

**INTERACTIVE BROKERS IRELAND LIMITED**  
**Client Assets Key Information Document**

***Accompanying notice to the Interactive Brokers Ireland Limited's Client Asset Key Information Document***

**To facilitate the reading of the Interactive Brokers Ireland Limited – Client Asset Key Information Document we have highlighted here some important facts.**

**Please refer to the Client Asset Key Information Document for more information and important disclosures.**

Interactive Brokers Ireland Limited (“**IBIE**”) is regulated by the Central Bank of Ireland (“**CBI**”) as a MiFID investment firm. IBIE becomes responsible for protecting your assets from the time they are received at an IBIE’s account or custodian until the time they are disbursed to a third party at your request. IBIE is obliged to treat your assets with all due care and prudence and will provide regular (daily/monthly/annual) statements confirming your holdings at IBIE.

Your assets at IBIE will fall into two broad categories, each having its own asset protection methodology:

### **ASSETS IN THE FORM OF CASH**

IBIE will hold your cash in one of two forms:

- 1) in a bank account opened by IBIE and specified for use to hold client funds;
- 2) in qualifying money market funds (“**QMMFs**”) approved for use to hold client funds as selected by IBIE on the basis of a due diligence review.

In both cases, your cash is held on a pooled, omnibus basis. Your individual holdings are not specifically allocated to any single institution, nor recognised by the bank/fund on an individual basis. Accordingly, you should understand that your exposure to risk of loss due to a failure at one of the institutions described may be mutualised with other clients of IBIE.

In the event of a default at a bank holding IBIE client funds, this loss of principal falls back to IBIE clients as a whole and allocation of the loss will be on a pro-rata basis. IBIE does not bear the risk of a failure of one of the banks at which client money is held.

In the event of a default at one of the QMMFs selected by IBIE, then IBIE bears the principal risk and IBIE remains obligated to you for the funds shown on your statements invested in QMMFs. It is important that you understand that while IBIE may deposit your funds at a QMMF, the allocation of your funds to the QMMF pool will not be shown on your statement, and only the actual cash to which you are entitled will be shown.

### **ASSETS IN THE FORM OF FINANCIAL INSTRUMENTS**

IBIE will hold your assets that are in the form of financial instruments (stock, options, futures, bonds, other securities and derivatives) in a dedicated custodian company affiliated with IBIE, called Interactive Brokers Ireland Nominee Ltd. (“**IBIEN**”). This is the standard CBI approved method for segregating client assets from assets of IBIE itself.

IBIEN itself may use affiliated companies within the Interactive Brokers Group to provide sub-custodial services, as well as third party, unrelated sub-custodians. IBIEN will also place such monies or assets with these sub-custodians to meet the sub-custodians’ requirements for margin, performance bond, or other guarantee requirements relating to position you have taken in your account. The most common form of meeting these performance guarantees are for options and futures margins, and the monies held with third parties are also considered part of the client asset pool of IBIE and IBIEN.

### **INVESTOR PROTECTION**

IBIE is a member of the Irish Investor Compensation Scheme. Please refer to Section 7 “Protecting your client assets” of the Client Assets Key Information Document for more information on the protection afforded under the Scheme.

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***This Client Assets Key Information Document provides you with summary information on the client assets requirements applicable to Interactive Brokers Ireland Limited as a MiFID investment firm regulated by the Central Bank of Ireland. This document will help you understand how and where your assets will be held by Interactive Brokers Ireland Limited, and to highlight the associated risks. It is important that you also refer to Section 3 of your Customer Agreement (General Business Terms). It is also important that you read this document carefully and in full.***

## **1. Introduction**

The purpose of this Client Assets Key Information Document is to provide you with:

- An explanation of the key features of the regulatory regime that applies to the safeguarding of client assets;
- An explanation of what constitutes client assets under that regime;
- The circumstances in which that regime applies and does not apply;
- An explanation of the circumstances in which Interactive Brokers Ireland Limited (“**IBIE**”) will hold client assets, deposit client assets with a third party and deposit client assets with a third party outside of Ireland; and
- The arrangements applying to the holding of client assets and the relevant risks associated with these arrangements.

## **2. Key features of the regulatory regime applicable to client assets**

Where IBIE provides investment services to you in accordance with (but not limited to) our Customer Agreement (General Business Terms), we have regulatory obligations to you as our client in respect of your client assets. The manner in which we safeguard client assets is governed by (but not limited to) the following:

- Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Investment Firms) Regulations 2017 (SI 604 of 2017) (“**Investment Firm Regulations**”);
- European Union (Markets in Financial Instruments) Regulations 2017 (“**MiFID Regulations**”), in particular, Schedule 3 to the MiFID Regulations in respect of the ‘*Safeguarding Client Financial Instruments and Funds*’; and
- Commission Delegated (EU) Directive 2017/593 with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (“**Commission Delegated Directive**”),

collectively referred to in this Client Assets Key Information Document as the “**Client Assets Regime**”.

The fundamental objective of the Client Assets Regime is to regulate and safeguard the handling of client assets by regulated investment firms (including IBIE) and other in-scope firms.

**It is important to bear in mind that the Client Assets Regime cannot fully eliminate all risks relating to clients’ assets. Please refer to Section 6 below on this.**

Further information on the Client Assets Regime can be found on the Central Bank of Ireland’s website, available [here](#).

The Investment Firm Regulations set out the following (non-exhaustive) requirements which investment firms (including IBIE) must adhere to:

- **Segregation:** IBIE must hold client assets separate from IBIE’s own assets and maintain accounting segregation between IBIE’s own assets and clients’ assets.
- **Designation and Registration:** IBIE must ensure that client assets are clearly identified in its internal records and are separately identifiable from IBIE’s own assets.

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- **Reconciliation:** IBIE must keep accurate books and records as are necessary to enable it, at any time and without any delay, to provide an accurate and independent record of the client assets held for each client and the total held in the Client Asset Account.
- **Daily Calculation:** Each business day IBIE must ensure that the aggregate balance on its client asset bank accounts as at the close of business on the previous working day is equal to the amount it should be holding on behalf of its clients.
- **Client Disclosure and Client Consent:** IBIE must provide information to its clients regarding how and where their client assets are held and the resulting risks thereof. IBIE is also required to inform its clients if their client assets are being held within the Client Assets Regime. IBIE is required to provide this Client Assets Key Information Document to retail clients. In addition, there are also a number of instances in which a client's consent needs to be obtained as to how their client assets are held by or on behalf of IBIE, or where certain actions are to be taken in relation to those client assets (please see Section 3 of the Customer Agreement (General Business Terms)).
- **Risk Management:** IBIE must ensure it has and applies systems and controls that are appropriate to identify (among other obligations) risks in relation to client assets and should put in place mitigations to counteract these risks. In addition, IBIE is required to appoint a person to the role of Head of Client Asset Oversight. IBIE is also obliged to adopt a Client Asset Management Plan.
- **Client Asset Examination:** IBIE is required to engage the services of its external auditor to report, at least annually, on IBIE's safeguarding of client assets.

### **3. An explanation of what constitutes "client assets" under the Client Assets Regime**

The term "client assets" means client funds and/or client financial instruments, as outlined below.

- Client funds, electronic funds, current and deposit account balances) which are held by a firm or owed to the client (by the firm) on behalf of clients to whom a firm provides regulated financial services but does not include funds which relate exclusively to unregulated financial services (for example, direct property investments).
- Client financial instruments means any "financial instrument" as defined in the MiFID Regulations and the Investment Intermediaries Act 1995. Client financial instruments can include, for example, shares, bonds and units in collective investment schemes (including units or shares in qualifying money market funds), and will be held by Interactive Brokers Ireland (Nominee) Limited ("**IBIE Nominee**") or IBIE dependent on local convention.

### **4. The circumstances in which the Client Assets Regime applies and does not apply**

The Client Assets Regime only applies to client funds and/or client financial instruments that have been received by IBIE in respect of a regulated financial service. Electronic funds and other payable orders will be "client funds" from the time of receipt by IBIE. Financial instruments used as collateral to support a margin loan under the "right of use" provision in the Customer Agreement (General Business Terms) are not covered by the Client Asset Requirements. IBIE's right to use these financial instruments ceases upon satisfaction of your obligations owed to IBIE.

The following are not considered client assets under the Client Assets Regime:

- Funds or financial instruments received by IBIE from you or on your behalf that do not relate to a regulated financial service;
- A payable order, made payable to a third party, which is directly transmitted to the third party; or
- A payable order received from you that is not honoured by the paying eligible credit institution.

Client assets will cease to be client assets under the Client Assets Regime when:

- Client funds are paid or transferred to you, either directly into an account with an eligible credit institution or a relevant third party in your name; or
- Client funds are paid or transferred to a third party on your written instruction, and are no longer under the control of IBIE.

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**5. An explanation of the circumstances in which IBIE will hold client assets, deposit client assets with a third party and deposit client assets with a third party outside the State**

IBIE is deemed to hold client assets where they have been lodged or entrusted to IBIE by, or on behalf of, a client and where IBIE holds those client assets on behalf of that client.

IBIE will provide safe custody, brokerage and associated services for clients and as such, IBIE may hold your client assets, or undertake a transaction for you, which requires IBIE to move your client assets to a bank, custodian, qualifying money market fund or an affiliated investment firm (each a “**Third Party**”) located outside of Ireland or the European Economic Area (“**EEA**”). In such circumstances the legal and regulatory regime applying to such Third Party, and your rights in relation to the client assets, may be different to those which would apply if such client assets were held by a bank, custodian or affiliated investment firm in Ireland or in the EEA. In the event of a default or failure of that Third Party, the client assets may be treated differently than if the client assets were held by a bank, custodian or affiliated investment firm in Ireland or in the EEA.

IBIE may place some or all of your client funds in qualifying money market funds. Where client funds are placed in a qualifying money market fund, the units or shares in the fund will be protected in accordance with the requirements for holding client financial instruments under the Client Assets Regime.

IBIE will place client funds with reputable banks and qualifying money market funds. IBIE will have predetermined internal limits on the amount of funds placed with each bank. The purpose of using a qualifying money market fund is twofold – i) diversification/reduction in concentration risk (not over reliant on a small number of banks) and ii) presents an alternative location, other than banks, for client funds.

This may be necessary where it is difficult to source a sufficient number of suitable banks (there are only a limited number of reputable banks available) or where one or more banks will not accept any additional funds. All client funds are pooled. IBIE will use qualifying money market funds for the balance of funds which are not deposited in banks. Clients will not be impacted, either positively or negatively, by any change in the value of units within a qualifying money market fund. Accordingly, there is no difference, from a monetary perspective, whether your funds are deposited with a bank or invested in units in a qualifying money market fund.

We will not deposit client financial instruments held on your behalf with a Third Party in a country outside of Ireland/EEA that does not regulate the holding and safekeeping of client financial instruments for the account of another person unless: (a) the nature of the client financial instruments or of the investment services connected with those instruments requires them to be deposited with a Third Party in a country outside of Ireland/EEA; or (b) where you are a Professional Client, you request in writing that we deposit them with a Third Party in a country outside of Ireland/EEA.

Your funds will be held by IBIE as client funds in pooled client funds bank accounts with one or more Third Parties. Your funds will be segregated from IBIE’s own funds and will be held in an account designated as a Client Asset Account and in the name of IBIE or its nominee.

IBIE will exercise due diligence in the selection, appointment and periodic review of any Third Party holding client assets. IBIE will undertake an initial and on-going due diligence of such a Third Party. Notwithstanding the foregoing, IBIE shall not be responsible for any acts, omissions or default of any such Third Party.

Please refer to Section 3 of your Customer Agreement (General Business Terms) for further information.

Information on the institutions with which client assets are to be held can be found at

[https://gcdyn.interactivebrokers.com/Universal/servlet/Registration\\_v2.formSampleView?formdb=4350](https://gcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?formdb=4350).

**6. The arrangements applying to the holding of client assets and the relevant risks associated with these arrangements**

Clients should be aware that while the Client Assets Regime imposes obligations on IBIE to segregate client assets from IBIE’s assets, as well as other requirements, the Client Assets Regime does not protect or guarantee the value of the client assets. Furthermore, IBIE may substitute the return of your client assets with

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the cash equivalent in the event of a resolution plan being adopted in respect of IBIE under the European Union (Bank Recovery and Resolution) Regulations 2015 and 2019, which implement the EU Recovery and Resolution Directive (Directive 2014/59/EU) in Ireland.

IBIE will obtain from the relevant Third Party with whom the client assets are lodged, acknowledgement that the account is a Client Asset Account containing client assets and reconcile Client Asset Accounts as prescribed under the Investment Firm Regulations. IBIE will ensure that the amount of client assets which IBIE holds on your behalf is equal to the amount which IBIE should be holding for you.

Regulation S.I. No. 375 of 2017, Schedule 3, Chapter 3., Paragraph 3(1), states that IBIE is required, on receiving any client funds, promptly to place those funds into one or more accounts opened with a Central Bank, an authorised credit institution or a qualifying money market fund.

Qualifying money market funds (“**QMMFs**”) are defined in Regulation S.I. No. 375 of 2017, Part 1, Interpretation, Chapter 3. (1) as a collective investment undertaking authorised under Directive 2009/65/EC.

These QMMFs need to fulfill all of the following conditions:

- a) the primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors’ initial capital plus earnings;
- b) it must, with a view to achieving that primary investment objective, invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of 60 days (and it may also achieve that objective by investing on an ancillary basis in deposits with credit institutions);
- c) it must provide liquidity through same day or next day settlement:
  - i. a money market instrument shall be considered to be of high quality if the management or investment company performs its own documented assessment of the credit quality of money market instruments that allows it to consider a money market instrument as high quality, and
  - ii. where one or more credit rating agencies registered and supervised by ESMA have provided a rating of the instrument, the management or investment company's internal assessment should have regard to, inter alia, those credit ratings;

IBIE will only consider highly rated European Low Volatility NAV (“LVNAV”) and Public Debt Constant NAV (“PDCNAV”) money market funds, trading on a daily basis, regulated by the European UCITS regulation (EU 2009/65/EC), and complying with the rules stated in the Regulation 2017/1131 of the European Parliament and of the Council of 14 June 2017 (REG2017/1131), to be eligible for consideration as qualifying money market funds it invests client money.

These QMMFs generally present a relatively low market risk. In addition, IBIE’s credit review and investment policy focus on the appropriate selection of suitable QMMFs.

QMMFs represent a conversion of the asset class owed to the client from cash to a security. Investing client money in QMMFs under the pooled model places any market risk on IBIE and not on the client.

Nevertheless, despite mitigating most of the inherent risk associated with QMMFs through the measures mentioned above, residual risks remain.

These remaining risks relating to safeguarding client assets include some of the risks as outlined below. Various other risks which are not outlined below may also apply.

***Risk of Pooling***

Your client assets will be held by IBIE or a Third Party with other clients’ assets as part of a pooled account. In the case of any such pooled client account, IBIE will ensure that such account is in the name of IBIE or IBIE

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Nominee, is designated as a Client Asset Account and that IBIE is entitled to issue instructions in respect of such accounts.

In the case of pooled investments IBIE do not allocate your funds to a particular bank or qualifying money market fund. Therefore, in the event of a shortfall in funds arising from a default of a Third Party, you may not receive your full entitlement (all your money back) and you may share in any shortfall, on a pro-rata basis. For example, if a particular bank holding 5% of IBIE client funds defaults, you may not receive the return of 5% of your funds. If this bank returned 50% of funds you would receive  $5\% \times 50\%$  i.e. 2.50% of your funds held at that particular bank. Your funds held at other banks would not be affected. The policy of using many different banks/qualifying money market funds to hold client funds reduces this potential risk.

**Counterparty Risk**

Although IBIE will seek to ensure that adequate arrangements are made to safeguard your ownership rights, in the event of a Third Party becoming insolvent, your investments may be at risk.

**Risk of Fraud**

The risk of fraud relates to an intentional deception made for personal gain or to damage another individual which may be perpetrated internally or externally to a firm.

**7. Protecting your client assets**

IBIE is prudent in its choice of each Third Party and monitors their performance on an on-going basis. IBIE performs regular risk assessments on each chosen Third Party. Any Third Party chosen by IBIE is appropriately authorised in the jurisdiction in which it is situated and is subject to appropriate prudential and client asset supervision.

IBIE is a member of the Irish Investor Compensation Scheme (“**ICS**”), which provides compensation to eligible investors should IBIE become insolvent. Private individuals, that are clients of IBIE, will be eligible to claim under the ICS for up to EUR 20,000 under the limits and conditions set out in the Investor Compensation Act 1998 (as amended). Full details of the Investor Compensation Scheme are available on [www.investorcompensation.ie](http://www.investorcompensation.ie). In the event of changes to the scheme, details will be provided on the ICS website.

**8. Contact us**

In the event that we make any changes to this Client Asset Key Information Document, we will inform you of such changes within one month of the updated Client Asset Key Information Document being issued.

If you require any further information on the information included in this Client Assets Key Information Document, please do not hesitate to contact us *at (placeholder for hyperlink to “contact us” page on the IBIE website).*