



# **Interactive Brokers LLC**

## **Australian BEST EXECUTION POLICY Retail Clients**

### Version Control

Document version	Date	Author	Key changes
1.0	Sept 2011	J Kelly	Policy to comply with ASIC Market Integrity Rules

## 1. Introduction

1.1 Interactive Brokers LLC (IB LLC) recognises that it has a duty to take all reasonable steps to obtain the best outcome for the handling and execution of retail client orders. This means that IB LLC has in place a policy and procedures that are designed to obtain the best outcome for retail clients when executing orders on their behalf, subject to, and taking into account, any specific instructions from the client, the nature of the particular orders and the nature of the markets concerned.

1.2 The Australian Securities & Investments Commission (ASIC) has published the *ASIC Market Integrity Rules (Competition in Exchange Markets) 2011 (MI Rules)*. Chapter 3 of the MI Rules, which comes into effect on 31 October 2011, sets out the requirements for *Best Execution* including requirements for documented policies and procedures (Part 3.2) and client disclosure (Part 3.3).

1.3 This document sets out IB LLC's Best Execution Policy (the **Policy**) in accordance with Part 3.2 of the MI Rules

## 2. IB LLC.

2.1 IB LLC is a US online broker; specializing in routing orders and executing and processing trades in securities, futures and foreign exchange instruments for its clients ("IB LLC clients")

2.2 Timber Hill Australia Pty Limited ("THA") is a Market Participant of the Australian Securities Exchange and acts as executing broker for IB LLC .All IB LLC client orders for ASX financial products are routed through THA's connection to the ASX Integrated Trading System („ITS") using an electronic communications process ("ecp") dedicated to the routing of only IB client orders

2.3 IB LLC has applied to be a trading participant of Chi-X Australia (**CXA**) for its Australian securities market. IB LLC holds Australian Financial Services Licence number

2.4 IB LLC has applied to join the ASX PureMatch Order Book as an ASX Market Participant and the ASX PureMatch Order Book is anticipated to be launched on 28 November 2011.

## 3. Scope

IB LLC owes a duty of best execution when it handles and executes orders on clients' behalf. For the purposes of this Policy IB LLC is in receipt of an order and acting on a client's behalf when an execution instruction is given which gives rise to contractual or agency obligations owed by IB LLC to a client. IB LLC believes this to be the case where it exercises its discretion in relation to the execution of a client order.

## 4. Interpretation

4.1 Terms defined or described in the MI Rules have the same meaning in this Policy as they have in the MI Rules. To the extent that there is any inconsistency between the terms of this Policy and Chapter 3 of the MI Rules the MI rules prevail.

4.2 The term "**venue**" refers to any or all of the order books and systems referred to in paragraph 6.1 below.

## **5. Specific Instructions**

5.1 Where a retail client provides IB LLC with a specific instruction in relation to -

- an order,
- a particular aspect of an order ,

IB LLC will take reasonable steps to execute the orders in accordance with such instructions.

5.2 In following client instructions IB LLC will be deemed to have taken all reasonable steps to provide the best outcome.

5.4 Therefore, if a client requires its order to be executed in a particular manner, the client should clearly state the desired method of execution when the order is placed and such instruction must be clear and unambiguous.

## **6. Execution Venues**

6.1 In meeting its obligations to take all reasonable steps to consistently obtain the best outcome, IB LLC may use one or more of the following order books and systems when executing the order on the client's behalf.

- The ASX TradeMatch Order Book,
- CXA Order Book.
- The ASX PureMatch Order Book

6.2 IB LLC will periodically assess each of the execution venues and order books it access when executing Australian stocks to determine if alternative sources of execution provide a material opportunity to achieve best execution.

## **7. Execution factors**

7.1 In the absence of specific instructions from the client, IB LLC may consider the following factors to determine the manner in which a client order will be executed.

- Total consideration
- Price
- Speed
- Likelihood of execution or settlement
- Size of order
- Nature of order
- Costs
- Any other factor relevant to the execution of the order.

7.2 IB LLC will take all reasonable steps to obtain the best outcome when executing orders on behalf of a client and will ordinarily place a higher importance on total consideration . However, IB LLC will, in certain circumstances, determine that other execution factors are relevant; and in such cases it will take into account the characteristics of:

- The client,
- The client order,
- The security subject to the order, and
- The execution venue.

## **8. No Fiduciary Responsibility**

IB LLC’s commitment to provide “best execution” does not mean that it owes any of its clients any fiduciary responsibilities over and above any specific regulatory obligations placed upon it or as may be otherwise contracted between IB LLC and any individual client. Each client remains responsible for its own investment decisions and IB LLC will not be responsible for any market or trading loss that a client might suffer as a result of those decisions.

## **9. Monitoring & Review**

9.1 IB LLC will monitor the effectiveness of its order execution arrangements and Best Execution Policy in order to identify and, where appropriate, incorporate any amendments to procedures.

9.2 IB LLC will assess on a regular basis, whether the execution venues included in this Policy provide the best outcome for its clients or whether it needs to make changes to its execution arrangements. IB LLC will review its order execution arrangements and this Policy at least annually or whenever a material change occurs that affects its ability to continue to obtain the best outcome for the execution of client orders on a consistent basis using the venues included in this Policy. IB LLC will notify clients of any material changes to its order execution arrangements or Best Execution Policy as described above by posting the information on its website or by email.

