Fixed Income Risk Disclosure Statement

The tastytrade platform allows customers to trade certain fixed income securities. There are a variety of characteristics and risks associated with fixed income securities. Before trading any fixed income security, it is important that you understand the terms and conditions of the fixed income security, and the unique risks and characteristics associated with it, including but not limited to, its credit rating, its maturity, its rate and yield, and other relevant information.

This Fixed Income Risk Disclosure Statement is not intended to be an exhaustive list of all potential risks of trading fixed income products. As with any product, tastytrade customers should familiarize themselves with the potential benefits and risks of trading fixed income prior to trading in such products.

tastytrade does not offer investment advice or make trade recommendations. If you choose to trade any fixed income products on the tastytrade platform, you acknowledge that you have adequately researched the product and have determined that it is suitable for you in light of your own personal investment objectives and risk tolerance.

Credit Risk

Fixed Income products carry the risk of default, meaning that the issuer may be unable or unwilling to make principal and/or interest payments when they are due. If this happens, you may lose some or all of your investment.

Most fixed income products are rated by a credit agency, and changes in an issuer's credit rating will likely result in a change in the price of the fixed income product. While United States Treasury Bills, Notes, and Bonds ("Treasuries"), are typically considered to have a low risk of default, investors should be aware that these products are not free from the risk of loss and the credit rating of Treasuries may change. Fixed income products with a lower credit rating will typically correspond to a higher yield due to the inherent higher credit risk.

Interest Rate Risk

Fixed income prices on the secondary market may fluctuate in value due to changes in interest rates, which may result in the prices trading at a premium or a discount to the face value of the fixed income security. If interest rates rise, fixed income prices usually tend to decline. If interest rates decline, however, fixed income prices usually tend to increase.

If an investor chooses to sell a fixed income security prior to maturity, the price received could result in a loss or gain depending on the then current interest rate environment. The longer time to maturity, the greater the impact a change in interest rates can have on the price of the fixed income security. Fixed income products that are zero-coupon or low coupon rates are more sensitive to changes in interest rates, which means the prices of these types of products tend to fluctuate more than higher-coupon fixed income products in response to rising and falling interest rates.

Liquidity Risk

Liquidity risk is the risk that you will not be able to buy or sell a fixed income security easily at a favorable price close to the true underlying value of the asset. The liquidity of a fixed income product varies depending on the produce itself. Treasury bonds, for example, are generally considered to be very liquid. However, some fixed income products are infrequently traded, which may result in a loss to you if you choose to sell prior to maturity due to a lack of market interest to purchase the bond, resulting in the possibility of needing to sell the fixed income security for a lower. ; Market conditions can yield low liquidity for any asset, potentially leading to unfavorable prices being available to an investor who is looking to buy or sell a fixed income security.

Inflation Risk

Inflation risk is the risk that inflation will rise, thereby lowering the purchasing power of income over time. In other words, the rate of the yield to call or maturity of the fixed income security will not provide a positive return over the rate of inflation for the period of the investment. As the inflation rate rises, so do interest rates.

While inflation risk can have an impact on any investment over time, fixed income products can be especially susceptible to inflationary pressure since the face value or coupon payments are usually determined at a set rate when a fixed income product is issued. Over time, inflation can cause the cash flows of a fixed income product, through coupons and appreciation of face value, to become less valuable than they were when the fixed income product was issued.

Other Considerations

Specific fixed income products may have unique risks associated with them. Some fixed income products will be callable or have prepayment risk which may cause the product to mature at an earlier date than was initially set when the fixed income product was issued. Some fixed income products may have variable coupon rates or deferrable coupons which can impact coupon payments. Some fixed income products may be subordinated to other forms of debt, meaning that they will have a lower priority of payment in the event of issuer default. Other fixed income products may have more specific characteristics that allow for the conversion or exchange of the product for another asset. While this is not intended to be an exhaustive list of the features that complex fixed income products can have, it is important that you are aware of the specific features of any fixed income product that you may choose to trade, and, further, that you are knowledgeable about the characteristics and risks specific to the fixed income product and how they can affect your investment prior to deciding to trade in such products.