

**INTERACTIVE BROKERS AUSTRALIA PTY LTD  
TARGET MARKET DETERMINATION – CONTRACTS FOR DIFFERENCE**

Interactive Brokers Australia Pty Ltd (“**IBA**”) issues Contract for Differences to its retail client customers. Detailed information is available in IBA’s Contract for Differences Product Disclosure Statement, available here: [https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration\\_v2.formSampleView?formdb=3332](https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?formdb=3332).

In compliance with our obligations under Part 7.8A of the *Corporations Act 2001* (Cth), which relates to the product design and distribution obligations (**DDO**), IBA has prepared the following target market determination (**TMD**) relating to the issue of Contract for Differences to our clients.

This TMD is available to the public free of charge.

DDO REQUIREMENT	APPLICATION TO CONTRACT FOR DIFFERENCE (CFD)
<b><i>Class of retail clients that comprise the target market for this product – s 994B(5)(b)</i></b>	
1. Description of the likely objectives, financial situation and needs of consumers in the target market	<p><b>Background</b></p> <p>Interactive Brokers Australia Pty Ltd (“IBA”) is an online broker that provides trade execution, clearing and custody services to clients around the world. IBA does not employ any advisers or brokers who manage client accounts. Trades are entered by the client or the client’s self-selected financial representative on a personal computer or mobile device and transmitted over the internet to IBA for execution on various market centres. All trading in an IBA client account is self-directed by the client. IBA client service personnel are specifically prohibited from providing any investment or trading or tax advice to clients.</p> <p>IBA’s online account registration system requires applicants to satisfy the below criteria prior to CFD trading permission being activated in the client account.</p> <p><b>Target Market</b></p> <ul style="list-style-type: none"> <li>• <b>Income level:</b> declared annual Income &gt;US\$40,000</li> <li>• <b>Liquid Net Worth:</b> declared liquid net worth &gt;US\$100,000</li> <li>• <b>Age Group:</b> Above 21 years of age</li> <li>• <b>Knowledge and experience:</b> Clients who declare that they have “good” or “extensive” knowledge of and experience trading CFDs and/or who have successfully completed a CFD teaching exam or whose accounts are managed by a professional adviser.</li> <li>• <b>Risk Tolerance:</b> Clients who declare that they have a moderate-high risk tolerance.</li> <li>• <b>Ability to bear losses:</b> Clients who declare that they can afford to bear losses in excess of the value of their IBA account.</li> <li>• <b>Objectives and Needs:</b> Clients who declare that their investment objectives include “speculation”, “hedging”, “growth” or “trading profits”.</li> </ul> <p>IBA has also implemented an automated control to ensure that clients do not exceed their self-declared tolerance for CFD’s as a percentage of their stated net worth. Specifically, IBA’s proprietary trading system will generate a warning message in the event that a client attempts to place a CFD trade that would breach their self-declared concentration risk appetite.</p>
2. Description of CFDs (including its key attributes)	<p>CFDs have the following key attributes:</p> <ul style="list-style-type: none"> <li>• A CFD is an over-the-counter derivative that provides leveraged exposure to the value of a reference asset or rate.</li> <li>• CFDs are synthetic products in which IBA faces the client in all CFDs it issues.</li> <li>• IBA hedges all CFDs 1:1 and may elect not to provide quotes for any CFDs at any time if, for example, IBA is unable to secure a hedge in the reference underlying market.</li> </ul>

	<ul style="list-style-type: none"> <li>• IBA offers the following types of CFDs:             <ul style="list-style-type: none"> <li>○ Share CFDs: these are CFDs which are designed to deliver the return of a share of an exchange traded company, including dividends and corporate actions.</li> <li>○ Index CFDs: these are CFDS which are designed to deliver the return of an index.</li> <li>○ Forex CFDs: these are CFDs which are designed to deliver the return of an exchange rate of a currency pair.</li> </ul> </li> <li>• IBA issued CFD’s are open-ended contracts which means that the contract will be kept open until the client chooses to close it (subject to the applicable margin requirements continuing to be met). Fees and interest will accrue for so long as the CFD remains open.</li> <li>• In accordance with ASIC’s Product Intervention Order, IBA is obliged to liquidate open CFD positions and other assets in the client account when the equity in a retail client’s account falls to less than either 50% of the initial margin originally required to open the CFD position, but IBA may do so sooner.</li> <li>• IBA may change the applicable margin requirements at any time without notice, which could trigger immediate liquidations in the client account.</li> </ul>
<p>3. Explanation of why CFDs, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market</p>	<ul style="list-style-type: none"> <li>• CFDs are complex instruments that provide leveraged exposure to the underlying reference asset or rate. Accordingly, they are only appropriate for experienced or knowledgeable traders who have the ability to bear some losses.</li> <li>• CFDs can be used for a variety of purposes, including hedging, speculation, diversification and generating trading profits, hence consumers with these investment objectives will likely be within the target market.</li> <li>• Given that CFDs are often used for speculation, some clients trading IBA issued CFDs will incur losses while others incur profits. These losses and gains are amplified because CFDs are leveraged instruments. Accordingly, consumers with a conservative risk appetite are likely to be outside of the target market for IBA issued CFDs.</li> <li>• IBA has the right, and will generally, conduct automatic liquidations in under-margined accounts and ASIC’s Product Intervention Order, which protects consumers from incurring negative balances, among other things, together mitigate the risk of consumers incurring losses exceeding their IBA account equity. This means that consumers with a moderate risk tolerance are likely within the target market.</li> </ul>
<p><b>Conditions and restrictions relating to the distribution of this product – s 994B(5)(c)</b></p>	
<p>4. Outline of the conditions and restrictions relating to distribution of CFDs</p>	<ul style="list-style-type: none"> <li>• IBA has a high degree of control over the distribution of its CFDs. In particular, IBA only issues CFDs to clients who directly open accounts with IBA and personally satisfy all of the target market criteria.</li> <li>• The only exception to the above is in cases where IBA provides services to an AFS Licensed intermediary that operates an omnibus account with IBA. In these cases, IBA will face the intermediary rather than the end client directly. Accordingly, in these cases, IBA has less control over the distribution of its CFDs.</li> <li>• All such intermediaries that wish to distribute IBA’s CFDs to third parties must also ensure that the end client is within the target market. IBA will not do business with any intermediary that does not contractually agree to this.</li> <li>• IBA will also seek regular statements and data from intermediaries to ensure that the intermediary is complying with the requirement to distribute IBA’s CFDs only to persons within the target market.</li> </ul>
<p>5. Explanation of why these distribution conditions and restrictions will make it more likely that the consumers who acquire the CFDs are in the target market</p>	<ul style="list-style-type: none"> <li>• IBA will programmatically prevent any person that directly opens an IBA account and who is not within the target market from accessing IBA issued CFDs.</li> <li>• Similarly, IBA will contractually require that any intermediary that distributes IBA issued CFDs ensures that they are only distributed to persons that satisfy the target market. IBA will regularly monitor the performance of intermediaries in complying with this distribution condition.</li> <li>• In light of the above, we consider it highly likely that only the consumers who are within the target market will access IBA issued CFDs.</li> </ul>
<p><b>Reviews</b></p>	
<p>6. Outline of the events and circumstances that would reasonably indicate to IBA that the TMD for CFDs is no longer appropriate (i.e. "review triggers" – s 994B(5)(d)</p>	<p><b>Review Triggers:</b></p> <ul style="list-style-type: none"> <li>• Significant losses incurred by clients</li> <li>• The nature of and number of complaints from consumers indicating that the risks of CFDs are not well understood</li> <li>• Significant compensation paid out in relation to CFDs</li> <li>• Feedback received directly or through Intermediaries</li> </ul>
<p>7. The period of time between the start of the day this TMD is made and the day that the first periodic review of the TMD will conclude – s 994B(5)(e)</p>	<p>IBA will review the appropriateness of its target market on a bi-annual basis at the quarterly APAC Compliance Committee meeting attended by legal, compliance and senior business management, or earlier if the chair of the APAC Compliance Committee determines that the nature and extent of detriment to retail clients warrants an earlier review of the target market.</p>

8. The period of time between the conclusion of a periodic review of the TMD and the start of the next periodic review – s 994B(5)(f)	IBA will review the appropriateness of its target market on a bi-annual basis at the quarterly APAC Compliance Committee meeting attended by legal, compliance and senior business management, or earlier if the chair of the APAC Compliance Committee determines that the nature and extent of detriment to retail clients warrants an earlier review of the target market.
<b>Reporting period for reporting information about the number of complaints about the product – s 994B(5)(g)</b>	
9. The reporting period in which the distributors of IBA's financial products are required to provide information about the number of complaints received about the product	IBA will require that distributors report information about the number and nature of complaints received about the product and whether any persons not in the target market were distributed IBA issued CFDs, among other things, on a bi-annual basis.
<b>Information Sharing</b>	
10. Outline of the kinds of information that IBA will require from distributors to promptly identify that the TMD for CFDs is no longer appropriate – s 994B(5)(h)	<ul style="list-style-type: none"> <li>• In order to promptly determine if the target market continues to be appropriate, IBA will require that the distributor provide IBA with the following information on a bi-annual basis: <ul style="list-style-type: none"> <li>○ Profit or loss incurred by clients trading CFDs</li> <li>○ The number and nature of complaints about CFDs</li> <li>○ Any compensation paid out in relation to CFDs</li> <li>○ Any feedback about the CFD product and / or the target market</li> </ul> </li> </ul>
11. The distributors that will be required to provide the information specified above – s 994B(5)(h)(i)	IBA will require all of the above data from the intermediaries which operate an omnibus account with IBA, given that IBA does not have any contractual relationship with the end retail clients of the distributor and cannot obtain the data itself.
12. The reporting period for the relevant distributors to provide the information specified above – s 994B(5)(h)(ii)	IBA will require the information specified above on a bi-annual basis.