

INTERACTIVE BROKERS IRELAND LIMITED
Client Assets Key Information Document

This Client Assets Key Information Document provides you with summary information on the client asset requirements applicable to Interactive Brokers Ireland Limited as a MiFID investment firm regulated by the Central Bank of Ireland. You should read this document carefully as it will help you understand how and where your assets will be held by Interactive Brokers Ireland Limited, and highlight the associated risks. It is important that you also refer to Section 3 of your Customer Agreement (General Business Terms). This document is not marketing material.

INTRODUCTION

This Client Assets Key Information Document explains:

- 1) the key features of the regulatory requirements applicable to the safeguarding of client assets (the “**Client Asset Requirements**” or “**CAR**”);
- 2) what constitutes client assets for the purposes of the CAR;
- 3) the circumstances in which the CAR does and does not apply;
- 4) the circumstances in which IBIE will hold client assets, deposit client assets with a third party and deposit client assets with a third party outside of Ireland/the EEA; and
- 5) the arrangements applicable to the holding of client assets and the relevant risks associated with these arrangements.

OVERVIEW

Interactive Brokers Ireland Limited (“**IBIE**”) (authorisation number CBI00423427) is authorised and regulated by the Central Bank of Ireland (“**CBI**”) as a MiFID investment firm. IBIE is responsible for protecting your assets from the time they are received by IBIE until the time they are disbursed to you or a third party at your request.

IBIE must comply with the Client Asset Requirements when protecting your assets. The fundamental objective of those requirements is to regulate and safeguard the handling of client assets by inscope firms (including IBIE). In doing so, the Client Asset Requirements distinguishes between two types of assets, namely, a) cash and b) financial instruments (stock, options, futures, bonds, other securities and derivatives).

Assets in the form of Cash

IBIE will hold your cash (i.e. funds) either in a client account held at a custodian bank or in a qualifying money market funds (“**QMMFs**”). In each case your cash is held on a pooled, omnibus basis. This means that your individual holdings are not specifically allocated to any single institution or recognised by the relevant bank/fund on an individual basis.

IBIE does not bear the risk of a failure of one of the banks/QMMF’s at which your client money is held. Accordingly, where such a bank/QMMF fails, your loss may be mutualised with that of other IBIE clients, meaning that the loss will be allocated to you and other impacted clients on a pro-rata basis.

Assets in the form of Financial Instruments

IBIE will hold your financial instruments in a dedicated custodian company affiliated with IBIE, called Interactive Brokers Ireland Nominee Ltd. (“**IBIEN**”). This is the standard CBI approved method for segregating client assets from the assets of IBIE itself.

IBIE/IBIEN itself may use one or more third parties to provide sub-custodian services, including both affiliated companies within the Interactive Brokers Group as well as independent third parties.

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Investor Protection

IBIE is a member of the Irish Investor Compensation Scheme. Please refer to “Risk Mitigants” in Section 6 of the Client Assets Key Information Document for more information on the protection afforded under the Scheme.

THE LEGAL / REGULATORY FRAMEWORK

The measures comprising the Client Asset Requirements are:

- Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Investment Firms) Regulations 2023 (“**Investment Firm Regulations**”);
- European Union (Markets in Financial Instruments) Regulations 2017 (S.I. No. 375 of 2017) (“**MiFID Regulations**”), in particular, Schedule 3 to the MiFID Regulations in respect of the ‘*Safeguarding Client Financial Instruments and Funds*’;
- Commission Delegated (EU) Directive 2017/593 with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (“**Commission Delegated Directive**”); and
- Guidance Note on the Central Bank Client Asset Requirements 2023 (published by the CBI to assist investments firms in complying with the Investment Firm Regulations) (“**Guidance**”).

You can find further information on the Client Asset Requirements, including links to the Investment Firm Regulations and Guidance on the CBI’s website, <https://www.centralbank.ie/regulation/industry-market-sectors/client-assets/client-assets-legislation>.

The Client Asset Requirements cannot fully eliminate all risks relating to clients’ assets. Please refer to Section 5 below on this.

1. Key features of the Client Asset Requirements

Under the Investment Firm Regulations, investment firms (including IBIE) must comply with a number of obligations, including the following:

- **Segregation:** IBIE must hold client assets separate from IBIE’s own assets and maintain accounting segregation between IBIE’s own assets and clients’ assets.
- **Designation and Registration:** IBIE must ensure that client assets are clearly identified in its internal records and are separately identifiable from IBIE’s own assets.
- **Reconciliation:** IBIE must keep accurate books and records as are necessary to enable it, at any time and without any delay, to provide an accurate and independent record of the client assets held for each client and the total held in the Client Asset Account.
- **Calculations:** Each business day IBIE ensures that the aggregate balance of client asset accounts as at the close of business on the previous working day is equal to the amount it should be holding on behalf of its clients.
- **Client Disclosure and Client Consent:** IBIE must provide information to its clients regarding how and where their client assets are held and the resulting risks thereof. IBIE is also required to inform its clients if their client assets are being held within the Client Asset Requirements. IBIE must provide this Client Assets Key Information Document to retail clients. In addition, there are a number of instances in which a client’s consent needs to be obtained as to how their client assets are held by or on behalf of IBIE, or where certain actions are to be taken in relation to those client assets (please see Section 3 of the Customer Agreement (General Business Terms)).
- **Risk Management:** IBIE must ensure it has and applies systems and controls that are appropriate to identify (among other obligations) risks in relation to client assets and should put in place mitigations to counteract these risks. In addition, IBIE must appoint a person to the role of Head of Client Asset Oversight. IBIE is also obliged to adopt a Client Asset Management Plan.
- **Client Asset Examination:** IBIE must engage the services of its external auditor to report, at least annually, on IBIE’s safeguarding of client assets.

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2. An explanation of what constitutes “client assets” under the Client Asset Requirements

The term “client assets” means client funds and/or client financial instruments, as outlined below:

- **Client funds:** any money (including electronic funds and current/deposit account balances) which is received from or on behalf of a client or held by a firm on behalf of a client to whom a firm provides one or more regulated financial services. Electronic funds and other payable orders will be “client funds” from the time of receipt by IBIE.
- **Client financial instruments:** any “financial instrument” as defined in the MiFID Regulations and the Investment Intermediaries Act 1995. Client financial instruments can include, for example, shares, bonds, and units in collective investment schemes (including units or shares in qualifying money market funds).

Client funds and client financial instruments are covered by the Client Asset Requirements irrespective of their value.

Please be aware that the Client Asset Requirements seeks to safeguard your ownership of your client assets but does not protect or guarantee the inherent value of those client assets.

Furthermore, IBIE may substitute the return of your client financial instruments with the cash equivalent in the event of a resolution plan being adopted in respect of IBIE under the European Union (Bank Recovery and Resolution) Regulations 2015 and 2019.

3. The circumstances in which the Client Asset Requirements apply and do not apply

The Client Asset Requirements only apply to client assets that have been received by IBIE in respect of a regulated financial service. These services include:

- Reception and transmission of orders in relation to the purchase, sale or transfer of financial instruments;
- Execution of orders in relation to the purchase, sale or transfer of financial instruments on behalf of clients;
- Dealing on own account in financial instruments for the purposes of fulfilling or executing a client order or granting entrance to a clearing or settlement system or recognised exchange;
- Safeguarding and administration of financial instruments for the account of clients; and
- Granting credits or loans to allow a client to carry out a transaction in financial instruments.

While IBIE offers two unregulated services: namely spot FX and the ability to purchase carbon offset credits, IBIE considers funds used in connection with those services in the same way as funds used for financial instruments.

Where IBIE places monies or assets with sub-custodians to meet the sub-custodians’ requirements for margin, performance bond, or other guarantee requirements relating to the position(s) you have taken in your account, these monies are also considered to be client assets.

Client assets will cease to be client assets under the Client Asset Requirements when:

- Client funds are paid or transferred to you, either directly into an account with an eligible credit institution or to a relevant third party in your name; or
- Client funds are paid or transferred to a third party on your written instruction and are no longer under the control of IBIE.

The following are not considered client assets under the Client Asset Requirements:

- Funds or financial instruments received by IBIE from you or on your behalf that do not relate to a regulated financial service;
- A payable order, made payable to a third party, which is directly transmitted to the third party; or

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- A payable order received from you that is not honoured by the paying eligible credit institution.

In addition, the Client Asset Requirements do not cover financial instruments used as collateral to support a margin loan under the “right of use” provision in the Customer Agreement (General Business Terms) Requirements, or otherwise used by IBIE for its own account.

4. An explanation of the circumstances in which IBIE will hold client assets, deposit client assets with a third party and deposit client assets with a third party outside the State

IBIE may hold your client assets itself or through a third party located in Ireland, in the EEA or outside of the EEA (each a “**Third Party**”).

IBIE will exercise due diligence in the selection, appointment, and periodic review of each Third-Party holding client assets. IBIE selects each Third Party on the basis of a number of factors including reputation, capital, legal requirements, regulatory authorisations and services provided. IBIE is not responsible for any acts, omissions, or default of any such Third Party.

Where IBIE holds client assets with a Third Party located outside the EEA (a “**Non-EEA Third Party**”), the legal and regulatory regime applying to the Non-EEA Third Party, and your rights in relation to the client assets, may be different to those which would apply if such client assets were held by a bank, custodian, or affiliated investment firm in Ireland or in the EEA (both an “**EEA Third Party**”). In the event of a default or failure of that Non-EEA Third Party, the client assets may be treated differently than if the client assets were held by an EEA Third Party.

You can find information on the institutions holding IBIE Client assets at this link:

https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?formdb=4350 .

Client Funds

IBIE will hold client funds in one or more accounts opened with a Central Bank, an authorised credit institution, a bank authorised in a third country or a QMMF.

Where your client funds are held with a bank/credit institution, your funds will be held in an omnibus (pooled) account designated as a Client Asset Account in the name of IBIE or its nominee and will be segregated from IBIE’s own funds.

IBIE applies predetermined internal limits on the amount of funds placed with each bank, to ensure that it is not overly exposed to the risk of failure on the part of any specific bank. IBIE may also place some or all of your client funds in QMMFs to ensure that its sub-custodian network is sufficiently diversified.

Where client funds are placed in a QMMF, the units or shares in the fund are protected in accordance with the requirements for holding client financial instruments under the Client Asset Requirements. However, you will not be impacted, either positively or negatively, by any change in the value of units within a QMMF and, accordingly, from a monetary perspective, it makes no difference whether your funds are deposited with a bank or invested in units in a QMMF.

Client Financial Instruments

IBIE will hold your financial instruments in a dedicated custodian company affiliated with IBIE, called Interactive Brokers Ireland (Nominee) Ltd. (“**IBIEN**”). This is the standard CBI approved method for segregating client assets from assets of IBIE itself.

IBIE/IBIEN itself may use affiliated companies within the Interactive Brokers Group to provide sub-custodial services, as well as independent third party sub-custodians.

IBIE/IBIEN will only deposit client financial instruments held on your behalf with a Non EEA Third Party that is

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established in a country that regulates the holding and safekeeping of client financial instruments for the account of another person unless: (a) the nature of the client financial instruments or of the investment services connected with those instruments requires them to be deposited with such a Third Party; or (b) where you are a Professional Client and you request in writing that we deposit them with such a Third Party.

Please refer to Section 3 of your Customer Agreement (General Business Terms) for further information.

5. The arrangements applying to the holding of client assets and the relevant risks associated with these arrangements

The purpose of this section is to outline the relevant risks associated with IBIE's arrangements for holding client assets and the controls that IBIE has in place to mitigate those risks. Despite the risk mitigants in place, some residual risks associated with the IBIE's arrangements for holding Client Assets remain. Various other risks which are not outlined below may also apply.

Key Risks

Operational Risk

This is the risk that Client Assets are not adequately safeguarded and as a result become exposed to a range of operational risks such as fraud, misappropriation or loss due to operational failures or other negligence.

Credit and Counterparty Risk

This is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. This could be a bank providing a client fund account, or a custodian holding client financial instruments.

Business Risk and Group Risk

Business risk to client assets arises from the losses to client assets should the Company fail as a result of its business model or strategy proving inappropriate due to macro-economic, geopolitical, industry, regulatory or other factors.

Group risk can be considered as the risk that the financial position of the Company may be adversely affected by its relationships (financial or non-financial) with other entities in the group or by risks which may affect the financial position of the whole group (e.g. reputational contagion), which could result in clients being prevented from accessing their assets.

Risk of Pooling

Your client assets will be held by IBIE or a Third Party with other clients' assets as part of a pooled account. In the case of pooled investments IBIE does not allocate your funds to a particular bank or QMMF. Therefore, in the event of a shortfall in funds arising from a default of a Third Party, you may not receive your full entitlement (all your money back) and you may share in any shortfall, on a pro-rata basis. For example, if a particular bank/QMMF holding 5% of IBIE client funds defaults, you may not receive the return of 5% of your funds. If this bank/QMMF returned 50% of funds you would receive 5% * 50% i.e., 2.50% of your funds held at that particular bank/QMMF.

Risk Mitigants

IBIE complies with the Client Asset Requirements, whose purpose is to protect client assets from the different risks set out above. IBIE also participates in the Investor Compensation Scheme, as outlined further below.

For each of the above risks, IBIE looks to mitigate its exposure through its implementation of governance and risk management policies and controls. Specific measures include i) the segregation of your assets from those

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of IBIE, ii) the due diligence performed by IBIE when selecting sub-custodians and the application of diversification measures, and iii) the appointment of a Head of Client Asset Oversight (“HCAO”).

Segregation

IBIE registers client financial instruments in the name of IBIEN. As IBIE is not the legal owner of those financial instruments, they should not be considered part of IBIE’s property if IBIE becomes insolvent.

IBIE / IBIEN also ensure that Client Assets are segregated from IBIE’s own assets so that it is clear that those assets do not form part of IBIE’s property in the event that IBIE becomes insolvent. IBIE ensures that its sub-custodian network is aware that assets held in Client Asset Accounts are beneficially owned by IBIE’s clients and must be kept segregated from IBIE’s own assets and those of the relevant sub-custodian.

Due Diligence

IBIE mitigates counterparty risk through carrying out due diligence on third party custodians and applying its internal diversification rules.

IBIE is prudent in its choice of each Third Party and carries out initial due diligence and on-going monitoring of their performance, including by carrying out regular risk assessments. Any Third Party chosen by IBIE is appropriately authorised in the jurisdiction in which it is situated and is subject to appropriate prudential and client asset supervision.

IBIE only places client money in a QMMF that is a UCITS and is a highly rated European Low Volatility NAV (“LVNAV”) and Public Debt Constant NAV (“PDCNAV”) money market fund which trades on a daily basis and complies with the requirements of the Money Market Funding Regulation. These QMMFs generally present a relatively low market risk. In addition, IBIE’s credit review and investment policy focus on the appropriate selection of suitable QMMFs.

IBIE ensures that it maintains client assets at a number of sub-custodians to protect client assets in the event that any particular sub-custodian becomes insolvent. Moreover, as your assets are held in pooled accounts, any risks that arise if a sub-custodian becomes insolvent are shared with IBIE’s other clients.

Placing client money in QMMFs under the pooled model places any market risk on IBIE and not on the client.

The Appointment of a HCAO

IBIE has put in place systems and controls to identify and address risks in relation to client assets. This has included appointing a Head of Client Asset Oversight who is responsible for IBIE’s compliance with the Client Asset Requirements. IBIE has also adopted a Client Asset Management Plan (“CAMP”) which sets out the risks and controls for safeguarding of client assets.

IBIE complies with the Client Asset Requirements, including by performing daily reconciliations of client assets. This helps protect your assets from loss due to operational issues.

The Investor Compensation Scheme

IBIE is a member of the Irish Investor Compensation Scheme (“ICS”), which provides compensation to eligible investors should IBIE become insolvent. Private individuals, that are clients of IBIE, will be eligible to claim under the ICS for up to EUR 20,000 under the limits and conditions set out in the Investor Compensation Act 1998 (as amended). Full details of the Investor Compensation Scheme are available on www.investorcompensation.ie. In the event of changes to the scheme, details will be provided on the ICS website.

Contact us

In the event that we make any changes to this Client Asset Key Information Document, we will inform you of such changes within one month of the updated Client Asset Key Information Document being issued.

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If you have any queries on the information included in this Client Assets Key Information Document, please do not hesitate to contact us at:

<https://www.interactivebrokers.ie/en/support/individuals.php>