

Interactive Brokers LLC Product Disclosure Statement For Australian Stock Exchange Limited Contracts For Difference

- Interactive Brokers LLC (ARBN 091191141; AFSL 245574) ("IB") provides this Product Disclosure Statement ("PDS") for exchange-traded Contracts for Difference ("CFDs") listed on the on the Australian Stock Exchange Limited ("ASX"). YOU MUST READ THIS DOCUMENT IN FULL BEFORE TRADING SUCH CFDs.
- Some features and benefits of CFDs, including taxation implications and returns, are detailed below.
- As detailed more fully below, CFDs involve considerable risks and are not suitable for all traders and investors. You should only trade CFDs if you are confident that you understand the risks associated with trading CFDs.
- IB's commissions and fees are available on the IB website at www.interactivebrokers.com.
- General information regarding margin is set forth below, and IB's margin policies are available on the IB website at www.interactivebrokers.com. You acknowledge, however, that **IB GENERALLY WILL NOT ISSUE MARGIN CALLS, THAT IB WILL NOT CREDIT YOUR ACCOUNT TO MEET INTRADAY MARGIN DEFICIENCIES, AND THAT IB GENERALLY WILL LIQUIDATE POSITIONS IN YOUR ACCOUNT IN ORDER TO SATISFY MARGIN REQUIREMENTS WITHOUT PRIOR NOTICE TO YOU.** If you maintain a margin account with IB, you have also received and reviewed IB's Disclosure of Risks of Margin Trading provided separately by IB and available on the IB website.
- As detailed more fully below, IB is not an ASX participant. ASX Listed CFDs trade on the SYCOM trading platform and operate under the Sydney Futures Exchange ("SFE") Operating Rules. IB is an SFE participant. All executed trades are cleared by Fortis Clearing Sydney Pty Ltd ("Fortis"). Contact details for these entities are included below.
- The availability of additional information, including market data and educational material, is set forth below.
- Information regarding the availability of dispute resolution forums is detailed at the end of this document.
- IB has prepared this document in accordance with the requirements under the Australian Corporations Act (2001).

The information in this Product Disclosure Statement ("PDS") does not take into account your personal objectives, financial situation and needs. Before trading in the products referred to in this PDS you should read this PDS and be satisfied that any trading you undertake in relation to those products is appropriate in view of your objectives, financial situation and needs. Inasmuch as Interactive Brokers LLC employees are not authorized to provide you with any advice or recommendation, you should consult your independent financial advisor or obtain other independent advice before trading CFDs.

PURPOSE OF THIS PDS

Interactive Brokers LLC (ARBN 091191141; AFSL 245574) ("IB") has prepared this PDS for your review to assist you in determining whether you should engage in trading ASX Listed CFDs. This document does not constitute a recommendation or solicitation to engage in such trading. Rather, this document is meant to help you evaluate the risks and rewards of trading ASX Listed CFDs and whether they are appropriate for your investment objectives and financial situation.

Under the Australian Corporations Act, where IB enters into an exchange traded derivative on a customer's behalf, IB is regarded as having issued the derivative to the customer. IB's contact details are as follows:

Interactive Brokers LLC

AFSL 245574

ARBN 091191141

One Pickwick Plaza

Greenwich, CT 06830

1 (877) 442-2757

FEATURES OF CFDs

A CFD is an agreement between a buyer and a seller to exchange the difference in value of a particular instrument between when the contract is opened and when it is closed. The difference is determined by reference to an underlying – a share, index, FX rate or commodity and the period over which the CFD is held.

CFDs are leverage instruments. This means that you are fully exposed to price movements of the underlying instrument without having to pay the full price of that instrument. CFDs therefore offer the potential to make a higher return from a smaller initial outlay than investing directly in the underlying security.

Leverage, however, usually involves more risks than a direct investment in the underlying. It is important to understand that this effect may work against traders as well as for them. The use of leverage can lead to large losses as well as large gains.

ASX Listed CFDs include those listed over the top 50 stocks listed on ASX; key global equity indices; a range of major foreign currencies and crosses; and selected commodities. For a full list of such CFDs, see www.asx.com.au/cfd.

Long and short positions

With an ASX Listed CFD it is possible to go both 'long' (to buy) and 'short' (to sell). If you take a long position, you are anticipating a rise in the value of the underlying instrument and would experience a loss if the value fell. If you take a short position, you are anticipating a fall in the value of the underlying instrument. If the value actually rose, you would experience a loss. In contrast to shares, where a trader usually buys first and then sells later, with an ASX Listed CFD it is possible to firstly go short (or sell) to exploit falling prices and buy back (or go long) later.

Daily settlement

At the end of each trading day, all positions in ASX Listed CFDs are marked to market using the Daily Settlement Price (DSP).

The DSP for ASX Equity, Index and Commodity CFDs is determined by ASX and is generally⁽¹⁾ equal to that of the closing price of the underlying instrument - this being that quoted by the underlying

instrument owner (e.g. ASX, the index price provider, etc) or an independent data source such as Reuters (e.g. in the case of ASX Gold and FX CFDs).

Expiry

ASX Listed CFDs do not expire. They are perpetual in nature. The only way to close a position is to trade the opposite side of your position.

There are limited circumstances in which ASX may expire and delist contracts. This is only likely to occur where the contract has open positions in the following situations:

- There is a lack of liquidity in the contract;
- The underlying has been delisted; or
- Access to the data of the underlying instrument becomes permanently unavailable (for example, where an index provider ceases to calculate an index or terminates the index provider agreement with ASX).

If the above action were to be taken, ASX would provide as much notice to the market as possible to enable the closing out of open positions.

Corporate actions

Any position in an ASX Equity CFD is adjusted to reflect the same economic effect as the underlying security on which the ASX Listed CFD is based. This means that whenever there is a corporate action - such as a share split, capital repayment, special dividend, bonus issue, takeover etc - the same impact will be reflected back into the ASX Listed CFD position.

ASX Index CFDs track indexes, which are adjusted by the index provider to reflect all corporate actions.

Profit and loss situations

The table below sets out profit and loss situations when trading ASX Listed CFDs.

Profitable trades Unprofitable trades

Buy low - Sell high Buy high - Sell low
Sell high - Buy low Sell low - Buy high

Exchange for physical

Traders can convert their ASX Equity CFD position into stock. This conversion is allowed through the Exchange for Physical ("EFP") facility. The EFP facility enables you to complete both sides of the conversion at a set price eliminating the risk of a price movement before you complete the transaction.

POSSIBLE BENEFITS OF CFDs

CFDs may provide you with certain benefits, including:

Market Independence

ASX is required under the Corporations Act to ensure that its markets are fair, orderly and transparent. ASX ensures a sound operational and front-line regulatory environment for its exchange-traded markets and clearing and settlement facilities, providing effective systems and infrastructure together with services designed to maintain and enhance the integrity, efficiency and effectiveness of its trading, clearing and settlement facilities.

Having a central market also means there is one standard contract specification for all ASX Listed CFDs.

Transparency

Transparency is a key ingredient in a well informed market. ASX reports on all ASX Listed CFDs transacted, open positions, bids, offers and their volumes.

ASX Listed CFDs are traded in the same way as other ASX traded contracts:

- All prices are formed in a fully transparent manner in ASX's Listed CFD central market order book. Each trader's order is combined in the ASX Listed CFD central market order book with those from other market participants, including market makers, and becomes an integral part of the price discovery process.
- All trades are executed on a strict price/time priority. Price/time priority means the first person to enter the best price is traded against first. This results in everyone in the central market order book being treated fairly and consistently.
- Importantly, while prices are transparent, the individual trader remains anonymous, which minimises market impact costs (especially those related to others identifying an individual's trading patterns and trading ahead of him/her).
- Anyone can put in a better bid or offer, as is the case in all exchange based markets. No-one is forced to accept the price offered in the market. However, once an order is executed, you are committed to settle the trade.
- The ASX central market order book will include orders from market makers. Their activities help ensure the ASX Listed CFD market has competitive prices and deep liquidity.

Risk Management

ASX Listed CFDs trade in a centrally cleared marketplace. The Clearing House (SFE Clearing Corporation ("SFECC")) provides central counterparty clearing for the ASX Listed CFD market. This involves SFECC managing risks to ensure that the interests of its Participants and clients are protected and that the integrity of the marketplace is maintained.

The ASX Listed CFD market also has access to the Clearing Guarantee Fund for use in the event of default of one or more Clearing Participants. The Clearing Guarantee Fund represents a significant component of the overall capital adequacy of SFECC.

RISKS OF TRADING CFDs

Transactions involving CFDs carry a considerable risk. You should only trade CFDs if you understand the nature of the products and the extent of your exposure to risks.

Implications of leverage

Leverage (or gearing) is the use of given resources in such a way that the potential positive or negative outcome is magnified. ASX CFDs are leveraged. They offer the potential to make a higher return from a smaller initial outlay than for a non-leveraged transaction such as direct share investing.

The initial outlay of capital is small relative to the total position value. Consequently, a relatively small market movement has a proportionately larger impact on the amount of funds supporting the position. Leverage can work both for and against you by magnifying gains and losses.

Additional margin calls and unlimited loss

Liability for a holder of either a long or short ASX CFD position is not limited to the margin paid. If the market moves against a position or margin levels are increased, then you may be called upon to pay additional funds on short notice to maintain the position, or the position or other positions in your account may be liquidated. You acknowledge that **IB GENERALLY WILL NOT ISSUE MARGIN CALLS,**

THAT IB WILL NOT CREDIT YOUR ACCOUNT TO MEET INTRADAY MARGIN DEFICIENCIES, AND THAT IB GENERALLY WILL LIQUIDATE POSITIONS IN YOUR ACCOUNT IN ORDER TO SATISFY MARGIN REQUIREMENTS WITHOUT PRIOR NOTICE TO YOU. YOU WILL BE RESPONSIBLE FOR ANY LOSSES RESULTING FROM SUCH LIQUIDATION(S).

For a holder of a short position, a continuing adverse market price movement (e.g. market price rise), can result in theoretically unlimited losses being accumulated.

Foreign exchange risk

Not all ASX CFDs are denominated in Australian Dollars. It is important to keep in mind that when trading ASX FX, Commodity or overseas Index CFDs all profits/losses are denominated in the currency of the particular product.

Liquidity risk

Market conditions (for example, lack of liquidity) may increase the risk of loss by making it difficult to effect transactions or close out existing positions. Normal pricing relationships may not exist in certain circumstances. For example, normal pricing relationships may not exist in periods of high buying or selling pressure, high market volatility or lack of liquidity in the market for a particular ASX CFD. Gapping, whereby a market price falls or rises without the opportunity to trade, can result in significant losses even when a stop loss has been put on. This is because it may not be possible to transact at the nominated price if the market has gapped. Furthermore, there are limited circumstances in which ASX may expire and delist the contract.

Market disruptions / emergencies & issue resolution

ASX CFD transactions are subject to the rules, procedures, and practices of SFE and SFECC. Under the SFE Operating Rules, certain trading disputes between market participants (for example errors involving traded prices that do not bear a relationship to fair market or intrinsic value) may lead to SFE cancelling or amending a trade. In these situations your consent is not required for the cancellation of a trade. In some circumstances underlying instruments or securities may be halted, suspended from trading or have their quotations withdrawn from the exchange. These factors will directly affect an ASX CFD's value.

NO COOLING-OFF PERIOD

There is no cooling-off period for ASX CFDs that allows you to cancel your transaction. If you wish to trade out of your position after you receive an execution, you must do so by trading the opposite side of the position.

COSTS & AMOUNTS PAYABLE ASSOCIATED WITH TRADING CFDs

Costs – Information regarding commissions and brokerage fees for CFDs may be found on the IB website at www.interactivebrokers.com. Commissions are due at the time of the trade.

Additional information on pricing and contract specifications for ASX Listed CFDs can be found on the Australian Securities Exchange website at www.asx.com.au.

Amounts Payable

Margins

Margin calculations depend on the particular CFD that is traded. Detailed information can be found on the ASX website at

http://www.asx.com.au/products/cfds/features/margins/initial_margins.htm.

Traders, whether buyers or sellers, in ASX Equity CFDs are required to put up initial margin for each contract they trade. Initial margins protect the Clearing House from risk resulting from a negative movement in the value of a position as a result of a change in overnight market prices. The Initial

Margin is typically set at a level designed to cover reasonably foreseeable losses on a position between the close of business on one day and the next.

The amount of Initial Margin for each contract varies according to the price volatility of the underlying. Current ASX minimum initial margin rates can be found on the ask website:

<http://www.sfe.com.au/content/clearing/operations/marginrates.pdf>.

In addition to the Initial Margins required to open contracts, any adverse price movements in the market must be covered by further payments, known as Variation Margins. The Variation Margin is based on the end of day marked to market revaluation of an ASX Listed CFD position.

Margins are continuously recalculated to ensure an adequate level of margin is maintained. This means that you may have to pay more if the market moves against you. If the market moves in your favor, margins may fall. IB's margin requirements may be higher than those set by the Clearing House, and IB's margin policies are available on the IB website at www.interactivebrokers.com.

You acknowledge, however, that **IB GENERALLY WILL NOT ISSUE MARGIN CALLS, THAT IB WILL NOT CREDIT YOUR ACCOUNT TO MEET INTRADAY MARGIN DEFICIENCIES, AND THAT IB GENERALLY WILL LIQUIDATE POSITIONS IN YOUR ACCOUNT IN ORDER TO SATISFY MARGIN REQUIREMENTS WITHOUT PRIOR NOTICE TO YOU. YOU WILL BE RESPONSIBLE FOR ANY LOSSES RESULTING FROM SUCH LIQUIDATION(S).**

EXECUTION & CLEARING ARRANGEMENTS

IB is not an ASX participant. ASX Listed CFDs trade on the SYCOM trading platform and operate under the SFE Operating Rules. IB is an SFE participant.

Orders executed for IB clients shall be cleared by Fortis, an SFECC Clearing Participant.

The business address and phone number for Fortis are below:

Fortis Clearing Sydney Pty Limited
Level 8
50 Bridge Street
Sydney
NSW, 2000, Australia
61 2 8221 3000

MARKET DATA

Market data is available for CFDs by subscribing to the Sydney Futures Exchange Data Feed through IB. Additional pricing information and contract specifications are available on the ASX website at www.asx.com.au.

EDUCATIONAL BOOKLETS

ASX has prepared a series of educational booklets relating to CFDs which are available to you via their website at <http://www.asx.com.au/resources/publications/booklets.htm>. Much of the information in this PDS was retrieved from these booklets and you should review them accordingly. If you cannot access them on the ASX website, you may contact the IB Customer Service Department at 1-877-442-2757 (from the U.S.) or 312-542-6901 (from outside the U.S.). IB will provide a hard copy to you. Additional contact details are available on the IB website at www.interactivebrokers.com.

TAXATION IMPLICATIONS

Your tax position when trading exchange traded derivatives will depend on your individual circumstances and you should consult your own tax advisor before making any decisions to trade. IB cannot provide a detailed treatment of the taxation issues that are relevant to trading or investing in CFDs, nor does IB offer any taxation advice. You must therefore discuss these issues with your tax advisor.

Some of the issues that may be relevant to you include:

- Your tax residency status;
- Taxation of Financial Arrangements (“TOFA”) implications of trading in foreign currency denominated CFDs;
- Goods and Service Tax (“GST”) paid in connection with CFD related services/transactions; and
- Australian Tax Office (“ATO”) rulings need to be considered (see, e.g., TR 2005/15 (available at <http://law.ato.gov.au/pdf/tr2005-015.pdf>).

This is by no means a comprehensive list of the taxation issues of trading CFDs. The information contained in this PDS is provided for educational purposes only and does not constitute investment, taxation or financial product advice. Taxation issues will vary from investor to investor and for each CFD traded. It is therefore important to discuss your taxation situation with your independent financial advisor or accountant, to ensure that any options trades you enter into will not have adverse taxation implications to you.

DISPUTE RESOLUTION

If you wish to file a complaint against IB, we encourage you to send your complaint via Account Management for the most expedient and efficient handling. This can be done by clicking on "Inquiry Ticket." Under "New Ticket" select the following:

Category: Other Regulatory

Sub-category: Submit a Complaint.

Alternatively, customers may send their complaints to IB Customer Service through the IB website at the Customer Service Contact Page; by telephone to the customer service telephone numbers listed on the IB website at www.interactivebrokers.com; or by hard copy addressed to:

Legal & Compliance Department
Interactive Brokers LLC
One Pickwick Plaza
Greenwich, CT 06830

As indicated by the Financial Industry Complaints Service ("FICS"), if you have not received a satisfactory response or 45 days have elapsed, you may refer the matter to the FICS. FICS can be contacted at:

P.O. Box 579
Collins Street West
Melbourne Vic 8007
Telephone: 1300 78 08 08
Fax: (03) 9621 2291
Email: fics@fics.asn.au
Website: www.fics.asn.au

This service is provided to you free of charge.

You may also refer the matter to the Australian Securities and Investments Commission ("ASIC"). ASIC may be contacted on their Infoline on 1300 300 630.

Alternatively, customers who wish to file a complaint with, or initiate an arbitration or reparations proceeding against, IB, may consult the website of, or contact, a Self-Regulatory Organization ("SRO"), e.g., the Securities and Exchange Commission (www.sec.gov), the Financial Industry Regulatory Authority (www.finra.org), the National Futures Association (www.nfa.futures.org), the Commodity

Futures Trading Commission (www.cftc.gov).

⁽¹⁾In exceptional circumstances where the underlying price is not immediately available, ASX may choose alternate methods to establish the Daily Settlement Price.