Options, Futures & Derivatives Risk Disclosure

Risks of options, futures, margin, leverage, and derivatives strategies.

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This disclosure applies where a client authorizes Protocol Wealth to advise on, recommend, or manage options, futures, options on futures, margin, leverage, or other derivatives. It supplements the Client Advisory Agreement, Form ADV Part 2A, the applicable custodian or broker disclosures, and any product-specific disclosure.

Options and derivatives are not suitable for all investors. They can be complex, volatile, illiquid, and speculative. Losses may exceed the amount invested.

Required Options Disclosure

Before buying or selling exchange-traded options, investors must receive and read the Options Clearing Corporation disclosure document, "Characteristics and Risks of Standardized Options" (the ODD), available at:

https://www.theocc.com/company-information/documents-and-archives/options-disclosure-document

The ODD contains the complete standardized-options risk disclosure. This Protocol Wealth disclosure is only a summary.

Key Risks

- Leverage. Small market movements may cause large gains or losses.
- Loss of premium. Purchased options may expire worthless.
- Unlimited or substantial loss. Some strategies, such as uncovered short options or certain futures positions, can produce losses exceeding the initial investment.
- Time decay. Options lose time value as expiration approaches.
- Margin calls. Futures, margin, short options, and leveraged strategies may require additional collateral on short notice.
- Forced liquidation. A broker, custodian, exchange, or counterparty may liquidate positions if collateral is insufficient.
- Liquidity. Positions may be hard to close or may trade with wide spreads.
- Model and valuation risk. Strategy values may depend on volatility, rates, dividends, borrow costs, liquidity, and pricing models.
- Tax complexity. Options and futures may have complex tax consequences.
- Operational risk. Trading, exercise, assignment, settlement, expiration, and collateral mechanics can create unexpected outcomes.

Strategy Limits

Unless expressly authorized in writing, permitted by the custodian or broker, and deemed suitable by Protocol Wealth, options activity is expected to be limited to conservative, income-oriented, or hedging strategies, such as covered calls or cash-secured puts. Uncovered, speculative, or highly leveraged strategies require separate written authorization and may be prohibited.

Digital-Asset Derivatives

Derivatives referencing digital assets involve the risks above plus the additional risks of digital assets, including less mature markets, regulatory uncertainty, venue fragmentation, high volatility, custody issues, counterparty risk, and potential fraud or manipulation. OTC digital-asset derivatives are addressed separately in the OTC Digital Asset Derivatives, ECP & Counterparty Risk Disclosure.

Protocol Wealth, LLC is a registered investment adviser (CRD #335298). Registration does not imply a certain level of skill or training. Investing involves risk, including possible loss of principal; past performance does not guarantee future results. This is a disclosure, not a contract term. It states Protocol Wealth’s current practice, is delivered before the Client Advisory Agreement is signed - section 5 of that Agreement records the delivery - and is superseded by a later edition rather than amended.