

DISCLOSURES AND INFORMATION STATEMENTS

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TRADING COMMODITY FUTURES AND OPTION PRODUCTS ENTAILS SIGNIFICANT RISK OF LOSS, WHICH MAY EXCEED YOUR INVESTMENT, AND MAY NOT BE SUITABLE FOR ALL INVESTORS. PLEASE CONSIDER WHETHER TRADING IS SUITABLE FOR YOU

RISK DISCLOSURE STATEMENT

The risk of loss in trading [commodity](#) futures contracts can be substantial. You should, therefore, carefully consider whether such trading is suitable for you in light of your circumstances and financial resources. You should be aware of the following points:

FUTURES RELATED RISKS

- (1) You may sustain a total loss of the funds that you deposit with your broker to establish or maintain a position in the [commodity](#) futures market, and you may incur losses beyond these amounts. If the market moves against your position, you may be called upon by your broker to deposit a substantial amount of additional margin funds, on short notice, in [order](#) to maintain your position. If you do not provide the required funds within the time required by your broker, your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account.
- (2) The funds you deposit with a [futures commission merchant](#) for trading futures positions are not protected by insurance in the event of the bankruptcy or insolvency of the [futures commission merchant](#), or in the event your funds are misappropriated.
- (3) The funds you deposit with a [futures commission merchant](#) for trading futures positions are not protected by the Securities Investor Protection Corporation even if the [futures commission merchant](#) is registered with the Securities and Exchange Commission as a broker or dealer.
- (4) The funds you deposit with a [futures commission merchant](#) are generally not guaranteed or insured by a derivatives [clearing organization](#) in the event of the bankruptcy or insolvency of the [futures commission merchant](#), or if the [futures commission merchant](#) is otherwise unable to refund your funds. Certain derivatives clearing organizations, however, may have programs that provide limited insurance to customers. You should inquire of your [futures commission merchant](#) whether your funds will be insured by a derivatives [clearing organization](#) and you should understand the benefits and limitations of such insurance programs.
- (5) The funds you deposit with a [futures commission merchant](#) are not held by the [futures commission merchant](#) in a separate account for your individual benefit. Futures commission merchants commingle the funds received from customers in one or more accounts and you may be exposed to losses incurred by other customers if the [futures commission merchant](#) does not have sufficient capital to [cover](#) such other customers' trading losses.
- (6) The funds you deposit with a [futures commission merchant](#) may be invested by the [futures commission merchant](#) in certain types of financial instruments that have been approved by the Commission for the purpose of such investments. Permitted investments are listed in Commission Regulation 1.25 and include: U.S. government securities; municipal securities; money market mutual funds; and certain corporate notes and bonds. The [futures commission merchant](#) may retain the interest and other earnings realized from its investment of [customer](#) funds. You should be familiar with the types of financial instruments that a [futures commission merchant](#) may invest [customer](#) funds in.
- (7) Futures commission merchants are permitted to deposit [customer](#) funds with affiliated entities, such as affiliated banks, securities brokers or dealers, or foreign brokers. You should inquire as to whether your [futures commission merchant](#)

deposits funds with affiliates and assess whether such deposits by the [futures commission merchant](#) with its affiliates increases the risks to your funds.

- (8) You should consult your [futures commission merchant](#) concerning the nature of the protections available to safeguard funds or property deposited for your account.
- (9) Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example, when the market reaches a daily price fluctuation limit (“limit move”).
- (10) All futures positions involve risk, and a “spread” position may not be less risky than an outright “long” or “short” position.
- (11) The high degree of leverage (gearing) that is often obtainable in futures trading because of the small margin requirements can work against you as well as for you. Leverage (gearing) can lead to large losses as well as gains.
- (12) In addition to the risks noted in the paragraphs enumerated above, you should be familiar with the [futures commission merchant](#) you select to entrust your funds for trading futures positions. The Commodity Futures Trading Commission requires each [futures commission merchant](#) to make publicly available on its Web site firm specific disclosures and financial information to assist you with your assessment and selection of a [futures commission merchant](#). Information regarding this [futures commission merchant](#) may be obtained by visiting our Web site, www.huataiusa.com.

OPTIONS RELATED RISKS

(13) **Variable degree of risk** Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures above). If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling (“writing” or “granting”) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin (see the section on Futures above). If the option is “covered” by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the

premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

ADDITIONAL RISKS COMMON TO FUTURES AND OPTION

(14) **Terms and conditions of contracts.** You should ask the firm with which you deal about the terms and conditions of the specific futures or options you are trading and associated obligations (i.e. the circumstances under which you may become obligated to make or take delivery of the underlying interest of a futures contract and, in respect to options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

(15) **Suspension or restriction of trading and pricing relationships** Market conditions (i.e. illiquidity) and/or the operation of the rules of certain markets (i.e. the suspension of trading in any contract or contract month because of price limits or “circuit breakers”) may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss. Further, normal pricing relationships between the underlying interest and the future, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge “fair” value.

(16) **Deposited cash and property** You should familiarize yourself with the protections accorded money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

(17) **Commission and other charges** Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

(18) **Transactions in other jurisdictions** Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should inquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

(19) **Currency risks** The profit or loss in transactions in foreign currency denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

(20) **Trading facilities** Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearinghouse and/or member firms. Such limits may vary. You should ask the firm with which you deal for details in this respect.

(21) **Electronic trading** Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.

(22) **Off-exchange transactions** In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect offexchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a firm price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules and subsequent risks.

ALL OF THE POINTS NOTED ABOVE APPLY TO ALL FUTURES TRADING WHETHER FOREIGN OR DOMESTIC. IN ADDITION, IF YOU ARE CONTEMPLATING TRADING FOREIGN FUTURES OR OPTIONS CONTRACTS, YOU SHOULD BE AWARE OF THE FOLLOWING ADDITIONAL RISKS:

(23) Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally “linked” to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, customers who trade on foreign exchanges may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. Before you trade, you should familiarize yourself with the foreign rules which will apply to your particular transaction.

(24) Finally, you should be aware that the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the [order](#) is placed and the foreign futures contract is liquidated or the foreign option contract is liquidated or exercised.

THIS BRIEF STATEMENT CANNOT, OF COURSE, DISCLOSE ALL THE RISKS AND OTHER ASPECTS OF THE [COMMODITY](#) MARKETS.

CROSS TRADE CONSENT

Huatai Financial USA Inc (“Huatai USA”) its directors, officers, employees, affiliates, agents, introducing brokers, other customers or servicing floor broker(s) may from time to time, without prior notice take the opposite side of orders for physicals or for purchase or sale of futures and/or options on futures contracts placed for your Account (the buyer to Customer’s sell order or the seller to Customer’s buy order) in conformity with regulations of the CFTC and the by-laws, rules and regulations of the applicable market (and its clearing organization) on which such order is executed.

NON-CASH MARGIN DISCLOSURE – CFTC REGULATION 190.10

THIS STATEMENT IS FURNISHED TO YOU BECAUSE RULE 190.10 (c) OF THE COMMODITY FUTURES TRADING COMMISSION REQUIRES IT FOR REASONS OF FAIR NOTICE UNRELATED TO THIS COMPANY'S CURRENT FINANCIAL CONDITION.

1. YOU SHOULD KNOW THAT IN THE UNLIKELY EVENT OF THIS COMPANY'S BANKRUPTCY, PROPERTY, INCLUDING PROPERTY SPECIFICALLY TRACEABLE TO YOU, WILL BE RETURNED, TRANSFERRED OR DISTRIBUTED TO YOU, OR ON YOUR BEHALF, ONLY TO THE EXTENT OF YOUR PRO RATA SHARE OF ALL PROPERTY AVAILABLE FOR DISTRIBUTION TO CUSTOMERS.
2. NOTICE CONCERNING THE TERMS FOR THE RETURN OF SPECIFICALLY IDENTIFIABLE PROPERTY WILL BE BY PUBLICATION IN A NEWSPAPER OF GENERAL CIRCULATION.
3. THE COMMISSION'S REGULATIONS CONCERNING BANKRUPTCIES OF COMMODITY BROKERS CAN BE FOUND AT 17 CODE OF FEDERAL REGULATIONS PART 190.

ELECTRONIC TRADING AND ORDER ROUTING DISCLOSURE STATEMENT

Electronic trading and order routing systems differ from traditional open outcry pit trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchange(s) offering the system and/or listing the contract. Before you engage in transactions using an electronic system, you should carefully review the rules and regulations of the exchange(s) offering the system and/or listing contracts that you intend to trade.

Differences Among Electronic Trading Systems

Trading or routing orders through electronic systems varies among the different electronic systems. You should consult the rules and regulations of the exchange offering the electronic system and/or listing the contract traded or order routed to understand, among other things, in the case of trading systems, the system's order matching procedure, opening and closing procedures and prices, error trade policies, and trading limitations or requirements; and in the case of all systems, qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system.

Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access such as varying response times and security. In the case of internet-based systems, there may be additional types of risks related to system access, varying response times and security, as well as risks related to service providers and the receipt and monitoring of electronic mail.

Simultaneous Open Outcry Pit and Electronic Trading

Some contracts offered on an electronic trading system may be traded electronically and through open outcry simultaneously. You should review the rules and regulations of the exchange offering the system and/or listing the contract to determine how orders that do not designate a particular process will be executed.

Risks Associated with System Failure

Trading through an electronic trading or order routing system exposes you to risks associated with system failure. In the event of system or component failure, it is possible that you may not be able to enter new orders, execute existing orders, or modify or cancel orders that were entered. System or component failure may also result in loss of orders or order priority.

Limitation of Liability

Exchanges offering an electronic trading or order routing system and/or listing the contract may have adopted rules to limit their liability, the liability of FCMs, and the liability of software and communication system vendors and the amount of damages you may collect for system failure and delays. These limitations of liability provisions vary among the exchanges. You should consult the rules and regulations of the relevant exchange(s) in order to understand these liability limitations.

Please note: Each exchange's relevant rules are available upon request or in many cases they are available on the relevant exchange's website.

IT IS IMPORTANT YOU UNDERSTAND THE RISKS INVOLVED WHEN CONTRACTS TRADE ELECTRONICALLY.

HUATAI FINANCIAL USA INC - PRIVACY POLICY NOTICE

Huatai Financial USA Inc (“Huatai USA”) values the relationship between you as Client and Huatai USA, your broker. We appreciate the trust you have placed in Huatai USA and we understand that as part of providing you with services, you have given us private information about yourself or your entity. Huatai USA believes in protecting the privacy of any personal information you provide. This privacy policy addresses data collection, use and disclosure practices. This policy may change from time to time and you will receive written notification of any such changes.

Huatai USA is committed to safeguarding such information from loss, misuse, unauthorized access, disclosure and alteration. This privacy policy statement is provided to you on behalf of Huatai and addresses data collection, use and disclosure practices.

Information Collected

We may collect personal information about you or your entity from the following sources:

- Information from communication and transactions we or our affiliates have with you;
- Information we receive from you on applications or other forms;
- Information from third parties who provide consumer information or credit reporting information;
- Information about you that we obtain through an information collecting device from a web server.

Use and Disclosure of Your Information

The reasons Huatai collects and uses such personal information include: to create and foster ongoing customer relationships, to complete transactions contemplated in the Account Agreement, to contact you in response to inquiries and issues or as necessary, to assist third parties in carrying out the business of Huatai USA, to comply as required by law or regulation, in connection with a merger, acquisition, sale or other transfer involving all or a portion of Huatai USA’s business or such other business purpose. This includes, but is not limited to, your name, address, approximate age, investment experience and other identifiable information. Subject to strict confidentiality protections, Huatai USA may share personal information with its affiliated companies and service providers around the world.

PLEASE NOTE HUATAI USA WILL NOT SELL INFORMATION REGARDING ITS CUSTOMERS OR FORMER CUSTOMERS

Security and Confidentiality

Huatai will safeguard customer information from unauthorized access by their confidentiality policies and/or limiting employees and third parties permitted to access such information. However, while we attempt to provide fail-proof security and confidentiality, due to the design of the internet, we cannot guarantee that communications between you and our servers will be free from unauthorized access by third parties.

Use of Cookies

Huatai USA may at time utilize cookies to provide various services. Cookies allow websites to service its users better by providing measurement statistics on site usage, learn about areas of the site that are over or underutilized, and helps to ensure that you are logged into your account correctly. It is possible to adjust your web browser preferences to alert you when a cookie is sent to your hard drive, or to refuse cookies altogether. While Huatai USA does not require you to accept cookies, certain services may not function properly if you do not use and accept cookies.

Third Party Website

This Privacy Policy does not extend to third party sites linked to Huatai USA's website. Huatai USA is not responsible for the privacy practices, security or content of third party websites, including information that may be collected through the use of cookies or other technologies. Refer to the policies associated with those websites.

Privacy and security are fundamental principles governing Huatai USA's client relationships. Huatai USA reserves the right to amend this Privacy Policy from time-to-time. An updated Privacy Policy may be found on the Huatai USA website. www.HuataiUSA.com

MARKET DATA NOTIFICATION

As a market user, you may obtain access to Market Data available through an electronic trading system, software or device that is provided or made available to you by a broker or an affiliate of such. Market Data may include, with respect to products of an exchange (“Exchange”) or the products of third party participating Exchanges that are traded on or through the Exchange’s electronic trading platform (“Participating Exchange”), but is not limited to “real time” or delayed market prices, opening and closing prices and ranges, high-low prices, settlement prices, estimated and actual volume information, bids or offers and the applicable sizes and numbers of such bids or offers.

You are hereby notified that Market Data constitutes valuable confidential information that is the exclusive proprietary property of the applicable Exchange and is not within the public domain. Such Market Data may only be used for your firm’s internal use. You may not, without the written authorization of the applicable Exchange, redistribute, sell, license, retransmit or otherwise provide Market Data, internally or externally and in any format by electronic or other means, including, but not limited to the Internet. Further, you may not, without the written authorization of the applicable Exchange, use Exchange Market Data for purposes of determining any price, including any settlement price, for any futures product, options on futures product, or other derivatives instrument traded on any Exchange other than an Exchange or a Participating Exchange; or in constructing or calculating the value of any index or indexed product. Additionally, you agree you will not, and will not permit any other individual or entity to: (i) use Exchange Market Data in any way so as to compete with an Exchange or to assist or allow a third party to compete with an Exchange; or (ii) use that portion of Exchange Market Data which relates to any product of a Participating Exchange in any way so as to compete with that Participating Exchange or to assist or allow a third party to compete with such Participating Exchange.

Upon request of the broker through which your firm has obtained access to Market Data, or the applicable Exchange, we must provide information demonstrating your firm’s use of the Market Data in accordance with this Notification. Each applicable Exchange reserves the right to terminate a market user’s access to Market Data for any reason. You also agree that you will cooperate with an Exchange and permit an Exchange reasonable access to your premises should an Exchange wish to conduct an audit or review connected to the distribution of Market Data.

NEITHER AN EXCHANGE, NOR THE BROKER, NOR THEIR RESPECTIVE MEMBERS, SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS, SHALL GUARANTEE THE TIMELINESS, SEQUENCE, ACCURACY OR COMPLETENESS OF THE DESIGNATED MARKET DATA, MARKET INFORMATION OR OTHER INFORMATION FURNISHED NOR THAT THE MARKET DATA HAVE BEEN VERIFIED. YOU AGREE THAT THE MARKET DATA AND OTHER INFORMATION PROVIDED IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT INTENDED AS AN OFFER OR SOLICITATION WITH RESPECT TO THE PURCHASE OR SALE OF ANY SECURITY OR COMMODITY

FOREIGN TRADER DISCLOSURE STATEMENT

In accordance with Rules 15.05 and 21.03 of the Commodity Futures Trading Commission (“CFTC”), 17 C.F.R. §§15.05 and 21.03, we are considered to be your agent for purposes of accepting delivery and service of communications from or on behalf of the CFTC regarding any commodity futures contracts or commodity option contracts which are or have been maintained in your account(s) with us. In the event that you are acting as agent or broker for any other person(s), we are also considered to be their agent, and the agent of any person(s) for whom they may be acting as agent or broker, for purposes of accepting delivery and service of such communications. Service or delivery to us of any communication issued by or on behalf of the CFTC (including any summons, complaint, order, subpoena, special call, request for information, notice, correspondence or other written document) will be considered valid and effective service or delivery upon you or any person for whom you may be acting, directly or indirectly, as agent or broker.

You should be aware that Rule 15.05 also provides that you may designate an agent other than Huatai Financial USA Inc. Any such alternative designation of agency must be evidenced by a written agency agreement which you must furnish to us and which we, in turn, must forward to the CFTC. If you wish to designate an agent other than us, please contact us in writing. You should consult 17 C.F.R. §15.05 for a more complete explanation of the foregoing.

Upon a determination by the CFTC that information concerning your account(s) with us may be relevant in enabling the CFTC to determine whether the threat of a market manipulation, corner, squeeze, or other market disorder exists, the CFTC may issue a call for specific information from us or from you. In the event that the CFTC directs a call for information to us, we must provide the information requested within the time specified by the CFTC. If the CFTC directs a call for information to you through us as your agent, we must promptly transmit the call to you, and you must provide the information requested with the time specified by the CFTC. If any call by the CFTC for information regarding your account(s) with us is not met, the CFTC has authority to restrict such account(s) to trading for liquidation only. You have the right to a hearing before the CFTC to contest any call for information concerning your account(s) with us, but your request for a hearing will not suspend the CFTC’s call for information unless the CFTC modifies or withdraws the call. Please consult 17 C.F.R. §21.03 for a more complete description of the foregoing (including the type of information you may be required to provide).

Certain additional regulations may affect you. Part 17 of the CFTC Regulations, 17 C.F.R. Part 17, requires each futures commission merchant and foreign broker to submit a report to the CFTC with respect to each account carried by such futures commission merchant or foreign broker which contains a reportable futures position. (Specific reportable position levels for all futures contracts traded on U.S. exchanges are established in Rule 15.03.) In addition, Part 18 of the CFTC Regulations, 17 C.F.R. Part 18, requires all traders (including foreign traders) who own or control a reportable futures or options position and who have received a special call from the CFTC to file a Large Trader Reporting Form (Form 103) with the CFTC within one day after the special call upon such trader by the CFTC. Please consult 17 C.F.R. 17 and 18 for more complete information with respect to the foregoing.

VIRTUAL CURRENCY DISCLOSURE

Futures on Virtual Currencies Including Bitcoin (Per NFA Requirement)

Trading futures on virtual currencies, including Bitcoin, may have significant risk and may not be suitable for all investors. It is critical for investors considering trading virtual currency futures to educate themselves about these products, understand their risks, and conduct due diligence prior to making investment decisions.

- Conduct due diligence on any individuals and firms soliciting for an investment in futures on virtual currencies including Bitcoin by checking their Commodity Futures Trading Commission (CFTC) registration status, NFA membership status, and background using NFA's BASIC system or calling NFA's Information Center at 800-621-3570.
- Virtual currencies including Bitcoin experience significant price volatility, and fluctuations in the underlying virtual currency's value between the time you place a trade for a virtual currency futures contract and the time you attempt to liquidate it will affect the value of your futures contract and the potential profit and losses related to it. Be very cautious and monitor any trade you make. Be very cautious and monitor any investment that you make.
- Be aware of sales pitches offering investment schemes that promise significant returns with little risk or that encourage you to "act now." If an investment sounds too good to be true (e.g., high returns, guaranteed to perform in a certain way), then it probably is.
- Virtual currency futures contracts are bought and sold using initial margin money that can enable you to hold a virtual currency futures contract valued more than your initial investment. This is referred to as leverage. If the price of the futures contract moves in an unfavorable direction, the leveraged nature of the futures investment can produce large losses relative to your initial investment. A small move against your position may result in a large loss, including the loss of your entire initial deposit, and you may be liable for additional losses.
- Be aware of the risk of Ponzi scheme operators and fraudsters seeking to capitalize on the current attention focused on virtual currencies, including Bitcoin.

Outlined above are some of the risks associated with trading futures on virtual currencies, including Bitcoin. Investors should fully educate themselves about all the associated risks before trading. With CFTC oversight, each futures exchange listing a virtual currency futures contract is responsible for regulating its futures market. The National Futures Association performs market regulation services on behalf of certain futures exchanges and swap facilities.

Please be aware that although virtual currency futures, including Bitcoin, must be traded on regulated futures exchanges, this does not mean the underlying cryptocurrency markets are regulated in any manner, and as mentioned above, what occurs in a virtual currency's underlying market may impact the price of a virtual currency's futures contract.

Understand the Risks of Virtual Currency Trading (Per NFA Requirement)

Virtual currency is a digital representation of value that functions as a medium of exchange, a unit of account, or a store of value; however, it does not have legal tender status. Virtual currencies are sometimes exchanged for U.S. dollars or other currencies around the world, and are not currently backed nor supported by any government or central bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional fiat currencies. Profits and losses related to this volatility are amplified in margined futures contracts.

For hedgers – those who own Bitcoin or other virtual currencies and who are looking to protect themselves against potential losses or looking to buy virtual currencies at some point in the future – futures contracts and options are intended to provide protection against this volatility. However, like all futures products, speculating in these markets should be considered a high-risk transaction.

Bitcoin is a Commodity - Bitcoin and other virtual currencies have been determined to be commodities under the Commodity Exchange Act (CEA). The Commission primarily regulates commodity derivatives contracts that are based on underlying commodities. While its regulatory oversight authority over commodity cash markets is limited, the CFTC maintains general anti-fraud and manipulation enforcement authority over virtual currency cash markets as a commodity in interstate commerce.

Purchasing virtual currencies on the cash market – spending dollars to purchase Bitcoin for your personal wallet, for example – comes with a number of risks, including:

- most cash markets are not regulated or supervised by a government agency;
- platforms in the cash market may lack critical system safeguards, including customer protections;
- volatile cash market price swings or flash crashes;
- cash market manipulation;
- cyber risks, such as hacking customer wallets; and/or
- platforms selling from their own accounts and putting customers at an unfair disadvantage.

It is also important to note that market changes that affect the cash market price of a virtual currency may ultimately affect the price of virtual currency futures and options.

When customers purchase a virtual currency-based futures contract, they may not be entitled to receive the actual virtual currency, depending on the particular contract. Under most futures contracts currently being offered, customers are buying the right to receive or pay the amount of an underlying commodity value in dollars at some point in the future. Such futures contracts are said to be “cash settled.” Customers will pay or receive (depending on which side of the contract they have taken – long or short) the dollar equivalent of the virtual currency based on an index or auction price specified in the contract. Thus, customers should inform themselves as to how the index or auction prices used to settle the contract are determined.

Entering into futures contracts through leveraged accounts can amplify the risks of trading the product. Typically, participants only fund futures contracts at a fraction of the underlying commodity price when using a margin account. This creates “leverage,” and leverage amplifies the underlying risk, making a change in the cash price even more significant. When prices move in the customers’ favor, leverage provides them with more profit for a relatively small investment. However, when markets go against customers’ positions, they will be forced to refill their margin accounts or close out their positions, and in the end may lose more than their initial investments.

Virtual currencies are commonly targeted by hackers and criminals who commit fraud. There is no assurance of recourse if virtual currency is stolen. Be cautious of how and where virtual currency is stored, and of virtual currency exchange scams, as well as Ponzi and “pyramid” schemes.

If deciding to buy virtual currencies or derivatives based on them, remember these tips:

- If someone tries to sell you an investment in options or futures on virtual currencies, including Bitcoin, verify they are registered with the CFTC. Visit www.SmartCheck.gov to check registrations or learn more about common investment frauds.
- Remember—much of the virtual currency cash market operates through Internet-based trading platforms that may be unregulated and unsupervised.
- Do not invest in products or strategies you do not understand.
- Understand the risks and how the product can lose money, as well as the likelihood of loss. Only speculate with money you can afford to lose.
- There is no such thing as a guaranteed investment or trading strategy. If someone tells you there is no risk of losing money, do not invest.

- Investors should conduct extensive research into the legitimacy of virtual currency platforms and digital wallets before providing credit card information, wiring money, or offering sensitive personal information.
- The SEC has also warned that some token sales or initial coin offerings (ICOs) can be used to improperly entice investors with promises of high returns.¹

If you believe you may have been the victim of fraud, or to report suspicious activity, contact the CFTC at 866.366.2382 or visit their website www.CFTC.gov/TipOrComplaint.

¹ See https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_coinofferings.

MATERIAL CONFLICTS OF INTEREST DISCLOSURE

The purpose of this document is to provide you with information about some of the material conflicts of interest that may arise between you and Huatai Financial USA Inc or its affiliates, directors, officers or employees (“Huatai”) in connection with Huatai performing services for you with respect to futures contracts, options contracts thereon, commodity futures, cash commodities, forward contracts, currency conversions, on exchange foreign currency-denominated financial instruments, cleared swaps, collateral for margin or excess margin, and transactions related thereto or similar instruments which may be purchased, sold or cleared by or through an FCM, (collectively, “Contracts”). Conflicts of interests can arise in particular when Huatai has an economic or other incentive to act, or persuade you to act, in a way that favors Huatai.

You should also be aware that Huatai may own stock in, or have some other form of ownership interest in, one or more U.S. or foreign exchanges, trading facilities or clearing organizations, trading systems, and carrying brokers (“Trading Facilities”) where your transactions in Contracts may be executed and/or cleared. As a result, Huatai may receive financial or other benefits related to its ownership interest when Contracts are executed on or through such Trading Facilities, and Huatai would, in such circumstances, have an incentive to cause Contracts to be executed on or through such Trading Facilities. In addition, employees and officers of Huatai may also serve on the board of directors or on one or more committees of a Trading Facility.

In addition, Trading Facilities may from time to time have in place arrangements that provide their members or participants with volume, market-making or other discounts or credits or may provide incentive or arrangements that are intended to encourage market participants to trade on or direct trades to that Trading Facility. Huatai may participate in and obtain financial benefits from such incentive programs.

In the course of providing Customer execution services, Huatai may direct orders to affiliated or unaffiliated market-makers, other executing firms, individual brokers or brokerage groups for execution. Such execution groups may, where permitted, agree to price concessions, volume discounts or refunds, rebates or similar payments in return for receiving such business. Where permitted by law and the rules, Huatai may solicit a counterparty to trade opposite your order or enter into transactions for its own account or the account of other counterparties that may, be averse to your interests in a Contract. In such circumstances, that counterparty may compensate Huatai in connection with that transaction. The results of your transactions may differ significantly from the results achieved by Huatai for our own account, our affiliates, others.

In addition, where permitted by applicable law, Huatai may act on the other side of your order or transaction by the purchase or sale for an account, or the execution of a transaction with a counterparty, in which Huatai or a person affiliated with Huatai has a direct or indirect interest. In addition, Huatai may affect any such order with a counterparty that provides Huatai with discounts related to fees for Contracts or other products. In cases where Huatai has offered you a discounted commission or clearing fee for Contracts executed through Huatai as agent or with Huatai acting as counterparty, Huatai may be doing so because of the enhanced profit potential resulting from acting as executing broker or counterparty.

Huatai may act as, among other things, an investor, research provider, placement agent, distributor, remarketing agent, structurer, securitize, lender, investment manager, investment adviser, commodity trading advisor, municipal advisor, market maker, trader, prime broker or clearing broker. In those and other capacities, Huatai, its directors, officers, employees and affiliates may take or hold positions in, or advise other customers and counterparties concerning, or publish research or express a view with respect to, a Contract or a related financial instrument that may be the subject of advice from Huatai to you. Any such positions and other advice may not be consistent with, or may be contrary to your interests or to positions which are the subject of advice previously provided by Huatai to you, and unless otherwise disclosed in writing, we are not necessarily acting in your best interest and are not assessing the suitability for you of any Contract or related financial instrument. Acting in one or more of the capacities noted above may give Huatai access to information relating to markets, investments and products. As a result, Huatai may be in possession of information which, if known to you, might cause you to seek to dispose of, retain or increase your position in one or more Contracts or other financial instruments. Huatai and its affiliates will be under no duty to make any such information available to you, except to the extent we have agreed in writing or as may be required under applicable law.