

**INTERACTIVE BROKERS AUSTRALIA PTY LTD  
TARGET MARKET DETERMINATION – EXCHANGE TRADED OPTIONS**

Interactive Brokers Australia Pty Ltd (**IBA**) issues exchange traded options to its retail clients. Detailed information is available in IBA’s Exchange Traded Options Product Disclosure Statement, available here:

[https://ndcdyn.interactivebrokers.com/Universal/Application?action=formSampleView&formdb=3304&locale=en\\_US](https://ndcdyn.interactivebrokers.com/Universal/Application?action=formSampleView&formdb=3304&locale=en_US).

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

This TMD is available to the public free of charge.

<b>DDO REQUIREMENT</b>	<b>APPLICATION TO FX CONTRACTS</b>
<b><i>Class of retail clients that comprise the target market for this product – s 994B(5)(b)</i></b>	
<p>1. Description of the likely objectives, financial situation and needs of consumers in the target market</p>	<p><b>Background</b>            IBA is an online broker that provides trade execution, clearing and custody services to clients around the world. IBA does not employ any advisers or brokers who manage client accounts. Trades are entered by the client or the client’s self-selected financial representative on a personal computer or mobile device and transmitted over the internet to IBA for execution on various market centres. All trading in an IBA client account is self-directed by the client. IBA client service personnel are specifically prohibited from providing any investment or trading or tax advice to clients.</p> <p>IBA’s online account registration system requires applicants to satisfy the below criteria prior to ETOs trading permission being activated in the client account.</p> <p><b>Target Market:</b></p> <ul style="list-style-type: none"> <li>• <b>Strategy:</b> IBA offers four levels for trading ETOs:               <ul style="list-style-type: none"> <li>○ <b>Level 1: Covered Calls</b> <ul style="list-style-type: none"> <li>▪ Covered call writing</li> <li>▪ Buy Writes</li> </ul> </li> <li>○ <b>Level 2: Covered Options and Spreads</b> (Level 1 + may include the following):                   <ul style="list-style-type: none"> <li>▪ Long positions and debit spreads with fixed exposure</li> <li>▪ Long Calls</li> <li>▪ Long Puts</li> <li>▪ Cash settled vertical debit spreads</li> <li>▪ Long Straddles (AKA long put and long call combos)</li> <li>▪ Long Iron Condor (debit call and put spread)</li> </ul> </li> <li>○ <b>Level 3: Limited Uncovered Options</b> (Level 1 and 2 + may include the following):                   <ul style="list-style-type: none"> <li>▪ Short Puts vs. cash</li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>▪ Short Call Spreads (Cash Settled)</li> <li>▪ Short Put Spreads (Cash Settled)</li> <li>▪ Long Butterfly (Cash Settled)</li> <li>▪ Short Iron Condor (credit call and put spread)</li> <li>○ <b>Level 4: Unrestricted</b></li> <li>• <b>Age group:</b> Above 18 years of age (Level 1), or above 21 years of age (Level 2-4).</li> <li>• <b>Financial situation:</b> Clients who meet IBA's age-based financial requirements (Level 2-4).</li> <li>• <b>Knowledge and experience:</b> Clients who have the requisite knowledge and experience trading ETOs.</li> <li>• <b>Risk tolerance:</b> Experienced investors with the ability to bear a high degree of risk.</li> <li>• <b>Ability to bear losses:</b> Clients who have the ability to bear losses in excess of the value of their IBA accounts.</li> <li>• <b>Objectives and Needs:</b> Clients who:       <ul style="list-style-type: none"> <li>○ Wish to take positions in a product to:           <ul style="list-style-type: none"> <li>▪ hedge or offset the risk in another product; and/or</li> <li>▪ wish to increase the principal value of their investments by assuming substantially higher risk to their investment capital;</li> </ul> </li> <li>○ Have the ability to bear:           <ul style="list-style-type: none"> <li>▪ magnified exposures and losses that may arise from trading with leverage; and</li> <li>▪ the risk of fluctuations in the value of the reference underlying, for example the fluctuation in the value of an underlying stock.</li> </ul> </li> <li>○ Are able to assess the life span of a product against their investment time frame.</li> </ul> </li> </ul> <p><b>Class of persons that are not within the Target Market</b></p> <ul style="list-style-type: none"> <li>• Clients who are below minimum age for the relevant Options Strategy level.</li> <li>• Client who do not meet IBA's minimum age-based financial requirements for the relevant Options Strategy level.</li> <li>• Inexperienced investors, or investors unfamiliar with ETOs.</li> <li>• Clients with a conservative or low risk appetite.</li> <li>• Clients who do not have the ability to bear losses.</li> <li>• Clients with an investment time frame that is generally inconsistent with their objectives and needs.</li> </ul>
<p>2. Description of exchange traded options (including its key attributes)</p>	<p>ETOs have the following key attributes:</p> <ul style="list-style-type: none"> <li>• ETOs are a type of derivative giving the buyer (the taker) the right, but not the obligation, to buy or sell the underlying product at a specified price on or before a specified date. On the opposite side, the seller (option writer), has the obligation to perform the contract, that is, either buy or sell the underlying product.</li> <li>• The terms and specifications of ETOs (other than the premium) are determined by the relevant exchange.</li> <li>• ETOs have a limited life span and their value erodes the closer it reaches its expiry date.</li> <li>• The value of ETOs will fluctuate depending on a range of factors, including the price, volatility, remaining to expiry date, interest rates, dividends, exchange rates and general risks applicable</li> </ul>

	<p>to markets.</p> <ul style="list-style-type: none"> <li>• Since ETOs are an international product, client obligations and contract requirements for each contract may differ.</li> <li>• IBA may change the applicable margin requirements at any time without notice, which could trigger immediate liquidations in the client account.</li> </ul>
<p>3. Explanation of why exchange traded options, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market</p>	<ul style="list-style-type: none"> <li>• ETOs are complex and may potentially be leveraged instruments depending on several factors including the trading strategies employed. Accordingly, they are only appropriate for experienced or knowledgeable traders who have the ability to bear losses.</li> <li>• Under certain conditions, such as an absence or reduction in the number of willing buyers and sellers in the ETO market or underlying market, it may become difficult or impossible to close out an open ETO position, potentially leading to significant losses.</li> <li>• ETOs can be used for a variety of purposes, including hedging, speculation, diversification and generating trading profits, hence consumers with these investment objectives will likely be within the target market.</li> <li>• Given that ETOs are often used for speculation, some clients trading ETOs will incur losses while others incur profits. These losses and gains are amplified because ETOs are leveraged instruments. Accordingly, consumers with a conservative or low risk appetite are likely outside of the target market for ETOs.</li> <li>• IBA has the right, and will generally conduct automatic liquidations in under-margined accounts, among other things, mitigating the risk of consumers incurring losses exceeding their IBA account equity, but IBA does not guarantee that it will always be possible to do so.</li> <li>• Accordingly, if an ETO was to be issued to a client in the target market, it would likely be consistent with the likely objectives, financial situation and needs of the consumer (s 994B(8)(b)).</li> </ul>
<p><b>Conditions and restrictions relating to the distribution of this product – s 994B(5)(c)</b></p>	
<p>4. Outline of the conditions and restrictions relating to distribution of exchange traded options</p>	<ul style="list-style-type: none"> <li>• IBA has a high degree of control over the issuance of its ETOs.</li> <li>• In particular, IBA only issues ETOs directly to clients who complete the online application and who personally satisfy all of the target market criteria to trade ETOs through its proprietary trading platforms.</li> <li>• <b>Distribution conditions for direct IBA clients:</b> Clients will answer a series of questions contained in the online application. Where clients' answers indicate that they are not in the target market, they will not be issued with an ETO. IBA will not issue an ETO if the proposed transaction would exceed the client's self-declared concentration risk appetite for ETOs as a percentage of their stated net worth.</li> <li>• <b>Distribution conditions for Distributors:</b> <ul style="list-style-type: none"> <li>○ All clients of Distributors must meet the same distribution conditions as direct IBA clients.</li> <li>○ All Distributors wishing to issue IBA's ETOs must:           <ul style="list-style-type: none"> <li>▪ enter into an agreement with IBA which, among other things, governs the issuance of financial products; and</li> <li>▪ take reasonable steps such that the Distributor's client shared with IBA remains within the target market. IBA will not do business with any Distributor</li> </ul> </li> </ul> </li> </ul>

	<p>that does not contractually agree to this.</p> <ul style="list-style-type: none"> <li>• IBA will also seek regular statements and data from Distributors to monitor that the Distributor is complying with the requirement to issue IBA's ETOs only to persons within the target market.</li> </ul>
<p>5. Explanation of why these distribution conditions and restrictions will make it more likely that the consumers who acquire the exchange traded options are in the target market</p>	<ul style="list-style-type: none"> <li>• Direct clients of IBA or clients of Distributors will only be issued with an ETO if they complete the online application and personally satisfy all of the target market criteria to trade ETOs.</li> <li>• IBA will programmatically prevent any person that directly opens an IBA account and who is not within the target market from accessing IBA issued ETOs. IBA will not issue an ETO in excess of a client's self-declared concentration risk appetite for ETOs as a percentage of their stated net worth.</li> <li>• Similarly, IBA will contractually require that any Distributor that issues IBA issued ETOs takes reasonable steps to align their distribution conduct to persons that satisfy the target market. IBA will regularly monitor the performance of Distributors in complying with this distribution condition.</li> <li>• In light of the above, we consider it highly likely that only the consumers who are within the target market will access ETOs through IBA's proprietary trading platforms.</li> </ul>
<p><b>Reviews</b></p>	
<p>6. Outline of the events and circumstances that would reasonably indicate to IBA that the TMD for exchange traded options is no longer appropriate (i.e. "review triggers" – s 994B(5)(d))</p>	<p><b>Review triggers:</b></p> <ul style="list-style-type: none"> <li>• Significant losses incurred by clients.</li> <li>• The nature of and number of complaints from consumers indicating that the risks of ETOs are not well understood.</li> <li>• Significant compensation paid out in relation to ETOs.</li> <li>• Feedback received directly or through Distributors.</li> <li>• IBA becomes aware of a significant dealing in ETOs to clients outside of the target market.</li> <li>• Material changes to laws or regulations affecting ETOs or the nature of IBA-issued ETOs.</li> </ul>
<p>7. The period of time between the start of the day this TMD is made and the day that the first periodic review of the TMD will conclude – s 994B(5)(e)</p>	<p>IBA will review the appropriateness of its target market at least every 6 months at the relevant product governance committee meeting attended by legal, compliance and senior business management, or earlier if the chair of the relevant product governance committee determines that the nature and extent of detriment to retail clients warrants an earlier review of the target market.</p>
<p>8. The period of time between the conclusion of a periodic review of the TMD and the conclusion of the next periodic review – s 994B(5)(f)</p>	<p>IBA will review the appropriateness of its target market at least every 6 months at the relevant product governance committee meeting attended by legal, compliance and senior business management, or earlier if either a review trigger occurs or the chair of the relevant product governance committee determines that the nature and extent of detriment to retail clients warrants an earlier review of the target market.</p>
<p><b>Reporting period for reporting information about the number of complaints about the product – s 994B(5)(g)</b></p>	
<p>9. The reporting period in which the distributors of IBA's financial products are required to provide information about the number of complaints received about the product</p>	<p>IBA will require that distributors report information about the number and nature of complaints received about the product and whether any persons not in the target market were distributed IBA issued ETOs, within 10 business days of receipt of the complaint or the occurrence of the dealing.</p>

<b>Information Sharing</b>	
10. Outline of the kinds of information that IBA will require from distributors to promptly identify that the TMD for exchange traded options is no longer appropriate – s 994B(5)(h)	<ul style="list-style-type: none"> <li>• In order to promptly determine if the target market continues to be appropriate, IBA will require that the Distributor provide IBA with the following information on a quarterly basis:               <ul style="list-style-type: none"> <li>○ Profit or loss incurred by clients trading ETOs;</li> <li>○ Any compensation paid out in relation to ETOs; and</li> <li>○ Any feedback about the product and / or the target market.</li> </ul> </li> <li>• In addition, as detailed in section 9, IBA will require that the distributor provide information about any complaints relating to ETOs or any dealings in ETOs outside of the target market within 10 business days of receipt of the complaint or the occurrence of the dealing.</li> </ul>
11. The distributors that will be required to provide the information specified above – s 994B(5)(h)(i)	IBA will require all of the above data from the Distributors, given that IBA does not have an exclusive contractual relationship with the end clients of the Distributor and cannot obtain the data itself.
12. The reporting period for the relevant distributors to provide the information specified above – s 994B(5)(h)(ii)	Unless stated otherwise, IBA will require the information specified above on a quarterly basis.