



Provisional Translation for your reference only

## **Risk Disclosure for Foreign Bonds on IBLLC Account**

(This document is provided by Interactive Brokers Securities Japan, Inc as an intermediary in accordance with of Financial Instruments Exchange Act Article 37-3.)

Please see below regarding the transaction of foreign bonds. This document provides details of various risks involved in the sales and purchase of foreign bond into foreign markets.

Please read carefully and confirm unknown points prior to start trading

- For trades of foreign bonds, there are the risks of emerging loss by movements in interest rate, currency rate, interest standard, change of currency market, or changing prices to adjust credit situation of issuers.

### **About commissions and fees**

- Please refer to the “Disclosure of Fees in Relation to Financial Instruments Transactions” for commission and fees.

### **There are risks of losses by condition of market.**

- Market price of foreign bond basically changes by adjusting the changes of interest rate at foreign market.
- When interest rates rise, bond prices drop, and conversely when interest rates fall, bond prices go up. Selling a bond prior to redemption day is done and current market prices and losses can occur. It may also not be possible to sell bonds if there is no liquidity.
- Interest rate changes corresponding to standard of market interest (for example, distribution rate for securities which is already issued), or changes of lending interest for financial institution.
- For foreign bonds, the movements of foreign exchange rates may cause losses in Japanese yen terms. If the yen strengthens, then the value of your foreign bonds will fall in terms of yen value. If the yen weakens then the value of foreign bonds

- will strengthen in terms of yen value.
- If there is the restriction on exchange of currencies, there could be cases that you could not exchange from the principal and interest to yen currencies or not transfer the money. Loss could be emerged by operations of issuers of securities or guarantor of its principal and interest payment, or change of property situation.
  - In case that changes of credit situation for person who guarantees payment of principal and interest payment for foreign bonds, depending on changes of market price, sales loss could be emerged.
  - By worsening credit situation of issuers of foreign bonds, or person who guarantees payment of principal payment for foreign bonds, there are risks of principal and interest payment stop, or inability to pay.
  - Within foreign bonds, these maybe rated “strong speculative factor” by major rating institutions, the worsening of credit situation of issues, may affect their ability to pay, and the risk of principal and interest payments not been made is high.

**Foreign bonds trades are not subject to the cooling off.**

For trades of foreign bonds into foreign markets, the regulation of Financial Instruments Exchange Act Article 37-6 (cancellation by document) is not applicable.

**Summary of financial instrument trade contracts that are related to foreign bonds**

All transactions in foreign bonds in foreign markets are done through Interactive Brokers LLC.

Interactive Brokers Securities Japan, Inc provides intermediary services for transactions into foreign bonds in foreign markets.

**Summary of taxation that is related to foreign bonds**

Tax against individual customers is based on things below.

- About interest of foreign bonds is taxed as interest income.
- Profit that is generated by sales of foreign bond is, as a general rule, non-taxable.
- Profit that is generated by redemption of foreign bonds is, as a general rule, taxable.
- Please refer to the specialist for any tax related to foreign bonds transaction in foreign markets.
- Taxation against corporate customers is based on things below.

- About interest of foreign bonds, interest that is generated by selling, profit that is generated by redemption, it is calculated into amount of profit on calculation of income that is related to corporate tax.
- Also, regardless of individual or corporate customers, the interest of foreign bonds that is issued outside of Japan, local tax at source could be taxed by taxation system of issuing place or country.
- Employees of Interactive Brokers LLC, Interactive Brokers securities Japan, Inc, or its affiliates are not authorized to provide any tax advice.
- Please refer to a specialist tax advisor for any tax related advice in regards to the financial instruments contracts.

**Company Information**

Name: Interactive Brokers Securities Japan, Inc.  
Registered #187 by Kanto Regional Finance Bureau

Office: 4<sup>th</sup> Floor, Tekko Kaikan, 3-2-10, Kayabacho, Nihonbashi,  
Chuo-ku, Tokyo103-0025

Membership: Japan Securities Dealers Association

Capital: 1.150,520,000 Yen

Main Business: Financial Instrument Exchange Business

Established: August 2006

Customer Service Hotline: 03-4588-9700