
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-33440

INTERACTIVE BROKERS GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

30-0390693
(I.R.S. Employer
Identification No.)

One Pickwick Plaza
Greenwich, Connecticut 06830
(Address of principal executive office)

(203) 618-5800
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of the exchange on which registered</u>
Common Stock, par value \$.01 per share	IBKR	The Nasdaq Global Select Market

As of November 3, 2022, there were 102,872,100 shares of the issuer's Class A common stock, par value \$0.01 per share, outstanding and 100 shares of the issuer's Class B common stock, par value \$0.01 per share, outstanding.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2022

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS (Unaudited)**

Interactive Brokers Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Financial Condition
(Unaudited)

(in millions, except share amounts)	September 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 3,184	\$ 2,395
Cash - segregated for regulatory purposes	25,432	22,888
Securities - segregated for regulatory purposes	31,301	15,121
Securities borrowed	3,908	3,912
Securities purchased under agreements to resell	4,860	4,380
Financial instruments owned, at fair value		
Financial instruments owned	1,036	559
Financial instruments owned and pledged as collateral	57	114
Total financial instruments owned, at fair value	1,093	673
Receivables		
Customers, less allowance for credit losses of \$10 and \$8 as of September 30, 2022 and December 31, 2021	40,424	54,935
Brokers, dealers, and clearing organizations	3,321	3,771
Interest	224	127
Total receivables	43,969	58,833
Other assets	936	911
Total assets	<u>\$ 114,683</u>	<u>\$ 109,113</u>
Liabilities and equity		
Short-term borrowings	\$ 35	\$ 27
Securities loaned	9,490	11,769
Financial instruments sold, but not yet purchased, at fair value	411	182
Payables		
Customers	92,594	85,634
Brokers, dealers, and clearing organizations	380	557
Affiliate	220	222
Accounts payable, accrued expenses and other liabilities	554	492
Interest	99	8
Total payables	93,847	86,913
Total liabilities	103,783	98,891
Commitments, contingencies and guarantees (see Note 13)		
Equity		
Stockholders' equity		
Common stock, \$0.01 par value per share		
Class A – Authorized – 1,000,000,000, Issued – 103,003,052 and 98,359,572 shares, Outstanding – 102,865,696 and 98,204,658 shares as of September 30, 2022 and December 31, 2021	1	1
Class B – Authorized, Issued and Outstanding – 100 shares as of September 30, 2022 and December 31, 2021	—	—
Additional paid-in capital	1,572	1,442
Retained earnings	1,168	953
Accumulated other comprehensive income, net of income taxes of \$0 and \$0 as of September 30, 2022 and December 31,	(60)	4
Treasury stock, at cost, 137,356 and 154,914 shares as of September 30, 2022 and December 31, 2021	(4)	(5)
Total stockholders' equity	2,677	2,395
Noncontrolling interests	8,223	7,827
Total equity	10,900	10,222
Total liabilities and equity	<u>\$ 114,683</u>	<u>\$ 109,113</u>

See accompanying notes to the condensed consolidated financial statements.

Interactive Brokers Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(in millions, except share or per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues				
Commissions	\$ 320	\$ 311	\$ 991	\$ 1,030
Other fees and services	45	49	141	160
Other income (loss)	(48)	(170)	(144)	68
Total non-interest income	317	190	988	1,258
Interest income	783	325	1,575	1,022
Interest expense	(310)	(51)	(472)	(169)
Total net interest income	473	274	1,103	853
Total net revenues	790	464	2,091	2,111
Non-interest expenses				
Execution, clearing and distribution fees	86	61	234	183
Employee compensation and benefits	112	98	335	291
Occupancy, depreciation and amortization	23	19	68	58
Communications	8	8	25	24
General and administrative	37	44	117	138
Customer bad debt	1	—	3	3
Total non-interest expenses	267	230	782	697
Income before income taxes	523	234	1,309	1,414
Income tax expense	40	28	100	116
Net income	483	206	1,209	1,298
Less net income attributable to noncontrolling interests	384	164	965	1,057
Net income available for common stockholders	\$ 99	\$ 42	\$ 244	\$ 241
Earnings per share				
Basic	\$ 0.98	\$ 0.44	\$ 2.45	\$ 2.60
Diluted	\$ 0.97	\$ 0.43	\$ 2.43	\$ 2.58
Weighted average common shares outstanding				
Basic	101,818,667	96,229,958	99,646,091	92,814,767
Diluted	102,555,482	96,989,968	100,505,075	93,671,689
Comprehensive income				
Net income available for common stockholders	\$ 99	\$ 42	\$ 244	\$ 241
Other comprehensive income				
Cumulative translation adjustment, before income taxes	(30)	(9)	(64)	(21)
Income taxes related to items of other comprehensive income	—	—	—	—
Other comprehensive income (loss), net of tax	(30)	(9)	(64)	(21)
Comprehensive income available for common stockholders	\$ 69	\$ 33	\$ 180	\$ 220
Comprehensive income attributable to noncontrolling interests				
Net income attributable to noncontrolling interests	\$ 384	\$ 164	\$ 965	\$ 1,057
Other comprehensive income - cumulative translation	(93)	(31)	(205)	(74)
Comprehensive income attributable to noncontrolling interests	\$ 291	\$ 133	\$ 760	\$ 983

See accompanying notes to the condensed consolidated financial statements.

Interactive Brokers Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities		
Net income	\$ 1,209	\$ 1,298
Adjustments to reconcile net income to net cash from operating activities		
Deferred income taxes	8	18
Depreciation and amortization	43	37
Amortization of right-of-use assets	19	17
Employee stock plan compensation	64	51
Unrealized (gain) loss on other investments, net	13	(45)
Gain on remeasurement of Tax Receivable Agreement liability	—	(1)
Bad debt expense	3	3
Impairment loss	1	—
Shares distributed to customers under IBKR Promotions	7	6
Change in operating assets and liabilities		
Securities - segregated for regulatory purposes	(16,180)	13,421
Securities borrowed	4	1,145
Securities purchased under agreements to resell	(480)	(5,316)
Financial instruments owned, at fair value	(423)	(20)
Receivables from customers	14,508	(11,173)
Other receivables	353	(2,793)
Other assets	61	(19)
Securities loaned	(2,279)	697
Financial instruments sold, but not yet purchased, at fair value	229	80
Payable to customers	6,960	8,205
Other payables	(122)	660
Net cash provided by operating activities	3,998	6,271
Cash flows from investing activities		
Purchases of other investments	(5)	(13)
Distributions received and proceeds from sales of other investments	7	5
Purchase of property, equipment and intangible assets	(50)	(51)
Net cash used in investing activities	(48)	(59)
Cash flows from financing activities		
Short-term borrowings, net	8	6
Dividends paid to stockholders	(30)	(28)
Distributions from IBG LLC to noncontrolling interests	(309)	(230)
Repurchases of common stock for employee tax withholdings under stock incentive plans	(20)	(27)
Proceeds from the sale of treasury stock	23	26
Issuances of senior notes	—	1,428
Redemptions of senior notes	—	(1,524)
Payments made under the Tax Receivable Agreement	(20)	—
Net cash used in financing activities	(348)	(349)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(269)	(95)
Net increase in cash, cash equivalents and restricted cash	3,333	5,768
Cash, cash equivalents and restricted cash at beginning of period	25,283	20,195
Cash, cash equivalents and restricted cash at end of period	\$ 28,616	\$ 25,963
Cash, cash equivalents and restricted cash		
Cash and cash equivalents	3,184	2,838
Cash segregated for regulatory purposes	25,432	23,125
Cash, cash equivalents and restricted cash at end of period	\$ 28,616	\$ 25,963
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 381	\$ 165
Cash paid for taxes, net	\$ 89	\$ 87
Cash paid for amounts included in lease liabilities	\$ 23	\$ 18
Non-cash financing activities		
Issuance of common stock in exchange of member interests in IBG LLC	\$ 192	\$ 376
Redemption of member interests from IBG Holdings LLC	\$ (192)	\$ (376)
Adjustments to additional paid-in capital for changes in proportionate ownership in IBG LLC	\$ 26	\$ 24
Adjustments to noncontrolling interests for changes in proportionate ownership in IBG LLC	\$ (26)	\$ (24)

See accompanying notes to the condensed consolidated financial statements.

Interactive Brokers Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Equity
Nine Months Ended September 30, 2022
(Unaudited)

(in millions, except share amounts)	Class A Common Stock			Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non- controlling Interests	Total Equity
	Issued Shares	Par Value	Additional Paid-In Capital						
Balance, December 31, 2021	98,359,572	\$ 1	\$ 1,442	\$ (5)	\$ 953	\$ 4	\$ 2,395	\$ 7,827	\$ 10,222
Issuance of common stock - IBKR Promotion	50,000		1	(3)			(2)	2	—
Net distribution of common stock - IBKR Promotion				3			3	—	3
Compensation for stock grants vesting in the future			5				5	16	21
Dividends paid to stockholders - \$0.10 per share					(9)		(9)		(9)
Distributions from IBG LLC to noncontrolling interests								(80)	(80)
Adjustments for changes in proportionate ownership in IBG LLC			1				1	(1)	—
Comprehensive income					73	(10)	63	262	325
Balance, March 31, 2022	<u>98,409,572</u>	<u>\$ 1</u>	<u>\$ 1,449</u>	<u>\$ (5)</u>	<u>\$ 1,017</u>	<u>\$ (6)</u>	<u>\$ 2,456</u>	<u>\$ 8,026</u>	<u>\$ 10,482</u>
Common stock distributed pursuant to stock incentive plans	1,271,794						—		—
Issuance of common stock - IBKR Promotion	50,000		1	(4)			(3)	3	—
Net distribution of common stock - IBKR Promotion				3			3		3
Compensation for stock grants vesting in the future			5				5	16	21
Repurchases of common stock for employee tax withholdings under stock incentive plans				(20)			(20)		(20)
Sales of treasury stock				20	1		21	2	23
Dividends paid to stockholders - \$0.10 per share					(11)		(11)		(11)
Distributions from IBG LLC to noncontrolling interests								(151)	(151)
Adjustments for changes in proportionate ownership in IBG LLC			25				25	(25)	—
Comprehensive income					72	(24)	48	207	255
Balance, June 30, 2022	<u>99,731,366</u>	<u>\$ 1</u>	<u>\$ 1,480</u>	<u>\$ (6)</u>	<u>\$ 1,079</u>	<u>\$ (30)</u>	<u>\$ 2,524</u>	<u>\$ 8,078</u>	<u>\$ 10,602</u>
Issuance of common stock in follow-on offering	3,271,390		84				84	(84)	—
Common stock distributed pursuant to stock incentive plans	296						—		—
Net distribution of common stock - IBKR Promotion				2			2	(1)	1
Compensation for stock grants vesting in the future			5				5	17	22
Deferred tax benefit retained - follow-on offering			3				3		3
Dividends paid to stockholders - \$0.10 per share					(10)		(10)		(10)
Distributions from IBG LLC to noncontrolling interests								(78)	(78)
Comprehensive income					99	(30)	69	291	360
Balance, September 30, 2022	<u>103,003,052</u>	<u>\$ 1</u>	<u>\$ 1,572</u>	<u>\$ (4)</u>	<u>\$ 1,168</u>	<u>\$ (60)</u>	<u>\$ 2,677</u>	<u>\$ 8,223</u>	<u>\$ 10,900</u>

Interactive Brokers Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Equity
Nine Months Ended September 30, 2021
(Unaudited)

(in millions, except share amounts)	Class A Common Stock			Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non- controlling Interests	Total Equity
	Issued Shares	Par Value								
Balance, December 31, 2020	90,909,889	\$ 1	\$ 1,244	\$ (3)	\$ 683	\$ 26	\$ 1,951	\$ 7,052	\$ 9,003	
Issuance of common stock - IBKR Promotion	50,000			(3)			(3)	3	—	
Net distribution of common stock - IBKR Promotion				2			2		2	
Compensation for stock grants vesting in the future			4				4	13	17	
Dividends paid to stockholders - \$0.10 per share						(9)	(9)		(9)	
Distributions from IBG LLC to noncontrolling interests							—	(86)	(86)	
Adjustments for changes in proportionate ownership in IBG LLC			1				1	(1)	—	
Comprehensive income					107	(17)	90	420	510	
Balance, March 31, 2021	90,959,889	\$ 1	\$ 1,249	\$ (4)	\$ 781	\$ 9	\$ 2,036	\$ 7,401	\$ 9,437	
Common stock distributed pursuant to stock incentive plans	1,210,929						—		—	
Issuance of common stock - IBKR Promotion	50,000		1	(4)			(3)	3	—	
Net distribution of common stock - IBKR Promotion				2			2		2	
Compensation for stock grants vesting in the future			4				4	13	17	
Repurchases of common stock for employee tax withholdings under stock incentive plans				(27)			(27)		(27)	
Sales of treasury stock				27			27	(1)	26	
Dividends paid to stockholders - \$0.10 per share						(9)	(9)		(9)	
Distributions from IBG LLC to noncontrolling interests							—	(45)	(45)	
Adjustments for changes in proportionate ownership in IBG LLC			23				23	(23)	—	
Comprehensive income					92	5	97	430	527	
Balance, June 31, 2021	92,220,818	\$ 1	\$ 1,277	\$ (6)	\$ 864	\$ 14	\$ 2,150	\$ 7,778	\$ 9,928	
Issuance of common stock in follow-on offering	6,079,542		145				145	(145)	—	
Common stock distributed pursuant to stock incentive plans	5,036						—		—	
Net distribution of common stock - IBKR Promotion				2			2		2	
Compensation for stock grants vesting in the future			4				4	13	17	
Deferred tax benefit retained - follow-on offering			7				7		7	
Dividends paid to stockholders - \$0.10 per share						(10)	(10)		(10)	
Distributions from IBG LLC to noncontrolling interests							—	(99)	(99)	
Comprehensive income					42	(9)	33	133	166	
Balance, September 30, 2021	98,305,396	\$ 1	\$ 1,433	\$ (4)	\$ 896	\$ 5	\$ 2,331	\$ 7,680	\$ 10,011	

See accompanying notes to the condensed consolidated financial statements.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization of Business

Interactive Brokers Group, Inc. (“IBG, Inc.”) is a Delaware holding company whose primary asset is its ownership of approximately 24.5% of the membership interests of IBG LLC, which, in turn, owns operating subsidiaries (collectively, “IBG LLC”). IBG, Inc. together with IBG LLC and its consolidated subsidiaries (collectively, “the Company”), is an automated global electronic broker specializing in executing and clearing trades in stocks, options, futures, foreign exchange instruments, bonds, mutual funds, exchange-traded funds (“ETFs”) and precious metals on more than 150 electronic exchanges and market centers around the world and offering custody, prime brokerage, securities and margin lending services to customers. In addition, our customers can use our trading platform to trade certain cryptocurrencies through a third-party cryptocurrency service provider which executes, clears and custodies the cryptocurrencies. In the United States of America (“U.S.”), the Company conducts its business primarily from its headquarters in Greenwich, Connecticut and from Chicago, Illinois. Abroad, the Company conducts its business through offices located in Canada, the United Kingdom, Ireland, Switzerland, Hungary, India, China (Hong Kong and Shanghai), Japan, Singapore, and Australia. As of September 30, 2022, the Company had 2,752 employees worldwide.

IBG LLC is a Connecticut limited liability company that conducts its business through its significant operating subsidiaries: Interactive Brokers LLC (“IB LLC”); IBKR Securities Services LLC (“IBKRSS”); Interactive Brokers Canada Inc. (“IBC”); Interactive Brokers (U.K.) Limited (“IBUK”); Interactive Brokers Ireland Limited (“IBIE”); IBKR Financial Services AG (“IBKRFS”); Interactive Brokers Central Europe Zrt. (“IBCE”); Interactive Brokers (India) Private Limited (“IBI”), Interactive Brokers Hong Kong Limited (“IBHK”), Interactive Brokers Securities Japan, Inc. (“IBSJ”), Interactive Brokers Singapore Private Limited (“IBSG”) and Interactive Brokers Australia Pty Limited (“IBA”).

Certain operating subsidiaries are members of various securities and commodities exchanges in North America, Europe and the Asia/Pacific region and are subject to regulatory capital and other requirements (see Note 15). IB LLC, IBKRSS, IBC, IBUK, IBIE, IBCE, IBI, IBHK, IBSJ, IBSG and IBA carry securities accounts for customers or perform custodial functions relating to customer securities.

2. Significant Accounting Policies

Basis of Presentation

These condensed consolidated financial statements are presented in U.S. dollars and have been prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”) and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding financial reporting with respect to Form 10-Q.

These condensed consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s 2021 Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the SEC on February 25, 2022. The condensed consolidated financial information as of December 31, 2021 has been derived from the audited financial statements not included herein.

These condensed consolidated financial statements include the accounts of the Company and its consolidated subsidiaries and reflect all adjustments of a normal and recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the periods presented. The operating results for interim periods are not necessarily indicative of the operating results for the entire year.

Principles of Consolidation, including Noncontrolling Interests

These condensed consolidated financial statements include the accounts of IBG, Inc. and its majority and wholly-owned subsidiaries. As sole managing member of IBG LLC, IBG, Inc. exerts control over IBG LLC’s operations. In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 810, “Consolidation,” the Company consolidates IBG LLC’s financial statements and records the interests in IBG LLC that it does not own as noncontrolling interests.

The Company’s policy is to consolidate all other entities in which it owns more than 50% unless it does not have control. All inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in these condensed consolidated financial statements and accompanying notes. These estimates and assumptions are based on judgment and the best available information at the time. Therefore, actual results could differ materially from those estimates. Such estimates include the allowance for credit losses, valuation of certain investments, compensation accruals, current and deferred income taxes, and contingency reserves.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Fair Value

Substantially all of the Company's assets and liabilities, including financial instruments, are carried at fair value based on published market prices and are marked to market, or are assets and liabilities which are short-term in nature and are carried at amounts that approximate fair value.

The Company applies the fair value hierarchy in accordance with FASB ASC Topic 820, "Fair Value Measurement" ("ASC Topic 820"), to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2	Quoted prices for similar assets in an active market, quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
Level 3	Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

Financial instruments owned, at fair value, and financial instruments sold, but not yet purchased, at fair value are generally classified as Level 1 of the fair value hierarchy. The Company's Level 1 financial instruments, which are valued using quoted market prices as published by exchanges and clearing houses or otherwise broadly distributed in active markets, include active listed stocks, options, warrants and U.S. and foreign government securities. The Company does not adjust quoted prices for financial instruments classified as Level 1 of the fair value hierarchy, even if the Company may hold a large position whereby a purchase or sale could reasonably be expected to impact quoted prices.

Currency forward contracts are valued using broadly distributed bank and broker prices and are classified as Level 2 of the fair value hierarchy since inputs to their valuation can generally be corroborated by market data. Precious metals are valued using an internal model, which incorporates the exchange-traded futures price of the underlying instruments, benchmark interest rates and estimated storage costs, and are classified as Level 2 of the fair value hierarchy since the significant inputs to their valuation are observable. Other securities that are not traded in active markets are also classified as Level 2 of the fair value hierarchy. Level 3 financial instruments are comprised of securities that have been delisted or otherwise are no longer tradable in active markets and have been valued by the Company based on internal estimates.

Earnings per Share

Earnings per share ("EPS") is computed in accordance with FASB ASC Topic 260, "Earnings per Share." Basic EPS is computed by dividing the net income available for common stockholders by the weighted average number of shares outstanding for that period. Diluted EPS is calculated by dividing the net income available for common stockholders by the diluted weighted average shares outstanding for that period. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect of shares of common stock estimated to be distributed in the future under the Company's stock-based compensation plans, with no adjustments to net income available for common stockholders for potentially dilutive common shares.

Current Expected Credit Losses

The Company follows FASB ASC Topic 326 – "Financial Instruments – Credit Losses" ("ASC Topic 326") which applies to financial assets measured at amortized cost, held-to-maturity debt securities and off-balance sheet credit exposures. For on-balance sheet assets, an allowance must be recognized at the origination or purchase of in-scope assets and represents the expected credit losses over the contractual life of those assets. Expected credit losses on off-balance sheet credit exposures must be estimated over the contractual period the Company is exposed to credit risk as a result of a present obligation to extend credit. The impact to the current period is not material since the Company's in-scope assets are primarily subject to collateral maintenance provisions for which the Company elected to apply the practical expedient of reporting the difference between the fair value of the collateral and the amortized cost for the in-scope assets as the allowance for current expected credit losses.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits with banks and all highly liquid investments, with maturities of three months or less, that are not segregated and deposited for regulatory purposes or to meet margin requirements at clearing houses and clearing banks.

Cash and Securities – Segregated for Regulatory Purposes

As a result of customer activities, certain operating subsidiaries are obligated by rules mandated by their primary regulators to segregate or set aside cash or qualified securities to satisfy such regulations, which have been promulgated to protect customer assets. Restricted cash represents cash and cash equivalents that are subject to withdrawal or usage restrictions. Cash segregated for regulatory purposes meets the definition of restricted cash and is included in “cash, cash equivalents and restricted cash” in the condensed consolidated statements of cash flows.

The table below presents the composition of the Company’s securities segregated for regulatory purposes for the periods indicated.

	September 30, 2022	December 31, 2021
	(in millions)	
U.S. and foreign government securities	\$ 5,298	\$ 4,729
Municipal securities	22	-
Securities purchased under agreements to resell ¹	25,981	10,392
	\$ 31,301	\$ 15,121

(1) These balances are collateralized by U.S. government securities.

Securities Borrowed and Securities Loaned

Securities borrowed and securities loaned are recorded at the amount of the cash collateral advanced or received. Securities borrowed transactions require the Company to provide counterparties with collateral, which may be in the form of cash, letters of credit or other securities. With respect to securities loaned, the Company receives collateral, which may be in the form of cash or other securities in an amount generally in excess of the fair value of the securities loaned. The Company monitors the market value of securities borrowed and loaned daily, with additional collateral obtained or refunded as permitted contractually. The Company’s policy is to net, in the condensed consolidated statements of financial condition, securities borrowed and securities loaned contracts entered into with the same counterparty that meet the offsetting requirements prescribed in FASB ASC Topic 210-20, “Balance Sheet – Offsetting” (“ASC Topic 210-20”).

Securities lending fees received and paid by the Company are included in interest income and interest expense, respectively, in the condensed consolidated statements of comprehensive income.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

Securities purchased under agreements to resell and securities sold under agreements to repurchase, which are reported as collateralized financing transactions, are recorded at contract value, which approximates fair value. To ensure that the fair value of the underlying collateral remains sufficient, the collateral is valued daily with additional collateral obtained or excess collateral returned, as permitted under contractual provisions. The Company’s policy is to net, in the condensed consolidated statements of financial condition, securities purchased under agreements to resell transactions and securities sold under agreements to repurchase transactions entered into with the same counterparty that meet the offsetting requirements prescribed in ASC Topic 210-20.

Financial Instruments Owned and Financial Instruments Sold, But Not Yet Purchased, at Fair Value

Financial instrument transactions are accounted for on a trade date basis. Financial instruments owned and financial instruments sold, but not yet purchased are stated at fair value based upon quoted market prices, or if not available, are valued by the Company based on internal estimates (see ***Fair Value*** above). The Company’s financial instruments pledged to counterparties where the counterparty has the right, by contract or custom, to sell or repledge the financial instruments are reported as financial instruments owned and pledged as collateral in the condensed consolidated statements of financial condition.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Customer Receivables and Payables

Receivables from and payables to customers include amounts due on cash and margin transactions, including futures contracts transacted on behalf of customers. Securities owned by customers, including those that collateralize margin loans or other similar transactions, are not reported in the condensed consolidated statements of financial condition. Amounts receivable from customers that are determined by management to be uncollectible are recorded as customer bad debt expense in the condensed consolidated statements of comprehensive income.

Receivables from and Payables to Brokers, Dealers and Clearing Organizations

Receivables from and payables to brokers, dealers and clearing organizations include net receivables and payables from unsettled trades, including amounts related to futures and options on futures contracts executed on behalf of customers, amounts receivable for securities not delivered by the Company to the purchaser by the settlement date (“fails to deliver”) and cash deposits. Payables to brokers, dealers and clearing organizations also include amounts payable for securities not received by the Company from a seller by the settlement date (“fails to receive”).

Investments

The Company makes certain strategic investments related to its business which are included in other assets in the condensed consolidated statements of financial condition. The Company accounts for these investments as follows:

- Under the equity method of accounting as required under FASB ASC Topic 323, “Investments – Equity Method and Joint Ventures.” These investments, including where the investee is a limited partnership or limited liability company, are recorded at the fair value amount of the Company’s initial investment and are adjusted each period for the Company’s share of the investee’s income or loss. Contributions paid to and distributions received from equity method investees are recorded as additions or reductions, respectively, to the respective investment balance.
- At fair value, if the investment in equity securities has a readily determinable fair value.
- At adjusted cost, if the investment does not have a readily determinable fair value. Adjusted cost represents the historical cost, less impairment if any. If the Company identifies observable price changes in orderly transactions for the identical or a similar investment of the same issuer, the Company measures the equity security at fair value as of the date that the observable transaction occurred in accordance with FASB ASC Topic 321, “Investments in Equity Securities.”

A judgmental aspect of accounting for investments is evaluating whether a decline in the value of an investment has occurred. The evaluation of impairment is dependent on specific quantitative and qualitative factors and circumstances surrounding an investment, including recurring operating losses, credit defaults and subsequent rounds of financing. Most of the Company’s equity investments do not have readily determinable market values. All investments are reviewed for changes in circumstances or occurrence of events that suggest the Company’s investment may not be recoverable. An impairment loss, if any, is recognized in the period the determination is made.

The table below presents the composition of the Company’s investments for the periods indicated.

	<u>September 30,</u> <u>2022</u>		<u>December 31,</u> <u>2021</u>
	(in millions)		
Equity method investments ¹	\$	123	\$ 123
Investments in equity securities at adjusted cost ²		16	17
Investments in equity securities at fair value ²		33	49
Investments in exchange memberships and equity securities of certain exchanges ²		2	3
	<u>\$</u>	<u>174</u>	<u>\$ 192</u>

(1) The Company’s share of income or losses is included in other income in the condensed consolidated statements of comprehensive income.

(2) These investments do not qualify for the equity method of accounting and the dividends received are included in other income in the condensed consolidated statements of comprehensive income.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Property, Equipment and Intangible Assets

Property, equipment and intangible assets, which are included in other assets in the condensed consolidated statements of financial condition, consist of leasehold improvements, computer equipment, software developed for the Company's internal use, office furniture and equipment.

Property and equipment are recorded at historical cost, less accumulated depreciation and amortization. Additions and improvements that extend the lives of assets are capitalized, while expenditures for repairs and maintenance are expensed as incurred. Depreciation and amortization are computed using the straight-line method. Equipment is depreciated over the estimated useful lives of the assets, while leasehold improvements are amortized over the lesser of the estimated economic useful life of the asset or the term of the lease. Computer equipment is depreciated over three to five years and office furniture and equipment are depreciated over five to seven years. Intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives of three to five years, and tested for recoverability whenever events indicate that the carrying amounts may not be recoverable. Qualifying costs for internally developed software are capitalized and amortized over the expected useful life of the developed software, not to exceed three years. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the condensed consolidated statements of financial condition and any resulting gain or loss is recorded in other income in the condensed consolidated statements of comprehensive income. Fully depreciated (or amortized) assets are retired periodically throughout the year.

Leases

The Company reviews all relevant contracts to determine if the contract contains a lease at its inception date. A contract contains a lease if the contract conveys to the company the right to control the use of an underlying asset for a period of time in exchange for consideration. If the Company determines that a contract contains a lease, it recognizes, in the condensed consolidated statements of financial condition, a lease liability and a corresponding right-of-use asset on the commencement date of the lease. The lease liability is initially measured at the present value of the future lease payments over the lease term using the rate implicit in the lease or, if not readily determinable, the Company's secured incremental borrowing rate. An operating lease right-of-use asset is initially measured at the value of the lease liability minus any lease incentives and initial direct costs incurred plus any prepaid rent.

The Company's leases are classified as operating leases and consist of real estate leases for office space, data centers and other facilities. Each lease liability is measured using the Company's secured incremental borrowing rate, which is based on an internally developed yield curve using interest rates of third parties' corporate debt issued with a similar risk profile as the Company and a duration similar to the lease term. The Company's leases have remaining terms of one to eight years, some of which include options to extend the lease term, and some of which include options to terminate the lease upon notice. The Company considers these options when determining the lease term used to calculate the right-of-use asset and the lease liability when the Company is reasonably certain it will exercise such option.

The Company's operating leases contain both lease components and non-lease components. Non-lease components are distinct elements of a contract that are not related to securing the use of the underlying assets, such as common area maintenance and other management costs. The Company elected to measure the lease liability by combining the lease and non-lease components as a single lease component. As such, the Company includes the fixed payments and any payments that depend on a rate or index that relate to the lease and non-lease components in the measurement of the lease liability. Some of the non-lease components are variable and not based on an index or rate, and as a result, are not included in the measurement of the right-of-use asset or lease liability.

Operating lease expense is recognized on a straight-line basis over the lease term and is included in occupancy, depreciation and amortization expense in the Company's condensed consolidated statements of comprehensive income.

Crypto-assets safeguarding liability and corresponding safeguarding asset

In March 2022, the SEC published Staff Accounting Bulletin No. 121 ("SAB 121"), which provides interpretive accounting and disclosure guidance to entities that have obligations to safeguard crypto-assets held for their platform users, whether directly or through an agent or another third party acting on its behalf. SAB 121 requires an entity to recognize a liability to reflect its obligation to safeguard the crypto-assets held for its platform users and a corresponding safeguarding asset on its balance sheet, even when the Company does not control the crypto-assets. Both the crypto-asset safeguarding liability and the corresponding safeguarding asset shall be measured at the fair value of the crypto-assets held for the platform users with the measurement of the safeguarding asset taking into account any potential loss events. SAB 121 is effective for interim or annual periods ending after June 15, 2022, with retrospective application as of the beginning of the fiscal year. The Company adopted SAB 121 as of June 30, 2022, with retrospective application as of January 1, 2022.

Interactive Brokers Group, Inc. and Subsidiaries
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The Company operates a trading platform that allows its customers to access a digital asset exchange and custody services provided by a third-party Cryptocurrency Service Provider (“CSP”) to buy, sell and hold crypto-assets in an account in the customer’s name at the CSP. The Company does not provide execution, custody or safeguarding services for the customers’ crypto-assets and does not maintain (or have access to) the cryptographic key information and wallets necessary to access the crypto-assets, nor does the Company have any legal title or claim to those crypto-assets. The CSP is responsible for securing the customers’ crypto-assets and protecting them from loss or theft. The agreement the customer signs with IB LLC before the customer is permitted to access the CSP’s services through IB LLC’s platform provides that:

[Customer] acknowledges and agrees that [IB LLC] is not responsible for any trading or other losses (including, without limitation, losses due to theft, fraud, cybersecurity breach, loss of control of private keys, or any other loss arising from trading or holding digital assets with [the CSP]) resulting directly or indirectly from or in connection with [Customer’s] relationship with [the CSP] and/or [Customer’s] trading or holding of digital assets, including activity or holdings in the [CSP] Account.

Even though the Company is not responsible for the custody or safeguarding of crypto-assets, the Company is deemed to be in scope of SAB 121.

As of September 30, 2022, the fair value of the crypto-assets held in the customers’ names at the CSP that the Company recognized on its balance sheet for both the crypto-asset safeguarding liability and the corresponding safeguarding asset, which are included in “accounts payable, accrued expenses and other liabilities” and “other assets,” respectively, in the condensed consolidated statements of financial condition, was \$101 million (\$134 million as of January 1, 2022), which consisted of \$55 million of Bitcoin, \$44 million of Ethereum and \$2 million of other crypto-assets. Changes in the fair value of crypto-assets, held by our customers at the CSP, do not impact our condensed consolidated statements of comprehensive income unless a loss event is identified. As of September 30, 2022, the CSP did not identify any loss events.

Comprehensive Income and Foreign Currency Translation

The Company’s operating results are reported in the condensed consolidated statements of comprehensive income pursuant to FASB ASC Topic 220, “Comprehensive Income.”

Comprehensive income consists of two components: net income and other comprehensive income (“OCI”). The Company’s OCI is comprised of gains and losses resulting from translating foreign currency financial statements of non-U.S. subsidiaries, net of related income taxes, where applicable. In general, the practice and intention of the Company is to reinvest the earnings of its non-U.S. subsidiaries in those operations; therefore, tax is usually not accrued on OCI.

The Company’s non-U.S. domiciled subsidiaries have a functional currency that is other than the U.S. dollar. Such subsidiaries’ assets and liabilities are translated into U.S. dollars at period-end exchange rates, and revenues and expenses are translated at average exchange rates prevailing during the period. Adjustments that result from translating amounts from a subsidiary’s functional currency to the U.S. dollar (as described above) are reported net of tax, where applicable, in accumulated OCI in the condensed consolidated statements of financial condition.

Revenue Recognition

Commissions

Commissions earned for executing and/or clearing transactions are accrued on a trade date basis and are reported as commissions in the condensed consolidated statements of comprehensive income. Commissions also include payments for order flow income received from IBKR LiteSM liquidity providers. The Company’s IBKR LiteSM offering provides commission-free trades on U.S. exchange-listed stocks and ETFs and generates no commission revenues from customers on these trades. See Note 8 for further information on revenue from contracts with customers.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Other Fees and Services

The Company earns fee income on services provided to customers, which includes market data fees, risk exposure fees, payments for order flow from exchange-mandated programs, minimum activity fees, and other fees and services charged to customers. Fee income is recognized either daily or monthly. See Note 8 for further information on revenue from contracts with customers.

Interest Income and Expense

The Company earns interest income and incurs interest expense primarily in connection with its electronic brokerage customer business and its securities lending activities, which are recorded on an accrual basis and are included in interest income and interest expense, respectively, in the condensed consolidated statements of comprehensive income.

Principal Transactions

Principal transactions include gains and losses as a result of changes in the fair value of financial instruments owned, at fair value, financial instruments sold, but not yet purchased, at fair value, and other investments measured at fair value (i.e., unrealized gains and losses) and realized gains and losses related to the Company's principal transactions. Included are net gains and losses on stocks, options, U.S. and foreign government securities, municipal securities, futures, foreign exchange, precious metals, and other derivative instruments. Dividends are integral to the valuation of stocks. Accordingly, dividend income and expense attributable to financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value, are reported on a net basis in other income in the condensed consolidated statements of comprehensive income.

Foreign Currency Gains and Losses

Foreign currency balances are assets and liabilities in currencies other than the Company's functional currency. At every reporting date, the Company revalues its foreign currency balances to its functional currency at the spot exchange rate and records the associated foreign currency gains and losses. These foreign currency gains and losses are reported in the condensed consolidated statements of comprehensive income, as follows: (a) foreign currency gains and losses related to the Company's currency diversification strategy are reported in other income; (b) foreign currency gains and losses arising from currency swap transactions are reported in interest income or interest expense; and (c) all other foreign currency gains and losses are reported in other income.

Rebates

Rebates consist of volume discounts, credits, or payments received from exchanges or other market centers related to the placement and/or removal of liquidity from the marketplace and are recorded on an accrual basis. Rebates are recorded net within execution, clearing and distribution fees in the condensed consolidated statements of comprehensive income. Rebates received for trades executed on behalf of customers that elect tiered pricing are passed, in whole or part, to these customers, and such pass-through amounts are recorded net within commissions in the condensed consolidated statements of comprehensive income.

Stock-Based Compensation

The Company follows FASB ASC Topic 718, "Compensation - Stock Compensation" ("ASC Topic 718"), to account for its stock-based compensation plans. ASC Topic 718 requires all share-based payments to employees to be recognized in the consolidated financial statements using a fair value-based method. Grants, which are denominated in U.S. dollars, are communicated to employees in the year of the grant, thereby establishing the fair value of each grant. The fair value of awards granted to employees are generally expensed as follows: 50% in the year of grant in recognition of the plans' post-employment provisions (as described below) and the remaining 50% over the related vesting period utilizing the "graded vesting" method permitted under ASC Topic 718. In the case of "retirement eligible" employees (those employees older than 59), 100% of awards are expensed when granted.

Awards granted under stock-based compensation plans are subject to the plans' post-employment provisions in the event an employee ceases employment with the Company. The plans provide that employees who discontinue employment with the Company without cause and continue to meet the terms of the plans' post-employment provisions will be eligible to earn 50% of previously granted but not yet earned awards, unless the employee is over the age of 59, in which case the employee would be eligible to receive 100% of previously granted but not yet earned awards.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740, "Income Taxes" ("ASC Topic 740"). The Company's income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits are based on enacted tax laws (see Note 11) and reflect management's best assessment of estimated future taxes to be paid. The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. Determining income tax expense requires significant judgment and estimates. Deferred income tax assets and liabilities arise from temporary differences between the tax and financial statement recognition of underlying assets and liabilities. In evaluating the ability to recover deferred tax assets within the jurisdictions from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies and results of recent operations. In projecting future taxable income, historical results are adjusted for changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax-planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, three years of cumulative operating income (loss) are considered. Deferred income taxes have not been provided for U.S. tax liabilities or for additional foreign taxes on the unremitted earnings of foreign subsidiaries that have been indefinitely reinvested.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across the Company's global operations. Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future.

The Company records tax liabilities in accordance with ASC Topic 740 and adjusts these liabilities when management's judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in payments that are different from the current estimates of these tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information becomes available.

The Company recognizes a tax benefit from an uncertain tax position only when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits. A tax position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement.

The Company recognizes interest related to income tax matters as interest income or interest expense and penalties related to income tax matters as income tax expense in the condensed consolidated statements of comprehensive income.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Recently adopted accounting guidance

Standard	Summary of guidance	Effect on financial statements
Accounting for the Obligations to Safeguard Crypto-assets (SAB 121) <i>Issued March 2022</i>	<ul style="list-style-type: none">Requires companies that have obligations to safeguard crypto-assets held for their platform users to recognize a liability to reflect such obligation and a corresponding asset in the balance sheet, both measured at the fair value of the crypto-assets.	<ul style="list-style-type: none">Effective date: Effective for interim or annual periods ending after June 15, 2022, with retrospective application as of the beginning of the fiscal year.The Company adopted SAB 121 as of June 30, 2022, which resulted in the recognition a crypto-asset safeguarding liability and the corresponding safeguarding asset on its condensed consolidated statements of financial condition.

FASB Standards issued but not adopted as of September 30, 2022

Standard	Summary of guidance	Effect on financial statements
Business Combinations (Topic 805) <i>Issued October 2021</i>	<ul style="list-style-type: none">Requires companies to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, "Revenue from Contracts with Customers". At the acquisition date, an acquirer should account for the related revenue contracts as if it had originated the contracts.	<ul style="list-style-type: none">Effective date: January 1, 2023.The changes are not expected to have a material impact on the Company's consolidated financial statements.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

3. Trading Activities and Related Risks

Trading activities expose the Company to market and credit risks. These risks are managed in accordance with established risk management policies and procedures. To accomplish this, management has established a risk management process that includes:

- a regular review of the risk management process by executive management as part of its oversight role;
- defined risk management policies and procedures supported by a rigorous analytic framework; and
- articulated risk tolerance levels as defined by executive management that are regularly reviewed to ensure that the Company's risk-taking is consistent with its business strategy, its capital structure, and current and anticipated market conditions.

Market Risk

The Company is exposed to various market risks. Exposures to market risks arise from equity price risk, foreign currency exchange rate fluctuations and changes in interest rates. The Company seeks to mitigate market risk associated with trading inventories by employing hedging strategies that correlate rate, price and spread movements of trading inventories and related financing and hedging activities. The Company uses a combination of cash instruments and exchange-traded derivatives to hedge its market exposures. The Company does not apply hedge accounting. The following discussion describes the types of market risk faced:

Equity Price Risk

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments that derive their value from a particular stock, a defined basket of stocks, or a stock index. The Company is subject to equity price risk primarily in financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value. The Company attempts to limit such risks by continuously reevaluating prices and by diversifying its portfolio across many different options, futures and underlying securities and avoiding concentrations of positions based on the same underlying security.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company is exposed to interest rate risk on cash and margin balances, positions carried in equity and fixed income securities, options, futures and on its borrowings. These risks are managed through investment policies and by entering into interest rate futures contracts.

Currency Risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. The Company manages this risk using spot (i.e., cash) currency transactions, currency futures contracts and currency forward contracts. The Company actively manages its currency exposure using a currency diversification strategy that is based on a defined basket of ten currencies internally referred to as the "GLOBAL." These strategies minimize the fluctuation of the Company's equity as expressed in GLOBALs, thereby diversifying its risk in alignment with these global currencies, weighted by the Company's view of their importance. As the Company's financial results are reported in U.S. dollars, the change in the value of the GLOBAL as expressed in U.S. dollars affects the Company's earnings. The impact of this currency diversification strategy in the Company's earnings is included in other income in the condensed consolidated statements of comprehensive income.

Credit Risk

The Company is exposed to the risk of loss if a customer, counterparty or issuer fails to perform its obligations under contractual terms ("default risk"). Both cash instruments and derivatives expose the Company to default risk. The Company has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral and continually assessing the creditworthiness of counterparties.

Interactive Brokers Group, Inc. and Subsidiaries
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The Company's credit risk is limited as contracts entered into are settled directly at securities and commodities clearing houses or are settled through member firms and banks with substantial financial and operational resources. Over-the-counter transactions, such as securities lending and contracts for differences ("CFDs"), are marked to market daily and are conducted with counterparties that have undergone a thorough credit review. The Company seeks to control the risks associated with its customer margin activities by requiring customers to maintain collateral in compliance with regulatory and internal guidelines.

In the normal course of business, the Company executes, settles and finances various customer securities transactions. Execution of these transactions includes the purchase and sale of securities which exposes the Company to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. In these situations, the Company may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to customers or counterparties. Liabilities to other brokers and dealers related to unsettled transactions (i.e., securities fails to receive) are recorded at the amount for which the securities were purchased, and are paid upon receipt of the securities from other brokers or dealers. In the case of aged securities fails to receive, the Company may purchase the underlying security in the market and seek reimbursement for any losses from the counterparty.

For cash management purposes, the Company enters into short-term securities purchased under agreements to resell and securities sold under agreements to repurchase transactions ("repos") in addition to securities borrowing and lending arrangements, all of which may result in credit exposure in the event the counterparty to a transaction is unable to fulfill its contractual obligations. Repos are collateralized by securities with a market value in excess of the obligation under the contract. Similarly, securities lending agreements are collateralized by deposits of cash or securities. The Company attempts to minimize credit risk associated with these activities by monitoring collateral values daily and requiring additional collateral to be deposited with or returned to the Company as permitted under contractual provisions.

Concentrations of Credit Risk

The Company's exposure to credit risk associated with its trading and other activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry, or economic factors. To reduce the potential for risk concentration, credit limits are established and exposure is monitored in light of changing counterparty and market conditions. As of September 30, 2022, the Company did not have any material concentrations of credit risk outside the ordinary course of business.

Off-Balance Sheet Risks

The Company may be exposed to a risk of loss not reflected in the condensed consolidated financial statements to settle futures and certain over-the-counter contracts at contracted prices, which may require repurchase or sale of the underlying products in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk as the Company's cost to liquidate such contracts may exceed the amounts reported in the Company's condensed consolidated statements of financial condition.

4. Equity and Earnings per Share

In connection with IBG, Inc.'s initial public offering of Class A common stock ("IPO") in May 2007, it purchased 10.0% of the membership interests in IBG LLC from IBG Holdings LLC ("Holdings"), became the sole managing member of IBG LLC and began to consolidate IBG LLC's financial results into its financial statements. Holdings owns all of IBG, Inc.'s Class B common stock, which has voting rights in proportion to its ownership interests in IBG LLC. The table below presents the amount of IBG LLC membership interests held by IBG, Inc. and Holdings as of September 30, 2022.

	<u>IBG, Inc.</u>	<u>Holdings</u>	<u>Total</u>
Ownership %	24.5%	75.5%	100.0%
Membership interests	102,873,607	316,609,102	419,482,709

These condensed consolidated financial statements reflect the results of operations and financial position of IBG, Inc., including consolidation of its investment in IBG LLC and its subsidiaries. The noncontrolling interests in IBG LLC attributable to Holdings are reported as a component of total equity in the condensed consolidated statements of financial condition.

Interactive Brokers Group, Inc. and Subsidiaries
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Recapitalization and Post-IPO Capital Structure

Immediately before and immediately following the consummation of the IPO, IBG, Inc., Holdings, IBG LLC and the members of IBG LLC consummated a series of transactions collectively referred to herein as the “Recapitalization.” In connection with the Recapitalization, IBG, Inc., Holdings and the historical members of IBG LLC entered into an exchange agreement, dated as of May 3, 2007 (the “Exchange Agreement”), under which the historical members of IBG LLC received membership interests in Holdings in exchange for their membership interests in IBG LLC. Additionally, IBG, Inc. became the sole managing member of IBG LLC.

In connection with the consummation of the IPO, Holdings used the net proceeds to redeem 10.0% of members’ interests in Holdings in proportion to their interests. Immediately following the Recapitalization and IPO, Holdings owned approximately 90% of IBG LLC and 100% of IBG, Inc.’s Class B common stock.

Since the consummation of the IPO and Recapitalization, IBG, Inc.’s equity capital structure has been comprised of Class A and Class B common stock. All shares of common stock have a par value of \$0.01 per share and have identical rights to earnings and dividends and in liquidation. As of September 30, 2022 and December 31, 2021, 1,000,000,000 shares of Class A common stock were authorized, of which 103,003,052 and 98,359,572 shares have been issued; and 102,865,696 and 98,204,658 shares were outstanding, respectively. Class B common stock is comprised of 100 authorized shares, of which 100 shares were issued and outstanding as of September 30, 2022 and December 31, 2021, respectively. In addition, 10,000 shares of preferred stock have been authorized, of which no shares are issued or outstanding as of September 30, 2022 and December 31, 2021, respectively.

As a result of a federal income tax election made by IBG LLC applicable to the acquisition of IBG LLC member interests by IBG, Inc., the income tax basis of the assets of IBG LLC acquired by IBG, Inc. have been adjusted based on the amount paid for such interests. Deferred tax assets were recorded as of the IPO date and in connection with subsequent redemptions of Holdings member interests in exchange for common stock. These deferred tax assets are included in other assets in the Company’s condensed consolidated statements of financial condition and are being amortized as additional deferred income tax expense over 15 years from the IPO date and from the additional redemption dates, respectively, as allowable under current tax law. As of September 30, 2022 and December 31, 2021, the unamortized balance of these deferred tax assets was \$206 million and \$209 million, respectively.

IBG, Inc. also entered into an agreement (the “Tax Receivable Agreement”) with Holdings to pay Holdings (for the benefit of the former members of IBG LLC) 85% of the tax savings that IBG, Inc. actually realizes as the result of tax basis increases. These payables to Holdings are reported as payable to affiliate in the Company’s condensed consolidated statements of financial condition. The remaining 15% is accounted for as a permanent increase to additional paid-in capital in the Company’s condensed consolidated statements of financial condition.

The cumulative amounts of deferred tax assets, payables to Holdings and additional paid-in capital arising from stock offerings from the date of the IPO through September 30, 2022 were \$654 million, \$556 million and \$98 million, respectively. Amounts payable under the Tax Receivable Agreement are payable to Holdings annually following the filing of IBG, Inc.’s federal income tax return. The Company has paid Holdings a cumulative total of \$243 million through September 30, 2022 under the terms of the Tax Receivable Agreement.

The Exchange Agreement, as amended, provides for future redemptions of member interests and for the purchase of member interests in IBG LLC by IBG, Inc. from Holdings, which could result in IBG, Inc. acquiring the remaining member interests in IBG LLC that it does not own. On an annual basis, members of Holdings can request redemption of their interests.

At the time of IBG, Inc.’s IPO in 2007, three hundred sixty (360) million shares of authorized common stock were reserved for future sales and redemptions. From 2008 through 2010, Holdings redeemed 5,013,259 IBG LLC interests with a total value of \$114 million, which redemptions were funded using cash on hand at IBG LLC. Upon cash redemption, these IBG LLC interests were retired. From 2011 through 2021, IBG, Inc. issued 34,207,307 shares of common stock (with a fair value of \$1.5 billion) directly to Holdings in exchange for an equivalent number of member interests in IBG LLC.

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On July 27, 2020, the Company filed a Prospectus Supplement on Form 424B (File Number 333-240121) with the SEC to re-register up to 990,000 shares of common stock, offering the opportunity for eligible persons to receive awards in the form of an offer to receive such shares by participating in one or more promotions that are designed to attract new customers to the Company's brokerage platform, increase assets held with the Company's brokerage business and enhance customer loyalty. From 2019 through the quarter ended September 30, 2022, the Company issued 270,000 shares to IBG LLC for distribution to eligible customers of certain of its subsidiaries.

On August 1, 2022, the Company filed a Prospectus Supplement on Form 424B5 with the SEC to issue 3,271,390 shares of common stock (with a fair value of \$192 million) in exchange for an equivalent number of shares of member interests in IBG LLC. This issuance of shares increased the Company's ownership in IBG LLC from 23.7% to 24.5%. Mr. Thomas Peterffy's and his affiliates' interests in Holdings remained at approximately 90.5% after this redemption.

Earnings per Share

Basic earnings per share is calculated utilizing net income available for common stockholders divided by the weighted average number of shares of Class A and Class B common stock outstanding for that period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
(in millions, except share or per share amounts)				
Basic earnings per share				
Net income available for common stockholders	\$ 99	\$ 42	\$ 244	\$ 241
Weighted average shares of common stock outstanding				
Class A	101,818,567	96,229,858	99,645,991	92,814,667
Class B	100	100	100	100
	<u>101,818,667</u>	<u>96,229,958</u>	<u>99,646,091</u>	<u>92,814,767</u>
Basic earnings per share	<u>\$ 0.98</u>	<u>\$ 0.44</u>	<u>\$ 2.45</u>	<u>\$ 2.60</u>

Diluted earnings per share are calculated utilizing the Company's basic net income available for common stockholders divided by diluted weighted average shares outstanding with no adjustments to net income available to common stockholders for potentially dilutive common shares.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
(in millions, except share or per share amounts)				
Diluted earnings per share				
Net income available for common stockholders	\$ 99	\$ 42	\$ 244	\$ 241
Weighted average shares of common stock outstanding				
Class A				
Issued and outstanding	101,818,567	96,229,858	99,645,991	92,814,667
Potentially dilutive common shares				
Issuable pursuant to employee stock incentive plans	736,815	760,010	858,984	856,922
Class B	100	100	100	100
	<u>102,555,482</u>	<u>96,989,968</u>	<u>100,505,075</u>	<u>93,671,689</u>
Diluted earnings per share	<u>\$ 0.97</u>	<u>\$ 0.43</u>	<u>\$ 2.43</u>	<u>\$ 2.58</u>

Member Distributions and Stockholder Dividends

During the nine months ended September 30, 2022, IBG LLC made distributions totaling \$406 million, to its members, of which IBG, Inc.'s proportionate share was \$97 million. In March, June and September 2022, the Company paid quarterly cash dividends of \$0.10 per share of common stock, totaling \$9 million, \$11 million and \$10 million, respectively.

On October 18, 2022, the Company declared a cash dividend of \$0.10 per common share, payable on December 14, 2022 to stockholders of record as of December 1, 2022.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

5. Comprehensive Income

The table below presents comprehensive income and earnings per share on comprehensive income for the periods indicated.

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	(in millions, except share or per share amounts)			
Comprehensive income available for common stockholders	\$ <u>69</u>	\$ <u>33</u>	\$ <u>180</u>	\$ <u>220</u>
Earnings per share on comprehensive income				
Basic	\$ <u>0.68</u>	\$ <u>0.34</u>	\$ <u>1.81</u>	\$ <u>2.37</u>
Diluted	\$ <u>0.68</u>	\$ <u>0.34</u>	\$ <u>1.79</u>	\$ <u>2.35</u>
Weighted average common shares outstanding				
Basic	<u>101,818,667</u>	<u>96,229,958</u>	<u>99,646,091</u>	<u>92,814,767</u>
Diluted	<u>102,555,482</u>	<u>96,989,968</u>	<u>100,505,075</u>	<u>93,671,689</u>

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

6. Financial Assets and Financial Liabilities

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

The tables below present, by level within the fair value hierarchy (see Note 2), financial assets and liabilities, measured at fair value on a recurring basis for the periods indicated. As required by ASC Topic 820, financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the respective fair value measurement.

	Financial Assets at Fair Value as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Securities segregated for regulatory purposes				
U.S. and foreign government securities	\$ 5,298	\$ —	\$ —	\$ 5,298
Municipal securities	—	22	—	22
Total securities segregated for regulatory purposes	5,298	22	—	5,320
Financial instruments owned, at fair value				
Stocks	276	—	—	276
Options	737	—	—	737
U.S. and foreign government securities	29	—	—	29
Precious metals	—	8	—	8
Currency forward contracts	—	43	—	43
Total financial instruments owned, at fair value	1,042	51	—	1,093
Other assets				
Customer-held fractional shares	84	—	—	84
Crypto-asset safeguarding asset	—	101	—	101
Other investments in equity securities	33	—	—	33
Total other assets	117	101	—	218
Total financial assets at fair value	<u>\$ 6,457</u>	<u>\$ 174</u>	<u>\$ —</u>	<u>\$ 6,631</u>

	Financial Liabilities at Fair Value as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Financial instruments sold, but not yet purchased, at fair value				
Stocks	\$ 164	\$ —	\$ —	\$ 164
Options	232	—	—	232
Precious metals	—	7	—	7
Currency forward contracts	—	8	—	8
Total financial instruments sold, but not yet purchased, at fair value	396	15	—	411
Accounts payable, accrued expenses and other liabilities				
Fractional shares repurchase obligation	84	—	—	84
Crypto-asset safeguarding liability	—	101	—	101
Total accounts payable, accrued expenses and other liabilities	84	101	—	185
Total financial liabilities at fair value	<u>\$ 480</u>	<u>\$ 116</u>	<u>\$ —</u>	<u>\$ 596</u>

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

	Financial Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Securities segregated for regulatory purposes				
U.S. government securities	\$ 4,729	\$ —	\$ —	\$ 4,729
Total securities segregated for regulatory purposes	4,729	—	—	4,729
Financial instruments owned, at fair value				
Stocks	548	—	—	548
Options	22	—	—	22
U.S. and foreign government securities	54	—	—	54
Precious metals	—	10	—	10
Currency forward contracts	—	39	—	39
Total financial instruments owned, at fair value	624	49	—	673
Other assets				
Customer-held fractional shares	166	—	—	166
Other investments in equity securities	49	—	—	49
Total other assets	215	—	—	215
Total financial assets at fair value	\$ 5,568	\$ 49	\$ —	\$ 5,617

	Financial Liabilities at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Financial instruments sold, but not yet purchased, at fair value				
Stocks	\$ 144	\$ —	\$ —	\$ 144
Options	22	—	—	22
Precious metals	—	6	—	6
Currency forward contracts	—	10	—	10
Total financial instruments sold, but not yet purchased, at fair value	166	16	—	182
Accounts payable, accrued expenses and other liabilities				
Fractional shares repurchase obligation	166	—	—	166
Total accounts payable, accrued expenses and other liabilities	166	—	—	166
Total financial liabilities at fair value	\$ 332	\$ 16	\$ —	\$ 348

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Financial Assets and Liabilities Not Measured at Fair Value

The tables below represent the carrying value, fair value and fair value hierarchy category of certain financial assets and liabilities that are not recorded at fair value in the Company's condensed consolidated statements of financial condition for the periods indicated. The tables below exclude certain financial instruments such as equity method investments and all non-financial assets and liabilities.

	September 30, 2022				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	(in millions)				
Financial assets, not measured at fair value					
Cash and cash equivalents	\$ 3,184	\$ 3,184	\$ 3,184	\$ —	\$ —
Cash - segregated for regulatory purposes	25,432	25,432	25,432	—	—
Securities - segregated for regulatory purposes	25,981	25,981	—	25,981	—
Securities borrowed	3,908	3,908	—	3,908	—
Securities purchased under agreements to resell	4,860	4,860	—	4,860	—
Receivables from customers	40,424	40,424	—	40,424	—
Receivables from brokers, dealers and clearing organizations	3,321	3,321	—	3,321	—
Interest receivable	224	224	—	224	—
Other assets	17	18	—	2	16
Total financial assets, not measured at fair value	<u>\$ 107,351</u>	<u>\$ 107,352</u>	<u>\$ 28,616</u>	<u>\$ 78,720</u>	<u>\$ 16</u>

Financial liabilities, not measured at fair value

Short-term borrowings	\$ 35	\$ 35	\$ —	\$ 35	\$ —
Securities loaned	9,490	9,490	—	9,490	—
Payables to customers	92,594	92,594	—	92,594	—
Payables to brokers, dealers and clearing organizations	380	380	—	380	—
Interest payable	99	99	—	99	—
Total financial liabilities, not measured at fair value	<u>\$ 102,598</u>	<u>\$ 102,598</u>	<u>\$ —</u>	<u>\$ 102,598</u>	<u>\$ —</u>

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

	December 31, 2021				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	(in millions)				
Financial assets, not measured at fair value					
Cash and cash equivalents	\$ 2,395	\$ 2,395	\$ 2,395	\$ —	\$ —
Cash - segregated for regulatory purposes	22,888	22,888	22,888	—	—
Securities - segregated for regulatory purposes	10,392	10,392	—	10,392	—
Securities borrowed	3,912	3,912	—	3,912	—
Securities purchased under agreements to resell	4,380	4,380	—	4,380	—
Receivables from customers	54,935	54,935	—	54,935	—
Receivables from brokers, dealers and clearing organizations	3,771	3,771	—	3,771	—
Interest receivable	127	127	—	127	—
Other assets	20	20	—	2	18
Total financial assets, not measured at fair value	\$ 102,820	\$ 102,820	\$ 25,283	\$ 77,519	\$ 18
Financial liabilities, not measured at fair value					
Short-term borrowings	\$ 27	\$ 27	\$ —	\$ 27	\$ —
Securities loaned	11,769	11,769	—	11,769	—
Payables to customers	85,634	85,634	—	85,634	—
Payables to brokers, dealers and clearing organizations	557	557	—	557	—
Interest payable	8	8	—	8	—
Total financial liabilities, not measured at fair value	\$ 97,995	\$ 97,995	\$ —	\$ 97,995	\$ —

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Netting of Financial Assets and Financial Liabilities

The Company's policy is to net securities borrowed and securities loaned, and securities purchased under agreements to resell and securities sold under agreements to repurchase that meet the offsetting requirements prescribed in ASC Topic 210-20. In the tables below, the amounts of financial instruments that are not offset in the condensed consolidated statements of financial condition, but could be netted against cash or financial instruments with specific counterparties under master netting agreements, according to the terms of the agreements, including clearing houses (exchange-traded options, warrants and discount certificates) or over the counter currency forward contract counterparties, are presented to provide financial statement readers with the Company's net payable or receivable with counterparties for these financial instruments.

The tables below present the netting of financial assets and financial liabilities for the periods indicated.

	September 30, 2022				
	Gross Amounts of Financial Assets and Liabilities Recognized	Amounts Offset in the Condensed Consolidated Statements of Financial Condition ²	Net Amounts Presented in the Condensed Consolidated Statements of Financial Condition (in millions)	Amounts Not Offset in the Condensed Consolidated Statements of Financial Condition Cash or Financial Instruments	Net Amount
Offsetting of financial assets					
Securities segregated for regulatory purposes - purchased under agreements to resell	\$ 25,981 ¹	\$ —	\$ 25,981	\$ (25,981)	\$ —
Securities borrowed	3,908	—	3,908	(3,731)	177
Securities purchased under agreements to resell	4,860	—	4,860	(4,860)	—
Financial instruments owned, at fair value					
Options	737	—	737	(232)	505
Currency forward contracts	43	—	43	—	43
Total	\$ 35,529	\$ —	\$ 35,529	\$ (34,804)	\$ 725
Offsetting of financial liabilities					
Securities loaned	\$ 9,490	\$ —	\$ 9,490	\$ (8,851)	\$ 639
Financial instruments sold, but not yet purchased, at fair value					
Options	232	—	232	(232)	—
Currency forward contracts	8	—	8	—	8
Total	\$ 9,730	\$ —	\$ 9,730	\$ (9,083)	\$ 647

Interactive Brokers Group, Inc. and Subsidiaries
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	December 31, 2021				
	Gross Amounts of Financial Assets and Liabilities Recognized	Amounts Offset in the Condensed Consolidated Statements of Financial Condition ²	Net Amounts Presented in the Condensed Consolidated Statements of Financial Condition (in millions)	Amounts Not Offset in the Condensed Consolidated Statements of Financial Condition Cash or Financial Instruments	Net Amount
Offsetting of financial assets					
Securities segregated for regulatory purposes - purchased under agreements to resell	\$ 10,392 ¹	\$ —	\$ 10,392	\$ (10,392)	\$ —
Securities borrowed	3,912	—	3,912	(3,642)	270
Securities purchased under agreements to resell	4,380	—	4,380	(4,380)	—
Financial instruments owned, at fair value					
Options	22	—	22	(19)	3
Currency forward contracts	39	—	39	—	39
Total	\$ 18,745	\$ —	\$ 18,745	\$ (18,433)	\$ 312
Offsetting of financial liabilities					
Securities loaned	\$ 11,769	\$ —	\$ 11,769	\$ (10,992)	\$ 777
Financial instruments sold, but not yet purchased, at fair value					
Options	22	—	22	(19)	3
Currency forward contracts	10	—	10	—	10
Total	\$ 11,801	\$ —	\$ 11,801	\$ (11,011)	\$ 790

(1) As of September 30, 2022 and December 31, 2021, the Company had \$26.0 billion and \$10.4 billion, respectively, of securities purchased under agreements to resell that were segregated to satisfy regulatory requirements. These securities are included in “Securities - segregated for regulatory purposes” in the condensed consolidated statements of financial condition.

(2) The Company did not have any balances eligible for netting in accordance with ASC Topic 210-20 as of September 30, 2022 and December 31, 2021.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Secured Financing Transactions – Maturities and Collateral Pledged

The tables below present gross obligations for securities loaned transactions by remaining contractual maturity and class of collateral pledged for the periods indicated.

September 30, 2022					
Remaining Contractual Maturity					
Overnight and Open	Less than 30 days	30 – 90 days	Over 90 days	Total	
(in millions)					
Securities loaned					
Stocks	\$ 9,386	\$ —	\$ —	\$ —	\$ 9,386
Corporate bonds	102	—	—	—	102
Foreign government securities	2	—	—	—	2
Total securities loaned	<u>\$ 9,490</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,490</u>

December 31, 2021					
Remaining Contractual Maturity					
Overnight and Open	Less than 30 days	30 – 90 days	Over 90 days	Total	
(in millions)					
Securities loaned					
Stocks	\$ 11,715	\$ —	\$ —	\$ —	\$ 11,715
Corporate bonds	51	—	—	—	51
Foreign government securities	3	—	—	—	3
Total securities loaned	<u>\$ 11,769</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,769</u>

7. Collateralized Transactions

The Company enters into securities borrowing and lending transactions and agreements to repurchase and resell securities to finance trading inventory, to obtain securities for settlement and to earn residual interest rate spreads. In addition, the Company's customers pledge their securities owned to collateralize margin loans. Under these transactions, the Company either receives or provides collateral, including equity, corporate debt and U.S. government securities. Under typical agreements, the Company is permitted to sell or repledge securities received as collateral and use these securities to secure securities purchased under agreements to resell, enter into securities lending transactions or deliver these securities to counterparties to cover short positions.

The Company also engages in securities financing transactions with and for customers through margin lending. Customer receivables generated from margin lending activity are collateralized by customer-owned securities held by the Company. Customers' required margin levels and established credit limits are monitored continuously by risk management staff using automated systems. Pursuant to the Company's policy and as enforced by such systems, customers are required to deposit additional collateral or reduce positions, when necessary, to avoid automatic liquidation of their positions.

Margin loans are extended to customers on a demand basis and are not committed facilities. Factors considered in the acceptance or rejection of margin loans are the amount of the loan, the degree of leverage being employed in the customer account and an overall evaluation of the customer's portfolio to ensure proper diversification or, in the case of concentrated positions, appropriate liquidity of the underlying collateral. Additionally, transactions relating to concentrated or restricted positions are limited or prohibited by raising the level of required margin collateral (to 100% in the extreme case). The underlying collateral for margin loans is evaluated with respect to the liquidity of the collateral positions, valuation of securities, volatility analysis and an evaluation of industry concentrations. Adherence to the Company's collateral policies significantly limits the Company's credit exposure to margin loans in the event of a customer's default. Under margin lending agreements, the Company may request additional margin collateral from customers and may sell securities that have not been paid for or purchase securities sold but not delivered from customers, if

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

necessary. As of September 30, 2022 and December 31, 2021, approximately \$40.4 billion and \$54.9 billion, respectively, of customer margin loans were outstanding.

The table below presents a summary of the amounts related to collateralized transactions for the periods indicated.

	September 30, 2022		December 31, 2021	
	Permitted to Repledge	Sold or Repledged	Permitted to Repledge	Sold or Repledged
	(in millions)			
Securities lending transactions	\$ 55,396	\$ 6,197	\$ 69,582	\$ 6,192
Securities purchased under agreements to resell transactions ¹	30,730	29,742	14,715	13,956
Customer margin assets	44,658	14,104	65,899	15,936
	\$ 130,784	\$ 50,043	\$ 150,196	\$ 36,084

(1) As of September 30, 2022, \$26.0 billion or 87% (as of December 31, 2021, \$10.4 billion or 74%) of securities acquired through agreements to resell that are shown as repledged have been deposited in a separate bank account for the exclusive benefit of customers in accordance with SEC Rule 15c3-3.

In the normal course of business, the Company pledges qualified securities with clearing organizations to satisfy daily margin and clearing fund requirements. As of September 30, 2022 and December 31, 2021, the majority of the Company's U.S. and foreign government securities owned were pledged to clearing organizations.

The table below presents financial instruments owned and pledged as collateral, including amounts pledged to affiliates, where the counterparty has the right to repledge, for the periods indicated.

	September 30, 2022	December 31, 2021
		(in millions)
Stocks	\$ 28	\$ 60
U.S. and foreign government securities	29	54
	\$ 57	\$ 114

8. Revenues from Contracts with Customers

Revenue from contracts with customers is recognized when, or as, the Company satisfies its performance obligations by transferring the promised services to the customers. A service is transferred to a customer when, or as, the customer obtains control of that service. A performance obligation may be satisfied at a point in time or over time. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that the Company determines the customer obtains control over the promised service. Revenue from a performance obligation satisfied over time is recognized by measuring the Company's progress in satisfying the performance obligation in a manner that depicts the transfer of the services to the customer. The amount of revenue recognized reflects the consideration the Company expects to receive in exchange for those promised services (i.e., the "transaction price"). In determining the transaction price, the Company considers multiple factors, including the effects of variable consideration, if any.

The Company's revenues from contracts with customers are recognized when the performance obligations are satisfied at an amount that reflects the consideration expected to be received in exchange for such services. The majority of the Company's performance obligations are satisfied at a point in time and are typically collected from customers by debiting their brokerage account with the Company.

Interactive Brokers Group, Inc. and Subsidiaries
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Nature of Services

The Company's main sources of revenues from contracts with customers are as follows:

- *Commissions* are charged to customers for order execution services and trade clearing and settlement services. These services represent a single performance obligation as the services are not separately identifiable in the context of the contract. The Company recognizes revenue at a point in time at the execution of the order (i.e., trade date). Commissions are generally collected from cleared customers on trade date and from non-cleared customers monthly. Commissions also include payments for order flow received from IBKR LiteSM liquidity providers.
- *Market data fees* are charged to customers for market data services to which they subscribe that the Company delivers. The Company recognizes revenue monthly as the performance obligation is satisfied over time by continually providing market data for the month. Market data fees are collected monthly, generally in advance.
- *Risk exposure fees* are charged to customers who carry positions with a market risk that exceeds defined thresholds. The Company recognizes revenue daily as the performance obligation is satisfied at a point in time by the Company taking on the additional risk of account liquidation and potential losses due to insufficient margin. Risk exposure fees are collected daily.
- *Payments for order flow* are earned from various options exchanges based upon options trading volume originated by the Company that meets certain criteria. The Company recognizes revenue daily as the performance obligation is satisfied at a point in time on customer orders that qualify for payments subject to exchange-mandated programs. Payments for order flow are collected monthly, in arrears.
- *Minimum activity fees* are charged to customers that do not generate the required minimum monthly commission. The Company recognizes revenue monthly as the performance obligation is satisfied at a point in time by servicing customer accounts that do not generate the required minimum monthly commissions. Minimum activity fees are collected monthly, in arrears. Effective July 1, 2021, the Company eliminated minimum activity fees for most account types.

The Company also earns revenues from other services, including order cancellation or modification fees, position transfer fees, telecommunications fees, withdrawal fees and bank sweep program fees, among others.

Interactive Brokers Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Disaggregation of Revenue

The tables below present revenue from contracts with customers by geographic location and major types of services for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in millions)			
<u>Geographic location ¹</u>				
United States	\$ 232	\$ 217	\$ 701	\$ 718
International	133	143	431	472
	\$ 365	\$ 360	\$ 1,132	\$ 1,190
<u>Major types of services</u>				
Commissions	\$ 320	\$ 311	\$ 991	\$ 1,030
Market data fees ²	19	19	58	58
Risk exposure fees ²	5	8	26	20
Payments for order flow ²	9	11	28	30
Minimum activity fees ²	1	1	3	17
Other ²	11	10	26	35
	\$ 365	\$ 360	\$ 1,132	\$ 1,190

(1) Based on the location of the subsidiaries in which the revenues are recorded.

(2) Included in other fees and services in the condensed consolidated statements of comprehensive income.

Receivables and Contract Balances

Receivables arise when the Company has an unconditional right to receive payment under a contract with a customer and are derecognized when the cash is received. Receivables of \$17 million and \$19 million, as of September 30, 2022 and December 31, 2021, respectively, are reported in other assets in the condensed consolidated statements of financial condition.

Contract assets arise when the revenue associated with the contract is recognized before the Company's unconditional right to receive payment under a contract with a customer (i.e., unbilled receivable) and are derecognized when either it becomes a receivable or the cash is received. Contract assets are reported in other assets in the condensed consolidated statements of financial condition. As of September 30, 2022 and December 31, 2021, contract asset balances were not material.

Contract liabilities arise when customers remit contractual cash payments in advance of the Company satisfying its performance obligations under the contract and are derecognized when the revenue associated with the contract is recognized either when a milestone is met triggering the contractual right to bill the customer or when the performance obligation is satisfied. Contract liabilities are reported in accounts payable, accrued expenses and other liabilities in the condensed consolidated statements of financial condition. As of September 30, 2022 and December 31, 2021, contract liability balances were not material.

Interactive Brokers Group, Inc. and Subsidiaries
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9. Other Income (Loss)

The table below presents the components of other income (loss) for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in millions)			
Principal transactions	\$ (10)	\$ (175)	\$ (34)	\$ 68
Gains (losses) from currency diversification strategy, net	(40)	(3)	(111)	(14)
Other, net	2	8	1	14
	<u>\$ (48)</u>	<u>\$ (170)</u>	<u>\$ (144)</u>	<u>\$ 68</u>

Principal transactions include (1) trading gains and losses from the Company's remaining market making activities; (2) realized and unrealized gains and losses on financial instruments that (a) are held for purposes other than the Company's market making activities, or (b) are subject to restrictions; and (3) dividends on investments accounted at cost less impairment.

10. Employee Incentive Plans

Defined Contribution Plan

The Company offers substantially all employees of U.S.-based operating subsidiaries who have met minimum service requirements the opportunity to participate in defined contribution retirement plans qualifying under the provisions of Section 401(k) of the Internal Revenue Code. The general purpose of this plan is to provide employees with an incentive to make regular savings in order to provide additional financial security during retirement. This plan provides for the Company to match 50% of the employees' pre-tax contribution, up to a maximum of 10% of eligible earnings. The employee is vested in the matching contribution incrementally over six years of service. Included in employee compensation and benefits expenses in the condensed consolidated statements of comprehensive income was \$5 million and \$4 million of plan contributions for the nine months ended September 30, 2022 and 2021, respectively.

2007 Stock Incentive Plan

Under the Company's Stock Incentive Plan, up to 30 million shares of the Company's Class A common stock may be issued to satisfy vested restricted stock units granted to directors, officers, employees, contractors and consultants of the Company. The purpose of the Stock Incentive Plan is to promote the Company's long-term financial success by attracting, retaining and rewarding eligible participants.

As a result of the Company's organizational structure, there is no material dilutive effect upon ownership of common stockholders of issuing shares under the Stock Incentive Plan. The issuances do not dilute the book value of the ownership of common stockholders since the restricted stock units are granted at market value, and upon their vesting and the related issuance of shares of common stock, the ownership of IBG, Inc. in IBG LLC, increases proportionately to the shares issued. As a result of such proportionate increase in share ownership, the dilution upon issuance of common stock is borne by IBG LLC's majority member (i.e., noncontrolling interest), Holdings, and not by IBG, Inc. or its common stockholders. Additionally, dilution of earnings that may take place after issuance of common stock is reflected in EPS reported in the Company's financial statements. The EPS dilution can be neither estimated nor projected, but historically it has not been material.

The Stock Incentive Plan is administered by the Compensation Committee of the Company's Board of Directors. The Compensation Committee has discretionary authority to determine the eligibility to participate in the Stock Incentive Plan and establishes the terms and conditions of the awards, including the number of awards granted to each participant and all other terms and conditions applicable to such awards in individual grant agreements. Awards are expected to be made primarily through grants of restricted stock units. Stock Incentive Plan awards are subject to issuance over time. All previously granted but not yet earned awards may be canceled by the Company upon the participant's termination of employment or violation of certain applicable covenants before issuance, unless determined otherwise by the Compensation Committee.

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Notes to Unaudited Condensed Consolidated Financial Statements

The Stock Incentive Plan provides that, upon a change in control, the Compensation Committee may, at its discretion, fully vest any granted but not yet earned awards under the Stock Incentive Plan, or provide that any such granted but not yet earned awards will be honored or assumed, or new rights substituted by the new employer on a substantially similar basis and terms and conditions substantially comparable to those of the Stock Incentive Plan.

The Company expects to continue to grant awards on or about December 31 of each year to eligible participants as part of an overall plan of equity compensation. In 2021, the Company's Compensation Committee approved a change to the vesting schedule for the Stock Incentive Plan. For awards granted on December 31, 2021 onwards, restricted stock units vest and become distributable to participants 20% on each vesting date, which is on or about May 9 of each year, assuming continued employment with the Company and compliance with non-competition and other applicable covenants. The vesting and distribution of grants prior to December 31, 2021 remain in accordance with the following schedule: (a) 10% on the first vesting date, which is on or about May 9 of each year; and (b) an additional 15% on each of the following six anniversaries of the first vesting.

Awards granted to directors vest and are distributed as follows: (a) one-time award granted to external directors on December 31 of the year of appointment vests over a five-year period (20% per year) commencing one year after the date of grant, and (b) annual awards granted to all directors on December 31 of each year are fully vested and distributed immediately on grant date. A total of 32,544 restricted stock units have been granted to the directors cumulatively since the plan's inception.

The table below presents Stock Incentive Plan awards granted and the related fair values since the plan's inception.

	Units	Fair Value at Date of Grant (\$ millions)
Prior periods (since inception)	25,643,893	\$ 623
December 31, 2019	1,374,217	65
December 31, 2020	1,229,177	71
December 31, 2021	1,084,773 ¹	84
April 25, 2022	180,889 ²	12
	29,512,949	\$ 855

(1) Stock Incentive Plan number of granted restricted stock units related to 2021 was adjusted by 7,725 additional restricted stock units during the nine months ended September 30, 2022.

(2) On April 25, 2022, the Company awarded a special grant of restricted stock units to employees.

Estimated future grants under the Stock Incentive Plan are accrued for ratably during each year (see Note 2). In accordance with the vesting schedule, outstanding awards vest and are distributed to participants yearly on or about May 9 of each year. At the end of each year, no vested awards remain undistributed.

Compensation expense related to the Stock Incentive Plan recognized in the condensed consolidated statements of comprehensive income was \$64 million and \$51 million for the nine months ended September 30, 2022 and 2021, respectively. Estimated future compensation costs for unvested awards, net of credits for canceled awards, as of September 30, 2022 are \$30 million.

Interactive Brokers Group, Inc. and Subsidiaries
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The table below summarizes the Stock Incentive Plan activity for the periods indicated.

	Stock Incentive Plan Units
Balance, December 31, 2021 ¹	4,783,810
Granted ²	180,889
Canceled	(173,079)
Distributed	(1,272,090)
Balance, September 30, 2022	3,519,530

- (1) Stock Incentive Plan number of granted restricted stock units related to 2021 was adjusted by 7,725 additional restricted stock units during the nine months ended September 30, 2022.
- (2) On April 25, 2022, the Company awarded a special grant of restricted stock units to employees.

Awards previously granted but not yet earned under the stock plans are subject to the plans' post-employment provisions in the event a participant ceases employment with the Company. Through September 30, 2022, a total of 1,225,895 restricted stock units have been distributed under these post-employment provisions. These distributions are included in the table above.

11. Income Taxes

Income tax expense for the nine months ended September 30, 2022 and 2021 differs from the U.S. federal statutory rate primarily due to the taxation treatment of income attributable to noncontrolling interests in IBG LLC. These noncontrolling interests are held directly through a U.S. partnership. Accordingly, the income attributable to these noncontrolling interests is reported in the condensed consolidated statements of comprehensive income, but the related U.S. income tax expense attributable to these noncontrolling interests is not reported by the Company as it is generally the obligation of the noncontrolling interests. Income tax expense is also affected by the differing effective tax rates in foreign, state and local jurisdictions where certain of the Company's subsidiaries are subject to corporate taxation.

Deferred income taxes arise primarily due to the amortization of the deferred tax assets recognized in connection with the common stock offerings (see Note 4), differences in the valuation of financial assets and liabilities, and for other temporary differences arising from the deductibility of compensation and depreciation expenses in different time periods for accounting and income tax return purposes.

As of and for the nine months ended September 30, 2022 and 2021, the Company had no material valuation allowances on deferred tax assets.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. As of September 30, 2022, the Company is no longer subject to U.S. Federal and State income tax examinations for tax years prior to 2016, and to non-U.S. income tax examinations for tax years prior to 2011.

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12. Leases

All of the Company's leases are classified as operating leases and primarily consist of real estate leases for corporate offices, data centers and other facilities. As of September 30, 2022, the weighted-average remaining lease term on these leases is approximately 7 years and the weighted-average discount rate used to measure the lease liabilities is approximately 3.91%. For the nine months ended September 30, 2022, right-of-use assets obtained under new operating leases were \$29 million. The Company's lease agreements do not contain any residual value guarantees, restrictions, or covenants.

The table below presents balances reported in the condensed consolidated statements of financial condition related to the Company's leases for the periods indicated.

	September 30, 2022	December 31, 2021
	(in millions)	
Right-of-use assets ¹	\$ 109	\$ 101
Lease liabilities ¹	\$ 130	\$ 123

(1) Right-of-use assets are included in other assets and lease liabilities are included in accounts payable, accrued expenses and other liabilities in the Company's condensed consolidated statements of financial condition.

The table below presents balances reported in the condensed consolidated statements of comprehensive income related to the Company's leases for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in millions)			
Operating lease cost	\$ 8	\$ 6	\$ 23	\$ 20
Variable lease cost	1	1	3	3
Total lease cost	\$ 9	\$ 7	\$ 26	\$ 23

The table below reconciles the undiscounted cash flows of the Company's leases to the present value of its operating lease payments for the period indicated.

	September 30, 2022
	(in millions)
2022 (remaining)	\$ 7
2023	29
2024	24
2025	19
2026	17
2027	13
Thereafter	40
Total undiscounted operating lease payments	149
Less: imputed interest	(19)
Present value of operating lease liabilities	\$ 130

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13. Commitments, Contingencies and Guarantees

Legal, Regulatory and Governmental Matters

The Company is subject to certain pending and threatened legal, regulatory and governmental actions and proceedings that arise out of the normal course of business. Given the inherent difficulty of predicting the outcome of such matters, particularly in proceedings where claimants seek substantial or indeterminate damages, or which are in their early stages, the Company is generally not able to quantify the actual loss or range of loss related to such legal proceedings, the manner in which they will be resolved, the timing of their final resolution or the ultimate settlement. Management believes that the resolution of these matters will not have a material effect, if any, on the Company's business or financial condition, but may have a material impact on the results of operations for a given period.

The Company accounts for potential losses related to litigation in accordance with FASB ASC Topic 450, "Contingencies." As of September 30, 2022 and 2021, accruals for potential losses related to legal, regulatory and governmental actions and proceedings matters were not material.

Trading Technologies Matter

On February 3, 2010, Trading Technologies International, Inc. ("Trading Technologies") filed a complaint in the U.S. District Court for the Northern District of Illinois, Eastern Division, against IBG LLC and IB LLC (the "Defendants"). The complaint, as amended, alleged that the Defendants infringed twelve U.S. patents held by Trading Technologies. Trading Technologies sought damages and injunctive relief. The Defendants asserted numerous defenses to Trading Technologies' claims.

The asserted patents were the subject of petitions before the United States Patent and Trademark Office ("USPTO") seeking Covered Business Method Review ("CBM Review"). The USPTO Patent Trial Appeal Board ("PTAB") found all claims of ten of the twelve asserted patents to be invalid. Of the remaining two patents, 53 of the 56 claims of one patent were held invalid and the other patent survived CBM Review proceedings. Appeals were filed by either the Defendants or Trading Technologies on all PTAB determinations.

The United States Court of Appeals for the Federal Circuit affirmed the PTAB's CBM Review determinations that eight patents were invalid and vacated the CBM Review determinations of invalidity for four patents, concluding that these patents were not eligible for CBM Review. The District Court proceedings on the four patents where the CBM Review determinations had been vacated thereafter resumed in March 2019. All four patents have since expired.

In June 2021, the District Court granted summary judgment in favor of the Defendants, finding that two of the remaining four patents were invalid. The District Court trial with respect to the two remaining patents began on August 6, 2021. At trial, Trading Technologies sought damages of \$962.4 million and a finding of willful infringement to support a later request for an award of enhanced damages. The Defendants believed and continue to believe that Trading Technologies' damages request was unrealistic and without merit, and was inconsistent with license agreements involving the same patents and with prior settlement agreements with unrelated third parties.

On September 7, 2021, the jury rendered its verdict finding that the Defendants infringed the two patents, but did not willfully infringe either patent, finding that the two patents were not invalid and awarding \$6.6 million in damages to Trading Technologies.

On October 5, 2021, Trading Technologies filed motions for a new trial on damages and willfulness, and to amend the judgment to include pre-judgment and post-judgment interest. On October 7, 2021, Trading Technologies filed a Bill of Costs seeking to recover certain litigation costs. The Defendants opposed each of these motions. On December 21, 2021, Trading Technologies filed a motion seeking to substitute Harris Brumfield (through a trust controlled by Brumfield) as the plaintiff. The Defendants did not oppose the substitution. On January 11, 2022, the District Court granted in part and denied in part Trading Technologies' motion seeking pre-judgment and post-judgment interest, denying the amount Trading Technologies was seeking, but awarding Trading Technologies pre-judgment interest in the amount of \$2.1 million and post-judgment interest in an amount to be calculated pursuant to the Court's orders. On February 22, 2022, the District Court denied in its entirety Trading Technologies' motion seeking a new trial on damages and willfulness. On March 24, 2022, Harris Brumfield filed a notice of appeal of the District Court's judgment, certain other orders of the Court, and generally any and all other orders, rulings, findings, and/or conclusions adverse to Trading Technologies. On April 7, 2022, the Defendants filed a notice of cross-appeal. Brumfield's Opening Brief was filed on August 26, 2022, and the Defendants' Opposition Brief is due on November 18, 2022. On March 31, 2022, the District Court granted Trading Technologies' bill of costs in the amount of \$490,232, which was less than the amount Trading Technologies sought. The Defendants continue to believe in the invalidity of the two patents that were the subject of the jury verdict, and which have expired, and are considering their options, including appropriate forums, for proving the ultimate invalidity of such patents.

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While it is difficult to predict the ultimate outcome of the matter and litigation is inherently uncertain, the Company believes in the merits of its positions and will defend them vigorously.

Class Action Matter

On December 18, 2015, a former individual customer filed a purported class action complaint against IB LLC, IBG, Inc., and Thomas Frank, Ph.D., the Company's Executive Vice President and Chief Information Officer, in the U.S. District Court for the District of Connecticut. The complaint alleges that the purported class of IB LLC's customers were harmed by alleged "flaws" in the computerized system used to close out (i.e., liquidate) positions in customer brokerage accounts that have margin deficiencies. The complaint seeks, among other things, undefined compensatory damages and declaratory and injunctive relief.

On September 28, 2016, the District Court issued an order granting the Company's motion to dismiss the complaint in its entirety, and without providing plaintiff leave to amend. On September 28, 2017, the plaintiff appealed to the United States Court of Appeals for the Second Circuit. On September 26, 2018, the Court of Appeals affirmed the dismissal of plaintiff's claims of breach of contract and commercially unreasonable liquidation but vacated and remanded back to the District Court plaintiff's claims for negligence. On November 30, 2018, the plaintiff filed a second amended complaint. The Company filed a motion to dismiss the new complaint on January 11, 2019, which was denied on September 30, 2019. On December 9, 2019, the Company filed a motion requesting that the District Court certify to the Connecticut Supreme Court two questions of Connecticut law directly relevant to the motion to dismiss. The Court denied the Company's motion to certify on May 15, 2020. The plaintiff served a motion for class certification on March 18, 2022. The motion is now fully briefed. The Court has not yet set a date for oral argument. On March 25, 2022, the plaintiff also filed a motion for leave to amend his complaint, which was granted on July 5, 2022. The plaintiff filed his third amended complaint on July 14, 2022. The Company's answer was filed on July 28, 2022. The Company does not believe that a purported class action is appropriate given the great differences in portfolios, markets and many other circumstances surrounding the liquidation of any particular customer's margin-deficient account. IB LLC and the related defendants intend to continue to defend themselves vigorously against the case and, consistent with past practice in connection with this type of unwarranted action, any potential claims for counsel fees and expenses incurred in defending the case may be fully pursued against the plaintiff.

Regulatory Matters

The Company is subject to regulatory oversight and examination by numerous governmental and self-regulatory authorities. As announced on August 10, 2020, the Company agreed to settle certain matters related to its historical anti-money laundering and Bank Secrecy Act practices and procedures with FINRA, the SEC and the CFTC. As part of the settlements, the Company agreed to pay penalties of \$15 million to FINRA, \$11.5 million to the SEC and \$11.5 million to the CFTC, plus approximately \$700,000 in disgorgement. In addition, the Company agreed to continue the retention of an independent consultant to review the implementation of its enhanced compliance practices and procedures. The Company is also cooperating with a United States Department of Justice inquiry concerning these matters, and while its outcome cannot be predicted, the Company does not believe that the resolution of this inquiry is likely to have a materially adverse effect on its financial results.

Guarantees

Certain of the operating subsidiaries provide guarantees to securities and commodities clearing houses and exchanges which meet the accounting definition of a guarantee under FASB ASC Topic 460, "Guarantees." Under standard membership agreements, clearing house and exchange members are required to guarantee collectively the performance of other members. Under the agreements, if a member becomes unable to satisfy its obligations, other members would be required to meet shortfalls. In the opinion of management, the operating subsidiaries' liability under these arrangements is not quantifiable and could exceed the cash and securities they have posted as collateral. However, the potential for these operating subsidiaries to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried in the condensed consolidated statements of financial condition for these arrangements.

In connection with its retail brokerage business, IB LLC or other electronic brokerage operating subsidiaries perform securities and commodities execution, clearance and settlement on behalf of their customers for whom they commit to settle trades submitted by such customers with the respective clearing houses. If a customer fails to fulfill its settlement obligations, the respective operating subsidiary must fulfill those settlement obligations. No contingent liability is carried on the condensed consolidated statements of financial condition for such customer obligations.

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Other Commitments

Certain clearing houses, clearing banks and firms used by certain operating subsidiaries are given a security interest in certain assets of those operating subsidiaries held by those clearing organizations. These assets may be applied to satisfy the obligations of those operating subsidiaries to the respective clearing organizations.

14. Geographic Information

The Company operates its automated global business in the U.S. and international markets on more than 150 electronic exchanges and market centers. A significant portion of the Company's net revenues is generated by subsidiaries operating outside the U.S. International operations are conducted in 32 countries in Europe, Asia/Pacific and the Americas (outside the U.S.). The following table presents total net revenues and income before income taxes by geographic area for the periods indicated.

Significant transactions and balances between the operating subsidiaries occur, primarily as a result of certain operating subsidiaries holding exchange or clearing organization memberships, which are utilized to provide execution and clearing services to subsidiaries. Intra-region income and expenses and related balances have been eliminated in this geographic information to reflect the external business conducted in each geographic region. The geographic analysis presented below is based on the location of the subsidiaries in which the transactions are recorded. This geographic information does not reflect the way the Company's business is managed.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in millions)			
Net revenues				
United States	\$ 556	\$ 264	\$ 1,427	\$ 1,480
International	234	200	664	631
Total net revenues	\$ 790	\$ 464	\$ 2,091	\$ 2,111
Income before income taxes				
United States	\$ 409	\$ 151	\$ 1,018	\$ 1,180
International	114	83	291	234
Total income before income taxes	\$ 523	\$ 234	\$ 1,309	\$ 1,414

15. Regulatory Requirements

As of September 30, 2022, aggregate excess regulatory capital for all operating subsidiaries was \$8.1 billion.

IB LLC, IBKRSS and Interactive Brokers Corp. are subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Exchange Act. IB LLC is also subject to the CFTC's minimum financial requirements (Regulation 1.17). IBC is subject to the Investment Industry Regulatory Organization of Canada risk-adjusted capital requirement. IBKRFS is subject to the Swiss Financial Market Supervisory Authority eligible equity requirement, IBUK is subject to the United Kingdom Financial Conduct Authority Capital Requirements Directive, IBIE is subject to the Central Bank of Ireland financial resources requirement, IBCE is subject to the Hungarian National Bank financial resource requirement, IBI is subject to the National Stock Exchange of India net capital requirements, IBHK is subject to the Hong Kong Securities Futures Commission liquid capital requirement, IBSJ is subject to the Japanese Financial Supervisory Agency capital requirements, IBSG is subject to the Monetary Authority of Singapore capital requirements, and IBA is subject to the Australian Securities Exchange liquid capital requirement.

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The table below summarizes capital, capital requirements and excess regulatory capital as of September 30, 2022.

	Net Capital/ Eligible Equity	Requirement	Excess
	(in millions)		
IB LLC	\$ 6,130	\$ 740	\$ 5,390
IBKRFS	517	12	505
IBHK	975	206	769
Other regulated operating subsidiaries	1,716	262	1,454
	<u>\$ 9,338</u>	<u>\$ 1,220</u>	<u>\$ 8,118</u>

Regulatory capital requirements could restrict the operating subsidiaries from expanding their business and declaring dividends if their net capital does not meet regulatory requirements. Also, certain operating subsidiaries are subject to other regulatory restrictions and requirements.

As of September 30, 2022, all regulated operating subsidiaries were in compliance with their respective regulatory capital requirements.

16. Related Party Transactions

Receivable from affiliate, reported in other assets in the condensed consolidated statements of financial condition, represents amounts advanced to Holdings and payable to affiliate represents amounts payable to Holdings under the Tax Receivable Agreement (see Note 4).

Included in receivables from and payables to customers in the condensed consolidated statements of financial condition as of September 30, 2022 and December 31, 2021 were accounts receivable from directors, officers and their affiliates of \$15 million and \$28 million, respectively, and payables of \$1,230 million and \$1,197 million, respectively. The Company may extend credit to these related parties in connection with margin and securities loans. Such loans are (i) made in the ordinary course of business, (ii) are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the company, and (iii) do not involve more than the normal risk of collectability or present other unfavorable features.

17. Senior Notes Payable

IBG LLC from time to time may offer senior notes in private placements to certain qualified customers of IB LLC at an issue price of \$1 thousand per note. The senior notes will mature no later than the thirtieth day following the issuance date. IBG LLC, at its option, may redeem the senior notes at any time, at a redemption price equal to 100% of the principal amount of the senior notes to be redeemed, plus accrued interest. The senior notes will pay a fixed rate of interest during their tenure. The interest rate is calculated by adding the benchmark rate to a rate (spread) that IBG LLC will announce from time to time. The benchmark rate is the effective federal funds rate as reported by the Federal Reserve Bank of New York on the morning of the date of the offering. IBG LLC intends to use the proceeds for general financing purposes when interest spread opportunities arise. During the nine months ended September 30, 2022 the Company did not issue any senior notes. Interest expense on the senior notes for the nine months ended September 30, 2021 was \$1 million.

18. Subsequent Events

The Company has evaluated subsequent events for adjustment to or disclosure in its condensed consolidated financial statements through the date the condensed consolidated financial statements were issued.

Except as disclosed above and in Note 4 and Note 13, no other recordable or disclosable events occurred.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes in Item 1, included elsewhere in this report. In addition to historical information, the following discussion also contains forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading “Risk Factors” in our Annual Report on Form 10-K filed with the Securities Exchange Commission (“SEC”) on February 25, 2022 and elsewhere in this report.

When we use the terms “we,” “us,” and “our,” we mean IBG, Inc. and its subsidiaries for the periods presented.

Introduction

Interactive Brokers Group, Inc. (the “Company” or “IBG, Inc.”) is a holding company whose primary asset is its ownership of approximately 24.5% of the membership interests of IBG LLC. The remaining approximately 75.5% of IBG LLC membership interests are held by IBG Holdings LLC (“Holdings”), a holding company that is owned by our founder and Chairman, Mr. Thomas Peterffy and his affiliates, management and other employees of IBG LLC, and certain other members. The table below shows the amount of IBG LLC membership interests held by IBG, Inc. and Holdings as of September 30, 2022.

	<u>IBG, Inc.</u>	<u>Holdings</u>	<u>Total</u>
Ownership %	24.5%	75.5%	100.0%
Membership interests	102,873,607	316,609,102	419,482,709

We are an automated global electronic broker. We custody and service accounts for hedge and mutual funds, exchange traded funds (“ETFs”), registered investment advisors, proprietary trading groups, introducing brokers and individual investors. We specialize in routing orders and executing and processing trades in stocks, options, futures, forex, bonds, mutual funds, ETFs and precious metals on more than 150 electronic exchanges and market centers in 33 countries and 26 currencies seamlessly around the world. In addition, our customers can use our trading platform to trade certain cryptocurrencies through a third-party cryptocurrency service provider which executes, clears and custodies the cryptocurrencies.

As an electronic broker, we execute, clear and settle trades globally for both institutional and individual customers. Capitalizing on our proprietary technology, our systems provide our customers with the capability to monitor multiple markets around the world simultaneously and to execute trades electronically in these markets at a low cost, in multiple products and currencies from a single trading account. The ever-growing complexity of multiple market centers across diverse geographies provides us with ongoing opportunities to build and continuously adapt our order routing software to secure excellent execution prices.

Since our inception in 1977, we have focused on developing proprietary software to automate broker-dealer functions. The proliferation of electronic exchanges and market centers since the early 1990s has allowed us to integrate our software with an increasing number of trading venues, creating one automatically functioning, computerized platform that requires minimal human intervention.

Our customer base is diverse with respect to geography and segments. Currently, approximately 78% of our customers reside outside the U.S. in over 200 countries and territories, and over 50% of new customers come from outside the U.S. Approximately 58% of our customers’ equity is in institutional accounts such as hedge funds, financial advisors, proprietary trading desks and introducing brokers. Specialized products and services that we have developed successfully attract these accounts. For example, we offer prime brokerage services, including financing and securities lending, to hedge funds; our model portfolio technology and automated share allocation and rebalancing tools are particularly attractive to financial advisors; and our trading platform, global access and low pricing attract introducing brokers.

Business Environment

The quarter ended September 30, 2022 (“current quarter”) saw world equities markets generally lower, as compared to the prior-year quarter, following the downward trend for the year with declines in the U.S., Europe and Asia. This falling market backdrop occurred in the face of rising interest rates worldwide, fears of recession and geopolitical events.

The following is a summary of the key economic drivers that affect our business and how they compared to the prior-year quarter:

Global trading volumes. According to industry data, average daily volume in U.S. exchange-listed equity-based options increased 6%, and in U.S. futures 26%, over the prior year. U.S. listed cash equities volume rose 12%.

Various market cross-currents led to mixed results across our major product types: customer options, futures and foreign exchange volumes were up 1%, 36% and 42%, respectively, while stock volumes declined 56% compared to the prior-year quarter. Volumes rose in financial futures, particularly equity index, foreign exchange and interest rate futures, as the strength of the U.S. dollar continued and bond yields rose dramatically. And while stock trading volumes were significantly higher than pre-pandemic levels, they were below the unusually high levels of stock trading seen in early 2021, a period dominated by trading in “meme” stocks and low-priced stocks generally.

Note that while U.S. options, futures and cash equities volumes are readily comparable measures, they reflect most but not all of the global volumes that generate our commission revenue. See “Trading Volumes and Customer Statistics” below in this Item 2 for additional details regarding our trade volumes, contract and share volumes, and customer statistics.

Volatility. Volatility increased over the prior-year quarter. Inflationary pressures, the potential for further increases in interest rates and geopolitical uncertainty have impacted markets worldwide. U.S. market volatility, as measured by the Chicago Board Options Exchange Volatility Index (“VIX®”), rose from an average of 18.3 in the prior-year quarter to 24.7 in the current quarter.

In general, higher volatility improves our performance because it often correlates positively with customer trading activity across product types. Higher options and futures volumes during a period of elevated volatility demonstrate the continuing impact of more participants in the financial markets and their increasing comfort with these exchange-listed derivative products, amid heightened geopolitical and interest rate uncertainty.

Interest Rates. The U.S. Federal Reserve increased the federal funds rate target range this quarter to 3.00% to 3.25%, by raising rates 75 basis points in July and an additional 75 basis points in September. Rates have risen in a series of increases from the zero to 0.25% range that had been targeted from March 2020 to March 2022. The U.S. Treasury yield curve remained relatively steep on the short end, reflecting expectations of further rate hikes. Rates in other currencies also began to rise, though generally trailing the U.S. dollar rates, and some – notably the Euro and the Swiss franc – were still negative by the end of the quarter.

Higher U.S. benchmark rates have boosted the interest we earn on our segregated cash, the majority of which is invested in U.S. government securities and related instruments. The environment of uncertainty over future Federal Reserve policy led us to maintain a short duration investment profile, so that additional rate increases would present more opportunities for interest-sensitive assets. Further, our margin balances are tied to benchmark rates, so rising rates have improved the interest we earn on margin lending to our customers. We continue to offer among the lowest rates in the industry on margin lending, and we believe our low rates are an important factor that attracts customers to our platform.

As an offset, increasing rates also increase our interest expense. For example, in U.S. dollars we pay interest to customers when the federal funds effective rate is above 0.50%, which it has been since May 2022. Central banks in other countries have also sought to increase their interest rates in recent months. However, in currencies with negative rates we continued to collect interest on a portion of customer cash balances.

Net interest income on customer cash and margin loan balances increased compared to the prior-year quarter as the average federal funds effective rate increased to 2.18% in the current quarter from 0.09% in the prior-year quarter. Prior to the higher rates we have seen this year, the interest we paid on customer cash balances and earned on customer margin loans and investment of customer segregated funds resulted in spreads that were compressed at low benchmark rates. Rising benchmark interest rates eliminate this spread compression and lead to higher net interest income.

Higher interest rates contributed to a 73% rise in net interest income over the prior-year quarter. Combined with increases in credit and segregated cash balances, these higher rates led to a widening of our net interest margin from 1.13% in the prior-year quarter to 1.67% in the current quarter.

Currency fluctuations. As a global electronic broker trading on exchanges around the world in multiple currencies, we are exposed to foreign currency risk. We actively manage this exposure by keeping our equity in proportion to a defined basket of 10 currencies we call the “GLOBAL” to diversify our risk and to align our hedging strategy with the currencies that we use in our business. Because we report our financial results in U.S. dollars, the change in the value of the GLOBAL versus the U.S. dollar affects our earnings. During the current quarter the value of the GLOBAL, as measured in U.S. dollars, decreased 1.46% compared to its value at June 30, 2022, which had a negative impact on our comprehensive earnings for the current quarter. A discussion of our approach for managing foreign currency exposure is contained in Part I, Item 3 of this Quarterly Report on Form 10-Q entitled “Quantitative and Qualitative Disclosures about Market Risk.”

Overall, several factors – relatively active securities markets combined with inflation, a series of rate increases and geopolitical uncertainty – have led to high volatility and to investor usage of options and futures to manage risk. Customers continue to seek our superior technology, execution capabilities, and our ability to offer a broad range of products and global market access.

Financial Overview

We report non-GAAP financial measures, which exclude certain items that may not be indicative of our core operating results and business outlook and may be useful in evaluating the operating performance of our business and provide a better comparison of our results in the current period to those in prior and future periods. See the “Non-GAAP Financial Measures” section below in this Item 2 for additional details.

Diluted earnings per share were \$0.97 for the current quarter, compared to diluted earnings per share of \$0.43 for the prior-year quarter. Adjusted diluted earnings per share were \$1.08 for the current quarter and \$0.78 for the prior-year quarter. The calculation of diluted earnings per share is detailed in Note 4 – “Equity and Earnings per Share” to the unaudited condensed consolidated financial statements in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

For the current quarter, our net revenues were \$790 million and income before income taxes was \$523 million, compared to net revenues of \$464 million and income before income taxes of \$234 million in the prior-year quarter. Adjusted net revenues were \$847 million and adjusted income before income taxes was \$580 million, compared to adjusted net revenues of \$650 million and adjusted income before income taxes of \$420 million in the prior-year quarter.

Diluted earnings per share were \$2.43 for the nine months ended September 30, 2022 (“current nine-month period”), compared to diluted earnings per share of \$2.58 for the nine months ended September 30, 2021 (“prior-year nine-month period”). Adjusted diluted earnings per share were \$2.74 for the current nine-month period and \$2.55 for the prior-year nine-month period.

For the current nine-month period, our net revenues were \$2,091 million and income before income taxes was \$1,309 million, compared to net revenues of \$2,111 million and income before income taxes of \$1,414 million in the prior-year nine-month period. Adjusted net revenues were \$2,256 million and adjusted income before income taxes was \$1,474 million, compared to adjusted net revenues of \$2,096 million and adjusted income before income taxes of \$1,399 million in the prior-year nine-month period.

Financial highlights for the current quarter:

- Commission revenue increased 3% to \$320 million on higher customer futures trading volume and higher options commission per contract, tempered by lower stock volume.
- Net interest income increased 73% to \$473 million on higher benchmark interest rates and customer credit balances, partially offset by a decline in margin lending balances.
- Other income increased \$122 million to a loss of \$48 million. This increase was mainly comprised of a \$171 million smaller loss related to our strategic investment in Up Fintech Holding Limited (“Tiger Brokers”), partially offset by \$37 million related to our currency diversification strategy and \$7 million related to trading activities.
- Pretax profit margin was 66% for the current quarter, up from 50% in the prior-year quarter. Adjusted pretax profit margin for the current quarter was 68%, up from 65% in the prior-year quarter.
- Total equity as of September 30, 2022 was \$10.9 billion.

In connection with our currency diversification strategy, as of September 30, 2022 approximately 23% of our equity was denominated in currencies other than the U.S. dollar. In the current quarter, our currency diversification strategy decreased our comprehensive earnings by \$163 million (compared to a decrease of \$43 million in the prior-year quarter), as the U.S. dollar value of the GLOBAL decreased by approximately 1.46%, compared to its value as of June 30, 2022. The effects of our currency diversification strategy are reported as (1) a component of other income (loss of \$40 million) in the consolidated statements of comprehensive income and (2) other comprehensive income (“OCI”) (loss of \$123 million) in the consolidated statements of financial condition and the consolidated statements of comprehensive income. The full effect of the GLOBAL is captured in comprehensive income.

Certain Trends and Uncertainties

We believe that our current operations may be favorably or unfavorably impacted by the following trends that may affect our financial condition and results of operations:

- Retail participation in the equity markets has fluctuated in the past due to investor sentiment, market conditions and a variety of other factors. Retail transaction volumes may not be sustainable and are not predictable.
- Consolidation among market centers could adversely affect the value of our IB SmartRoutingSM software.
- Price competition among broker-dealers may continue to intensify.
- Benchmark interest rates have fluctuated over the past years due to economic conditions. Changes in interest rates may not be predictable.
- Fiscal and/or monetary policy may change and impact the financial services business and securities markets.
- New legislation or modifications to existing regulations and rules could occur in the future. Scrutiny of payment for order flow and order routing practices by regulatory and legislative authorities has increased.
- The COVID-19 pandemic has precipitated unprecedented market conditions with equally unprecedented social and community challenges. The impact of the COVID-19 pandemic going forward will depend on numerous evolving factors that cannot be accurately predicted, including, the duration and spread of the pandemic, governmental regulations in response to the pandemic, and the effectiveness of vaccinations and other medical advancements.
- We continue to be exposed to the risks and uncertainties of doing business in international markets, particularly in the heavily regulated brokerage industry. Such risks and uncertainties include political, economic and financial instability, and foreign policy changes. For example, tensions between the U.S. and China have escalated recently, and changes in Chinese governmental oversight of Hong Kong and in the Chinese and Hong Kong capital markets could result in adverse effects on our business and loss of assets we hold in the region. Additionally, although our direct and indirect exposures to Russia and Ukraine are not material, the war in Ukraine and related sanctions have created substantial uncertainty in the global economy and financial markets. We continue to monitor the war and assess any potential impact to our business, including effects relating to currency control restrictions imposed by the Central Bank of Russia and restrictions by the Moscow Stock Exchange regarding the sale of assets by non-Russian residents.
- Our remaining market making activities will continue to be impacted by market structure changes, market conditions, the level of automation of competitors, and the relationship between actual and implied volatility in the equities markets.

See “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K, filed with the SEC on February 25, 2022, and elsewhere in this report for a discussion of other risks that may affect our financial condition and results of operations.

Trading Volumes and Customer Statistics

The tables below present historical trading volumes and customer statistics for our business. Trading volumes are the primary driver in our business. Information on our net interest income can be found elsewhere in this report.

TRADE VOLUMES:

(in thousands, except %)

Period	Cleared Customer Trades	% Change	Non-Cleared Customer Trades	% Change	Principal Trades	% Change	Total Trades	% Change	Avg. Trades per U.S. Trading Day
2019	302,289		26,346		17,136		345,771		1,380
2020	620,405	105%	56,834	116%	27,039	58%	704,278	104%	2,795
2021	871,319	40%	78,276	38%	32,621	21%	982,216	39%	3,905
3Q2021	193,218		18,106		8,228		219,552		3,431
3Q2022	170,240	(12%)	16,181	(11%)	7,953	(3%)	194,374	(11%)	3,037
2Q2022	186,791		18,274		8,327		213,392		3,442
3Q2022	170,240	(9%)	16,181	(11%)	7,953	(4%)	194,374	(9%)	3,037

CONTRACT AND SHARE VOLUMES:

(in thousands, except %)

TOTAL

Period	Options (contracts)	% Change	Futures ⁽¹⁾ (contracts)	% Change	Stocks (shares)	% Change
2019	390,739		128,770		176,752,967	
2020	624,035	60%	167,078	30%	338,513,068	92%
2021	887,849	42%	154,866	(7%)	771,273,709	128%
3Q2021	214,988		36,940		172,828,874	
3Q2022	215,988	0%	50,486	37%	75,776,756	(56%)
2Q2022	217,642		51,562		81,137,875	
3Q2022	215,988	(1%)	50,486	(2%)	75,776,756	(7%)

ALL CUSTOMERS

Period	Options (contracts)	% Change	Futures ⁽¹⁾ (contracts)	% Change	Stocks (shares)	% Change
2019	349,287		126,363		167,826,490	
2020	584,195	67%	164,555	30%	331,263,604	97%
2021	852,169	46%	152,787	(7%)	766,211,726	131%
3Q2021	205,797		36,473		172,082,316	
3Q2022	208,145	1%	49,725	36%	74,944,418	(56%)
2Q2022	209,124		50,707		80,079,410	
3Q2022	208,145	(0%)	49,725	(2%)	74,944,418	(6%)

(1) Futures contract volume includes options on futures.

CLEARED CUSTOMERS

Period	Options (contracts)	% Change	Futures ⁽¹⁾ (contracts)	% Change	Stocks (shares)	% Change
2019	302,068		125,225		163,030,500	
2020	518,965	72%	163,101	30%	320,376,365	97%
2021	773,284	49%	151,715	(7%)	752,720,070	135%
3Q2021	186,656		36,245		169,002,045	
3Q2022	185,166	(1%)	49,242	36%	72,394,078	(57%)
2Q2022	188,617		50,313		77,283,249	
3Q2022	185,166	(2%)	49,242	(2%)	72,394,078	(6%)

PRINCIPAL TRANSACTIONS

Period	Options (contracts)	% Change	Futures ⁽¹⁾ (contracts)	% Change	Stocks (shares)	% Change
2019	41,452		2,407		8,926,477	
2020	39,840	(4%)	2,523	5%	7,249,464	(19%)
2021	35,680	(10%)	2,079	(18%)	5,061,983	(30%)
3Q2021	9,191		467		746,558	
3Q2022	7,843	(15%)	761	63%	832,338	11%
2Q2022	8,518		855		1,058,465	
3Q2022	7,843	(8%)	761	(11%)	832,338	(21%)

(1) Futures contract volume includes options on futures.

CUSTOMER STATISTICS:

Year over Year

	3Q2022	3Q2021	% Change
Total Accounts (in thousands)	2,012	1,536	31%
Customer Equity (in billions) ⁽¹⁾	\$ 287.1	\$ 353.8	(19%)
Cleared DARTs (in thousands) ⁽²⁾	1,706	2,017	(15%)
Total Customer DARTs (in thousands) ⁽²⁾	1,920	2,263	(15%)

Cleared Customers

Commission per Cleared Commissionable Order ⁽³⁾	\$ 2.96	\$ 2.46	20%
Cleared Avg. DARTs per Account (Annualized)	217	343	(37%)

Consecutive Quarters

	3Q2022	2Q2022	% Change
Total Accounts (in thousands)	2,012	1,923	5%
Customer Equity (in billions) ⁽¹⁾	\$ 287.1	\$ 294.8	(3%)
Cleared DARTs (in thousands) ⁽²⁾	1,706	1,927	(11%)
Total Customer DARTs (in thousands) ⁽²⁾	1,920	2,173	(12%)

Cleared Customers

Commission per Cleared Commissionable Order ⁽³⁾	\$ 2.96	\$ 2.74	8%
Cleared Avg. DARTs per Account (Annualized)	217	259	(16%)

(1) Excludes non-customers.

(2) Daily average revenue trades (“DARTs”) are based on customer orders.

(3) Commissionable order – a customer order that generates commissions.

Results of Operations

The table below presents our consolidated results of operations for the periods indicated. The period-to-period comparisons below of financial results are not necessarily indicative of future results.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
(in millions, except share and per share amounts)				
Revenues				
Commissions	\$ 320	\$ 311	\$ 991	\$ 1,030
Other fees and services	45	49	141	160
Other income (loss)	(48)	(170)	(144)	68
Total non-interest income	317	190	988	1,258
Interest income	783	325	1,575	1,022
Interest expense	(310)	(51)	(472)	(169)
Total net interest income	473	274	1,103	853
Total net revenues	790	464	2,091	2,111
Non-interest expenses				
Execution, clearing and distribution fees	86	61	234	183
Employee compensation and benefits	112	98	335	291
Occupancy, depreciation and amortization	23	19	68	58
Communications	8	8	25	24
General and administrative	37	44	117	138
Customer bad debt	1	-	3	3
Total non-interest expenses	267	230	782	697
Income before income taxes	523	234	1,309	1,414
Income tax expense	40	28	100	116
Net income	483	206	1,209	1,298
Less net income attributable to noncontrolling interests	384	164	965	1,057
Net income available for common stockholders	\$ 99	\$ 42	\$ 244	\$ 241
Earnings per share				
Basic	\$ 0.98	\$ 0.44	\$ 2.45	\$ 2.60
Diluted	\$ 0.97	\$ 0.43	\$ 2.43	\$ 2.58
Weighted average common shares outstanding				
Basic	101,818,667	96,229,958	99,646,091	92,814,767
Diluted	102,555,482	96,989,968	100,505,075	93,671,689
Comprehensive income				
Net income available for common stockholders	\$ 99	\$ 42	\$ 244	\$ 241
Other comprehensive income				
Cumulative translation adjustment, before income taxes	(30)	(9)	(64)	(21)
Income taxes related to items of other comprehensive income	-	-	-	-
Other comprehensive loss, net of tax	(30)	(9)	(64)	(21)
Comprehensive income available for common stockholders	\$ 69	\$ 33	\$ 180	\$ 220
Comprehensive income attributable to noncontrolling interests				
Net income attributable to noncontrolling interests	\$ 384	\$ 164	\$ 965	\$ 1,057
Other comprehensive income - cumulative translation adjustment	(93)	(31)	(205)	(74)
Comprehensive income attributable to noncontrolling interests	\$ 291	\$ 133	\$ 760	\$ 983

Three Months Ended September 30, 2022 (“current quarter”) compared to the Three Months Ended September 30, 2021 (“prior-year quarter”)

Net Revenues

Total net revenues, for the current quarter, increased \$326 million, or 70%, compared to the prior-year quarter, to \$790 million. The increase in net revenues was due to higher net interest income, other income and commissions; partially offset by lower other fees and services.

Commissions

We earn commissions from our cleared customers for whom we act as an executing and clearing broker and from our non-cleared customers for whom we act as an execution-only broker. Our commission structure allows customers to choose between (1) an all-inclusive fixed, or “bundled”, rate; (2) a tiered, or “unbundled”, rate that offers lower commissions for high volume customers where we pass through regulatory and exchange fees; and (3) our IBKR LiteSM offering, which provides commission-free trades on U.S. exchange-listed stocks and ETFs. Instead of commission revenue, IBKR LiteSM trades generate payments from market makers and others to whom we route these orders, which are reported in commissions. Our commissions are geographically diversified.

Commissions, for the current quarter, increased 9 million, or 3%, compared to the prior-year quarter, to \$320 million, driven by higher customer volumes in options and futures, partially offset by lower customer trading volumes in stocks. Total customer options and futures contracts volumes increased 1% and 36%, respectively, and while stock share volume decreased 56% from the prior-year quarter, the drop in notional dollar value of stock trades was generally in line with the drop in regional equity indices around the world. Total DARTs for cleared and execution-only customers, for the current quarter, decreased 15% to 1.9 million, compared to 2.3 million for the prior-year quarter. DARTs for cleared customers, i.e., customers for whom we execute trades, as well as clear and carry positions, for the current quarter, decreased 15% to 1.7 million, compared to 2.0 million for the prior-year quarter. Average commission per commissionable order for cleared customers, for the current quarter, increased 20% to \$2.96, compared to \$2.46 for the prior-year quarter, as our customers’ trading volume mix included higher per order commissions in options and stocks.

Other Fees and Services

We earn fee income on services provided to customers, which includes market data fees, risk exposure fees, minimum activity fees, payments for order flow from exchange-mandated programs, and other fees and services charged to customers.

Other fees and services, for the current quarter, decreased \$4 million, or 8%, compared to the prior-year quarter, to \$45 million, driven by a \$3 million decrease in risk exposure fees, a \$2 million decrease in IPO-related fee income, and a \$2 million decrease in payments for order flow; partially offset by a \$2 million increase in other customer related fees and a \$1 million increase in FDIC sweep fees.

Other Income

Other income consists of foreign exchange gains (losses) from our currency diversification strategy, gains (losses) from principal transactions, gains (losses) from our equity method investments, and other revenue not directly attributable to our core business offerings. A discussion of our approach to managing foreign currency exposure is contained in Part I, Item 3 of this Quarterly Report on Form 10-Q entitled “Quantitative and Qualitative Disclosures about Market Risk.”

Other income, for the current quarter, increased \$122 million, or 72%, compared to the prior-year quarter, to a loss of \$48 million. This increase was mainly comprised of a \$171 million smaller loss related to our strategic investment in Tiger Brokers, partially offset by \$37 million related to our currency diversification strategy and \$7 million related to trading activities.

Interest Income and Interest Expense

We earn interest on margin lending to customers secured by marketable securities these customers hold with us; from our investments in U.S. and foreign government securities; from borrowing and lending securities; on deposits (in positive interest rate currencies) with banks; and on certain customers’ cash balances in negative rate currencies. We pay interest on customer cash balances (in sufficiently positive interest rate currencies); for borrowing and lending securities; on deposits (in negative interest rate currencies) with banks; and on our borrowings.

Net interest income (interest income less interest expense), for the current quarter, increased \$199 million, or 73%, compared to the prior-year quarter, to \$473 million. The increase in net interest income was driven by higher benchmark interest rates and customer credit balances, partially offset by a decline in margin lending balances.

Net interest income on customer balances, for the current quarter, increased \$152 million, compared to the prior-year quarter, driven by an increase in the average federal funds effective rate to 2.18% from 0.09% in the prior-year quarter and a \$14.2 billion increase in average customer credit balances, partially offset by a \$4.2 billion decrease in average margin lending balances. See the “Business Environment” section above in this Item 2 for a further discussion about the change in interest rates in the current quarter.

We earn income on securities loaned and borrowed to support customer long and short stock holdings in margin accounts. In addition, our Stock Yield Enhancement Program provides an opportunity for customers with fully-paid stock to allow us to lend it out. We pay customers a rebate on the cash collateral generally equal to 50% of the income we earn from lending the shares. We place cash and/or U.S. Treasury securities, as collateral securing the loans in the customer’s account, in segregated accounts or at an affiliate acting as collateral agent for the benefit of our customer.

In the current quarter, average securities borrowed increased 19%, to \$4.2 billion and average securities loaned decreased 8%, to \$9.6 billion from the prior-year quarter. Net interest earned from securities lending is affected by the level of demand for securities positions held by our customers that investors are looking to sell short. During the current quarter, net interest earned from securities lending transactions decreased \$9 million, or 7%, compared to the prior-year quarter. While securities lending opportunities maintained a strong pace during the current quarter, as benchmark interest rates rise a greater portion of the interest generated by lending securities is reflected as interest income on segregated cash, because cash collateral received is invested as segregated funds. It should be noted that securities lending transactions entered into to support customer activity may produce interest income (expense) that is offset by interest expense (income) related to customer balances.

The Company measures return on interest-earning assets using net interest margin (“NIM”). NIM is computed by dividing the annualized net interest income by the average interest-earning assets for the period. Interest-earning assets consist of cash and securities segregated for regulatory purposes (including U.S. government securities and securities purchased under agreements to resell), customer margin loans, securities borrowed, other interest-earning assets (solely firm assets) and customer cash balances swept into FDIC-insured banks as part of our Insured Bank Deposit Sweep Program. Interest-bearing liabilities consist of customer credit balances, securities loaned, and other interest-bearing liabilities.

Yields are generally a reflection of benchmark interest rates in each currency in which the Company and its customers hold cash balances. Because a meaningful portion of customer cash and margin loans are denominated in currencies other than the U.S. dollar, changes in U.S. benchmark interest rates do not impact the total amount of segregated cash and securities, customer margin loans and customer credit balances. Furthermore, because interest, when benchmark rates are at sufficiently high levels, is paid only on eligible cash credit balances (i.e., balances over \$10 thousand or equivalent, in securities accounts with over \$100 thousand in equity, and in smaller accounts at reduced rates), changes in benchmark interest rates are not passed through to the total amount of customer credit balances. Finally, the Company’s policies with respect to currencies with negative interest rates impact the overall yields on segregated cash and customer credit balances as effective interest rates in those currencies fluctuate.

Securities lending generates (1) net interest earned on lending a security, which is based on supply and demand for that security and (2) interest earned on the cash collateral deposited for the loan of that security, which is based on benchmark interest rates. Generally, as benchmark interest rates rise, an increasing portion of the interest income related to securities lending transactions is classified as net interest income on “Segregated cash and securities, net” instead of net interest income on “Securities borrowed and loaned, net”. Because cash collateral from securities lending is held in specially designated bank accounts for the benefit of customers, in accordance with the U.S. customer protection rules, interest on this collateral is reported as net interest on segregated cash.

The table below presents net interest income information corresponding to interest-earning assets and interest-bearing liabilities for the periods indicated.

	Three Months Ended September 30,	
	2022	2021
(in millions)		
Average interest-earning assets		
Segregated cash and securities	\$ 55,453	\$ 37,239
Customer margin loans	42,425	46,636
Securities borrowed	4,235	3,567
Other interest-earning assets	9,103	7,426
FDIC sweeps ¹	2,173	2,707
	<u>\$ 113,389</u>	<u>\$ 97,575</u>
Average interest-bearing liabilities		
Customer credit balances	\$ 92,846	\$ 78,625
Securities loaned	9,622	10,489
Other interest-bearing liabilities	1	-
	<u>\$ 102,469</u>	<u>\$ 89,114</u>
Net Interest income		
Segregated cash and securities, net	\$ 228	\$ (4)
Customer margin loans ²	317	141
Securities borrowed and loaned, net	114	123
Customer credit balances, net ²	(248)	8
Other net interest income ^{1,3}	65	9
Net interest income ³	<u>\$ 476</u>	<u>\$ 277</u>
Net interest margin ("NIM")	<u>1.67%</u>	<u>1.13%</u>
Annualized Yields		
Segregated cash and securities	1.63%	-0.04%
Customer margin loans	2.96%	1.20%
Customer credit balances	1.06%	-0.04%

- (1) Represents the average amount of customer cash swept into FDIC-insured banks as part of our Insured Bank Deposit Sweep Program. This item is not recorded in the Company's condensed consolidated statements of financial condition. Income derived from program deposits is reported in other net interest income in the table above.
- (2) Interest income and interest expense on customer margin loans and customer credit balances, respectively, are calculated on daily cash balances within each customer's account on a net basis, which may result in an offset of balances across multiple account segments (e.g., between securities and commodities segments).
- (3) Includes income from financial instruments that has the same characteristics as interest, but is reported in other fees and services and other income in the Company's condensed consolidated statements of comprehensive income. For the three months ended September 30, 2022 and 2021, \$3 million and \$3 million were reported in other fees and services, respectively. For the three months ended September 30, 2022 and 2021, \$1 million and \$0 million were reported in other income, respectively.

Non-Interest Expenses

Non-interest expenses, for the current quarter, increased \$37 million, or 16%, compared to the prior-year quarter, to \$267 million, mainly due to a \$25 million increase in execution, clearing and distribution fees; a \$14 million increase in employee compensation and benefits; and a \$4 million increase in occupancy, depreciation and amortization expenses; partially offset by a \$7 million decrease in general and administrative expenses. As a percentage of total net revenues, non-interest expenses were 34% for the current quarter and 50% for the prior-year quarter.

Execution, Clearing and Distribution Fees

Execution, clearing and distribution fees include the costs of executing and clearing trades, net of liquidity rebates received from various exchanges and market centers, as well as regulatory fees and market data fees. Execution fees are paid primarily to electronic exchanges and market centers on which we trade. Clearing fees are paid to clearing houses and clearing agents. Market data fees are paid to third parties to receive streaming price quotes and related information.

Execution, clearing and distribution fees, for the current quarter, increased \$25 million, or 41%, compared to the prior-year quarter, to \$86 million, mainly driven by a \$22 million increase in exchange fees on higher customer trading volumes in futures, which carry higher fees; lower liquidity rebates, which are primarily a factor of the order types we receive from customers; and a \$7 million increase in regulatory transaction fees on higher SEC fee rates.

Employee Compensation and Benefits

Employee compensation and benefits include salaries, bonuses and other incentive compensation plans, group insurance, contributions to benefit programs and other related employee costs.

Employee compensation and benefits expenses, for the current quarter, increased \$14 million, or 14%, compared to the prior-year quarter, to \$112 million, associated with a 13% increase in the average number of employees to 2,766. We continued to add staff worldwide in software development and compliance. As we continue to grow, our focus on automation has allowed us to maintain a relatively small staff. As a percentage of total net revenues, employee compensation and benefits expenses were 14% for the current quarter and 21% for the prior-year quarter. Employee compensation and benefits expenses as a percentage of adjusted net revenues were 13% for the current quarter and 15% for the prior-year quarter.

Occupancy, Depreciation and Amortization

Occupancy expenses consist of rental payments on office and data center leases and related occupancy costs, such as utilities. Depreciation and amortization expenses result from the depreciation of fixed assets, such as computing and communications hardware, as well as amortization of leasehold improvements and capitalized in-house software development.

Occupancy, depreciation and amortization expenses, for the current quarter, increased \$4 million, or 21%, compared to the prior-year quarter, to \$23 million, mainly due to higher costs related to the expansion of our physical space for both offices and data centers. As a percentage of total net revenues, occupancy, depreciation and amortization expenses were 3% for the current quarter and 4% for the prior-year quarter.

Communications

Communications expenses consist primarily of the cost of voice and data telecommunications lines supporting our business, including connectivity to exchanges and market centers around the world.

Communications expenses, for the current quarter, were unchanged from the prior-year quarter at \$8 million.

General and Administrative

General and administrative expenses consist primarily of advertising; professional services expenses, such as legal and audit work; legal and regulatory matters; and other operating expenses.

General and administrative expenses, for the current quarter, decreased \$7 million, or 16%, compared to the prior-year quarter, to \$37 million, primarily due to lower legal expenses. As a percentage of total net revenues, general and administrative expenses were 5% for the current quarter and 9% for the prior-year quarter.

Customer Bad Debt

Customer bad debt expense consists primarily of losses incurred by customers in excess of their assets with us, net of amounts recovered by us.

Customer bad debt expense, for the current quarter, increased \$1 million, compared to the prior-year quarter, to \$1 million.

Income Tax Expense

We pay U.S. federal, state and local income taxes on our taxable income, which is proportional to the percentage we own of IBG LLC. Also, our operating subsidiaries are subject to income tax in the respective jurisdictions in which they operate.

Income tax expense, for the current quarter, increased \$12 million, or 43%, compared to the prior-year quarter, to \$40 million, primarily due to higher U.S. income tax expense driven by higher income before income taxes, partially offset by lower income tax expense attributable to our foreign operating subsidiaries.

The table below presents information about our income tax expense for the periods indicated.

	Three Months Ended September 30,	
	2022	2021
(in millions, except %)		
Consolidated		
Consolidated income before income taxes	\$ 523	\$ 234
IBG, Inc. stand-alone income before income taxes	(2)	-
Operating subsidiaries income before income taxes	<u>\$ 525</u>	<u>\$ 234</u>
Operating subsidiaries		
Income before income taxes	\$ 525	\$ 234
Income tax expense	17	19
Net income available to members	<u>\$ 508</u>	<u>\$ 215</u>
IBG, Inc.		
Average ownership percentage in IBG LLC	24.3%	23.0%
Net income available to IBG, Inc. from operating subsidiaries	\$ 124	\$ 51
IBG, Inc. stand-alone income before income taxes	(2)	-
Income before income taxes	122	51
Income tax expense	23	9
Net income available to common stockholders	<u>\$ 99</u>	<u>\$ 42</u>
Consolidated income tax expense		
Income tax expense attributable to operating subsidiaries	\$ 17	\$ 19
Income tax expense attributable to IBG, Inc.	23	9
Consolidated income tax expense	<u>\$ 40</u>	<u>\$ 28</u>

Operating Results

Income before income taxes, for the current quarter increased \$289 million, or 124%, to \$523 million, compared to the prior-year quarter. Pretax profit margin was 66% for the current quarter and 50% for the prior-year quarter.

Comparing our operating results for the current quarter to the prior-year quarter, using non-GAAP financial measures described below, adjusted net revenues were \$847 million, up 30%; adjusted income before income taxes was \$580 million, up 38%; and adjusted pre-tax profit margin was 68% for the current quarter and 65% for the prior-year quarter. See the “Non-GAAP Financial Measures” section below in this Item 2 for additional details.

Nine Months Ended September 30, 2022 (“current nine-month period”) compared to the Nine Months Ended September 30, 2021 (“prior-year nine-month period”)

Net Revenues

Total net revenues, for the current nine-month period, decreased \$20 million, or 1%, compared to the prior-year nine-month period, to \$2,091 million. The decrease in net revenues was due to lower other income, commissions, and other fees and services, partially offset by higher net interest income.

Commissions

Commissions, for the current nine-month period, decreased \$39 million, or 4%, compared to the prior-year nine-month period, to \$991 million, driven by lower customer trading volumes in stocks, partially offset by higher customer volume in options and futures. Total customer options and futures contracts volumes increased 6% and 37%, respectively, while stock share volume decreased 61% from unusually high trading volume, primarily in “meme” stocks and low-priced stocks generally, in the prior-year nine-month period. Total DARTs for cleared and execution-only customers, for the current nine-month period, decreased 16% to 2.2 million, compared to 2.6 million for the prior-year nine-month period. DARTs for cleared customers, i.e., customers for whom we execute trades, as well as clear and carry positions, for the current nine-month period, decreased 17% to 2.0 million, compared to 2.3 million for the prior-year nine-month period. Average commission per commissionable order for cleared customers, for the current nine-month period, increased 16% to \$2.74, compared to \$2.37 for the prior-year nine-month period, as our customers’ trading volume mix included higher per order commissions in options, stocks and forex.

Other Fees and Services

Other fees and services, for the current nine-month period, decreased \$19 million, or 12%, compared to the prior-year nine-month period, to \$141 million, driven by a \$14 million decrease in minimum activity fees, which were discontinued for most account types effective July 1, 2021, and a \$14 million decrease in IPO-related fee income; partially offset by a \$6 million increase in risk exposure fees as some customers increased leverage during the current nine-month period.

Other Income

Other income, for the current nine-month period, decreased \$212 million, compared to the prior-year nine-month period, to a loss of \$144 million. This decrease was mainly comprised of \$97 million related to our currency diversification strategy; \$43 million related to our strategic investment in Tiger Brokers; and a \$38 million mark-to-market loss on our U.S. government securities portfolio in the current nine-month period.

Interest Income and Interest Expense

Net interest income (interest income less interest expense), for the current nine-month period, increased \$250 million, or 29%, compared to the prior-year nine-month period, to \$1,103 million. The increase in net interest income was driven by higher benchmark interest rates and customer cash balances, partially offset by a decline in securities lending activity.

Net interest income on customer balances, for the current nine-month period, increased \$268 million, compared to the prior-year nine-month period, driven by an increase in the average federal funds effective rate to 1.02% from 0.08% in the prior-year nine-month period, a \$11.0 billion increase in average customer credit balances, and a \$1.2 billion increase in average customer margin loans. See the “Business Environment” section above in this Item 2 for a further discussion about the change in interest rates in the current nine-month period.

We earn income on securities loaned and borrowed to support customer long and short stock holdings in margin accounts. In addition, our Stock Yield Enhancement Program provides an opportunity for customers with fully-paid stock to allow us to lend it out. We pay customers a rebate on the cash collateral generally equal to 50% of the income we earn from lending the shares. We place cash and/or U.S. Treasury securities, as collateral securing the loans in the customer’s account, in segregated accounts or at an affiliate acting as collateral agent for the benefit of our customer.

In the current nine-month period, average securities borrowed was unchanged at \$3.8 billion and average securities loaned decreased 4% from the prior-year nine-month period, to \$10.4 billion. Net interest earned from securities lending is affected by the level of demand for securities positions held by our customers that investors are looking to sell short. During the current nine-month period, net interest earned from securities lending transactions decreased \$94 million, or 22%, compared to the prior-year nine-month period, as there were fewer hard-to-borrow securities that investors sold short in the current nine-month period. While securities lending opportunities maintained a strong pace during the current nine-month period, as benchmark interest rates rise, a greater portion of the interest generated by lending securities is reflected as interest income on segregated cash, because since cash collateral received is invested as segregated funds. It should be noted that securities lending transactions entered into to support customer activity may produce interest income (expense) that is offset by interest expense (income) related to customer balances.

The Company measures return on interest-earning assets using net interest margin (“NIM”). NIM is computed by dividing the annualized net interest income by the average interest-earning assets for the period. Interest-earning assets consist of cash and securities segregated for regulatory purposes (including U.S. government securities and securities purchased under agreements to resell), customer margin loans, securities borrowed, other interest-earning assets (solely firm assets) and customer cash balances swept into FDIC-insured banks as part of our Insured Bank Deposit Sweep Program. Interest-bearing liabilities consist of customer credit balances, securities loaned, and other interest-bearing liabilities.

Yields are generally a reflection of benchmark interest rates in each currency in which the Company and its customers hold cash balances. Because a meaningful portion of customer cash and margin loans are denominated in currencies other than the U.S. dollar, changes in U.S. benchmark interest rates do not impact the total amount of segregated cash and securities, customer margin loans and customer credit balances. Furthermore, because interest, when benchmark rates are at sufficiently high levels, is paid only on eligible cash credit balances (i.e., balances over \$10 thousand or equivalent, in securities accounts with over \$100 thousand in equity, and in smaller accounts at reduced rates), changes in benchmark interest rates are not passed through to the total amount of customer credit balances. Finally, the Company’s policies with respect to currencies with negative interest rates impact the overall yields on segregated cash and customer credit balances as effective interest rates in those currencies fluctuate.

Securities lending generates (1) net interest earned on lending a security, which is based on supply and demand for that security and (2) interest earned on the cash collateral deposited for the loan of that security, which is based on benchmark interest rates. Generally, as benchmark interest rates rise, an increasing portion of the interest income related to securities lending transactions is classified as net interest income on “Segregated cash and securities, net” instead of net interest income on “Securities borrowed and loaned, net”. Because cash collateral from securities lending is held in specially designated bank accounts for the benefit of customers, in accordance with the U.S. customer protection rules, interest on this collateral is reported as net interest on segregated cash.

The table below presents net interest income information corresponding to interest-earning assets and interest-bearing liabilities for the periods indicated.

	Nine Months Ended September 30,	
	2022	2021
(in millions)		
Average interest-earning assets		
Segregated cash and securities	\$ 49,749	\$ 41,212
Customer margin loans	44,777	43,611
Securities borrowed	3,826	3,836
Other interest-earning assets	8,932	6,751
FDIC sweeps ¹	2,189	2,758
	<u>\$ 109,473</u>	<u>\$ 98,168</u>
Average interest-bearing liabilities		
Customer credit balances	\$ 89,096	\$ 78,063
Securities loaned	10,437	10,891
Other interest-bearing liabilities	5	145
	<u>\$ 99,537</u>	<u>\$ 89,099</u>
Net Interest income		
Segregated cash and securities, net	\$ 288	\$ (4)
Customer margin loans ²	663	386
Securities borrowed and loaned, net	340	434
Customer credit balances, net ²	(276)	25
Other net interest income ^{1,3}	95	25
Net interest income ³	<u>\$ 1,110</u>	<u>\$ 866</u>
Net interest margin ("NIM")	<u>1.36%</u>	<u>1.18%</u>
Annualized Yields		
Segregated cash and securities	0.77%	-0.01%
Customer margin loans	1.98%	1.18%
Customer credit balances	0.41%	-0.04%

(1) Represents the average amount of customer cash swept into FDIC-insured banks as part of our Insured Bank Deposit Sweep Program. This item is not recorded in the Company's condensed consolidated statements of financial condition. Income derived from program deposits is reported in other net interest income in the table above.

(2) Interest income and interest expense on customer margin loans and customer credit balances, respectively, are calculated on daily cash balances within each customer's account on a net basis, which may result in an offset of balances across multiple account segments (e.g., between securities and commodities segments).

(3) Includes income from financial instruments that has the same characteristics as interest, but is reported in other fees and services and other income in the Company's condensed consolidated statements of comprehensive income. For the nine months ended September 30, 2022 and 2021, \$7 million and \$14 million were reported in other fees and services, respectively, and \$0 million and -\$1 million were reported in other income, respectively.

Non-Interest Expenses

Non-interest expenses, for the current nine-month period, increased \$85 million, or 12%, compared to the prior-year nine-month period, to \$782 million, mainly due to a \$51 million increase in execution, clearing and distribution fees; a \$44 million increase in employee compensation and benefits; and a \$10 million increase in occupancy, depreciation and amortization expenses; partially offset by a \$21 million decrease in general and administrative expenses. As a percentage of total net revenues, non-interest expenses were 37% for the current nine-month period and 33% for the prior-year nine-month period.

Execution, Clearing and Distribution Fees

Execution, clearing and distribution fees, for the current nine-month period, increased \$51 million, or 28%, compared to the prior-year nine-month period, to \$234 million, mainly driven by a \$60 million increase in exchange fees on higher customer trading volumes in options and futures, which carry higher fees; and lower liquidity rebates, which are primarily a factor of the order types we receive from customers; partially offset by a \$6 million decrease in market data fees and a \$5 million decrease in clearing and depository fees on lower fee rates.

Employee Compensation and Benefits

Employee compensation and benefits expenses, for the current nine-month period, increased \$44 million, or 15%, compared to the prior-year nine-month period, to \$335 million, associated with an 18% increase in the average number of employees to 2,697. We continued to add staff worldwide in software development and compliance. As we continue to grow, our focus on automation has allowed us to maintain a relatively small staff. As a percentage of total net revenues, employee compensation and benefits expenses were 16% for the current nine-month period and 14% for the prior-year nine-month period. Employee compensation and benefits expenses as a percentage of adjusted net revenues were 15% for the current nine-month period and 14% for the prior-year nine-month period.

Occupancy, Depreciation and Amortization

Occupancy, depreciation and amortization expenses, for the current nine-month period, increased \$10 million, or 17%, compared to the prior-year nine-month period, to \$68 million, mainly due to higher costs related to the expansion of our physical space for both offices and data centers. As a percentage of total net revenues, occupancy, depreciation and amortization expenses were 3% for both the current nine-month period and the prior-year nine-month period.

Communications

Communications expenses, for the current nine-month period, increased \$1 million, or 4%, compared to the prior-year nine-month period, to \$25 million.

General and Administrative

General and administrative expenses, for the current nine-month period, decreased \$21 million, or 15%, compared to the prior-year nine-month period, to \$117 million, primarily due to the non-recurrence of \$19 million in costs for Brexit-related regulatory onboarding to bring our new brokerage operations on line in Europe incurred in the prior-year nine-month period and a \$12 million decrease in legal expenses; partially offset by a \$4 million increase in advertising expenses and a \$3 million increase in IT related expenses. As a percentage of total net revenues, general and administrative expenses were 6% for the current nine-month period and 7% for the prior-year nine-month period.

Customer Bad Debt

Customer bad debt expense, for the current nine-month period was \$3 million, unchanged compared to the prior-year nine-month period.

Income Tax Expense

We pay U.S. federal, state and local income taxes on our taxable income, which is proportional to the percentage we own of IBG LLC. Also, our operating subsidiaries are subject to income tax in the respective jurisdictions in which they operate.

Income tax expense, for the current nine-month period, decreased \$16 million, or 14%, compared to the prior-year nine-month period, to \$100 million, primarily due to (1) lower income tax expense attributable to our operating subsidiaries driven by lower income before income taxes; (2) the non-recurrence of an \$8 million tax reserve adjustment in the prior-year nine-month period; and (3) the non-recurrence of a \$6 million expense in the prior-year nine-month period related to the consolidation of European operations in the aftermath of Brexit.

The table below presents information about our income tax expense for the periods indicated.

	Nine Months Ended September 30,	
	2022	2021
(in millions, except %)		
Consolidated		
Consolidated income before income taxes	\$ 1,309	\$ 1,414
IBG, Inc. stand-alone income before income taxes	(4)	1
Operating subsidiaries income before income taxes	<u>\$ 1,313</u>	<u>\$ 1,413</u>
Operating subsidiaries		
Income before income taxes	\$ 1,313	\$ 1,413
Income tax expense	44	57
Net income available to members	<u>\$ 1,269</u>	<u>\$ 1,356</u>
IBG, Inc.		
Average ownership percentage in IBG LLC	23.8%	22.1%
Net income available to IBG, Inc. from operating subsidiaries	\$ 304	\$ 299
IBG, Inc. stand-alone income before income taxes	(4)	1
Income before income taxes	300	300
Income tax expense	56	59
Net income available to common stockholders	<u>\$ 244</u>	<u>\$ 241</u>
Consolidated income tax expense		
Income tax expense attributable to operating subsidiaries	\$ 44	\$ 57
Income tax expense attributable to IBG, Inc.	56	59
Consolidated income tax expense	<u>\$ 100</u>	<u>\$ 116</u>

Operating Results

Income before income taxes, for the current nine-month period decreased \$105 million, or 7%, to \$1,309 million, compared to the prior-year nine-month period. Pretax profit margin was 63% for the current nine-month period and 67% for the prior-year nine-month period.

Comparing our operating results for the current nine-month period to the prior-year nine-month period, using non-GAAP financial measures described below, adjusted net revenues were \$2,256 million, up 8%; adjusted income before income taxes was \$1,474 million, up 5%; and adjusted pre-tax profit margin was 65% for the current nine-month period and 67% for the prior-year nine-month period. See the “Non-GAAP Financial Measures” section below in this Item 2 for additional details.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures as additional measures to enhance the understanding of our financial results. These non-GAAP financial measures include adjusted net revenues, adjusted income before income taxes, adjusted net income available for common stockholders and adjusted diluted earnings per share (“EPS”). We believe that these non-GAAP financial measures are important measures of our financial performance because they exclude certain items that may not be indicative of our core operating results and business outlook. We believe these non-GAAP financial measures may be useful to investors and analysts in evaluating the operating performance of the business and facilitating a meaningful comparison of our results in the current period to those in prior and future periods.

Adjusted net revenues, adjusted income before income taxes, adjusted net income available for common stockholders and adjusted diluted EPS are non-GAAP financial measures as defined by SEC Regulation G.

- We define adjusted net revenues as net revenues adjusted to remove the effect of our currency diversification strategy, our net mark-to-market gains (losses) on investments, and the remeasurement of our Tax Receivable Agreement (“TRA”) liability.
- We define adjusted income before income taxes as income before income taxes adjusted to remove the effect of our currency diversification strategy, our net mark-to-market gains (losses) on investments, and the remeasurement of our Tax Receivable Agreement (“TRA”) liability.
- We define adjusted net income available to common stockholders as net income available for common stockholders adjusted to remove the after-tax effects attributable to IBG, Inc. of our currency diversification strategy, our net mark-to-market gains (losses) on investments, and the remeasurement of our Tax Receivable Agreement (“TRA”) liability.
- We define adjusted diluted EPS as adjusted net income available for common stockholders divided by the diluted weighted average number of shares outstanding for the period.

Mark-to-market on investments represents the net mark-to-market gains (losses) on investments in equity securities that do not qualify for equity method accounting which are measured at fair value, on our U.S. government and municipal securities portfolio, which are typically held to maturity, and on certain other investments, including equity securities taken over by the Company from customers related to unusual losses on margin loans.

Remeasurement of our TRA liability represents the change in the amount payable to IBG Holdings LLC under the TRA, primarily due to changes in the Company’s effective tax rates. This is related to the remeasurement of the deferred tax assets described below. For further information refer to Note 4 – “Equity and Earnings per Share” to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Remeasurement of certain deferred tax assets represents the change in the unamortized balance of deferred tax assets related to the step-up in basis arising from the acquisition of interests in IBG LLC, primarily due to changes in the Company’s effective tax rates.

We also report compensation and benefits expenses as a percent of adjusted net revenues, as we believe this measure is useful to investors and analysts in evaluating the growth of our work force in relation to the growth of our core revenues.

These non-GAAP financial measures should be considered in addition to, rather than as a substitute for, measures of financial performance prepared in accordance with GAAP⁽¹⁾.

⁽¹⁾ Refers to generally accepted accounting principles in the United States.

The tables below present a reconciliation of consolidated GAAP to non-GAAP financial measures for the periods indicated.

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	(in millions)			
Adjusted net revenues				
Net revenues - GAAP	\$ 790	\$ 464	\$ 2,091	\$ 2,111
Non-GAAP adjustments				
Currency diversification strategy, net	40	3	111	14
Mark-to-market on investments	17	184	54	(28)
Remeasurement of TRA liability	-	(1)	-	(1)
Total non-GAAP adjustments	57	186	165	(15)
Adjusted net revenues	<u>\$ 847</u>	<u>\$ 650</u>	<u>\$ 2,256</u>	<u>\$ 2,096</u>

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	(in millions)			
Adjusted income before income taxes				
Income before income taxes - GAAP	\$ 523	\$ 234	\$ 1,309	\$ 1,414
Non-GAAP adjustments				
Currency diversification strategy, net	40	3	111	14
Mark-to-market on investments	17	184	54	(28)
Remeasurement of TRA liability	-	(1)	-	(1)
Total non-GAAP adjustments	57	186	165	(15)
Adjusted income before income taxes	<u>\$ 580</u>	<u>\$ 420</u>	<u>\$ 1,474</u>	<u>\$ 1,399</u>
Adjusted pre-tax profit margin	68%	65%	65%	67%

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	(in millions)			
Adjusted net income available for common				
Net income available for common stockholders - GAAP	\$ 99	\$ 42	\$ 244	\$ 241
Non-GAAP adjustments				
Currency diversification strategy, net	10	1	26	3
Mark-to-market on investments	4	43	13	(6)
Remeasurement of TRA liability	-	(1)	-	(1)
Income tax effect of above adjustments ¹	(3)	(10)	(8)	1
Remeasurement of deferred income taxes	-	1	-	1
Total non-GAAP adjustments	11	33	31	(2)
Adjusted net income available for common stockholders	<u>\$ 111</u>	<u>\$ 75</u>	<u>\$ 276</u>	<u>\$ 239</u>

Note: Amounts may not add due to rounding.

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	(in dollars, except share amounts)			
Adjusted diluted EPS				
Diluted EPS - GAAP	\$ 0.97	\$ 0.43	\$ 2.43	\$ 2.58
Non-GAAP adjustments				
Currency diversification strategy, net	0.09	0.01	0.26	0.03
Mark-to-market on investments	0.04	0.44	0.13	(0.06)
Remeasurement of TRA liability	0.00	(0.01)	0.00	(0.01)
Income tax effect of above adjustments ¹	(0.03)	(0.10)	(0.08)	0.01
Remeasurement of deferred income taxes	0.00	0.01	0.00	0.01
Total non-GAAP adjustments	0.11	0.34	0.31	(0.02)
Adjusted diluted EPS	<u>\$ 1.08</u>	<u>\$ 0.78</u>	<u>\$ 2.74</u>	<u>\$ 2.55</u>
Diluted weighted average common shares outstanding	102,555,482	96,989,968	100,505,075	93,671,689

Note: Amounts may not add due to rounding.

(1) The income tax effect is estimated using the corporate income tax rates applicable to the Company.

Liquidity and Capital Resources

We maintain a highly liquid balance sheet. The majority of our assets consist of investments of customer funds, collateralized receivables arising from customer-related and proprietary securities transactions, and exchange-listed marketable securities, which are marked-to-market daily. Collateralized receivables consist primarily of customer margin loans, securities borrowed and securities purchased under agreements to resell. As of September 30, 2022, total assets were \$114.7 billion of which approximately \$113.7 billion, or 99.2%, were considered liquid.

Decisions on the allocation of capital are based upon, among other things, prudent risk management guidelines, potential liquidity and cash flow needs for current and future business activities, regulatory capital requirements, and projected profitability. Our Treasury department, market risk committee and other management control groups assist in evaluating, monitoring and controlling the impact that our business activities have on our financial condition, liquidity and capital structure. The objective of these policies is to support our business strategies while ensuring ongoing and sufficient liquidity. Our significant capital comprises an aggregate across our many regulated subsidiaries, and we believe this financial strength provides our customers with a source of confidence.

Daily monitoring of liquidity needs and available collateral levels is undertaken to help ensure that an appropriate liquidity cushion, in the form of cash and unpledged collateral, is maintained at all times. We actively manage our excess liquidity and maintain significant borrowing capabilities through the securities lending markets and in the form of credit facilities with banks. As a general practice, we maintain sufficient levels of cash on hand to provide us with a buffer should we need immediately available funds for any reason. In addition, pursuant to our liquidity risk management plan we perform periodic liquidity stress tests, which are designed to identify and reserve liquid assets that would be available under market or idiosyncratic stress events. Based on our current level of operations, we believe our cash flows from operations, available cash and available borrowings will be adequate to meet our future liquidity needs for more than the next twelve months.

As of September 30, 2022, liability balances in connection with securities loaned were lower than the average monthly balance during the current quarter, while our payables to customers and short-term borrowings were higher than their average monthly balance during the current quarter.

Cash and cash equivalents held by our non-U.S. operating subsidiaries as of September 30, 2022 were \$1,173 million (\$1,058 million as of December 31, 2021). These funds are primarily intended to finance each individual operating subsidiary's local operations, and thus would not be available to fund U.S. domestic operations unless repatriated through payment of dividends to IBG LLC. As of September 30, 2022, we had no intention to repatriate any amounts from non-U.S. operating subsidiaries. With the enactment of the U.S. Tax Cuts and Jobs Act on December 22, 2017, we recognized a liability for the one-time transition tax on deemed repatriation of earnings of some of our foreign subsidiaries for the year ended December 31, 2017. As a result, in the event dividends were to be paid to the Company in the future by a non-U.S. operating subsidiaries, the Company would not be required to accrue and pay income taxes on such dividends, except for foreign taxes in the form of dividend withholding tax, if any, imposed on the recipient of the distribution or dividend distribution tax imposed on the payor of the distribution.

Historically, our consolidated equity has consisted primarily of accumulated retained earnings, which to date have been sufficient to fund our operations and growth. Our consolidated equity increased 9% to \$10.9 billion as of September 30, 2022, from \$10.0 billion as of September 30, 2021. This increase is attributable to total comprehensive income, partially offset by distributions and dividends paid during the last four quarters.

Cash Flows

The table below presents our cash flows from operating activities, investing activities and financing activities for the periods indicated.

	Nine Months Ended September 30,	
	2022	2021
	(in millions)	
Net cash provided by operating activities	\$ 3,998	\$ 6,271
Net cash used in investing activities	(48)	(59)
Net cash used in financing activities	(348)	(349)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(269)	(95)
Increase in cash, cash equivalents, and restricted cash	<u>\$ 3,333</u>	<u>\$ 5,768</u>

Our cash flows from operating activities are largely a reflection of the changes in customer credit and margin loan balances. Our cash flows from investing activities are primarily related to other investments, capitalized internal software development, purchases and sales of memberships, shares at exchanges and clearing houses, and strategic investments where such investments may enable us to offer better execution alternatives to our current and prospective customers, allow us to influence exchanges to provide competing products at better prices using sophisticated technology, or enable us to acquire either technology or customers faster than we could develop them on our own. Our cash flows from financing activities are comprised of short-term borrowings, capital transactions and payments made to Holdings under the Tax Receivable Agreement. Short-term borrowings from banks and through our senior notes program are part of our daily cash management in support of operating activities. Capital transactions consist primarily of quarterly dividends paid to common stockholders and related distributions paid to Holdings.

Nine months Ended September 30, 2022: Our cash, cash equivalents, and restricted cash (i.e., cash and cash equivalents that are subject to withdrawal or usage restrictions) increased by \$3,333 million to \$28.6 billion for the nine months ended September 30, 2022. We raised \$3,998 million in net cash from operating activities mainly driven by customer margin loans which decreased \$14.5 billion and customer credit balances which increased \$7.0 billion; partially offset by investments in securities segregated for regulatory purposes which increased \$16.1 billion. We used net cash of \$396 million in our investing and financing activities, primarily for distributions to noncontrolling interests, dividends paid to our common stockholders, and payments made under the Tax Receivable Agreement. Investing activities mainly consisted of purchases of property, equipment and intangible assets, and other investments.

Nine months Ended September 30, 2021: For a discussion of changes in cash flows for the nine months ended September 30, 2021 refer to our Quarterly Report on Form 10-Q filed with the SEC on November 9, 2021.

Senior Notes

IBG LLC's senior notes program offers senior notes in private placements to certain qualified customers of IB LLC. IBG LLC intends to use the proceeds for general financing purposes when interest spread opportunities arise. The senior notes are offered at an issue price of \$1 thousand per note at an interest rate calculated by adding the benchmark rate to a rate (spread) that IBG LLC announces from time-to-time. The benchmark rate is the effective federal funds rate as reported by the Federal Reserve Bank of New York on the morning of the date of the offering. The senior notes mature no later than the thirtieth day following the issuance date, and IBG LLC, at its option, may redeem the senior notes at any time, at a redemption price equal to 100% of the principal amount of the senior notes to be redeemed, plus accrued and unpaid interest. During the nine months ended September 30, 2022, the Company did not issue any senior notes.

Regulatory Capital Requirements

As of September 30, 2022, all operating subsidiaries were in compliance with their respective regulatory capital requirements. For additional information regarding our regulatory capital requirements see Note 15 – "Regulatory Requirements" to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Capital Expenditures

Our capital expenditures are comprised of compensation costs of our software engineering staff for development of software for internal use and expenditures for computer, networking and communications hardware, and leasehold improvements. These expenditure items are reported as property, equipment, and intangible assets. Capital expenditures for property, equipment, and intangible assets were approximately \$50 million and \$51 million for the nine months ended September 30, 2022 and 2021,

respectively. In the future, we plan to meet capital expenditure needs with cash from operations and cash on hand, as we continue our focus on technology infrastructure initiatives to further enhance our competitive position. In response to changing economic conditions, we believe we have the flexibility to modify our capital expenditures by adjusting them (either upward or downward) to match our actual performance. If we pursue any additional strategic acquisitions, we may incur additional capital expenditures.

Seasonality

Our businesses are subject to seasonal fluctuations, reflecting varying numbers of market participants at times during the year, varying numbers of trading days from quarter-to-quarter, and declines in trading activity due to holidays. Typical seasonal trends may be superseded by market or world events, which can have a significant impact on prices and trading volume.

Inflation

Although we cannot accurately anticipate the effects of inflation on our operations, we believe that, for the three most recent years, inflation has not had a material impact on our results of operations, though it may be a contributing factor to general uncertainty in the markets in the foreseeable future. Statements about future inflation are subject to the risk that actual inflation and its effects may differ, possibly materially, due to, among other things, changes in economic growth, impact of supply chain disruptions, unemployment and consumer demand.

Investments in U.S. Government Securities

We invest in U.S. government securities to satisfy U.S. regulatory requirements. As a broker-dealer, unlike banks, we are required to mark these investments to market even though we intend to hold them to maturity. Sudden increases (decreases) in interest rates will cause mark-to-market losses (gains) on these securities, which are recovered (eliminated) if we hold them to maturity, as currently intended. The impact of changes in interest rates is further described in Part I, Item 3 of this Quarterly Report on Form 10-Q entitled “Quantitative and Qualitative Disclosures about Market Risk.”

Strategic Investments and Acquisitions

We regularly evaluate potential strategic investments and acquisitions. We hold strategic investments in certain electronic trading exchanges, including BOX Options Exchange, LLC. We also hold strategic investments in certain businesses, including Tiger Brokers, an online stock brokerage established for Chinese retail and institutional customers, in which we have a beneficial ownership interest of 7.6%.

We intend to continue making acquisitions on an opportunistic basis, generally only when the acquisition candidate will, in our opinion, enable us to offer better execution alternatives to our current and prospective customers, allow us to influence exchanges to provide competing products at better prices using sophisticated technology, or enable us to acquire either technology or customers faster than we could develop them on our own.

As of September 30, 2022, there were no definitive agreements with respect to any material acquisition.

Certain Information Concerning Off-Balance-Sheet Arrangements

We may be exposed to a risk of loss not reflected in our condensed consolidated financial statements for futures products, which represent our obligations to settle at contracted prices, and which may require us to repurchase or sell in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk, as our cost to liquidate such futures contracts may exceed the amounts reported in our condensed consolidated statements of financial condition.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on judgment and the best available information at the time. Therefore, actual results could differ materially from those estimates. We believe that the critical policies listed below represent the most significant estimates used in the preparation of our consolidated financial statements. See Note 2 – “Significant Accounting Policies” to the unaudited condensed consolidated financial statements for a summary of our significant accounting policies in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Contingencies

Our policy is to estimate and accrue for potential losses that may arise out of litigation and regulatory proceedings, to the extent that such losses are probable and can be estimated. Significant judgment is required in making these estimates and our final liabilities may ultimately be materially different. Our total liability accrued with respect to litigation and regulatory proceedings is determined on a case by case basis and represents an estimate of probable losses based on, among other factors, the progress of each case, our experience with and industry experience with similar cases and the opinions and views of internal and external legal counsel. Given the inherent difficulty of predicting the outcome of our litigation and regulatory matters, particularly in cases or proceedings in which substantial or indeterminate damages or fines are sought, or where cases or proceedings are in the early stages, we cannot estimate losses or ranges of losses for cases or proceedings where there is only a reasonable possibility that a loss may be incurred.

Income Taxes

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits are based on enacted tax laws and reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Determining income tax expense requires significant judgment and estimates.

Deferred income tax assets and liabilities arise from temporary differences between the tax and financial statement recognition of the underlying assets and liabilities. In evaluating our ability to recover our deferred tax assets within the jurisdictions from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, historical results are adjusted for changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax-planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, three years of cumulative operating income (loss) are considered. Deferred income taxes have not been provided for U.S. tax liabilities or for additional foreign taxes on the unremitted earnings of foreign subsidiaries that have been indefinitely reinvested.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. We record tax liabilities in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 740 and adjust these liabilities when management's judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in payments that are different from the current estimates of these tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information becomes available.

We recognize that a tax benefit from an uncertain tax position may be recognized only when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. A tax position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement.

Accounting Pronouncements Issued but Not Yet Adopted

For additional information regarding FASB Accounting Standards Updates ("ASU"s) that have been issued but not yet adopted and that may impact the Company, refer to Note 2 – "Significant Accounting Policies" to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks. Our exposures to market risks arise from assumptions built into our pricing models, equity price risk, foreign currency exchange rate fluctuations related to our international operations, changes in interest rates and risks relating to the extension of margin credit to our customers.

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio. Generally, we incur trading-related market risk as a result of our remaining market making activities, where the substantial majority of our Value-at-Risk (“VaR”) for market risk exposures is generated. In addition, we incur non-trading-related market risk primarily from investment activities and from foreign currency exposure held in the equity of our foreign subsidiaries, i.e., our non-U.S. brokerage subsidiaries and information technology subsidiaries, and held to meet target balances in our currency diversification strategy.

We use various risk management tools in managing our market risk, which are embedded in our real-time market making systems. We employ certain hedging and risk management techniques to protect us from a severe market dislocation. Our risk management policies are developed and implemented by our steering committee, which is chaired by our Chief Executive Officer and comprised of senior executives of our various operating subsidiaries. The strategy of our remaining market making activities is to calculate quotes a few seconds ahead of the market and execute small trades at a tiny but favorable differential as a result. This strategy is made possible by our proprietary pricing model, which evaluates and monitors the risks inherent in our portfolio, assimilates external market data and reevaluates the outstanding quotes in our portfolio many times per second. Our model automatically rebalances our positions throughout each trading day to manage risk exposures on our options and futures positions and the underlying securities, and will price the increased risk that a position would add to the overall portfolio into the bid and offer prices we post. Under risk management policies implemented and monitored primarily through our computer systems, reports to management, including risk profiles, profit and loss analysis and trading performance, are prepared on a real-time basis as well as daily and periodical bases. Although our remaining market making activities are completely automated, the trading process and our risk are monitored by a team of individuals who, in real time, observe various risk parameters of our consolidated positions. Our assets and liabilities are marked-to-market daily for financial reporting purposes and re-valued continuously throughout the trading day for risk management and asset/liability management purposes.

We use a covariant VaR methodology to measure, monitor and review the market risk of our market making portfolios, with the exception of fixed income products, and our currency exposures. The risk of fixed income products, which comprise primarily U.S. government securities, is measured using a stress test.

Pricing Model Exposure

As described above, our proprietary pricing model, which continuously evaluates and monitors the risks inherent in our portfolio, assimilates external market data and reevaluates the outstanding quotes in our entire portfolio many times per second. Certain aspects of the model rely on historical prices of securities. If the behavior of price movements of individual securities diverges substantially from what their historical behavior would predict, we might incur trading losses. We attempt to limit such risks by diversifying our portfolio across many different options, futures and underlying securities and avoiding concentrations of positions based on the same underlying security. Historically, our losses from these events have been immaterial in comparison to our annual trading profits.

Foreign Currency Exposure

As a result of our international activities and accumulated earnings in our foreign subsidiaries, our income and equity are exposed to fluctuations in foreign exchange rates. For example, some of our European and Asian operations are conducted by our Swiss subsidiary, IBKRFS. IBKRFS is regulated by the Swiss Financial Market Supervisory Authority as a securities dealer and its financial statements are presented in Swiss francs. Accordingly, IBKRFS is exposed to certain foreign exchange risks as described below:

- IBKRFS buys and sells securities denominated in various currencies and carries bank balances and borrows and lends such currencies in its regular course of business. At the end of each accounting period, IBKRFS’ assets and liabilities are revalued into Swiss francs for presentation in its financial statements. The resulting foreign currency gains or losses are reported in IBKRFS’ income statement and, as translated into U.S. dollars for U.S. GAAP purposes, in our condensed consolidated statements of comprehensive income, as a component of other income.
- IBKRFS’ financial statements are presented in Swiss francs (i.e., its functional currency) as noted above. At the end of each accounting period, IBKRFS’ equity is translated at the then prevailing exchange rate into U.S. dollars and the resulting translation gain or loss is reported as OCI in our condensed consolidated statements of financial condition and condensed consolidated statements of comprehensive income. OCI is also produced by our other non-U.S. subsidiaries.

Historically, we have taken the approach of not hedging the above exposures, based on the notion that the cost of constantly hedging over the years would amount to more than the random impact of rate changes on our non-U.S. dollar balances. For instance, an increase in the value of the Swiss franc would be unfavorable to the earnings of IBKRFS but would be counterbalanced to some extent by the fact that the translation gain or loss into U.S. dollars is likely to move in the opposite direction.

Our risk management systems incorporate cash forex to hedge our currency exposure at little or no cost. Currency spot positions entered into as part of our currency diversification strategy are held by the parent holding company, IBG LLC. In connection with the development of our currency diversification strategy, we determined to base our equity in GLOBALS, a basket of currencies.

Because we conduct business in many countries and many currencies and because we consider ourselves a global enterprise based in a diversified basket of currencies rather than a U.S. dollar based company, we actively manage our global currency exposure by maintaining our equity in GLOBALS. The U.S. dollar value of the GLOBAL decreased 3.66%, as of September 30, 2022 compared to September 30, 2021. As of September 30, 2022, approximately 23% of our equity was denominated in currencies other than the U.S. dollar.

The table below presents a comparison of the U.S. dollar equivalent of the GLOBAL for the periods indicated.

Currency	Composition	As of 9/30/2021				As of 9/30/2022				CHANGE in % of Comp.
		FX Rate	GLOBAL in USD Equiv.	% of Comp.	Net Equity (in USD millions)	FX Rate	GLOBAL in USD Equiv.	% of Comp.	Net Equity (in USD millions)	
USD	0.72	1.0000	0.720	74.2%	\$ 7,432	1.0000	0.720	77.1%	\$ 8,399	2.8%
EUR	0.09	1.1578	0.104	10.7%	1,075	0.9802	0.088	9.4%	1,030	-1.3%
JPY	3.91	0.0090	0.035	3.6%	363	0.0069	0.027	2.9%	315	-0.7%
GBP	0.02	1.3474	0.027	2.8%	278	1.1164	0.022	2.4%	260	-0.4%
CHF	0.02	1.0734	0.021	2.2%	222	1.0131	0.020	2.2%	236	0.0%
CNH	0.13	0.1551	0.020	2.1%	208	0.1400	0.018	1.9%	212	-0.1%
INR	1.10	0.0135	0.015	1.5%	153	0.0123	0.013	1.4%	157	-0.1%
CAD	0.02	0.7886	0.012	1.2%	122	0.7231	0.011	1.2%	127	-0.1%
AUD	0.02	0.7227	0.011	1.1%	112	0.6402	0.010	1.0%	112	-0.1%
HKD	0.04	0.1284	0.004	0.5%	46	0.1274	0.004	0.5%	52	0.0%
			0.970	100.0%	\$ 10,011		0.934	100.0%	\$ 10,900	0.0%

The effects of our currency diversification strategy appear in two places in the condensed consolidated financial statements: (1) as a component of other income in the condensed consolidated statements of comprehensive income and (2) as OCI in the condensed consolidated statements of financial condition and the condensed consolidated statements of comprehensive income. The full effect of the GLOBAL is captured in the condensed consolidated statements of comprehensive income.

Reported results on a comprehensive basis reflect the U.S. GAAP convention that requires the reporting of currency translation results contained in OCI as part of reportable earnings.

Interest Rate Risk

We had no variable-rate debt outstanding as of September 30, 2022.

We pay our customers interest based on benchmark overnight interest rates in various currencies, when interest rates are above a benchmark rate plus a small spread, on cash balances above \$10 thousand (or equivalent) in securities accounts holding more than \$100 thousand and at lower, tiered rates for accounts holding less than \$100 thousand (or equivalent) net asset value. In currencies with negative rates, we pass through the cost of holding certain cash balances to our customers; therefore, we charge customers interest on these cash balances. In a normal rate environment, we typically invest a portion of these funds in U.S. government securities with maturities of up to two years. If interest rates were to increase rapidly and substantially, our net interest income would not increase proportionally with the interest rates for the portion of the funds invested at fixed yields. In addition, the mark-to-market changes in the value of these fixed rate securities will be reflected in other income, instead of net interest income. Our margin balances are priced to a benchmark rate plus a spread, with a minimum charge of 0.75% in U.S. dollars and most foreign currencies. At negative or near-zero benchmark rates, our interest sensitivity to rate increases is limited to the extent that a higher benchmark rate plus a spread may still be below the minimum charge.

Based on customer balances and investments outstanding as of September 30, 2022, and assuming reinvestment of maturing instruments in instruments of short-term duration, an unexpected increase of 0.25% over current U.S. dollar interest rate levels would increase our net interest income by approximately \$55 million on an annualized basis, assuming the full effect of reinvestment at

higher rates. Our interest rate sensitivity estimate contains separate assumptions for U.S. dollar rates from other currencies' rates and it isolates the effects of a rate increase on reinvestments. We do not approximate mark-to-market impact from interest rate changes; if U.S. government securities whose prices were to fall under these scenarios were held to maturity, as intended, then the reduction in other income would be temporary, as the securities would mature at par value.

We also face the potential for reduced net interest income from customer deposits and margin loans if benchmark rates were to fall. Based on customer balances and investments outstanding as of September 30, 2022, and assuming reinvestment of maturing instruments in instruments of short-term duration, an unexpected decrease in U.S. dollar interest rates of 0.25% would decrease our net interest income by approximately \$55 million on an annualized basis, assuming the full effect of reinvestment at lower rates.

We also face interest rate risk due to positions carried for our remaining market making activities to the extent that long or short stock positions may have been established for future or forward dates on options or futures contracts and the value of such positions is impacted by interest rates. The amount of such risk cannot be quantified, however, the current low level of market making positions does not indicate a material potential exposure.

Dividend Risk

We face dividend risk in our remaining market making activities as we derive revenues and incur expenses in the form of dividend income and expense, respectively, from our inventory of equity securities, and must make payments in lieu of dividends on short positions in equity securities within our portfolio. Projected future dividends are an important component of pricing equity options and other derivatives, and incorrect projections may lead to trading losses. The amount of such risk cannot be quantified, however, the reduction of market making positions has substantially reduced this exposure.

Margin Loans

We extend margin loans to our customers, which are subject to various regulatory requirements. Margin loans are collateralized by cash and securities in the customers' accounts. The risks associated with margin credit increase during periods of fast market movements or in cases where collateral is concentrated and market movements occur. During such times, customers who utilize margin loans and who have collateralized their obligations with securities may find that the securities have a rapidly depreciating value and may not be sufficient to cover their obligations in the event of a liquidation. We are also exposed to credit risk when our customers execute transactions, such as short sales of options and equities that can expose them to risk beyond their invested capital.

We expect this kind of exposure to increase with the growth of our overall business. Because we indemnify and hold harmless our clearing houses and counterparties from certain liabilities or claims, the use of margin loans and short sales may expose us to significant off-balance-sheet risk if collateral requirements are not sufficient to fully cover losses that customers may incur and those customers fail to satisfy their obligations. As of September 30, 2022, we had \$40.4 billion in margin loans extended to our customers. The amount of risk to which we are exposed from the margin loans we extend to our customers and from short sale transactions by our customers is unlimited and not quantifiable as the risk is dependent upon analysis of a potentially significant and undeterminable rise or fall in stock prices. Our account level margin requirements meet or exceed those required by Regulation T of the Board of Governors of the Federal Reserve and FINRA portfolio margin rules, as applicable. As a matter of practice, we enforce real-time margin compliance monitoring and liquidate customers' positions if their equity falls below required margin requirements.

We have a comprehensive policy implemented in accordance with regulatory standards to assess and monitor the suitability of investors to engage in various trading activities. To mitigate our risk, we also continuously monitor customer accounts to detect excessive concentration, large orders or positions, patterns of day trading and other activities that indicate increased risk to us.

Our credit exposure is to a great extent mitigated by our real-time margining system, which automatically evaluates each account throughout the trading day and closes out positions automatically for accounts that are found to be under-margined. While this methodology is effective in most situations, it may not be effective in situations where no liquid market exists for the relevant securities or commodities or where, for any reason, automatic liquidation for certain accounts has been disabled. Our Risk Management Committee continually monitors and evaluates our risk management policies, including the implementation of policies and procedures to enhance the detection and prevention of potential events to mitigate margin loan losses.

Value-at-Risk

We estimate VaR using a historical approach, which uses the historical daily price returns of underlying assets as well as estimates of the end of day implied volatility for options. Our one-day VaR is defined as the unrealized loss in portfolio value that, based on historically observed market risk factors, would have been exceeded with a frequency of one percent, based on a calculation with a confidence interval of 99%.

Our VaR model generally takes into account exposures to equity and commodity price risk and foreign exchange rates.

We use VaR as one of a range of risk management tools. Among their benefits, VaR models permit the estimation of a portfolio's aggregate market risk exposure, incorporating a range of varied market risks and portfolio assets. One key element of the VaR model is that it reflects risk reduction due to portfolio diversification or hedging activities. However, VaR has various strengths and limitations, which include, but are not limited to: use of historical changes in market risk factors, which may not be accurate predictors of future market conditions, and may not fully incorporate the risk of extreme market events that are outsized relative to observed historical market behavior or reflect the historical distribution of results beyond the confidence interval; and reporting of losses in a single day, which does not reflect the risk of positions that cannot be liquidated or hedged in one day. A small proportion of market risk generated by trading positions is not included in VaR. The modeling of the risk characteristics of some positions relies on approximations that, under certain circumstances, could produce significantly different results from those produced using more precise measures. VaR is most appropriate as a risk measure for trading positions in liquid financial markets and will understate the risk associated with severe events, such as periods of extreme illiquidity.

The VaR calculation simulates the performance of the portfolio based on several years of daily price changes of the underlying assets and determines the VaR as the calculated loss that occurs at the 99th percentile.

Since the reported VaR statistics are estimates based on historical data, VaR should not be viewed as predictive of our future revenues or financial performance or of our ability to monitor and manage risk. There can be no assurance that our actual losses on a particular day will not exceed the indicated VaR or that such losses will not occur more than one time in 100 trading days. VaR does not predict the magnitude of losses which, should they occur, may be significantly greater than the VaR amount.

Stress Test

We estimate the market risk of our fixed income portfolio using a risk analysis model provided by a leading external vendor. For corporate bonds, this stress test is configured to calculate the change in value of each fixed income security in the portfolio over one day in seven scenarios each of which represents a parallel shift of the U.S. Treasury yield curve. The scenarios are shifts of +/-100, +/-200, and +/-300 basis points. For U.S. government securities, the stress test is configured to calculate the change in value of each fixed income security in the portfolio over one day in three scenarios each of which represents a parallel shift of the U.S. Treasury yield curve. The scenarios are shifts of +/-25 basis points.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective, in all material respects, to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the period covered by this report quarter that has materially affected, or is likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting related to our employees working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation to minimize any impact on the design and operating effectiveness of our internal controls.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes to the legal proceedings disclosed under Part 1, Item 3 of our Annual Report on Form 10-K filed with the SEC on February 25, 2022 except as updated in Note 13 - “Commitments, Contingencies, and Guarantees” to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in under Part 1, Item 1A of our Annual Report on Form 10-K filed with the SEC on February 25, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of IBG LLC membership interests, held by Holdings, by the Company are governed by the Amended Exchange Agreement, which was filed on Exhibit 10.1 to the Quarterly Report on Form 10-Q for Quarterly Period Ended September 30, 2015 filed by the Company on November 9, 2015. At the time of the Company’s IPO in 2007, three hundred sixty (360) million shares of authorized common stock were reserved for future sales and redemptions.

On an annual basis, each holder of a membership interest may request that some or all of that holder’s interest be redeemed by Holdings. We expect Holdings to use the net proceeds it receives from such sales to redeem an identical number of Holdings membership interests from the requesting holders.

With the consent of Holdings and the Company (on its own behalf and acting as the sole managing member of IBG LLC), IBG LLC agreed in July 2022 to redeem certain membership interests from Holdings through the sale of common stock and the distribution of the proceeds of such sale to the beneficial owners of such membership interests.

On August 1, 2022, the Company filed a Prospectus Supplement on Form 424B5 with the SEC to issue 3,271,390 shares of common stock (with a fair value of \$192 million) in exchange for an equivalent number of shares of member interests in IBG LLC. The acquired shares were distributed in-kind to the members of Holdings who elected to redeem a portion of their Holdings membership interests.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 5. OTHER INFORMATION

Below, we provide a progress update on our Sustainability and ESG programs.

We recently hired a Senior Director, Head of ESG and Sustainability to oversee our sustainability programs and to work with our ESG Board Committee. The Committee was established in early 2020 to (1) advise on our ESG strategy, (2) track ESG initiatives throughout the Company, (3) provide training to our employees on ESG topics, and (4) ensure that the Board of Directors is apprised of progress towards ESG initiatives through regular updates. Recently, we conducted a materiality assessment to identify key sustainability topics relevant to the Company to develop short- and long-term goals.

Further, as we rely on multiple vendors and partners globally, we recently hired a Director of Procurement to ensure responsible sourcing and supply chain activity. We are incorporating responsible sourcing in our procurement systems, policies and processes to properly evaluate prospective vendors and integrate ESG factors in the due diligence and pre-qualification processes.

We expanded our global regulatory monitoring to include upcoming changes to existing laws, rules and reporting requirements from ESG draft legislation. Our monitoring allows us to prepare and plan appropriate tools and governance responses to the rapidly changing ESG regulatory landscape.

Finally, we continue to enhance and embed our risk management processes in all our subsidiaries and functions. We have developed and continue to deploy a comprehensive and coordinated Enterprise Risk Management Framework designed to support effective identification, assessment, management, monitoring and reporting of financial and non-financial risks across the Company.

Human Capital and Social Initiatives

We strive to create a workplace that allows our employees to thrive within a healthy, engaged and empowered work environment that fosters the achievement of our objectives. In support of our employees and their overall wellbeing, we recently added new benefits for our employees in the U.S. These new benefits include a new parental leave policy that increases paid leave time for same sex, opposite sex and domestic partnership couples; enhanced benefits related to childbearing and adoption; childcare support through a third-party provider; healthcare travel reimbursement; and leadership coaching and training for managers globally.

Diversity, Equity, Inclusion (“DEI”)

We believe in the importance of workplace DEI and have established several employee support groups that help women and minorities on their personal growth and professional development at the Company. Our most recent additions to our Board of Directors include two minority women.

We also place great emphasis on attracting a diverse workforce. We recently completed extensive research on emerging communities with technology and software engineering talent to further support our growing customer base. As part of our engagement, inclusion and belonging initiatives post-pandemic, we recently launched a global mentoring program and we sponsored several wellness events at our offices around the world.

Community Support Initiatives

We continue to contribute to communities globally and over the last three years we have donated to many charitable organizations, including those offering food and support to people affected by COVID-19, seeking to advance medical solutions, among other community support initiatives.

Environmental Initiatives

We are actively reducing our global carbon footprint and implementing sustainable practices for our offices and data centers. We implemented a new greenhouse gas inventory process, initiated data collection on our offices and data centers, as well as data on our water management, waste and equipment recycling. We also procured renewable power sources for 18 of our offices and data centers, representing about 40% of our operational footprint.

ESG Integration onto Customer Platforms

Over the last two years, we expanded our suite of ESG investing and trading products by creating new tools and adding ESG features to existing ones. New tools and features include IMPACT by Interactive BrokersSM, the Impact Dashboard, ESG Scores, Charitable Giving - IBKR GIVESM, and Interactive Advisors' Socially Responsible Investing Portfolios. These products and tools allow our customers to view their investments through a financial lens while determining how they align with specific sustainability values. In addition, these tools provide conscientious investors with a comprehensive data for making more informed investment decisions.

ITEM 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Interactive Brokers Group, Inc. (filed as Exhibit 3.1 to Amendment No. 2 to the Registration Statement on Form S-1 filed by the Company on April 4, 2007). **
3.2	Amended bylaws of Interactive Brokers Group, Inc. (filed as Exhibit 3.1 to the Form 8-K filed by the Company on February 24, 2016). **
4.1	Description of the Registrant’s Securities (filed as Exhibit 4.1 to the Annual Report on Form 10-K for the Year Ended December 31, 2021 filed by the Company on February 25, 2022). **
10.1	Amended and Restated Operating Agreement of IBG LLC (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2007 filed by the Company on June 15, 2007). **
10.2	Form of Limited Liability Company Operating Agreement of IBG Holdings LLC (filed as Exhibit 10.5 to Amendment No. 1 to the Registration Statement on Form S-1 filed by the Company on February 12, 2007). **
10.3	Exchange Agreement by and among Interactive Brokers Group, Inc., IBG Holdings LLC, IBG LLC and the Members of IBG LLC (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended September 30, 2009 filed by the Company on November 11, 2009). **
10.4	Tax Receivable Agreement by and between Interactive Brokers Group, Inc. and IBG Holdings LLC (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2007 filed by the Company on June 15, 2007). **
10.5	Interactive Brokers Group, Inc. 2007 Stock Incentive Plan, as of April 19, 2018 (filed as exhibit 10.9 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 2018, filed by the Company on August 8, 2018). **+
10.6	Interactive Brokers Group, Inc. Amendment to the Exchange Agreement (filed as Exhibit 10.1 to the Form 8-K filed by the Company on June 6, 2012). **+
10.7	Second Amendment to Exchange Agreement by and among Interactive Brokers Group, Inc., IBG Holdings LLC, IBG (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended September 31, 2015 filed by the Company on November 9, 2015). **
10.8	First Amendment to Limited Liability Company Agreement of IBG Holdings LLC (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended September 31, 2015 filed by the Company on November 9, 2015). **
31.1	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document*
101.SCH	XBRL Extension Schema*
101.CAL	XBRL Extension Calculation Linkbase*
101.DEF	XBRL Extension Definition Linkbase*
101.LAB	XBRL Extension Label Linkbase*
101.PRE	XBRL Extension Presentation Linkbase*
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document.

** Previously filed; incorporated herein by reference.

+ These exhibits relate to management contracts or compensatory plans or arrangements.

* Attached as Exhibit 101 to this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022, are the following materials formatted in iXBRL (Inline eXtensible Business Reporting Language) (i) the Condensed Consolidated Statements of Financial Condition, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statement of Changes in Stockholders’ Equity and (v) Notes to the Condensed Consolidated Financial Statements tagged in detail levels 1-4.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERACTIVE BROKERS GROUP, INC.

/s/ PAUL J. BRODY

Name: Paul J. Brody

Title: *Chief Financial Officer, Treasurer and Secretary*
(Signing both in his capacity as a duly authorized officer
and as principal financial officer of the registrant)

Date: November 8, 2022

CERTIFICATION

I, Paul J. Brody, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 of Interactive Brokers Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Paul J. Brody

Name: Paul J. Brody

Title: Chief Financial Officer, Treasurer and Secretary

Date: November 8, 2022

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Interactive Brokers Group, Inc. (the “Company”) hereby certifies that the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Milan Galik
Name: Milan Galik
Title: Chief Executive Officer and President

Date: November 8, 2022

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Interactive Brokers Group, Inc. (the “Company”) hereby certifies that the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Paul J. Brody
Name: Paul J. Brody
Title: Chief Financial Officer, Treasurer and Secretary

Date: November 8, 2022

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.