

INTERACTIVE BROKERS AUSTRALIA PTY LTD TARGET MARKET DETERMINATION – CONTRACTS FOR DIFFERENCE

Interactive Brokers Australia Pty Ltd (**IBA**) issues Contracts for Difference to its retail client customers. Detailed information is available in IBA's Contracts for Difference Product Disclosure Statement, available here: https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?formdb=3332.

In compliance with our obligations under Part 7.8A of the *Corporations Act 2001* (Cth), which relates to the product design and distribution obligations (**DDO**), IBA has prepared the following target market determination (**TMD**) relating to the issue of Contracts for Difference (**CFDs**) to our clients.

This TMD is available to the public free of charge.

DDO REQUIREMENT	APPLICATION TO CONTRACTS FOR DIFFERENCE (CFD)
<i>Class of retail clients that comprise the target market for this product – s 994B(5)(b)</i>	
<p>1. Description of the likely objectives, financial situation and needs of consumers in the target market</p>	<p>Background</p> <p>IBA is an online broker that provides trade execution, clearing and custody services to clients around the world. IBA does not employ any advisers or brokers who manage client accounts. Trades are entered by the client or the client's self-selected financial representative on a personal computer or mobile device and transmitted over the internet to IBA for execution on various market centres. All trading in an IBA client account is self-directed by the client. IBA client service personnel are specifically prohibited from providing any investment or trading or tax advice to clients. IBA's online account registration system requires applicants to satisfy the below criteria prior to CFD trading permission being activated in the client account.</p> <p>Target Market</p> <ul style="list-style-type: none"> • Age group: Above 21 years of age. • Financial situation: Clients who meet IBA's age-based income and liquid net worth requirements. • Knowledge and experience: Clients who have the requisite knowledge and experience trading CFDs. All clients must successfully complete IBA's CFD exam. • Risk tolerance: Experienced investors with the ability to bear a high degree of risk. • Ability to bear losses: Clients who have the ability to bear losses up to the value of their IBA account. • Objectives and Needs: Clients who: <ul style="list-style-type: none"> ○ Wish to take positions in a product to: <ul style="list-style-type: none"> ▪ hedge or offset the risk in another product; and/or ▪ wish to increase the principal value of their investments by assuming substantially higher risk to their investment capital through profits from active trading or speculation; ○ Have the ability to bear: <ul style="list-style-type: none"> ▪ magnified exposures and losses that may arise from trading with leverage; ▪ the risk of fluctuations in the value of the reference underlying, for example the fluctuation in the value of a stock over which a CFD might be issued; ▪ the risk of being unable to maintain your hedge (protection) should a margin violation cause the CFD to be closed out; and ▪ the counterparty risk of IBA not fulfilling its contractual obligations under the CFD, including the risk of IBA defaulting and not making the payment owed to the client under the CFD; ○ Are able to assess the life span of a product against their investment time frame; ○ Have capacity to actively monitor their margin obligations. <p>Class of persons that are not within the Target Market</p> <ul style="list-style-type: none"> • Clients who are below the age of 21. • Clients who do not meet IBA's minimum age-based income and liquid net worth requirements. • Inexperienced investors, or investors unfamiliar with CFDs, including clients who have not passed IBA's CFD exam. • Clients with a conservative or low risk appetite. • Clients who do not have the ability to bear losses. • Clients who have an investment objective to preserve capital. • Clients who are unable to monitor and manage their margin obligations and to generate additional capital to meet margin calls as they arise.

	<ul style="list-style-type: none"> • Clients with an investment time frame that is generally inconsistent with their objectives and needs. • Clients who have notified IBA of a vulnerability leading to legal incapacitation.
2. Description of CFDs (including its key attributes)	<p>CFDs have the following key attributes:</p> <ul style="list-style-type: none"> • A CFD is an over-the-counter derivative that provides leveraged exposure to the value of a reference asset or rate. • CFDs are synthetic products in which IBA faces the client in all CFDs it issues. • IBA hedges all CFDs 1:1 and may elect not to provide quotes for any CFDs at any time if, for example, IBA is unable to secure a hedge in the reference underlying market. • IBA offers the following types of CFDs: <ul style="list-style-type: none"> ◦ Share CFDs: these are CFDs which are designed to deliver the return of a share of an exchange traded company, including dividends and corporate actions. ◦ Index CFDs: these are CFDS which are designed to deliver the return of an index, including Metals CFDs which are designed to deliver the return of certain precious metals spot prices, and Crude Oil CFDs which are designed to deliver the return of certain oils futures. ◦ Forex CFDs: these are CFDs which are designed to deliver the return of an exchange rate of a currency pair. • IBA issued CFD's are open-ended contracts which means that the contract will be kept open until the client chooses to close it (subject to the applicable margin requirements continuing to be met). Fees and interest will accrue for so long as the CFD remains open. • In accordance with ASIC's Product Intervention Order, IBA is obliged to liquidate open CFD positions and other assets in the client account when the equity in a retail client's account falls to less than at least 50% of the initial margin originally required to open the CFD position, but IBA may do so sooner. • IBA may change the applicable margin requirements at any time without notice, which could trigger immediate liquidations in the client account. • IBA does not permit clients to open IBA accounts with only the trading permission for CFDs.
3. Explanation of why CFDs, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market	<ul style="list-style-type: none"> • CFDs are complex instruments that provide leveraged exposure to the underlying reference asset or rate. Accordingly, they are only appropriate for experienced or knowledgeable traders who have the ability to bear some losses. • CFDs can be used for a variety of purposes, including hedging, speculation, diversification and generating trading profits, hence consumers with these investment objectives will likely be within the target market. • Given that CFDs are often used for speculation, some clients trading IBA issued CFDs will incur losses while others incur profits. These losses and gains are amplified because CFDs are leveraged instruments. Accordingly, consumers with a conservative or low risk appetite are likely to be outside of the target market for IBA issued CFDs. • IBA has the right, and will generally, conduct automatic liquidations in under-margined accounts and ASIC's Product Intervention Order, which protects consumers from incurring negative balances, among other things, together mitigate the risk of consumers incurring losses exceeding their IBA account equity. However, clients who wish to avoid liquidations should actively monitor their accounts. • Accordingly, if a CFD was to be issued to a client in the target market, it would likely be consistent with the likely objectives, financial situation and needs of the consumer (s 994B(8)(b)).
Conditions and restrictions relating to the distribution of this product – s 994B(5)(c)	
4. Outline of the conditions and restrictions relating to distribution of CFDs	<ul style="list-style-type: none"> • IBA has a high degree of control over the issuance of its CFDs • In particular, IBA only issues CFDs directly to clients who complete the online application and who personally satisfy all of the target market criteria to trade CFDs through its proprietary trading platform. • Distribution conditions for direct IBA clients: Clients will answer a series of questions contained in the online application; and where clients' answers indicate that they are not in the target market, they will not be issued with a CFD. IBA will not issue a CFD if the proposed transaction would exceed the client's self-declared concentration risk appetite for CFDs as a percentage of their stated net worth. • Distribution conditions for Distributors: <ul style="list-style-type: none"> ◦ All clients of Distributors must meet the same distribution conditions as direct IBA clients. ◦ All Distributors wishing to issue IBA's CFDs must: <ul style="list-style-type: none"> • enter into an agreement with IBA which, among other things, governs the issuance of financial products; and • take reasonable steps such that the Distributor's client shared with IBA remains within the target market. IBA will not do business with any Distributor that does not contractually agree to this. ◦ IBA will also seek regular statements and data about Distributors to monitor that the Distributor is complying with the requirement to issue IBA's CFDs only to persons within the target market.
5. Explanation of why these distribution conditions and restrictions will make it more likely that the consumers who acquire the CFDs are in the target market	<ul style="list-style-type: none"> • Direct clients of IBA or clients of Distributors will only be issued with a CFD if they complete the online application and personally satisfy all of the target market criteria to trade CFDs. • IBA will programmatically prevent any person that directly opens an IBA account and who is not within the target market from accessing IBA issued CFDs. IBA will not issue a CFD in excess of a client's self-declared concentration risk appetite for CFDs as a percentage of their stated net worth. • Similarly, IBA will contractually require that any Distributor that issues IBA issued CFDs takes reasonable steps to align their distribution conduct to persons that satisfy the target market. IBA will regularly monitor the performance of Distributors in complying with this

	<p>distribution condition.</p> <ul style="list-style-type: none"> In light of the above, we consider it highly likely that only the consumers who are within the target market will access IBA issued CFDs through IBA's proprietary trading platforms.
Reviews	
6. Outline of the events and circumstances that would reasonably indicate to IBA that the TMD for CFDs is no longer appropriate (i.e. "review triggers" – s 994B(5)(d))	<p>Review triggers:</p> <ul style="list-style-type: none"> Significant losses incurred by clients. The nature of and number of complaints from consumers indicating that the risks of CFDs are not well understood. Significant compensation paid out in relation to CFDs. Feedback received directly or through Distributors. IBA becomes aware of a significant dealing in CFDs to clients outside of the target market. Material changes to laws or regulations affecting CFDs or the nature of IBA-issued CFDs.
7. The period of time between the start of the day this TMD is made and the day that the first periodic review of the TMD will conclude – s 994B(5)(e)	IBA will review the appropriateness of its target market at least every 6 months at the relevant product governance committee meeting attended by legal, compliance and senior business management, or earlier if the Chair of the APAC Product Governance Committee determines that the nature and extent of detriment to retail clients warrants an earlier review of the target market.
8. The period of time between the conclusion of a periodic review of the TMD and the conclusion of the next periodic review – s 994B(5)(f)	IBA will review the appropriateness of its target market at least every 6 months at the APAC Product Governance Committee meeting attended by legal, compliance and senior business management, or earlier if either a review trigger occurs or the chair of the relevant product governance committee determines that the nature and extent of detriment to retail clients warrants an earlier review of the target market.
Reporting period for reporting information about the number of complaints about the product – s 994B(5)(g)	
9. The reporting period in which the distributors of IBA's financial products are required to provide information about the number of complaints received about the product	IBA will require that Distributors report information about the number and nature of complaints received about the product and whether any persons not in the target market were distributed IBA issued CFDs, within 10 business days of receipt of the complaint or the occurrence of the dealing.
Information Sharing	
10. Outline of the kinds of information that IBA will require from distributors to promptly identify that the TMD for CFDs is no longer appropriate – s 994B(5)(h)	<ul style="list-style-type: none"> In order to promptly determine if the target market continues to be appropriate, IBA will require that Distributors provide IBA with the following information on a quarterly basis: <ul style="list-style-type: none"> Profit or loss incurred by clients trading CFDs; Any compensation paid out in relation to CFDs; and Any feedback about the CFD product and / or the target market. In addition, as detailed in section 9, IBA will require that the Distributor provide information about any complaints relating to CFDs or any dealings in CFDs outside of the target market within 10 business days of receipt of the complaint or the occurrence of the dealing.
11. The distributors that will be required to provide the information specified above – s 994B(5)(h)(i)	IBA will require all of the above data from the Distributors, given that IBA does not have an exclusive contractual relationship with the end clients of the Distributor and cannot obtain the data itself.
12. The reporting period for the relevant distributors to provide the information specified above – s 994B(5)(h)(ii)	Unless stated otherwise, IBA will require the information specified above on a quarterly basis.