



**INTERACTIVE BROKERS AUSTRALIA PTY LTD  
TARGET MARKET DETERMINATION – FUTURES AND FUTURES OPTIONS**

Interactive Brokers Australia Pty Ltd (**IBA**) issues futures and futures options to its retail clients. Detailed information is available in the IBA Futures and Futures Options Product Disclosure Statement, available here: [https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration\\_v2.formSampleView?formdb=3305](https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?formdb=3305).

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 futures and futures options to our clients.

This TMD is available to the public free of charge.

DDO REQUIREMENT	APPLICATION TO FUTURES AND FUTURES OPTIONS
<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 futures and futures options 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> </ul>

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	<ul style="list-style-type: none"> <li>• <b>Knowledge and experience:</b> Clients with “good” or “extensive” knowledge and a minimum 2 years’ experience trading futures. Clients who do not have the requisite trading experience must have successfully completed a futures teaching exam or receive advice from a professional adviser.</li> <li>• <b>Risk Tolerance:</b> Experienced investors with the ability to bear a high degree of risk</li> <li>• <b>Ability to bear losses:</b> Clients who have the ability to bear losses in excess of the value of their IBA account.</li> <li>• <b>Objectives and Needs:</b> Clients who:               <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 being unable to maintain your hedge (protection) should a margin violation cause the Futures Contract to be closed out; and</li> <li>▪ the risk of fluctuations in the value of the underlying asset and the resultant impact on their derivatives position;</li> </ul> </li> <li>○ Are able to assess the life span of a product against their investment time frame; and</li> <li>○ Have capacity to actively monitor and manage their margin obligations.</li> </ul> </li> </ul> <p>IBA has also implemented an automated control to ensure that clients do not exceed their self-declared tolerance for Futures 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 Futures 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 who intend to use futures or futures options as a standalone or core component of their investment portfolio.</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 and to generate additional capital to meet margin calls as they arise.</li> <li>• Clients with an investment time frame that is generally inconsistent with their objectives and needs.</li> </ul>
<p>2. Description of futures and futures options (including its key attributes)</p>	<p>Futures and futures options have the following key attributes:</p> <ul style="list-style-type: none"> <li>• Futures are a type of derivative contract in which there is an agreement to either (1) deliver or take delivery of a specific amount of an underlying asset at a specified time or (2) make or receive cash payments based on a change in price of an underlying asset a specified time.</li> <li>• Future options are option contracts traded over futures contracts.</li> <li>• Futures and futures options have a limited life span as their value erodes the closer it reaches its expiry date.</li> <li>• The value of futures and futures options 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 futures and futures options 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 futures and futures options, including its key attributes, is likely to be consistent with the likely</p>	<ul style="list-style-type: none"> <li>• Futures and futures options are complex instruments that provide leveraged exposure to the underlying reference asset. Accordingly, they are only appropriate for experienced or knowledgeable traders who have the ability to bear some losses.</li> </ul>

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<p>objectives, financial situation and needs of consumers in the target market</p>	<ul style="list-style-type: none"> <li>• Futures and futures options can be used for a variety of purposes, including hedging, speculation and generating trading profits, hence consumers with these investment objectives will likely be within the target market.</li> <li>• As IBA does not permit its clients to make or take delivery of the asset underlying a futures contract, it is the clients’ obligation to monitor open positions of deliverables futures contracts as they approach settlement date and to roll them forward or close them out prior to expiry.</li> <li>• Given that futures and futures options are often used for speculation, some clients trading futures and futures options through IBA’s proprietary trading platforms will incur losses while others incur profits. These losses and gains are amplified because futures and futures options are leveraged instruments. Accordingly, consumers with a conservative risk appetite are likely outside of the target market for IBA issued futures and futures options.</li> <li>• IBA has the right, and will generally conduct 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. Clients with the capacity to actively monitor their accounts will likely be in the target market.</li> </ul> <p>Accordingly, if a future or an option on a future 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 futures and futures options</p>	<ul style="list-style-type: none"> <li>• IBA has a high degree of control over the distribution of futures and futures options transacted through its proprietary trading platforms.</li> <li>• In particular, IBA only issues futures and futures options:                         <ul style="list-style-type: none"> <li>◦ directly to clients who complete the online application and who personally satisfy all of the target market criteria; 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 Distributor’s client directly.</li> </ul> </li> <li>• IBA has less control over the distribution of futures and futures options to persons (who are not IBA’s clients) 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 a futures or futures option.</li> </ul> </li> <li>• <b>Distribution conditions for Distributors:</b> <p>All Distributors wishing to distribute futures and futures options to end clients via IBA’s proprietary trading platforms 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>◦ ensure that the Distributor’s retail 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 futures and futures options only to its clients 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 futures and futures options 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 futures and futures options through IBA’s proprietary trading platforms.</li> <li>• Similarly, IBA will contractually require that any Distributor that distributes futures and futures options through IBA’s proprietary trading platforms 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 futures and futures options through IBA’s proprietary trading platforms.</li> </ul>

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<b>Reviews</b>	
6. Outline of the events and circumstances that would reasonably indicate to IBA that the TMD for futures and futures options 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 futures and futures options are not well understood.</li> <li>• Significant compensation paid out in relation to futures and futures options.</li> <li>• Feedback received directly or through Distributors.</li> <li>• IBA becomes aware of a significant dealing in futures or futures options to clients outside of the target market.</li> <li>• Material changes to laws or regulations affecting futures or futures options</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 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.
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 quarterly APAC Compliance Committee meeting attended by legal, compliance and senior business management, or earlier if either a review trigger occurs or 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 futures and futures options, 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 futures and futures options 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 Distributors provide IBA with the following information on a quarterly basis: <ul style="list-style-type: none"> <li>○ Profit or loss incurred by clients trading futures and futures options;</li> <li>○ Any compensation paid out in relation to futures and futures options; and</li> <li>○ Any feedback about the futures and futures options products and / or the target market.</li> </ul> </li> <li>• In addition, as detailed in section 9, IBA will require that the Distributor provide information about any complaints relating to futures or futures options or any dealings in futures or futures options outside of the target market within 10 business days of receipt of the complaint or the occurrence of the dealing.</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 Distributors, given that IBA does not have any contractual relationship with the end 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)	Unless stated otherwise, IBA will require the information specified above on a quarterly basis.