

## **INTERACTIVE BROKERS CANADA**

### ***Disclosure of Cash and Margin Account Trading Requirements, and Automatic Liquidation***

In order for Interactive Brokers Canada Inc. ("IBC") to accept your account, we are required to disclose to you the manner by which margin will be required and enforced in your IBC margin account; and obtain your acknowledgement that you have received and fully understand, this disclosure.

IBC Client orders shall be routed to IBC's United States affiliate, Interactive Brokers LLC ("IBL"), for execution on: U.S. stock exchanges, the Nasdaq Stock Market, Electronic Communications Networks (ECNs), U.S. equity options exchanges, and electronic commodity exchanges in the United States and throughout the world. IBL sought approval to use the automatic liquidation mechanism from its Designated Examining Authority, the New York Stock Exchange, and has described and/or demonstrated its use to other regulators, including the: U.S. Securities and Exchange Commission, U.S. Commodity Futures Trading Commission, Chicago Board Options Exchange and other U.S. securities and commodity exchanges. Use of the automatic liquidation mechanism has also been described for the Financial Services Authority (United Kingdom), the Securities and Futures Commission (Hong Kong) and the Australian Securities & Investments Commission and Sydney Futures Exchange (Australia).

IBL shall utilize automated electronic systems (the "IB System") to receive your orders (and modifications and cancellations thereto), and report executions to you (or that your order has been modified or cancelled).

With respect to your margin transactions, the IB System is programmed to operate, in part, upon strict reliance of knowing the amount of funds that are available in your account for the trading activity you wish to conduct.

#### **The IB Margin System**

The IB Margin System requires customers who hold margin accounts to have sufficient equity in their account to satisfy the margin required by the relevant exchange and regulatory and self-regulatory authorities. IBC reserves the right to require margin in excess of this amount and may impose additional margin requirements. IBC's margin requirements will be posted on the website, and since IBC reserves the right to modify its margin requirements, amendments to IBC's margin requirements may not be posted, though IBC will endeavour to post such amendments as soon as practicable. The IB System enables customers to monitor their account equity on a real-time basis through their trading screens, and customers are obligated to monitor their account equity.

#### **The IB Automatic Liquidation mechanism**

The IB System utilizes an "automatic liquidation" mechanism which monitors customer accounts on a continuous basis and, in the event the account does not have sufficient equity to satisfy margin requirements, the IB System is designed to automatically liquidate customer positions to bring the account above such requirements, without notice or a margin call to the customer. The IB system does not credit a customer's account to meet intraday margin deficiencies.

The following highlights the manner in which the IB System is designed to require and enforce margin, and operate with respect to margin transactions in your IBC securities or commodities account:

1. Prior to executing any margin transaction, the IB System requires that your account contain sufficient equity to meet or exceed both: (a) the maintenance margin requirement for every position in your account (which the IB System enforces through an **automatic liquidation** feature described below) and (b) the applicable initial margin requirement for any new margin transaction order you submit. If your account equity exceeds the margin requirement for all open positions and the new margin transaction, then the IB System is designed to authorize your order for submission. Conversely, if your account does not contain sufficient equity for all open positions and the new margin transaction, then the IB System is designed to reject your order.
2. If your account does not contain sufficient equity, IBC will not issue a margin call or any advance notice of liquidation because the IB System is designed to **automatically liquidate** positions<sup>1</sup> in your account until the equity in your account is sufficient to satisfy the applicable margin requirements. In addition, the IB System is designed to reject any new margin transaction order you submit if your account does not contain sufficient equity to meet the margin requirements for that transactions.
3. You will not be given the opportunity to submit orders for margin transactions based upon your promise to subsequently pay for the margin transaction because the IB System requires that your account contain sufficient equity to support existing positions and the new margin transactions you wish to submit. You should be aware, however, that should it become necessary, IBC will issue a margin call to you and you will be required to satisfy the margin call by immediate payment to IBC.
4. Protections in the IB system prevent you from withdrawing intraday an amount which would cause your account equity to fall below the applicable margin requirements for any position in the account or the minimum available equity level set by the firm, an exchange or other regulator.

### **Additional Disclosure of the IBC Cash Account**

The IB System is designed to require that an IBC stock cash account contain sufficient equity to satisfy the full purchase price for the stock purchase transaction prior to authorizing such order for execution. That is, an IBC customer may not effect a purchase of a stock in a cash account upon a promise to subsequently pay for the purchase. Once funds in a Cash Account are spent for a purchase, they may not be spent again. Customers will receive credit for the proceeds from a sale of stock only on the settlement date for such sales.

**I ACKNOWLEDGE THAT MY ELECTRONIC SIGNATURE BELOW FOR RECEIPT OF THIS ACKNOWLEDGEMENT IS THE EQUIVALENT OF A MANUAL SIGNATURE.**

**Month (MM) Day (DD) Year (YYYY)**

**Today's Date:**

**SIGNATURE:** \_\_\_\_\_

<sup>1</sup> Although positions may be liquidated in any manner, the IB System is designed to automatically liquidate, in 100 share increments, the stock position in your account which has the highest margin requirement until the account equity satisfies the applicable margin requirements.