margin Securities: Please be aware that if you execute loans of your fully paid or excess margin securities, the provisions of the Securities Investor Protection Act of 1970 may not protect you with respect to the securities loan transaction. Therefore, the cash collateral credited to your account by Interactive Brokers (see above) may constitute the only source of satisfaction in the event that Interactive Brokers cannot return the securities.



For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

3: IBKR Securities Lent Interest Details

▼ IBKR Managed Securities Lent Interest Details (Stock Yield Enhancement Program) ?									
Value Date	Symbol	Start Date	Quantity	Collateral Amount	Interest Rate Earned by IB (%)	Interest Paid to IB	Interest Rate on Customer Collateral (%)	Interest Paid to Customer	Code
USD									
2020-05-06	TLRY	2020-05-06	-8,255	66,040.00	118.76	217.86	59.38	108.93	Po
Total						217.86		108.93	
▼ Interest Accruals ?						201.11		100.56	
Base Currency Summary									
Starting Accrual Balance					507.51				
Interest Accrued					94.65				
Accrual Reversal					0.00				
FX Translation					-1.78				
Ending Accrual Balance					600.38				
EUR									
Starting Accrual Balance					-4.67				
Interest Accrued					-0.94				
Accrual Reversal					0.00				
Ending Accrual Balance					-5.61				
USD									
Starting Accrual Balance					552.90				
Interest Accrued					103.55				
Accrual Reversal					0.00				
Ending Accrual Balance					656.45				
Ending Accrual Balance in EUR					605.99				

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Cash Report Details

Cash Report ?			
	Total	Securities	Futures
Base Currency Summary			
Cash Detail			
Starting Cash	89,274.10	51,761.57	37,512.52
Commissions	-6.42	0.00	-6.42
Cash Settling MTM	-765.74	0.00	-765.74
Cash FX Translation Gain/Loss	220.54	350.94	-130.39
Ending Cash	88,722.48	52,112.51	36,609.97
Ending Settled Cash	89,488.22	52,112.51	37,375.71
Cash Collateral Detail			
Starting Cash Collateral	61,176.15	61,176.15	0.00
Net Securities Lent Activity	5,501.85	5,501.85	0.00
Ending Cash Collateral	66,465.36	66,465.36	0.00



Enrolling in SYEP

For a complete discussion of the risks and characteristics of the program please visit:

https://qdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

How Do I Enroll?

Client Portal

The screenshot shows the 'Account Settings' page in the Interactive Brokers Client Portal. The left sidebar contains a 'Settings' menu with 'Account Settings' highlighted in red. The main content area is divided into three sections: 'Profile(s)', 'Financial Information', and 'Trading Experience & Permissions'. The 'Configuration' section on the right contains various account settings, with the 'Stock Yield Enhancement Program' option highlighted in red.

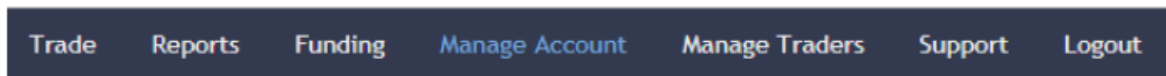
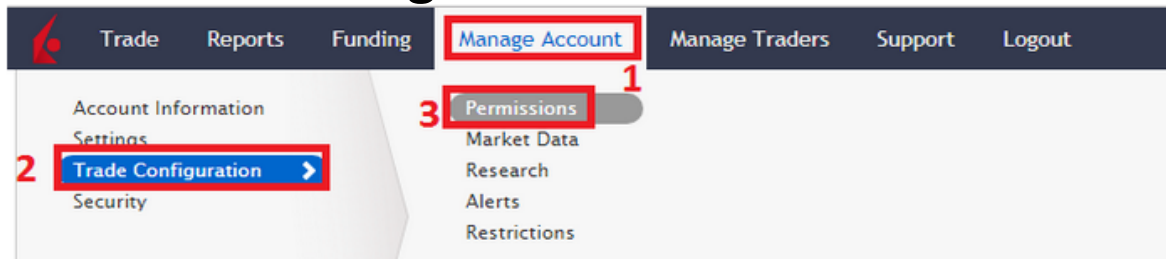
The screenshot shows the 'Stock Yield Enhancement Program' configuration page. The 'Configure Your Stock Yield Enhancement Program' section is highlighted in red. The 'CONTINUE' button is also highlighted in red.

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

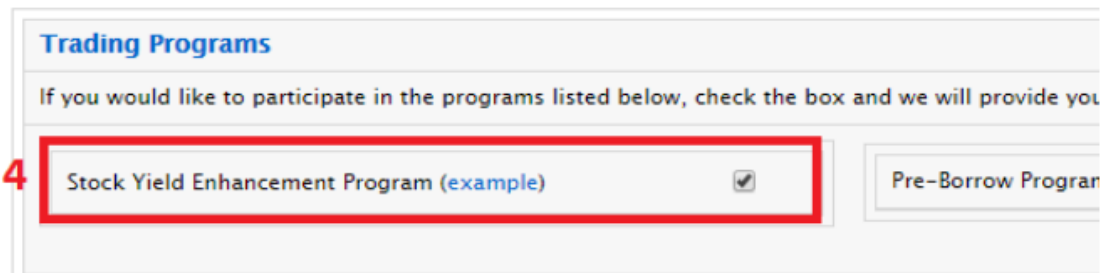
How Do I Enroll?

Classic Account Management



Trade Permissions

Use this page to view or modify existing trading permissions and programs or subscribe to new ones



For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Considerations & Disclosures

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Voting

When shares are lent, the lender loses their right to vote

IBKR

For a complete discussion of the risks and characteristics of the program please visit:

https://qdc.dyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Dividend

- Shares on-loan during dividend record date may receive a Payment In Lieu or "PIL"
- This may have adverse tax consequences, depending on your particular situation
- IBKR takes steps to avoid allocating PIL on a best efforts basis.
- Receiving PIL instead of a dividend is unlikely but possible

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

SIPC Protection

Securities Loaned Out By You May Not Be Protected By Any Investor Compensation/Protection Regime

The relevant Investor Compensation/Protection regime in the jurisdiction where the loaned shares are listed may not protect you as a lender with respect to securities loan transactions in which you lend your Fully-Paid Securities to IB. Therefore, the collateral delivered to you (and indicated on your account statement) by IB may constitute the only source of satisfaction of IB's obligation in the event that IB fails to return the securities.

For customers in the US, the provisions of the Securities Protection Act of 1970 (SIPC) may not protect you with respect to the securities loan transaction.

For customers in Canada, securities lent under IBKR's fully paid lending program are not eligible for Canadian Investor Protection Fund (CIPF) coverage.

For a complete discussion of the risks and characteristics of the program please visit:

https://qcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Counterparty Risk

- Counterparty risk solely against Interactive Brokers
- SYEP participating account (the lender) receives cash collateral for shares loaned to IBKR
- If IBKR becomes insolvent and cannot return your stock, cash collateral may be your sole recourse

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Keep in mind

- You continue to have market exposure to all positions regardless of lending activity
- For example: price movements, corporate actions, etc.

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Note on unenrollment

If you un-enroll from SYEP
You **cannot** enroll again
for 90 calendar days

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

More information

We encourage you to read the SYEP FAQ and plan-language Disclosures available online.

Disclosures

<https://www.interactivebrokers.com/en/index.php?f=1552&p=agreements>

US FAQ

<https://ibkr.info/article/1838>

You can also contact IBKR's customer service team by submitting a ticket, chat or calling the numbers below.

<https://www.interactivebrokers.com/en/index.php?f=1560&p=contact>

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html

Thank you for watching!

Questions & Answers

For a complete discussion of the risks and characteristics of the program please visit:

https://gdcyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?file=SecuritiesLendingDisclosure.html