



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 does not maintain any customer accounts or hold client assets. Although retail customers open accounts with IB LLC and not IB Corp, IB Corp may play a role in executing your orders.

IB Corp employs U.S. sales representatives and acts as an executing broker for IB LLC by routing IB LLC customer orders to certain exchanges. IB Corp may also facilitate the internalization of non-directed whole share customer order flow for clients of IB LLC, as well as facilitate IB LLC fractional share trading.

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, disbursements, and costs that a customer may incur or receive 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) Stock Loan Disbursements; (vi) Payment for Order Flow; (vii) Affiliate Investment in Exchanges; and (viii) 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 or 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 products a client trades. Please see [ibkr.com/commissions](http://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 [ibkr.com/commissions](http://ibkr.com/commissions) for additional details.
- iii. Subscription Service Fees: IBKR offers access to third-party research, realtime 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. Additional details can be found at [ibkr.com/researchandnews](http://ibkr.com/researchandnews) and [ibkr.com/marketdata](http://ibkr.com/marketdata).
- 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](http://www.ibkr.com/interest) for additional details.
- v. Stock Loan Disbursements: IBKR eligible account holders may enroll in the Stock Yield Enhancement Program ("SYEP"). IBKR clients enrolled in SYEP may earn additional income on their fully-paid shares by lending

those shares to IBKR for lending to short sellers that pay to borrow them. IBKR may generate revenue from shares lent through the SYEP program. Please see [www.ibkr.com/syep](http://www.ibkr.com/syep) for additional details.

- vi. Payment For Order Flow (PFOF): IBKR may receive payment in the form of commissions or other payments from the liquidity providers of your executions. Payments may be in the form of rebates provided by an exchange, or rebates pursuant to the maker-taker model provided by some exchanges. Please see the [Order Routing and Payment for Order Flow Disclosure](#) for additional details.
- vii. Internalization of Customer Order Flow: IBKR may internalize non-directed whole share customer order flow through an affiliate. The internalization of customer orders is intended to provide the opportunity for improved execution quality (i.e., increased price improvement) and/or reduced execution costs without reducing execution quality. The internalization of a customer order may enable the IBKR affiliate to generate a trading profit by trading as principal. Customers have the option to opt out of internalization of the whole-share portions of their stock orders; customers cannot opt out of internalization for the fractional-share portion of any order they submit.
- viii. Affiliate Investments in Exchanges: An affiliate or affiliates of Interactive Brokers LLC own(s) a minority investment in the Boston Options Exchange Group LLC, which operates the BOX Options Exchange. While IBKR's routing systems do not consider this as a factor when determining the optimal marketplace to route customer orders, IBKR may ultimately share in profits earned by the exchange. Please see the [Order Routing and Payment for Order Flow Disclosure](#) for additional details.
- ix. 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](http://www.ibkr.com/otherfees) for additional details.

While the above list includes some of the more common fees, costs, and payments 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](http://www.ibkr.com). Commissions and other fees are based on the trading customers conduct and the services that customers choose.

Additional information regarding specific commissions and fees is available at [ibkr.com/commissions](http://ibkr.com/commissions) and [ibkr.com/otherfees](http://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 [ibkr.com/products](http://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 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 customers or 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 (where customers 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. For example, customers utilizing margin, trading certain products types or establishing certain types of positions must meet minimum equity requirements, as well as account eligibility requirements that take into account a customer's financial profile, investment objectives and experience.

For more details on services offered by IBKR, please see [www.ibkr.com/products](http://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 (e.g., 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. However, if any such communication was 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 ESG information 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 our clients. We provide certain educational and informational material about specific securities. When IBKR provides 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, IBKR may occasionally act as principal for the purpose of facilitating trading by its clients, such as fractional share trading.

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 customer 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 [ibkr.com/commissions](http://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](http://www.ibkr.com/margin). Please review the [Disclosure of Risks of Margin Trading](#) for more information.

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:

- iii. 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.
- iv. 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.
- v. PFOF Transparency. Pursuant to SEC rules, we make available quarterly reports describing our 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. As stated previously, IBKR may receive payment

in the form of commissions or other payments from the liquidity providers for these executions. For examples of past reports, click [here](#).

- vi. 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](http://www.ibkr.com/disclosures) for additional details.

### **Additional Information**

Additional details about IBKR, and our brokerage services are available at [www.ibkr.com](http://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.