

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022073912501**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Interactive Brokers LLC (Respondent)
Member Firm
CRD No. 36418

Pursuant to FINRA Rule 9216, Respondent Interactive Brokers LLC submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Interactive Brokers LLC has been a FINRA member firm since January 1995. The firm, which is headquartered in Greenwich, Connecticut, offers online trading through self-directed accounts. It also clears transactions for retail and institutional customers, as well as for customers introduced to it by foreign and domestic introducing firms. Interactive Brokers LLC has approximately 400 registered representatives in 18 branch offices.¹

OVERVIEW

From January 2020 through at least June 2022, Interactive Brokers failed to report to FINRA accurate statistical and summary information regarding written customer complaints. Prior to at least June 2022, the firm's supervisory system, including written procedures, was not reasonably designed to achieve compliance with FINRA Rule 4530(d). As a result, the firm violated FINRA Rules 4530, 3110, and 2010.

From July 2011 to September 2022, Interactive Brokers failed to timely report 91 regulatory actions and civil complaints. From March 2012 to February 2022, Interactive Brokers failed to file amendments to its Uniform Application for Broker-Dealer Registration disclosing 12 foreign regulatory actions against the firm's foreign affiliates.

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

As a result, the firm violated Article IV, Section 1(c) of FINRA's By-Laws and FINRA Rules 4530, 1122, and 2010.

For these violations, Interactive Brokers is censured, fined \$400,000, and has agreed to undertake corrective action.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's review of a self-report made by Interactive Brokers.

A. Customer Complaint Reporting.

1. Interactive Brokers failed to accurately report statistical and summary information regarding customer complaints.

FINRA Rule 4530 requires member firms to report to FINRA certain customer complaints. FINRA Rule 4530(d) requires member firms to report on a quarterly basis statistical and summary information regarding written customer complaints, in such detail as FINRA shall specify, by the 15th day of the month following the calendar quarter in which customer complaints are received by the member. FINRA Rule 4530 Supplementary Material .08 (Rule 4530.08) requires that member firms report any written grievance by a customer involving the member or any person associated with the member.

FINRA uses the information received pursuant to Rule 4530 for regulatory purposes, including to identify and initiate investigations of member firms, associated persons, and others that may pose a risk to investors.

A violation of FINRA Rule 4530(d) also constitutes a violation of FINRA Rule 2010, which requires firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

From January 2020 through at least June 2022, Interactive Brokers failed to accurately report statistical and summary information regarding written customer complaints received by the firm. For example, between June and August 2021, the firm's client service representatives failed to identify, and therefore the firm failed to report, at least 300 written customer complaints concerning, among other things, the functionality of the firm's website and on-line system, poor customer service with respect to Automated Customer Account Transfer Service (ACATS) transfers, and issues with respect to margin and options trading on the firm's platform.

Therefore, Interactive Brokers violated FINRA Rules 4530(d) and 2010.

2. Interactive Brokers failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA Rule 4530(d).

FINRA Rule 3110(a) requires each member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b) requires each member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010.

Prior to at least June 2022, Interactive Brokers did not establish, maintain, and enforce a system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA Rule 4530(d). During that period, in addition to automated screening, client service representatives at the firm were responsible for reviewing written customer communications for purposes of FINRA Rule 4530(d) reporting. However, the firm's procedures did not provide reasonable guidance to these representatives on how to identify and report to FINRA customer complaints as required by Rule 4530(d). Although the procedures provided a definition of a customer complaint, they referred to FINRA Rule 4513 (which sets forth recordkeeping requirements related to written customer complaints) and not Rule 4530.08's requirement that member firms report any written grievance by a customer that concerns the member or one of its associated persons. Further, certain training materials the firm provided to client service representatives provided too narrow a definition of the types of grievances that should be reported pursuant to FINRA Rule 4530.

As a result, Interactive Brokers violated FINRA Rules 3110 and 2010.

B. Interactive Brokers failed to timely report regulatory actions, civil litigations, and arbitrations.

FINRA Rule 4530(a)(1)(A) requires each member firm to "promptly report to FINRA but in any event not later than 30 calendar days, after the member knows or should have known" that the member or any of its associated persons "has been found to have violated any securities-, insurance-, commodities-, financial- or investment-related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body, self-regulatory organization or business or professional organization."

FINRA Rule 4530(a)(1)(G) requires each member firm to "promptly report to FINRA but in any event not later than 30 calendar days, after the member knows or should have known" that the member or any of its associated persons "is a defendant or respondent in any-related securities- or commodities-related civil litigation or arbitration, is a defendant or respondent in any financial-related insurance civil litigation or arbitration, or is the subject of any claim for damages by a customer, broker or dealer that relates to the provision of financial services or relates to a financial transaction, and such civil

litigation, arbitration or claim for damages has been disposed of by judgment, award or settlement for an amount exceeding...\$25,000.”

FINRA Rule 4530(f) requires member firms to promptly file with FINRA copies of certain criminal actions, civil complaints, and arbitration claims, including any complaint in which a member is named as a defendant or respondent in any securities- or commodities-related private civil litigation and any securities- or commodities-related arbitration claim filed against a member in any forum other than the FINRA Dispute Resolution forum.

A violation of FINRA Rules 4530(a) or 4530(f) is also a violation of FINRA Rule 2010.

Between July 2011 and September 2022, due to human error, Interactive Brokers failed to report to FINRA 21 findings by regulatory bodies that the firm had violated securities-, commodities-, financial-, or investment-related laws, rules or regulations, and one action where the firm was the subject of a claim for damages by a customer relating to the provision of financial services or a financial transaction and the settlement amount exceeded \$25,000. In addition, Interactive Brokers failed to promptly file with FINRA copies of 69 civil complaints and arbitration claims required by FINRA Rule 4530(f). In January 2022, Interactive Brokers self-reported to FINRA its failure to file the required reports pursuant to FINRA Rules 4530(a) and 4530(f), and subsequently reported the findings, action, and civil complaints and arbitration claims in September 2022.

As a result of its reporting failures, Interactive Brokers violated FINRA Rules 4530(a)(1)(A), 4530(a)(1)(G), 4530(f) and 2010.

C. Interactive Brokers failed to timely file amendments to its Form BD.

Article IV, Section 1(c) of FINRA’s By-Laws requires each member firm to keep its membership application with FINRA current at all times. Failing to timely update a Form BD or reporting information on Form BD that is materially false, misleading or inaccurate violates Article IV, Section 1(c) of FINRA’s By-Laws. FINRA Rule 1122 prohibits member firms from filing with FINRA information with respect to membership that is “incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice therefore.” A violation of Article IV, Section 1(c) of FINRA’s By-Laws or FINRA Rule 1122 is also a violation of FINRA Rule 2010.

At all relevant times, Question 11D on Form BD asked “Has any foreign financial regulatory authority ... ever found the applicant or a control affiliate to have been involved in a violation of investment-related regulations or statutes?” If the answer to Question 11D was yes, member firms were required to provide detailed information concerning the regulatory action.

Between March 2012 and February 2022, due to a misunderstanding of Question 11D, Interactive Brokers failed to amend the firm’s Form BD to disclose 12 actions by foreign

financial regulatory authorities finding violations of investment-related regulations or statutes by Interactive Brokers' foreign control affiliates.

On January 11, 2022, Interactive Brokers self-reported its failure to update the firm's Form BD to FINRA. The firm filed an amended Form BD disclosing the 12 actions on February 23, 2022.

As a result of its failure to timely amend its Form BD, Interactive Brokers violated Article IV, Section 1(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure;
- a \$400,000 fine; and
- an undertaking that, within 180 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA rules regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Leah Milbauer, Counsel, at 99 High Street Suite 900, Boston, MA 02110 and Leah.Milbauer@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than

the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

April 7, 2025

Date

Elaine Mandelbaum

Interactive Brokers LLC
Respondent

Print Name: Elaine Mandelbaum

Title: General Counsel

Signed on behalf of the
Director of ODA, by delegated authority

April 29, 2025

Date

Leah Milbauer

Leah Milbauer
Principal Counsel
FINRA
Department of Enforcement
99 High Street, Suite 900
Boston