

**INTERACTIVE BROKERS LLC  
DISCLOSURE DOCUMENT  
PURSUANT TO CFTC RULE §1.55(k) & NFA Rule 2-36(n)**

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This document is intended to provide material information about Interactive Brokers LLC (“Interactive” or “IB”), its business lines and risk management practices to existing and prospective customers. Much of the information included in this document can be found on the IB website at [www.interactivebrokers.com](http://www.interactivebrokers.com). A paper copy is available upon request.

Interactive is an agency-only, direct market access broker-dealer and Futures Commission Merchant (“FCM”) that provides execution, clearing and settlement services for customer transactions. Our business primarily encompasses securities and commodities brokerage for customers. IB is also registered as a Forex Dealer Member (“FDM”), and provides customers with the ability to trade over the counter spot forex. Interactive differs from a traditional brokerage firm because it does not employ any human “brokers” or “advisors” that manage customer accounts. All trading in an IB customer account is self-directed by the customer or by an advisor chosen by the customer. Interactive customer service personnel are specifically prohibited from providing advice, including but not limited to investment, trading or tax advice to customers. Trades are generally entered by the customer on a personal computer or portable electronic device and transmitted over the Internet to Interactive for execution on various exchanges and market centers.

IB is extensively regulated by U.S. federal and state regulators, foreign regulatory agencies and multiple exchanges and self-regulatory organizations (“SROs”) of which IB is a member. As a registered FCM, IB is subject to the Commodity Exchange Act and rules promulgated by the Commodity Futures Trading Commission (“CFTC”), the National Futures Association (“NFA”) and the commodities exchanges of which the firm is a member. As a U.S. broker-dealer, IB is also subject to the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules promulgated thereunder, and is regulated by the Securities and Exchange Commission (“SEC”), the Financial Industry Regulatory Authority (“FINRA”) and other SROs and exchanges of which the firm is a member.

Interactive is a subsidiary of IBG LLC (the “Group”), which is the holding company for IB and its proprietary trading and brokerage affiliates. This document focuses on the activities of Interactive, but we encourage you to review the Interactive Brokers Group, Inc. (“IBG, Inc.”) Annual Report available at <https://investors.interactivebrokers.com/ir/main.php>. IBG, Inc. is the publicly-traded holding company of the Group. The IBG, Inc. Annual Report provides information on IBG, Inc. and other Group companies.

Except as otherwise noted below, the information set out is as of March 31, 2022. Interactive will update this information annually and as necessary to take into account any material change to its business operations, financial condition or other factors that may be material to a customer’s decision to do business with IB. Please note that IB’s business activities and financial data are not static and may change throughout any 12-month period.

## **I. IB Headquarters**

Interactive's headquarters is located at:

One Pickwick Plaza  
Greenwich, CT 06830  
203-618-5700 (phone)  
203-618-7731(fax)  
[www.interactivebrokers.com](http://www.interactivebrokers.com)  
email: [help@interactivebrokers.com](mailto:help@interactivebrokers.com)

The firm also maintains an office in Chicago, Illinois and in various locations overseas. Additional contact information is available on the Help & Contacts section of the IB website. General inquiries may be submitted to IB via the link on the IB website at <https://www.interactivebrokers.com/help>.

## **II. Information Regarding NFA Principals**

The following is a list of IB principals registered with the NFA. For each, we have included a summary of his or her background and details concerning his or her responsibilities at IB.<sup>1</sup>

### **Thomas Peterffy**

*Chairman*

777 S. Flagler Drive, Suite 802  
West Palm Beach, FL 33401

Mr. Peterffy has been at the forefront of applying computer technology to automate trading and brokerage functions since 1977 when he purchased a seat on the American Stock Exchange, trading as an individual market maker in equity options. Mr. Peterffy was among the first to apply a computerized mathematical model to continuously value equity option prices. By 1986, Mr. Peterffy had developed and employed a fully integrated, automated market making system for stocks, options and futures. As this pioneering system extended around the globe, online brokerage functions were added and, in 1993, Interactive was formed. Mr. Peterffy was also extremely influential in the formation and structuring of the Boston Options Exchange and the International Securities Exchange.

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<sup>1</sup> Please note that these principals may hold other titles for various Group companies. Unless otherwise noted, the titles listed are those each principal holds at IB.

**Milan Galik**

*Chief Executive Officer*  
One Pickwick Plaza  
Greenwich, CT 06830

Mr. Galik is responsible for overseeing all corporate functions at Interactive. Mr. Galik joined Interactive in 1990. Mr. Galik has been a member of the Interactive Brokers Group Board of Directors since its initial public offering in 2007.

**Jeffrey A. Bauch**

*Director, Internal Compliance*  
209 South LaSalle Street  
11<sup>th</sup> Floor  
Chicago, IL 60604

Mr. Bauch is responsible for overseeing IB's Internal Compliance group, including the registration and licensing of the IB companies and employees. Mr. Bauch has been with IB and its affiliated companies since 1999.

**Paul J. Brody**

*Secretary*  
One Pickwick Plaza  
Greenwich, CT 06830

Mr. Brody is responsible for several areas of IB as well as other Group companies, including internal administration, finance, accounting, clearing and banking relationships. Mr. Brody, who joined the Group in 1987, also serves as a director and/or officer for various Group subsidiaries. From 2005 to 2012 Mr. Brody served as a director of The Options Clearing Corporation ("OCC") (and for a portion of that time as member Vice Chairman), of which Interactive Brokers Securities Services LLC (IB's affiliate) and Interactive are members. He also served as a director of Quadriserv Inc., an electronic securities lending platform provider, from 2009 to 2014. Mr. Brody worked in the commodities business prior to joining the Group.

**Jonathan Chait**

*Exec. Vice President and Chief Operating Officer*  
Gotthardstrasse 3  
6301 Zug  
Switzerland

Mr. Chait began working for the Group in 1984, and worked in the securities industry prior to that time. He is responsible for and oversees IB's customer-facing operations worldwide and is the chief person responsible for managing IB's global risk exposure.

**Jonathan M. Gelman**

*Chief Compliance Officer*  
Two Pickwick Plaza  
Greenwich, CT 06830

Mr. Gelman is IB's Chief Compliance Officer. He is responsible for overseeing the firm's compliance with applicable regulations, providing advice on business and policy issues, and acting as liaison between the firm and its regulators. Prior to joining Interactive, Mr. Gelman served as Compliance Officer with Brown Brothers Harriman & Co and JP Morgan Securities, as well as working in FINRA Market Regulation.

**Jeffrey D. Fox**

*Chief Regulatory Officer*  
2200 Pennsylvania Avenue, NW  
Suite 280E  
Washington, DC 20037

Mr. Fox is IB's Global Chief Regulatory Officer. He is responsible for the coordination of the Group's global compliance operations and also provides legal advice to Interactive. Prior to joining IB in 2010, Mr. Fox was a litigation partner with Goodwin Procter LLP.

**David E. Friedland**

*Managing Director, Asian Operations*  
2 Pacific Place, Suite 1512  
88 Queensway  
Admiralty, Hong Kong

Mr. Friedland has over 25 years' experience in the securities business and has been with the Group companies for the majority of that time. He began and manages the Asian operations of Timber Hill LLC and Interactive, supervising the firms' risk management policies and heading Timber Hill's Asian derivatives trading desk.

**James Menicucci**

*Principal Financial Officer and Regulatory Reporting Director*  
Two Pickwick Plaza  
Greenwich, CT 06830

Mr. Menicucci is IB's Principal Financial Officer and the Global Head of Financial and Regulatory Reporting. He is responsible for financial and regulatory functions for IB. Prior to joining IB in 2015, Mr. Menicucci worked at the Financial Industry Regulatory Authority as a Principal in Risk Oversight and Operational Risk division and served as a subject matter expert on numerous topics including Customer Protection, Funding and Liquidity, Credit and Operational Risk.

**John Courtney Malcarney**

*Director, Client Services*

Gotthardstrasse 3

6301 Zug

Switzerland

Mr. Malcarney is responsible for IB's European business development and manages Group client services teams in Europe and India. Prior to joining IB in 2015, Mr. Malcarney held various positions in the financial industry including working on the proprietary trading side of IBKR Financial Services AG, where he was responsible for Structured Products (including IBFP Structured Products and ETFs).

**Thomas F. Moser**

*Forex Platform Manager*

Gotthardstrasse 3

6301 Zug

Switzerland

Mr. Moser has been with the Group since 2001 and worked in the financial industry prior to that time. At IB, Mr. Moser is responsible for building and maintaining relationships with IB's forex counterparties and supervising IB's daily forex business, including, but not limited to, addressing potential trade issues, monitoring risk parameters and reviewing the functionality of IB's forex platform. Prior to joining the Group, Mr. Moser held several positions in the industry, including trading convertible bonds and foreign exchange and managing a hedge fund.

**Chi Ling (Mary) Ng**

*Senior Manager, Trade and Risk*

2 Pacific Place, Suite 1512

88 Queensway

Admiralty, Hong Kong

Ms. Ng supervises the customer service group in Hong Kong. Her responsibilities include handling customer trade-related issues and monitoring customer accounts for margin compliance. Prior to joining IB in 2005, Ms. Ng worked in the China Tax Department of Pricewaterhouse Coopers Ltd. and was an Assistant Vice President in the China Research and Advisory Department of Mizuho Corporate Bank Ltd.

**Steven J. Sanders**

*Senior Vice President, Marketing & Product Development*

One Pickwick Plaza

Greenwich, CT 06830

Mr. Sanders has been with Interactive since 2001 and worked in the financial services industry for many years prior to that time. At IB, Mr. Sanders supervises the firm's marketing program and educational tools for customers. He is also responsible for the operation and supervision of IB's front-end account management system as well as display level customer reporting.

Prior to joining IB, Mr. Sanders held many positions in the securities industry, including working as a broker and a capital markets Certified Public Accountant.

**Kengning Shao-Chen**

*Treasurer*

One Pickwick Plaza  
Greenwich, CT 06830

Ms. Shao-Chen oversees treasury functions for Interactive as well as for its global affiliates. Her responsibilities focus on supervising the firm's cash and asset management as well as the firm's liquidity. Ms. Shao-Chen joined the Group in 2000 in the Treasury department, holding various treasury and managerial finance positions within the Group's Treasury team.

**Christopher James Sorcic**

*Risk Manager*

209 South LaSalle Street  
10<sup>th</sup> Floor  
Chicago, IL 60604

Mr. Sorcic is a Risk Manager on the IB Trade Desk and holds several series licenses. In connection with his primary responsibility of managing risk to the firm and its customers, Mr. Sorcic is involved in risk reporting, reviewing margin scenarios and analyzing customer accounts for margin and trade-related issues.

**Allan Doi Ki Tang**

*Senior Manager, Trade and Risk*

2 Pacific Place, Suite 1512  
88 Queensway  
Admiralty, Hong Kong

Mr. Tang supervises the Hong Kong Trade and Risk group and is involved in managing the firm's risk on a daily basis. His responsibilities include handling customer trade inquiries and acting as a liaison with IB's other customer service desks around the world, reviewing and adjusting margin requirements based on risk and regulatory requirements and monitoring order routing efficiencies. Prior to joining IB in 2008, Mr. Tang spent several years as an Investment Representative dealing in U.S. and Canadian equities and equity options at TD Waterhouse Discount Brokerage Canada Inc. in Toronto.

**Joseph T. McGovern**

*Manager, Trade Issues*

209 South LaSalle Street, 10<sup>th</sup> Floor  
Chicago, IL 60604

Mr. McGovern holds multiple series licenses and manages a team in the Interactive Trade Group. His team handles trading and margin issues. Prior to joining IB Mr. McGovern was the Managing Director Principal of Bear Stearns & Co. Inc. Chicago Board of Trade operations.



**Andrea Servalli**

*Supervisor, Client Services*

Gotthardstrasse 3

6301 Zug

Switzerland

Mr. Servalli is responsible for IB's European risk team and trade desk, supervising the Zug and London teams. Prior to joining IB in 2016, Mr. Servalli held various positions at Honestamp, European Commission, Ferrero and CACEIS.

**IBG LLC**

*Managing Member*

One Pickwick Plaza

Greenwich, CT 06830

IBG LLC is the holding company for IB's proprietary trading, market-making and brokerage affiliates and is the managing member of IB. IBG LLC does not conduct any external business operations other than holding certain investment positions for the Group.

**III. Significant Business Activities and Product Lines for Interactive Brokers LLC**

IB is an electronic brokerage firm. With the exception of certain trades to hedge currency exposure and hedge interest rates, IB does not conduct proprietary trading. Additionally, IB does not trade against customer orders.

IB's primary business lines include online brokerage services for public securities and commodities customers. We have included the information below to demonstrate the allocation of IB's capital and assets between these business lines.

***Asset and Capital Allocation<sup>2</sup>***

The tables below provide an approximate allocation of IB's capital and assets between its two primary business lines: securities brokerage and commodities brokerage. Some amounts are not specifically allocated to a particular business line and are categorized as firm capital/assets.

**Capital Allocation**

Securities allocation	26%
Commodities allocation	5%
Other cash, cash equivalents and receivables <sup>(1)</sup>	69%

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<b>Total</b>	<b>100%</b>
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<sup>2</sup> Asset and Capital Allocation data is current as of March 31, 2022. All numbers are rounded up.

### **Asset Allocation**

Securities Allocation	85%
Commodities allocation	8%
Other cash, cash equivalents and receivables <sup>(2)</sup>	7%

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<b>Total</b>	<b>100%</b>
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### **Notes:**

- (1) Other cash, cash equivalents and receivables consists of the firm's cash and equivalents that cannot be allocated to IB's principal business lines: (i) securities brokerage and (ii) commodities brokerage. The receivables represent deposits with brokers, dealers and clearing organizations.
- (2) Included in this amount are monies included in international customer protection computations, which cannot be allocated to business segments.

## **IV. Description of Interactive Brokers' Customer Business**

As an electronic broker, IB executes, clears and settles trades globally for both institutional and individual customers. Capitalizing on the technology originally developed for the market making business of its affiliates, IB's systems provide its customers with the capability to monitor multiple markets around the world simultaneously and to execute trades electronically in these markets at a low cost, in multiple products and currencies from a single universal trading account.

Since launching the business in 1993, IB and its affiliates have grown to serve more than 1,680,000 institutional and individual brokerage customers from more than 200 countries. IB's customer base consists primarily of sophisticated investors and institutional traders. IB customers have access to securities and futures markets around the world, including in the U.S., Canada, Mexico, Europe, Australia, Hong Kong, India, Japan, Singapore and South Korea. A full listing of the products offered and the markets available to IB customers can be found at <https://www.interactivebrokers.com/exchanges>.

IB offers the following account types to its clients:

Trader & Investor Accounts:

- Individual
- Joint
- Trust
- UGMA/UTMA
- IRA

Institutional Accounts:

- Organization and Pool
- Proprietary Trading Group

- Hedge/Mutual Fund
- Advisor
- Introducing Broker

IB offers execution and clearing services to customers. Some customers may choose an “execution-only” account that allows them to clear their trades at another broker. In addition, some prime brokerage customers may execute trades through another broker and clear through IB.

IB offers access to more than 140 markets around the world where clients have the ability to trade various products, including stocks, options, futures, bonds, mutual funds and spot forex currency pairs in more than 25 currencies.

Customers can hold balances in multiple currencies in their securities accounts with IB, which may offset long or short securities positions. Customers can use IB’s forex platform to convert these currencies into the base currency of their account. In addition, IB customers can trade spot forex, buying one currency in exchange for another.

IB maintains an electronic trading platform that offers its customers the ability to enter orders for over-the-counter spot forex trading. When a customer enters into a forex transaction with IB, IB may effect that transaction by entering into a transaction with one of IB’s affiliates or with a third party bank (each, a “Forex Liquidity Provider”).

As part of its forex business, IB offers a roll service to certain clients (U.S. clients must be qualified Eligible Contract Participants (each, an “ECP”)) that provides the client with automated forex rolls for two opposing (i.e., long vs. short) forex transactions and positions are rolled each day to the following day (tom/next). The minimum transaction size is generally \$10 million U.S. dollars or the equivalent in foreign currency.

## **V. Permitted Depositories & Counterparties**

Interactive is a member of or participant at various registered exchanges, electronic communication networks (“ECN”), clearinghouses and depositories in several countries. In many cases, IB is self-clearing, and is a member of the following clearinghouses: CME Clearing; ICE Clear U.S., Inc.; ICE Clear Europe; Fixed Income Clearing Corp (“FICC”); National Securities Clearing Corporation (“NSCC”); and the Options Clearing Corporation (“OCC”). In addition, IB maintains membership at the Depository Trust Company (“DTC”) and at Euroclear UK and Ireland Limited (formerly known as CrestCo Limited).

### ***Execution and Clearing Relationships<sup>3</sup>***

Where IB is not self-clearing, it uses a clearing agent to clear its clients' trades. Similarly, where IB is not an executing member on an exchange, IB client trades may be executed through an affiliate that is a member of the exchange. The table below lists the futures exchanges on which IB clients may trade along with the executing broker, clearinghouse and clearing broker that clears trades on IB's behalf on that exchange (for markets where IB is not self-clearing). Each futures exchange is listed in the applicable region (North America, Europe and Asia/Pacific).

<b>Futures Exchange</b>	<b>Executing Broker</b>	<b>Clearinghouse</b>	<b>Clearing Broker</b>
<b>NORTH AMERICA</b>			
CBOE Futures Exchange	Interactive Brokers LLC	Options Clearing Corporation	Interactive Brokers LLC
CME Group (including CME, CBOT, NYMEX)	Interactive Brokers LLC	CME Clearing	Interactive Brokers LLC
ICE Futures U.S., Inc.	Interactive Brokers LLC	ICE Clear U.S., Inc.	Interactive Brokers LLC
Montreal Exchange	Interactive Brokers Canada Inc.	Canadian Derivatives Clearing Corporation	Interactive Brokers Canada Inc.
Mexican Derivatives Exchange	Interactive Brokers (U.K.) Limited	Asigna	BBVA Bancomer, S.A.
<b>EUROPE</b>			
Borsa Italiana	Interactive Brokers (U.K.) Limited	Cassa di Compensazione e Garanzia (CC&G)	BNP Paribas Securities Services, Milan branch (through Interactive Brokers (U.K.) Limited account)
Eurex	IBKR Financial Services AG	Eurex Clearing AG	IBKR Financial Services AG
ICE Futures Europe (LIFFE business)	Interactive Brokers (U.K.) Limited	ICE Clear Europe	Interactive Brokers (U.K.) Limited

<sup>3</sup> Execution and Clearing Relationships data is current as of March 31, 2022.

<b>Futures Exchange</b>	<b>Executing Broker</b>	<b>Clearinghouse</b>	<b>Clearing Broker</b>
ICE Futures Europe	Interactive Brokers LLC	ICE Clear Europe	Interactive Brokers LLC
Nasdaq OMX Nordic	IBKR Financial Services AG	Nasdaq OMX	IBKR Financial Services AG
NYSE Euronext (Brussels, France, Amsterdam)	IBKR Financial Services AG	LCH.Clearnet S.A.	IBKR Financial Services AG
Spanish Futures & Options Exchange	Interactive Brokers (U.K.) Limited	BME Clearing	Interactive Brokers (U.K.) Limited
<b>ASIA/PACIFIC</b>			
ASX Trade24	Interactive Brokers Australia Pty Limited	ASX Clear	Interactive Brokers Australia Pty Limited
Hong Kong Futures Exchange	Interactive Brokers Hong Kong Limited	HKFE Clearing Corporation Limited	Interactive Brokers Hong Kong Limited
Korea Exchange – Derivatives Market	Shinhan Securities Co. Ltd. (through Interactive Brokers (U.K.) Limited account)	Korea Stock Exchange	Shinhan Securities Co. Ltd. (through Interactive Brokers (U.K.) Limited account)
National Stock Exchange of India	Interactive Brokers (India) Pvt. Ltd.	National Securities Clearing Corp Ltd./BOISL – Bank of India Shareholding Limited	Interactive Brokers (India) Pvt. Ltd.
Osaka Securities Exchange	Interactive Brokers Securities Japan, Inc.	JSCC	Interactive Brokers Securities Japan, Inc.
Singapore Exchange	Interactive Brokers (U.K.) Limited	Singapore Exchange Derivatives Clearing	ABN AMRO Clearing Bank N.V. Singapore

### ***Forex Liquidity Providers***

As described above, IB customers may trade OTC spot currency. Customers may engage in simple currency conversions, which allows them to trade products denominated in foreign currencies. Customers may also engage in leveraged spot forex trading through IB. Leveraged forex trading is conducted through IB's IDEAL FX platform. IB may effect these transactions by, in turn, entering into a transaction with a Liquidity Provider. As of the date of this

document, the non-affiliated, non-IB customer Liquidity Providers that may be counterparties to leveraged forex transactions include:

- Australia and New Zealand Banking Group Limited
- Barclays Bank plc
- Bank of America N.A.
- BNP Paribas, N.A.
- Citibank, N.A.
- Commerzbank AG
- Credit Suisse AG
- Deutsche Bank AG
- Goldman Sachs International Limited
- HSBC Bank plc
- JP Morgan Chase Bank N.A.
- Morgan Stanley Inc.
- Nomura International plc
- Royal Bank of Canada
- Royal Bank of Scotland plc
- Standard Chartered Bank plc
- UBS AG

### ***Credit Reviews of Counterparties***

IB conducts a credit analysis on all counterparties (including banks through which IB deposits / invests customer funds, under CFTC and SEC rules) before establishing a counterparty relationship. As part of this process, the Interactive Brokers Group's Credit Department evaluates the risks of each bank's balance sheet, financial performance over a period of time, credit ratings and pending litigations / regulatory investigations and limits the aggregate amount that may be placed with any one institution. The Group's Credit policy also takes into account the nature of the counterparty relationship. These reviews are updated at least annually.

All credit reviews are overseen by the Interactive Brokers Group's Chief Credit Officer, who determines the aggregate amount of risk posed by the counterparty, and each counterparty is approved by the Group Chairman and Group Chief Financial Officer. IB also performs quarterly reviews to ensure the banks that have been selected remain a good credit risk, and establishes and monitors daily limits to avoid concentration risk.

Prior to joining a new clearinghouse, IB also examines the operational procedures set forth in the bylaws of the clearinghouse, especially its margin and clearing fund calculations and default procedures. The firm conducts annual reviews to monitor for any material changes to the existing policies and procedures. Since the largest risk with clearinghouses is operational risk, IB carefully reviews and verifies that the risk management policies and procedures are adequate to mitigate a default risk that could impact non-defaulting clearing members.

This credit review process is also conducted regarding the Forex Liquidity Providers that submit quotations on IB's IDEAL FX Platform. After the credit review is performed, each FX Liquidity Provider venue is assigned a risk limit by the Group's Credit Department.

## **VI. Description of How Customer Funds Are Treated at Interactive Brokers**

This section describes the risk of depositing funds with IB to trade futures and the steps that IB takes to reduce that risk and to protect client funds. When customers place funds with a financial institution such as Interactive, there is an inherent risk of default. Further, funds deposited to trade futures with IB (or any other futures commission merchant) are not protected by the Securities Industry Protection Corporation ("SIPC"). While these risks exist, we believe that the risk of a default by IB causing loss of customer funds is very remote.

As of March 31, 2022 IB had excess net capital of \$4.8 billion. IB is rated A-+; Outlook Positive by Standard & Poor's and IB's parent company had \$10.5 billion in equity capital. IB does not trade for its own proprietary account<sup>4</sup> and IB's affiliates that conduct proprietary trading do so in separate companies that are regulated and separately capitalized. IB holds no material positions in over-the-counter securities or derivatives. IB holds no Collateralized Debt Obligations ("CDOs"), Mortgage-Backed Securities ("MBS") or Credit Default Swaps ("CDS"). The gross amount of IB's portfolio of debt securities, with the exception of U.S. government securities, is less than 10% of IB's equity capital. IB employs state of the art risk management systems, including systems that margin customer accounts in real-time (rejecting under-margined orders and generally liquidating under-margined accounts). We discuss these matters in greater detail below.

### ***Liquidity Management***

#### ***Strength and Security of the Group***

IB has reported solid, positive earnings for the past 20 consecutive years. Within the Group, brokerage and market making businesses are managed separately. There is a strict systematic and procedural separation between the two business lines and customer-segregated assets are not commingled with or utilized for proprietary operations.

#### ***Summary of Financing and Capital Adequacy***

The Group and its subsidiaries maintain sufficient liquidity for daily operations and for protection against liquidity stress situations, and project that cash flows from operations and available borrowings will be adequate to meet future liquidity needs with a twelve-month horizon. The Group actively manages its excess liquidity and maintains significant borrowing facilities through the securities lending markets and with banks. As a general practice, the

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<sup>4</sup> With the exception of certain trades to reduce currency exposure, facilitate fractional trading for clients, and certain trades to lock in interest rates on investments of house funds, IB does not conduct proprietary trading. Additionally, IB does not trade against customer orders.

Group maintains sufficient levels of cash on hand to allow for a buffer should an immediate need arise for available funds. The Group's liquidity needs are reassessed frequently and revised as needed.

The Group's balance sheet structure is relatively simple and highly liquid. The company has substantial financial resources, which are projected to be sufficient to withstand various liquidity stress scenarios. As of March 31, 2022 the Group's global financial resources included:

- Equity capital of \$10.5 billion;
- Excess regulatory capital of \$7.3 billion (of which \$4.7 billion was held by IB);
- Bank facilities of \$1.14 billion, secured and unsecured;
- Liquidity (defined as immediately available cash or borrowing lines) of \$4.6 billion; and
- A daily U.S. target balance of \$1,350 million for contingency purposes.

Interactive is the largest operating company within the Group and is rated BBB+; Outlook Positive by Standard & Poor's (see <https://www.interactivebrokers.com/rating>).

As of March 31, 2022, IB holds its liquid assets in the form of bank deposits and maintains approximately \$559 million in excess firm balances in customer segregated accounts. Furthermore, IB holds excess foreign currency at its various global banks, clearinghouses and clearing firms that it can access on a same-day or next-day basis. IB also maintains \$250 million in unsecured uncommitted credit facilities from affiliates, \$100 million in an unsecured committed credit facility from the Group, secured uncommitted bank credit facilities of \$525 million and unsecured uncommitted bank credit facilities of \$450 million.

#### *Daily Liquidity Management*

One of the key functions of IB's Treasury Department involves daily monitoring of liquidity needs and available collateral to ensure that an appropriate liquidity cushion is maintained at all times.

#### *Liquidity Management during a Credit/Liquidity Event*

The firm's liquidity management policies are designed to mitigate the liquidity shocks from firm-specific and market stress events. Firm-specific stress may result from adverse news about the firm, perhaps caused by events such as a large loss announcement, fraud, or negative rumors. Such events may lead to the withdrawal of credit facilities or increased collateral requirements by external parties reacting to the news. Market stress results from adverse market events, such as a major bankruptcy or a credit event involving a troubled government. Under these types of stress scenarios, credit lines are likely to be curtailed, risk margin requirements may suddenly rise as a result of market volatility, and customers may withdraw funds rapidly and in unprecedented amounts, transferring to locations deemed to be safe havens (e.g., government securities or too-big-to-fail banks).



While the firm positions itself with a buffer of excess liquidity on a daily basis, liquidity management during a credit or liquidity event requires close and continuous monitoring by both the Treasury Department and senior management.

The IB Treasury Department is under a strict mandate to inform senior management of liquidity or cash issues as soon as they are determined to be critical and as frequently as necessary. Senior management includes the CEO, the Group CFO and other senior management.

The firm closely monitors the impact from stress scenarios and applies a stress test to calculate the firm's potential loss exposure if customer portfolios were forced into liquidation.

#### *Internal Evaluation of Liquidity Management*

As part of its annual risk management review, the Group Internal Audit Department reviews the firm's Liquidity Management Plan and reports its findings to senior management and the Group's Audit and Compliance Committee.

In addition, in accordance with CFTC and NFA Rules, IB maintains a Risk Management Program that is designed to identify the daily risks that IB faces and the policies and procedures that IB uses to mitigate these risks.

As part of its Risk Management Program, IB has established a Risk Management Unit ("RMU") comprised of various officers and directors of the Group. The RMU has supervisory oversight over the Risk Management Program, and, among other things, verifies that the risk policies and procedures that make up IB's Risk Management Program are sufficient to identify, measure, monitor and mitigate the firm's risk. The RMU reports directly to senior management and provides at least quarterly reports to senior management and IB's governing body. (These reports are also submitted to the CFTC and NFA). These "Risk Exposure Reports" detail any applicable risk exposure to the firm, the status of previously recommended changes to the Risk Management Program and any new recommendations. Members of the Risk Management Unit meet at least annually to review the Program and update it as necessary. Risk tolerance limits are also reviewed and approved quarterly by senior management and annually by the firm's governing body.

#### *Risks Posed to IB Through Affiliates*

Certain IB wholly-owned affiliates hold accounts with IB to trade for their own accounts. IB's affiliates are not treated as customers for regulatory purposes. As of March 31, 2022, the funds that IB held that were not related to customers (i.e., affiliate, non-customer and house funds) to satisfy futures margin requirements totaled approximately \$27 million or 1.16 % of the \$2.3 billion in funds held on behalf of IB customers to satisfy futures margin requirements. IB does not invest funds in its affiliates, but, as discussed in more detail below, may engage in secured equity financing with affiliates.

## *Investments of House and Customer Funds*

### *General*

IB is conservative when it comes to investing house and customer funds. Outside of deposits with highly rated regulated banks, IB may invest funds in: (1) certain bank products; (2) U.S. Treasury securities; (3) secured equity financing with its affiliates; or (4) it may enter into reverse repurchase agreements in which the FICC<sup>5</sup> serves as the central counterparty (“CCP”) to all transactions matched and cleared through its platform.

With respect to investments in bank products, IB limits its investments to products that can be liquidated<sup>6</sup> quickly (i.e., same day) as supported by duly executed legal agreements that have been negotiated between IB and its banks. Currently, such investments are limited to cash deposits. To mitigate the risk of loss, as described above, IB performs a thorough credit review in the selection of the banks it uses for deposits and investments and limits the aggregate amount that may be placed with any one institution. IB also performs quarterly reviews to ensure the banks that have been selected remain a good credit risk, and establishes and monitors daily limits to avoid concentration risk.

A portion of segregated futures customer funds is typically invested in U.S. Treasury securities. IB limits its investments in government securities to debt obligations issued by the United States government. IB does not invest in agency securities (e.g., securities issued by Freddie Mac or Fannie Mae) or in debt obligations of foreign governments. IB does not currently invest any customer money in money market funds. As of March 31, 2022, the average weighted maturity of IB’s U.S. Treasury security investments was 162 days with an average weighted coupon of 0.11% per annum.

IB may engage in secured equity financing arrangements with affiliates, in which IB lends cash to an affiliate and the loan is secured by marginable listed stock but as of the date of this document, IB does not have any such loans in place.

IB may engage in unsecured financing arrangements with its parent company, IBG LLC, in which IB lends cash to IBG LLC. The average daily loan amount to IBG LLC for the first quarter 2022 was \$145 million and the average daily loan rate was 0.87%.

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<sup>5</sup> FICC is a subsidiary of the Depository Trust & Clearing Corporation that provides real-time trade matching, clearing, netting and risk management for trades in U.S. Government securities, repurchase agreements, government agency securities, mortgaged-backed securities, and other types of fixed-income securities. In its capacity as a U.S. clearinghouse of certain fixed-income securities, it serves as the CCP to each party opposite of a trade. If a party to a trade fails to meet its obligation, the CCP will step in to honor the defaulting party’s obligation.

<sup>6</sup> IB has in the past invested in an overnight commercial paper (“CP”) investment product offered through a sweep account held at a major U.S. bank. The cash in the account was swept overnight into a CP product to earn interest and was swept back into the account just before the start of normal business hours. IB presently has no CP investment.

IB may enter into reverse repurchase agreements (“reverse repos”), in which it lends funds against collateral consisting of U.S. Treasury securities. IB settles these transactions on a receive vs. payment basis to mitigate delivery exposure. In addition, IB will only enter into reverse repos cleared by FICC, which mitigates counterparty exposure. In its capacity as CCP, FICC will mark-to-market the collateral on a daily basis to ensure that the lender is properly collateralized. IB engages in reverse repos for purposes of investing securities customer money only; no reverse repos are transacted with commodities customer funds.

#### *Commodities Accounts*

A majority of commodities customer funds are invested in short-term U.S. Treasury securities, which are held at a custody bank in a safekeeping account segregated for the exclusive benefit of customers. In addition, a portion of these funds are invested in short-term U.S. Treasury securities and pledged to futures clearing houses to support customer margin requirements on futures and options on futures positions, and some funds are also held at commodities clearing banks/brokers in accounts identified as segregated for the benefit of IB's customers to support customer margin requirements.

#### *Securities Accounts*

A majority of securities customer funds is invested in U.S. Treasury securities, including direct investments in Treasury notes, Treasury bills and reverse repos, where the collateral received is in the form of U.S. Treasury securities. These transactions are conducted with third parties and guaranteed by the FICC. The collateral remains in the possession of IB and is held at a custody bank in a segregated Reserve Safekeeping Account for the exclusive benefit of customers. U.S. Treasury securities may also be pledged to a clearinghouse to support customer margin requirements on securities options positions.

#### *Leverage*

On a monthly basis, IB is required to report to the NFA and CFTC a leverage ratio calculation performed in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). Section 16(e)(3) of the NFA’s Financial Requirements defines leverage as “total balance sheet assets, less any instruments guaranteed by the U.S. government and held as an asset or to collateralize an asset (e.g., a reverse repo) divided by total capital (the sum of stockholder’s equity and subordinated debt).” Leverage ratios can provide important information on a firm’s financial risk. A high leverage ratio means that the company is using debt and other liabilities to finance its assets, and, all else being equal, is riskier than a company with lower leverage. As of March 31, 2022, IB’s reported leverage ratio was 8.35.

## **VII. Information Regarding Interactive Brokers’ Designated Self-Regulatory Organization**

As stated above, Interactive is a member of the NFA, FINRA and is regulated by these entities as well as by the CFTC and the SEC. IB is also a member of various exchanges and other SROs.

For its securities activities, IB’s designated examining authority (“DEA”) is FINRA.

Information regarding FINRA can be found on the FINRA website at [www.finra.org](http://www.finra.org).

For futures activities, IB's designated self-regulatory organization ("DSRO") is the CME Group. Information regarding the CME Group can be found on the CME Group website at <http://www.cmegroup.com>.

Interactive files annual audited financial statements with its regulators. These statements are available on the IB website at <https://www.interactivebrokers.com/financials>.

Hard copies of IB's audited financial statements may also be obtained from the Boston Office of the U.S. SEC ([www.sec.gov](http://www.sec.gov)):

33 Arch Street, 24th Floor

Boston, MA 02110-1424

(617) 573-8900

e-mail: [boston@sec.gov](mailto:boston@sec.gov)

## **VIII. Disclosure of Legal & Regulatory Matters**

The securities and commodities industries are highly regulated and many aspects of IB's business involve substantial risk of liability. In recent years, there has been an increasing incidence of litigation involving the brokerage industry, including class action suits that generally seek substantial damages, including, in some cases, punitive damages. Compliance and trading problems that are reported to federal, state and provincial regulators, exchanges or other SROs by dissatisfied customers are investigated by such regulatory bodies, and, if pursued by such regulatory body or such customers, may rise to the level of arbitration or disciplinary action. IB is also subject to periodic regulatory audits and inspections.

Like other FCMs and brokerage firms, IB has been named as a defendant in lawsuits and from time to time has been threatened with, or named as a defendant in, arbitrations and administrative proceedings. The following contains information regarding potentially material pending litigation and regulatory proceedings related to IB's commodities business.

### *CFTC Settlement Regarding CME Exchange Fees*

On June 30, 2022, without admitting or denying any of the findings or conclusions therein, Interactive entered into a settlement agreement pursuant to a finding by the CFTC that it failed to adequately supervise its officers, employees, and agents in violation of Regulation 166.3, 17 C.F.R. § 166.3 (2021). This finding stemmed from the CFTC's allegation that Interactive inadvertently overcharged customers CME exchange fees for spread trades in certain futures products traded on CME Globex. Specifically, for spread trades in certain products, Interactive unintentionally charged customers the higher fee applicable to outright trades while passing on to the exchange the lower amount applicable to spread trades.

Interactive was ordered to pay a civil monetary penalty of \$300,000, to disgorge \$710,828.14, and to cease and desist violating Regulation 166.3, 17 C.F.R. § 166.3 (2021). The CFTC acknowledged that Interactive took prompt corrective and remedial action and cooperated fully with Staff's investigation.

### *NFA Settlement Regarding Canceling Retail Forex Orders*

On April 14, 2022, IB agreed to pay a penalty of \$250,000 to the NFA for activity related to the firm's interpretation of regulations permitting IB to cancel certain retail customer forex orders. The NFA alleged that IB canceled retail customer forex orders contrary to the reasons permitted under NFA compliance rule 2-43(a)(1). The NFA also alleged that IB failed to adequately supervise its employees in the conduct of their forex activities on behalf of the firm to ensure compliance with the relevant NFA requirements, contrary to NFA compliance rule 2-36(e).

IB has updated its processes surrounding the canceling of retail forex client executions to comply with the cited NFA regulations.

### *CFTC Settlement Regarding Negative Oil Prices*

On September 28, 2021, without admitting or denying any of the findings or conclusions therein, IB entered into a settlement agreement pursuant to a finding by the CFTC that Interactive failed to adequately supervise its officers, employees, and agents in violation of Regulation 166.3, 17 C.F.R. § 166.3 (2020). This finding stemmed from electronic trading systems issues IB experienced on April 20, 2020, when certain crude oil futures products traded at negative prices for the first time in history. Those systems issues included (1) the inability of some customers to enter orders for these products when negative prices occurred and (2) customers opening positions in crude oil futures without sufficient equity in their accounts to meet applicable margin requirements. Although IB had engaged in extensive systems testing and had begun implementing necessary coding changes in advance of April 20, it was not able to fully deploy new software before crude oil futures traded in negative territory. After April 20, 2020, IB promptly put in place measures to ensure that our systems are prepared for similar negative-pricing of futures products going forward. As part of the settlement agreement, Interactive agreed to pay a civil monetary penalty in the amount of \$1,750,000. In addition, Interactive agreed to pay restitution in the amount of \$82,570,000. This restitution amount was fully credited by the CFTC as Interactive had voluntarily made aggregate payment of over \$100,000,000 to potentially affected customers shortly after the April 2020 negative oil pricing event.

### *CME Group Actions*

On September 25, 2020, CME Group Business Conduct Committee Panels representing the Chicago Mercantile Exchange (“CME”), Commodity Exchange (“COMEX”), New York Mercantile Exchange (“NYMEX”) and Chicago Board of Trade (“CBOT”) found that IB LLC (“IB”) implemented customer order routing functionality that bypassed CME group market integrity controls. Specifically, in several cases, this functionality enabled its customer orders to avoid protection points applied to all market orders by CME group's Globex platform in reckless disregard for the adverse impact on the market. These protection points are designed to prevent extreme price movements and other market disruptions. By routing customer-initiated orders in this manner on numerous occasions between August 2015 and January 2016, IB caused various agricultural, energy and metals markets, including the palladium, platinum, cocoa, No. 11 sugar, RBOB gasoline and NY Harbor ULSD futures markets, to experience price, liquidity and trade volume aberrations and velocity logic events.

The panel also found that IB failed to adequately take into consideration market conditions when it used this order routing functionality to automatically liquidate under-margined customer accounts which, on multiple occasions between August 2015 and January 2016, caused those same markets to experience extreme price movements, liquidity and trade volume aberrations, and velocity logic events.

The activity described above resulted in four companion cases brought by the CME, COMEX, NYMEX and CBOT. In accordance with the settlement of these cases, IB was fined a total of \$375,000 with apportionments of \$100,000 to CME, \$100,000 to COMEX, \$100,000 to NYMEX and \$75,000 to CBOT. IB fully cooperated in the investigation and all order routing logic leading to the activity described above has been remediated.

### *AML Settlements*

On August 10, 2020, without admitting or denying any of the findings or conclusions therein, Interactive consented to the entry of an Order Instituting Proceedings Pursuant to Section 6(c) and (d) of the Commodity Exchange Act, Making Findings, and Imposing Remedial Sanctions (“CFTC Order”) with the CFTC; an Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Exchange Act, Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order (“SEC Order”) with the SEC; and a Letter of Acceptance, Waiver and Consent (“AWC”) with the FINRA concerning Interactive’s past anti-money laundering (“AML”) and Bank Secrecy Act (“BSA”) practices and procedures (collectively, the “Orders”).

In consenting to the entry of the Orders, Interactive agreed to pay penalties of \$15 million to FINRA, \$11.5 million to the SEC and \$11.5 million to the CFTC, plus approximately \$700,000 in disgorgement and to cease and desist from violating CFTC Regulations 42.2 and 166.3 and Section 17(a) of the Exchange Act and Rules 17a-8 promulgated thereunder. In addition, Interactive was censured and has agreed to continue the retention of an independent consultant to review the implementation of its enhanced practices and procedures. Interactive continuously works to enhance and strengthen its controls and makes significant investments to improve its AML program to make it more robust and to respond to changing regulatory standards.

The findings, set forth in the CFTC Order, stated that, from June 2014 through November 2018, Interactive failed to maintain an adequate AML program and to diligently supervise its employees’ handling of certain commodity trading accounts held at Interactive that were the subject of recent enforcement actions and nonpublic investigations initiated by the CFTC. The CFTC’s findings stated that Interactive lacked a reasonably designed process for conducting investigations of account activity and making Suspicious Activity Reports (“SARs”) determinations and failed to identify or adequately investigate certain indicia of suspicious activity in the accounts at issue that should have prompted a filing of with appropriate authorities. The CFTC’s findings stated that, as a result, Interactive engaged in acts and practices that violated Regulations 42.2 and 166.3, 17 C.F.R. §§ 42.2, 166.3 (2019).

The findings, set forth in the SEC order, stated that, from at least July 1, 2016 to June 30, 2017, Interactive failed to file SARs relating to suspicious activity involving certain U.S. microcap

securities transactions it executed on behalf of its customers. The SEC's findings stated that, during the relevant time period, Interactive ignored or failed to recognize numerous red flags, failed to properly investigate certain conduct as required by its written supervisory procedures, and ultimately failed to file SARs on suspicious activity. These failures were found to be the result of Interactive's failure to implement a reasonable surveillance program. The SEC's findings stated that, as a result, Interactive willfully violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

The findings, set forth in the AWC, stated that, from January 2013 through September 2018, Interactive failed to develop and implement an AML program reasonably designed to match its growth, and as a result, was in violation of FINRA Rules 3310(A), (B), (C) and 2010. The FINRA findings stated that, during the relevant period, Interactive failed to reasonably surveil certain money movements, develop and implement reasonably designed surveillance tools for certain money movements and securities transactions, reasonably investigate potentially suspicious activity and file SARs after detecting that customers had engaged in suspicious activity, and conduct reasonable AML testing of its program.

#### *Class Action Matter*

On December 18, 2015, a former individual customer filed a purported class action complaint against IB LLC, IBG, Inc., and Thomas Frank, PhD, the Company's Executive Vice President and Chief Information Officer, in the U.S. District Court for the District of Connecticut. The complaint alleges that the former customer and members of the purported class of IB LLC's customers were harmed by alleged "flaws" in the computerized system used by the Company to close out (i.e., liquidate) positions in customer brokerage accounts that have margin deficiencies. The complaint seeks, among other things, undefined compensatory damages and declaratory and injunctive relief. On September 28, 2016, the District Court issued an order granting the Company's motion to dismiss the complaint in its entirety, and without providing plaintiff leave to amend. On September 28, 2017, plaintiff appealed to the United States Court of Appeals for the Second Circuit. On September 26, 2018 the Court of Appeals affirmed the dismissal of plaintiff's claims of breach of contract and commercially unreasonable liquidation but vacated and remanded back to the District Court plaintiff's claims for negligence. On November 30, 2018, the plaintiff filed a Second Amended Complaint. The Company filed a motion to dismiss the new complaint on January 15, 2019 requesting that the District Court dismiss the remaining negligence claims. On September 30, 2019, the Court denied IBKR's motion to dismiss. The parties are currently engaged in class discovery. Plaintiff's motion for class certification is due on August 16, 2021. We do not believe that a purported class action is appropriate given the great differences in portfolios, markets and many other circumstances surrounding the liquidation of any particular customer's margin-deficient account. IB LLC and the related defendants intend to continue to defend themselves vigorously against the case.

#### *Trading Technologies Matter*

On February 3, 2010, Trading Technologies International, Inc. ("Trading Technologies") filed a complaint in the U.S. District Court for the Northern District of Illinois, Eastern Division, against IBG LLC and IB ("Defendants"). The complaint, as amended, alleges that the Defendants have infringed and continue to infringe twelve U.S. patents held by Trading Technologies. Trading Technologies is seeking, among other things, unspecified damages and

injunctive relief. The Defendants filed an answer to Trading Technologies' amended complaint, as well as related counterclaims. The Defendants deny Trading Technologies' claims, assert that the asserted patents are not infringed and are invalid, and assert several other defenses as well.

The asserted patents were the subject of petitions before the United States Patent and Trademark Office ("USPTO") seeking Covered Business Method Review ("CBM Review"). The USPTO Patent Trial Appeal Board ("PTAB") found all claims of ten of the twelve asserted patents to be invalid. Of the remaining two patents, 53 of the 56 claims of one patent were held invalid and the other patent survived CBM Review proceedings. Appeals were filed by either Defendants or Trading Technologies on all PTAB determinations.

The United States Court of Appeals for the Federal Circuit vacated the CBM Review determinations of invalidity for four patents, concluding that these patents were not eligible for CBM Review. In August 2020, the District Court held in a summary judgment ruling that two of the remaining four patents were invalid. The District Court trial with respect to the two remaining patents concluded in September 2021.

On September 7, 2021, the jury found that IBG LLC and IB LLC infringed two patents owned by Trading Technologies, but the jury recognized that any infringement by IBG LLC and IB LLC was not willful, and therefore not subject to enhanced damages. The jury awarded \$6,610,985 to Trading Technologies, an amount far less than it had sought in damages. IBG LLC and IB LLC continue to believe that Trading Technologies' patents are invalid, and even if valid, that IBG LLC and IB LLC did not infringe the patents.

#### *Further Information*

For current information on regulatory and enforcement matters involving Interactive Brokers LLC's securities business, please visit <http://brokercheck.finra.org> and search under "Firm" Interactive Brokers LLC, click on "Detailed Report" and review the section of the report entitled "Disclosure Events."

For current information on regulatory and enforcement matters involving Interactive Brokers LLC's futures business, please visit <http://www.nfa.futures.org/basicnet/> and search under "Firm name" Interactive Brokers LLC, then click on "Details" under the heading "Regulatory Actions."

### **IX. Overview of Customer Fund Segregation and Collateral Management**

As described above, Interactive is registered as an FCM with the U.S. CFTC and as a broker-dealer with the U.S. SEC and is therefore required to abide by the rules of those regulators, in addition to applicable FINRA and NFA rules.

In general, customer money is segregated in special bank or custody accounts, which are designated for the exclusive benefit of customers of IB. This protection is a core principle of commodities and securities brokerage. By properly segregating customers' assets, such assets should be available to be returned to customers even in the event of a default by or bankruptcy of the broker.



## *Commodities Accounts*

### *Basics of Segregation*

FCMs may maintain up to three different types of accounts for customers, depending on the products a customer trades:

- (i) a Customer Segregated Account (required under CFTC Rule 1.20) for customers that trade futures and options on futures listed on U.S. futures exchanges;
- (ii) a 30.7 Account for customers that trade futures and options on futures listed on foreign boards of trade; and
- (iii) a Cleared Swaps Customer Account for customers trading swaps that are cleared on a Derivatives Clearing Organization (“DCO”) registered with the CFTC (Note: IB does not offer cleared swaps trading).

The requirement to maintain these separate accounts reflects the different risks posed by the different products. Cash, securities and other collateral (collectively, funds) required to be held in one type of account, *e.g.*, the Customer Segregated Account, may not be commingled with funds required to be held in another type of account, *e.g.*, the 30.7 Account, except as the CFTC may permit by order.

### *Customer Segregated Account*

Funds that Segregated Customers deposit with an FCM, or that are otherwise required to be held for the benefit of customers, to margin futures and options on futures contracts traded on futures exchanges located in the U.S., *i.e.*, designated contract markets, are held in a Customer Segregated Account in accordance with section 4d(a)(2) of the Act and CFTC Rule 1.20. Customer Segregated Funds held in the Customer Segregated Account may not be used to meet the obligations of the FCM or any other person, including another customer.

All Customer Segregated Funds may be commingled in a single account, *i.e.*, an omnibus Customer Account, and held with: (i) a bank or trust company located in the U.S.; (ii) a bank or trust company located outside of the U.S. that has in excess of \$1 billion of regulatory capital; (iii) an FCM; or (iv) a DCO. Such a commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM’s Segregated Customers. Unless a customer provides instructions to the contrary, an FCM may hold Customer Segregated Funds only: (i) in the U.S.; (ii) in a money center country (Canada, France, Italy, Germany, Japan, and the United Kingdom); or (iii) in the country of origin of the currency.

An FCM must hold sufficient U.S. dollars in the U.S. to meet all U.S. dollar obligations and sufficient funds in each other currency to meet obligations in such currency. Notwithstanding the foregoing, assets denominated in a currency may be held to meet obligations denominated in another currency (other than the U.S. dollar) as follows: (i) U.S. dollars may be held in the U.S. or in money center countries to meet obligations denominated in any other currency; and (ii) funds in money center currencies may be held in the U.S. or in money center countries to meet obligations denominated in currencies other than the U.S. dollar.

### *30.7 Accounts and Special Risks of Engaging in Trading on Foreign Markets*

Funds that 30.7 Customers deposit with an FCM, or that are otherwise required to be held for the benefit of 30.7 Customers, to margin futures and options on futures contracts traded on foreign boards of trade (*i.e.*, 30.7 Customer Funds, sometimes referred to as the foreign futures and foreign options secured amount) are held in 30.7 Accounts in accordance with CFTC Rule 30.7.

Funds required to be held in a 30.7 Account for or on behalf of 30.7 Customers may be commingled in an omnibus 30.7 Account and held with: (i) a bank or trust company located in the U.S.; (ii) a bank or trust company located outside the U.S. that has in excess of \$1 billion in regulatory capital; (iii) an FCM; (iv) a DCO; (v) the clearing organization of any foreign board of trade; (vi) a foreign broker; or (vii) such clearing organization's or foreign broker's designated depositories. Such a commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's 30.7 Customers. As explained below, CFTC Rule 30.7 restricts the amount of such funds that may be held outside of the U.S.

Because customers trading on foreign markets assume additional risks, the CFTC generally does not permit funds held to margin foreign futures and foreign options transactions to be held in the same account as Customer Segregated Funds or Cleared Swaps Customer Collateral. Laws or regulations will vary depending on the foreign jurisdiction in which the transaction occurs, and funds held in a 30.7 Account outside of the U.S. may not receive the same level of protection as Customer Segregated Funds. If the foreign broker carrying 30.7 Customer positions fails, the broker will be liquidated in accordance with the laws of the jurisdiction in which it is organized, which laws may differ significantly from the U.S. Bankruptcy Code. Return of 30.7 Customer Funds to the U.S. will be delayed and likely will be subject to the costs of administration of the failed foreign broker in accordance with the law of the applicable jurisdiction, as well as possible other intervening foreign brokers, if multiple foreign brokers were used to process the U.S. customers' transactions on foreign markets.

If the foreign broker does not fail but the 30.7 Customers' U.S. FCM fails, the foreign broker may want to assure that appropriate authorization has been obtained before returning the 30.7 Customer Funds to the FCM's trustee, which may delay their return. If both the foreign broker and the U.S. FCM were to fail, potential differences between the trustee for the U.S. FCM and the administrator for the foreign broker, each with independent fiduciary obligations under applicable law, may result in significant delays and additional administrative expenses. Use of other intervening foreign brokers by the U.S. FCM to process the trades of 30.7 Customers on foreign markets may cause additional delays and administrative expenses. It is also important to understand that, in the event of an FCM's bankruptcy, 30.7 Customers comprise a single account class under the Bankruptcy Code and the Commission's Bankruptcy Rules. Therefore, if a U.S. FCM were to fail and there was a shortfall in 30.7 Customer Funds arising from losses in one foreign jurisdiction, those losses would be shared pro rata by all 30.7 Customers, including customers that did not engage in trading in that jurisdiction.

*Excess Funds Maintained in Customer Segregated Account(s) and 30.7 Account(s) to Provide*

### *Extra Customer Protection*

In order to provide extra protection for customer accounts, Interactive deposits a portion of its own funds in Customer Segregated Accounts and 30.7 Accounts as a buffer. These excess funds are held for the exclusive benefit of IB customers while held in Customer Segregated Accounts and 30.7 Accounts. As of March 31, 2022, IB seeks to maintain an excess of at least \$155 – \$245 MM in Customer Segregated Accounts and \$80 - \$120 MM in 30.7 Accounts.

### *Securities Accounts*

Securities customers' cash is maintained on a net basis in the customer reserve accounts maintained by IB in accordance with securities regulations. (Please note that funds held for customers that trade forex through IB are included in these securities calculations). To the extent that any one customer maintains a margin loan with IB, that loan will be fully secured by securities generally valued at up to 200% of the loan, although under Regulation T and applicable portfolio margin rules, acceptable collateral may be lower in value but is subject to real-time monitoring.

The security of the loan is enhanced by IB's conservative margin policies, which generally do not allow the borrower to fulfill a margin requirement within several days, as permitted by regulation. Instead, as discussed below, IB monitors and acts on a real-time basis to automatically liquidate positions and repay the loan to increase account equity when there is a margin deficiency. This brings the borrower back into margin compliance without putting IB and other customers at risk.

Reserve deposits are distributed across a number of large U.S. banks with investment-grade ratings so that IB can avoid a concentration risk with any single institution. No single bank holds more than 5% of total customer funds held by IB.

In order to further enhance IB's protection of its customers' assets, Interactive sought and received approval from FINRA to perform and report the reserve computation on a daily basis, instead of once per week as otherwise permitted under SEC regulations. IB initiated daily computations in December 2011, along with daily adjustments of the money set aside in reserve accounts for its customers. Reconciling accounts and customer reserves daily instead of weekly is just another way that Interactive seeks to provide state-of-the-art protection for its customers.

Customer-owned, fully-paid securities are protected in accounts at depositories and custodians that are specifically identified for the exclusive benefit of customers. IB reconciles positions in securities owned by customers daily to ensure that these securities have been segregated at the depositories and custodians.

Customer securities accounts at Interactive are protected by the Securities Investor Protection Corporation ("SIPC") for a maximum coverage of \$500,000 (with a cash sublimit of \$250,000) and under Interactive's excess SIPC policy with certain underwriters at Lloyd's of London for up to an additional \$30 million (with a cash sublimit of \$900,000) subject to an aggregate limit of \$150 million. Futures and options on futures are not covered. As with all securities firms, this coverage provides protection against failure of a broker-dealer, not against loss of market

value of securities.

More information on how IB handles customer funds is available on the IB website at [www.interactivebrokers.com/security](http://www.interactivebrokers.com/security).

### ***Notice Regarding Risks of Engaging in Trading in Foreign Markets***

As discussed above, IB takes careful measures in choosing counterparties with which to invest customer funds and performs a daily secured amount computation to segregate customers' funds in connection with trading on foreign markets. Customer funds are also insured as stated above. However, it should be noted that in the event of the insolvency of IB, or the insolvency of a foreign broker or foreign depository that is holding IB's customer funds, funds held in foreign jurisdictions may be subject to a different bankruptcy regime and legal system than funds held in the U.S. In addition, a customer also is subject to potential fellow customer risk in foreign jurisdictions; this risk is minimized by the firm's real-time risk management policies and procedures. For purposes of bankruptcy protection, a customer that trades only in one country or in one market is also exposed to fellow customer risk from losses that may be incurred in other countries and other markets.

## **X. Information on Filing Complaints**

If you wish to file a complaint with Interactive, we encourage you to send your complaint via Account Management for the most expedient and efficient handling. This can be done by clicking on "Message Center." Under "New Ticket" select the most relevant Category and Sub-Category relating to the issue. For more information on filing a complaint in this manner, please visit IB's website at <https://ibkr.info/node/1302>.

Alternatively, customers may send their complaints by contacting customer service using the information provided on the IB website at [www.interactivebrokers.com/help](http://www.interactivebrokers.com/help) or by hard copy addressed to:

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

- A customer that wishes to file a complaint about IB with the CFTC can contact the CFTC either electronically at [https://forms.cftc.gov/\\_layouts/PublicForms/TipsAndComplaints.aspx](https://forms.cftc.gov/_layouts/PublicForms/TipsAndComplaints.aspx) or by calling the Division of Enforcement toll-free at 866-FON-CFTC (866-366-2382).
- A customer that wishes to file a complaint about IB with the NFA may do so electronically at <https://www.nfa.futures.org/ComplaintNet/complaint.aspx> or by calling NFA directly at 800-621-3570.
- A customer that wishes to file a complaint about IB with the CME Group may do so electronically at <https://www.cmegroup.com/market-regulation/file-complaint.html> or by calling CME Group directly at 312-341-7970.

## **XI. Financial Data**

The following financial information is current as of March 31, 2022 for Interactive. Additional financial information is available on IB's website at <https://www.interactivebrokers.com/en/index.php?f=7464>.

<b>Financial Data</b>	<b>Value as of March 31, 2022 (All \$s in millions)</b>
Total Equity/Net Worth	\$6,514
Regulatory Capital	\$5,662

Dollar value of IB's margin requirements not related to customers (i.e., affiliate, non-customer and house) as a percentage of the aggregate margin requirement for futures customers, Cleared Swaps Customers, and 30.7 customers. <sup>7</sup>	1.16%
The smallest number of futures customers, Cleared Swaps Customers, and 30.7 customers that comprise 50 percent of IB's total funds held for futures customers, Cleared Swaps Customers, and 30.7 customers, respectively	205 (futures) 0 (cleared swaps customers) 47 (30.7 customers)
Aggregate notional value, by asset class, of all non-hedged, principal over-the-counter transactions into which IB has entered <sup>8</sup>	\$1
Amount, generic source and purpose of any committed unsecured lines of credit (or similar short-term funding) IB has obtained but not yet drawn upon	\$100 Committed revolving credit facility from parent company.

<sup>7</sup> As noted above, IB may make certain trades to reduce currency exposure and may trade certain options box spreads to lock in an interest rate on the investment of house funds, but in general, IB does not conduct proprietary trading. Additionally, IB does not trade against customer orders. However, certain IB affiliates (defined as entities under common control and employees of the firm) hold accounts with IB to trade for their own purposes. For regulatory purposes, IB's affiliates are not treated as customers.

<sup>8</sup> This category reflects accumulated foreign currency balances and not principal over-the-counter transactions with market counterparties

<p>Aggregated amount of financing IB provides for customer transactions involving illiquid financial products for which it is difficult to obtain timely and accurate prices</p>	<p>\$0  IB does not have a dedicated margin financing facility for its futures, options, or cleared swaps customers. Financing for securities customers is provided only on marginable securities in accordance with FINRA rules.</p>
<p>Percentage of futures customer, Cleared Swaps Customer, and 30.7 customer receivable balances that IB had to write-off as uncollectable during the past 12-month period, as compared to the current balance of funds held for futures customers, Cleared Swaps Customers, and 30.7 customers</p>	<p>0%</p>

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## **XII. Summary of Risk Practices, Controls and Procedures**

The core of the Group’s risk management philosophy is the utilization of its fully-integrated computer systems to perform critical, risk-management activities on a real-time or near real-time basis. For IB, integrated risk management seeks to ensure that each customer’s positions are continuously credit checked and brought into margin compliance if account equity falls short of margin requirements, in order to resolve margin deficiencies and prevent account deficits. IB’s policy is not to provide financing on illiquid financial products for which timely and accurate prices are difficult to obtain.

Throughout the trading day, IB calculates margin requirements for each of its customers on a real-time or near real-time basis across all product classes (stocks, options, futures, bonds, forex, and mutual funds) and across all currencies, and all orders are credit checked prior to submission. Recognizing that IB’s customers are experienced investors, IB expects its customers to manage their positions proactively and IB provides tools to facilitate its customers’ position management. These tools are designed to allow IB’s customers to understand and manage their trading risks. IB’s risk management tools and policies help IB maintain low commissions, by not having to price in the cost of credit losses.

IB’s customers generally are alerted to approaching margin violations, but if a customer’s equity falls below the amount required to support that customer’s margin requirements, IB will generally automatically liquidate positions on a real-time or near real-time basis to bring the customer’s account into margin compliance. This is done to protect IB, as well as the customer, from excessive losses. The credit management process is largely automated and is overseen by experienced risk management personnel.

As a safeguard, pending liquidation trades generally are displayed on custom-built liquidation monitoring screens that are part of the toolset IB’s risk management staff uses to monitor performance of IB’s credit system. In the event IB’s systems absorb anomalous market data from exchanges, which prompts liquidation messages, risk management staff have the ability to halt liquidations that meet specific criteria. The liquidation halt function is highly restricted and monitored.

IB has automated many other controls surrounding its brokerage business as well as that of its affiliates. Key automated controls include the following:

- IB's technical operations group continuously monitors its network and the proper functioning of each of its nodes (exchanges, Internet service providers ("ISPs"), leased customer lines and IB's own data centers) around the world.
- IB's credit manager software provides pre and post-execution controls by:
  - testing customer orders to ensure that the customer's account holds enough equity to support the execution of the order, rejecting the order if equity is insufficient or directing the order to an execution destination if equity is sufficient; and
- continuously updating a customer account's equity and margin requirements and, if the account's equity falls below its minimum margin requirements, issuing liquidating orders in a sequence generally intended to minimize the impact on account equity. IB's clearing system captures trades in real-time or near real-time and performs automated reconciliation of trades and positions, corporate action processing, customer account transfer, options exercise, securities lending and inventory management, allowing the firm to effectively manage operational risk.
- The Group's accounting system operates with automated data feeds from clearinghouses and banking systems, allowing the firm to produce financial statements for all parts of its business daily by mid-day of the day following trade date.

As mentioned above, in markets in which IB is not an exchange or clearing member, it may utilize the services of an affiliated or unaffiliated broker to execute and clear transactions. These transactions are carried in accounts at the local broker. Similarly, IB may execute and clear transactions for its affiliates. In the ordinary course of business, accounts of affiliates are margined in the same way as accounts of other customers.

Pursuant to the firm's policy, credit analysis is performed on all counterparties (including those through which IB invests customer funds as permitted under CFTC and SEC rules) prior to establishing a relationship. As described above, risk limits are assigned based on the nature of the relationship and, as part of the review process, financial performance is examined using three to five years of audited financial statements, credit ratings and any regulatory reports. Counterparty credit analyses are renewed at least annually. Daily and, in certain cases, real-time measurement of exposures to credit counterparties is largely automated and is monitored by the Credit Department.

Prior to joining a new clearinghouse, IB examines the operational procedures delineated in the bylaws of the clearinghouse, with emphasis on the margin and clearing fund calculations as well as the clearinghouse's default procedures. Annual reviews are conducted to monitor for any material changes to the existing policies and procedures. Since the largest risk with clearinghouses is operational risk, IB carefully reviews and verifies that the risk management policies and procedures are adequate to mitigate a default risk that could impact non-defaulting clearing members.

*Risks in Connection with IB's Activities as an FDM*

The risks associated with IB's forex activities generally include market risk, liquidity risk, settlement risk and credit risk. The market risk is centered on daily market fluctuations in the underlying spot prices, which can potentially expose IB to sharp increases in risk when the market moves against its open positions. Given that IB trades externally on behalf of its customers, its exposure to market risk is mitigated by the use of IB's real-time or near real-time risk management controls described above.

Each Liquidity Provider that quotes on IB's forex platform is assigned a risk limit by the Group's Credit Department (through the process described in section V above), which is coded into IB's system. In general, once 90% of the credit limit is used for a specific settlement date, IB will only pass customer orders along to that Liquidity Provider if the orders reduce the overall credit exposure.

IB also engages in forex swaps to meet cash management needs and regulatory requirements. Since the vast majority of the FX swaps IB enters into are continuously rolled over, actual settlements of particular swap legs reflect incremental changes only, rather than the full outstanding amounts.

The Group actively manages its exposure to foreign currency risk by keeping its net worth in proportion to a defined basket of 16 currencies. The Group does so to diversify its risk and align its hedging strategy with the currencies used in the Group's business (including U.S. dollar, Euro, Japanese yen, British pound, Canadian dollar, Australian dollar, Swiss franc, Hong Kong dollar, Swedish krona, Mexican peso, Danish krone, Norwegian kroner, South Korean won, Brazilian real, Indian rupee and Singapore dollar).

IB also reviews daily reports and monitors risk limits of Liquidity Providers to manage market and settlement risks associated with IB's forex business. To mitigate settlement risk associated with IB's forex trading, IB nets payments by currency and confirms netted settlement pay and receive amounts with counterparts prior to settlement. IB also delivers on the trade either (i) after receiving counter-currency value or (ii) closer to the settlement cutoff time if the counter-currency value has not yet been received. The firm also conducts daily reconciliations by multiple independent departments.

Additionally, as described above, Liquidity Providers are thoroughly credit vetted to ensure that the probability of a potential credit risk event stemming from a default (e.g., failure to pay the agreed-upon settlement amount) is low.