

Interactive Brokers Group, Inc.  
Form S-1  
April 24, 2008

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As filed with the Securities and Exchange Commission on April 24, 2008.

Registration No. 333-

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM S-1**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

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**INTERACTIVE BROKERS GROUP, INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or Other Jurisdiction  
of Incorporation or Organization)

**6211**  
(Primary Standard Industrial  
Classification Code Number)  
**ONE PICKWICK PLAZA**  
**GREENWICH, CONNECTICUT 06830**  
**(203) 618-5800**

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

(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

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**THOMAS PETERFFY**  
**CHAIRMAN, CHIEF EXECUTIVE OFFICER AND PRESIDENT**  
**ONE PICKWICK PLAZA**  
**GREENWICH, CONNECTICUT 06830**  
**(203) 618-5800**

(Name, address including zip code, and telephone number, including area code, of agent for service)

**Copies to:**

**ADAM M. FOX, ESQ.**  
DECHERT LLP  
30 ROCKEFELLER PLAZA  
NEW YORK, NEW YORK 10112  
(212) 698-3500

**GREGORY A. FERNICOLA, ESQ.**  
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
FOUR TIMES SQUARE  
NEW YORK, NEW YORK 10036  
(212) 735-3000

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this registration statement.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer     
  Accelerated filer     
  Non-accelerated filer     
  Smaller reporting company  
 (Do not check if a smaller reporting company)

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(1)
Class A Common Stock, \$0.01 par value per share	50,000,000 Shares	\$1,388,250,000(2)	\$54,558.23

- (1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the high and low prices of the common stock of the registrant reported on the NASDAQ Global Select Market on April 21, 2008.
- (2) An additional indeterminate amount of securities are being registered hereby to be offered solely for market making purposes by an affiliate of the registrant. Pursuant to Rule 457(q) under the Securities Act, no additional filing fee is required.

**The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.**

**EXPLANATORY NOTE**

This Registration Statement contains a prospectus relating to an offering of shares of Class A common stock, par value \$0.01 per share (common stock), of Interactive Brokers Group, Inc. (the Company). This Registration Statement also contains a prospectus relating to sales of common stock by W.R. Hambrecht + Co., LLC in connection with market making transactions. The complete prospectus relating to this offering of common stock (the Offering Prospectus) follows immediately after this Explanatory Note. Following the Offering Prospectus are certain pages of the prospectus relating solely to such market making transactions (the Market Making Prospectus), including an alternate front and back cover page and alternate sections entitled "Use of Proceeds" and "Plan of Distribution." Each of such alternate pages has been marked "Alternate Page for Market Making Prospectus." The Market Making Prospectus will not include the information in the Offering Prospectus Summary under the heading "The Offering," or the sections of the Offering Prospectus entitled "Risk Factors Risks Related to the Auction Process of This Offering," "Risk Factors Other Risks Related to This Offering You Will Experience Immediate and Substantial Dilution," "Dilution," "Use of Proceeds" and "Plan of Distribution." All other sections of the Offering Prospectus are to be used in the Market Making Prospectus. A complete version of each of the Offering Prospectus and the Market Making Prospectus will be filed with the Securities and Exchange Commission in accordance with Rule 424 under the Securities Act.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 24, 2008

## 50,000,000 Shares of Class A Common Stock

Interactive Brokers Group, Inc.

We are offering 50,000,000 shares of Class A common stock, which we refer to as common stock. Our common stock is traded on the NASDAQ Global Select Market under the symbol "IBKR." On April 21, 2008, the last reported sale price for our common stock on the NASDAQ Global Select Market was \$28.27 per share. The minimum bid price per share in the auction process is \$33.50.

THE OFFERING	PER SHARE	TOTAL
Public Offering Price	\$	\$
Placement Agency Fee	\$	\$
Proceeds to Interactive Brokers Group, Inc.	\$	\$

**OpenFollowOn® and Best Efforts Offering:** The method of distribution being used by the placement agents in this offering differs somewhat from that traditionally employed in firm commitment underwritten public offerings. In particular, the public offering price and allocation of shares will be determined primarily by an auction process conducted by the placement agents and other securities dealers participating in this offering. In addition, the placement agents are not required to sell any specific number or dollar amount of shares of common stock but have agreed to use their best efforts to procure potential purchasers for the shares of common stock offered pursuant to this prospectus. A more detailed description of the OpenFollowOn® process and the best efforts offering is included in the "Plan of Distribution" section of this prospectus beginning on page 153.

The placement agents expect to deliver shares of common stock to purchasers on \_\_\_\_\_, 2008.

**This offering involves substantial risk. You should purchase shares only if you can afford a complete loss of your investment. See "Risk Factors" beginning on page 16.**

Neither the Securities Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

\_\_\_\_\_  
A Participating Dealer:

The date of this prospectus is \_\_\_\_\_, 2008

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**You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate as of the date of this document.**

**INFORMATION ABOUT THIS PROSPECTUS**

This is an offering of Class A common stock of Interactive Brokers Group, Inc., which is the holding company for the public's ownership in IBG LLC, as defined below. Unless the context otherwise requires, the terms:

"We," "us," "our" and similar terms, as well as references to "IBG" and the "Company," refer to Interactive Brokers Group, Inc., a Delaware corporation, and, as applicable, our consolidated subsidiaries (including IBG LLC) after giving effect to the recapitalization transactions that occurred in connection with the initial public offering of the Company (IPO) as described in the summary under the heading "Organizational Structure" and as described elsewhere in this prospectus in the section entitled "Our Organizational Structure."

"IBG LLC" refers to IBG LLC, a Connecticut limited liability company that is the holding company for our businesses and in which IBG has a controlling interest by being the sole managing member.

"Common stock" refers to the Class A common stock of Interactive Brokers Group, Inc.

Some of the statements in the summary are forward-looking statements. For more information, see the section entitled "Forward-Looking Statements."

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Industry and market data used throughout this prospectus were obtained through our research, surveys and studies conducted by third parties and industry and general publications. Data used throughout this prospectus regarding global equity options volume excludes volume of the Kospi 200 Index Option Contract, which is an index of 200 stocks on the Korea Exchange.

## PROSPECTUS SUMMARY

*The following summary highlights information contained elsewhere in this prospectus and is qualified in its entirety by more detailed information and consolidated financial statements included elsewhere in this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our common stock. You should read this prospectus carefully, including the section entitled "Risk Factors" and the consolidated financial statements and the related notes to those statements included elsewhere in this prospectus.*

### **Our Business**

We are an automated global electronic market maker and broker specializing in routing orders and executing and processing trades in securities, futures and foreign exchange instruments on more than 70 electronic exchanges and trading venues around the world. We are a holding company and our primary assets are our ownership of approximately 10.3% of the membership interests of IBG LLC, the holding company for our businesses, and our controlling interest and related contractual rights as the sole managing member of IBG LLC. The remaining approximately 89.7% of IBG LLC membership interests are held by IBG Holdings LLC, a holding company that is owned by our founder, chairman and chief executive officer, Thomas Peterffy, his affiliates, management and other employees of IBG LLC, and certain other members. After completing this offering and using the net proceeds to purchase additional IBG LLC membership interests, we expect that we will own approximately 22.8% of the membership interests of IBG LLC, and IBG Holdings LLC will hold the remaining approximately 77.2% of the IBG LLC membership interests.

Since our inception in 1977, we have focused on developing proprietary software to automate broker-dealer functions. The advent of electronic exchanges in the last 17 years has provided us with the opportunity to integrate our software with an increasing number of exchanges and trading venues into one automatically functioning, computerized platform that requires minimal human intervention. Our high degree of automation enabled us to process on average 752,000 trades per day with an average of 573 employees in 2007. During 2006 and 2007, we generated pretax income in each period at an annual rate of more than \$1 million per employee. Publicly available data regarding other companies in the securities and commodities industry indicate that this level of productivity is unparalleled for our industry. Automation has allowed us to become one of the lowest cost providers of broker-dealer services and to increase significantly the volume of trades we handle.

According to data compiled by the Futures Industry Association (FIA) and data received from exchanges worldwide, in 2007, we accounted for approximately 14.1% of the exchange-listed equity options volume traded worldwide. Worldwide equity options volume grew by 36% in 2007. We serve sophisticated and active customers worldwide, including institutional investors, financial advisors, brokers and individuals. Our business includes three subsidiaries registered as broker-dealers under Section 15 of the Securities Exchange Act of 1934, namely Timber Hill LLC, our U.S. market making subsidiary, and Interactive Brokers LLC and FutureTrade Securities, LLC, our U.S. electronic brokerage subsidiaries.

As a market maker, we provide continuous bid and offer quotations on approximately 420,000 securities and futures products listed on electronic exchanges around the world. Our quotes are driven by proprietary mathematical models that assimilate market data and reevaluate our outstanding quotes each second. Unlike firms that trade over-the-counter (OTC) derivative products, it is our business to create liquidity and transparency on electronic exchanges. Our profits have been principally a function of transaction volume on electronic exchanges rather than volatility or the direction of price movements.

As a direct market access broker, we serve the customers of both traditional brokers and prime brokers. We provide our customers with an advanced order management, trade execution and portfolio management platform at a very low cost. Our customers can simultaneously access different financial

markets worldwide and trade across multiple asset classes (stocks, options, futures, foreign exchange (forex) and bonds) denominated in 12 different currencies, on one screen, from a single account based in any major currency. Our large bank and broker-dealer customers may "white label" our trading interface (i.e., make our trading interface available to their customers without referencing our name), or can select from among our modular functionalities, such as order routing, trade reporting or clearing, on specific products or exchanges where they may not have up-to-date technology, in order to offer to their customers a complete global range of services and products. Our most successful module is the dynamic IB SmartRouting<sup>SM</sup> process, which manages orders among several stock and the seven U.S. options exchanges by providing efficient executions for customers and enables brokers to meet their best execution regulatory requirements.

During 2007, our customers transacted an average of approximately 265,000 daily average revenue trades, which is a measurement of revenue-generating trades and referred to as DARTs.

Our proprietary technology is the key to our success. We built our business on the belief that a fully computerized market making system that could integrate pricing and risk exposure information quickly and continuously would enable us to make markets profitably in many different financial instruments simultaneously. We believe that integrating our system with electronic exchanges and market centers results in transparency, liquidity and efficiencies of scale. Together with the IB SmartRouting<sup>SM</sup> system and our low commissions, this reduces overall transaction costs to our customers and, in turn, increases our transaction volume and profits. Over the past 30 years, we have developed an integrated trading system and communications network and have positioned our company as an efficient conduit for the global flow of risk capital across asset and product classes on electronic exchanges around the world, permitting us to have one of the lowest cost structures in the industry. We believe that developing, maintaining and continuing to enhance our proprietary technology provides us and our customers with the competitive advantage of being able to adapt quickly to the changing environment of our industry and to take advantage of opportunities presented by new exchanges, products or regulatory changes before our competitors.

Our electronic market making and brokerage businesses are complementary. Both benefit from our combined scale and volume, as well as from our proprietary technology. Our brokerage customers benefit from the technology and market structure expertise developed in our market making business. The expense of developing and maintaining our unique technology, clearing, settlement, banking and regulatory structure required by any specific exchange or market center is shared by both of our businesses. This, in turn, enables us to provide lower transaction costs to our customers than our competitors, whether they use our services as market maker, broker or both. In addition, we believe we gain a competitive advantage by applying the software features we have developed for a specific product or market to newly-introduced products and markets over others who may have less automated facilities in one or both of our market making and electronic brokerage businesses or who operate only in a subset of the exchanges and market centers on which we operate.

For the year ended December 31, 2007, our total revenues were approximately \$2.0 billion, as compared to approximately \$1.7 billion for the year ended December 31, 2006. Our income before income taxes and minority interest was approximately \$931.6 million for the year ended December 31, 2007 and approximately \$761.6 million for the year ended December 31, 2006. Our market making activities represented 70% of net revenues for the year ended December 31, 2007 and 76% of net revenues for the year ended December 31, 2006. The foregoing financial information may not be indicative of our results of operations for any future period.

### **Our Competitive Strengths**

*Proprietary technology.* We view ourselves primarily as a technology company. Since our inception in 1977, we have focused on developing proprietary software to automate broker-dealer functions. We believe that our early and continuous investment in technology, as well as



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our overall technological capabilities, provide us with a significant advantage over our competition by enabling us to make markets profitably in financial instruments (e.g., equity options, futures, index options and equities) worldwide with low spreads between bid and offer prices, while at the same time providing our customers with the ability to effect trades at execution and commission costs that are among the lowest in the industry.

*Experienced management team.* Our key employees have significant experience and expertise in the application of technology to the financial services industry and, as significant equity owners of IBG LLC, are heavily committed to our success. Our senior management team has an average of 18 years tenure with us.

*Low cost structure.* Our focus on automation and expense management practices enables us to operate with a low cost structure. Our technology allows us to be one of the lowest cost providers of liquidity to the global, exchange-listed equity and derivatives markets and global execution and clearing services for professional traders and institutions.

*Complementary lines of business.* We leverage the combined volume from our market making and brokerage operations and our proprietary technology in each of these operations to route orders effectively and to process trades on exchanges around the world, resulting in consistently best executions and one of the lowest unit costs in the industry. Our combined market making and brokerage systems offer access to exchanges and market centers that are typically not cost feasible for brokerage-only businesses.

*Diversified revenue base.* We earn trading gains from our market making business as well as commissions and fee income from our electronic brokerage business. We generate revenues from millions of relatively small and diversified individual trades. In 2007, we executed approximately 189 million trades. These trades are broadly distributed among approximately 420,000 tradable, exchange-listed products on more than 70 exchanges and market centers in 25 countries.

*Established business franchise.* We have been in operation for three decades. In 2005, Institutional Investor ranked us the 16th largest U.S. securities firm, as measured by consolidated capital. We are members of more than 60 major exchanges and market centers around the world. Many of these memberships are franchises that are difficult to obtain. As of December 31, 2007, we held market maker licenses on 30 exchanges in 15 countries, and have preferential rights and obligations as designated specialists or market makers in approximately 1,200 classes of options in the United States.

*Real-time risk management.* We operate as a market maker, not an investor. Therefore, our ability to generate profits is generally a function of transaction volume on electronic exchanges rather than volatility or the direction of price movements. We seek to calculate quotes a few seconds ahead of the market and execute small trades at a tiny but favorable differential as a result. Our proprietary pricing model continuously evaluates and monitors the risks inherent in our portfolio, assimilates market data and reevaluates the outstanding quotes in our entire portfolio each second. In our electronic brokerage business, our entire credit management process is automated, including real-time margin calls and automatic liquidation. This automated system enables us to maximize profits while minimizing losses typically associated with manual risk management.

*Strong financial position.* We maintain a conservative capital structure with a large equity capital base, highly liquid assets and low financial leverage. As of December 31, 2007, IBG LLC, the holding company for our operating businesses, had equity capital of approximately \$3.5 billion, and our capital base grew at a compounded annual growth rate (CAGR) of approximately 23% from December 2002 to December 2007. As of December 31, 2007, we held \$34.5 billion in total assets, approximately 99% of which were highly liquid and readily convertible to cash, and our long-term debt-to-equity ratio was 13%.

## Our Strategies

*Capitalize on industry growth trends.* We are well positioned in the financial markets as an automated global electronic market maker and broker. Electronic trading volume in equities, listed options, futures and forex has been growing rapidly. We expect this trend to continue due to the lower cost, the ability to execute quickly without errors, the anonymity associated with electronic trading and the increased knowledge of investors of the advantages of various forms of exchange-listed derivative products. We intend to continue to use automation to drive trading volume and increase our market share and revenues in these growing industries.

*Drive increased trading volume through our low cost structure.* We intend to increase our trading volume by building on our leading position as a low cost provider of market making and brokerage services. Our scale, technology and operational efficiencies provide an advantage in delivering services at a low cost. Due to our high degree of automation, our net profit margins are generally higher than those of our competitors. We intend to maintain or increase our market share by decreasing bid/offer spreads in the market for our customers and to capture more order flow as we compete for market making and customer trades. We will continue to seek to refine our systems and processes to enhance our ability to deliver our services at a low cost.

*Expand into new markets.* We intend to enter electronic markets where we are not currently operating as a market maker or broker, including markets in new geographic locations. We will also continue to expand our market making and brokerage services for new security types as they become available. We seek to enter new markets or product classes in which the execution of transactions can be automated using our technology. Our entry into new markets starts as a software development project. Once we have built the appropriate technology interface for that business and have satisfactorily integrated it with our automated platform, we then provide access to these new markets for our customers. We believe that our technology development skills enable us to enter new markets and add new products more rapidly and efficiently than can our competitors.

*Market our customer offerings to new classes of customers.* We market ourselves to our customers based on our position as a low cost provider as well as our superior execution, trading and account management tools. We focus on obtaining new classes of customers such as broker-dealers, hedge funds and conventional money managers, whom we believe will find our "plug and play" systems much more efficient than maintaining their own systems. We intend to add new products, new analytical tools, new order types and new trading features that are in demand by our customers and potential customers. For example, new Securities and Exchange Commission (SEC) regulations adopted in 2007 that allow brokers to calculate customer margin requirements based on a portfolio risk-based model provided us with an opportunity to attract large trading accounts from hedge funds and other professional traders who previously used the services of prime brokers. These new portfolio margining rules decreased the importance of providing leverage to hedge funds beyond what is permitted by current U.S. rules (which we do not do) and allow us to compete on the basis of price, where we are a low cost provider of services. We will also continue our efforts to popularize OneChicago, an all-electronic securities futures exchange in which we have invested, and single stock futures (SSF) products as a vehicle to reduce financing costs for hedge funds, thus providing another growth opportunity.

## Our Challenges and Risks

Our business is subject to challenges and risks, including those summarized below and those more fully described in "Risk Factors" beginning on page 16. You should carefully consider the information contained in "Risk Factors" before you decide to invest in our common stock.

***Dependence on proprietary technology.*** Our success is highly dependent on our sophisticated proprietary technology that has taken many years to develop and has been available only to us. If our technology were to become available to our competitors, or if our competitors adopt or develop similar or more advanced technologies, our operating results may be adversely affected. Further, we may not be able to keep up with rapid changes in technology, evolving industry standards and changing trading systems, practices and techniques to remain competitive in our industry.

***Dependence on market conditions.*** Changes in the global financial markets, global economic conditions and political events affect levels of trading volumes in ways that we may not be able to predict. A slowdown and subsequent stagnation in trading volume in the global financial markets, or a systemic problem affecting any financial market, could have a material adverse effect on our revenues and profitability.

***Risks associated with computer system failures.*** The success of our business depends on the efficient and uninterrupted operations of our computer and communications hardware and software systems. Our service has occasionally experienced system interruptions in the past due to various reasons, some of which were beyond our control. We expect to experience occasional system interruptions from time to time in the future, which may have an adverse effect on our business.

***Industry regulation and litigation.*** Our industry is heavily regulated, and noncompliance with applicable laws or regulations could adversely affect our business due to resulting fines and censures, suspension or expulsion from a certain jurisdiction or market or the revocation of licenses. Further, our industry faces substantial litigation risks, and we may face legal liability and damage to our professional reputation if our services are not regarded as satisfactory.

***Industry expansion or consolidation.*** The introduction of new markets or products or new market structures or the elimination of existing markets by merger or otherwise may adversely affect our margins, profitability and business.

***Fluctuation of revenues and profitability.*** Our revenues and operating results have been subject to fluctuations based primarily on the willingness of competitors to trade more aggressively by decreasing their bid/offer spreads and thereby assuming more risk in order to acquire market share. Variations in trading levels caused by unpredictable market trends may cause our revenues and operating results to vary significantly from period to period, and period to period comparisons of our revenues and operating results may not be meaningful.

***Control by a principal stockholder.*** Thomas Peterffy, our founder, chairman and chief executive officer, has approximately 89.7% and, upon completion of this offering, will have approximately 77.2%, of the voting power of our company and, accordingly, is able to control the outcome of substantially all matters submitted to our stockholders for approval. This concentration in ownership may prevent transactions such as a change of control and a business combination that could otherwise be beneficial to those who purchase the shares in this offering or result in actions that such individuals may oppose.

***Dependence on key employees.*** 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.

## Organizational Structure

### *Holding Company Structure*

We are a holding company. Our primary asset is our ownership of approximately 10.3% (approximately 22.8% after completion of this offering) of the membership interests of IBG LLC, the holding company for our businesses. The remaining approximately 89.7% (approximately 77.2% after completion of this offering) of IBG LLC membership interests are held by IBG Holdings LLC, a holding company that is owned by our founder, chairman and chief executive officer, Thomas Peterffy, his affiliates, management and other employees of IBG LLC, and certain other members. Our holding company structure is designed to allow both public stockholders (through IBG) and existing members (through IBG Holdings LLC) to have economic interests in our businesses.

Our only business is to act as the sole managing member of IBG LLC. As sole managing member of IBG LLC, we operate and control all of the business and affairs of IBG LLC.

The graphic below illustrates our current ownership structure and reflects both current ownership percentages and anticipated ownership percentages immediately following completion of this offering and the use of the net proceeds of this offering to purchase additional IBG LLC membership interests. The graphic below does not display the subsidiaries of IBG LLC. For more information, please read the section entitled "Our Organizational Structure" located elsewhere in this prospectus.



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### *Voting of Common Stock and Class B Common Stock*

Each share of our common stock entitles its holder to one vote per share. Our Class B common stock has voting power of our company proportionate to the extent of IBG Holdings LLC's ownership of IBG LLC (currently approximately 89.7% and expected to decrease to 77.2% after this offering). Through our Class B common stock, Thomas Peterffy is currently able to exercise control over all matters requiring the approval of our stockholders, including the election of our directors and the approval of significant corporate transactions. Mr. Peterffy's ability to exercise control will decrease proportionately over time to the extent that IBG Holdings LLC owns a smaller percentage of IBG LLC.

### *Consolidation of Financial Statements*

Our structure allows us to consolidate IBG LLC's financial results into our financial statements. In our financial statements, IBG Holdings LLC's ownership interests in IBG LLC are accounted for as a minority interest. We allocate the net profits, net losses and distributions of IBG LLC, including with respect to all management fees, incentive income and investment income earned by IBG LLC, to IBG and IBG Holdings LLC pro rata in accordance with their respective ownership percentages in IBG LLC. Accordingly, net profits and net losses of IBG LLC are allocated, and distributions by IBG LLC are made, approximately 10.3% to us and approximately 89.7% to IBG Holdings LLC. After completion of this offering, we expect that such allocations and distributions will be made approximately 22.8% to us and approximately 77.2% to IBG Holdings LLC.

### *Tax Distributions and Dividends*

IBG LLC is a flow-through entity for income tax purposes. Therefore, we and IBG Holdings LLC are responsible for paying taxes on the taxable income and net capital gain generated by IBG LLC, proportional to our economic interest in IBG LLC. Subject to the availability of net cash flow, IBG LLC shall distribute to us and to IBG Holdings LLC cash in amounts at least equal to that necessary to cover the tax liabilities of us and IBG Holdings LLC with respect to our respective shares of taxable income and net capital gain. Assuming IBG LLC makes distributions to its members in any given year, the determination to pay dividends, if any, to our Class A stockholders will be made by our board of directors. Because our board of directors may or may not determine to pay dividends at the IBG level, our Class A stockholders may not necessarily receive dividend distributions relating to our pro rata share of the management fees, incentive income, investment income and other income earned by IBG LLC, even if IBG LLC makes such distributions to us.

### *Redemption of Membership Interests*

The membership interests in IBG Holdings LLC are not directly exchangeable for shares of our common stock. Instead, the membership interests are redeemable at various times over the next seven years at the option of the holder.

The redemption price for the membership interests in IBG Holdings LLC depends on the manner in which the redemption payment is made to IBG Holdings LLC:

The primary manner in which the redemption price will be paid is by selling additional shares of our common stock to the public and using the proceeds from such sales to acquire an identical number of IBG LLC membership interests from IBG Holdings LLC. We expect IBG Holdings LLC to use the proceeds it receives from such sales to redeem an identical number of IBG Holdings LLC membership interest from the requesting holders. The registration and sale of shares of our common stock to satisfy redemption requests is described in greater detail under "Transactions with Related Persons, Promoters and Certain Control Persons Exchange Agreement." The sales of our common stock and the application of the proceeds to acquire

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IBG LLC membership interests are expected to have a negligible effect on the existing holders of our common stock, as the holders of our common stock would then own a larger portion of IBG LLC. As a result, while such transactions will have the effect of diluting your percentage ownership in us, we will own a larger portion of IBG LLC and, therefore, you will continue to own the same economic interest in the underlying IBG LLC business.

IBG LLC may choose to redeem IBG LLC membership interests from IBG Holdings LLC using cash on hand, primarily if IBG LLC had, at a given point in time, a relative surplus of cash on hand and our board of directors were to determine that using cash on hand to effect redemptions of IBG LLC membership interests would be an optimal use of such funds in relation to alternative uses. See "Our Organizational Structure Redemption of Membership Interests."

IBG Holdings LLC, with the consent of Thomas Peterffy and our board of directors, has the right to cause the holders of IBG Holdings LLC membership interests to have all or a portion of their membership interests redeemed at any time after May 9, 2008. Such redemptions would be financed in the same manner as the scheduled redemptions described above.

### *Allocation of Tax Benefits*

As the result of our acquisition from IBG Holdings LLC of an IBG LLC membership interest using the proceeds of a sale of our common stock into the public markets, we will receive not only an additional interest in IBG LLC but also, for federal income tax purposes, an adjustment to the federal income tax basis of the assets of IBG LLC underlying such additional interest. This may lead to a savings in certain U.S. federal, state and local income taxes or franchise taxes. To the extent that we actually realize tax savings, we have agreed, under the terms of a tax receivable agreement with IBG Holdings LLC, to pay IBG Holdings LLC 85% of these cash savings and we will retain the remaining 15% of these cash savings. See "Transactions with Related Persons, Promoters and Certain Control Persons Tax Receivable Agreement."

### **Use of Proceeds**

We intend to use the net proceeds from our sale of shares of common stock in this offering to purchase membership interests representing approximately 12.5% of the outstanding membership interests in IBG LLC from IBG Holdings LLC. The number of membership interests in IBG LLC to be purchased from IBG Holdings LLC and the purchase price for each membership interest corresponds to the number of shares of common stock to be sold in this offering and the offering price, less the placement agency fee per share, respectively. IBG Holdings LLC will, in turn, use such sale proceeds to redeem, on a pro rata basis, IBG Holdings LLC membership interests held by its members, who include 62 of our employees (including the executive officers set forth in the table below). See "Use of Proceeds." The following is a listing of our directors and executive officers expected to receive net proceeds from this offering, together with the percentage and dollar amount of net proceeds to be

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received from this offering and the amount of cash distributions received from IBG LLC in 2007 and 2008 to date.

Name	Title	% of Net Proceeds to be Received	Dollar Amount of Net Proceeds Received From This Offering	2007 Distributions	2008 Distributions
(in millions)					
Thomas Peterffy	Chairman of the Board of Directors, Chief Executive Officer and President	84.6231%	\$ 1,413.2	\$ 228.2	\$ 102.9
Earl H. Nemser	Vice Chairman and Director	1.1902%	\$ 19.9	\$ 3.2	\$ 1.4
Paul J. Brody	Chief Financial Officer, Treasurer, Secretary and Director	1.2516%	\$ 20.9	\$ 3.4	\$ 1.5
Thomas A. Frank	Executive Vice President and Chief Information Officer	3.1515%	\$ 52.6	\$ 8.5	\$ 3.8
Milan Galik	Senior Vice President, Software Development and Director	1.3695%	\$ 22.9	\$ 3.7	\$ 4.7
Directors and executive officers as a group		91.5859%	\$ 1,529.5	\$ 247.0	\$ 111.3

The aggregate consideration for the purchase of membership interests in IBG LLC from IBG Holdings LLC also includes an amount equal to 85% of the tax savings realized by us by reason of the increase in the tax basis of the assets of IBG LLC arising out of this transaction, as described under "Redemption of Membership Interests." Based on the assumptions set forth in calculating the deferred tax asset of \$522.5 million arising from the acquisition of the membership interests in IBG LLC with the net proceeds of this offering, as set forth in footnote (1) to the "Notes to the Unaudited Pro Forma Consolidated Statement of Financial Condition" on page 50 of this prospectus, Messrs. Peterffy, Nemser, Brody, Frank, Galik and our directors and officers as a group could potentially receive aggregate payments of \$375.8 million, \$5.3 million, \$5.6 million, \$14.0 million, \$6.1 million and \$406.8 million, respectively, over 15 years based on these tax savings.

No additional IBG LLC or IBG Holdings LLC membership interests will be granted to directors or executive officers in connection with this offering.



## Recent Developments

On April 24, 2008, we released our consolidated financial results for the quarter ended March 31, 2008. For the quarter ended March 31, 2008, our total net revenues were approximately \$528.4 million, as compared to approximately \$330.8 million for the quarter ended March 31, 2007. Our income before income taxes and minority interest was approximately \$374.0 million for the quarter ended March 31, 2008, as compared to income before income taxes of \$190.3 for the quarter ended March 31, 2007. Our basic and diluted earnings per share were \$0.68 and \$0.66, respectively, for the quarter ended March 31, 2008, as compared to pro forma basic and diluted earnings per share of \$0.32 and \$0.31, respectively, for the quarter ended March 31, 2007. The foregoing financial information may not be indicative of our results of operations for any future period.

Other business highlights for the quarter ended March 31, 2008 were as follows:

70.8% pre-tax margin;

Market Making pre-tax income grew 108.4% from the quarter ended March 31, 2007;

79.6% Market Making pre-tax margin;

Market Making options contract volume increased 38.5% from the quarter ended March 31, 2007;

Electronic Brokerage pre-tax income up 66.6% from the quarter ended March 31, 2007;

45.1% Electronic Brokerage pre-tax margin; and

Cleared DARTs increased to 303,000, or 59.5%, from the quarter ended March 31, 2007.

Our operating results for the quarter ended March 31, 2008 have not been reviewed or audited by our independent registered public accounting firm. Our independent registered public accounting firm will be reviewing our financial statements for the quarter ended March 31, 2008, and such review could result in changes to the financial results indicated above. However, we do not anticipate that any such changes would materially impact the financial results.

## Company Information

IBG was incorporated in November 2006 as a Delaware corporation. Our principal executive offices are located at One Pickwick Plaza, Greenwich, Connecticut 06830 and our telephone number at that location is (203) 618-5800. Our corporate website address is <http://www.interactivebrokers.com>. The information contained on this website should not be considered part of this prospectus.

**The Offering**

Common stock offered	50,000,000 shares of Class A common stock
Common stock outstanding after this offering	90,143,760 shares of Class A common stock 100 shares of Class B common stock
Voting	<p>Each share of our common stock entitles its holder to one vote per share.</p> <p>Our Class B common stock currently has approximately 89.7% of the voting power of our company, which percentage is expected to decrease to approximately 77.2% following the completion of this offering and further decrease proportionately to the extent that IBG Holdings LLC owns a smaller percentage of IBG LLC.</p> <p>Accordingly, Thomas Peterffy, through his ownership of the voting membership interests in IBG Holdings LLC, is able to exercise control over all matters requiring the approval of our stockholders, including the election of our directors, and the approval of significant corporate transactions. See "Our Organizational Structure Voting."</p>
Use of proceeds	<p>We estimate that we will receive net proceeds from the sale of shares of our common stock in this offering of \$1,670.8 million, assuming the shares are offered at \$33.50 per share, which is the minimum bid price set forth on the cover page of this prospectus, after deducting the placement agency fee payable by us. The public offering price and allocation of shares will be primarily determined through an auction process. We intend to use the net proceeds to purchase 50,000,000 membership interests in IBG LLC from IBG Holdings LLC at a purchase price per interest equal to the per share offering price in this offering, less the placement agency fee per share. See "Use of Proceeds" and "Plan of Distribution."</p>
Redemption of membership interests	<p>IBG Holdings LLC membership interests are redeemable at various times over the next seven years at the option of the holder. See "Our Organizational Structure Redemption of Membership Interests."</p>
Dividends	<p>As a holding company for our equity interest in IBG LLC, we are 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 that we have excess cash, any future determination relating to our dividend policy will be made at the discretion of our board of directors. See "Dividend Policy."</p>

Risk factors

Investment in our common stock involves substantial risks. You should read this prospectus carefully, including the section entitled "Risk Factors" and the financial statements and the related notes to those statements included in this prospectus before investing in our common stock.

OpenFollowOn® process

This offering will be made through the OpenFollowOn® process, in which the allocation of shares and the public offering price are primarily based on an auction in which prospective purchasers are required to bid for the shares. The OpenFollowOn® process allows all qualified investors, whether individuals or institutions, to bid for shares. All successful bidders in the auction will pay the same price per share.

Bidders may submit bids through the placement agents or participating dealers.

Potential investors may bid any price for the shares at or above the minimum bid price set forth on the cover page of this prospectus.

Once the auction closes, the placement agents will determine the highest price that will sell all of the shares offered. This is called the clearing price and is the maximum price at which the shares will be sold.

We may choose to sell shares at the auction-set clearing price or we may choose to sell the shares at a lower offering price, taking into account additional factors. The actual offering price will be equal to or greater than the minimum bid price.

Bidders that submit valid bids at or above the auction-set clearing price will receive, at a minimum, a pro-rated amount of shares for which they bid.

The OpenFollowOn® process is described in full under "Plan of Distribution" beginning on page 153.

Unless we specifically state otherwise, all information in this prospectus assumes that our common stock will be sold at \$33.50 per share, which is the minimum bid price set forth on the cover page of this prospectus, and that all 50,000,000 shares offered in this offering will be sold.

## SUMMARY HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL DATA

The following table sets forth the historical summary consolidated statement of income and other data of IBG LLC as of and for the years ended December 31, 2003, 2004, 2005 and 2006 and of IBG as of and for the year ended December 31, 2007. The summary historical consolidated statement of income data for the periods presented reflect the consolidated operating results of IBG LLC prior to May 4, 2007, the IPO date, and reflect the consolidated operating results of IBG from May 4, 2007 through December 31, 2007. The table also presents certain pro forma consolidated financial data for IBG.

The summary historical consolidated financial data as of and for the years ended December 31, 2003, 2004, 2005 and 2006 have been derived from IBG LLC's audited consolidated financial statements. The summary historical consolidated financial data as of and for the year ended December 31, 2007 have been derived from IBG's audited consolidated financial statements. The audited consolidated statements of financial condition as of December 31, 2006 and 2007 and consolidated statements of income for the years ended December 31, 2005, 2006 and 2007 are included elsewhere in this prospectus. The audited consolidated statements of financial condition as of December 31, 2003, 2004 and 2005 and consolidated statements of income for the years ended December 31, 2003 and 2004 are not included in this prospectus. The historical consolidated financial position and results of operations are not necessarily indicative of the financial position or results of operations as of any future date or for any future period.

The consolidated statement of income data does not reflect what the results of operations of IBG would have been had it been a stand alone public company prior to May 4, 2007. In addition, the results of operations for periods prior to the IPO on May 4, 2007 are not comparable to the results of operations for subsequent periods as these results of operations do not give effect to the following matters:

the Recapitalization, which is described in more detail elsewhere in this prospectus in the sections entitled "Our Organizational Structure" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

U.S. corporate federal income taxes, since for all periods presented IBG LLC has operated in the United States as a limited liability company that was treated as a partnership for U.S. federal income tax purposes. As a result, IBG LLC has not been subject to U.S. federal income taxes on its income. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the United States, IBG LLC historically has operated principally through subsidiaries and has been subject to local income taxes. Income taxes shown on IBG LLC's historical consolidated statements of income are attributable to taxes incurred by these non-U.S. subsidiaries.

minority interest expense reflecting IBG Holdings LLC's ownership of approximately 89.7% of the IBG LLC membership interests outstanding immediately after the IPO.

The unaudited pro forma consolidated statement of income data for the year ended December 31, 2007 included in the following table give pro forma effect to the IPO and the consummation of this offering and our application of the net proceeds from the IPO and this offering to purchase membership interests in IBG LLC from IBG Holdings LLC as though such transactions had occurred on January 1, 2007, and the unaudited pro forma consolidated statement of financial condition data as of December 31, 2007 included in the following table give pro forma effect to such transactions as though they had occurred on December 31, 2007. The unaudited pro forma financial data are presented for informational purposes only and should not be considered indicative of actual results of operations that would have been achieved had the IPO and this offering been consummated on the

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dates indicated and do not purport to be indicative of balance sheet data or results of operations as of any future date or for any future period.

You should read the following summary historical and pro forma consolidated financial data in conjunction with the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Historical Consolidated Financial Data," "Unaudited Pro Forma Consolidated Financial Data" and IBG's and IBG LLC's historical consolidated financial statements and related notes included elsewhere in this prospectus. See also the section entitled "Our Organizational Structure" included elsewhere in this prospectus.

	Historical Data for Year Ended December 31,					Pro Forma Data for IPO and Current Offering <sup>(2)</sup>
	2003	2004	2005	2006	2007 <sup>(1)</sup>	2007
(in millions, except share and per share data)						
<b>Consolidated Statement of Income Data:</b>						
<b>Revenues:</b>						
Trading gains	\$ 488.4	\$ 423.2	\$ 640.4	\$ 805.1	\$ 888.1	\$ 888.1
Commissions and execution fees	93.0	112.0	132.1	174.4	261.1	261.1
Interest income	59.3	79.5	273.2	672.1	782.2	782.2
Other income	10.4	7.0	53.4	85.2	92.0	92.0
Total revenues	651.1	621.7	1,099.1	1,736.8	2,023.4	2,023.4
Interest expense	46.1	57.7	170.0	484.4	555.2	555.2
Total net revenues	605.0	564.0	929.1	1,252.4	1,468.2	1,468.2
<b>Non-interest expenses:</b>						
Execution and clearing	127.3	152.5	215.0	313.3	335.7	335.7
Employee compensation and benefits	73.5	79.1	90.2	110.1	118.8	118.8
Occupancy, depreciation and amortization	13.7	16.4	20.4	22.7	26.5	26.5
Communications	7.5	9.0	10.4	12.6	14.9	14.9
General and administrative	18.2	17.0	23.8	32.1	40.7	40.7
Total non-interest expenses	240.2	274.0	359.8	490.8	536.6	536.6
<b>Income before income taxes and minority interest</b>	<b>364.8</b>	<b>290.0</b>	<b>569.3</b>	<b>761.6</b>	<b>931.6</b>	<b>931.6</b>
<b>Income tax expense</b>	<b>19.9</b>	<b>19.6</b>	<b>33.8</b>	<b>27.4</b>	<b>63.0</b>	<b>101.1</b>
<b>Minority interest</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(568.1)</b>	<b>(683.7)</b>
<b>Net income</b>	<b>\$ 344.9</b>	<b>\$ 270.4</b>	<b>\$ 535.5</b>	<b>\$ 734.2</b>	<b>\$ 300.5</b>	<b>\$ 146.8</b>
<b>Net income available to common stockholders</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 48.2</b>	<b>\$ 146.8</b>
<b>Earnings per share</b>						
Basic					\$ 1.20	\$ 1.63
Diluted					\$ 1.16	\$ 1.60

	Historical Data for Year Ended December 31,	Pro Forma Data for IPO and Current Offering <sup>(2)</sup>
<b>Weighted average common shares outstanding</b>		
Basic	40,153,606	90,142,474
Diluted	401,327,844	401,317,190

- (1) Please see Note 4, "Initial Public Offering and Recapitalization," to the audited consolidated financial statements included elsewhere in this prospectus.
- (2) The unaudited pro forma consolidated statement of income for the year ended December 31, 2007 gives pro forma effect to the IPO and the current offering and our application of the net proceeds from these offerings to purchase additional membership interests in IBG LLC from IBG Holdings LLC as though such

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transactions had occurred on January 1, 2007. After this offering, we expect to own approximately 22.8% of the membership interests in IBG LLC

	<b>December 31, 2007</b>	
	<b>Actual</b>	<b>Pro Forma</b>
	<b>(in millions)</b>	
<b>Consolidated Statement of Financial Condition Data:</b>		
Cash, cash equivalents and short-term investments <sup>(1)</sup>	\$ 5,789.3	\$ 5,789.3
Total assets <sup>(2)</sup>	\$ 34,542.1	\$ 35,064.6
Total liabilities	\$ 34,133.7	\$ 34,138.3
Total stockholders' equity	\$ 408.4	\$ 926.3

(1) Cash, cash equivalents and short-term investments represent cash and cash equivalents, cash and securities segregated under federal and other regulations and securities purchased under agreements to resell.

(2) At December 31, 2007, approximately \$34.02 billion, or 98.5%, of total assets were considered to be liquid and consisted primarily of marketable securities.

## RISK FACTORS

*Investing in our common stock involves a substantial risk. You should consider carefully the following risks and other information in this prospectus, including our consolidated financial statements and related notes, before you decide to purchase our common stock. If any of the following risks actually materializes, our business, financial condition and operating results could be adversely affected. As a result, the trading price of our common stock could decline and you could lose part or all of your investment.*

### Risks Related to Our Company Structure

**Control by 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.**

Thomas Peterffy, our founder, chairman and chief executive officer, and his affiliates beneficially own approximately 85% of the economic interests and all of the voting interests in IBG Holdings LLC, which owns all of our Class B common stock, representing approximately 89.7% (77.2% after this offering) 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 of 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 is able to cause or prevent a change of control of our company or a change in the composition of our board of 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 the NASDAQ Global Select Market. Our compensation committee is comprised of Messrs. Thomas Peterffy (who is the chairman of the compensation committee) and Earl H. Nemsler (our vice chairman). 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 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 10.3% (22.8% after this offering) 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 IBG Holdings LLC and us. Accordingly, we incur income taxes on our proportionate share of the 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 or results of operations.

**We are required to pay IBG Holdings LLC 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 or will receive in connection with the IPO, this offering and related transactions.**

In connection with the IPO and this offering, we purchased and will purchase additional interests in IBG LLC from IBG Holdings LLC for cash. In addition, IBG LLC membership interests held by IBG Holdings LLC may be sold in the future to us and financed by our issuances of shares of our common stock. The initial purchase resulted 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. This offering and subsequent purchases of additional interests in IBG LLC from IBG Holdings LLC may result in similar increases in the tax basis of the tangible and intangible assets of IBG LLC and its subsidiaries. Such increases have been or 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 have resulted or 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. We have agreed to pay 85% of these tax savings, if any, to IBG Holdings LLC as they are realized as additional consideration for the IBG LLC interests that we acquire. See "Transactions with Related Persons, Promoters and Certain Control Persons Tax Receivable Agreement."

As a result of the IPO, the increase in the tax basis attributable to our interest in IBG LLC was \$0.95 billion. At the time of the closing of this offering, the increase in the tax basis attributable to our interest in IBG LLC, assuming an offering price of \$33.50 per share of common stock (the minimum bid price set forth on the cover page of this prospectus) and our purchase of 12.5% of the outstanding interests of IBG LLC, is expected to be approximately \$1.4 billion. Our ability to achieve tax benefits from any such increase and the payments to be made under the tax receivable agreement with respect thereto depend upon a number of factors, including the law as in effect at the time of a purchase by us of interests in IBG LLC or a payment under the tax receivable agreement, the timing of purchases, the fair market value of interests in IBG LLC at the time of a purchase, the extent to which such purchases are taxable, 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, the composition of IBG LLC's assets at the time of a purchase, and the amount and timing of our income and of payments under the tax receivable agreement. Depending upon the outcome of these factors, as a result of the size of the increases in the tax basis of the tangible and intangible assets of IBG LLC and its subsidiaries, the payments that we may make to IBG Holdings LLC could be substantial.

If either immediately before or immediately after any purchase or the related issuance of our stock, the IBG Holdings LLC members own or are deemed to own, in the aggregate, more than 20% of our outstanding stock, then all or part of any increase in the tax basis of goodwill may not be amortizable and, thus, our ability to realize the annual tax savings that otherwise would have resulted if such tax basis were amortizable may be significantly reduced. Although the IBG Holdings LLC members are prohibited under the exchange agreement from purchasing shares of Class A common stock, grants of our stock to employees and directors who are also members or related to members of IBG Holdings LLC and the application of certain tax attribution rules, such as among family members and partners in a partnership, could result in IBG Holdings LLC members being deemed for tax purposes to own shares of Class A common stock.

If the IRS successfully challenges the tax basis increase, under certain circumstances, we could be required to make payments to IBG Holdings LLC under the tax receivable agreement in excess of our cash tax savings.

**Our senior secured revolving credit facility and our senior notes impose certain restrictions. A failure to comply with these restrictions could lead to an event of default, resulting in an acceleration of indebtedness, which may affect our ability to finance future operations or capital needs, or to engage in other business activities.**

As of December 31, 2007, our total indebtedness (consisting of the aggregate amounts outstanding under senior notes, senior secured revolving credit facility and short-term borrowings) was approximately \$1.88 billion. On May 19, 2006, IBG LLC entered into a \$300.0 million three-year senior secured revolving credit facility with JPMorgan Chase Bank, N.A. as administrative agent, Harris N.A. as syndication agent, and Citibank, N.A. and HSBC Bank USA National Association as co-syndication agents. In addition, subject to restrictions in our senior secured revolving credit facility and our senior notes, we may incur additional first-priority secured borrowings under the senior secured revolving credit facility.

The operating and financial restrictions and covenants in our debt agreements, including the senior secured revolving credit facility and our senior notes, may adversely affect our ability to finance future operations or capital needs or to engage in other business activities. Our senior secured revolving credit facility requires us to maintain specified financial ratios and tests, including interest coverage and total leverage ratios and maximum capital expenditures, which may require that we take action to reduce debt or to act in a manner contrary to our business objectives. In addition, the senior secured revolving credit facility and the senior notes restrict our ability to, among other things:

incur additional indebtedness;

dispose of assets;

guarantee debt obligations;

repay indebtedness or amend debt instruments;

pay dividends;

create liens on assets;

make investments;

make acquisitions;

engage in mergers or consolidations; and

engage in certain transactions with subsidiaries and affiliates and otherwise restrict corporate activities.

A more detailed discussion of the restrictions contained in our senior secured revolving credit facility can be found on pages 146 and 147 of this prospectus. A failure to comply with the restrictions contained in the senior secured revolving credit facility could lead to an event of default, which could result in an acceleration of our indebtedness. Such an acceleration would constitute an event of default under our senior notes. A failure to comply with the restrictions in our senior notes could result in an event of default under our senior notes. Our future operating results may not be sufficient to enable compliance with the covenants in the senior secured revolving credit facility, our senior notes or other indebtedness or to remedy any such default. In addition, in the event of an acceleration, we may not have or be able to obtain sufficient funds to refinance our indebtedness or make any accelerated payments, including those under the senior notes. In addition, we may not be able to obtain new financing. Even if we were able to obtain new financing, we would not be able to guarantee that the new financing would be on commercially reasonable terms or terms that would be acceptable to us. If we default on our indebtedness, our business financial condition and results of operation could be materially and adversely affected.

**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 IBG Holdings LLC have the right to cause the redemption of their IBG Holdings LLC membership interests over time in connection with offerings of shares of our common stock as further described in the section entitled "Our Organizational Structure." We intend to sell additional shares of common stock in this offering and in subsequent public offerings on a regular basis, including annual offerings of our common stock to finance future purchases of IBG LLC membership interests which, in turn, will finance corresponding redemptions of IBG Holdings LLC membership interests. These annual offerings and related transactions are anticipated to occur over the next seven years following this offering and, depending on the timing of redemptions, possibly extend into the future in accordance with an exchange agreement among us, IBG LLC, IBG Holdings LLC and the historical members of IBG LLC described in greater detail under "Transactions with Related Persons, Promoters and Certain Control Persons Exchange Agreement." We may also issue additional shares of common stock or convertible debt securities to finance future acquisitions or business combinations. After the consummation of this offering, we will have approximately 90.2 million outstanding shares of common stock. This number includes all the shares of our common stock we are selling in this offering, which may be resold immediately in the public market. Assuming no anti-dilution adjustments based on combinations or divisions of our common stock, the annual offerings referred to above could result in the issuance by us of up to an additional approximately 310.0 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.

**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 of 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. See "Description of Capital Stock Section 203 of the General Corporation Law of the State of Delaware."

**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 are 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 of directors and will depend on, among other things, our results of operations, financial conditions, cash requirement, contractual restrictions and other factors that our board of directors may deem relevant. We have made no determination as to whether to pay dividends on our common stock at any time in the foreseeable future.

**Risks Related to Our Business**

**Our business may be harmed by global events beyond our control, including overall slowdowns in securities trading.**

Like other brokerage and financial services firms, our business and profitability are directly affected by 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 weakness in equity markets, such as a slowdown causing reduction in trading volume in U.S. or foreign securities and derivatives, has historically resulted in reduced transaction revenues and would have a material adverse effect on our business, financial condition and results of operations.

**Because our revenues and profitability depend on trading volume, 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 United States and abroad. In the past, our revenues and operating results have varied significantly from period to period due primarily to the willingness of competitors to trade more aggressively by decreasing their bid/offer spreads and thereby assuming more risk in order to acquire market share, to movements and trends in the underlying markets, and to fluctuations in trading 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.

**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 rely on our computer software to receive and properly process internal and external data. Any disruption for any reason in the proper functioning or any corruption of our software or erroneous or corrupted data may cause us to make erroneous trades or suspend our services and could cause us great financial harm. In order 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.

**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.

**We may incur material trading losses from our market making activities.**

A substantial portion of our revenues and operating profits is derived from our trading as principal in our role as a market maker and specialist. 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 and specialist 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 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 operating results.

**Reduced spreads in securities pricing, levels of trading activity and trading through market makers and/or specialists 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 the execution of trades and market making activities less profitable. In addition, new and enhanced alternative trading systems such as ECNs have emerged as an alternative for individual and institutional investors, as well as broker-dealers, to avoid directing their trades through market makers, and could result in reduced revenues derived from our market making business.

**We may incur losses in our market making activities in the event of failures of our proprietary pricing model.**

The success of our market making business is 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 each 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. Given that we manage a globally integrated portfolio, we may have large and substantially offsetting positions in securities that trade on different exchanges that close at different times of the trading day. As a result, 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 specialists and designated market makers may require us to make unprofitable trades or prevent us from making profitable trades.**

Specialists and 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 specialist or 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 specialist or designated market maker are subject to change. If these rules are made more stringent, our trading revenues and profits as specialist or designated market maker could be adversely affected.

**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 stock, options and futures 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/or operating results.

As a clearing member firm of securities and commodities clearing houses in the United States and abroad, we are also exposed to clearing member credit risk. Securities and commodities clearing houses require member firms to deposit cash and/or government securities to a clearing fund. 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.

**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. This regulatory and enforcement environment has created uncertainty with respect to various types of transactions that historically had been entered into by financial services firms and that were generally believed to be permissible and appropriate. Our broker-dealer subsidiaries are subject to regulations in the United States and abroad covering all aspects of their business. Regulatory bodies include, in the United States, the SEC, the Financial Industry Regulatory Authority (FINRA), the Board of Governors of the Federal Reserve System, the Chicago Board Options Exchange (CBOE), the Commodity Futures Trading Commission (CFTC) and the National Futures Association (NFA), in Switzerland, the Federal Banking Commission, in the United Kingdom, the Financial Services Authority (FSA), in Hong Kong, the Securities and

Futures Commission (SFC), in Australia, the Australian Securities and Investment Commission (ASIC), and in Canada, the Investment Dealers Association of Canada (IDA) and various Canadian securities commissions. 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. 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 operations, revenues and earnings.

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 system 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.

**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. Interactive Brokers (U.K.) Limited is subject to similar change in control regulations promulgated by the FSA in the United Kingdom. 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.

**Our internal controls over financial reporting may not be effective and our independent auditors may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation.**

We are evaluating our internal controls over financial reporting in order to allow management to report on, and our independent auditors to attest to, our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, as amended, and rules and regulations of the SEC thereunder, which we refer to as Section 404. We are in the process of documenting and testing our internal control procedures in order to satisfy the requirements of Section 404, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments.

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As we continue our evaluation, we may identify material weaknesses that we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act of 2002, as amended, for compliance with the requirements of Section 404. We will be required to comply with the requirements of Section 404 for our year ending December 31, 2008. In addition, if we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. We cannot be certain as to the timing of completion of our evaluation, testing and any remediation actions or the impact of the same on our operations. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent auditors may not be able to certify as to the effectiveness of our internal control over financial reporting and we may be subject to sanctions or investigation by regulatory authorities, such as the SEC. As a result, there could be a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, we may be required to incur costs in improving our internal control system and the hiring of additional personnel. Any such action could negatively affect our results of operations.

### **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 on amounts invested in developing new technologies 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 are exposed to risks associated with our international operations.**

During 2007, approximately 32% of our net revenues were generated outside the United States. 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 or 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 also are vulnerable to damage or interruption from human error, natural disasters, power loss, telecommunication failures, break-ins, sabotage, computer viruses, intentional acts of vandalism and similar events. While we currently maintain redundant servers to provide limited service during system disruptions, we do not have fully redundant systems, and our formal disaster recovery plan does not include restoration of all services. For example, we have backup facilities at our disaster recovery site that enable us, in the case of complete failure of our main North America data center, to recover and complete all pending transactions, provide customers with access to their accounts to deposit or withdraw money, transfer positions to other brokers and manage their risk by continuing trading through the use of marketable orders. These backup services are currently limited to U.S. markets. We do not currently have separate backup facilities dedicated to our non-U.S. operations. It is our intention to provide for and progressively deploy backup facilities for our global 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, Internet service, 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.

**We face competition in our market making activities.**

In our market making activities, we compete with other firms who act as market makers based on our ability to provide liquidity at competitive prices and to attract order flow. Market makers range from sole proprietors with very limited resources, of which there are still a few hundred left, to a few highly sophisticated groups which have substantially greater financial and other resources, including research and development personnel, than we do. These larger and better capitalized competitors may be better able to respond to changes in the market making industry, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally. We may not be able to compete effectively against these firms, particularly those with greater financial resources, and our failure to do so could materially and adversely affect our business, financial condition and results of operations. As in the past, we may in the future face enhanced competition, resulting in narrowing bid/offer spreads in the marketplace that may adversely impact our financial performance. This is especially likely if others can acquire systems that enable them to predict markets or process trades more efficiently than we can.

**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 relatively new, 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, lower commissions and financing rates, have embarked upon building such facilities and product enhancements;

direct market access and online options and futures firms;

direct market access and online equity brokers;

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 will 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 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 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, the self-regulatory organizations (SROs) 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 of our company and cause the market price of our common stock to decline or otherwise have an adverse effect on our business, financial condition and/or operating results. See "Business Legal Proceedings and Regulatory Matters Potentially Material Pending Litigation."

**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 no material 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.

**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 adversely impact the growth of Internet use. If Internet usage continues to increase rapidly, the Internet infrastructure may not be able to support the demands placed on it by this growth, and its performance and reliability may decline. The recent growth in Internet traffic has caused frequent periods of decreased performance, outages and delays. Although our larger institutional customers use leased data lines to communicate with us, our ability to increase the speed with which we provide services to consumers and to increase the scope and quality of such services is limited by and dependent upon the speed and reliability of our customers' access to the Internet, which is beyond our control. If periods of decreased performance, outages or delays on the Internet occur frequently or other critical issues concerning the Internet are not resolved, overall Internet usage or usage of our web based products could increase more slowly or decline, which would cause our business, results of operations and financial condition to be materially and adversely affected.

**Our computer infrastructure may be vulnerable to security breaches. Any such problems could jeopardize confidential information transmitted over the Internet, cause interruptions in our operations or cause us to have liability to third persons.**

Our computer infrastructure is potentially vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems and security breaches. Any such problems or security breaches could cause us to have liability to one or more third parties, including our customers, and disrupt our operations. A party able to circumvent our security measures could misappropriate proprietary information or customer information, jeopardize the confidential nature of information transmitted over the Internet or cause interruptions in our operations. Concerns over the security of Internet transactions and the privacy of users could also inhibit the growth of the Internet or the electronic brokerage industry in general, particularly as a means of conducting commercial transactions. 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. Our estimated annual losses from reimbursements to customers whose accounts have been negatively affected by unauthorized access have historically been less than \$500,000, but instances of unauthorized access of customer accounts have been increasing recently on an industry-wide basis. Our current insurance program may protect us against some, but not all, of such losses. 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, results of operations and financial condition.

**We may not be able to protect our intellectual property rights or may be prevented from using intellectual property necessary for our business.**

We rely primarily on trade secret, contract, copyright, patent and trademark laws to protect our proprietary technology. It is possible that third parties may copy or otherwise obtain and use our proprietary technology without authorization or otherwise infringe on our rights. We may also face claims of infringement that could interfere with our ability to use technology that is material to our business operations.

In the future, we may have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs and the diversion of resources and the attention of management, any of which could negatively affect our business.

**Our future success will depend on our response to the demand for new services, products and technologies.**

The demand for market making services, particularly 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 operating results.

**The expansion of our market making activities into forex-based products entails significant risk, and unforeseen events in such business could have an adverse effect on our business, financial condition and results of operation.**

We recently entered into market making for forex-based products. This includes the trading of cash in foreign currencies with banks and exchange-listed futures, options on futures, options on cash deposits and currency-based ETFs. All of the risks that pertain to our market making activities in equity-based products also apply to our forex-based market making. In addition, we have very little experience in the forex markets and even though we are easing into this activity very slowly, any kind of unexpected event can occur that can result in great financial loss.

**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/or operating results.**

In our electronic brokerage business, 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.

**Risks Related to the Auction Process for this Offering**

**Potential investors should not expect to sell our shares for a profit shortly after this offering.**

We will determine the offering price for the shares sold in this offering through an auction conducted by the placement agents. The auction process may reveal a clearing price for the shares of our common stock offered in this offering. The clearing price is the highest price at which all of the shares offered may be sold to potential investors. Although the placement agents and we may elect to set the offering price below the auction clearing price, the public offering price may be at or near the clearing price but not below the minimum bid price. If your objective is to make a short-term profit by selling the shares you purchase in the offering shortly after trading begins, you should not submit a bid in the auction.

**Some bids made at or above the offering price may not receive an allocation of shares.**

The placement agents may require that bidders confirm their bids before the auction for the offering closes. If a bidder is requested to confirm a bid and fails to do so within a required time frame, that bid may be rejected and may not receive an allocation of shares even if the bid is at or above the offering price. Further, if the auction process leads to a pro rata reduction in allocated shares and a rounding down of share allocations pursuant to the rules of the auction, a bidder may not receive any shares in the offering despite having bid at or above the offering price. In addition, we, in consultation with the placement agents, may determine, in our sole discretion, that some bids that are at or above the offering price are manipulative of or disruptive to the bidding process, not creditworthy, or otherwise not in our best interest, in which case such bids may be rejected or reduced. For example, in previous transactions for other issuers in which the auction process was used, WR Hambrecht + Co has rejected or reduced bids when WR Hambrecht + Co, in its sole discretion, deemed the bids not creditworthy or had reason to question the bidder's intent or means to fund its bid. In the absence of other information, the placement agents or a participating dealer may assess a bidder's creditworthiness based solely on the bidder's history with the placement agents or a participating dealer. WR Hambrecht + Co has also rejected or reduced bids that it deemed, in its sole discretion, to be potentially manipulative or disruptive or because the bidder had a history of alleged securities law violations. Other conditions for valid bids, including eligibility and account funding requirements of participating dealers, may vary. As a result of these varying requirements, a bidder may have its bid rejected by the placement agents or a participating dealer while another bidder's identical bid is accepted.

**Potential investors may receive a full allocation of the shares they bid for if their bids are successful and should not bid for more shares than they are prepared to purchase.**

If the offering price is at or near the clearing price for the shares offered in this offering, the number of shares represented by successful bids will equal or nearly equal the number of shares offered by this prospectus. Successful bidders may therefore be allocated all or nearly all of the shares that they bid for in the auction. Therefore, we caution investors against submitting a bid that does not accurately represent the number of shares of our common stock that they are willing and prepared to purchase.

**The offering price could be below the clearing price for the auction.**

If an auction clearing price is achieved in the auction, we, in our sole discretion, may elect to sell the maximum number of shares (or a smaller number of shares) at an offering price that is less than such clearing price. As explained in "Plan of Distribution," live auction participants will have access during the auction to updated information regarding the number of offers, size of offers, price levels, aggregate demand and other details. To the extent that auction participants base their bids on this

information, auction participants should consider that we ultimately may elect to sell shares at a price less than the clearing price, and the information available on the auction site may accordingly be of limited use. If we do elect to sell the shares at an offering price that is less than the clearing price, the allocation of shares will no longer depend on the time stamp of the bids. Bids that are at prices that equal or exceed the offering price will be offered a pro rata allocation of shares according to the quantity of shares requested. Auction participants should read the auction rules prior to submitting bids.

#### **Other Risks Related to this Offering**

##### **The disparity in the voting rights among the classes of shares may exert downward pressure on the price of our common stock.**

Shares of our common stock and Class B common stock entitle the respective holders to identical rights, except that each share of our common stock entitles its holder to one vote on all matters to be voted on by stockholders generally while each share of Class B common stock entitles its holder to a greater number of votes. The holders of Class B common stock, in the aggregate, are currently entitled to approximately 360.0 million votes. The difference in voting rights could exert downward pressure on the price of our common stock to the extent that investors view, or any potential future purchaser of our company views, the superior voting rights of the Class B common stock to have value.

##### **All net proceeds of this offering will go to the members of IBG Holdings LLC, including all of our executive officers and employee directors, rather than be used for corporate business purposes.**

We intend to use all net proceeds of this offering to purchase IBG LLC membership interests from IBG Holdings LLC, which will, in turn, use such proceeds to redeem a portion of the IBG Holdings LLC membership interests to be held by the members of IBG Holdings LLC. Such redemptions will result in all net proceeds of this offering going to the members of IBG Holdings LLC on a pro rata basis. Of this amount, approximately 91.6% will go to our employee directors and executive officers. We do not anticipate using any net proceeds for corporate business purposes. See "Use of Proceeds."

##### **You will experience immediate and substantial dilution.**

The price you pay for shares of our common stock sold in this offering is substantially higher than the per share value of our net assets, after giving effect to this offering. Assuming a public offering price for our common shares of \$33.50 per share (the minimum bid price set forth on the cover page of this prospectus), you will incur immediate dilution in net tangible book value per share of \$23.23. Dilution is the difference between the offering price per share and the net tangible book value per share of our common stock immediately after the offering. See "Dilution."

In addition, non-cash compensation of employees will consist primarily of grants of restricted shares of our common stock. Such future grants of restricted shares would further dilute the percentage ownership of IBG LLC by unaffiliated public stockholders. See "Dilution," and "Management Stock Incentive Plan."

In addition, in the event IBG LLC uses cash on hand to acquire IBG LLC membership interests in the future, such use of cash is expected to have a dilutive effect on the existing holders of our common stock, as the price paid per membership interest is likely to be higher than IBG LLC's tangible book value per membership interest. See "Our Organizational Structure Redemption of Membership Interests."

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**Our common stock price may fluctuate after this offering. As a result, you may not be able to resell your shares at or above the price you paid for them.**

The offering price may not be indicative of the price at which our common stock will trade following completion of this offering. The market price of our common stock may be subject to sharp declines and volatility in market price. The market price of our common stock may also be influenced by many factors, some of which are beyond our control, including:

the failure of securities analysts to continue to cover our common stock or changes in financial estimates or recommendations by analysts;

future announcements concerning us or our competitors, including the announcement of acquisitions;

changes in government regulations or in the status of our regulatory approvals or licensure;

public perceptions of risks associated with our services or operations; and

general market conditions and other factors that may be unrelated to our operating performance or the operating performance of our competitors.

As a result, you may not be able to sell shares of our common stock at prices equal to or greater than the price you paid in this offering.

### FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "may," "could," "would," "should," "believe," "expect," "anticipate," "plan," "estimate," "target," "project," "intend" and similar expressions. These statements include, among others, statements regarding our expected business outlook, anticipated financial and operating results, our business strategy and means to implement the strategy, our objectives, the amount and timing of capital expenditures, the likelihood of our success in expanding our business, financing plans, budgets, working capital needs and sources of liquidity.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the expansion of product offerings geographically or through new applications, the timing and cost of planned capital expenditures, competitive conditions and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve known and unknown risks and uncertainties, which could cause actual results that differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

general economic conditions in the markets where we operate;

increased industry competition and downward pressures on bid/offer spreads and electronic brokerage commissions;

risks inherent to the electronic market making and brokerage businesses;

failure to protect or enforce our intellectual property rights in our proprietary technology;

our ability to keep up with rapid technological change;

system failures and disruptions;

non-performance of third-party vendors;

conflicts of interest and other risks due to our ownership and holding company structure;

the loss of key executives and failure to recruit and retain qualified personnel;

the risks associated with the expansion of our business;

our possible inability to integrate any businesses we acquire;

competitive pressures;

compliance with laws and regulations, including those relating to the securities industry; and

other factors discussed under "Risk Factors" or elsewhere in this prospectus.



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Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the SEC, we are under no obligation to publicly update or revise any forward-looking statements after we distribute this prospectus. Potential investors should not place undue reliance on our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of the events described in the "Risk Factors" section and elsewhere in this prospectus could harm our business, prospects, operating results, and financial condition. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results or performance.

## OUR ORGANIZATIONAL STRUCTURE

### Overview

On May 3, 2007, IBG priced an initial public offering (the IPO) of shares of its common stock. Prior to the IPO, we had historically conducted our business through a limited liability company structure. In order to have a Delaware corporation as the issuer for the IPO, IBG LLC and its members consummated a series of transactions, which we collectively refer to as the "Recapitalization." In the Recapitalization, IBG purchased 10.0% of the membership interests in IBG LLC from IBG Holdings LLC, became the sole managing member of IBG LLC and began to consolidate IBG LLC's financial results into its financial statements.

We are a holding company and our primary assets are our ownership of approximately 10.3% of the membership interests of IBG LLC, the holding company for our businesses, and our controlling interest and related contractual rights as the sole managing member of IBG LLC. The remaining approximately 89.7% of IBG LLC membership interests are held by IBG Holdings LLC, a holding company that is owned by our founder, chairman and chief executive officer, Thomas Peterffy, his affiliates, management and other employees of IBG LLC, and certain other members. After completion of this offering, we expect that we will own approximately 22.8% of the membership interests of IBG LLC, and IBG Holdings LLC will hold the remaining approximately 77.2% of the IBG LLC membership interests. All IBG LLC membership interests are identical and have the same rights. As a result of the Recapitalization, there are two holding companies owning interests in IBG LLC (namely, IBG and IBG Holdings LLC, owning approximately 22.8% and 77.2%, respectively, of the IBG LLC membership interests after completion of this offering), thereby allowing both public stockholders (through IBG) and existing members (through IBG Holdings LLC) to have economic interest in our businesses.

IBG Holdings LLC owns all of our Class B common stock, which has voting power of our company proportionate to the extent of IBG Holdings LLC's ownership of IBG LLC, currently approximately 89.7% and expected to decrease to 77.2% after this offering. Through his ownership of the voting membership interests in IBG Holdings LLC, Thomas Peterffy is currently able to exercise such voting power in his sole discretion.

Our only business is to act 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. IBG Holdings LLC's ownership interests in IBG LLC are accounted for as a minority interest in our consolidated financial results. Net profits, net losses and distributions of IBG LLC, including with respect to all management fees, incentive income and investment income earned by IBG LLC, are allocated and made to its members pro rata in accordance with the respective percentages of their membership interests in IBG LLC. Accordingly, net profits and net losses of IBG LLC are allocated, and distributions by IBG LLC are made, approximately 10.3% to us and approximately 89.7% to IBG Holdings LLC. After completion of this offering, we expect that such allocations and distributions will be made approximately 22.8% to us and approximately 77.2% to IBG Holdings LLC. Subject to the availability of net cash flow at the IBG LLC level, IBG LLC shall distribute to us and to IBG Holdings LLC tax distributions using a tax rate no less than the actual combined federal, state and local income tax rates applicable to our allocable shares of taxable income and net capital gain. Assuming IBG LLC makes distributions to its members in any given year, the determination to pay dividends, if any, to our Class A stockholders will be made by our board of directors, and distributions to the IBG Holdings LLC members will be made in accordance with the IBG Holdings LLC Operating Agreement, a copy of which was filed as Exhibit 10.5 to Amendment No. 1 to the Registration Statement (No. 333-138955) on Form S-1 filed by the Company on February 12, 2007 and is incorporated herein by reference. Because our board of directors may or may

not determine to pay dividends at the IBG level, our Class A stockholders may not necessarily receive dividend distributions relating to our pro rata share of the management fees, incentive income, investment income and other income earned by IBG LLC, even if IBG LLC makes such distributions to us.

### Recapitalization

Prior to the IPO, our business had been conducted by subsidiaries of IBG LLC, which was approximately 85% owned by Thomas Peterffy and his affiliates. In November 2006, IBG was incorporated as a Delaware corporation. The Recapitalization resulted in the former members of IBG LLC becoming the sole members of IBG Holdings LLC, and established us as the sole managing member of IBG LLC.

As a result of the Recapitalization, immediately following the IPO:

IBG became the sole managing member of IBG LLC;

we and IBG Holdings LLC owned approximately 10.0% and 90.0%, respectively (currently, approximately 10.3% and 89.7%, respectively), of the membership interests in IBG LLC;

Thomas Peterffy and his affiliates owned approximately 85% of the membership interests in IBG Holdings LLC, and management and other employees of IBG LLC owned substantially all of the remaining membership interests;

outstanding shares of our Class A common stock represented more than 99.999% of our outstanding capital stock based on economic value (which, as used herein, refers to the right to share in dividend distributions and distributions upon liquidation, dissolution or winding up);

outstanding shares of our Class B common stock, all of which is owned by IBG Holdings LLC, represented less than 0.001% of our outstanding capital stock based on economic value;

outstanding shares of our Class B common stock represented approximately 90.0% (currently, approximately 89.7%) of the combined voting power of all shares of our capital stock; and

Thomas Peterffy owned all of the voting membership interests, and Mr. Peterffy and his affiliates owned a majority of the overall membership interests, in IBG Holdings LLC and, accordingly, beneficially owned all of the outstanding shares of our Class B common stock. As a result, Mr. Peterffy is able to exercise control over all matters requiring the approval of our stockholders.

If at any time in the future Thomas Peterffy and his affiliates own less than a majority of the membership interests in IBG Holdings LLC, then at such time all membership interests in IBG Holdings LLC will become voting membership interests. Accordingly, all members of IBG Holdings LLC, instead of Mr. Peterffy alone, would together direct the voting of our Class B common stock, and all such members would together exercise control over all matters requiring the approval of our stockholders.

The graphic below illustrates our current ownership structure and reflects both current ownership percentages and anticipated ownership percentages immediately following completion of this offering, including the subsidiaries of IBG LLC all of which are 100% owned, except for Timber Hill LLC, which is 99.99% owned by IBG LLC and 0.01% owned by Thomas Peterffy, our founder, chairman and chief executive officer, Interactive Brokers LLC, which is 99.9% owned by IBG LLC and 0.1% owned

by Mr. Peterffy and Interactive Brokers (India) Private Limited which is 99.999% owned by IBG LLC and 0.001% owned by IB Exchange Corp.

### **Holding Company Structure**

We are a holding company and our primary assets are our approximately 10.3% equity interest in IBG LLC, and our controlling interest and related rights as the sole managing member of IBG LLC. Our only business is to act 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. IBG Holdings LLC's ownership interests in IBG LLC are accounted for as a minority interest in our consolidated financial results. Net profits, net losses and distributions of IBG LLC are allocated and made to its members pro rata in accordance with the respective percentages of their equity interests in IBG LLC. Accordingly, net profits and net losses of IBG LLC are currently allocated, and distributions by

IBG LLC are currently made, approximately

10.3% to us and approximately 89.7% to IBG Holdings LLC. After completion of this offering, we expect that such allocations and distributions will be made approximately 22.8% to us and approximately 77.2% to IBG Holdings LLC.

As the result of a federal income tax election made by IBG LLC applicable to our acquisition of IBG LLC interests, the income tax basis of the assets of IBG LLC underlying the interests we acquired in connection with the IPO, and will acquire in connection with this offering, will be adjusted based upon the amount that we have paid for our IBG LLC interests. This increase in tax basis will result in increased depreciation and other tax deductions that will be allocated solely for our benefit and will be taken into account in reporting our taxable income. We have entered into an agreement with IBG Holdings LLC to pay IBG Holdings LLC (for the benefit of the current members of IBG LLC) 85% of the tax savings that we actually realize as the result of this basis increase. We will retain the remaining 15% of such tax savings. See "Transactions with Related Persons, Promoters and Certain Control Persons Tax Receivable Agreement."

As a member of IBG LLC, we will incur U.S. federal, state and local income taxes on our allocable share of any net taxable income of IBG LLC. As authorized by the amended and restated limited liability company agreement pursuant to which IBG LLC is governed, we intend to cause IBG LLC to continue to distribute cash on a pro rata basis to its members at least to the extent necessary to provide funds to pay the members' tax liabilities, if any, with respect to the earnings of IBG LLC.

### **Voting**

Each share of our common stock entitles its holder to one vote per share. Our Class B common stock currently has approximately 89.7% of the voting power of our company, which percentage is expected to decrease to approximately 77.2% following the completion of this offering and further decrease proportionately over time to the extent that IBG Holdings LLC owns a smaller percentage of IBG LLC. Thomas Peterffy currently owns all of the voting membership interests in IBG Holdings LLC. Accordingly, Mr. Peterffy beneficially owns all of the outstanding shares of our Class B common stock and is able to exercise control over all matters requiring the approval of our stockholders, including the election of our directors and the approval of significant corporate transactions.

If at any time in the future Thomas Peterffy and his affiliates own less than a majority of the membership interests in IBG Holdings LLC, then at such time all membership interests in IBG Holdings LLC will become voting membership interests. Accordingly, all members of IBG Holdings LLC, instead of Mr. Peterffy alone, would together direct the voting of the shares of our Class B common stock, and all such members would together exercise control over all matters requiring the approval of our stockholders. However, even if Mr. Peterffy and his affiliates cease to own a majority of the membership interests in IBG Holdings LLC, Mr. Peterffy could, depending on his level of percentage ownership, continue to effectively control or significantly influence matters requiring the approval of our stockholders.

### **Redemption of Membership Interests**

In connection with the Recapitalization, the former members of IBG LLC received membership interests in IBG Holdings LLC. The membership interests in IBG Holdings LLC are not directly exchangeable for shares of our common stock. Instead, the membership interests are redeemable at various times over the next seven years at the option of the holder. The redemption price for the membership interests in IBG Holdings LLC depends on the manner in which the redemption payment is made to IBG Holdings LLC.

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On an annual basis, each holder of a membership interest may request that the liquefiable portion (determined in accordance with the schedule set forth below) of his interest be redeemed by IBG Holdings LLC. The primary manner in which the redemption price will be paid is by selling a similar number of shares of our common stock to the public and using the gross proceeds from such sales, less underwriting discounts or placement agency fees, to acquire IBG LLC membership interests from IBG Holdings LLC. We have reserved for issuance 360.0 million shares of common stock (out of which we expect to issue 50.0 million shares in this offering), which is the aggregate number of shares of common stock expected to be issuable over time through such sales, assuming no anti-dilution adjustments based on combinations or divisions of our common stock. We expect IBG Holdings LLC to use the net proceeds it receives from such sales to redeem an identical number of IBG Holdings LLC membership interests from the requesting holders. The annual registration and sale of shares of our common stock to satisfy redemption requests is described in greater detail under "Transactions with Related Persons, Promoters and Certain Control Persons Exchange Agreement" and in our exchange agreement, a copy of which was filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2007 filed by the Company on June 15, 2007 and is incorporated herein by reference. The sales of our common stock and the application of the net proceeds to acquire IBG LLC membership interests are expected to have a negligible effect on the existing holders of our common stock, as the holders of our common stock would then own a larger portion of IBG LLC. Such transactions will have the effect of diluting your percentage ownership in us. However, because we will acquire an increased percentage ownership in IBG LLC over time as a result of such transactions, such transactions will not impact your effective percentage ownership of the economics of the underlying IBG LLC business.

In the future, IBG LLC may in some cases redeem IBG LLC membership interests from IBG Holdings LLC using cash on hand. The primary circumstance under which IBG LLC would use cash on hand would be if IBG LLC had, at a given point in time, a relative surplus of cash on hand and our board of directors were to determine that using cash on hand to effect redemptions of IBG LLC membership interests would be an optimal use of such funds in relation to alternative uses. The redemption price per membership interest would be equal to the 30-day average closing price of our common stock. The use of IBG LLC's cash to acquire IBG LLC membership interests is expected to have a dilutive effect on the existing holders of our common stock, as the price paid per membership interest is likely to be higher than IBG LLC's tangible book value per membership interest.

The holders of the membership interests have agreed to a schedule for redemptions which would allow the holders to liquefy their investment in IBG Holdings LLC, which is as follows (all dates are approximate and subject to the prior or concurrent registration of the corresponding shares of common stock and sale of such shares into the public markets in order to pay the redemption price of the membership interests, if this financing alternative is utilized):

12.5% of the membership interests on the first anniversary of the IPO (which will occur on the date of this offering);

an additional 12.5% of the membership interests on each of the next six anniversaries of the IPO; and

the remaining 2.5% of the membership interests on the eighth anniversary of the IPO.

Certain of the IBG Holdings LLC membership interests are subject to forfeiture in the event that the holder terminates employment with IBG LLC or its subsidiaries, other than as a result of death, permanent disability, approved retirement or termination without cause.

As the result of each acquisition we make from IBG Holdings LLC of an IBG LLC membership interest using the proceeds of a sale of our common stock into the public markets, we will receive not only an additional interest in IBG LLC but also, for federal income tax purposes, an adjustment to the

federal income tax basis of the assets of IBG LLC underlying such additional interest. We have entered into a tax receivable agreement with IBG Holdings LLC, a copy of which was filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2007 filed by the Company on June 15, 2007 and is incorporated herein by reference that provides for the payment by us to IBG Holdings LLC of 85% of the cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. While the actual amount and timing of any payments under this agreement will vary depending upon a number of factors, including the amount and timing of our income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of IBG LLC and its subsidiaries, the payments that we may make to IBG Holdings LLC could be substantial. If all IBG LLC membership interests had been acquired in a taxable transaction using the proceeds of a sale of our common stock into the public markets at the time of the closing of this offering, the increase in the tax basis attributable to our interest in IBG LLC would have been approximately \$10.0 billion, including the increase in tax basis associated with our purchase of IBG LLC membership interests and the Recapitalization. Subject to the limitations discussed below, this increased tax basis is expected to result in tax benefits as a result of increased depreciation or amortization deductions. We will retain 15% of the tax benefits actually realized. As set forth in the tax receivable agreement, we will pay the remaining 85% of the realized tax benefits relating to any applicable tax year to IBG Holdings LLC within 13 calendar days of the delivery of a tax benefit calculation by us to IBG Holdings LLC, which delivery will take place within ten calendar days after the filing of our U.S. federal income tax return for the applicable tax year. IBG Holdings LLC shall distribute, pursuant to its operating agreement, any tax benefit payments received by it from us within 90 days following receipt thereof. A cash amount equal to the remainder of the tax benefits actually realized for a particular year will be paid to IBG Holdings LLC upon the realization of the tax benefits for such year. The actual amount of tax benefits that we realize (measured by a reduction in taxes otherwise payable by us) will depend upon multiple factors, including the tax rate applicable to us at the time. See "Transactions with Related Persons, Promoters and Certain Control Persons Tax Receivable Agreement."

*Mandatory Redemption*

IBG Holdings LLC, with the consent of Thomas Peterffy and our board of directors, has the right to cause the holders of IBG Holdings LLC membership interests to have all or a portion of their interests redeemed at any time after May 9, 2008. Such redemptions would be financed in the same manner as the scheduled redemptions described above.



**USE OF PROCEEDS**

The net proceeds from the sale of the 50,000,000 shares of common stock offered by us will be approximately \$1.671 billion, after deducting the placement agency fee.

We intend to use all of the net proceeds of this offering to purchase membership interests in IBG LLC from IBG Holdings LLC representing approximately 12.5% of the outstanding membership interests in IBG LLC. The number of membership interests in IBG LLC to be purchased from IBG Holdings LLC and the purchase price for each membership interest corresponds to the number of shares of common stock to be sold in this offering and the offering price per share, less the placement agency fee per share, respectively. IBG Holdings LLC will, in turn, use such sale proceeds to redeem, on a pro rata basis, IBG Holdings LLC membership interests held by its members, who include 62 of our employees (including the directors and executive officers set forth in the second table below). The following table illustrates the expected application of the gross proceeds from this offering as described above. All offering expenses will be borne directly or indirectly by IBG Holdings LLC.

	<b>(in millions)</b>
Gross proceeds from offering	\$ 1,675.0
Placement agency fee	\$ 4.2
Net proceeds	\$ 1,670.8

Acquisition of membership interests in IBG LLC from IBG Holdings LLC \$ 1,670.8

The following is a listing of our directors and executive officers expected to receive net proceeds from this offering, together with the percentage and dollar amount net proceeds to be received from this offering:

Name	Title	% of Net Proceeds to be Received	Amount
(in millions)			
Thomas Peterffy	Chairman of the Board of Directors, Chief Executive Officer and President	84.6231%	\$ 1,413.2
Earl H. Nemser	Vice Chairman and Director	1.1902%	\$ 19.9
Paul J. Brody	Chief Financial Officer, Treasurer, Secretary and Director	1.2516%	\$ 20.9
Thomas A. Frank	Executive Vice President and Chief Information Officer	3.1515%	\$ 52.6
Milan Galik	Senior Vice President, Software Development and Director	1.3695%	\$ 22.9
Directors and executive officers as a group		91.5859%	\$ 1,529.5

No additional IBG LLC or IBG Holdings LLC membership interests will be granted to employees or executive officers in connection with this offering.

**PRICE RANGE OF COMMON STOCK AND RELATED SHAREHOLDER MATTERS****Market Information**

Our common stock has been traded on the NASDAQ Global Select Market under the symbol "IBKR" from and after the IPO. The following table sets forth the range of high and low sale prices of our common stock as reported on the NASDAQ Global Select Market for the periods indicated.

	Sales Price	
	High	Low
<b>2007</b>		
May 4, 2007 through June 30, 2007	\$ 34.25	\$ 24.54
Third Quarter	\$ 27.99	\$ 21.00
Fourth Quarter	\$ 33.36	\$ 26.11
<b>2008</b>		
First Quarter	\$ 35.93	\$ 20.25
Second Quarter (through April 21, 2008)	\$ 29.53	\$ 25.65

On April 21, 2008, the last price reported on the NASDAQ Global Select Market for our common stock was \$28.27 per share.

**Holders**

As of April 21, 2008, there were two shareholders of record of our common stock, which does not reflect those shares held beneficially or those shares held in "street" name. Accordingly, we believe the number of beneficial owners of our common stock exceeds this number.

**Securities Authorized for Issuance under Equity Compensation Plans**

For information regarding shares authorized for issuance under our equity compensation plans, see the section entitled "Principal Stockholders."

**DIVIDEND POLICY**

We have made no determination as to whether to pay any dividends on our common stock in the foreseeable future. Because we may not pay any dividends, you may need to sell your shares of common stock to realize your return on your investment, and you may not be able to sell your shares at or above the price you paid for them.

As a holding company for our interest in IBG LLC, our ability to pay dividends is subject to the ability of IBG LLC to provide cash to us through distributions of amounts in excess of our expenses of operations. In accordance with the amended and restated limited liability company agreement pursuant to which IBG LLC is governed, we, as the managing member of IBG LLC, can cause IBG LLC to make distributions to its members, including us, to the extent necessary to enable such members to pay taxes incurred with respect to their allocable shares of taxable income of IBG LLC. Any distributions by IBG LLC in excess of such tax distributions, and the declaration and payment of any future dividends by us, will be at the discretion of our board of directors and will depend on IBG LLC's strategic plans, financial results and condition, contractual, legal, financial and regulatory restrictions on distributions (including the ability of IBG LLC to make distributions under the covenants in its senior secured revolving credit facility and senior notes as described below), capital requirements, business prospects and such other factors as our board of directors, in exercising our authority as managing member of IBG LLC, considers to be relevant to such determination.

IBG LLC's secured revolving credit facility restricts IBG LLC's ability to make dividend payments or similar distributions to the members of IBG LLC in any given fiscal year unless IBG LLC, prior to,

as well as subsequent to, making such dividend payments or distributions, is in compliance with the financial covenants described under "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Principal Indebtedness Senior Secured Revolving Credit Facility" on page 74.

IBG LLC's senior notes contain covenants that prohibit IBG LLC from making dividend payments or similar distributions to its members in any given fiscal year that exceed the greatest of:

50% of IBG LLC's consolidated income before income taxes for such fiscal year, as determined in accordance with generally accepted accounting principles;

50% of IBG LLC's consolidated income before income taxes for the prior fiscal year, as determined in accordance with generally accepted accounting principles;

\$50 million; and

the sum of (a) amounts distributable in accordance with the limited liability company agreement of IBG LLC to members of IBG to cover their tax liabilities, if any, with respect to the earnings of IBG LLC and (b) amounts, not exceeding \$50 million in any calendar year, that are distributable pursuant to the limited liability company agreement of IBG LLC upon the death, withdrawal, or termination of employment of a member.

IBG LLC is taxable as a partnership and we are taxable as a corporation for U.S. federal income tax purposes. Therefore, as a member and owner of an interest in IBG LLC, we are subject to tax on our allocable share of taxable income of IBG LLC, whether or not such income is distributed to us. Holders of our common stock are not taxed directly on the earnings of IBG LLC. In general, any distributions of cash or other property that we pay to our stockholders will constitute dividends for U.S. federal income tax purposes. For more information regarding risk factors that could materially adversely affect our actual results of operations and our ability to pay any dividends, see "Risk Factors," including "Risk Factors We may not pay dividends on our common stock at any time in the foreseeable future." During 2006 and 2007, IBG LLC made aggregate cash distributions to its members in the amounts of \$164.5 million and \$282.4 million, respectively. As set forth in the table below, such distributions were made in five separate installments in each of 2006 and 2007. IBG LLC has historically used only its earnings to make these distributions.

	<b>Distributions from IBG LLC</b>	
	<b>2006</b>	<b>2007</b>
	<b>(in millions)</b>	
<b>Month</b>		
January	\$ 18.0	\$ 24.5
March/April	\$ 68.0	\$ 134.0
June	\$ 33.0	\$ 50.4
September	\$ 33.0	\$ 63.8
December	\$ 12.5	\$ 9.7
<b>Total</b>	<b>\$ 164.5</b>	<b>\$ 282.4</b>

In January and April 2008 IBG LLC made cash distributions to its members (currently IBG and IBG Holdings LLC) in the aggregate amounts of \$36.8 million and \$98.5 million, respectively, of which IBG's pro rata allocation was \$3.8 million and \$10.1 million, respectively. These distributions were intended to provide the members with funds to pay income taxes on their proportionate share of IBG LLC's income.

## CAPITALIZATION

The following table sets forth:

the capitalization of IBG on an actual basis as of December 31, 2007; and

the capitalization of IBG on a pro forma as adjusted basis, giving effect to (1) the sale of 50,000,000 shares of our common stock in this offering and (2) our receipt of the estimated \$1,670.8 million in net proceeds from this offering, assuming the shares are offered at \$33.50 per share, which is the minimum bid price set forth on the cover page of this prospectus, after deducting the placement agency fee, and the application of those net proceeds to acquire membership interests in IBG LLC, as described under "Use of Proceeds."

You should read the unaudited financial information in this table together with the "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Capital Stock" and our historical consolidated financial statements and our unaudited pro forma consolidated financial statements, along with the notes thereto, included elsewhere in this prospectus.

	As of December 31, 2007	
	Actual	Pro Forma
	(in millions)	
Long term debt:		
Senior notes	\$ 160.5	\$ 160.5
Senior secured revolving credit facility <sup>(1)</sup>	300.0	300.0
	<hr/>	<hr/>
Total long term debt	460.5	460.5
Minority interest <sup>(2)</sup>	3,165.4	2,725.9
Stockholders' equity: <sup>(3)</sup>		
Common stock, \$0.01 par value per share:		
Class A actual: Authorized 1,000,000,000, Issued 43,270,823, Outstanding 40,143,760; pro forma as adjusted 90,143,760 outstanding	0.4	0.9
Class B Authorized 100, Issued 100, Outstanding 100		
Additional paid in capital <sup>(3)(4)</sup>	450.7	968.1
Retained earnings	48.2	48.2
Treasury stock	(95.0)	(95.0)
Accumulated other comprehensive income	4.1	4.1
	<hr/>	<hr/>
Total stockholders' equity	408.4	926.3
	<hr/>	<hr/>
Total capitalization <sup>(4)</sup>	\$ 4,034.3	\$ 4,112.7
	<hr/>	<hr/>

(1) On May 19, 2006, IBG LLC entered into a \$300.0 million senior secured revolving credit facility, on which facility \$300.0 million has been drawn and was outstanding as of December 31, 2007.

(2) Minority interest represents the ownership interest that IBG Holdings LLC has in IBG LLC, currently 89.7% (approximately 77.2% immediately after this offering). We are the sole managing member of IBG LLC and, as such, operate and control all of the business and affairs of IBG LLC and its subsidiaries and consolidate IBG LLC's financial results into our financial statements. We reflect IBG LLC's financial results into our financial statements. We reflect IBG Holdings LLC's ownership as a minority interest in our statement of financial condition and statement of income.

(3)

Issued shares include (i) approximately 1,151,932 shares of our common stock that are to be distributed to employees over time in connection with the 2007 ROI Unit Stock Plan, and (ii) approximately 1,916,744 shares of our common stock that are to be distributed over time in

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connection with the 2007 Stock Incentive Plan. See "Management ROI Unit Stock Plan" and " Stock Incentive Plan."

(4)

A \$1.00 increase (decrease) in the assumed initial public offering price of \$33.50 per share, which is the minimum bid price set forth on the cover page of this prospectus, would increase (decrease) each of paid-in capital and total capitalization by \$2.9 million, due to changes in a deferred tax asset (arising from step-up in cost basis for tax purposes), assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated placement agency fee payable by us.

**DILUTION**

Purchasers of shares of common stock in this offering will experience immediate and substantial dilution to the extent of the difference between the pro forma net tangible book value of the common stock and the offering price. Net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of shares of our common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share that you pay in this offering and the net tangible book value per share immediately after this offering. Dilution results from the fact that the offering price is substantially in excess of the net tangible book value per share effectively attributable to existing equityholders. Our net tangible book value at December 31, 2007 was approximately \$407.6 million or \$10.15 per share of our common stock.

After giving effect to the sale of 50,000,000 shares of our common stock in this offering at an assumed initial public offering price of \$33.50 per share, the minimum bid price set forth on the front cover page of this prospectus, and after deducting the placement agency fee and estimated offering expenses, our pro forma net tangible book value would have been \$925.5 million or \$10.27 per share. This represents an immediate increase in pro forma net tangible book value of \$0.12 per share to existing stockholders and an immediate dilution of \$23.23 per share to investors purchasing our common stock in this offering. The following table illustrates this per share dilution:

	<b>Per Share</b>
Assumed public offering price per share	\$ 33.50
Net tangible book value per share at December 31, 2007	\$ 10.15
Change in net tangible book value per share attributable to this offering	\$ 0.12
	<hr/>
Net tangible book value per share after this offering	\$ 10.27
	<hr/>
Dilution per share to new investors	\$ 23.23
	<hr/>

**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA**

The following unaudited pro forma consolidated financial data for the year ended December 31, 2007 is derived from IBG's audited consolidated financial statements included elsewhere in this prospectus. The unaudited pro forma financial statements should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information appearing elsewhere in this prospectus.

The unaudited pro forma consolidated statement of income for the year ended December 31, 2007 gives pro forma effect to:

- (1) The consummation of the IPO and our application of the net proceeds from the IPO to purchase membership interests in IBG LLC from IBG Holdings LLC as though such transaction had occurred on January 1, 2007.
- (2) The consummation of this offering and our application of the net proceeds from this offering to purchase membership interests in IBG LLC from IBG Holdings LLC as though such transaction had occurred on January 1, 2007.

The unaudited pro forma consolidated statement of financial condition as of December 31, 2007 gives pro forma effect to the consummation of this offering and our application of the net proceeds from this offering to purchase membership interests in IBG LLC from IBG Holdings LLC as though such transaction had occurred on December 31, 2007.

The unaudited pro forma consolidated financial statements reflect pro forma adjustments that are described in the accompanying notes and are based on available information and certain assumptions we believe are reasonable, but are subject to change. We have made, in our opinion, all adjustments that are necessary to present fairly the pro forma financial data. The unaudited pro forma financial data is presented for informational purposes only and should not be considered indicative of actual results of operations that would have been achieved had this offering been consummated on the dates indicated and do not purport to be indicative of balance sheet data or results of operations as of any future date or for any future period.



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	2007 Historical	Pro Forma Adjustments		Pro Forma <sup>(1)</sup>
		(Dollars in millions except share and per share data)		
		IPO	Current Offering	
<b>Statement of Income Data:</b>				
Revenues:				
Trading gains	\$ 888.1	\$	\$	\$ 888.1
Commissions and execution fees	261.1			261.1
Interest income	782.2			782.2
Other income	92.0			92.0
<b>Total revenues</b>	<b>2,023.4</b>			<b>2,023.4</b>
Interest expense	555.2			555.2
<b>Total net revenues</b>	<b>1,468.2</b>			<b>1,468.2</b>
Non-interest expenses:				
Execution and clearing	335.7			335.7
Employee compensation and benefits	118.8			118.8
Occupancy, depreciation and amortization	26.5			26.5
Communications	14.9			14.9
General and administrative	40.7			40.7
<b>Total non-interest expenses</b>	<b>536.6</b>			<b>536.6</b>
Income before income taxes and minority interest	931.6			931.6
Income tax expense <sup>(2)(3)(6)(7)</sup>	63.0	8.2	29.9	101.1
Less: Minority interest <sup>(4)(8)</sup>	(568.1)	(226.3)	110.7	(683.7)
<b>Net income</b>	<b>\$ 300.5</b>	<b>\$ (234.5)</b>	<b>\$ 80.8</b>	<b>\$ 146.8</b>
<b>Net income available for common stockholders</b>	<b>\$ 48.2</b>	<b>\$ 66.0</b>		<b>\$ 146.8</b>
Earnings per share: <sup>(5)(9)</sup>				