# RISK DISCLOSURE REGARDING SHORT SELLING OF MEXICAN STOCKS

There are risks associated with short selling Mexican stocks that may expose you to significant losses. This strategy is not suitable for all customers. Please read the following carefully:

1. Selling stock short is a risky strategy for investors.
   - There is unlimited risk when shorting stock as stocks may continue to increase in price indefinitely.
   - There is risk that the company will effect a corporate action while you are short the stock and you will be responsible for paying for any dividends or other distributions.
2. Short sales must be done in a margin account, and are subject to IB's margin requirements.
3. Prior to selling short, IB must confirm that it can locate shares of the stock to borrow for delivery. Any fees incurred by IB for borrowing stock on your behalf will be passed on to you.
4. If IB cannot borrow stock (or re-borrow after a recall notice) IB may buy shares of stock on your behalf to cover short positions and you are liable for any los ses/costs.
5. Borrowing stock requires that you post collateral. The lender and IB determine which type of assets may be posted as Collateral. Collateral is returned to you when the shares are returned to the lender.
6. Once a short sale has settled (i.e., shares of stock have been borrowed and used to deliver to complete the sale to the buyer), the lender of the shares reserves the right to recall the shares at any time. Should a recall of shares occur, IB will attempt to replace the previously borrowed shares with shares from another source. If sufficient shares cannot be borrowed, IB reserves the right to buy shares on your behalf to cover short positions and you are liable for any losses/costs.
7. A short position is subject to liquidation to meet a margin deficiency and IB will not provide notice prior to such liquidation.

You should be aware that, if shares are borrowed, the lender reserves the right to issue a formal recall which allows for a buy-in to take place in the event IB doesn't return the recalled stock. In the event the recall results in a buy-in, the lender executes the buy-in transaction in the marketplace and notifies IB of the execution prices. IB, in tum, allocates the buy-in to customers based upon their settled short stock position. Based on the manner in which IB is required to execute a close-out and a third party is allowed to execute a buy-in, significant differences between the price at which the buy-in transaction was executed and the prior day's close may result. These differences may be especially pronounced in the case of illiquid securities.