

IMPORTANT NOTICE

It is reminded that the options are financial instruments which are highly risky and that only informed investors should contemplate trading options. Before placing any order relating to options on US options the client will always be presumed to have become familiar with, understood and accepted all the clauses of the "ADDENDUM TO GENERAL TERMS AND CONDITIONS OF Keytrade Bank RELATING TO THE TRADING OF OPTIONS", available on the Transaction Site, as well as the information contained in the documents to which this addendum refers especially the document: "General risk warning concerning financial instruments" and the transaction rules US Options.

Practical specifications of Keytrade Bank service relating to the trading of US options, Transaction rules: US options

1. Types of products that can be traded on the Keytrade Bank trading platform

The Keytrade Bank trading platform only allows the trading of options contracts; it cannot be used to trade futures contracts. There exist weekly and monthly US options

2. Schedules

Options are negotiated on the US option markets during the regular opening hours of the US stock markets, which are from 15h30 till 22H00 CET (Central European Time).

3. Type of option transactions

1. Cash-settled options: at the exercise, there is no delivery of the underlying security but a cash payment of the positive difference (exercise settlement value) between the quote of the underlying value on the moment of calculation and the fixed exercise price.

Note : on the US option market all options on indices are cash-settled.

2. Physical delivery options: the holder of a long position for this type of contract has the right to receive (call) or to make (put) a physical delivery of the underlying interest.

4. Order transmission

According to Keytrade Bank's general conditions - entirely applicable on option trading - customer's orders to negotiate option contracts can be transmitted through Keytrade Bank's electronic routing system or via telephone.

5. Features

Each option contract covers generally 100 underlying assets. However, the number of underlying assets can be adjusted due to certain events. Thus can corporate actions (ex. stock dividends, stock distributions, stock splits and company mergers) result in an adjustment of the number of underlying shares, of the exercise price, or of both.

We particularly bring into focus article 70 "Financial information" of the General Terms and Conditions which stipulates that: "All such information is however supplied to the Bank by third parties, and in the case of some prices, by the markets or MTF concerned. The Client therefore expressly accepts that the Bank cannot guarantee the accuracy of this information and that it declines any liability for any loss resulting from either the erroneous character of the information (in particular regarding the execution of Operations on the basis of erroneous rates or the failure to execute Operations due to erroneous rates), or by the failure to transmit such information (and therefore in particular the loss of chances or opportunities).". Keytrade Bank also reminds that the client shall use the information in accordance with article 14.10 of the General Terms and Conditions: "The Client shall undertake to use the Bank's services in good faith, and shall recognise in particular, in this context, as specified in article 70, that the market prices and available prices are provided to the Bank by a third party."

On the Transaction Site all option quotes are by default 15 minutes delayed. It is recommended to have real-time quotes when trading in US options. You may activate the US markets real-time quotes in the menu "Your preferences"/"Site Preferences"/"Quotes" on the Transaction Site.

6. Option trading on US markets via Keytrade Bank

Keytrade Bank clients can trade only two types of options: equity securities options and options on stock indices.

Government debt securities options, foreign currencies options and Flexibly Structured Options are not negotiable via Keytrade Bank.

Keytrade Bank trading platform for US options allows «long» positions, i.e. opening buy and closing sell.

«Short» positions (opening sell and closing buy), i.e. options written by customers, are possible under the following conditions:

- Writing index options is not possible.
- A call option writer must always have the underlying stocks in portfolio in order to be able to face the possible call option exercise (assignment). Underlying stocks will be blocked as a guarantee on the writer's trading account as long as the option is not expired or bought back.
- A put option writer must always have in portfolio the necessary cash in order to face the possible put option exercise (assignment). The necessary cash will be blocked as a guarantee on the writer's trading account as long as the option is not expired or bought back.

The types of orders available via Keytrade Bank's system are «limit orders» and «market orders», with a «day» validity or «GTC» (Good Til Cancelled):

- «Day orders»: in this case, these orders are valid until the last trading session on the date that they are transmitted by Keytrade Bank to the relevant market. If they are not executed within that period, they are automatically cancelled at the end of this session;

- «GTC» («Good-Till-Cancelled») orders: when the series of options covered by the GTC orders expire, these GTC orders are automatically cancelled upon expiration. However, the principal may at any time cancel a GTC order prior to the expiration of this period.

In the Keytrade Bank transaction system, orders may be placed, in terms of order type:

«at a limit price», i.e. at a maximum price indicated by the client in the case of a buy order, or at a minimum price indicated by the client in the case of a sell order. Unlike 'market price orders', partial executions of 'limit price orders' are possible. «Market» orders are only available to close existing US option positions (i.e. Close Buy and Close Sell) because of the high volatility of the option prices.

Notice concerning «limit» orders

Limit orders price must, in most cases, be a multiple of USD 0.05 if the option quotes between 0 and USD 3 and a multiple of USD 0.10 if the option quotes more than USD 3.

For example, an order with limit USD 2.34 will be rejected, but in the contrary be accepted with limit USD 2.30 or USD 2.35. In the same way, an order with limit USD 3.15 will be rejected but in the contrary accepted with limit USD 3.10 or USD 3.20

7. Option exercise (long position)

Keytrade Bank does not authorize its clients to exercise options before the expiration date of the option. If the client has not sold his long position before the expiration date of the option, Keytrade Bank will automatically sell on expiration through the function «auto-sell» (see point «Auto-Sell» hereafter).

Furthermore, options that are «in the money» at the expiry will be exercised automatically for options (on stocks or on indexes) if the value of the contract is at least USD 0.01.

Example: Call X 01/2099 with strike price 55 USD.

If the options have not been sold on the last day, there are three possibilities:

1. the price of the underlying share X is ≤ 55 USD
=> the option becomes worthless.
2. the price of the underlying share X is between 55 USD and 55.009 USD: the option has to be considered worthless as the difference between the price of the underlying share and the strike price is less than 0.01 USD
3. the price of the underlying share X is ≥ 55.01 USD
=> the client MUST buy the shares X at 55 USD

If the client does not have sufficient cash in his trading account to pay the purchase and the costs, Keytrade Bank proceeds to the sell or a part or all the shares so that the trading account is no longer in debit. The attention of the client is drawn to the fact that the client takes the risk of an important potential loss depending on the market circumstances.

If a client sells an option largely 'out of the money', the trading fees charged to the client will never be superior to the sell price of its option.

8. Option writer assignment (short position)

When a customer writes an option (opening sell), he might be assigned to face his engagements. The risk is this to have to sell at any moment underlying shares when a call was written or to have to buy underlying shares when a put was written.

Every day, Keytrade Bank receives from correspondents the number of contracts that have been assigned the day before. Keytrade Bank then designates the customers who have to respect their engagements.

In case of assignment, Keytrade Bank will buy or sell the underlying shares. The assigned positions and purchases or deliveries of underlying shares following the assignment, will be mentioned on account statements. The transaction date corresponds to the option exercise date, which is the working day before assignment.

In case the call option writer is assigned and does not have the total amount of stocks to be delivered, Keytrade Bank will buy for the customer at market price the balance of stocks necessary for the delivery.

WARNING!

If you want to cancel a short position (opening sell) by purchasing the position (closing buy), the purchase should be considered as a separate transaction, which means the following risk for the customer:

The customer has covered his option short position by purchasing the position on day D. However, an assignment was exercised the same day D by a counterparty that owns the same option written by the customer. Clearing can only inform Keytrade Bank on day D+1, date from which Keytrade Bank assigns his customer to face his engagement in the option writing. Consequently, the customer can be assigned by the fact of his short position although he has covered his position by purchasing the position. THE CUSTOMER ACCEPTS THE RISK TO BE ASSIGNED AT ANY TIME, EVEN IF HE HAS ALREADY PURCHASED HIS POSITION. THE CUSTOMER ACCEPTS THE CONSEQUENCES OF THIS.



9. Option expiry

Option contracts always have a fixed expiration date (generally, the third Friday of the month for monthly options and the Friday of every week for the weekly options). After this date, the option is worthless.

9.1 Long position

In case of a cash-settled option, the client will be credited of the exercise settlement value less transaction costs and eventual taxes. The exercise settlement values are determined by the reporting authorities (Exchanges) in different ways. In the case of a delivery contract, during the term of the contract, the client can only sell a long position and will not be able to exercise his option. The last transaction date the client has two choices:

1. Sell

The sale must be done before the end of the option negotiation on the market. Afterwards, it will no longer be possible to sell a long position for this option which will expire worthless except for the cases in which there is a possible exercise.

2. Do not react

ATTENTION in this case you risk a possible exercise: options that are «in the money» at the expiry will be exercised automatically for options (on stocks or on indexes) if the value of the contract is at least USD 0.01.

If the client does not have sufficient cash in his trading account to pay the purchase and the costs, Keytrade Bank proceeds to the sell or a part or all the shares so that the trading account is no longer in debit. The attention of the client is drawn to the fact that the client takes the risk of an important loss depending on the market circumstances.

Auto-sell

Each buy of an option (opening buy) is automatically and without any action taken by the client followed by an auto-sell. This means that automatically a sell order will be placed the last trading day.

This means that options coming to expiration and for which no sell order has been placed the last trading day, will be automatically sold as from 5 pm (CET) at 'market price' but with NO guarantee to be executed.

WARNING ! The sell orders (closing sell) or buy orders (opening buy) in the customer's portfolio and registered by the market, will remain under the responsibility of the customer until expiry of the concerned options. The «auto-sell» function will only be operational for those options for which the customer has placed no sell order. Your attention is particularly drawn to the fact that if these sell orders can not be executed before the expiry of the options, the latter will become worthless at expiry, except for the cases in which there is an automatic exercise as described in point 7) and if the option is «in the money».

The deactivation by the customer of the «auto-sell» function does not prevent the customer from selling his options. Important remark : Opening options after 17h00 CET (Central European Time) on the expiration date is very risky. For an option purchased after the "auto-sell" cut-off of 17h00 CET on the expiration date, the auto-sell function will not be available. The customer is solely responsible for closing this option the same day before the market closes. Otherwise the option will expire without any value or will be automatically exercised (see point 7).

9.2 Short position

If the option sold by the customer (opening sell) is «in the money» at expiry, the customer will in principle be assigned by the counterparty and he will have to deliver the underlying shares at strike price in case of a call option, or will have to buy the underlying shares at strike price in case of put option.

If the customer wants to avoid a possible assignment and its costs, he has to close his position by buying back the «short» option (closing buy) before the expiry of the option, with however the following risk:

Even if a customer has covered his short position by buying back on day D, an assignment can be exercised the same day D by a counterparty which owns the same option. Clearing can only inform Keytrade Bank on day D+1, date from which Keytrade assigns his customer to face his engagement in the option writing. Consequently, the customer can be assigned by the fact of his short position even if he has covered his position by the position repurchase. THE CUSTOMER ACCEPTS THE RISK TO BE ASSIGNED AT ANY TIME, EVEN IF HE HAS ALREADY PURCHASED HIS POSITION. THE CUSTOMER ACCEPTS THE CONSEQUENCES OF THIS

10. Links

The customer recognizes the risks of option trading and recognizes having read and accepted the practical specifications and risks relating to the trading of options on U.S. Markets on the website www.cboe.com.

The attention of the clients is drawn to the fact that Keytrade Bank only offers the services described above and not necessarily all the services and operating processes mentioned in these Explanatory Notes. Subject to this provision, in case of contradiction between these Practical Specifications and the notes, Keytrade Bank conditions shall prevail.

In any case, the service offered by Keytrade Bank and the execution of the client's orders on options remain submitted to the rules of the markets concerned, on which Keytrade Bank acts as an intermediary, on behalf of the client.

In case of lack of understanding of, or doubts regarding, these rules and operating processes, the client is invited to ask for further information to Keytrade Bank Luxembourg. In the event of a divergence between the different linguistic versions of the present Addendum, the French version shall prevail.

11. Pricing

The tariffs applicable to the trading of options are mentioned in the brochure "Tarifs".

12. Remark

If you wish to use the revenue of a sell, you must take into account the value date of the generated cash.

Value dates per market:

Bonds	D+3
Canadian markets	D+3
Eurex	D+1
Euronext (Brussels, Amsterdam, Paris)	D+3
European options	D+1
Funds	D+3 (the value date is stipulated by the issuer)
London stock exchange	D+3
Madrid	D+3
Milan	D+3
OMX (Helsinki, Stockholm, Copenhagen)	D+3
Switzerland	D+3
US markets	D+3
US options	D+1
Xetra (Frankfurt)	D+2
Currency exchange	D+2

