

Interactive Brokers LLC Interactive Brokers Corp

REGULATION BEST INTEREST DISCLOSURE

Regulation Best Interest (“Reg BI”) establishes a standard of conduct for broker-dealers and natural persons who are associated persons of a broker-dealer when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer.

If Reg BI applies, a broker-dealer must act in the best interest of a retail customer when making a recommendation and at the time the recommendation is made.

Interactive Brokers LLC and Interactive Brokers Corp (collectively “IBKR” or “we” or “us”) do not recommend securities transactions or investment strategies involving securities (including account type recommendations) to its customers and, accordingly, Reg BI does not apply to IBKR. However, should any information or service offered by IBKR (including any customer communications or tools or features of the IBKR trading systems) be construed as a recommendation to a retail customer, these disclosures describe (1) the scope and terms of our relationship with retail customers and (2) conflicts of interest associated with information or services provided by the Firm.

Introduction

IBKR is providing this document to enhance the quality and transparency of our relationship with our customers. This document discloses material facts about the scope and terms of the relationship between IBKR and its retail customers.

About IBKR

Interactive Brokers LLC (“IB LLC”) is an online broker that provides self-directed trade execution and clearing services. IB LLC offers its customers the ability to buy and sell investment products like stocks, options, ETFs, bonds, mutual funds, and other financial products in a brokerage account.

Interactive Brokers Corp (“IB Corp”) is an affiliate of IB LLC and a registered broker-dealer. IB Corp has limited business operations and does not maintain any customer accounts. IB Corp facilitates fractional share trading for clients of IB LLC, routes orders to certain exchanges, and employs U.S. sales representatives. Although retail customers open accounts with IB LLC (and not IB Corp), we are describing IB Corp in this document given the role that IB Corp plays in executing your orders in fractional shares and listed options and because they employ IBKR’s U.S. sales force.

IB LLC and IB Corp are broker-dealers registered with the Securities and Exchange Commission (“SEC”), Financial Industry Regulatory Authority (“FINRA”), and various exchanges. Accordingly, they are subject to the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules promulgated thereunder, and is regulated by the SEC, the

Financial Industry Regulatory Authority (“FINRA”) and other self-regulatory organizations and exchanges of which the firm is a member.

Disclosure Obligation

This section contains the material facts about the scope and terms of IBKR’s relationship with retail customers. This includes a disclosure regarding: (1) the capacity in which IBKR and/or its representatives act; (2) the material fees and costs the customer may incur; and (3) the type and scope of the services to be provided, including any material limitations on recommendations that could be made to the retail customer if IBKR were deemed to have made a recommendation.

This section also contains disclosures regarding material facts relating to conflicts of interest if IBKR were deemed to have made a recommendation.

Material facts relating to the scope and terms of our relationship with retail customers.

(1) Capacity.

IBKR acts as a broker-dealer with respect to any recommendations and executions of your trades and may execute trades on an agency or riskless principal basis. IB Corp. may also trade on a principal basis for the limited purposes of facilitating fractional trading by its clients. We are not an investment advisor.

(2) Material Fees and Costs That Apply to Your Transactions, Holdings, and Accounts.

The principal fees and costs that a customer may incur in exchange for our brokerage services are: (i) Commissions; (ii) Exchange, Regulatory, and Clearing Fees; (iii) Subscription Service Fees; (iv) Interest and Financing Costs; (v) Payments for Third-party Services; and (vi) Other Fees and Costs. IB LLC does not currently charge clients minimum activity fees or require minimum equity to open an account, although there are minimum equity requirements for certain trading strategies (e.g., trading on margin and uncovered options) as noted below in Section 3. As previously noted, IB Corp does not have customer accounts.

Fees and costs will vary depending on the products the customer elects to trade, the customer’s volume of trading, and the services and pricing plan the customer selects. Customers will pay fees and costs whether they make or lose money on their investments, and this will reduce any profits from investments over time.

We do not compensate employees based on the number of trades a client places or the amount of fees a customer pays.

Here is an overview of our fees and costs:

- (i) Commissions: Commissions are transaction-based fees charged by brokers. IB LLC offers tiered, fixed and zero-commission pricing plans. Commissions charged will vary depending on the pricing plan that a client selects and the

product(s) a client trades. Please see www.ibkr.com/commissions for additional details.

- (ii) Exchange, Regulatory, and Clearing Fees: Exchanges, regulators and clearing houses may charge IBKR fees when IBKR executes orders for you. These fees may be charged to a customer's account in addition to commissions depending on the commission structure that the customer selects and the products the customer trades. Exchange, Regulatory, and Clearing fees charged to the customer may be greater than the corresponding fees paid by IBKR (e.g., IBKR may receive aggregate volume discounts that are not passed on to the customer). Please see www.ibkr.com/commissions for additional details.
- (iii) Subscription Service Fees: IBKR offers access to third-party research, real-time streaming market data, and other subscription services. If a customer elects to subscribe to any of these services, they may be charged to cover the cost. Please see www.ibkr.com/researchandnews and www.ibkr.com/marketdata for additional details.
- (iv) Interest and Financing Costs: IB LLC may offer eligible customers financing, including allowing them to borrow on margin or to borrow stock for purposes of short selling. These services have corresponding costs, which are charged to the customer's account in the form of margin loan interest and stock borrow fees. Please see www.ibkr.com/interest for additional details.
- (v) Other Fees and Costs: IB LLC offers products and services in addition to online trading. Such products and services include, but are not limited to, processing corporate actions and dividends, cash movements, and securities transfers. These services may be offered at additional cost. Please see www.ibkr.com/otherfees for additional details.

While the above list includes some of the more common fees and costs that clients may encounter, it is not exhaustive. For complete details of services provided by IBKR and corresponding fees and costs, please visit www.ibkr.com. Commissions and other fees are based on the trading customers conduct and the services that customers choose. Information regarding specific commissions and fees is available at www.ibkr.com/commissions and www.ibkr.com/otherfees.

Separately, additional fees may apply for certain products. For example, if you purchase mutual funds, there may be a management fee that is charged by the fund manager and subtracted from the amount of your fund investment. The specific fees for these products vary by product and are described more fully on our website at www.ibkr.com/products.

(3) Type and Scope of the Services to be Provided.

IB LLC is an online broker that provides self-directed trade execution and clearing services. IB LLC offers eligible customers the ability to buy and sell investment products like stocks, ETFs, options, bonds, mutual funds, and other financial products in a brokerage account.

Neither IB LLC nor IB Corp employs human “brokers” to manage customer accounts or make recommendations as to whether a customer should buy, sell or hold investment products. We do not monitor the performance of customer accounts for purposes of recommending changes in your investments— or providing recommendations or advice to you. We do monitor customer accounts for our purposes, such as compliance with applicable regulations and to ensure that the customer account does not present undue risk to IBKR. We do provide tools to assist customers with monitoring their portfolio holdings and risk, or for informational or educational purposes.

We do not provide investment advice or make recommendations to retail customers or retail investors on account types or pricing plans. All of our employees are prohibited from providing such recommendations or advice.

We deliver electronic confirmations of each trade executed in customers’ accounts. Customers have access to electronic account statements that are posted daily, monthly, quarterly and annually.

We do not have discretionary trading authority over customer accounts other than accepting unsolicited not-held orders (which give us price and time discretion). We do not offer proprietary products. There are no account minimums or other requirements to open or maintain a brokerage account with us. Certain products and services may have minimum equity or other eligibility requirements (e.g., clients must have \$2,000 in equity to open a new uncovered options position, clients must meet the Reg T minimums to trade using Reg T margin and clients must meet heightened experience and financial criteria to trade options or other riskier products).

For more details on services offered by IBKR, please see www.ibkr.com/products or contact IBKR [here](#).

Limitations regarding ESG material, our approach, and related risks.

In the course of providing educational and informational material, IBKR may identify and describe specific securities - for example, IBKR may describe a security’s performance on certain environmental, social and governance (“ESG”) criteria selected by a customer using IBKR’s IMPACT app. These educational and informational materials do not constitute recommendations. If, however, any such communication were construed to be a recommendation, IBKR reasonably believes any security for which it has provided ESG information is suitable for at least some investors because IBKR provides this information only for products that are available for purchase to customers with our most conservative investment objective of Preservation of Capital. This investment objective limits clients to trading stocks, bonds, warrants or mutual funds in cash accounts, although ESG information is further limited to single name listed securities. Further, IBKR reasonably believes that if a customer were to effect a transaction based on the ESG performance information that IBKR provides about a security, such transaction would be suitable for that customer because each IBKR customer indicates that to the extent their ESG criteria selections are inconsistent with other investment objectives or considerations, the customer intends for IBKR to provide information based on the customer’s ESG criteria selection.

When IBKR provides informational material about a specific security, it does not take into account the potential financial effects of trading in the security. Trading in any security could lead to financial losses in a customer's portfolio and a decision to invest based on educational information could result in a customer's portfolio underperforming a different portfolio or the market as a whole. Replacing securities in a customer's portfolio with securities for which IBKR has provided educational information may result in immediate or future financial losses.

(4) Material Facts Relating to Conflicts of Interest Associated with a Recommendation.

As stated above, IBKR does not provide recommendations to its clients. We provide certain educational and informational material about specific securities. When we provide educational material about a specific security, it does not have any financial interest in that security resulting from any market making, underwriting, or proprietary trading activity because we do not offer proprietary investment products, engage in market making or underwriting activities, or maintain proprietary positions for the purpose of the firm's own investment. (As stated above, we may from time to time principally own some positions acquired for the purpose of facilitating fractional trading by its clients.)

However, should any service offered by us (including any customer communications or tools or features of our trading systems) be construed as a recommendation, we want our customers to be aware of the ways we make money and the potential for those arrangements to create conflicts of interest related to their brokerage accounts.

As discussed above in Section 2, we are compensated in a variety of ways, including charging commissions and/or receiving payment for order flow on its customer's self-directed trading, as well as charging interest on financing, receiving interest on uninvested cash in customer accounts, and charging subscription fees for optional services that a customer decides to engage in.

The following disclosures are intended to explain the potential conflicts of interest that IBKR may have with its customers:

- (i) Commissions. For certain financial transactions and depending on the commission plan chose by the customer, we receive a commission when we execute transactions that result in the purchase or sale of a security. Therefore, if we receive a commission under your plan, the more you trade with us, the more money IBKR receives. A commission is typically paid at the time of the transaction and can reduce the amount available to invest or can be charged directly against an investment. Commissions may differ based on the trading volume of the client. For more information about our commissions, please visit <http://www.ibkr.com/commissions>.
- (ii) Margin Interest. We charge interest on financing. Therefore, the larger the debit balance within a brokerage account the more interest that IBKR will earn. Current margin rates may be viewed at www.ibkr.com/margin. Please review the [Disclosure of Risks of Margin Trading](#) for more information.

- (iii) Third-Party Payments. For certain investment products, we receive compensation from third-parties when a customer purchases and/or holds the product. For example, certain mutual funds available on the IBKR platform pay what are called 12b-1 fees. These 12b-1 fees are an expense of the fund, borne by the fund's investors. We may receive 12b-1 fee compensation for certain fund transactions and not others, depending on the type of account and share class purchases by a client. Therefore, the more you trade these products, the more money we make. These 12b-1 fees are reflected in the respective fund's expense ratio and disclosed in the fund's prospectus.
- (iv) Principal Trading. IBKR does not conduct a proprietary trading business; however, IBKR does engage in a limited amount of principal trading to facilitate customer activity (such as customer fractional share trading by IB Corp).
- (v) Payment for Order Flow. We receive payment for order flow ("PFOF") from certain exchanges, market makers, and other third parties through whom we execute client orders. We mitigate this conflict of interest through disclosure and by conducting regular and rigorous reviews of the quality of executions of customers' orders. Please see the Order Routing and Payment for Order Flow Disclosure for details or visit www.ibkr.com/pfof.
- (vi) Investment Tools. We provide clients with free access to tools that allow them to view information about their brokerage account and individual securities in their brokerage account based on different financial and non-financial factors. This information is provided for informational purposes, but a customer may choose to trade more and thereby pay additional commissions. These tools are provided for informational purposes only and are not intended to act as a recommendation that a customer buy or sell any securities or an offer or solicitation to buy or sell securities.
- (vii) Affiliate Investment Advisor. Our affiliate, Interactive Advisors, is an SEC-registered Investment Advisor that offers actively managed portfolios. Interactive Advisors uses IB LLC as the custodian for its customers' assets.

Our employees are compensated through salary and merit-based discretionary bonuses. The bonus component is calculated based on factors including IBKR and individual performance and may include cash and/or IBKR stock that vests over a period of years. They are not compensated directly based on the amount of commissions or fees, performance of customer accounts, the amount of customer assets they service, the products that customers buy or sell, or revenue earned from services or products chosen by customers. However, because they are compensated in part based on IBKR performance, these factors may indirectly affect their compensation.

We mitigate the potential conflicts of interest listed above by applying appropriate policies and controls, including but not limited to the following:

- (i) No Proprietary Products. We do not create or manage investment products and does not sell, distribute, recommend, market, or otherwise encourage customers to trade in specific products created or managed by IBKR.

- (ii) Compensation Structure. IBKR staff are compensated through salary and merit-based discretionary bonuses. IBKR staff are not directly compensated based on commissions or fees, performance of customer accounts, the amount of customer assets they service, the products that customers buy or sell, or revenue earned from services or products chosen by customers.
- (iii) PFOF Transparency. Pursuant to SEC rules, we make available quarterly reports describing its order routing practices. The reports describe how and where customer orders are routed when customers use IB's Best Execution Order Routing System rather than directing their order to a particular market center. For examples of past reports, click [here](#).
- (iv) Limited Business Operations and No Cross Selling. We do not act as an investor, placement agent, underwriter, distributor, remarketing agent, structurer, securitizer, investment manager, investment advisor, commodity trading advisor, municipal advisor, market maker, or trader and does not produce any proprietary research.

Please see www.ibkr.com/disclosures for additional details.

Additional Information

Additional details about IBKR, and our brokerage services at www.ibkr.com. A current copy of the firm's Customer Relationship Summary (Form CRS), is available [here](#).

IBKR does not assign registered representatives to manage client accounts. Our registered representatives are employed by IBKR, which is a broker-dealer and not an investment advisor. Contact us at (312) 542-6901 or 1 (877) 442-2757 if you have any concerns regarding the service that you receive.