



**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 (**ETOs**) to our clients.

This TMD is available to the public free of charge.

<b>DDO REQUIREMENT</b>	<b>APPLICATION TO EXCHANGE TRADED OPTIONS (ETOs)</b>													
<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>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> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Level</th> <th style="width: 25%;">1</th> <th style="width: 25%;">2</th> <th style="width: 25%;">3</th> <th style="width: 10%;">4</th> </tr> </thead> <tbody> <tr> <td></td> <td> <b>Covered Calls</b>            - Covered call writing            - Buy Writes         </td> <td> <b>Covered Options and Spreads</b>            Level 1 + may include the following:            - Long positions and debit spreads with fixed exposure            - Long Calls            - Long Puts            - Cash settled vertical debit spreads            - Long Straddles (AKA long put and long call combos)            - Long Iron Condor (debit call and put spread)         </td> <td> <b>Limited Uncovered Options</b>            Level 1 and 2 + may include the following:            - Short Puts vs. cash            - Short Call Spreads (Cash Settled)            - Short Put Spreads (Cash Settled)            Long Butterfly (Cash Settled)            - Short Iron Condor (credit call and put spread)         </td> <td> <b>Unrestricted</b> </td> </tr> </tbody> </table>				Level	1	2	3	4		<b>Covered Calls</b> - Covered call writing - Buy Writes	<b>Covered Options and Spreads</b> Level 1 + may include the following: - Long positions and debit spreads with fixed exposure - Long Calls - Long Puts - Cash settled vertical debit spreads - Long Straddles (AKA long put and long call combos) - Long Iron Condor (debit call and put spread)	<b>Limited Uncovered Options</b> Level 1 and 2 + may include the following: - Short Puts vs. cash - Short Call Spreads (Cash Settled) - Short Put Spreads (Cash Settled) Long Butterfly (Cash Settled) - Short Iron Condor (credit call and put spread)	<b>Unrestricted</b>
Level	1	2	3	4										
	<b>Covered Calls</b> - Covered call writing - Buy Writes	<b>Covered Options and Spreads</b> Level 1 + may include the following: - Long positions and debit spreads with fixed exposure - Long Calls - Long Puts - Cash settled vertical debit spreads - Long Straddles (AKA long put and long call combos) - Long Iron Condor (debit call and put spread)	<b>Limited Uncovered Options</b> Level 1 and 2 + may include the following: - Short Puts vs. cash - Short Call Spreads (Cash Settled) - Short Put Spreads (Cash Settled) Long Butterfly (Cash Settled) - Short Iron Condor (credit call and put spread)	<b>Unrestricted</b>										
	<b>Strategy</b>													

DDO REQUIREMENT	APPLICATION TO EXCHANGE TRADED OPTIONS (ETOs)				
	<b>Minimum Age</b>	18	21	21	21
	<b>Income Level (annual income by age group)</b>		<b>ORG accounts or over 50:</b> No requirement - <b>41-50:</b> >US\$40,000 - <b>31-40:</b> >US\$35,000 - <b>21-30:</b> >US\$20,000	<b>ORG accounts or over 50:</b> No requirement - <b>41-50:</b> >US\$50,000 - <b>31-40:</b> >US\$45,000 - <b>21-30:</b> >US\$40,000	<b>ORG accounts or over 50:</b> No requirement - <b>41-50:</b> >US\$50,000 - <b>31-40:</b> >US\$45,000 - <b>21-30:</b> >US\$40,000
	<b>Liquid Net Worth (liquid net worth by age group)</b>		<b>ORG accounts or over 50:</b> >US\$65,000 - <b>41-50:</b> >US\$50,000 - <b>31-40:</b> >US\$35,000 - <b>21-30:</b> >US\$20,000	<b>ORG accounts or over 50:</b> >US\$100,000 - <b>41-50:</b> >US\$75,000 - <b>31-40:</b> >US\$50,000 - <b>21-30:</b> >US\$20,000	<b>ORG accounts or over 50:</b> >US\$100,000 - <b>41-50:</b> >US\$75,000 - <b>31-40:</b> >US\$50,000 - <b>21-30:</b> >US\$20,000
	<b>Knowledge and Experience</b>	Clients with "good" or "extensive" knowledge of and generally at least 2 years experience trading ETOs (or equivalent in other products). Clients who do not have the requisite trading experience must have successfully completed an ETOs teaching exam or receive advice from a professional adviser.			
	<b>Risk Tolerance</b>	Experienced investors with the ability to bear a high amount of risk.			
	<b>Ability to Bear Losses</b>	Clients who have the ability to bear losses in excess of the value of their IBA accounts.			
	<p><b>Objectives and Needs:</b> Clients who:</p> <ul style="list-style-type: none"> <li>○ Wish to take positions in a product to hedge or offset the risk in another product and/or who wish to increase the principal value of their investments by assuming substantially higher risk to their investment capital;</li> <li>○ Have the ability to bear:                             <ul style="list-style-type: none"> <li>▪ magnified exposures and losses that may arise from trading with leverage;</li> <li>▪ the risk of fluctuations in the value of the reference underlying, for example the fluctuation in the value of an underlying stock; and</li> <li>▪ the risk of being unable to maintain your hedge (protection) should a margin violation cause the ETO to be closed out;</li> </ul> </li> <li>○ Are able to assess the life span of a product against their investment time frame;</li> <li>○ Have capacity to actively monitor their margin obligations.</li> </ul> <p>IBA has also implemented an automated control to alert clients if a proposed transaction would 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><b>Class of persons that are not within the Target Market</b></p> <ul style="list-style-type: none"> <li>• Unsophisticated or inexperienced investors.</li> <li>• Clients with a conservative or low risk appetite.</li> <li>• Clients who do not have the ability to bear losses.</li> <li>• Clients who are unable to monitor and manage their margin obligations.</li> <li>• Clients with an investment time frame that is generally inconsistent with their objectives and needs.</li> </ul>				
2. Description of ETOs (including its key attributes)	<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> </ul>				

DDO REQUIREMENT	APPLICATION TO EXCHANGE TRADED OPTIONS (ETOs)
	<ul style="list-style-type: none"> <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 or low 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, mitigating 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. Clients with the capacity to actively monitor their accounts will likely be in the target market.</li> </ul> <p>Accordingly, if an ETO was to be issued to a client in the target market, it would likely be consistent with the likely objectives, financial situation and needs of the consumer (s 994B(8)(b)).</p>
<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.</li> <li>• In particular, IBA only issues ETOs:             <ul style="list-style-type: none"> <li>○ directly to clients who complete the online application available on IBA's website and who personally satisfy all of the target market criteria to trade ETOs through its proprietary trading platforms; or</li> <li>○ to an AFS Licensed intermediary that operates an omnibus account with IBA (a <b>Distributor</b>). In these cases, IBA will face the Distributor rather than the person (who is not IBA's client) directly.</li> </ul> </li> <li>• IBA has less control over the distribution of its ETOs to clients of Distributors in circumstances where they are distributed through a Distributor.</li> <li>• <b>Distribution conditions for direct IBA clients:</b> <ul style="list-style-type: none"> <li>○ clients will answer a series of questions contained in the online application; and</li> <li>○ where clients' answers indicate that they are not in the target market, they will not be issued with an ETO.</li> </ul> </li> <li>• <b>Distribution conditions for Distributors:</b> <p>All Distributors wishing to distribute IBA's ETOs to their clients must:</p> <ul style="list-style-type: none"> <li>○ enter into an agreement with IBA which, among other things, governs the distribution of financial products; and</li> <li>○ also ensure that their client is within the target market. IBA will not do business with any Distributor that does not contractually agree to this.</li> </ul> </li> <li>• IBA will also seek regular statements and data from Distributors to ensure that the Distributor is complying with the requirement to distribute IBA's ETOs only to persons within the target market.</li> </ul>

<b>DDO REQUIREMENT</b>	<b>APPLICATION TO EXCHANGE TRADED OPTIONS (ETOs)</b>
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	<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 Distributor 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 Distributors 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>
<b>Reviews</b>	
6. Outline of the events and circumstances that would reasonably indicate to IBA that the TMD for ETOs is no longer appropriate (i.e. "review triggers" – s 994B(5)(d))	<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 ETOs are not well understood.</li> <li>• Significant compensation paid out in relation to ETOs.</li> <li>• Feedback received directly or through Distributors.</li> <li>• IBA becomes aware of a significant dealing in ETOs to clients outside of the target market.</li> <li>• Material changes to laws or regulations affecting ETOs.</li> </ul>
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)	IBA will review the appropriateness of its target market at least every 6 months at the relevant product governance committee meeting attended by legal, compliance and senior business management, or earlier if the chair of the relevant product governance committee determines that the nature and extent of detriment to retail clients warrants an earlier review of the target market.
8. The period of time between the conclusion of a periodic review of the TMD and the conclusion of the next periodic review – s 994B(5)(f)	IBA will review the appropriateness of its target market at least every 6 months at the relevant product governance committee meeting attended by legal, compliance and senior business management, or earlier if either a review trigger occurs or the chair of the relevant product governance 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 ETOs, within 10 business days of receipt of the complaint or the occurrence of the dealing.
<b>Information Sharing</b>	
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)	<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 quarterly basis: <ul style="list-style-type: none"> <li>○ Profit or loss incurred by clients trading ETOs;</li> <li>○ Any compensation paid out in relation to ETOs; and</li> <li>○ Any feedback about the product and / or the target market.</li> </ul> </li> </ul>

DDO REQUIREMENT	APPLICATION TO EXCHANGE TRADED OPTIONS (ETOs)
	<ul style="list-style-type: none"> <li>In addition, as detailed in section 9, IBA will require that the distributor provide information about any complaints relating to ETOs or any dealings in ETOs outside of the target market within 10 business days of receipt of the complaint or the occurrence of the dealing.</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 Distributors, given that IBA does not have any contractual relationship with the end 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>Unless stated otherwise, IBA will require the information specified above on a quarterly basis.</p>