

**INTERACTIVE BROKERS AUSTRALIA PTY LTD  
TARGET MARKET DETERMINATION – EXCHANGE TRADED OPTIONS**

Interactive Brokers Australia Pty Ltd (“**IBA**”) issues exchange traded options to its retail clients. Detailed information is available in IBA’s Exchange Traded Options Product Disclosure Statement, available here: [https://ndcdyn.interactivebrokers.com/Universal/Application?action=formSampleView&formdb=3304&locale=en\\_US](https://ndcdyn.interactivebrokers.com/Universal/Application?action=formSampleView&formdb=3304&locale=en_US).

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 Exchange Traded Options to our clients.

This TMD is available to the public free of charge.

DDO REQUIREMENT	APPLICATION TO EXCHANGE TRADED OPTIONS (ETOs)
<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 ETOs 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 by age group: <ul style="list-style-type: none"> <li>○ <b>&gt;50 or ORG accounts:</b> No requirement</li> <li>○ <b>41-50:</b> &gt;US\$50,000</li> <li>○ <b>31-40:</b> &gt;US\$45,000</li> <li>○ <b>21-30:</b> &gt;US\$40,000</li> </ul> </li> <li>• <b>Liquid Net Worth:</b> declared liquid net worth by age group: <ul style="list-style-type: none"> <li>○ <b>&gt;50 or ORG accounts:</b> &gt;US\$100,000</li> <li>○ <b>41-50:</b> &gt;US\$75,000</li> <li>○ <b>31-40:</b> &gt;US\$50,000</li> <li>○ <b>21-30:</b> &gt;US\$20,000</li> </ul> </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 and a minimum 2 years’ experience trading ETOs. Clients who do not have the requisite trading experience must have successfully completed an ETOs 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” 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 ETOs 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 an ETO trade that would breach their self-declared concentration risk appetite.</p>

<p>2. Description of ETOs (including its key attributes)</p>	<p>ETOs have the following key attributes:</p> <ul style="list-style-type: none"> <li>• ETOs are a type of derivative giving the buyer (the taker) the right, but not the obligation, to buy or sell the underlying product at a specified price on or before a specified date. On the opposite side, the seller (option writer), has the obligation to perform the contract, that is, either buy or sell the underlying product.</li> <li>• The terms and specifications of ETOs (other than the premium) are determined by the relevant exchange.</li> <li>• ETOs have a limited life span and their value erodes the closer it reaches its expiry date.</li> <li>• The value of ETOs will fluctuate depending on a range of factors, including the price, volatility, remaining to expiry date, interest rates, dividends, exchange rates and general risks applicable to markets.</li> <li>• Since ETOs are an international product, client obligations and contract requirements for each contract may differ.</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 ETOs, 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>• ETOs are complex and may potentially be leveraged instruments depending on several factors including the trading strategies employed. Accordingly, they are only appropriate for experienced or knowledgeable traders who have the ability to bear some losses.</li> <li>• Under certain conditions, such as an absence or reduction in the number of willing buyers and sellers in the ETO market or underlying market, it may become difficult or impossible to close out an open ETO position, potentially leading to significant losses.</li> <li>• ETOs 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 ETOs are often used for speculation, some clients trading ETOs will incur losses while others incur profits. These losses and gains are amplified because ETOs are leveraged instruments. Accordingly, consumers with a conservative risk appetite are likely outside of the target market for ETOs.</li> <li>• IBA has the right, and will generally conduct automatic liquidations in under-margined accounts, among other things, mitigates the risk of consumers incurring losses exceeding their IBA account equity, but IBA does not guarantee that it will always be possible to do so. 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 ETOs</p>	<ul style="list-style-type: none"> <li>• IBA has a high degree of control over the distribution of ETOs transacted through its proprietary trading platforms. In particular, IBA only permits clients who directly open accounts with IBA and personally satisfy all of the target market criteria to trade ETOs through its proprietary trading platforms.</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 limited direct control over the distribution of its ETOs.</li> <li>• All intermediaries that wish to distribute IBA’s ETOs 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 ETOs 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 ETOs 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 ETOs.</li> <li>• Similarly, IBA will contractually require that any intermediary that distributes IBA issued ETOs 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 ETOs through IBA’s proprietary trading platforms.</li> </ul>
<p><b>Reviews</b></p>	
<p>6. Outline of the events and circumstances that would reasonably indicate to IBA</p>	<p><b>Review Triggers:</b></p> <ul style="list-style-type: none"> <li>• Significant losses incurred by clients</li> </ul>

<p>that the TMD for ETOs is no longer appropriate (i.e. "review triggers" – s 994B(5)(d)</p>	<ul style="list-style-type: none"> <li>• The nature of and number of complaints from consumers indicating that the risks of ETOs are not well understood</li> <li>• Significant compensation paid out in relation to ETOs</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>
<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)</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>
<p><b>Reporting period for reporting information about the number of complaints about the product – s 994B(5)(g)</b></p>	
<p>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</p>	<p>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 ETOs, among other things, on a bi-annual basis.</p>
<p><b>Information Sharing</b></p>	
<p>10. Outline of the kinds of information that IBA will require from distributors to promptly identify that the TMD for ETO is no longer appropriate – s 994B(5)(h)</p>	<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 ETOs</li> <li>○ The number and nature of complaints about ETOs</li> <li>○ Any compensation paid out in relation to ETOs</li> <li>○ Any feedback about the product and / or the target market</li> </ul> </li> </ul>
<p>11. The distributors that will be required to provide the information specified above – s 994B(5)(h)(i)</p>	<p>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.</p>
<p>12. The reporting period for the relevant distributors to provide the information specified above – s 994B(5)(h)(ii)</p>	<p>IBA will require the information specified above on a bi-annual basis.</p>