

**INTERACTIVE BROKERS AUSTRALIA PTY LTD
TARGET MARKET DETERMINATION – SPOT FOREIGN EXCHANGE CONTRACTS**

Interactive Brokers Australia Pty Ltd (“**IBA**”) issues spot foreign exchange (“FX”) contracts to its retail clients. Detailed information is available in the IBA Spot FX Product Disclosure Statement, available here https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?formdb=3303.

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 spot FX contracts to our clients.

This TMD is available to the public free of charge.

DDO REQUIREMENT	APPLICATION TO SPOT FX CONTRACTS
<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 applicants to satisfy the below criteria prior to spot FX contract trading permission being activated in the client account.</p> <p>Target Market</p> <ul style="list-style-type: none"> • Income level: declared annual income by age group: <ul style="list-style-type: none"> ○ >50 or ORG accounts: No requirement ○ 41-50: >US\$50,000 ○ 31-40: >US\$45,000 ○ 21-30: >US\$40,000 • Liquid Net Worth: declared liquid net worth by age group: <ul style="list-style-type: none"> ○ >50 or ORG accounts: >US\$100,000 ○ 41-50: >US\$75,000 ○ 31-40: >US\$50,000 ○ 21-30: >US\$20,000 • Age Group: Above 21 years of age • Knowledge and experience: Clients who declare that they have “good” or “extensive” knowledge of and experience trading spot FX contracts and/ or who have successfully completed a spot FX contract teaching exam or whose accounts are managed by a professional adviser. • Objectives and Needs: Clients who declare that their investment objectives include “speculation”, “hedging” or “trading profits”.
2. Description of spot FX contracts (including its key attributes)	<p>Spot FX contracts have the following key attributes:</p> <ul style="list-style-type: none"> • Spot FX contracts are an over-the-counter product that allows clients to exchange one currency for another at an agreed exchange rate on an agreed date.

	<ul style="list-style-type: none"> • IBA only offers spot FX contracts using spot exchange rates, which is the rate IBA is quoting at which it will exchange currencies on the settlement date. • Spot FX contracts are synthetic products in which IBA faces the client in all spot FX contracts it issues. • There are two situations in which IBA issues spot FX contracts to its clients: <ul style="list-style-type: none"> ○ The spot FX contracts that IBA is deemed to issue when it (i) undertakes a conversion of currency on the client’s behalf in order to meet the margin or settlement obligations due for the client’s dealing in financial products or (ii) converts the proceeds (if any) upon closing out a position which is in a currency other than AUD, USD, GBP or EUR, back to the base currency of the account. This service is automatic and offered in order to simplify how clients can trade financial products in international financial markets. ○ Client-initiated spot FX contracts for currency pairs comprising any two of AUD, USD, GBP and EUR currencies. For example, IBA offers its clients the ability to trade Spot FX contracts which convert AUD to USD or USD to AUD; essentially, selling Australian Dollars against buying US Dollars or selling US Dollars against buying Australian Dollars
<p>3. Explanation of why spot FX contracts, 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"> • Spot FX contracts can be used for a variety of purposes, including hedging, speculation, diversification, cash flow certainty, exchange rate protection and generating trading profits, hence consumers with these investment objectives will likely be within the target market. • Given that spot FX contracts are often used for speculation, some clients trading IBA issued spot FX contracts will incur losses while others incur profits. • 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 knowledge of spot FX contracts are likely outside of the target market for IBA’s spot FX contracts, unless that client’s account is managed by an independent financial adviser.
<p>Conditions and restrictions relating to the distribution of this product – s 994B(5)(c)</p>	
<p>4. Outline of the conditions and restrictions relating to distribution of spot FX contracts</p>	<ul style="list-style-type: none"> • IBA has a high degree of control over the distribution of its spot FX contracts. In particular, IBA only issues spot FX contracts 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 its spot FX contracts. • All intermediaries that wish to distribute IBA’s spot FX contracts 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 IBA’s spot FX contracts only to persons within the target market.
<p>5. Explanation of why these distribution conditions and restrictions will make it more likely that the consumers who acquire the spot FX contracts are in the target market</p>	<ul style="list-style-type: none"> • IBA will programmatically prevent any person that directly opens an IBA account and who is not within the target market from accessing IBA issued spot FX contracts. • Similarly, IBA will contractually require that any intermediary that distributes IBA issued spot FX contracts 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. • In light of the above, we consider it highly likely that only the consumers who are within the target market will access IBA issued spot FX contracts.
<p>Reviews</p>	
<p>6. Outline of the events and circumstances that would reasonably indicate to IBA that the TMD for spot FX contracts is no longer appropriate (i.e. "review triggers" – s 994B(5)(d)</p>	<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 spot FX contracts are not well understood • Significant compensation paid out in relation to spot FX contracts • Feedback received directly or through Intermediaries
<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.
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 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 spot FX contracts, among other things, on a bi-annual basis.
Information Sharing	
10. Outline of the kinds of information that IBA will require from distributors to promptly identify that the TMD for spot FX contracts is no longer appropriate – s 994B(5)(h)	<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 trading spot FX contracts ○ The number and nature of complaints about spot FX contracts ○ Any compensation paid out in relation to spot FX contracts ○ Any feedback about the spot FX contract product and / or the target market
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.