Risk Factors Comparison 2024-02-27 to 2023-02-24 Form: 10-K

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We face a variety of risks that are substantial and inherent in our businesses, including market, liquidity, credit, operational, legal and regulatory. In addition to the risks identified elsewhere in this Annual Report on Form 10- K, the following **is a summary of the** risk factors **that** apply to our business results of operations and financial condition ~~:~~ **. Please read the detailed discussion of these risks following the summary.** Risks Related to Our Company Structure ? Future sales of our common stock in the public market could lower our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us. **? Control by Mr. Thomas Peterffy of a majority of the combined voting power of our common stock may give rise to conflicts of interests and could discourage a change of control that other stockholders may favor, which could negatively affect our stock price, and adversely affect stockholders in other ways. ? We depend on IBG LLC to distribute cash to us in amounts sufficient to pay our tax liabilities and other expenses. ? We are required to pay Holdings for the benefit relating to additional tax depreciation or amortization deductions we claim as a result of the tax basis step- up our subsidiaries received in connection with our initial public offering (" IPO ") and certain subsequent redemptions of Holdings membership interests. ? Certain provisions in our amended and restated certificate of incorporation may prevent efforts by our stockholders to change our direction or management. Risks Related to Our Business ? Macroeconomic, geopolitical and other challenges and uncertainties could have a negative impact on our business. ? Our business could be harmed by a systemic market event. ? Damage to our reputation could harm our business. ? The impact of a public health emergency may have a material adverse impact on our business and results of operations. ? Our future success will depend on our response to the demand for new services, products and technologies. ? The loss of our key employees would materially adversely affect our business. ? We may not pay dividends on our common stock at any time in the foreseeable future. ? Our direct market access clearing and non- clearing brokerage operations face intense competition. ? We are subject to potential losses as a result of our clearing and execution activities. ? We are exposed to risks associated with our international operations. ? We are subject to counterparty risk whereby defaults by parties with whom we do business can have an adverse effect on our business, financial condition and results of operations. ? Any future acquisitions may result in significant transaction expenses, integration and consolidation risks and risks associated with entering new markets, and we may be unable to profitably operate our consolidated company. ? Because our revenues and profitability depend on trading volume and interest rate levels, they are prone to significant fluctuations and are difficult to predict. ? We may incur material trading losses from our market making activities. ? Reduced spreads in securities pricing, levels of trading activity and trading through market makers could harm our business. ? We may incur losses in our market making activities in the event of failures of our proprietary pricing model. ? The valuation of the financial instruments we hold may result in large and occasionally anomalous swings in the value of our positions and in our earnings in any period. ? We are exposed to losses due to lack of perfect information. ? Rules governing designated market makers may require us to make unprofitable trades or prevent us from making profitable trades. ? Our risk management policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risks. Risks Related to Laws, Regulations and Litigation ? Our future efforts to sell shares or raise additional capital may be delayed or prohibited by regulations. ? Regulatory and legal uncertainties could harm our business. ? We are subject to risks relating to litigation and potential securities laws liability. ? Heightened regulatory and legislative requirements and changes in the U. S. and globally have increased our compliance, regulatory and other risks and costs. ? We may incur additional tax expense or become subject to additional tax liabilities. Risks Related to Our Intellectual Property, Technology, Cybersecurity and Data Privacy ? We may not be able to protect our intellectual property rights or may be prevented from using intellectual property necessary for our business. ? Our reliance on our computer software could cause us great financial harm in the event of any disruption or corruption of our computer software. We may experience technology failures while developing our software. ? We depend on our proprietary technology, and our future results may be impacted if we cannot maintain technological superiority in our industry. ? We do not have fully redundant systems. System failures could harm our business. ? Failure of third- party systems on which we rely could adversely affect our business. ? Internet- related issues may reduce or slow the growth in the use of our services in the future. ? We could be the target of a cyber- attack or experience a cybersecurity incident that impairs internal systems, degrades services we provide to customers, or results in a data compromise, causing reputational or monetary damages as a consequence. ? We are subject to stringent and complex data privacy rules. Failure to comply with these rules could have an adverse effect on our business, financial condition, and results of operation. Risks Related to Cryptocurrency ? We rely on third- party Cryptocurrency Service Providers (" CSPs ") to provide our customers the ability to access cryptocurrency trading and custody services. ? A data breach at the CSP may result in irreversible losses, which would adversely affect our customers and our business. ? We may encounter technical issues which would result in disruption or interruption of our customers' access to their CSP accounts. ? Changes in laws and regulations regarding cryptocurrency may negatively impact our ability to enable our customers to buy, hold and sell cryptocurrencies in the future and may adversely affect our business. ? A loss event incurred by the CSP may adversely impact our operating results. Risks Related to Our Company Structure Future sales of our common stock in the public market could lower our stock price, and any additional capital raised by us through the sale of equity or convertible**

securities may dilute your ownership in us. The members of Holdings have the right to cause the redemption of their Holdings membership interests over time in connection with offerings of shares of our common stock. We intend to sell additional shares of common stock in public offerings in the future, which may include offerings of our common stock to finance future purchases of IBG LLC membership interests which, in turn, will finance corresponding redemptions of Holdings membership interests. These offerings and related transactions are anticipated to occur at least annually into the future. The size and occurrence of these offerings may be affected by market conditions. We may also issue additional shares of common stock or convertible debt securities to finance future acquisitions or business combinations. We currently have approximately ~~103~~ **107. 0** million outstanding shares of common stock. Assuming no anti- dilution adjustments based on combinations or divisions of our common stock, the offerings referred to above could result in the issuance by us of up to an additional approximately ~~317~~ **314. 0** million shares of common stock. It is possible, however, that such shares could be issued in one or a few large transactions. We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of shares of our common stock may have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our common stock to decline. Control by Mr. Thomas Peterffy of a majority of the combined voting power of our common stock may give rise to conflicts of interests and could discourage a change of control that other stockholders may favor, which could negatively affect our stock price, and adversely affect stockholders in other ways. Mr. Thomas Peterffy, our founder and Chairman, and his affiliates beneficially own approximately ~~90~~ **91** . ~~5~~ **3** % of the economic interests and all of the voting interests in Holdings, which owns all of our Class B common stock, representing approximately ~~75~~ **74** . ~~5~~ **6** % of the combined voting power of all classes of our voting stock. As a result, Mr. Peterffy has the ability to elect all of the members of our ~~board~~ **Board** of ~~directors~~ **Directors** and thereby to control our management and affairs, including determinations with respect to acquisitions, dispositions, material expansions or contractions of our business, entry into new lines of business, borrowings, issuances of common stock or other securities, and the declaration and payment of dividends on our common stock. In addition, Mr. Peterffy is able to determine the outcome of all matters requiring stockholder approval and will be able to cause or prevent a change of control of our company or a change in the composition of our ~~board~~ **Board** of ~~directors~~ **Directors** and could preclude any unsolicited acquisition of our company. The concentration of ownership could discourage potential takeover attempts that other stockholders may favor and could deprive stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and this may adversely affect the market price of our common stock. Moreover, because of Mr. Peterffy' s substantial ownership, we are eligible to be and are, treated as a " controlled company " for purposes of the Nasdaq Marketplace Rules. As a result, we are not required by Nasdaq to have a majority of independent directors or to maintain Compensation and Nominating and Corporate Governance Committees composed entirely of independent directors to continue to list the shares of our common stock on Nasdaq. Our Compensation Committee is comprised of Messrs. Thomas Peterffy (Chairman of the Compensation Committee), Earl H. Nemser (our Vice Chairman) and Milan Galik (our Chief Executive Officer). Mr. Peterffy' s membership on the Compensation Committee may give rise to conflicts of interests in that Mr. Peterffy is able to influence all matters relating to executive compensation, including his own compensation. We ~~are dependent~~ --- **depend** on IBG LLC to distribute cash to us in amounts sufficient to pay our tax liabilities and other expenses. We are a holding company and our primary assets are our approximately ~~24~~ **25** . ~~5~~ **4** % equity interest in IBG LLC and our controlling interest and related rights as the sole managing member of IBG LLC and, as such, we operate and control all of the business and affairs of IBG LLC and are able to consolidate IBG LLC' s financial results into our financial statements. We have no independent means of generating revenues. IBG LLC is treated as a partnership for U. S. federal income tax purposes and, as such, is not subject to U. S. federal income tax. Instead, its taxable income is allocated on a pro rata basis to Holdings and us. Accordingly, we incur income taxes on our proportionate share of the net taxable income of IBG LLC, and also incur expenses related to our operations. We intend to cause IBG LLC to distribute cash to its members in amounts at least equal to that necessary to cover their tax liabilities, if any, with respect to the earnings of IBG LLC. To the extent we need funds to pay such taxes, or for any other purpose, and IBG LLC is unable to provide such funds, it could have a material adverse effect on our business, financial condition and results of operations. We are required to pay Holdings for the benefit relating to additional tax depreciation or amortization deductions we claim as a result of the tax basis step- up our subsidiaries received in connection with our initial public offering (" IPO ") and certain subsequent redemptions of Holdings membership interests. In connection with our IPO, we purchased interests in IBG LLC from Holdings for cash. In connection with redemptions of Holdings membership interests, we acquired additional interests in IBG LLC by issuing shares of Class A common stock in exchange for an equivalent number of shares of member interests in IBG LLC (the " Redemptions "). In addition, IBG LLC membership interests held by Holdings may be sold in the future to us and financed by our issuances of shares of our common stock. The initial purchase and the Redemptions did, and the subsequent purchases may, result in increases in the tax basis of the tangible and intangible assets of IBG LLC and its subsidiaries that otherwise would not have been available. Such increase will be approximately equal to the amount by which our stock price at the time of the purchase exceeds the income tax basis of the assets of IBG LLC underlying the IBG LLC interests acquired by us. These increases in tax basis will result in increased deductions in computing our taxable income and resulting tax savings for us generally over the 15- year period which commenced with the initial purchase and subsequent purchases, respectively. We have agreed to pay 85 % of these tax savings, if any, to Holdings as they are realized as additional consideration for the IBG LLC interests that we acquire, with the balance to be retained by us. As a result of the IPO and the Redemptions by Holdings, the increase in the tax basis attributable to our interest in IBG LLC is $ **2.** 1 ~~. 9~~ billion. The tax savings that we would actually realize as a result of this increase in tax basis likely would be significantly less than this amount multiplied by our effective tax rate due to a number of factors, including the allocation of a portion of the increase in tax basis to foreign or non- depreciable fixed assets, the impact of the increase in the tax basis on our ability to use foreign tax credits and the rules relating to the amortization of intangible assets, for example. Based on facts and assumptions as of December 31, ~~2022~~ **2023** , including that subsequent purchases of IBG LLC interests will occur in fully taxable transactions, the potential tax basis increase resulting from the historical and future purchases of the IBG LLC interests held by Holdings could be as much as $ ~~11~~ **12** . 4 billion. The actual increase in tax basis depends, among other factors, upon the price of shares of our common stock at the time of the purchase and the extent to which such purchases are taxable and, as a result, could differ materially from this amount. Our ability to achieve benefits from any such increase, and the amount of the payments to be made under the Tax Receivable Agreement, depends upon a number of factors, as discussed above, including the timing and amount of our future income. The tax basis increase of $ ~~11~~ **12** . 4 billion assumes that (a) all remaining IBG LLC membership interests held by Holdings are purchased by us in one or more taxable transactions and (b) such purchases in the future are made at prices that reflect the closing share price as of December 31, ~~2022~~ **2023** . If the Internal Revenue Service (“ IRS ”) successfully challenges the tax basis increase, under certain circumstances, we could be required to make payments to Holdings under the Tax Receivable Agreement in excess of our cash tax savings. Certain provisions in our amended and restated certificate of incorporation may prevent efforts by our stockholders to change our direction or management. Provisions contained in our amended and restated certificate of incorporation could make it more difficult for a third ~~-~~ party to acquire us, even if doing so might be beneficial to our stockholders. For example, our amended and restated certificate of incorporation authorizes our ~~board~~ **Board** of ~~directors~~ **Directors** to determine the rights, preferences, privileges and restrictions of unissued series of preferred stock, without any vote or action by our stockholders. We could issue a series of preferred stock that could impede the completion of a merger, tender offer or other takeover attempt. These provisions may discourage potential acquisition proposals and may delay, deter or prevent a change of control of us, including through transactions, and, in particular, unsolicited transactions, that some or all of our stockholders might consider to be desirable. As a result, efforts by our stockholders to change our direction or management may be unsuccessful. Risks Related to Our Business **Macroeconomic, geopolitical and other challenges and uncertainties could have a negative impact on our business. We are affected by domestic and international macroeconomic and political conditions, as well as, the level of interest rates, inflation, and by fiscal and monetary policy.** Our business ~~may be harmed by~~ **depends in part on the level of** global ~~events beyond our control, including overall slowdowns in securities~~ trading **volumes** ~~. Like other brokerage~~ and **volatility** ~~financial services firms~~ , **which** ~~our business and profitability~~ are ~~directly~~ affected by **factors** ~~elements that are~~ beyond our control ~~, such as economic and political conditions, broad trends in business and finance, changes in volume of securities and futures transactions, changes in the markets in which such transactions occur and changes in how such transactions are processed~~ . ~~A~~ **These factors may cause a** weakness in securities markets, ~~such as~~ **leading to** a slowdown ~~causing reduction~~ in trading ~~volume~~ **volumes** ~~in U. S. or foreign securities and derivatives~~ , ~~has historically~~ **which would** ~~resulted~~ -- **result** in reduced transaction revenues **. Changes in tax law** and **regulation, or market uncertainty caused by a change in the political environment, may negatively affect our business. Our international operations may also be subject to risk of loss due to political, economic or financial instability, unexpected changes in regulatory requirements, tax laws, and changes in governmental or central bank policies. These risks** ~~would~~ **could** have a material adverse effect on our business, financial condition and results of operations. Our business could be harmed by a systemic market event. Some market participants could be overleveraged. In case of sudden, large price movements, such market participants may not be able to meet their obligations to brokers who, in turn, may not be able to meet their obligations to their counterparties. As a result, the financial system or a portion thereof could collapse, and the impact of such an event could be catastrophic to our business. **Damage to our reputation could harm our business. Maintaining our reputation is critical to attracting and maintaining customers, investors, and employees. If we fail to address, or appear to fail to address, issues that may give rise to reputational risk, we could significantly harm our business. These issues may include, but are not limited to, any of the risks discussed in this Item 1A, including appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering, cybersecurity and data privacy, record- keeping, sales and trading practices, and employee misconduct. Adverse developments could impair our reputation and materially adversely affect our business, financial condition and results of operations.** The impact of **a** ~~the COVID- 19 pandemic or another~~ public health emergency may have a material adverse impact on our business and results of operations. ~~In March 2020, the World Health Organization recognized the outbreak of COVID- 19 caused by a novel strain of the coronavirus as a pandemic. The pandemic has affected all countries in which we operate.~~ The response of governments and societies to **a public health emergency** ~~the COVID- 19 pandemic~~ , which **could** ~~included~~ - **include** temporary closures of certain businesses; social distancing; travel restrictions, “ shelter in place ” and other governmental regulations; and reduced consumer spending due to job losses, **may** significantly ~~impacted~~ -- **impact** volatility in the financial, commodities and energy markets, and general economic conditions. These measures may ~~have~~ negatively ~~impacted~~ -- **impact** businesses, market participants, our counterparties and customers, and the global economy and could continue ~~to do so~~ for a prolonged period of time. Our net interest income and profitability could be negatively affected by lower benchmark interest rates caused by central banks lowering target benchmark rates in an attempt to buffer their economies from **a** ~~new COVID- 19 outbreaks or another~~ public health emergency. **As** ~~A substantial portion of our employees were impacted by local COVID- 19 restrictions. After such restrictions were lifted, we reopened our offices to all employees and adopted~~ a **result of our** hybrid work model **, which we adopted** for our offices globally ~~. As a result~~ , any disruption to our information technology systems, including from cyber incidents, could have a material adverse effect on our business. We have taken measures to maintain the health and safety of our employees, but widespread illness could negatively affect staffing levels within certain functions or locations. In addition, our ability to recruit, hire and onboard employees could be negatively impacted by **a** ~~new COVID- 19 restrictions or another~~ public health emergency. The impact of **a** ~~the COVID- 19 pandemic, including from subsequent outbreaks or new variants, or from another~~ public health emergency ~~,~~ on our future financial results could be significant but currently cannot be quantified, as it ~~will~~ **would** depend on numerous evolving factors that cannot be accurately predicted, including, but not limited to, the duration and spread of the ~~pandemic~~ **public health emergency** ; its impact on our customers, employees and vendors; governmental regulations in response to the ~~pandemic~~ **public health emergency** ; and the overall impact of the ~~pandemic~~ **public health emergency** on the economy and society, among other factors. Any of these events, alone or in combination with others, could exacerbate many of the risk factors discussed or incorporated by reference herein and could have a material adverse effect on our business, financial condition and results of operations. Our future success will depend on our response to the demand for new services, products and technologies. The demand for our services that rely on electronic communications gateways, is characterized by: ? rapid technological change; ? changing customer demands; ? the need to enhance existing services and products or introduce new services and products; and ? evolving industry standards. New services, products and technologies may render our existing services, products and technologies less competitive. Our future success will depend, in part, on our ability to respond to the demand for new services, products and technologies on a timely and cost- effective basis and to adapt to technological advancements and changing standards to address the increasingly sophisticated requirements and varied needs of our customers and prospective customers. We cannot assure you that we will be successful in developing, introducing or marketing new services, products and technologies. In addition, we may experience difficulties that could delay or prevent the successful development, introduction or marketing of these services and products, and our new service and product enhancements may not achieve market acceptance. Any failure on our part to anticipate or respond adequately to technological advancements, customer requirements or changing industry standards, or any significant delays in the development, introduction or availability of new services, products or enhancements could have a material adverse effect on our business, financial condition and results of operations. Our reliance on our computer software could...... or remain competitive in the future. The loss of our key employees would materially adversely affect our business. Our key executives have substantial experience and have made significant contributions to our business, and our continued success is dependent upon the retention of our key management executives, as well as the services provided by our staff of trading system, technology and programming specialists and a number of other key managerial, marketing, planning, financial, technical and operations personnel. The loss of such key personnel could have a material adverse effect on our business. Growth in our business is dependent, to a large degree, on our ability to retain and attract such employees. We may not pay dividends on our common stock at any time in the foreseeable future. As a holding company for our interest in IBG LLC, we will be dependent upon the ability of IBG LLC to generate earnings and cash flows and distribute them to us so that we may pay any dividends to our stockholders. To the extent (if any) that we have excess cash, any decision to declare and pay dividends in the future will be made at the discretion of our ~~board~~ **Board** of ~~directors~~ **Directors** and will depend on, among other things, our results of operations, financial conditions, cash requirement, contractual restrictions and other factors that our ~~board~~ **Board** of ~~directors~~ **Directors** may deem relevant. Since the second quarter of 2011, we have declared and paid a quarterly cash dividend of $ 0. 10 per share. Although not required, we currently intend to pay quarterly dividends of $ 0. 10 per share to our common stockholders for the foreseeable future . Our future efforts to sell shares...... existing international operations and further expand internationally . Our direct market access clearing and non- clearing brokerage operations face intense competition. With respect to our direct market access brokerage business, the market for electronic and interactive bidding, offering and trading services in connection with equities, options and futures is rapidly evolving and intensely competitive. We expect competition to continue and intensify in the future. Our current and potential future competition principally comes from five categories of competitors: ? prime brokers who, in an effort to satisfy the demands of their customers for hands- on electronic trading facilities, universal access to markets, smart routing, better trading tools, and lower commissions and financing rates, have embarked upon building such facilities and product and service enhancements; ? direct market access and online equity brokers, and online options and futures firms; ? zero commission brokers, while technically not offering direct market access, who use simplified interfaces and a limited product offering to attract new market participants; ? software development firms and vendors who create global trading networks and analytical tools and make them available to brokers; and ? traditional brokers. In addition, we compete with financial institutions, mutual fund sponsors and other organizations, many of which provide online, direct market access or other investing services. A number of brokers provide our technology and execution services to their customers, and these brokers can become our competitors if they develop their own technology. Some of our competitors in this area have greater name recognition, longer operating histories and significantly greater financial, technical, marketing and other resources than we have and offer a wider range of services and financial products than we do. Some of our competitors may also have an ability to charge lower or zero commissions. We cannot assure you that we will be able to compete effectively or efficiently with current or future competitors. These increasing levels of competition in the online trading industry could significantly harm this aspect of our business. We are subject to potential losses as a result of our clearing and execution activities. As a clearing member firm providing financing services to certain of our brokerage customers, we are ultimately responsible for their financial performance in connection with various securities and derivatives transactions. Our clearing operations require a commitment of our capital and, despite safeguards implemented by our software, involve risks of losses due to the potential failure of our customers to perform their obligations under these transactions. If our customers default on their obligations, we remain financially liable for such obligations, and although these obligations are collateralized, we are subject to market risk in the liquidation of customer collateral to satisfy those obligations. There can be no assurance that our risk management procedures will be adequate. Any liability arising from clearing operations could have a material adverse effect on our business, financial condition and results of operations. As a clearing member firm of securities and derivatives clearing houses in the U. S. and abroad, we are also exposed to clearing member credit risk. Securities and derivatives clearing houses require member firms to deposit cash, stock and / or government securities for margin requirements and to clearing funds. If a clearing member defaults in its obligations to the clearing house in an amount larger than its own margin and clearing fund deposits, the shortfall is absorbed pro rata from the deposits of the other clearing members. Many clearing houses of which we are members also have the authority to assess their members for additional funds if the clearing fund is depleted. A large clearing member default could result in a substantial cost to us if we are required to pay such assessments. We are exposed to risks associated with our international operations. During ~~2022~~ **2023**, approximately ~~31~~ **30** % of our net revenues were generated by our operating subsidiaries outside the U. S. We are exposed to risks and uncertainties inherent in doing business in international markets, particularly in the heavily regulated brokerage industry. Such risks and uncertainties include political, economic and financial instability; unexpected changes in regulatory requirements, tariffs and other trade barriers; exchange rate fluctuations; applicable currency controls; and difficulties in staffing, including reliance on newly hired local experts, and managing foreign operations. These risks could cause a material adverse effect on our business, financial condition and results of operations . We do not have fully redundant...... Annual Report on Form 10- K . We are subject to counterparty risk whereby defaults by parties with whom we do business can have an adverse effect on our business, financial condition and results of operations. We are exposed to the risk of loss if a customer, counterparty or issuer fails to perform its obligations under contractual terms. Our counterparty risk is primarily from margin loans extended to customers, securities purchased under agreements to resell (" repos "), securities borrowing and lending arrangements, cash and / or collateral deposited with clearing houses, exchanges, banks, securities firms and other financial counterparties, all of which may result in credit exposure in the event the counterparty defaults on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Our customer margin credit exposure is to a great extent mitigated by our policy of automatically evaluating each account throughout the trading day and closing 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 in which no liquid market exists for the relevant securities or commodities or in which, for any reason, automatic liquidation for certain accounts has been disabled. If no liquid market exists or automatic liquidation has been disabled, we are subject to risks inherent in extending credit, especially during periods of rapidly declining markets. Any loss or expense incurred due to defaults by our customers in failing to repay margin loans or to maintain adequate collateral for these loans would cause harm to our business, financial condition and results of operations. Repos are collateralized by securities with a market value in excess of the obligation under the contract and are cleared and marked to market through a central clearing counterparty. Securities lending agreements are collateralized by deposits of cash or securities. We attempt to minimize credit risk associated with these activities by monitoring collateral values daily and requiring additional collateral to be deposited with or returned to us as permitted under contractual provisions. Similarly, over- the- counter transactions, such as contracts for differences (" CFDs "), are marked to market daily and are conducted with counterparties that have undergone a thorough credit review. Any loss or expense incurred due to defaults by our counterparties in failing to fulfill their contractual obligations would cause harm to our business, financial condition and results of operations. In addition, as a clearing member of several central clearing houses, we participate in the mutualization of risk and could incur financial losses in the event of default by other clearing members. Although we regularly review our credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee. ~~-~~Any future acquisitions may result in significant transaction expenses, integration and consolidation risks and risks associated with entering new markets, and we may be unable to profitably operate our consolidated company. Although our growth strategy has not focused historically on acquisitions, we may in the future engage in evaluations of potential acquisitions and new businesses. We may not have the financial resources necessary to consummate any acquisitions in the future or the ability to obtain the necessary funds on satisfactory terms. Any future acquisitions may result in significant transaction expenses and risks associated with entering new markets in addition to integration and consolidation risks. Because acquisitions historically have not been a core part of our growth strategy, we have little experience in successfully utilizing acquisitions. We may not have sufficient management, financial and other resources to integrate any such future acquisitions or to successfully operate new businesses and we may be unable to profitably operate our expanded company. Because our revenues and profitability depend on trading volume and interest rate levels, they are prone to significant fluctuations and are difficult to predict. Our revenues are dependent on the level of trading activity on securities and derivatives exchanges in the U. S. and abroad ~~,~~ and on the general level of interest rates. In the past, our revenues and operating results have varied significantly from period to period primarily due to movements and trends in the underlying markets and to fluctuations in trading and interest rate levels. As a result, period to period comparisons of our revenues and operating results may not be meaningful, and future revenues and profitability may be subject to significant fluctuations or declines. We may incur material trading losses from our market making activities. A portion of our revenues and operating profits is derived from our trading as principal in our role as a market maker. We may incur trading losses relating to these activities since each primarily involves the purchase or sale of securities for our own account. In any period, we may incur trading losses in a significant number of securities for a variety of reasons including: ? price changes in securities; ? lack of liquidity in securities in which we have positions; and ? the required performance of our market making obligations. These risks may limit or restrict our ability to either resell securities we purchased or to repurchase securities we sold. In addition, we may experience difficulty borrowing securities to make delivery to purchasers to whom we sold short, or lenders from whom we have borrowed. From time to time, we may have large position concentrations in securities of a single issuer or issuers engaged in a specific industry or traded in a particular market. Such a concentration could result in higher trading losses than would occur if our positions and activities were less concentrated. In our role as a market maker, we attempt to derive a profit from the difference between the prices at which we buy and sell, or sell and buy, securities. However, competitive forces often require us to match the quotes other market makers display and to hold varying amounts of securities in inventory. By having to maintain inventory positions, we are subjected to a high degree of risk. We cannot assure you that we will be able to manage such risk successfully or that we will not experience significant losses from such activities, which could have a material adverse effect on our business, financial condition and results of operations. Reduced spreads in securities pricing, levels of trading activity and trading through market makers could harm our business. Computer- generated buy / sell programs and other technological advances and regulatory changes in the marketplace may continue to tighten spreads on securities transactions. Tighter spreads and increased competition could make our remaining market making activities less profitable. We may incur losses in our market making activities in the event of failures of our proprietary pricing model. Our market making activities are substantially dependent on the accuracy of our proprietary pricing mathematical model, which continuously evaluates and monitors the risks inherent in our portfolio, assimilates market data and reevaluates our outstanding quotes many times per second. Our model is designed to automatically rebalance our positions throughout the trading day to manage risk exposures on our positions in options, futures and the underlying securities. In the event of a flaw in our pricing model and / or a failure in the related software, our pricing model may lead to unexpected and / or unprofitable trades, which may result in material trading losses. The valuation of the financial instruments we hold may result in large and occasionally anomalous swings in the value of our positions and in our earnings in any period. The market prices of our long and short positions are reflected on our books at closing prices which are typically the last trade price before the official close of the primary exchange on which each such security trades. If prices of derivatives and their underlying securities close out of alignment, there may be large and occasionally anomalous swings in the value of our positions daily and, accordingly, in our earnings in any period. This is especially true on the last business day of each calendar quarter. We are exposed to losses due to lack of perfect information. As market makers, we provide liquidity by buying from sellers and selling to buyers. Quite often, we trade with others who have different information than we do, and as a result, we may accumulate unfavorable positions preceding large price movements in companies. Should the frequency or magnitude of these events increase, our losses will likely increase correspondingly. Rules governing designated market makers may require us to make unprofitable trades or prevent us from making profitable trades. Designated market makers are granted certain rights and have certain obligations to " make a market " in a particular security. They agree to specific obligations to maintain a fair and orderly market. In acting as a designated market maker, we are subjected to a high degree of risk by having to support an orderly market. In this role, we may at times be required to make trades that adversely affect our profitability. In addition, we may at times be unable to trade for our own account in circumstances in which it may be to our advantage to trade, and we may be obligated to act as a principal when buyers or sellers outnumber each other. In those instances, we may take a position counter to the market, buying or selling securities to support an orderly market. Additionally, the rules of the markets which govern our activities as a designated market maker are subject to change. If these rules are made more stringent, our trading revenues and profits as a designated market maker could be adversely affected. ~~See" Item 1~~ . ~~Business- Risk Management Activities" for more information.Risks Related to Laws,Regulations and Litigation~~ Our future efforts to sell shares or raise additional capital may be delayed or prohibited by regulations.As certain of our subsidiaries are members of FINRA,we are subject to certain regulations regarding changes in control of our ownership.FINRA Rule 1017 generally provides that FINRA approval must be obtained in connection with any transaction resulting in a change in control of a member firm.FINRA defines control as ownership of 25 % or more of the firm' s equity by a single entity or person and would include a change in control of a parent company. **IBC** ~~Interactive Brokers Canada~~ , **IBUK** ~~Inc.~~ , **IBIE** ~~Interactive Brokers (U.K.) Limited~~ , ~~Interactive Brokers Ireland Limited,IBKR~~ **IBKRFS** ~~Financial Services AG~~ , **IBCE** ~~Interactive Brokers Central Europe Zrt.~~ , **IBHK** ~~Interactive Brokers Hong Kong Limited~~ ,and **IBSG** ~~Interactive Brokers Singapore Pte.Ltd.~~ are subject to similar change in control regulations promulgated by the ~~CIRO~~ **IIROC** in Canada,the FCA in the United Kingdom,the CBI in Ireland **,the CSSF in Luxembourg** ,the FINMA in Switzerland,the MNB in Hungary,the SFC in Hong Kong,and the MAS in Singapore,respectively.As a result of these regulations,our future efforts to sell shares or raise additional capital may be delayed or prohibited.We may be subject to similar restrictions in other jurisdictions in which we operate. ~~-~~Regulatory and legal uncertainties could harm our business.The securities and derivatives businesses are heavily regulated.Firms in financial service industries have been subject to an increasingly regulated environment over recent years,and penalties and fines sought by regulatory authorities have increased accordingly.Our broker- dealer subsidiaries are subject to regulations in the U.S.and abroad covering all aspects of their business.Regulatory bodies include,in the U.S.,the SEC,FINRA,the Board of Governors of the Federal Reserve System,the Chicago Board Options Exchange,the CME,the CFTC,and the NFA;in Canada,the ~~CIRO~~ **IIROC** and various Canadian securities commissions;in the United Kingdom,the FCA;in Ireland,the CBI;in Switzerland,the FINMA;in Hungary ~~,~~ **;** the MNB;in India,the Securities and Exchange Board of India;in Hong Kong,the SFC;in Japan,the Financial Supervisory Agency and the Japan Securities Dealers Association;in Singapore,the MAS;and in Australia,the Australian Securities and Investment Commission.Our mode of operation and profitability may be directly affected by additional legislation changes in rules promulgated by various domestic and foreign government agencies and self- regulatory organizations that oversee our businesses,and changes in the interpretation or enforcement of existing laws and rules,including the potential imposition of transaction taxes.Noncompliance with applicable laws or regulations could result in sanctions being levied against us,including fines and censures,suspension or expulsion from a certain jurisdiction or market or the revocation or limitation of licenses.Noncompliance with applicable laws or regulations could adversely affect our reputation,prospects,revenues and earnings.In addition,changes in current laws or regulations or in governmental policies could adversely affect our business,financial condition and results of operations. **We are subject to regulatory oversight and examination by numerous governmental and self- regulatory authorities.As announced on August 10,2020,we agreed to settle certain matters related to our historical anti- money laundering and Bank Secrecy Act practices and procedures with FINRA,the SEC and the CFTC.As part of the settlements,we 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,we agreed to continue the retention of an independent consultant to review the implementation of our enhanced compliance practices and procedures.We are also cooperating with a United States Department of Justice inquiry concerning these matters,and while its outcome cannot be predicted,we do not believe that the resolution of this inquiry is likely to have a materially adverse effect on our financial results.** Domestic and foreign stock exchanges,other self- regulatory organizations and state and foreign securities commissions can censure,fine,issue cease- and- desist orders,suspend or expel a broker- dealer or any of its officers or employees.Our ability to comply with all applicable laws and rules is largely dependent on our internal systems to ensure compliance,as well as our ability to attract and retain qualified compliance personnel.We could be subject to disciplinary or other actions in the future due to claimed noncompliance,which could have a material adverse effect on our business,financial condition and results of operations.To continue to operate and to expand our services internationally,we may have to comply with the regulatory controls of each country in which we conduct,or intend to conduct business,the requirements of which may not be clearly defined.The varying compliance requirements of these different regulatory jurisdictions,which are often unclear,may limit our ability to continue existing international operations and further expand internationally ~~.We are subject to risks relating to litigation and potential securities laws liability.We are exposed to substantial risks of liability under federal and state securities laws,other federal and state laws and court decisions,as well as rules and regulations promulgated by the SEC,the CFTC,the Federal Reserve,state securities regulators,self- regulatory organizations and foreign regulatory agencies.We are also subject to the risk of litigation and claims that may be without merit.We could incur significant legal expenses in defending ourselves against and resolving lawsuits or claims.An adverse resolution of any future lawsuits or claims against us could result in a negative perception~~ We rely on **our computer** software to receive and properly process internal and external data.Any disruption in the proper functioning of our software due to,for example,erroneous or corrupted data,or cyber- attacks,may cause us to make erroneous trades or suspend our services and could cause us great financial harm.To maintain our competitive advantage,our software is under continuous development.As we identify and enhance our software,there is risk that software failures may occur and result in service interruptions and have other unintended consequences.We depend on our proprietary technology,and our future results may be impacted if we cannot maintain technological superiority in our industry.Our success in the past has largely been attributable to our sophisticated proprietary technology that has taken many years to develop.We have benefited from the fact that the type of proprietary technology equivalent to that which we employ has not been widely available to our competitors.If our technology becomes more widely available to our current or future competitors for any reason,our operating results may be adversely affected.Additionally,adoption or development of similar or more advanced technologies by our competitors may require that we devote substantial resources to the development of more advanced technology to remain competitive.The markets in which we compete are characterized by rapidly changing technology,evolving industry standards and changing trading systems,practices and techniques.Although we have been at the forefront of many of these developments in the past,we may not be able to keep up with these rapid changes in the future,develop new technology,realize ~~a return~~ a **return on amounts invested in developing new technologies or remain competitive in the future. New developments in the field of Artificial Intelligence (" AI ") could enable competitors to offer new products or services never before seen in the marketplace.While we strive to provide the most cutting- edge technology to our customers,breakthroughs or significant innovations made using AI (or discoveries uncovered through the use of AI) could change the nature of our business.Competitors who advance in this space may be able to offer superior products and services and may materially adversely affect our business,financial condition and results of operations** .We do not have fully redundant systems.System failures could harm our business.If our systems fail to perform,we could experience unanticipated disruptions in operations,slower response times or decreased customer service and customer satisfaction.Our ability to facilitate transactions successfully and provide high quality customer service also depends on the efficient and uninterrupted operation of our computer and communications hardware and software systems.Our service has experienced periodic system interruptions,which we believe will continue to occur from time to time.Our systems and operations are also potentially vulnerable to damage or interruption from human error,cyber- attacks,natural disasters,power loss,telecommunication failures,break- ins,sabotage,computer viruses,intentional acts of vandalism and similar events.We do not have fully redundant systems,and our formal business continuity plan does not include restoration of all services. ~~Our backup services are currently limited to U.S.and major European markets.~~ We currently have limited separate backup facilities dedicated to our non- U.S.operations.It is our intention to provide for and progressively deploy backup facilities for ~~our~~ **all facilities and infrastructure** ~~global~~ **globally** ~~facilities~~ over time.In addition,we do not carry business interruption insurance to compensate for losses that could occur to the extent not required.Any system failure that causes an interruption in our service or decreases the responsiveness of our service could impair our reputation,damage our brand name and materially adversely affect our business,financial condition and results of operations.Failure of third- party systems on which we rely could adversely affect our business.We rely on certain third- party computer systems or third- party service providers,including clearing systems,exchange systems,banking systems,cryptocurrency systems,Internet services,third- party identity verification services,co- location facilities,communications facilities and other facilities.Any interruption in these third- party services,or deterioration in their performance,could be disruptive to our business.If our arrangement with any ~~third- party is terminated,we may not be able to find an alternative source of systems support on a timely basis or on commercially reasonable terms.This could have a material adverse effect on our business,financial condition and results of operations.Internet- related issues may reduce or slow the growth in the use of our services in the future.Critical issues concerning the commercial use of the Internet,such as ease of access,security,privacy,reliability,cost,and quality of service,remain unresolved and may~~ third party **is terminated, we may not be able to find an alternative source of systems support on a timely basis or on commercially reasonable terms. This could have a material adverse effect on our business, financial condition and results of operations. Internet- related issues may reduce or slow the growth in the use of our services in the future. Our ability to provide services to consumers and increase the scope and quality of such services is limited by and dependent upon the speed and reliability of our customers' unrestricted access to the Internet, which is beyond our control. If periods of decreased performance, outages or delays on the Internet occur frequently, growth in the usage of our web- based products could be delayed or decline, which could have a material adverse effect on our business, financial condition and results of operations. We could be the target of a cyber- attack or experience a cybersecurity incident that impairs internal systems, degrades services we provide to customers, or results in a data compromise, causing reputational or monetary damages as a consequence. Our business relies on technology and automation, causing us to be potentially vulnerable to various forms of cyber- attacks by external actors or malicious insiders. Any resulting security breaches could expose us to liability to one or more third parties, including our customers, and disrupt our operations. Though we**

take steps to mitigate the various cyber threats and devote resources to protecting our systems and networks, we may be unable to anticipate all types of attacks or to implement adequate preventative measures against all eventualities. Our cybersecurity measures may not detect or prevent all attempts to compromise our systems. Furthermore, whereas we expend efforts on evaluating and ensuring adequacy of security measures employed by third- party service providers, we may not be able to exercise full control over them. Failures or deficiencies of such controls could result in adverse impacts to our business, operations, or confidential information, depending on the nature of the services provided. Breaches of our cybersecurity measures or those of our third- party service providers could result in any of the following: unauthorized access to our systems; unauthorized access to and misappropriation of information or data, including confidential or proprietary information about ourselves, third parties with whom we do business or our proprietary systems; viruses, worms, spyware, ransomware, or other malware being placed in our systems; misappropriation, deletion or modification of customer information; or a denial- of- service or other interruptions to our business operations. To the extent that our activities involve the storage and transmission of proprietary information such as personal financial information, security breaches could expose us to a risk of financial loss, litigation and other liabilities. Any of these events, particularly if they (individually or in the aggregate) result in a loss of confidence in our company or electronic brokerage firms in general, could have a material adverse effect on our business, financial condition and results of operations. We are subject to stringent and complex data privacy rules. Failure to comply with these rules could expose us to a risk of financial loss, litigation, and other liabilities. We are subject to numerous data privacy rules, including federal, state, local and international laws, as well as industry standards and regulations, and contractual obligations relating to data privacy and the collection, protection, use, retention, security, disclosure, transfer, and other processing of personal and other data. In the U. S., we are subject to rules including the Gramm- Leach- Bliley Act of 1999 and Section 5 (c) of the Federal Trade Commission Act; internationally, we are subject to the EU’ s General Data Protection Regulation (“ GDPR ”), the Data Protection Act 2018 in the U. K, the Personal Information Protection Law of the People’ s Republic of China, and other data privacy rules. We continue our efforts to safeguard the data entrusted to us in accordance with applicable laws and our data protection policies, including taking steps to reduce the potential for the improper use or disclosure of personal data; and continue to monitor regulations related to data privacy on both a domestic and international level to assess requirements and impacts on our business operations. Rules regarding data privacy and security worldwide are continuously evolving and developing, increasing complexity and, as a result, interpretation and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. New laws, amendments to or reinterpretations of existing laws, regulations, standards, and other obligations might require us to incur additional costs and change how we use, collect, store, transfer or otherwise process certain types of personal data, to implement new processes to comply with those laws and our customers’ exercise of their rights thereunder. If we fail to follow these security standards, even if no customer information is compromised, we might incur significant fines or experience a significant increase in costs. Any failure or perceived failure by us or our third- party service providers to comply with our privacy policies or any applicable laws, regulations, industry standards, or rules relating to data privacy and security, or any compromise of security that results in the theft, unauthorized access, acquisition, use, disclosure, or misappropriation of personal data, could result in significant fines, criminal penalties, monetary damages, regulatory enforcement actions, litigation and reputational harm, one or all of which could have an adverse effect on our business, financial condition and results of operations. Risks Related to our Cryptocurrency Offering We rely on third- party Cryptocurrency Service Providers (“ CSPs ”) to provide our customers the ability to access cryptocurrency trading and custody services. We have entered into ~~an agreement~~ **agreements** with **third- party** ~~a Cryptocurrency Service Provider (“ CSP~~ **CSPs** ~~”)~~, which ~~provides~~ - **provide** (i) ~~a~~ cryptocurrency exchange ~~platform~~ **platforms** and services whereby investors can buy and sell certain cryptocurrencies ~~from or to other customers of the CSP or liquidity providers~~ and (ii) custody services for certain cryptocurrencies (collectively, the “ Exchange Services ”), enabling **some of** our customers to trade and custody Bitcoin (BTC), Ethereum (ETH), Litecoin (LTC), Bitcoin Cash (BCH) and potentially other cryptocurrencies, (collectively," Cryptocurrency Assets") via ~~the~~ **CSPs. A disruption in our partnership with a** CSP ~~. We provide only a platform and an interface for~~ - **or in** ~~our customers to access~~ the Exchange Services provided by **a** ~~the CSP. We have no custody or control over the Cryptocurrency Assets our customers hold in their accounts at the CSP. A disruption in our partnership with the CSP or in the Exchange Services provided by the~~ CSP could have adverse effects on our customers’ confidence in our cryptocurrency offering through ~~the CSP~~ **CSPs** and on our business. A data breach at the ~~CSP~~ **CSPs** may result in irreversible losses, which would adversely affect our customers and our business **. The CSPs are responsible for securing the customers’ Cryptocurrency Assets and protecting them from loss or theft** . Access to the Cryptocurrency Assets is controllable only by the possessor of the unique private key **(s)** relating to the digital wallet in which such Cryptocurrency Assets are held. To the extent any of the ~~CSP~~ **CSPs** ’ ~~s~~ private keys are lost, destroyed, unable to be accessed by the ~~CSP~~ **CSPs** , or otherwise compromised and no backup of such private key **(s)** is accessible, the ~~CSP~~ **CSPs** ~~will~~ **may** be unable to access the Cryptocurrency Assets held in the respective wallets. In addition, neither the ~~CSP~~ **CSPs** nor any cryptocurrency custodian can provide absolute assurance that any or all of the ~~CSP~~ **CSPs** ’ ~~s~~ wallets will not be hacked or compromised such that the private keys are obtained by a third ~~-~~party or otherwise compromised in a manner such that Cryptocurrency Assets are sent to one or more addresses that the ~~CSP~~ **CSPs** ~~does~~ **do** not control, which could result in the loss of some or all of the Cryptocurrency Assets that the ~~CSP~~ **CSPs** ~~holds~~ - **hold** in custody on behalf of our customers. **Eligible customers of IB LLC can enroll to access a digital asset exchange and custody services provided by one or more CSPs to buy, sell and hold Cryptocurrency Assets in an account in the customer’ s name at the CSP. IB LLC does not provide execution, custody or safeguarding services for the customers’ Cryptocurrency Assets and does not maintain (or have access to) the cryptographic key information and wallets necessary to access the Cryptocurrency Assets, nor does IB**

LLC have any legal title or claim to those Cryptocurrency Assets. The agreement the customer signs with IB LLC before the customer is permitted to access the CSP' s ~~failure to safeguard~~ services through IB LLC' s platform provides that: [Customer] acknowledges and agrees that [IB LLC] is not responsible for any trading or ~~the~~ 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. Eligible customers of IBHK can enroll to trade and hold Cryptocurrency Assets ~~may result in losses to our~~ through a relationship IBHK has established with a CSP, which is an SFC- licensed digital asset exchange and custodian. The Cryptocurrency Assets are sub- custodied by the CSP on an omnibus basis for the benefit of the customers ~~which could~~ of IBHK. IBHK notifies its customers that exchange and sub- custody services are provided by a CSP. IBHK does not maintain (or have ~~adverse effects on our~~ access to) the cryptographic key information and wallets necessary to access the Cryptocurrency Assets, nor does IBHK have any beneficial claim to those Cryptocurrency Assets. The CSP is responsible for securing the customers' ~~confidence in our cryptocurrency~~ Cryptocurrency ~~offering through~~ Assets and protecting them from loss or theft, and the SFC requires the CSP to maintain adequate controls and ~~on~~ insurance against the risk of theft ~~our~~ - or loss ~~business. We may encounter technical issues which would result in disruption or interruption~~ of ~~our~~ the customers' ~~access to their CSP accounts. Both we and the CSP rely on computer software, hardware and telecommunications infrastructure and networking to provide the respective services to our customers with respect to trading and custody of the~~ Cryptocurrency Assets. The agreement the customer signs with IBHK before the customer is permitted to access digital asset trading provides that: To the maximum extent permitted by applicable Rules, [IBHK] is not liable to [Customer] for loss arising from or attributable to the insolvency of any [CSP], in the event of hacking or otherwise caused by the default of the [CSP], where [IBHK] has not failed to exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of the [CSP], except (i) such loss arising from the gross negligence, willful default or fraud of [IBHK], or (ii) to the extent prohibited under applicable Rules. Notwithstanding any other provision of ~~These~~ these ~~computer- based systems~~ Terms, in the absence of either (a) a failure by [IBHK] to exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of the [CSP], or (b) gross negligence, wilful default or fraud on the part of [IBHK], [IBHK] will only be obliged to return Virtual Assets held for [Customer] with the [CSP] who is insolvent, or which Virtual Assets have otherwise been subjected to loss due to ~~and~~ - an ~~services~~ event of hacking, embezzlement, or theft at the [CSP] or which losses are otherwise ~~inherently vulnerable to disruption, delay, or failure, which may cause~~ caused by the default of the [CSP], solely if and to the extent that those Virtual Assets ~~our~~ - or ~~customers to lose access to our trading platform and~~ equivalent value are recovered by [IBHK] from the ~~Exchange Services~~ [CSP]. Unless otherwise provided ~~by~~ under applicable Rules, [Customer] hereby agree [s] not to bring any action against [IBHK] on any claim arising from a loss occurring at the [CSP ~~. Any such disruption could have an adverse effect on~~], in the absence of circumstances addressed under (a) ~~our~~ - or ~~customers' confidence in our cryptocurrency offering through~~ (b) above, so long as [IBHK] makes commercially reasonable efforts to assert a claim for recovery against the [CSP] ~~and an adverse effect on our business~~ . 34 ~~28~~