

Interactive Brokers Quarterly Order Routing Report

Quarter Ending December 31, 2004

I. Introduction

Interactive Brokers ("IB") 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 order routing practices. This report is intended to describe how and where customer orders are routed when customers use IB's Smart Order Routing System (or Smart ECN routing option) rather than directing their order to a particular market center.

II. IB's Order Routing System

Interactive Brokers offers its customers two primary methods of routing their orders to the market for execution. First, IB customers may directly route their orders to a particular market of their choice. For stocks and options traded at exchanges or ECNs, however, IB recommends that customers use IB's intelligent Best Execution Order Routing System ("Smart Routing"), which is designed to optimize both speed and price of execution. IB's Smart Routing system continually scans competing market centers and automatically seeks to route orders to the best market, taking into account factors such as the availability of automatic order execution.

III. Automatic Execution and Price Improvement: Electronic Communication Networks ("ECNs") and exchange automatic execution systems generally execute orders instantaneously at the posted bid or offer, rather than routing orders to a specialist or a trading crowd for manual handling. Generally, when an IB customer selects Smart Routing, IB routes eligible customer orders to exchanges and market centers currently offering automatic execution of orders. While automatically executed orders may not have an opportunity to be executed at a price better than the market center's posted bid or offer, automatic execution of customer orders is faster and more certain than other methods of execution and eliminates execution of orders at prices inferior to the prices posted at the market when the order was routed to it. Automatic execution of orders also eliminates the ability of a market maker or a specialist to hold a customer order and perhaps decline to execute the order if the market moves in the customer's favor while the order is pending. Overall, IB believes that use of the Smart Routing system to route orders to the exchange or market center with the best price, combined with automatic execution, provides IB customers with the most favorable order execution.

In addition to automatic execution of orders by certain exchanges and ECNs, IB's market-making affiliates, including Timber Hill LLC and Timber Hill Europe, also provide automatic execution for certain eligible IB customer orders routed through IB's Smart Routing system, for certain Nasdaq stocks, NYSE stocks, non-U.S.-listed stocks and other securities. When an order is sent using Smart Routing, if an IB affiliate is willing to provide an execution at the best available posted price or better for that stock (sometimes called the national best bid or offer or "NBBO"), IB may send the order to that affiliate for an immediate automatic execution. Orders sent to IB affiliates for automatic execution generally are eligible for price improvement (i.e., they may be executed at a price better than the best posted bid or offer).

Please note that if a quote is posted on a U.S. national securities exchange and the associated size is only 100 shares, this quote may not be considered as part of the best available national price. This is because such quotes usually are “default quotes” that are not automatically executable. Such quotes have no standing under the Intermarket Trading System trade-through rules.

Orders Sent Near the Opening of Trading: Please note that markets can be especially volatile near the opening of a trading session, with prices and available volume often changing rapidly and with data feeds from various markets potentially being slow or temporarily unavailable. IB cannot guarantee that orders sent near the opening of trading necessarily will receive the best posted price. You may want to consider the use of limit orders at the open, although market orders should be used if you want a higher certainty of getting a fill.

Order Conversion and Designation: Interactive Brokers may convert certain order types or apply conditions to certain IB customer orders sent to IB via Smart Routing in order to facilitate an execution. For example, order types not offered by certain exchanges may be simulated by the IB system using order designations. In addition, orders may be sent Immediate or Cancel, Fill-Or-Kill, All-Or-None, etc. in order to facilitate an immediate automatic execution, consistent with the objectives of the customer order.

Payment for Order Flow: Except for liquidity rebates that may be paid by ECNs for certain orders routed to those ECNs, IB does not generally accept payment for order flow for stock orders. ECN liquidity rebates are credited against the fees charged by the ECNs to execute other orders. For example, as of December 1, 2004, INET offered a liquidity rebate of \$.002 (2/10ths of one cent) per executed share for orders for ETFs and OTC stocks that add liquidity to its order book, while charging \$.003 per executed share for orders that take liquidity from its book. For listed shares, INET offered a rebate of \$.0009 per share for orders that remove liquidity, while charging \$.001 for orders that add liquidity. Other ECNs may also provide various rebates.

IB receives order flow payments in varying amounts from U.S. option exchange specialists and/or market makers pursuant to the mandatory marketing fee programs that have been adopted by the exchanges and approved by the SEC.

Affiliate Relationships: IB's affiliate Timber Hill LLC makes markets in stocks and acts as a specialist or market maker on all U.S. option exchanges. Other IB affiliates worldwide, including Timber Hill Europe, also act as market makers on global exchanges. As noted above, for non-directed IB customer stock orders routed using IB's Smart Routing system, if an IB affiliate is willing to provide an execution at the best available posted price or better for that stock, IB may send the order to its affiliate for an immediate automatic execution.

Likewise, if an IB affiliate is a specialist or market maker on an exchange that has posted or is willing to match the best bid or offer for an option contract for which an IB customer has placed an order, and another exchange is also posting the same best bid or offer, IB will break the tie by sending the order to the exchange where the IB affiliate is acting as specialist or market maker. IB's Smart Routing system is designed generally to maximize the opportunity for IB's affiliates, including Timber Hill LLC and Timber Hill Europe, to trade against IB customer orders, at or

better than the best available posted price and consistent with applicable exchange and regulatory rules.

As specialist on various options exchanges, Timber Hill LLC may be responsible for distributing payment for order flow that is generated in its assigned options classes, depending on the design of the applicable exchange's SEC-approved payment for order flow plan. As much as consistent with these plans, Timber Hill pays such funds to Interactive Brokers. IB, in turn, may route IB customer orders to Timber Hill as described above.

Additionally, IB itself pays certain other broker-dealers for routing orders to IB, for IB then to execute, generally using IB's Smart Routing system. The IB Smart Routing system is designed to maximize the likelihood that Timber Hill will trade against these orders, at or better than the best available posted price.

Statistical information regarding the quality of executions for stock orders effected through IB's affiliate Timber Hill LLC (e.g., average execution speed, percentage of orders receiving price improvement, etc.) is available on the Interactive Brokers website at www.interactivebrokers.com or may be downloaded at <http://www.interactivebrokers.com/php/legalDocuments/timberHill.php>

V. Order Routing Information for Particular Types of Securities

This section provides statistical and other information about orders that are sent through IB's Smart Routing systems for the following types of securities: New York Stock Exchange ("NYSE") listed stocks; Nasdaq stocks; stocks listed on the American Stock Exchange ("Amex") or regional exchanges; and exchange-listed options. For each of these types of securities, this section identifies the market centers most often selected by IB's Smart Routing systems and the percentage of various types of orders sent to those market centers. This section also addresses material relationships of IB and its affiliates to each market center to which IB routes orders.

A. NYSE Stocks

Summary Statistics:

Percentage of total orders that were non-directed (i.e., sent using Smart Routing).....	49.9%
Percentage of total non-directed orders that were market orders....	6.6%
Percentage of total non-directed orders that were limit orders.....	78.1%
Percentage of total non-directed orders that were other orders.....	15.4%

Market Centers Receiving Significant Percentage of Non-Directed Orders

1.	NYSE:		
		Percentage of total non-directed orders.....	49.7%
		Percentage of non-directed market orders.....	37.6%
		Percentage of non-directed limit orders*.....	50.5%
		Percentage of non-directed other orders.....	50.9%

*** NOTE: Non-marketable limit orders for NYSE stocks are all routed to the NYSE. Such orders are then continually monitored and are re-routed if they become marketable at another market center.**

2.	INET:		
		Percentage of total non-directed orders.....	37.7%
		Percentage of non-directed market orders.....	10.1%
		Percentage of non-directed limit orders.....	39.2%
		Percentage of non-directed other orders.....	42.1%

3.	Timber Hill LLC:		
		Percentage of total non-directed orders.....	7.8%
		Percentage of non-directed market orders.....	44.1%
		Percentage of non-directed limit orders.....	5.7%
		Percentage of non-directed other orders.....	2.9%

4.	Archipelago:		
		Percentage of total non-directed orders.....	4.3%
		Percentage of non-directed market orders.....	5.5%
		Percentage of non-directed limit orders.....	4.3%
		Percentage of non-directed other orders.....	3.9%

Material Aspects of IB Relationship with Execution Venues for NYSE Stocks

Interactive Brokers does not accept payment for order flow from any execution venues for NYSE stocks, except to the extent that the ECN liquidity rebates described above may be considered payment for order flow. For non-directed orders for certain NYSE stocks, if IB affiliate Timber Hill LLC is willing to provide an execution at the best available posted price or better for that stock, IB generally will send the order to Timber Hill for an immediate automatic execution.

B. Nasdaq Stocks

Summary Statistics:

Percentage of total orders that were non-directed (i.e., sent using Smart Routing).....	81.5%
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Percentage of total non-directed orders that were market orders.... 6.5%

Percentage of total non-directed orders that were limit orders..... 82.5%

Percentage of total non-directed orders that were other orders..... 11%

Market Centers Receiving Significant Percentage of Non-Directed Orders

1. INET:
 - Percentage of total non-directed orders..... 82.7%
 - Percentage of non-directed market orders.... 31.3%
 - Percentage of non-directed limit orders..... 87.4%
 - Percentage of non-directed other orders..... 77.9%

2. Timber Hill LLC:
 - Percentage of total non-directed orders..... 5.7%
 - Percentage of non-directed market orders.... 27.6%
 - Percentage of non-directed limit orders..... 4.1%
 - Percentage of non-directed other orders..... 5.4%

3. Archipelago:
 - Percentage of total non-directed orders..... 4.6%
 - Percentage of non-directed market orders.... 11.9%
 - Percentage of non-directed limit orders..... 3.8%
 - Percentage of non-directed other orders..... 6.7%

4. SuperMontage:
 - Percentage of total non-directed orders..... 3.6%
 - Percentage of non-directed market orders.... 19%
 - Percentage of non-directed limit orders..... 2.2%
 - Percentage of non-directed other orders..... 4.8%

5. Brut:
 - Percentage of total non-directed orders..... 3%
 - Percentage of non-directed market orders.... 9.1%
 - Percentage of non-directed limit orders..... 2.3%
 - Percentage of non-directed other orders..... 4.7%

6. Bloomberg Tradebook (B-Trade):
 - Percentage of total non-directed orders..... .4%
 - Percentage of non-directed market orders.... 1.2%
 - Percentage of non-directed limit orders..... .3%
 - Percentage of non-directed other orders..... .5%

Material Aspects of IB Relationship with Execution Venues for Nasdaq Stocks

Interactive Brokers does not accept payment for order flow from any execution venues for Nasdaq stocks, except to the extent that the ECN liquidity rebates described above may be considered payment for order flow. For non-directed orders for certain Nasdaq stocks, if IB's affiliate Timber Hill LLC is willing to provide an execution at the best available posted price or better for that stock, IB generally will send the order to Timber Hill for an immediate automatic execution.

Non-directed, non-marketable limit orders for Nasdaq stocks are routed to the INET ECN. Such orders are then continually monitored and are re-routed if they become marketable at another market center.

C. American Stock Exchange and Regional Exchange-Listed Stocks

Summary Statistics:

Percentage of total orders that were non-directed (<i>i.e.</i> , sent using Smart Routing).....	65.6%
Percentage of total non-directed orders that were market orders....	5%
Percentage of total non-directed orders that were limit orders.....	82.6%
Percentage of total non-directed orders that were other orders.....	12.4%

Market Centers Receiving Significant Percentage of Non-Directed Orders

1.	INET:	
		Percentage of total non-directed orders..... 66.9%
		Percentage of non-directed market orders.... 19.4%
		Percentage of non-directed limit orders..... 70.1%
		Percentage of non-directed other orders..... 64.5%
2.	Amex:	
		Percentage of total non-directed orders..... 17.1%
		Percentage of non-directed market orders.... 22.9%
		Percentage of non-directed limit orders..... 17.4%
		Percentage of non-directed other orders..... 12.8%
3.	Timber Hill LLC:	
		Percentage of total non-directed orders..... 7.2%
		Percentage of non-directed market orders.... 35.6%
		Percentage of non-directed limit orders..... 4.6%
		Percentage of non-directed other orders..... 13.2%

4. Archipelago:
 - Percentage of total non-directed orders..... 5.4%
 - Percentage of non-directed market orders..... 10.8%
 - Percentage of non-directed limit orders..... 5.2%
 - Percentage of non-directed other orders..... 4.9%

5. NYSE:
 - Percentage of total non-directed orders..... 1.9%
 - Percentage of non-directed market orders..... 3.4%
 - Percentage of non-directed limit orders..... 1.5%
 - Percentage of non-directed other orders..... 4%

Material Aspects of IB Relationship with Execution Venues for Amex and Other Regional Exchange-Listed Stocks

Interactive Brokers does not accept payment for order flow from any execution venues for stocks listed on Amex and other regional exchanges, except to the extent that the ECN liquidity rebates described above may be considered payment for order flow. For non-directed orders for certain Amex and other regional exchange-listed stocks, if IB's affiliate Timber Hill LLC is willing to provide an execution at the best available posted price or better for that stock, IB generally will send the order to Timber Hill for an immediate automatic execution.

D. Exchange-Listed Options

Summary Statistics:

- Percentage of total orders that were non-directed
(*i.e.*, sent using Smart Routing)..... 98.5%

- Percentage of total non-directed orders that were market orders.... 5.4%

- Percentage of total non-directed orders that were limit orders..... 93.6%

- Percentage of total non-directed orders that were other orders..... 1%

NOTE: Non-marketable limit orders for listed options are routed to a default destination and then are continually monitored and are re-routed if they become marketable at another market center.

Market Centers Receiving Significant Percentage of Non-Directed Orders

1.	International Securities Exchange (“ISE”):	
	Percentage of total non-directed orders.....	57%
	Percentage of non-directed market orders.....	16.6%
	Percentage of non-directed limit orders.....	59%
	Percentage of non-directed other orders.....	87.1%
2.	Chicago Board Options Exchange (“CBOE”):	
	Percentage of total non-directed orders.....	15%
	Percentage of non-directed market orders.....	14.4%
	Percentage of non-directed limit orders.....	15.2%
	Percentage of non-directed other orders.....	3.3%
3.	Philadelphia Stock Exchange (“PHLX”):	
	Percentage of total non-directed orders.....	12.6%
	Percentage of non-directed market orders.....	27.4%
	Percentage of non-directed limit orders.....	11.8%
	Percentage of non-directed other orders.....	3%
4.	American Stock Exchange (“Amex”):	
	Percentage of total non-directed orders.....	7.2%
	Percentage of non-directed market orders.....	9.9%
	Percentage of non-directed limit orders.....	7.1%
	Percentage of non-directed other orders.....	2.1%
5.	Boston Options Exchange (“BOX”):	
	Percentage of total non-directed orders.....	5%
	Percentage of non-directed market orders.....	21.3%
	Percentage of non-directed limit orders.....	4.1%
	Percentage of non-directed other orders.....	3.1%
6.	Pacific Exchange (“PCX”):	
	Percentage of total non-directed orders.....	3.3%
	Percentage of non-directed market orders.....	10.4%
	Percentage of non-directed limit orders.....	2.9%
	Percentage of non-directed other orders.....	1.4%

Material Aspects of IB Relationship with Listed Option Market Centers

Affiliate Relationship: IB’s affiliate Timber Hill LLC acts as a specialist or market maker on all U.S. option exchanges. If Timber Hill is a specialist or market maker on an exchange that has posted the best bid or offer for an option contract for which an IB customer has placed an order, and another exchange is also posting the same best bid or

offer, IB will break the tie by sending the order to the exchange where Timber Hill is acting as specialist or market maker.

Exchange Marketing Fee/Payment for Order Flow Programs: Listed option exchanges recently have experimented with imposition of “marketing fees” charged on a per contract basis to members and then collected and redistributed by exchange specialists/primary market makers. Under these SEC-approved plans, the marketing fees typically are expected to be redistributed in the form of payment for order flow or used in other ways to increase the relevant exchanges’ market share. IB has received varying marketing fee payments from several exchange specialists and market makers, including IB’s affiliate Timber Hill LLC.

Equity Investment in Boston Options Exchange Group LLC: IB is owned by the Interactive Brokers Group. Interactive Brokers Group has a substantial, minority investment in the Boston Options Exchange Group LLC, which operates the Boston Options Exchange as a facility of the Boston Stock Exchange.

VI. Order Routing Information for Particular Orders Available Upon Request

Under SEC Rule 11Ac1-6(c), upon request of a customer, a broker-dealer is required to provide information regarding the identity of the market center to which any customer order (or all orders) was routed 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.

Please e-mail the IB Customer Service Desk at help@interactivebrokers.com if you wish to receive the above information for any order(s) within the past six months. Please type “Request for Order Routing Information” in the subject line of the e-mail and please include your name, user id and account number as well as the date of the order, the security, the quantity, and any other information necessary to identify the order (e.g., the time of day if there were several similar orders that day).