

-Provisional Translation for Reference Purposes Only-

Oct, 2011

IBSJ Risk Disclosure for Foreign Listed Derivatives on IBLLC account

(This document is provided by Interactive Brokers Securities Japan, Inc. ("IBSJ"), acting as an intermediary in accordance with the regulation of the Financial Instrument Exchange Act Article 37-3 between clients and local broker in Foreign Market, Interactive Brokers LLC)

This document is an explanatory sheet of listed derivatives transactions in foreign markets and should be provided in accordance with Japanese laws and regulations before executions of contracts of listed derivatives in foreign markets.

IBSJ will act as an intermediary as a foreign derivatives trade operator. There may exist some differences in structures and features of the product, compared with Japanese local products. When you are to start trading, please read the contents of this document carefully and understand the structures and risks of this product. If you have any questions, you are requested to confirm with Interactive Brokers LLC, which is your broker, before you place orders to the institution.

Risks for Futures on Listed Foreign markets

The price of futures may fluctuate by the influence of changes of underlier price, and because of this, losses could be raised. Also, the futures transactions will allow you to trade leveraged transactions that enable investors to trade the margin trade by placing small amount of margin deposits. In some cases, there are some possibilities that could cause huge loss. Therefore, at the beginning of the futures transactions, it is necessary to fully understand the contents below.

- When the market price moved to the adverse from what you expected, you may lose most or all of your margin within the short term period. Also, the loss is not limited for the amount of margin you placed..
- When the shortage of margin arises by the fluctuation of the futures market or the drop down the price of the pledged securities, you are required to submit additional margin or collaterals.
- In case that required margin is not placed or deposited by the cut off time, or in case that it confirmed as the forfeit of time profits as defined in the Customer Agreement contracted with Interactive Brokers LLC, some part or all of your existing contract could be liquidated with carrying loss. Further in this case, about the loss that is generated by this compulsory settlement, the customers are responsible for the loss caused.
- The futures exchange, in case an issue is raised for the trades or in case there is a possibility for it, or in case that there are necessities to judge as indispensable from the viewpoint of settlement

risk management by the clearing institutions, there may happen the cases such as the increase of margin amount or collateralized securities replacement. For this reason, there are necessities to judge as indispensable to increase margin money or submit additional collaterals.

- Depending on market condition, the trades you intended execute cannot be filled. For instance, the market price is reached to the daily price limit, and you hope to execute for sell close or for buy close, it may be not possible to execute it.
- Under certain market condition, the futures exchange in foreign markets can expand the price limit. In that case, the loss in a day could become larger than what you estimated.

Risks for Options Listed on Foreign Markets

The price for option may fluctuate by the price movement of **underlier** so that the loss could be raised from it. It is necessary to understand that there are restrictions for the term you could enforce the options. Also, for the futures options, the market price could be changed by underlier, so the percentage of the fluctuation tends to become bigger than the actual underlier. Depend on the cases, it is possible to rise big loss. Therefore, upon the commodity futures option trade, it is necessary to fully understand the contents below.

- Depending on market condition, the exchange may change its price range restriction. In such case the loss in a day could become larger than you estimated. For instance, the market price reaches the daily price limit and you hope to execute for the sell close or by close order, it may be not possible to execute it.

The risk of BUY side for Options Listed on Foreign Markets

- The option is the term product that has each different contract month, and in case that the buy side does not exercise the option or not place sell close transaction until the due date, the option right will be expired. In this case, the buy side will lose all amounts invested.

The risk of SELL side for Options Listed on Foreign Markets

- The sell side conducts will conduct larger amount of trade that exceeds the margin amount and the loss is not limited when the market price changed for the adverse direction that you estimated.
- For the sell side, when you sell the commodity futures options contracts, you have to submit collaterals or deposit margin cash. After that, when the shortage of margin requirement caused by the market fluctuation or decrease value of collateral securities, it is a requirement to submit additional margin or collaterals.

- In case that you do not submit additional margin or deposit collaterals, until the due date, or in case that it is applied as the forfeit of time profit in accordance with the agreement, you may be enforced to settle the part or all of the position that may cause actual losses. In this case, the customer is responsible for the loss that is generated by the settlement.
- The exchange, in case an issue is raised for the trades or in case there is a possibility for it, or in case that there are necessities to judge as indispensable from the viewpoint of settlement risk management by clearing institutions, there may happen the cases such as the increase of margin amount or restrictions on pledged securities replacements. For this reason, there are necessities to judge as indispensable to increase margin money or submit additional collaterals.
- The sell side has to comply when a option exercise notice is allocated. That is, the sell side, when you receive the allocation, it is necessary to pay the difference between the exercise price and final settlement quotation ("SQ"), so that it is necessary to pay attention.

2. Scheme of Derivatives Listed on Foreign Market

As for Scheme of Derivatives Listed on Foreign Market, please refer to our Website;

Exchange Information : <http://www.interactivebrokers.com/en/p.php?f=exchanges>

Products : <http://www.interactivebrokers.com/en/p.php?f=products>

3. Margin Requirements

1) Futures

Futures margin requirements are determined by each exchange and can change frequently. All margin requirements are expressed in the currency of the traded product.

As for details, please refer to our Website;

<http://individuals.interactivebrokers.com/en/p.php?f=margin>

2) Options

Interactive Brokers utilizes option combination margin optimization software to try to create the minimum margin requirement. As for details, please refer to our Website;

US Index Options;

<http://individuals.interactivebrokers.com/en/p.php?f=margin>

Canadian Options;

<http://individuals.interactivebrokers.com/en/p.php?f=margin>

Non-US and Non-Canadian Options;

<http://individuals.interactivebrokers.com/en/p.php?f=margin>

4. The major terms those are related to the futures/option trades and their commission

Margin:

It is the guarantee money that is submitted or deposited to secure the execution of contract duties of the futures/option trades.

The sales or purchase contracts:

Within the futures/option trades, the trades that the settlements have not been completed are called the sales or purchase contracts. Also, within the purchase, the trades that the settlements have not been completed are called the purchase contracts. Within the sales, the trades that the settlements have not been completed are called the sales contracts.

Buy back:

It is the purchase that is conducted to settle (decrease the sales contracts) the sales contracts.

Resale:

It is the sales that is conducted to settle (decrease the purchase contracts) the purchase contracts.

Delivery months:

They are the months that belong to the settlement due date for trades. For the futures/option trades, multiple delivery months are set for the same products and the trades are conducted for each delivery month.

5. Summary of index futures/option trades

- All transactions in futures/options are done through Interactive Brokers Securities Japan, Inc.
- Intermediary, brokerage or agency service of index futures/options transactions into domestic markets.

6. Summary of taxes that is related to the financial instrument trade contracts

- Profit from the transaction of index futures/option into domestic markets will be taxed as miscellaneous income for individual customers.
- For corporation tax, the calculation of taxation may be differed from above individual case.

IB representatives 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.

Corporate Profile

Company Name: Interactive Brokers Securities Japan, Inc. Director of Kanto Local Finance Bureau (Financial instruments firms) No.187

Head office: 4th Floor Tekko Kaikan, 3-2-10 Nihonbashi Kayabacho Chuo-ku, Tokyo 103-0025, Japan

Associations in which a Member: Japan Securities Dealers Association

Capital: 1,150,520,000 YEN

Business: Financial instruments business

Established: August, 2006

TEL: 03-4588-9700 (customer service)