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 trading in the products referred to in this PDS you should read this PDS and be satisfied that any trading you undertake in relation to those products 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 trading FX contracts 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 (**FX**) contracts offered under this PDS. 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 1.3 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. 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. A paper copy will also 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, Japan, 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 42, 225 George Street,
Sydney, NSW 2000

Telephone numbers:
+61 (2) 8093 7300

e-mail: 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?

An FX contract allows you to exchange one currency for another at an agreed exchange rate with a specific settlement date. In the simplest form, we can consider standard settlement ("spot exchange rate"), abbreviated settlement ("value today exchange rate" or "value tomorrow exchange rate") and prolonged settlement ("forward exchange rate") Exchange rates may be quoted as value today exchange rates, value tomorrow exchange rates, spot exchange rates or forward exchange rates.

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.

IB only offers spot foreign exchange contracts; that is, FX transactions which typically has a settlement date 2 business days after trade date (ie T+2), for certain currency the standard settlement cycle is 1 business day. This type of FX transaction will be referred to in this PDS as an "FX Contract". For informational purposes, the below is the description for abbreviated and prolonged settlement cycles.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 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 currencies are offered

FX Contracts are available in many currencies, including but not limited to the following:

Currencies	Code
AUSTRALIAN DOLLARS	AUD
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.

2.3 Uses of FX Contracts

Activities for which FX Contracts may be useful include:

(a) foreign currency investing;

(b) foreign currency borrowing;

(c) repatriation of overseas profit or interest in foreign currencies back to Australia; and

(d) general funding requirements in other currencies for a variety of purposes.

2.4 Spot exchange rates

IB determines the spot exchange rates it quotes to you by consolidating the pool of indicative and firm quotes received from many of the world's largest banks and liquidity providers to display the best bid and the best offer from those banks and liquidity providers. For large transactions greater than 7 million USD, the prices received might be wider than the best quotes shown on the IB's platform as banks and liquidity providers compensate for their increased risk.

2.5 How does an FX Contract work

For example, you need to pay USD$1,000,000.00 to an offshore recipient in 2 business days. You need to convert your AUD into USD to make this payment.

You wish to enter into an FX Contract with IB today to fix a spot exchange rate where you buy USD$1,000,000.00 and sell AUD settling in 2 business days.

You log onto the IB's TWS platform to review the spot exchange rate. IB quotes you a spot exchange rate of AUD/USD0.9560. If you accept this quote, an FX Contract is entered into between you and IB.

The AUD equivalent is calculated by dividing the USD amount by the agreed AUD/USD spot exchange rate quoted by IB:

USD$1,000,000.00 ÷ AUD/USD0.9560 = AUD$1,046,025.10

By entering into the FX Contract with IB, on T+2 you must buy USD$1,000,000.00 from IB in exchange for AUD$1,046,025.10.

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 6 of this PDS.

2.6 Margin requirements

FX Contracts with IB are subject to margin requirements (which are subject to change as market conditions warrant). For a discussion of our margin requirements, see section 5.6 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 3.4).

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 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.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 Price slippage, order cancellation and adjustment risk

Prices quoted on IB's system generally reflect the prices at which IB's FX Providers are willing to trade. Prices quoted on IB's system reflect changing market conditions and therefore quotes can and do change rapidly. As such, when your order is received and processed by IB's system, the quote on IB's platform may be different from the quote displayed when the order was sent by you. This change in price is commonly referred to as “slippage". IB generally will not execute your order at a certain price unless IB is able to trade at that price against one of IB's FX Providers. If you send an order for an FX transaction to IB's system but your requested price is no longer available and therefore the order is non-marketable, IB will not execute the order, but will place it in IB's limit order book in accordance with your time-in-force instructions. IB may execute the order if it becomes marketable based on prices received from IB's FX Providers. If you send an order for an FX Contract to IB's system and the current price is more favourable for you than what you have requested in the order, the order will generally be executed at the available better price.

Although IB attempts to obtain the best price for your orders on FX Contracts, because of the inherent possibility of transmission delays between and among yourself, IB and FX Providers, or other technical issues, execution prices may be worse than the quotes displayed on the IB platform.

To execute your order, IB engages in back-to-back transactions with one or more counterparties. These counterparties on occasion may cancel or adjust FX trades with us in the event of market or technical problems. In these cases we may have to cancel or adjust FX Contracts that you have executed.

3.7 Cooling off period

There are no cooling-off arrangements for FX Contracts.

3.8 Other risks

There are other risks that relate to trading in FX, foreign securities, options and futures transactions which 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. 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 2.3 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 trade FX Contracts with IB

You can trade with IB through one of the trading platforms that IB provides, including Trader Workstation (**TWS**), WebTrader and mobileTWS. IB recommends that prior to engaging in trading 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 above).

IB customers may route orders to IB through one of the trading platforms that IB provides 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."

5.2 Execution and settlement of FX Contract

Through the TWS, you may ask IB for a spot exchange rate for a currency pair for a specified transaction amount.

If IB offers you a spot exchange rate and if you accept the offer, provided that you have sufficient equity in your account, an FX Contract is entered between you and IB.

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. See further information regarding IB's margin requirements in section 5.6 below.

5.3 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, the US Securities and Exchange Commission and Financial Industry Regulatory Authority. In addition, IB observes the rules of the National Futures Association 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 currencies, to the extent that the cash was deposited with IB for the purpose of purchasing securities. Whether foreign currencies 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.

5.4 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 Providers**"). In such transactions, 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 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 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.

5.5 Prices quoted on the IB FX Platform

The prices quoted by IB to you for FX Contracts on IB's platform will be determined based on FX Provider quotes and are not determined by a competitive auction as on an exchange market. Prices quoted by IB for FX Contracts therefore may not be the most competitive prices available. For purposes of maintaining adequate scale and competitive spreads, a minimum size is imposed on FX orders (USD$25,000 as of March 2013 but this is subject to change from time to time). Orders below the minimum size are considered odd lots and limit prices for these odd lot-sized orders are not displayed. While odd lot marketable orders are not likely to be executed at the interbank spreads, they will generally be executed at prices only slightly inferior (1-3 ticks). IB will charge transaction fees as specified by IB for FX Contracts. IB's FX Providers will try to earn a spread profit on transactions with IB (differential between the bid and ask prices quoted for various currencies).

Further information regarding how IB quote prices for FX Contracts is available via the following link to IB's website: https://individuals.interactivebrokers.com/en/?f=%2Fen%2Ftrading%2Fexchanges.php%3Fexch%3Dibfxpro%26amp%3Bshowcategories%3DFX%26amp%3Bib_entity%3Dllc.

5.6 IB's margin requirements

If margin is enabled in you Account, IB may impose margin requirements under its customer agreement with you in relation to your FX Contracts with IB. We discuss these in this section.

(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) 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 ensure 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.

(c) 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 margin deficit. For example, if your margin requirement would increase as a result of entering into an FX Contract, and there were insufficient assets in the Account to cover the margin obligation, IB would not enter into the FX transaction concerned.

(d) **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.

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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.

If your account is opened via an intermediary such as an adviser or broker, there could be additional fees charged by the intermediary which is above what IB charges

The available billing methods including caps and limitations are described at the IB website at www.interactivebrokers.com.

6.2 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.

6.3 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. The list of administrative fees and charges is available on the IB website at https://www.interactivebrokers.com/en/index.php?f=1580.

6.4 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 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.

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.