

**FOREIGN EXCHANGE PRODUCT**  
**DISCLOSURE STATEMENT**

**INTERACTIVE BROKERS LLC**

**ARBN 091 191 141**

**AFSL 245 574**

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## 1. GENERAL INTRODUCTION

### 1.1 Important Information

The information in this Product Disclosure Statement (PDS) does not take into account your personal objectives, financial situation and needs. Before instructing Interactive Brokers LLC to deal in a foreign exchange contract on your behalf, you should read this PDS and be satisfied that such dealing is appropriate in view of your objectives, financial situation and needs.

We recommend that you consult your financial adviser before trading in foreign exchange.

The risk of loss in trading in FX contracts can be substantial. It is important that you carefully consider whether instructing Interactive Brokers LLC to deal in a foreign exchange contract is appropriate for you in light of your investment objectives and financial circumstances. FX contracts are not suitable for some retail investors. You should only trade FX contracts if you understand the nature of the products and the extent of your exposure to risks.

A description of the significant risks associated with trading in FX contracts is set out in section 3 of this PDS.

### 1.2 Purpose of this PDS

This PDS has been prepared by Interactive Brokers LLC (IB) the issuer of the foreign exchange contracts, defined in s761A of the *Corporations Act 2001 (Cth)*, offered under this PDS. In this PDS, we refer to foreign exchange contracts as “**FX Contracts**”. This PDS is designed to assist you in deciding whether the FX contracts offered under this PDS are appropriate for your needs and to assist you in comparing it with other financial products you may be considering. This PDS is an important document and we recommend you contact us should you have any questions. Our contact details are set out at section below.

Although the information in this PDS is up to date as at the date of publication, it is subject to change from time to time. Where such information is not materially adverse, we may provide updates on our website at [www.interactivebrokers.com](http://www.interactivebrokers.com). A paper copy is also available on request at no charge to you.

We may also be required to issue a new PDS or a supplementary PDS as a result of certain changes, in particular where the changes are materially adverse to retail clients. Any supplementary PDS will be posted on our website at [www.interactivebrokers.com](http://www.interactivebrokers.com). A paper copy will also be available on request at no charge to you.

When we use terms ‘we’, ‘us’ or ‘our’ in this PDS, the reference is to IB.

### **1.3 About Interactive Brokers**

#### **(a) The issuer – Interactive Brokers LLC**

IB is the issuer of the FX contracts offered under this PDS.

IB holds an Australian financial services licence, number 245574, which authorises IB to deal in FX contracts.

IB is also regulated in the USA (by the Securities and Exchange Commission, the Commodities and Futures Trading Commission, the Financial Industry Regulatory Authority and the New York Stock Exchange), in the United Kingdom (by the Financial Conduct Authority) and in Hong Kong (by the Securities and Futures Commission).

#### **(b) The Interactive Brokers Group**

IB is an affiliate of the Interactive Brokers Group (**IBG**) which comprises of a number of automated global electronic market makers and brokers that specialise in routing orders and executing and processing trades in securities, futures and foreign exchange instruments. IBG affiliates conduct business on more than 60 electronic exchanges and trading venues around the world. IBG, using its proprietary software, provides non-advisory brokerage services to professional traders and investors with direct access to stocks, options, futures, foreign exchange contracts and bonds.

IBG's headquarter is in Greenwich Connecticut, and it has about 880 employees in its offices in the USA, Switzerland, Canada, Hong Kong, UK, Australia, Hungary, Russia, India, China and Estonia.

#### **(c) Contact details**

Our contact details are below:

Interactive Brokers LLC Head Office  
One Pickwick Plaza  
Greenwich, CT 06830

Telephone Numbers:  
1-877-442-2757 (from inside the U.S.)  
+1-312-542-6901 (from outside the U.S.)

IB - Australian Contact  
Grosvenor Place  
Level 40, 225 George Street,  
Sydney, NSW 2000

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Telephone numbers:

+61 (2) 8093 7300

e-mail: [help@interactivebrokers.com](mailto:help@interactivebrokers.com)

Additional contact information, including issue-specific details, is available at  
<http://individuals.interactivebrokers.com/en/p.php?f=customerService>.

## **2. KEY FEATURES OF FOREIGN EXCHANGE**

### **2.1 What is an FX contract?**

In general an FX contract allows you to exchange one currency for another at an agreed exchange rate. Exchange rates may be quoted as value today exchange rates, value tomorrow exchange rates, spot exchange rates or forward exchange rates.

A value today exchange rate applies to an FX contract with a settlement date that is on the same date as the trade date. This type of FX transaction is commonly referred to as Value Today.

A value tomorrow exchange rate applies to an FX contract with a settlement date that is 1 business day after the trade date. This type of FX transaction is commonly referred to as Value Tomorrow.

A spot exchange rate applies to an FX contract with a settlement date that is 2 business days after the trade date. This type of FX transaction is commonly referred to as Spot.

A forward exchange rate applies to an FX contract with a settlement date that is more than 2 business days after the trade date. This type of FX transaction is commonly referred to as Forward.

### **2.2 What services does IB offer in respect of FX contracts?**

IB's Australian clients may only instruct IB to arrange an FX transaction for one of two purposes: either clients may instruct IB to arrange for the payment of their securities or derivatives transactions in a foreign currency or to convert a foreign currency balance back into Australian dollars (AUD). These types of FX transactions settle 2 business days after trade date or T+2 (e.g. they are Spot FX contracts). This type of FX transaction will be referred to in this PDS as an "FX Contract".

IB acts as riskless principal in these transactions and does not seek to earn a spread or mark-up. IB only earns a commission on such entering into such FX contracts with you.

### **2.3 What currencies are offered**

Subject to 2.2, IB facilitates dealings in FX in a range of currencies for its Australian clients including but not limited to the following:

<b>Currencies</b>	<b>Code</b>
EURO	EUR
GREAT BRITISH POUNDS	GBP

HONG KONG DOLLARS	HKD
JAPANESE YEN	JPY
NEW ZEALAND DOLLARS	NZD
SINGAPORE DOLLARS	SGD
UNITED STATES DOLLARS	USD

For a complete list of available currencies, currency pairs and their codes, please refer to IB's website at <https://www.interactivebrokers.com.au/en/index.php?f=products&p=fx>.

#### **2.4 Uses of FX Contracts**

IB does not make a market in FX contracts, and may only deal in these financial products on your behalf (refer to 2.6 below). This may limit how you may use FX contracts offered under this PDS . The FX contracts offered under this PDS may still be useful for the purposes of or in relation to:

- (a) foreign currency investing;
- (b) repatriation of overseas profit or interest in foreign currencies back to Australia; and,
- (c) other foreign currency payments.

#### **2.5 Spot exchange rates**

When IB arranges a dealing in an FX contract, IB determines the spot exchange rates taking into account a number of factors, including but not limited to the following:

- (a) the market spot exchange rate or rates available to it;
- (b) a volatility factor;
- (c) the transaction amount; and
- (d) an allowance for IB's costs.

## **2.6 How does an FX Contract work?**

In the following example assume only that you maintain a long AUD balance, have a zero USD balance and you are settling a USD securities transaction.

If you instruct IB to buy USD\$1,000,000.00 worth of stock listed in the US and your order trades, you will owe USD \$1,000,000.00 as a settlement obligation. If you do not have a sufficient available USD required to settle the transaction, you will be taken to have instructed IB to enter into a FX contract with you in order to convert an amount of the long AUD balance into USD to make this payment at the same time as when you execute an order to buy the US securities.

IB determines the AUD amount required to settle the trade by dividing the required USD amount by the AUD/USD spot exchange rate or rates which are available to it. In this example assume that the FX spot is AUD/USD0.9560, this would mean you would be that instructing IB to execute a spot FX contract for AUD\$1,046,025.10 (i.e.  $\text{USD}\$1,000,000.00 \div \text{AUD/USD}0.9560$ ).

By entering into this FX Contract with IB, on T+2 you will be buying USD\$1,000,000.00 from IB in exchange for AUD\$1,046,025.10. IB will use the USD balance to settle your securities trade.

*Examples are used for illustrative purposes only. The actual spot exchange rate will depend on the actual market rates and on the date of calculation. The above example does not include transaction costs. For a discussion on transaction costs see section of this PDS.*

## **2.7 Margin requirements**

FX Contract with IB are subject to margin requirements. For a discussion of our margin requirements, see section below.

### **3. SIGNIFICANT RISKS OF FX CONTRACTS**

Starting from the time at which you enter an FX Contract with IB, risk factors may lead to changes in financial outcomes that are unfavourable to you.

Monitoring of any risks associated with this product is your responsibility (subject to the responsibility of IB for its own operational systems under "Operational risk" – see section ).

Prior to entering into FX Contracts, you should carefully consider the following risk factors as well as other information either contained in this PDS or of which you are otherwise aware and consider whether entering into FX Contract is suitable for you, given your individual objective and circumstances. We recommend that you obtain independent advice on the suitability of trading FX Contract for you.

#### **3.1 IB does not provide live quote prices at which it may enter into a FX contract with you**

IB is not licensed to, and does not, quote prices for the FX currencies pairs at which it will enter into an FX Contract with you. This means that when you instruct IB to enter into a FX contract with you, you will not know the exact spot rate at which you will be exchanging currency under the terms of the contract. You will only be able to confirm the FX spot rate at which the FX contract was executed when IB confirms the execution of the contract. IB endeavours to achieve the best available prices for you and generally the FX contract spot prices will be close to those available in the interbank market, but this is not guaranteed (refer below).

#### **3.2 Opportunity loss**

You will forgo any benefit of a favourable FX movement between the time you enter into an FX Contract and the settlement date.

The rate achieved with an FX Contract may not be as favourable as the rate you could have achieved if you had not entered into an FX Contract at all.

#### **3.3 Market risk**

Markets can be volatile and are subject to a host of factors, including economic conditions, government regulations, legislations, market sentiment, local and international political events and environmental and technological issues.

Market risk is the risk that the value of your FX transaction will change as a result of a movement in the underlying market price. Exchange rates between foreign currencies can change rapidly due to a wide range of economic, political and other conditions, exposing you to risk of exchange rate losses in addition to the inherent risk of loss from trading the underlying financial product. If you deposit funds in a currency to trade products denominated in a different currency, your gain

or loss on the underlying investment therefore may be affected by changes in the exchange rate between the currencies.

### **3.4 Credit risk**

Credit risk (also known as counterparty risk) is common to all financial markets products that you may hold with IB. You are reliant on IB's ability to meet its obligations to you under the terms of each FX transaction.

### **3.5 Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events.

You are reliant on the ability of IB to price and settle your transaction in a timely and accurate manner. IB in turn is dependent on the reliability of its own operational processes that include communications, computers and computer networks. Disruptions in IB's processes may lead to delay in the execution and settlement of your transaction. Such disruptions may result in contractual outcomes that are less favourable to you.

However, once you have entered into a transaction, the management of risks associated with its own operational processes is the responsibility of IB.

### **3.6 Legal, tax and regulatory risks**

Legal, tax and regulatory changes could occur during the term of an FX Contract, which may adversely affect the FX transaction. You should seek independent tax advice before entering into an FX transaction.

### **3.7 The price at which IB can execute a FX contract may not be the best available price**

IB has access to a pool of FX prices supplied by some of the largest FX Liquidity Providers globally. Nonetheless, the prices quoted to IB are subject to changing market conditions and therefore quote prices and size can and do change rapidly. In addition, IB's other clients may place orders for FX contracts before you do and which may therefore trade ahead of your order.

Further, IB always attempts to obtain the best price for your orders, but because of the inherent possibility of transmission delays between and among yourself, IB and FX Liquidity Providers, the fact that prices and orders sizes do change rapidly, and the fact that IB's FX Liquidity Providers will try to earn a spread profit on transactions with IB (differential between the bid and ask prices quoted for various currencies).

IB cannot guarantee that the execution price for any particular FX contract will reflect the best available FX rate available at any given time.

### **3.8 Cooling off period**

There are no cooling-off arrangements for FX Contracts.

### **3.9 Other risks**

There are other risks that relate to trading in FX, foreign securities, options, futures and currency transactions involve exposure to a combination of the following risk factors: market risk, credit risk, settlement risk, liquidity risk, operational risk and legal risk. For example, there can be serious market disruptions if economic or political or other unforeseen events locally or overseas affect the market. Also, the settlement date of FX trades can vary due to time zone differences and bank holidays. When trading across FX markets, this may necessitate borrowing funds to settle FX trades. The interest rate on borrowed funds must be considered when computing the cost of trades across multiple markets. The FX Liquidity Provider (as counterparties) may, on occasion, cancel or adjust FX trades with us in the event of market or technical problems and in these cases we may have to cancel or adjust FX Contracts that you have executed. In addition to these types of risk there may be other factors such as accounting and tax treatment issues that you should consider.

#### **4. SIGNIFICANT BENEFITS OF FX CONTRACTS**

The benefits of entering into FX Contracts will depend on how it satisfies your risk management strategy and financial circumstances. Various uses of FX Contracts were discussed at section of this PDS.

The benefits of an FX Contract include:

- (a) **Provides cash flow certainty** – FX Contracts allow you to lock in an exchange rate for the purchase or sale of foreign currency amounts on a certain date, eliminating exchange rate uncertainty.
- (b) **Provides exchange rate protection** – FX Contracts can help provide you with protection against unfavourable FX movements between the time you enter into an FX Contract and settlement date.
- (c) **Diversity** – FX transactions can be executed in respect of a wide range of currencies.

## 5. TRADING FX WITH IB

### 5.1 How to instruct IB to deal in FX Contracts

You may instruct IB to deal in a FX Contract on your behalf through the Trader Workstation platform (TWS). IB recommends that prior to instructing IB to deal in real FX contracts, you open a paper trading account to conduct simulated trading to become familiar with the platform. When trading you should keep aware of all risks and benefits of trading FX Contracts (refer to sections 3 and 4).

The following are examples of how you may enter into an FX contract with IB.

IB is an online-only broker and customers submit orders to IB through their TWS, Computer to Computer Interface (**CTCI**) or an Application Programming Interface (**API**), by logging in through a secure username and password. As set out in IB's customer agreement:

"IB does not know whether an unauthorized person is entering orders with a customer's user name/password. Customers are fully responsible for the confidentiality and use of their user name/password and remain responsible for all transactions entered using their user name/password. Customers may also contact IB Customer Service using the details below should they experience technical difficulties."

For cash enabled accounts, if you instruct IB to deal in financial product which is denominated in a foreign currency (e.g. USD), and you do not currently hold sufficient USD to meet the settlement obligations of that dealing, you will be taken to have instructed IB to enter into an FX contract with you in order to meet those settlement obligations (refer to section 2.3 above for an example).

For margin enabled accounts, if you elect to 'close' a negative currency position (e.g. a loan balance that may have resulted from a dealing financial product denominated in a currency in which you do not hold a positive balance), you will be entering into a FX contract or contracts with IB to convert a requisite amount of a positive monetary balance to repay the negative currency (loan) from IB.

For all types of accounts, you may submit an order to enter into an FX contract or contract(s) to convert balances in currencies other than AUD back into AUD.

The execution of an FX contract is subject to you having sufficient funds in your account. Similarly, the execution of certain dealings in financial products denominated in other currencies will also be subject to having sufficient balances in other currencies to cover the costs of such dealing.

IB will send you a confirmation document setting out the terms of your FX Contract.

Subject to the terms and conditions of the FX Contract, on the settlement date (ie T+2) the currencies in the currency pair are exchanged. You must ensure that you have sufficient funds in your Account to settle the FX Contract and you will generally not be able to withdraw any funds from your account which are otherwise required to settle a dealing in a financial product or pay IB's commission. See further information regarding IB's margin requirements in section below.

*Please note that the above examples are used for illustrative purposes only and are not a recommendation or solicitation to engage in any form of FX trading. Commissions are payable on all FX contracts - for a discussion on transaction costs see section of this PDS.*

## **5.2 Nature of your account with IB and potential SIPC cover**

Trading in FX Contracts at IB takes place in a securities account. IB is regulated by the Australian Securities and Investments Commission (ASIC), the US Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA). In addition, IB observes the rules of the National Futures Association (NFA) in connection with trading in FX Contracts.

IB is a member of the Securities Investor Protection Corporation (**SIPC**). SIPC protects cash and securities held with IB as specified in the *Securities Investor Protection Act*. SIPC protects cash, including US dollars and foreign currency, to the extent that the cash was deposited with IB for the purpose of purchasing securities. Whether foreign currency in your IB account would be protected by SIPC would depend in part on whether the cash was considered to be deposited with IB for the purpose of purchasing securities. IB expects that at least one factor in deciding this would be whether and the extent to which you engage in securities trading in addition to or in conjunction with FX trading.

## **5.3 Nature of Foreign Exchange Transaction between Customer and IB**

When you enter into an FX Contract on IB's platform, IB, as the counterparty to your trade, may effectuate that transaction by entering into an offsetting transaction with one of IB's affiliates, with another customer that enters quotes into IB's system, or with a third party bank (IB's "**FX Liquidity Providers**"). In such transactions, IB is the principal to the contract with you as issuer. The FX Provider is not acting in the capacity of a financial adviser or fiduciary to you or to IB, but rather, is taking the other side of IB's offsetting trade in an arm's length contractual transaction. You should be aware that the FX Liquidity Provider may from time to time have substantial positions in, and may make a market or otherwise buy or sell instruments similar or economically related to, the FX Contracts entered into by you. IB's FX Liquidity Providers may also undertake proprietary trading activities, including hedging transactions related to the initiation or termination of FX Contracts with IB, which may adversely affect the market price or other factors underlying the FX Contract entered into by you and consequently, the value of such transaction.

## 5.4 IB's margin requirements

We discuss some of the functionality of your Account and how it relates to FX contracts here:

### (a) **Single universal account**

When you open an account (**Account**) with IB, you open a single account through which you can trade not only FX Contracts, but other products such as shares, futures and options. When we calculate your margin requirement, we have regard to the assets and liabilities in your Account as a whole.

### (b) **Risk based portfolio analysis**

If your account is margin enable, we determine the margin requirement for your Account by risk based portfolio analysis models. A summary with examples on how IB calculates margins is available via the following link to IB's website:

**<https://individuals.interactivebrokers.com/en/index.php?f=marginnew&p=overview3> Regulatory requirements**

IB is regulated by the US regulators and is subject to strict regulation regarding the amount of leverage it can extend to its customer and the amount of margin it is required to call from its customers.

### (c) **Real-time margining and real-time monitoring**

The value of assets and positions held in your Account is marked to market by IB's real-time credit management system. IB uses a real-time risk management system to allow you to see your trading risk at any moment of the day. Our real-time margin system calculates margin requirements throughout the day for new trades and trades already on the books and enforces initial margin requirements at the end of the day, with real-time liquidation of positions instead of delayed margin calls. Your margin requirement and current equity is monitored by IB and displayed online in real time to you via the various trading interfaces, as well as the online client portal. For more information about real-time margin monitoring, please visit our margin information page at <https://www.interactivebrokers.com/en/index.php?f=margin&p=overview2>

It is your responsibility to actively monitor and manage your Account and ensuring that you meet your margin obligations. It is also your responsibility to ensure that you are aware of any changes in margin obligations. All margin requirements must be met immediately. This means that sufficient cleared funds must be on deposit in your account to enable you to meet margin requirements immediately.

### (d) **New FX Contracts must be covered in advance**

IB's real-time margining means that you will not be able to execute a transaction, if doing so would cause your Account to go into deficit. For an FX contract this means that you must have the full payment required for the FX contract in advance.

This means IB will not accept an order from you to enter into a FX contract (for example to purchase a financial product denominated in a currency in which you have a zero balance or to repatriate foreign currencies back in AUD) if you do not have the full amount required for that FX contract in cleared funds in the relevant currency.

(e) **Consequences of a margin deficit**

Pursuant to your customer agreement, if your Account goes into margin call (that is, if there are insufficient assets in your Account to cover the margin requirement), IB is authorised to liquidate all, or part of, the assets held in your account, or otherwise close your open positions to eliminate the shortfall. IB will notify you when a margin deficiency arises, but is **not obliged to give you an opportunity to provide further funds**. IB will instead generally liquidate positions in your account in order to satisfy margin requirements. Any losses resulting from IB closing out your positions will be debited to your account and you may be required to provide additional funds to IB to cover any shortfall.

## **6. FEES AND CHARGES**

The following is a summary of the fees and charges associated with FX transactions with IB.

### **6.1 Commissions**

We charge commission for entering into FX Contracts with you. See <https://individuals.interactivebrokers.com/en/index.php?f=commission&p=fx1> for further information.

### **6.2 Referral mark ups and billings**

Advisers and/or brokers may charge their clients for services rendered either through automatic billing, electronic invoice or direct billing. Your advisor/broker determines the referral mark-up at the time of the registration, and this mark-up can be modified from time to time. At the time of your Account registration, you will be given a notice with the details of your referrer as well as the details of any mark ups charged. The available billing methods including caps and limitations are described at the IB website at [www.interactivebrokers.com](http://www.interactivebrokers.com).

### **6.3 Interest**

If you have a debit balance on your Account after all fees and costs have been deducted (in other words, you owe money to meet the margin requirement and other amounts) you must pay interest on the debit balance. Interest is calculated daily based on your positions, margin requirement and balances on your daily statement for that date. Interest is usually posted once a month on your Account. This generally occurs within five business days following the end of the month. See <https://www.interactivebrokers.com/en/index.php?f=interest&p=schedule2> for further information and examples.

### **6.4 Administrative fees and charges**

IB charges certain administrative fees for matters such as order cancellation and modifications, trade busts (cancellations) and adjustments, deposits and withdrawals, American Depository Receipts (ADRs) and fees for bounced checks, stop payments etc. The list of administrative fees and charges is available on the IB website at <https://www.interactivebrokers.com/en/index.php?f=1580>.

### **6.5 Market data, fundamentals and news**

If you access market data, fundamentals or news through IB, there may be a cost to you to subscribe for this information. See <https://individuals.interactivebrokers.com/en/index.php?f=marketData&p=overview> for further information on the costs of accessing such data through IB.

## 7. DISPUTE RESOLUTION SYSTEM

If you have any concerns or comments about the financial service or financial products provided to you, you should send your complaint in writing to:

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

If you have not received a satisfactory response or 45 days have elapsed you may refer the matter to the Financial Ombudsman Service (**FOS**). IB is a member of FOS. FOS can be contacted on 1300 08 08 or GPO Box 3, Melbourne, Victoria, 3001. This service is provided to you free of charge.

If you require further information on how we handle complaints, please visit our website [www.interactivebrokers.com](http://www.interactivebrokers.com) or refer to our Financial Services Guide.

## 8. ACCOUNT OPENING

### 8.1 Required Minimums

Required balance, activity and commission minimums for retail and introducing broker accounts and for customers using a dedicated line FIX connection are as set out on the IB website at [www.interactivebrokers.com](http://www.interactivebrokers.com).

The following minimums are required to open an account:

Category	Required Deposit
All Individuals not listed below	USD\$10,000 (or non-USD equivalent)
Advisor and broker Clients	USD\$5,000 (or non-USD equivalent)

## 9. SIGNIFICANT TAXATION IMPLICATIONS

Taxation law is complex and its application to this product will depend on your particular circumstances. We make no claim that this product will provide a beneficial or appropriate tax outcome for you. When determining whether this product is suitable for your circumstances, you should consider the impact it will have on your own taxation position and seek professional advice on the tax implication it may have.

The summary below is general in nature and does not take into account specific circumstances of each individual customer.

### **9.1 Foreign exchange gains and losses**

FX Contracts may give rise to taxable gains or deductible losses. The treatment of these transactions for taxation purposes is complex and will depend on your individual circumstances. Accordingly, you should seek appropriate tax advice.

There are particular provisions in Division 775 of the *Income Tax Assessment Act 1997* (Cth) that can bring to account for tax purposes, foreign currency gains and losses when realised and the Division sets forth a number of “realisation events” in this regard. The Taxation of Financial Arrangements provisions can also have application to foreign exchange gains and losses and may have an impact on the time foreign exchange transaction gains and losses are brought to tax and the measurement of the foreign exchange gains and losses for income tax purposes.

The impact of the foreign exchange rules, subject to some exceptions, in general terms is:

- (a) if you make a gain from a foreign currency arrangement and part of that gain is attributable to a currency exchange rate fluctuation, that part of the gain is included in your assessable income as an FX realisation gain;
- (b) if you make a loss from a foreign currency arrangement and part of that loss is attributable to a currency exchange rate fluctuation, that part of the loss is deducted from your assessable income as an FX realisation loss.