



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>	
<p>1. Description of the likely objectives, financial situation and needs of consumers in the target market</p>	<p>Background</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 spot FX contract trading permission being activated in the client account.</p> <p>Target Market:</p> <p>Clients who satisfy the identification requirements under anti-money laundering and counter-terrorism financing legislation and who hold an IBA account denominated in any of AUD, USD, GBP, EUR or HKD.</p> <ul style="list-style-type: none"> • Age Group: Above 18 years of age • Financial Situation: clients who meet the financial requirements of and have been approved to trade another financial product through their IBA accounts, such as stocks, bonds, options, futures/ futures options and CFDs. • Knowledge and experience: Clients who satisfy the knowledge and experiential requirements and who have been approved to trade another financial product through their IBA accounts, such as stocks, bonds, options, futures/ futures options and CFDs. Specifically, the client will need to have a minimum of "good" or "extensive" knowledge in at least one other asset class. • Maximum Term: 2 business days after the trade date. • Risk Appetite: Clients who have the ability to bear the foreign currency exposure risk of trading in financial products denominated in foreign currencies. • Objectives and Needs: Clients who: <ul style="list-style-type: none"> ○ wish to manage their foreign currency exposure risk in connection with a specific currency; and/or

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	<ul style="list-style-type: none"> need to meet the margin or settlement obligations due for the client's dealing in international financial markets and/or convert the proceeds generated from trading in international financial markets back to one of AUD, USD, GBP, EUR or GBP. <p>Class of persons that are not within the Target Market</p> <ul style="list-style-type: none"> Anyone who resides in a jurisdiction where trading in over-the-counter products is prohibited. Clients who do not wish to trade financial products other than spot FX contracts. Clients who have a risk appetite inconsistent with the risk and potential financial loss of trading in financial products denominated in a foreign currency.
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. 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, HKD, 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, HKD, 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. IBA does not permit clients to open IBA accounts solely to trade spot FX contracts.
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	<ul style="list-style-type: none"> Spot FX contracts can be used for a variety of purposes, including settlement of transactions denominated in foreign currencies, hedging, speculation, diversification, cash flow certainty, exchange rate protection and generating trading profits, hence consumers with a variety of investment objectives and needs will likely be within the target market. For instance: <ul style="list-style-type: none"> Clients who have margin or settlement obligations denominated in a foreign currency, or who need to convert proceeds denominated in a non-supported currency back to the base currency of their IBA account, need to enter into spot FX contracts and are thus likely within the target market of spot FX contracts. Clients who seek to hedge their exposure to the currency risk of trading or owning other classes of financial products denominated in a foreign currency will likely utilize spot FX contracts and are thus likely within the target market. <p>Accordingly, if a spot FX contract 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>
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 spot FX contracts	<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: <ul style="list-style-type: none"> directly to clients who complete the online application and who personally satisfy all of the target market criteria; or to an AFS Licensed intermediary that operates an omnibus account with IBA (a Distributor). In these cases, IBA will face the Distributor rather than the end client directly. IBA has less control over the distribution of its spot FX contracts to persons (who are not IBA clients) in circumstances where they are distributed through a Distributor.

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	<ul style="list-style-type: none"> • Distribution conditions for direct IBA clients: <ul style="list-style-type: none"> ◦ clients will answer a series of questions contained in the online application; and ◦ where clients' answers indicate that they are not in the target market, they will not be issued with a spot FX contract. • Distribution conditions for Distributors: All Distributors wishing to distribute IBA's spot FX contracts must: <ul style="list-style-type: none"> ◦ enter into an agreement with IBA which, among other things, governs the distribution of financial products; and ◦ ensure that the Distributor's client is within the target market. IBA will not do business with any Distributor that does not contractually agree to this. • IBA will also seek regular statements and data from Distributors to ensure that the Distributor is complying with the requirement to distribute IBA's spot FX contracts only to persons within the target market.
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	<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 Distributor 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 Distributors 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.
Reviews	
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))	Review Triggers: <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 Distributors. • IBA becomes aware of a significant dealing in spot FX contracts to clients outside of the target market. • Material changes to laws or regulations affecting spot FX contracts or the nature of IBA-issued spot-FX contracts.
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.
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 spot FX contracts, within 10 business days of receipt of the complaint or the occurrence of the dealing.

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about the number of complaints received about the product	
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 Distributors provide IBA with the following information on a quarterly basis: <ul style="list-style-type: none"> ◦ Profit or loss incurred by clients trading spot FX contracts; ◦ Any compensation paid out in relation to spot FX contracts; and ◦ Any feedback about the spot FX contract product and / or the target market. • In addition, as detailed in section 9, IBA will require that the distributor provide information about any complaints relating to CFDs or any dealings in CFDs outside of the target market within 10 business days of receipt of the complaint or the occurrence of the dealing.
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.