

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021071984801**

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 and is headquartered in Greenwich, Connecticut. The firm offers online trading through self-directed accounts. It also clears transactions for retail and institutional customers as well as for customers from foreign and domestic introducing firms. Interactive Brokers has approximately 400 registered representatives in approximately 20 branch offices.¹

OVERVIEW

Between November 2019 and December 2024, Interactive Brokers failed to exercise reasonable due diligence before approving certain customer accounts that were not managed or advised by financial advisors or other third-parties (Self-Directed Customers) to trade options. During this period, the firm used a primarily automated system to approve or disapprove customers for options trading. However, the firm's system was not reasonably designed and the firm approved certain Self-Directed Customers for options trading despite red flags that options trading was potentially inappropriate for them, as described below. The firm thus violated FINRA Rules 3110, 2360, and 2010.

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

During the same period, Interactive Brokers failed to maintain required records reflecting the firm’s automated disapproval of certain Self-Directed Customers for options trading. The firm therefore violated FINRA Rules 2360, 4511, and 2010.

For these violations, Interactive Brokers is censured and fined \$650,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA targeted examination of firms’ practices related to the opening of options accounts and related areas.

FINRA Rule 2360(b)(16)(B) requires that, in approving accounts for options trading, firms exercise due diligence to ascertain “the essential facts relative to the customer,” including the customer’s age, income, net worth, investment objectives, and investment experience and knowledge. The Rule further requires that, “[b]ased upon such information,” a principal at the firm—either a Registered Options Principal or a General Securities Sales Supervisor—“specifically approve or disapprove in writing the customer’s account for options trading.” Moreover, in determining whether and to what extent to approve an account for options trading, a firm shall consider the information provided by the customer “together with the other information available” to the firm.

FINRA Rule 2360(b)(16)(B) further requires that a “record of . . . the approval or disapproval of each such account . . . be maintained by the member as part of its permanent records.” FINRA Rule 4511(a) requires firms to “preserve books and records as required under the FINRA rules[.]”

FINRA Rule 3110(a) requires a 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 a 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 2360, 4511, or 3110 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.

A. Interactive Brokers failed to exercise reasonable due diligence when approving certain Self-Directed Customers to trade options.

a. Interactive Brokers’ system to review and approve Self-Directed Customers to trade options was not reasonably designed.

Between November 2019 and December 2024, Interactive Brokers used a primarily automated process to approve or disapprove Self-Directed Customer accounts for options trading. To be considered for options trading, the firm required Self-Directed Customers

to complete a customer account profile and indicate their interest in options trading, during the initial account application or after account opening. The firm manually reviewed certain applications based on the information provided by the Self-Directed Customer, but most applications were reviewed pursuant to the firm's automated process. The firm then approved the Self-Directed Customer for options trading if the information submitted by that customer in their account profile, including income, liquid net worth, and years of options trading experience, satisfied the firm's criteria for options trading by Self-Directed Customers. From October 2020, the firm also automatically approved Self-Directed Customers for options trading if those customers satisfied the options trading experience criteria either by passing an options teaching exam or having the requisite number of years of experience, and otherwise satisfied the other eligibility criteria.

If the Self-Directed Customer did not satisfy the firm's eligibility criteria, Interactive Brokers did not allow the Self-Directed Customer to complete their request to trade options, and instead provided the Self-Directed Customer with an error message stating that they were not eligible to trade options. Prior to January 2022, the automatic error message advised those customers of the firm's relevant eligibility criteria needed to qualify for options trading. After January 2022, the firm's automatic error message no longer informed customers of the firm's eligibility criteria, but at times told customers which category of eligibility criteria they did not satisfy.

The firm allowed Self-Directed Customers to change their account profile information and did not restrict how often customers could do so. Although the firm retained each iteration of the customer account profile and required its customers to affirm the accuracy of their account profile, it did not compare the eligibility information contained in a Self-Directed Customer's most recent account profile to information the customer submitted previously. As a result, the firm did not detect certain instances in which certain Self-Directed Customers submitted inconsistent information regarding their years of options trading experience.

b. Interactive Brokers approved certain Self-Directed Customers to trade options despite red flags that options trading may not have been appropriate for those customers.

Between November 2019 and December 2024, Interactive Brokers approved without further inquiry certain Self-Directed Customers to trade options, despite red flags in those customers' account profile history that options trading privileges may be inappropriate for them, as described in this section.

During this period, the firm required Self-Directed Customers to have at least two years of options trading experience (or, from October 2020, to pass an options teaching exam in lieu of the requisite experience) in order to be automatically approved to trade options. Nevertheless, the firm automatically approved hundreds of Self-Directed Customers for options trading even though the customers had increased their options experience in their account profiles by more than two years when 12 months or less had passed since those customers had last entered their options trading experience in their account profiles, and

Interactive Brokers had not otherwise reasonably inquired whether they had the required amount of options trading experience. Although the firm had certain automated checks in place to compare certain information submitted to the firm by the Self-Directed Customers to previously submitted information, these checks did not compare the options trading experience provided by Self-Directed Customers until 2024.

As a result, Interactive Brokers approved such Self-Directed Customers for options trading without taking steps to investigate the inconsistent options trading experience information provided by these customers. For example:

- Interactive Brokers approved a Self-Directed Customer for options trading on January 26, 2021, at which time the customer's account profile stated that he had between six and ten years of options trading experience. Between January 4 and 23, 2021, the customer changed his options trading experience in his account profile twice, stating at various points that he had from one year to greater than ten years of options trading experience. Interactive Brokers approved the customer for options trading without reasonably inquiring whether he had the required amount of options trading experience.
- The firm approved another Self-Directed Customer for options trading on April 15, 2021, at which time the customer's account profile stated that he had ten years of options trading experience. Between March 9 and April 13, 2021, the customer changed his options trading experience in his account profile four times, stating at various points that he had from one year to greater than ten years of options trading experience. Interactive Brokers approved the customer for options trading without reasonably inquiring whether he had the required amount of options trading experience.

In 2024, the firm implemented a check to identify when Self-Directed customers provided potentially inconsistent options trading experience to the firm. In early 2025, the firm began to implement a process that prevented Self-Directed Customers from requesting options trading authority if, in the prior 30 days, they had requested options trading authority but had not met certain eligibility criteria. The firm also began comparing previously submitted options experience information with new options experience information submitted by Self-Directed Customers and performing consistency checks and manual reviews on customers who submitted certain inconsistent information.

As a result of its failure to exercise reasonable due diligence when approving certain Self-Directed Customers to trade options, Interactive Brokers violated FINRA Rules 3110, 2360, and 2010.

B. Interactive Brokers failed to keep a record of its disapproval of certain Self-Directed Customers to trade options.

From November 2019 through December 2024, when a Self-Directed Customer requested the ability to trade options but did not meet the firm's eligibility criteria, Interactive Brokers notified the customer by a pop-up screen or error message indicating that the customer did not meet the firm's eligibility criteria. For example, and as explained above, the firm notified Self-Directed Customers that the financial information, investment experience, and/or investment objectives listed in their account profiles did not meet the firm's eligibility requirements. By informing ineligible customers that they did not meet the firm's eligibility criteria for options trading by Self-Directed Customers by pop-up screen or error message, the firm disapproved those customers to trade options. However, during the relevant period, Interactive Brokers did not make or preserve records of which Self-Directed Customers received pop-up screens or error messages or when they were received as required by FINRA Rule 2360(b)(16)(B). Nor did the firm make or preserve any other record reflecting when it disapproved these customers' accounts for options trading.

In early 2025, the firm began implementing a process to retain records of all disapprovals of Self-Directed Customer account requests to trade options.

As a result of its failure to keep records of its disapprovals for options trading for Self-Directed Customers, the firm violated FINRA Rules 2360, 4511, and 2010.

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

- a censure and
- a \$650,000 fine.

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.

8-6-25
Date

Elaine H. Mandelbaum
Interactive Brokers LLC
Respondent

Print Name: Elaine H. Mandelbaum

Title: General Counsel

Reviewed by:

Susan Schroeder

Susan Schroeder
Counsel for Respondent
Wilmer Hale
7 World Trade Center
250 Greenwich Street
New York, NY 10007

Accepted by FINRA:

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



8/21/25

Date

Myla G. Arumugam
Senior Counsel
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Department of Enforcement
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