FUTURES
PRODUCT DISCLOSURE STATEMENT

INTERACTIVE BROKERS LLC

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The risk of loss in trading in Futures and Futures Options, like all exchange-traded derivatives, can be substantial. It is important that you carefully consider whether trading in exchange traded derivatives is appropriate for you in light of your investment objectives and financial circumstances.

Derivatives are not suitable for some retail investors. You should only trade Exchange Traded Derivatives if you understand the nature of the products and the extent of your exposure to risks

A description of the significant risks associated with trading in Exchange Traded Derivatives is set out in section 7 of this PDS.

1. INTRODUCTION

1.1 Important information

The information in this Product Disclosure Statement (PDS) does not take into account your personal objectives, financial situation and needs. Before trading in the products referred to in this PDS you should read this PDS and be satisfied that any trading you undertake in relation to those products is appropriate in view of your objectives, financial situation and needs.

We recommend that you consult your financial adviser before trading in the products referred to in this PDS.

1.2 Purpose of this PDS

This PDS has been prepared by Interactive Brokers LLC (IB) who is the issuer of the futures and future options which are described in this PDS. IB's contact details are set out at section 2.3 below. When we use terms 'we', 'us' or 'our' in this PDS, the reference is to IB.

This PDS sets out the significant features of futures and futures options, including the risks, benefits and costs involved in trading these products. This PDS has designed to assist you in deciding whether futures are appropriate for your needs and to assist you in comparing it with other financial products you may be considering. This PDS is an important document and we recommend you contact us should you have any questions.

Although the information in this PDS is up to date as at the date of publication, it is subject to change from time to time. Where such information is not materially adverse, we may provide updates on our website at www.interactivebrokers.com. A paper copy is also available on request at no charge to you.

2. ABOUT INTERACTIVE BROKERS

2.1 The issuer – Interactive Brokers LLC

IB holds an Australian financial services licence, number 245574, which authorises IB to deal in futures and futures options.

IB is also regulated in the USA (by the Securities and Exchange Commission, the Financial Industry Regulatory Authority and the New York Stock Exchange).

2.2 The Interactive Brokers Group

IB is an affiliate of the Interactive Brokers Group (**IBG**) that comprises of a number of brokers that specialise in routing orders and executing and processing trades in securities, futures and foreign exchange instruments. IBG affiliates conduct business on more than 60 electronic exchanges and trading venues around the world. IBG, using its proprietary software, provides non-advisory brokerage services to professional traders and investors with direct access to stocks, options, futures, foreign exchange contracts and bonds.

IBG's headquarters is in Greenwich Connecticut, and it has over 1000 employees in its offices in the USA, Switzerland, Canada, Hong Kong, UK, Australia, Hungary, Russia, India, China and Estonia.

2.3 Contact details

Our contact details are below:

Interactive Brokers LLC Head Office
One Pickwick Plaza
Greenwich, CT 06830

Telephone Numbers:
1-877-442-2757 (from inside the U.S.)
+1-312-542-6901 (from outside the U.S.)

Interactive Brokers LLC Australian Office
Grosvenor Place
Suite 2, Level 40
225 George Street,
Sydney, NSW 2000

Telephone numbers:
+61 (2) 8093 7300

Additional contact information, including issue-specific details and online contact is available at: http://individuals.interactivebrokers.com/en/p.php?f=customerService.

3. KEY FEATURES OF FUTURES

3.1 What are Futures and Futures Options?

Futures are a type of financial product traded on a range of exchanges, including the market operated by the Australian Securities Exchange Limited (ASX 24). Futures are "derivatives" under the Corporations Act.

A Futures contract is an agreement to buy or sell something (the underlying asset) at a specified time in the future.

The underlying asset may be, for example:

(a) a specified amount of a security, such as shares in a company or government bond,

(b) a financial instrument, such as a bank bill,

(c) a stock index, such as the ASX24 SPI 200®, or

(d) a commodity of a given grade or quality, such as greasy wool.

The parties to a Futures contract may be required to deliver or take delivery of the underlying asset at the time specified in the contract, where the contract provides for this. Alternatively, the contract may provide for a cash adjustment to be made, based on a change in the price of the underlying asset.

Futures options are also a type of derivative which, when exercised, give the right to assume a certain position in a futures contract.

For details of the exchanges on which you can trade Futures/Futures Options through us (Relevant Exchanges), please see our website at https://www.interactivebrokers.com.hk/en/index.php?f=products&p=fut.

3.2 Deliverable and cash settled futures

There are two main types of Futures contracts.

- Deliverable contracts – where the seller agrees to deliver to the buyer, and the buyer agrees to take delivery of, the quantity of the commodity described in the contract.
- Cash settled contracts – where the two parties make a cash adjustment between them according to whether the price of a commodity, financial instrument or index has risen or fallen since the time the arrangement was made.

IB does not generally permit its customers to make or take delivery of the commodity underlying the Futures contract. It is therefore not advisable to enter into deliverable contracts in the last weeks before maturity. If you intend to make or take delivery, first check with IB. See section 3.18 for further information.

A Futures contract's terms are generally set out in the operating rules of the Relevant Exchange on which the contract was made, which might be in Australia or overseas. This document is intended to apply to any Futures contracts traded on a computer based exchange unless otherwise indicated. There may, however, be differences in procedure and regulation of markets from one country to another and one exchange to another.

3.3 Futures are an international product

As noted above, Futures contracts are traded on ASX 24 and a number of Relevant Exchanges overseas. Your obligations and requirements may differ according to the specific rules of the Relevant Exchange, and you will need to understand how this affects you. It is therefore important that you ask your broker for information about any Relevant Exchange on which you wish to trade. See also section 6 below for more information.

3.4 Duration of Futures

Futures contracts may be made for periods of up to several years in the future. Part of the standardisation of Futures contracts is that the contract maturity dates follow a pre-determined cycle (standardisation is discussed in the next section). For example, in the SPI-200® contract traded on the ASX 24, contracts can be made for settlement only in March, June, September or December, but for up to 18 months from the time of the trade.

3.5 Futures are standardised

Futures traded on an exchange are standardised and interchangeable, meaning that futures contracts of a particular class are perfect substitutes for each other.

A consequence of contract standardisation is that the price is the only factor that remains to be determined in the marketplace. For example, on ASX 24, Futures are quoted and traded on an electronic trading platform, which provides a system of continuous price discovery. This means that the price at which trades take place may continually change throughout a trading session. Most international Relevant Exchanges also provide electronic trading platforms for Futures trading.

Since all Futures contracts for a given future month in the same market are interchangeable, they can be closed out against an opposite position in the same contract. A trader who has bought a given Futures contract can cancel the position by selling the same contract. The net result is that the trader no longer holds a position. Similarly, a trader who has sold a given Futures contract can cancel the position by buying the same contract.

In each case there will be a profit or loss equal to the difference between the buying and selling prices multiplied by the standard contract amount – minus any transaction costs. In practice, the vast majority of Futures contracts are offset in this manner ahead of the contract maturity date, the remainder being fulfilled by delivery or cash settlement at maturity.

3.6 Execution arrangements for Futures

IB is a participant of some, but not all, of the Relevant Exchanges. In relation to Relevant Exchanges where IB is a direct participant, IB may execute your transactions in Futures directly on the Relevant Exchange or via an affiliate. Where IB is not a direct participant, it arranges for the execution of your transactions in Futures by a direct participant (which may be an affiliate of it). Where IB does not execute transactions as a direct participant, it will hold your interest in the Futures contract with the participant.

IB has an arrangement with its affiliated company, Interactive Brokers Australia Limited (ABN 98 166 929 568; AFSL: 453554) (**IBA**), through which IB arranges the execution of your transactions in Futures on ASX 24. IBA is participant of ASX 24.

3.7 The role of the clearing house

Relevant Exchanges will generally have a clearing house to clear and settle Futures contracts entered into on the Relevant Exchange (**Clearing House**). Clearing Houses clear and settle Futures contracts executed on the exchange. The primary role of the Clearing House is to guarantee the settlement of obligations arising under the Futures contracts registered with it. This means that when your broker buys or sells a Futures contract on your behalf, neither you nor your broker needs to be concerned with the credit worthiness of the broker taking the other side of the contract. See below for further discussion on the novation process that occurs at the Clearing House.

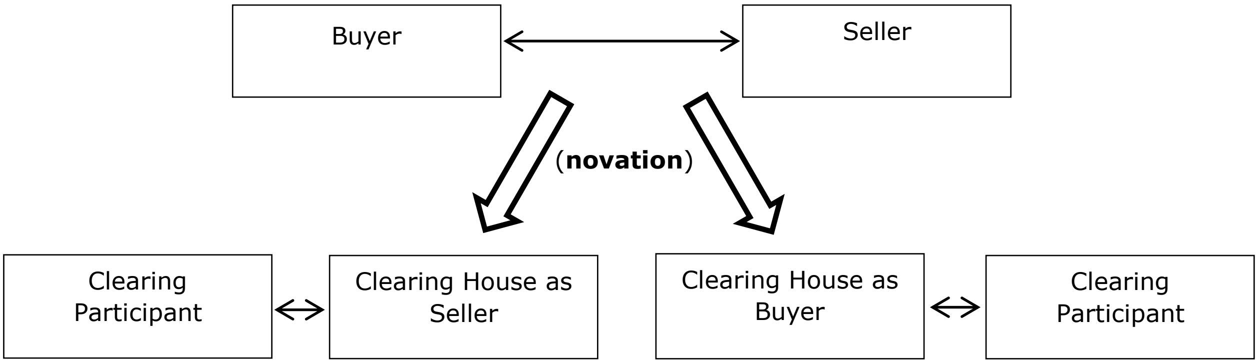
The Clearing House will never deal directly with you, rather the Clearing House will only ever deal with a Participant or member of a Clearing House (**Clearing Participant**). IB is not a Clearing Participant of all relevant Clearing Houses. Where it is not a Clearing Participant, it has an arrangement with a Clearing Participant of the relevant Clearing House to clear your Futures contracts. Clearing Participants are bound by the operating rules of the relevant Clearing House (**Clearing Rules**).

ASX 24's Clearing House is ASX Clear (Futures) Pty Ltd (**ASX Clear (Futures)**).

When a Futures contract is registered with the Clearing House, it is novated. This means that the contract between the two brokers who made the trade is replaced by one contract between the buying broker (or its Clearing Participant) and the Clearing House as seller; and one contract between the selling broker (or its Clearing Participant) and the Clearing House as buyer.

In simple terms, the Clearing House becomes the buyer to the selling broker, and the seller to the buying broker (**see diagram below**).

Original trade



The Clearing House ensures that it is able to meet its obligation to Clearing Participants by calling a deposit known as the "**Initial Margin**" and additional deposits known as "**Variation Margin**" to cover any unrealised losses in the market. See sections 3.10 to 3.15 for further information on margins.

Generally your Futures contracts (and those of other clients) will be held separately from Futures contracts entered into by your broker on its own account. If your broker were to default on its obligations to the Clearing House in respect of its own futures contracts, your futures contracts will not be used to meet the broker's default. Rather the Clearing House will either close out your contracts or attempt to transfer them to another broker.

In Australia, IB has arranged for IBA to be the Clearing Participant for your Futures contracts. In accordance with the arrangements described above, IBA is the party to ASX 24 Futures contracts registered with ASX Clear (Futures). IBA regards IB as its customer in respect of these positions, and IB in turn holds the benefit of these positions for you, in accordance with the terms of your customer agreement with IB. In other jurisdictions where IB is not the Clearing Participant of the relevant Clearing House, similar arrangements are in place for IB to hold the benefit of your positions for you.

3.8 Closing out

Because of the system of registration and novation referred to above, closing out can be achieved without going back to the original party with whom the Futures contract was traded.

When an existing buyer sells to close out their position, the sale transaction is registered with the Clearing House in the manner described above.

Example

First trade	A sells to B at $100 per unit
Novation	Clearing House is now buyer to A and seller to B
Second trade	B sells to C at $120 per unit
Novation	Clearing House is now buyer to B and seller to C

Resulting Positions	A has an open sold position C has an open bought position B no longer has a position and has realised a profit of $20 per unit (ignoring transaction costs)

The contracts which B held (one to buy and one to sell) have been settled in cash between B and the Clearing House; B simply receives the net profit. Any profit due to B is paid out by the Clearing House in cash, even though the original seller (A) remains in the market.

3.9 Futures Options & Options over the Underlying

What is an option?

Option contracts traded over Futures contracts are commonly known as Futures options. These are the most common type of option traded on a Relevant Exchange. Options over the underlying are less common with the ASX 24 traded Cash Settled Intraday Options over the ASX 24 SPI 200® and Eurex DAX® options being examples.

Following is an explanation of the nature of an option contract and of the obligations assumed by option traders. Several concepts referred to previously are applicable to options (for example, the concept of closing out). These facts will not be repeated, but only the facts particular to Futures options are discussed.

(a) The buyer of a Futures option has the right, but not the obligation, to enter into a Futures contract[1] at the exercise price of the Futures option. For this right, the buyer pays the option seller an option premium.

(b) The seller of a Futures option assumes the obligation to enter into a Futures contract[2] at the exercise price of the Futures option if the option is validly exercised. For taking on this obligation, the seller receives an option premium.

Like Futures contracts, options are standardised and interchangeable, so that having bought or sold an option it is possible to close it out before its expiry or exercise.

You must distinguish between Futures options and options over the underlying. If a Futures option is exercised it results in the establishment of a Futures contract. If an option over the underlying is exercised, it results in the transfer of the actual commodity underlying the option (in the case of deliverable contracts), or a cash adjustment (in the case of cash settled contracts).

The following matters can apply both to Futures options and to options over the underlying. However the discussion will centre on Futures options.

European options & American options

An option will be expressed to be either a European style option or an American style option.

(a) European options can be exercised only on the date on which the option expires (**Expiry Date**), not before.

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1 A bought position in the case of a call option, and a sold position in the case of a put option.

2 A sold position in the case of a call option, and a bought position in the case of a put option.

(b) American options can be exercised at any time up to and including the Expiry Date.

The majority of options traded on ASX 24 are American options. Because American options can be exercised at any time before the Expiry Date, the seller of an option must be prepared for that option to be exercised at any time. The decision to exercise is in the option buyer's hands.

Call Options & Put Options

A call option gives the buyer the right to buy a Futures contract at a designated price at or before the Expiry Date of the option (**Call Option**). The seller of a Call Option has the obligation to sell a Futures contract if the Futures option is exercised by the buyer.

A put option gives the buyer the right to sell a Futures contract at the exercise price (**Put Option**). The seller of a Put Option has the obligation to purchase the Futures contract if the Put Option is exercised by the buyer.

Exercising Call Options & Put Options

The table below sets out the results from the buyer's and seller's viewpoint when the buyer exercises a Futures Call Option or Put Option:

Example

Buyer Exercises		**Effect on Seller**	
Bought Call Option ->	Bought Futures (at the exercise price of the option)	Sold Call Option ->	Sold Futures (at the exercise price of the option)
Bought Put Option ->	Sold Futures (at the exercise price of the option)	Sold Put Option ->	Bought Futures (at the exercise price of the option)

More information

Information concerning international Relevant Exchanges and the types of Futures contracts traded on those exchanges can be found by visiting the relevant exchange's website. Please contact us if you require any international Futures information. For further information concerning Futures contracts traded on the ASX 24 you are referred to the ASX website at "www.asx.com.au", where brochures regarding the various Futures contracts can be downloaded.

3.10 Clearing House Margin

Sections 3.11 to 3.17 below contain a description of the basis upon which a Clearing House calls margin from its Clearing Participants. The operating rules of Relevant Exchange and Clearing Houses generally require Trading Participants and Clearing Participants respectively to call margin from their clients. The margins which the Clearing House calls from the Clearing Participant, or which the Clearing Participant calls from us, may or may not correspond with the margin we call from you. For a description of our margin requirements and arrangements, see section 4.

3.11 **Initial Margin**

To protect the financial security of the Clearing House until Variation Margins (discussed below) are paid, each Clearing Participant is required to pay Initial Margin.

(a) Minimum Initial Margins are set by the Clearing House or the Relevant Exchange or both, and may vary from time to time according to the volatility of the market. This means that an Initial Margin may change after a position has been opened, requiring a further payment (or refund).

(b) Initial Margins are calculated to cover the maximum expected movement in the market from one day to the next. A broker is entitled to call a higher Initial Margin than the minimum set. Liability for Initial Margin occurs at the time of the trade and your broker may require you to pay it before any trading is conducted on your behalf.

(c) Trading Participants such as IB are generally required under the operating rules of the Relevant Exchange to call an Initial Margin on each trade equal to at least the minimum Initial Margin set by the Clearing House.

3.12 **Variation Margin**

Variation Margin must be paid in respect of a Futures contract showing a loss; i.e. if the market falls after a purchase or rises after a sale. Losses can be incurred before a contract is closed out, if the market moves against the position. Futures positions are re-valued on a daily basis, and any deterioration in the position will result in Variation Margin being called.

Variation Margin is also paid by the Clearing House if the Futures contract shows a profit.

Example

The Initial Margin payable per ASX 24 SPI 200® Index Futures contracts is $10,000. The contracts are valued at $25 per index point.

In the **below example**, the Initial Margin amount is $10,000 (this is set by the Clearing House). On day 1, the market moves against the position and there is a requirement to pay $3,175 in Variation Margin call. On day 2, the market moves in favour of the position and a Variation Margin amount of $5,625 is receivable. On day 3 you decide to close out your contract, as the market is moving against you again. You close out at 3,550 which means that you are required to pay a further Variation Margin of $1,250.

Once the position has been closed out, the Initial Margin of $10,000 is returned and a net Variation Margin profit of $1,200 has been realised.

	Trade	Market Closing Price	Initial Margin	Variation Margin
Day One	Buy 1 contract at 3,500	3,375 points	$10,000 payable	-125 points x $25 = $3,175 payable
Day Two		3,600 points		+225 points x $25 = $5,625 receivable
Day Three	Sell 1 contract at 3,550		$10,000 receivable	-50 points x $25 = $1,250 payable

3.13 **Liability**

Given the above margin requirements, the liability under a Futures contract is not limited to the Initial Margin.

(a) If, after paying the Initial Margin, the price moves against the position, further margin (eg. Variation Margin) will be required.

(b) Initial Margin (unless eroded by losses) can be returned on settlement of the contract.

(c) Variation Margins that become realised losses when the position is closed out or settled are not refundable.

(d) Variation Margins covering unrealised losses are not refundable unless there is a favourable change of direction in market prices before settlement or closing out of the Futures contract.

3.14 **Profit &loss when trading Futures**

The **table below** sets out profit and loss situations when trading Futures contracts.

Profitable Trades	Losing Trades
Buy low – Sell high	Buy high – Sell low
Sell high – Buy low	Sell low – Buy high

3.15 **Margins & liability on Futures option contracts**

For a bought Futures option, the loss is limited to the option premium which was paid, which is non-refundable.

For a bought option, if the full premium is paid at the time the option is traded, margins will not be called. If only an initial deposit is paid, your margins may be called up to the full value of the option premium (but no more).

For a sold Futures option, there is a similar liability to a holder of the underlying Futures contract – that is, potentially unlimited. However, there is limited profit potential, as a seller cannot earn more than the premium for which the option is sold.

For further information on our margin requirements, see section 4 below.

3.16 **Profit & loss when trading Futures options**

The table below sets out profit and loss situations when trading Call Options and Put Options. It sets out the levels of the underlying Futures contract at the time of opening and closing the option trade that will be favourable and unfavourable for the four basic option strategies.

Option trading is a complex area, and an option trader can suffer losses even if the price of the underlying asset (in this case a Futures contract) moves favourably.

Strategy	Profitable trades		Unprofitable trades	
	Futures price - opening trade	Futures price - closing trade	Futures price - opening trade	Futures price - closing trade
Bought call	Low	High	High	Same or lower
Bought put	High	Low	Low	Same or higher
Sold call	High	Same or lower	Low	High
Sold put	Low	Same or higher	High	Low

3.17 **Out of the money Futures options**

This is a term used to describe an option that cannot be exercised at a profit. An out-of-the-money option is a Call Option whose exercise price is higher than the current market level or a Put Option whose exercise price is below market.

If you are contemplating purchasing a Futures option that is significantly out-of-the-money, you should be aware that the chance of such an option becoming profitable at expiry is remote.

3.18 **Settlement**

If you have a deliverable Futures contract open at the close of trading on the last day of trading you will be under an obligation to deliver, or take delivery of and pay for, the commodities described in the specifications. It is IB's policy not to permit its clients to make or take delivery under a deliverable Futures contract (except where required by the Clearing House). If you wish us to vary our policy, and you specifically wish to make or take delivery you must obtain our prior written consent. It is your responsibility to monitor your open positions as the deliverable Futures contract approaches settlement date and to close out any open position at least two weeks prior to the settlement date. IB reserves the right, in its absolute discretion, to close out any open position you hold in a deliverable Futures contract if you have not closed out that Futures contract.

If you have a cash settled Futures contract open at the close of trading on the last day of trading you will be under an obligation to pay or have a right to receive an amount of money depending on the price movement.

The settlement of Futures options is more complex. For example, on the ASX 24 all in-the-money[3] or at-the-money[4] options are automatically exercised by the Clearing House. The

[3] A put option with an exercise price above the price of the underlying asset or a call option with an exercise price below the price of the underlying asset.

resulting position is settled as a Futures position. Not all exchanges automatically exercise at-the-money or in-the-money options at expiry, particularly US exchanges. Check with your broker before the Expiry Date, or the option may lapse with the result it will be worthless.

The settlement procedures for options over the underlying are different again. Because these instruments can be traded on Relevant Exchanges and stock exchanges the procedures can vary widely.

[4] Is a put or call option with an exercise price equal to the price of the subject matter of the option.

4. IB'S MARGIN REQUIREMENTS

We have discussed above the margin requirements which are imposed by Relevant Exchanges and Clearing Houses on Clearing Participants respectively. Where IB is the Clearing Participant, it must meet these requirements directly to the Clearing House. Where IB is not the Clearing Participant, the Clearing Participant imposes margin requirements on IB. In any event IB imposes its own margin requirements on you under its customer agreement with you. We discuss these in this section.

(a) Single universal account

When you open an Account with IB, you open a single account through which you can trade not only Exchange Traded Derivatives, but other products such as shares, exchange traded options and FX contracts. When we calculate your margin requirement, we have regard to the assets and liabilities in your account as a whole.

(a) Risk based portfolio analysis

We determine the margin requirement for your Account by risk based portfolio analysis models, also having regard to the margin called by Relevant Exchanges and Clearing Houses. A summary with examples on how IB calculates Futures margins is available via the following link to IB's website: https://www.interactivebrokers.com/en/index.php?f=marginnew&p=opt.

(b) Regulatory requirements

IB is regulated by the US regulators and is subject to strict regulation regarding the amount of leverage it can extend to its customer and the amount of margin it is required to call from its customers.

(c) Real-time margining and real-time monitoring

The value of assets and positions held in your Account is marked to market by IB's real-time credit management system. IB uses a real-time risk management system to allow you to see your trading risk at any moment of the day. Our real-time margin system calculates margin requirements throughout the day for new trades and trades already on the books and enforces initial margin requirements at the end of the day, with real-time liquidation of positions instead of delayed margin calls. Your margin requirement and current equity is monitored by IB and displayed online in real time to you via the various trading interfaces, as well as the online client portal. For more information about real-time margin monitoring, please visit our margin information page at https://www.interactivebrokers.com/en/index.php?f=margin&p=overview2.

It is your responsibility to actively monitor and manage your open positions and ensuring that you meet your margin obligations. It is also your responsibility to ensure that you are aware of any changes in margin obligations. All margin requirements must be met immediately. This means that sufficient cleared funds must be on deposit in your account to enable you to meet margin requirements immediately.

(d) New positions must be covered in advance

IB's real-time margining means that you will not be able to execute a transaction if to do so would cause your Account to go into margin deficit. For example, if your margin requirement would increase as a result of an initial margin obligation under a Futures contract, and there were insufficient assets in the Account to cover the initial margin obligation, IB's system would reject an order to execute the transaction concerned.

(e) Consequences of a margin deficit

Pursuant to your customer agreement, if your Account goes into margin call (that is, if there are insufficient assets in your Account to cover the margin requirement), IB is authorised to liquidate all, or part of, the assets held in your account, or otherwise close your open positions to eliminate the shortfall. IB WILL NOTIFY YOU WHEN A MARGIN DEFICIENCY ARISES, BUT IS NOT OBLIGED TO GIVE YOU AN OPPORTUNITY TO PROVIDE FURTHER FUNDS. IB WILL INSTEAD GENERALLY LIQUIDATE POSITIONS IN YOUR ACCOUNT IN ORDER TO SATISFY MARGIN REQUIREMENTS. Any losses resulting from IB closing out your positions will be debited to your account and you may be required to provide additional funds to IB to cover any shortfall.

(f) Clients' Segregated Monies

Funds deposited by you with us are required to be deposited into a clients' segregated account in accordance with the requirements of the Corporations Act. Unless otherwise agreed with us, you waive the right to any interest on funds deposited with us. Money or property deposited with us may only be invested according to the Corporations Act, and such investments are at your sole risk.

For money deposited in a clients' segregated account, you acknowledge that:

(i) individual client accounts are not separated from each other;

(ii) all clients' funds may be deposited into one or more clients' segregated account;

(iii) clients' segregated account provisions may not insulate any individual client's funds from a default in the clients' segregated account. Such a default may arise from any client's trading;

(iv) assets in the clients' segregated account belonging to non-defaulting clients are potentially at risk, even though they did not cause the default;

(v) we have the right to apply all clients' monies held in our clients' segregated account to meet the default in that account; and

(vi) the Clearing House (in the case of the ASX 24 market) has the right to apply all monies in the client clearing account (or house clearing account) to meet any liabilities in the client clearing account.

Clients who trade on foreign Relevant Exchanges may not have the benefit of protective measures provided by the Corporations Act and the operating rules of Australian exchanges. In particular, your funds may not have the same protection as funds deposited in Australia in a clients’ segregated account. As a regulated financial services provider in the US, IB is also subject to strict US client money rules.

5. SIGNIFICANT BENEFITS EXPLAINED

There are a number of benefits in trading Exchange Traded Derivatives, including the following:

(a) (**Standardisation**) As discussed in sections 3, because Exchange Traded Derivatives are standardised and therefore interchangeable, you may through the Relevant Exchange or Clearing House open and close positions, depending on the liquidity of the market in the relevant contract.

(b) (**Risk Management**) Through the processes of novation and margining, the Clearing House assumes and manages the risk of Exchange Traded Derivatives entered into on the Relevant Exchange. This reduces counterparty risk in a way which is not available in over-the-counter (**OTC**) derivatives transactions. IB has certainty that the other side of the Exchange Traded Derivatives will be honoured, and we (and therefore you) will not be subject to risk that the counterparty to the original Exchange Traded Derivatives contract may default in their obligations under the contract.

(c) (**Hedging**) You can use Exchange Traded Derivatives to hedge exposure in the underlying commodity, instrument or security.

(d) (**Speculation**) You can use Exchange Traded Derivatives to speculate on market movements. Exchange Traded Derivatives allow you to gain exposure to a particular underlying commodity, instrument or security without the need to buy or sell the underlying itself.

(e) (**Range of market positions and strategies**) You can potentially profit both from rising and from falling markets depending on the strategy you have employed. Through the use of Exchange Traded Derivatives, strategies can be tailored to suit almost any market view.

(f) (**Leverage**) Exchange Traded Derivatives generally involve a high degree of leverage. Exchange Traded Derivatives enable you to outlay a relatively small amount of money (in the form of Initial Margin) to secure an exposure to the underlying commodity, instrument or security.

For example, assume you have a positive view about the prospects of XYZ Ltd. You can either buy 1,000 XYZ Ltd shares at $10.00 and pay your broker $10,000 (plus costs) or you could buy a Futures contract over 1,000 XYZ Ltd shares, and pay an Initial Margin at the time the Exchange Traded Derivative is entered (which is likely to be a small percentage of the contract value (plus costs)).

The same amount of exposure to the underlying shares has been achieved, but for a much smaller outlay. Given a movement in the price of XYZ shares, the percentage returns (positive or negative) from the Exchange Traded Derivatives strategy are likely to be much higher.

Assume, for example, the Futures contract price is $10.10, and the Initial Margin payable on the above Futures position is 10%. Each contract covers 1000 shares. The following table compares the returns, assuming that the XYZ share price rises to $11.00 by maturity (transaction costs are ignored).

[**Note: the example provided is for illustrative purposes only and does not necessarily reflect the outcome of any actual trading in Futures in similar circumstances.**]

This leverage can work against you as well as for you. The use of leverage can lead to large losses as well as large gains. See section 6 for further information on risks.

	Shares	**Futures**
Opening trade	Share price $10.00 Buy 1,000 shares @ $10.00 = $10,000	Futures price $10.10 Buy 1 Futures contract @ $10.10 Pay 10% Initial Margin = $1,010
Maturity	Share price $11.00 Sell 1,000 shares @ $11.00 = $11,000	Futures price $11.00 Sell 1 Futures contract @ $11.00
Profit	$1.00 x 1,000 = $1,000	$0.90 x 1,000 = $900
Percentage return	10%	89%

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6. SIGNIFICANT RISKS EXPLAINED

The risk of loss in trading in Exchange Traded Derivatives can be substantial. It is important that you carefully consider whether trading in Exchange Traded Derivatives is appropriate for you in light of your investment objectives and financial circumstances. Exchange Traded Derivatives are not suitable for some retail investors. You should only trade Exchange Traded Derivatives if you understand the nature of the products and the extent of your exposure to risks.

You should be aware of the following matters:

(a) (**Loss of Initial Margin**) You could sustain a total loss of the Initial Margin that you deposit with your broker to establish or maintain an Exchange Traded Derivative.

(b) (**Payment of Variation Margin**) If the Exchange Traded Derivative moves against your position, you may be required, at short notice, to deposit with your broker Variation Margin in order to maintain your position. Those additional funds may be substantial. If you fail to provide those additional funds within the required time, your position may be liquidated at a loss and you will be liable for any shortfall in your account resulting from that failure.

(c) (**Losses beyond margin lodged**) You may sustain a total loss of the funds (Initial Margin and Variation Margin amounts) that you deposit with us to establish or maintain an Exchange Traded Derivative position. You may incur losses beyond the amounts that you lodge with us. You should not risk more funds than you can afford to lose. A good general rule is never to speculate with money which, if lost, would alter your standard of living.

(d) (**Leverage**) The high degree of leverage that is obtainable in trading Exchange Traded Derivatives can work against you as well as for you. The use of leverage can lead to large losses as well as large gains.

Returning to the example of a Futures contract over XYZ shares used previously, consider the result if the share price, instead of rising to $11.00, fell to $8.00 at maturity. The **following table** shows the results (transaction costs are ignored).

	Shares	Futures
Opening trade	Share price $10.00 Buy 1,000 shares @ $10.00 = $10,000	Futures price $10.10 Buy 1 Futures contract @ $10.10 Pay 10% Initial Margin = $1,010
Maturity	Share price $8.00 Sell 1,000 shares @ $8.00 = $8,000	Futures price $8.00 Sell 1 Futures contract @ $8.00
Loss	$2.00 x 1,000 = $2,000	$2.10 x 1,000 = $2,100
Percentage return	-20%	-208%

Leverage has served to multiply the loss suffered in percentage terms.

(e) (**Liquidity**) Under certain market conditions, it could become difficult or impossible for you to close out a position, and the relationship between the prices of the Exchange Traded Derivative and the underlying market may be distorted or affected. Examples of when this may happen are:

(i) if there is a significant change in the price of the underlying commodity, instrument or security over a short period of time;

(ii) if there are insufficient willing buyers and sellers in either the Exchange Traded Derivative market or the underlying market;

(iii) if the Exchange Traded Derivative market is suspended or disrupted for any reason.

Similarly, events such as these in relation to the market for the underlying asset may make it difficult for you to hedge or maintain your exposure under an Exchange Traded Derivative.

(f) (**Deliverable contracts and physical delivery**) Where you have a position in a deliverable Futures contract and you hold this open position to maturity, you must be prepared to make or take physical delivery of the underlying asset if your position is matched. See section 3.18 for further information on the position regarding open positions at and approaching maturity.

(g) (**Placing orders in a moving market**) The placing of contingent orders (such as a 'stop-loss' order)[5] may not always limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders. For example, if the price of the underlying asset moves suddenly, your order may not be filled, or may be filled at a different price to that specified by you, and you may suffer losses as a result.

(h) (**Strategies**) A "spread" position (which involves the simultaneous purchase and sale of Exchange Traded Derivatives is not necessarily less risky than a simple "Long" or "Short" position.[6]

(i) (**Options risk profile**) If you propose to trade in Futures options, the maximum loss in buying an option is the premium paid, but the risks in selling an option are essentially unlimited.

(j) (**System failures**) You may experience losses due to Relevant Exchange or Clearing House system failures which may affect systems used by participants. Participant systems may also fail which means your trades may not be executed.

(k) (**Market emergencies**) You may incur losses that are caused by matters outside the broker's control. For example, a regulatory authority exercising its powers during a market emergency may result in losses. A regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled. This could also result in a loss.

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5 Is an order that becomes a market order (and hence executed) when the derivatives market reaches the designated price.

6 A spread is the holding of bought Futures contract for one delivery month and a sold Futures contract for another delivery month in the same contract.

(l) (**Market disruption**) A market disruption may mean that you are unable to deal in an Exchange Traded Derivative when desired, and you may suffer a loss as a result. Common examples of disruption include the “crash” of the exchange electronic trading system, fire or other exchange or Clearing House emergency.

(m) (**Discretionary powers of Exchange and Clearing House**) The Relevant Exchange or Clearing House could exercise discretionary powers under their operating rules in relation to the market. They have powers to declare an undesirable situation has developed in a particular Exchange Traded Derivative and suspend trading.

(n) (**Disputes and trade cancellations**) When a trade is subject to dispute, the Relevant Exchange may have powers to request that participants amend or cancel a trade, which will in turn result in the Exchange Traded Derivative with the investor being amended or cancelled. Exchanges may also exercise discretionary powers to cancel transactions under their operating rules. These actions can affect your Exchange Traded Derivative positions.

In additional to the above, if you intend to deal in Exchange Traded Derivatives on any foreign Relevant Exchanges, you should also be aware of the following matters:

(o) (**Differing exchange rules**) You should be aware that when we place an order for you on any overseas Relevant Exchange, or clear a trade for you at an overseas clearing house, that trade will be subject to that exchange's or clearing house's rules. These rules may differ significantly from the rules of Australian exchanges or clearing houses.

(p) **(Australian regulators may not have any jurisdiction)** Neither the Australian Securities and Investments Commission nor Australian exchanges regulate activities of oversea Relevant Exchanges, nor do they have the power to compel enforcement of the operating rules of an overseas Relevant Exchange or any applicable foreign laws. Generally, the foreign transaction will be governed by applicable foreign law. This is true even if the Relevant Exchange is formally linked with an exchange in Australia.

(q) **(Foreign exchange movements)** If you trade on a foreign Relevant Exchange, the Exchange Traded Derivatives will be denominated in foreign currencies (i.e. non-AUD) and you will be subject to market and volatility risk of the foreign exchange market. Foreign exchange markets can be highly volatile and are subject to many influences including unforeseen events or changes in political, economic and financial conditions which may result in rapid currency fluctuations leading to substantial losses. These losses may be in addition to any losses on the Exchange Traded Derivative itself.

7. FEES AND CHARGES

The following is a summary of the fees and charges associated with trading in Exchange Traded Derivatives.

The fees and charges differ depending on the Relevant Exchange and Clearing House concerned. We set out below references to various links on our website which provide more detailed information on these fees and charges.

7.1 Commissions

We charge commission, at set flat rates, for the execution and close out of Exchange Traded Derivatives.

See https://www.interactivebrokers.com.au/en/index.php?f=commission&p=futures for further information in relation to Futures commissions.

7.2 Referral mark ups and billings

Advisers and/or brokers may charge their clients for services rendered either through automatic billing, electronic invoice or direct billing. Your advisor/broker determines the referral mark-up at the time of the registration, and this mark-up can be modified from time to time. At the time of your Account registration, you will be given a notice with the details of your referrer as well as the details of any mark ups charged. The available billing methods including caps and limitations are described at the IB website at www.interactivebrokers.com.

7.3 Interest

If you have a debit balance on your Account after all fees and costs have been deducted (in other words, you owe money to meet the margin requirement and other amounts) you must pay interest on the debit balance. Interest is calculated daily based on your positions, margin requirement and balances on your daily statement for that date. Interest is usually posted once a month on your Account. This generally occurs within five business days following the end of the month.

See https://www.interactivebrokers.com/en/index.php?f=interest&p=schedule2 for further information and examples.

7.4 Administrative fees and charges

IB charges certain administrative fees for matters such as order cancellation and modifications, trade busts (cancellations) and adjustments, prime broker take-ups, deposits and withdrawals, exercise and assignments, American Depository Receipts ("ADRs") and fees for bounced checks, stop payments etc). The list of administrative fees and charges is available on the IB website at https://www.interactivebrokers.com/en/index.php?f=1580.

7.5 Taxes

Transaction taxes, such as value added taxes may apply in some jurisdictions. The taxation implications of trading in Exchange Traded Derivatives will depend on your particular circumstances and it is recommended that you obtain your own independent taxation advice. See section 9 for more details regarding taxation implications.

7.6 Market data, fundamentals and news

If you access market data, fundamentals or news through IB, there may be a cost to you to subscribe for this information.

See https://www.interactivebrokers.com.au/en/index.php?f=marketData&p=overview for further information on the costs of accessing such data through IB.

8. **DISPUTE RESOLUTION**

If you have any concerns or comments about the financial service or financial products provided to you, you should send your complaint in writing to:

Legal & Compliance Department
Interactive Brokers LLC
One Pickwick Plaza
Greenwich, CT 06830

If you have not received a satisfactory response or 45 days have elapsed you may refer the matter to the Financial Ombudsman Service (**FOS**). IB is a member of FOS. FOS can be contacted on 1300 08 08 or GPO Box 3, Melbourne, Victoria, 3001. This service is provided to you free of charge.

If you require further information on how we handle complaints, please visit our website www.interactivebrokers.com or refer to our Financial Services Guide.

9. **TAXATION IMPLICATIONS**

It is important to note that a client's tax position when trading Exchange Traded Derivatives will depend on their individual circumstances. The taxation consequences of dealing in Exchange Traded Derivatives depend upon whether the taxpayer trades in derivatives, is merely speculating in derivatives or is using derivatives to hedge against a particular exposure. Care must be taken, as a particular derivative transaction may have elements of more than one of the categories of trading, speculating or hedging or there may be other considerations which are relevant in determining the taxation consequences of dealing in a particular derivatives contract. Relevant factors include the purpose of the taxpayer in entering into the derivative contract transaction, whether the taxpayer is involved in business or commerce, the taxpayer's overall activities and the place the particular futures contract has in relation to those activities and the economic nature of the transactions.

Please note that IB does not provide taxation advice and that investors must consult their own taxation adviser in relation to the tax consequences of trading in Exchange Traded Derivatives.

10. **COOLING-OFF ARRANGEMENTS**

There are no cooling-off arrangements for Exchange Traded Derivatives.

11. **ACCOUNT OPENING**

11.1 **Required Minimums**

Required balance, activity and commission minimums for retail and introducing broker accounts and for customers using a dedicated line FIX connection are as set out on the IB website at www.interactivebrokers.com.

The following minimums are required to open an account:

Category	Required Deposit
All Individuals not listed below	USD$10,000 (or non-USD equivalent)
Advisor and broker Clients	USD$5,000 (or non-USD equivalent)