

INTERACTIVE BROKERS AUSTRALIA PTY LTD
TARGET MARKET DETERMINATION – MARGIN LENDING FACILITIES (NON-NATURAL PERSONS ONLY)

Interactive Brokers Australia Pty Ltd (“**IBA**”) issues standard margin lending facilities to its non-natural person clients. Detailed information is available in the IBA Margin Lending Facility Product Disclosure Statement, available here: https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?formdb=3373.

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 margin lending facilities to our non-natural person clients.

This TMD is available to the public free of charge.

DDO REQUIREMENT	APPLICATION TO MARGIN LENDING FACILITY (NON-NATURAL PERSONS)
<i>Class of retail clients that comprise the target market for this product – s 994B(5)(b)</i>	
1. Description of the likely objectives, financial situation and needs of consumers in the target market	<p>Background</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 non-natural person applicants to satisfy the below criteria prior to margin lending permission being activated in the client account.</p> <p>Target Market</p> <ul style="list-style-type: none"> • Liquid Net Worth: declared liquid net worth >US\$100,000 • Knowledge and experience: Clients who declare that they have “good” or “extensive” knowledge of and experience trading in any product type and have executed over 100 trades in any product type or whose accounts are managed by a professional adviser. • Objectives and Needs: Clients who declare that their investment objectives include “speculation”, “hedging”, “growth” or “trading profits”.
2. Description of margin lending (including its key attributes)	<p>Margin lending has the following key attributes:</p> <ul style="list-style-type: none"> • Margin lending allows clients to borrow money from IBA using their existing portfolio as security for any credit extended. • Clients can thus use margin trading to increase the size and diversification of their portfolios. However, margin trading also increases the potential for greater losses. • IBA has sole discretion in deciding what, how and when to liquidate assets, which is called a margin call, without contacting the client if the account equity falls below the maintenance margin requirements. • IBA may change the applicable margin requirements at any time without notice, which could trigger immediate liquidations in the client account. • The maximum amount of credit that clients could be extended by IBA will depend on the value of assets in their account that are provided as security, which financial products are invested in (as IBA will lend different amounts for different products using a risk based model), and the maintenance margin requirements for the client’s portfolio. • Notwithstanding the above, retail clients are limited to a maximum margin loan of AUD \$25,000.

3. Explanation of why margin lending, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market	<ul style="list-style-type: none"> • Margin lending is trading with leverage, which increases the potential for greater gains and losses. Accordingly, margin lending facilities are only appropriate for experienced or knowledgeable traders. • Margin lending facilities 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. • 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 be able to do so. As such, inexperienced traders and/ or traders with insufficient trading knowledge are likely outside of the target market for IBA's corporate margin lending unless that client's account is managed by an independent financial adviser.
Conditions and restrictions relating to the distribution of this product – s 994B(5)(c)	
4. Outline of the conditions and restrictions relating to distribution of margin lending accounts	<p>Distribution strategy</p> <ul style="list-style-type: none"> • IBA has a high degree of control over the distribution of its margin lending facilities. In particular, IBA only issues margin lending facilities to clients who directly open accounts with IBA and personally satisfy all of the target market criteria. • 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 control over the distribution of the credit provided by IBA. • All intermediaries that wish to distribute credit provided by IBA 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. • IBA will also seek regular statements and data from intermediaries to ensure that the intermediary is complying with the requirement to distribute credit provided by IBA only to clients within the target market.
5. Explanation of why these distribution conditions and restrictions will make it more likely that the consumers who acquire the margin lending accounts are in the target market	<ul style="list-style-type: none"> • IBA will programmatically prevent any non-natural person that directly opens an IBA account and who is not within the target market from being issued a margin lending facility. • Similarly, IBA will contractually require that any intermediary that distributes credit provided by IBA ensures that the credit is only distributed to persons that satisfy the target market. IBA will regularly monitor the performance of intermediaries in complying with this distribution condition. • In light of the above, we consider it highly likely that only the consumers who are within the target market will access IBA issued margin lending facilities.
Reviews	
6. Outline of the events and circumstances that would reasonably indicate to IBA that the TMD for margin lending accounts is no longer appropriate (i.e. "review triggers" – s 994B(5)(d))	<p>Review Triggers:</p> <ul style="list-style-type: none"> • Significant losses incurred by clients • The nature of and number of complaints from consumers indicating that the risks of margin lending facilities are not well understood • Significant compensation paid out in relation to margin lending facilities • Feedback received directly or through Intermediaries
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 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.
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.
Reporting period for reporting information about the number of complaints about the product – s 994B(5)(g)	
9. The reporting period in which the distributors of IBA's financial products are required to provide information	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 margin lending facilities, among other things, on a bi-annual basis.

<p>about the number of complaints received about the product</p>	
<p>Information Sharing</p>	
<p>10. Outline of the kinds of information that IBA will require from distributors to promptly identify that the TMD for margin lending accounts is no longer appropriate – s 994B(5)(h)</p>	<ul style="list-style-type: none"> • 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"> ○ Profit or loss incurred by clients using margin lending facilities ○ The number and nature of complaints about margin lending facilities ○ Any compensation paid out in relation to margin lending facilities ○ Any feedback about the margin lending facility product and / or the target market
<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>