Interactive Brokers Rule 606(a) Quarterly Broker-Dealer Order Routing Report

I. Introduction

Interactive Brokers ("IBKR") has prepared this report pursuant to a U.S. Securities and Exchange Commission ("SEC") rule requiring all brokerage firms to make publicly available quarterly reports describing their Held Order routing practices. This report is intended to describe how and where customer Held Orders are routed when customers submit non-directed Held Orders rather than directing their order to a particular market center.

IBKR provides brokerage clients two different account offerings: (1) IBKR-PRO; and (2) IBKR-LITE. Subject to certain restrictions, clients may choose between either offering depending on which they decide best satisfies their trading objectives and goals. These offerings are designed to give IBKR clients the flexibility to prioritize the opportunity for zero-commission trades versus the amount and likelihood of price improvement they receive on trades.

Any reference in this disclosure to IBKR SmartRoutingSM pertains to IBKR-PRO activity. Any reference to IBKR submitting orders to market makers for execution pertains to IBKR-LITE activity.

1. **IBKR's Order Routing System:** Please see the IBKR Order Routing and Payment For Order Flow Disclosure for details on IBKR's order routing offerings

2. **Payment for Orders, Dark Pools, Liquidity Provider and Affiliate Relationships:**

    A. **IBKR-LITE Orders**

        a. **IBKR-LITE Orders in NMS Stocks and ETFs:** IBKR-LITE clients are generally charged zero commission for NMS stock and ETF orders. IBKRLITE orders are generally routed to select over-the-counter market-makers ("Market Makers") for handling. IBKR's agreements with the Market Makers provide Interactive Brokers payment for order flow from each Market Maker for trades executed with that Market Maker. IBKR may also route IBKR-LITE orders to another broker, ATS, or exchange (each an "Away Route"), in which case IBKR may collect payment for order flow for trades executed at or through that Away Route.

            IBKR may at times route an IBKR LITE order using its SmartRouting functionality (as if the client had chosen the IBKR-PRO offering), but will still charge no commission on any resulting trades. See the IBKR Order Routing and Payment For Order Flow Disclosure for details.

        b. **Other Products:** For products not entitled to zero-commission trading under IBKR-LITE, the same commission structure will apply to both IBKR-LITE and IBKR-PRO. Where available, a "Fixed" commission model will apply to IBKR-LITE clients for

such products. For more information, see below and at ibkr.com/commissions.

B. **IBKR-PRO Orders**

a. **Dark Pool and ATS Executions for Clients' Marketable Stock and ETF Orders:** IBKR maintains connections to "dark pool" ATSs ("Routeaway Dark Pools") that may execute IBKR-PRO client marketable orders in NMS stocks. IBKR clients benefit from IBKR's access to dark pools. Dark pools provide a source of substantial additional liquidity. Dark pools generally charge no execution fees or lower execution fees than exchanges. Dark pools also provide fast executions and the possibility of executions at prices more favorable than the prevailing NBBO.

IBKR receives rebate payments for routing and executing marketable client orders for Regulation NMS stocks at some Routeaway Dark Pools. As of May 29, 2018, IBKR generally passes the amount (or approximate amount) of any such rebate to (i) Tiered-commission IBKR-PRO clients as a venue rebate; and to (ii) Fixed-commission IBKR-PRO clients in the form of a reduction to the standard U.S. stock commission.

b. **Liquidity Provider Relationships in the IBKR ATS and Executions of Client Orders Against Those Liquidity Providers in the IBKR ATS:** IBKR has entered into arrangements with certain institutions under which such institutions may send liquidity-adding orders in NMS stocks to the IBKR ATS. These orders are held within the IBKR ATS and are not displayed in the national market. If an IBKR-PRO client marketable order could be immediately executed against such an order held in the IBKR ATS (at the NBBO or at a better price than the NBBO), the orders may be crossed and the execution reported to the National Market System. This arrangement provides potential extra liquidity (size) for IBKR-PRO client orders and may provide faster executions (since the orders do not have to be routed out to an exchange), as well as providing the possibility of Price Improvement (since the orders may be executed at a better price than available on an exchange).

IBKR may receive payment in the form of commissions or commission equivalents from the liquidity providers for these executions in the IBKR ATS. In the event that IBKR receives any such payment, IBKR generally passes the amount (or approximate amount) of the benefit to clients that select the IBKR-PRO commission structure as follows: To (i) Tiered-commission IBKR-PRO clients as a venue rebate; and to (ii) Fixed-commission IBKRPRO clients in the form of a reduction to the standard U.S. stock commission.

C. **Fees and Rebates Per Venue:** The report lists monthly net aggregate amounts of any payment for order flow, payment from profit sharing, and transaction fees or rebates relative to the relationship between Interactive Brokers and market centers and/or Market Makers that executed a significant percentage of non-directed orders in Regulation NMS stocks and ETFs sent to those market centers or Market Makers by IBKR during the prior quarter.

Please note that Interactive Brokers does not retain all of the rebate amounts paid to IBKR by market centers. A significant portion of the rebates are passed to IBKR clients. If an exchange or "lit" ATS offers a

rebate, IBKR passes the rebate directly to the client if the client has chosen IBKR's Tiered commission schedule. If an order is executed in a dark pool or in the IBKR ATS, customers choosing the Tiered commission schedule pay no venue fee and receive a per-share rebate based on roughly 50% of the blended average payments IBKR receives. In many cases where IBKR receives a rebate for executing an order, a client choosing the Fixed Rate commission schedule will pay a discounted commission.

D. **Options:** IBKR does not deliver its option orders to another broker to handle and route. Rather, IBKR employs its SmartRouting system which is designed to try to achieve the best execution for client option orders. The SmartRouting system is designed to achieve an execution price at or better than the NBBO by utilizing relationships with liquidity providers, who may provide Price Improvement through the various auction and Price Improvement mechanisms offered under U.S. option exchange rules. These relationships benefit IBKR clients, who may receive Price Improvement for their options orders. IBKR may receive payment in the form of commissions or other payments from the liquidity providers for these executions.

   Several options exchanges impose "maker-taker" fees and rebates, in which exchange members are charged for orders that take liquidity (i.e., marketable orders that trade against a posted quote or limit order) and receive a rebate for orders that add liquidity to the exchange (i.e., nonmarketable limit orders that are posted and then trade against incoming marketable orders), or vice versa. The charges imposed or rebates offered by these exchanges affect the total cost of execution, and IBKR's SmartRouting System takes this into account in determining where to route option orders - trying to minimize the costs that clients incur. If multiple exchanges are quoting at the NBBO for an option order and IBKR has discretion as to where to send the order or a portion of it, IBKR generally will "break the tie" by sending the order to an exchange where it will receive the most payment for the order.

   Under certain circumstances, IBKR may route a marketable option order to an exchange that is not currently posting the NBBO but which may be willing to execute the order at the NBBO or may reroute the order to an exchange that is displaying a quote at the NBBO . Generally, IBKR will do this in order to avoid or reduce the fee for executing the order, compared to routing to a different exchange. IBKR generally will share the economic benefit of routing orders in this manner with clients in the form of reduced execution fees, although IBKR does not guarantee that it will share such benefit. In addition, in the limited circumstances where IBKR routes orders in this manner, IBKR generally guarantees a fill at the NBBO at the time the order was routed.

   Under IBKR's Tiered commission model, IBKR passes to Tiered-commission clients some or all of certain rebate payments that IBKR receives for executing option orders, although the Tiered-commission model is not intended to be a direct pass-through of exchange and thirdparty fees and rebates. For example, IBKR may receive enhanced rebate payments for exceeding volume thresholds on particular markets, but typically will not directly pass these enhancements to clients. Likewise, IBKR does not pass to clients all of the rebates IBKR may receive for liquidity taking orders, complex orders or orders executed in price improvement auctions. Traditional exchange payment for order flow programs result in payments to specialists or primary market makers, some portion of which may be paid on to IBKR. IBKR does not pass these payments directly to clients.

3. **Affiliate Investments in Exchanges:** An affiliate or affiliates of Interactive Brokers LLC own(s) minority interests in OneChicago (security futures exchange) and a substantial, minority investment in the Boston Options Exchange Group LLC, which operates the BOX Options Exchange.

II. Order Routing Information for Particular Types of Securities

Please see the IBKR Rule 606(a) Quarterly Broker-Dealer Order Routing Report page for links to the 606(a) report in XML and PDF formats. The report provides statistical and other information about orders that are sent through IBKR's SmartRouting systems or routed to select Market Makers for the following types of securities: S&P 500 stocks (as of the first day of the quarter); Non-S&P 500 stocks; and exchange-listed options. For each of these types of securities, this section identifies the market centers and Market Makers[1] most often selected by IBKR and the percentage of various types of orders sent to those market centers and Market Makers.1 The report also addresses material relationships of IBKR and its affiliates to each of the listed market centers or Market Makers.

1. Material Aspects of IBKR Relationship with Execution Venues for S&P 500 and Non S&P 500 Stock

   As described more fully above, Interactive Brokers receives payments from certain market centers for marketable orders in S&P 500 and Non-S&P 500 stocks. IBKR also operates an Alternative Trading System (ATS) registered under Regulation ATS, where it executes trades internally on its own platform (not on an exchange or other market) among multiple customers and liquidity providers.

   As described more fully above, all orders routed to Market Makers for handling are IBKR-LITE orders. IBKR-LITE customers are generally not charged commissions for NMS stock or ETF orders. IBKR receives payment for order flow from each Market Maker.

   Further details on the material aspects of IBKR's relationships with each execution venue can be found within the report.

2. Material Aspects of IBKR Relationship with Listed Option Market Centers

   Equity Investment in Boston Options Exchange Group LLC: An affiliate under common control with IBKR has a substantial, minority investment in the Boston Options Exchange Group LLC, which operates the Boston Options Exchange.

   Payment for Orders: IBKR receives payments for certain orders in varying amounts from U.S. options exchanges, specialists and/or market makers pursuant to the mandatory marketing fee programs that have been adopted by the exchanges and approved by the SEC. If multiple exchanges are quoting at the NBBO for an option order and IBKR has discretion as to where to send the order or a portion of it, IBKR generally will "break the tie" by sending the order to an exchange where it will receive the most payment for the order, or to an exchange designated by a firm from whom IBKR will receive the most payment at that market.

   Several options exchanges, including BOX and NYSE ARCA, have adopted a "maker-taker" market structure, in which exchange members are charged for orders that take liquidity from the exchange (i.e., marketable orders that trade against a posted quote or limit order) and receive a rebate for orders that provide liquidity to the exchange (i.e., non-marketable limit orders that are posted and then trade against incoming marketable orders) or vice-versa. The charges imposed or rebates offered by these exchanges affect the total cost of execution and IBKR's SmartRouting System may take this into account in determining where and how to route option orders. For example, for certain types of orders, when certain exchanges are posting the best price, IBKR may route to a certain exchange and rely on the option intermarket linkage to get an execution at the NBBO at the lowest total execution cost (but only for those orders that have a high likelihood of being filled at the NBBO after linkage).

Further details on the material aspects of IBKR's relationships with each execution venue can be found within the report.

III. **Order Routing Information for Particular Orders**

In addition to the quarterly reports, under Rule 606 of SEC Regulation NMS, a broker-dealer is required upon customer request to provide information regarding the identity of the market center to which the customer's orders were routed for execution in the six months prior to the request, whether the order was a directed or non-directed order, and the time of the transaction, if any, that resulted from such order (the "606(b)(1) report"). Please contact the IBKR Customer Service Desk in writing through the IBKR website at interactivebrokers.com if you wish to receive the foregoing routing information for any order(s) that you submitted within the past six months. Please type "Request for Order Routing Information" in the subject line of your request and please include your name, user id and account number as well as the date of the order(s), the security, the quantity, and any other information necessary to identify the order(s) (e.g., the time of day if there were several similar orders that day).

Notes:

1. IBKR calculates separate percentages of non-directed orders routed to retail liquidity program platforms of an exchange. Should these percentages meet the criteria for 606(a) reporting, they will be listed separately.