Event Contracts Risk Disclosure

Robinhood Derivatives, LLC may clear swap transactions, or event contracts, for its clients as a clearing member of ForecastEx or Kalshi. ForecastEx and Kalshi are registered with the CFTC as a derivatives clearing organization ("DCO"). In compliance with the CFTC Rule 22.16, we are advising you that in the unlikely event of Robinhood Derivatives' insolvency, customer rights would be determined pursuant to the commodity broker liquidation provisions of the US Bankruptcy Code and CFTC Part 190. However, if the DCO or the insolvency proceeding is outside the US, local insolvency law could affect a customer's ability to recover funds and securities or the speed of any such recovery. DCOs have rules that govern the use of cleared swaps customer collateral, and/or the transfer, neutralization of risks, and liquidation of cleared swaps in the event of a default relating to a cleared swap customer account. For further details, please see ForecastEx's Risk Disclosure and KalshiEx's Risk Disclosure (Section III).

Description of Event Contracts

Event Contracts ("Contracts")offered by ForecastEx or Kalshi are a type of derivative that the Commodity Futures Trading Commission ("CFTC") classifies as cleared Swaps[1], and often referred to as forecast or prediction contracts An Event Contract is a contract whose value is based on whether a specific event will occur at or before a specific time. The Contracts are described by a "Yes" or "No" proposition. The "Yes" contract and "No" contract are two separate event contracts each with a unique contract ID. Market Participants place Bids on either the "Yes" or "No" event contract at prices between $0.01 and $0.99.

Once the execution has been reported to the Clearinghouse, each Market Participant will have entered into a Contract with the Exchange, and the Clearinghouse has the obligation to pay any monies required at such time as the Event Position settles. Event Positions are not novated because the Clearinghouse is the original contractual counterparty to each pairing.

All Event Contracts must be fully collateralized, meaning a Futures Clearing Merchant ("FCM") who is a member of the Exchange will reject any Bid placed by a customer unless funds sufficient to fully collateralize the Bid are deposited in an account with the FCM prior to the customer placing the Bid.

Once an Event Contract expires, it will no longer be available. Subsequently, the Outcome of the Contract will be determined and the Contract will go through Settlement. Depending on the outcome of the Event Question, the holder of the "Yes" Contract that reflects the outcome of the

[1] Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement"; Mixed Swaps; Security-Based Swap Agreement Recordkeeping, 77 Fed.Reg. 48208 (August 13, 2012)

event will be entitled to receive the Settlement Value of $1.00, while the opposing “Yes” Contract will expire with no value.

Event Contracts cannot be sold or transferred to another Exchange. Contracts can only be exited before Resolution by acquiring an offsetting position, achieved by holding both a “Yes” and a “No” Position with the same Event question.

Event Contracts are a type of derivative, in that they derive their value from an underlying asset. However, Event Contracts have a number of important distinctions from other derivative products. Unlike futures and options, Event Positions are fully-collateralized and cannot be purchased on margin. Additionally, Event Contracts are not marked-to-market. As a result, Event Positions will never require the deposit of additional funds to maintain an existing position. Event Contracts are further differentiated from other derivatives in that they are not restricted to using a physical commodity or tradable financial instrument as their underlying asset, and are always settled by cash settlement. Finally, the value of a futures or in-the-money options contract at expiration will vary depending on the price of the underlying asset, whereas Event Positions will either have a Settlement value of $1.00 or $0.

Event Contract Risks

Market Risk

The outcome of an Event Contract cannot be known in advance. Market Participants’ expectations may not match the outcome of the Event, which can lead to unexpected losses. Market Participants should be prepared for the possibility of losing their entire investment. Changes in the likelihood of an underlying event may not necessarily result in a change in the price of the Event Market, which could prevent a customer from offsetting an existing position at a profit.

Pricing Risk

The prices of Event Contracts are dependent on the market’s expected probability of events occurring, which makes traditional derivative pricing models inapplicable for forecast or prediction event contracts.

Event Contract prices may not always be reflective of the actual probabilities of the Events occurring, which can lead to unexpected losses for Market Participants.

Source Agency Risk

The value of an Event Contract is dependent upon the outcome of events which are reported by third party Source Agencies. Market Participants may be exposed to risk if these Source

Agencies' data security is compromised, if the reported data is not accurate, or if the data is not reported at the expected date or time.

Liquidation Risk

Market Participants may not be able to offset their positions if there is insufficient volume in the opposing Event Contract. Market Participants may also struggle to offset their positions if the opposing contract has insufficient Bid depth. These could cause the pricing of contracts to not accurately correspond to the market's prediction of the underlying Event, and Market Participants would be forced to pay higher prices to offset their positions.

Trading Halt Risk

Exchanges have the authority to initiate trading halts if they deem it in the interest of Market Participants, which would prevent Market Participants from exiting their positions, and could affect their portfolios and strategies. The CFTC can also direct the Exchange to initiate a trading halt.

FCM Risk

Market Participants will be exposed to risks associated with the FCM including the failure of the FCM's hardware and software, bankruptcy of the FCM, and the FCM failing to provide to the Exchange adequate funds to guarantee their customers' Bids. These risks may result in Bids (including offsetting Bids) not being executed according to the Market Participants instructions or not being accepted. Market Participants should consult their FCM concerning the nature of the protections in place to minimize these risks.

Other Risks

There are unforeseen operational risks associated with human error, systems failures, cyber-attack, or inadequate procedures and controls that may pose a risk to the success of Market Participants' bids. Since RHD is a fully electronic platform the software system could be subjected to temporary interruptions or failure. If any of the Events listed above occurred, it could lead to potential losses for the customer.