TradeZero Europe B.V - **Options Risk Disclosure Statement**

NOTE: This statement is not intended to enumerate all of the risks entailed in trading options. It is expected that you will read the booklet entitled “Characteristics and Risks of Standardized Options”. Please see the following link for the location of the booklet: www.theocc.com/components/docs/riskstoc.pdf. In particular, please direct your attention to Chapter X, “Principal Risks of Options Positions

General Description

An option is a contract in which the party granting the option (the ‘writer’) grants its counter-party (the 'buyer') the right to buy underlying assets, such as a basket of shares, during or at the end of an agreed term (**a call option**), or to sell the underlying assets (**a put option**) at a pre-agreed price or one determined by an agreed-upon method. The buyer typically pays the writer a premium for this right. This premium is the price of the option.

The premium is often a fraction of the value of the underlying assets. As a result, price fluctuations in the underlying assets may result in proportionally greater profits or losses for the option holder. This is referred to as the **leverage effect**.

Options are suitable only for investors with sufficient knowledge of derivatives and experience trading the underlying assets, and who can financially bear high levels of price volatility. Option contracts are settled either by delivery of the underlying assets or via cash settlement.

Bought options (a 'long' position)

The buyer of an option contract holds the right (but not the obligation) to buy a certain quantity of the underlying asset during or at the end of a specific period (call option) or to sell it (put option) at a pre-agreed price. The buyer pays a premium to acquire this right.

Risks of bought options

The potential loss for the buyer of an option is limited to the premium paid. However, due to leverage, the value of the option can fluctuate significantly. The risk of losing your entire investment is higher than with a direct investment in the underlying assets.

For a call option, this risk increases as the price of the underlying asset falls; for a put option, as the price rises. Because options have a limited term, the likelihood of loss due to expiration is also higher.

Options are held for the risk and account of the owner with a clearing member who in its turn holds the options with a central counterparty (CCP). Bankruptcy of the clearing member or CCP will mean that the options may become worthless.

Options are held, for the risk and account of the owner, with a clearing member, which in turn holds the options with a CCP. If either the clearing member or the CCP defaults or goes bankrupt, the options may become worthless.

Written options (a 'short' position)

The writer of an option assumes an obligation (not a right) to - upon the buyer's request - either sell the underlying assets (call option) or buy them (put option) at the agreed price. The writer receives a premium for accepting this obligation.

The writer of the option must provide security ('collateral' or 'margin') for the obligations that can arise from a written option position, in The Netherlands this will usually be in the form of a right of pledge on money and/or Securities. The required security fluctuates with the price of the underlying security and is calculated on a daily basis. If the security provided by the writer is no longer sufficient, the writer must provide additional security, for example by transferring money, or close positions.

The writer must post collateral (referred to as margin) to secure the obligations arising from the written position. The required margin fluctuates with the price of the underlying security and is recalculated daily or more frequently. If the margin becomes insufficient, the writer must either provide additional collateral (typically cash and/or securities) or reduce exposure by closing positions.

Risks of written options

By writing a call option, the writer of the option can be required to sell the underlying value for the agreed price. When the writer does not have the underlying value, the writer will have to buy the underlying value on the market against the market price of that moment. As the price of the underlying value can increase without limit, the theoretical loss of the writer of a call option is unlimited. It is possible to write hedged call options, for example by writing call options for shares that are present in the portfolio. The risk is then limited.

Call Option: The writer may be required to sell the underlying asset at the agreed price. If the writer does not own the underlying asset, it must be purchased at the market price, which may have risen significantly. Since the underlying price can rise indefinitely, the writer’s theoretical loss can be unlimited. Writing covered call options (e.g., when holding the underlying shares) limit this risk.

Put Option: The writer may be required to purchase the underlying asset at the agreed price. Since the asset’s price can drop to zero, the maximum potential loss is the full strike price, making it substantial though technically limited.

Margin requirements provide some protection but do not fully eliminate the risk of losses exceeding the collateral value.

In summary, the writer of an option may incur unlimited losses, far exceeding the premium received.