XTB Limited
DECLARATION OF INVESTMENT RISK – Options Trading

1. General Provisions

1.1. The subject of this Declaration (hereinafter referred to as the **"Declaration"**) is to inform the Client about the most important—though not all—risks related to trading options in the over-the-counter (OTC) market.

1.2. The various types of risks described in this Declaration pertain to retail clients, professional clients, and eligible counterparties.

1.3. This Declaration forms an integral part of the Regulations on the provision of services consisting in the execution of orders to buy or sell property rights and securities, and the keeping of property rights accounts and cash accounts by XTB S.A. (the **"General Terms and Conditions"** or **"GTC"**). All capitalized terms used herein shall have the meanings ascribed to them in the GTC.

2. Risk Elements Related to OTC Market Financial Instruments

2.1. Trading in options involves specific market risks related to the underlying instruments, such as securities, stock exchange indices, or prices of other underlying instruments. This arises from the fact that the value of financial instruments is based on these elements. Information regarding results achieved by Clients on OTC market financial instruments is published on our website, where available.

2.2. Market risk related to particular underlying instruments includes, in particular, risks arising from political changes, changes in economic policy, and other factors that may significantly and permanently influence trading conditions, rules, and valuation of the underlying instruments.

3. Risks Related to Options

An option is a derivative financial instrument representing a contract between two parties—the buyer of the option and its issuer. The buyer acquires the right to buy (**call option**) or sell (**put option**) a specified underlying asset at a specified price, on or before a specified date. The issuer receives a premium paid by the buyer, which usually represents a fraction of the value of the underlying asset. The issuer of the options offered is XTB.

Exercising an option refers to executing the option right. The buyer may exercise the option but is not obliged to do so and may allow it to expire. If exercised, the issuer is obliged to fulfill the buyer's request.

If the buyer does not exercise the option, it expires at the end of its term. The expiration date and the last trading day of an option may differ.

Options may also be classified as **European** (exercisable only at expiration) or **American** (exercisable at any time up to expiration). Settlement may occur via physical delivery or cash settlement. All options issued by XTB are cash-settled.

An investor may close an options position at any time by entering into an opposite transaction in the same option.

Trading options involves derivatives based on prices of OMIs or indices rather than the underlying instruments themselves. Due to financial leverage, options allow exposure to large nominal values with relatively small investments.

3.1. Example of Investing in Options (Buying Options)

To invest, an option buyer pays a premium (e.g., 5% of the nominal value). The premium represents the maximum potential loss.

Example:

- Purchase of 1 call option with a strike price of USD 100
- Current stock price: USD 98
- Premium paid: USD 400 (USD 4 per share)
- Multiplier: 100 shares
- Nominal contract value: USD 10,000

Positive scenario: A 1% increase in the stock price (from USD 98 to USD 98.98) may increase the option value from USD 4.00 to USD 4.40, resulting in an unrealized profit of USD 40.

Negative scenario: A 1% decrease in the stock price (from USD 98 to USD 97.02) may reduce the option value to USD 3.50, resulting in an unrealized loss of USD 50.

The relationship between option value and underlying price is not constant and changes as expiration approaches. Sensitivity coefficients such as **delta** and **gamma** are commonly used to analyze this relationship.

Options may be unsuitable for long-term investors due to leverage-related volatility. Clients are encouraged to use a demo account prior to trading with real funds.

3.2. Financial Leverage Risk

Options employ significant financial leverage. Small changes in the underlying instrument's price may result in substantial gains or losses. Clients should monitor open positions closely and invest only funds they can afford to lose.

3.3. Price Volatility and Liquidity Risk

Options are exposed to risks from price fluctuations, volatility changes, interest rate changes, dividend effects, foreign exchange movements, and liquidity constraints. Price gaps may occur, leading to abrupt price changes and potential losses when closing positions.

3.4. Risk of the Underlying Instrument

- **Macroeconomic risk:** Economic events may increase volatility.
- **Trading suspension risk:** Trading may be suspended or withdrawn.

Currency-related risks:

- Monetary policy changes
- Legal and regulatory changes

Stock index risks:

- Portfolio composition changes
- Component-specific risks
- Political risk

Commodity risks:

- Non-delivery risk
- Political and regulatory risk
- Additional transaction costs
- Weather-related risks

3.5. Counterparty Risk

As XTB acts as the counterparty to transactions, Clients are exposed to counterparty credit risk. Upon request, additional information may be provided.

3.6.Tax Risk

Tax regulations in the Client's jurisdiction may affect net returns. XTB does not provide tax advice.

3.7. Currency and Transaction Risk

Transactions are converted in real time to the Client's account currency. Exchange rate fluctuations may affect results. Orders may be executed at prices different from those quoted at placement due to market conditions.

3.8. Price Gap and Non-Execution Risk

Price gaps may occur when markets open at prices significantly different from previous closing prices.

3.9. Political and Legal Risk

Unexpected political or legal events may affect pricing, liquidity, or execution of transactions.

4. Terms and Conditions of Keeping the Account

Prior to signing the Agreement, Clients should familiarize themselves with all applicable costs, fees, commissions, and taxes. Certain transactions may require hedging, allowing XTB to use margin funds for security purposes while reflecting them as account balances.

5. Other Essential Information

5.1. XTB does not cooperate with third parties providing investment advice or similar services unless explicitly stated.

5.2. Only designated cash accounts may be used for deposits.

5.3. Clients should contact XTB if in doubt regarding third-party cooperation.

5.4. Transactions must be concluded directly by the Client unless expressly authorized.

5.5. All investment decisions are independent and made at the Client’s discretion. XTB does not provide investment advice.

6. Final Provisions

6.1. Clients should assess whether options are appropriate considering their knowledge, experience, and financial situation.

6.2. Clients acknowledge awareness of investment risks associated with financial instruments and fractional rights.

6.3. Clients acknowledge the possibility of significant financial losses due to leverage.

6.4. Clients acknowledge that profit is impossible without risk.

6.5. Clients confirm that their financial standing enables investment in financial instruments.

6.6. Any guarantees of profit are false.

6.7. XTB bears no liability for losses arising from Client-instructed transactions; each transaction constitutes an independent decision by the Client.