S&P Global
Ratings

RatingsDirect®

IBG LLC

July 22, 2025

This report does not constitute a rating action.

Primary contact

Thierry Grunspan
Columbia
1-212-438-1441
thierry.grunspan
@spglobal.com

Secondary contact

Robert B Hoban
New York
1-212-438-7385
robert.hoban
@spglobal.com

Ratings Score Snapshot

SACP: a- → **Support: 0** → **Additional factors: -1**

Anchor	bbb-	
Business position	Adequate	0
Capital and earnings	Very strong	+2
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		+1

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Holding company ICR
BBB+/Stable/--

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Very strong capitalization.	Some operational risk from its complex, model-driven options market-making business.
	Sensitivity to change in brokerage customers' confidence.
A modest risk appetite.	Recurring revenue lower than that of some of its peers.
Geographic growth.	
A low-cost brokerage business.	

Our ratings on IBG LLC and subsidiary Interactive Brokers LLC reflect the firm's strong market position, strong capitalization, positive earnings trend, and its adequate funding and liquidity. We think the highly competitive and transactional nature of the business, along with the confidence-sensitive nature of institutional trading, partly offsets these strengths.

IBG's risk-adjusted capital (RAC) ratio of 32.7% as of Dec. 31, 2024, illustrates very strong capitalization. This remains the highest risk-adjusted capital (RAC) ratio among the securities firms we rate, which isa key rating strength.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that IBG will continue to operate with a focus on the less confidence-sensitive retail segment while maintaining strong profitability. We also expect that the firm will maintain its RAC ratio well above 25%, gross stable funding ratio (GSFR) in excess of 110%, and solid liquidity.

Downside scenario

Over the next 12-24 months, we could lower the ratings on IBG if:

- Profitability eroded substantially,
- The firm suffered material losses or an increase in risk,
- Its commitment to strong capitalization unexpectedly eroded (such as following a large acquisition), or
- Liquidity deteriorated.

Upside scenario

There is little upgrade potential over our outlook horizon, given the relatively high rating and the firm's smaller franchise relative to those of its higher-rated peers.

Key Metrics

Anchor: Reflects U.S. Securities Firms' Economic And Industry Risks

The 'bbb-' anchor for securities firms rated in the U.S. reflects both risks shared with the banking sector and risks specific to the U.S. securities sector.

Our anchor for a bank operating mainly in the U.S. is 'bbb+', based on an economic risk score of '3' and an industry risk score of '3'. The U.S.'s diversified, high-income, and resilient economy underpins our assessment of economic risk, which we view as on a stable trend. S&P Global Ratings economists believe a shifting policy mix is altering the economic outlook with GDP growth likely to slow this year. However, we think banks in the country generally have strong enough balance sheets and earnings to weather slow growth or at least a moderate downturn. Our view of industry risk in the U.S. reflects the regulatory enhancements made after the global financial crisis, the banking system's relatively good risk-adjusted profitability, and the country’s deep capital markets. Balancing these strengths are a history of periodic financial crises and the complexity of the financial and regulatory systems. We view the industry risk trend as stable.

This year, the Trump administration, Congress, and new leadership of regulatory bodies will likely consider revising parts of supervision and regulations, although details remain unclear. Once they are proposed, we will consider how such changes could affect the financial system.

The securities firm anchor is two notches below the bank anchor to reflect our view of the sector's incrementally higher industry risk relative to banks. These include lower, but still material, regulatory oversight and institutional framework; higher competitive risk; and typically, less stable, more transactional revenue. Also, even accounting for the liquidity of domestic capital markets, differences in assets, and the U.S. investor insurance scheme (The Securities Investor Protection Corp.), funding risk for securities firms is higher than for banks, in our view, because securities firms typically lack central bank access.

Business Position: A Growing Brokerage Business With Lower Recurring Revenue

We think IBG has a solid market position as a global electronic broker to direct and indirect retail as well as small institutional clients. It allows clients to trade exchange-listed options, stocks, bonds, foreign exchange, futures, and mutual funds at more than 150 market centers worldwide. IBG is one of the leaders in daily average revenue trades (DARTs) per account among the U.S. brokers that report DARTs, and it has grown client assets much more rapidly than peers. However, with $573.5 billion in total client equity as of March 31, 2025, IBG remains much smaller than some of its rated U.S. retail discount brokerage peers.

The firm's business mix has shifted from market-making to brokerage, now accounting for 99% of revenue. Apart from brokerage, the company operates small options market-making outside the U.S., and some offerings in specific products (such as some "delta one" products).

IBG offers brokerage clients a high-functionality platform. The firm has differentiated its platform to serve the specific needs of its customer segments beyond retail traders and investors, including introducing brokers, registered investment advisers, and institutional clients like hedge funds. The firm's trading platform capabilities, its tailored ability to meet the needs of avariety of clients, aggressive pricing, and its geographic expansion continue to foster strong growth in the electronic brokerage business. IBG's total accounts are up 32%, while customer equity was up 23% year over year, as of the end of March 2025.

The contribution of trading-related income (mostly commissions on customers' transactions), which we view as potentially less stable than contractually recurring fees and stable sources of net interest income, is higher at IBG than at most rated retail brokerage peers. The firm's main source of revenue other than trading is net interest income. IBG's net interest income grew 3% year over year, to $770 million in the first quarter of 2025, as higher customers' cash balances more than offset lower benchmark rates.

Unlike most of its peers, IBG largely passes through Federal Reserve rate hikes to most U.S. customers (specifically, those maintaining cash balances of more than $10,000). As a result, the sensitivity of net interest income to a change in rates is lower than it is for peers, but total cash credit balances have been more stable than they've been for peers (most of which have had double-digit percentage declines) since the beginning of 2022. The company reports that rate cuts of 100 basis points in all benchmark rates worldwide (including in the U.S) would decrease annual net interest income (NII) by $364 million, or less than 12% of 2024 total NII.

We believe retail customers, including direct retail customers and those served through registered investment advisers and introducing brokers, are more stable and less confidence-sensitive than institutional clients. Direct and indirect retail customers account for 56% and 19% of commissions, respectively (and for 44% and 41% of customer equity, respectively).

Unlike its purely retail peers, IBG has a significant number of hedge fund and proprietary trading clients, which accounting for 25% of IBG's commissions and 15% of client equity as of September 2024. The proprietary trading segment had the fastest commission growth in the first quarter of this year, and the company plans to consolidate and expand its hedge fund customer base by extending trading hours. We consider these clients more confidence-sensitive and higher risk.

However, IBG's hedge fund clientele is, for now, overwhelmingly made up of small entities, which are underserved by major investment banks and focus on simple products (such as margin loans, or securities lending or borrowing). This is a strong mitigating factor, and we would view negatively a material increase in the number of institutional clients trading complex products (like over-the-counter derivatives).

Given its unique customer mix and approach, IBG has been much less affected by leading discount brokers' decision to reduce retail commissions on U.S. equities, exchange-traded funds, and per-trade commission on listed options to zero. Unlike competitors that have entirely switched to zero-commissions on cash equity and exchange-traded funds, IBG offers both a traditional low-commission (but not zero-commission) pricing option in IBKR Pro as well as a zero-commission option in IBKR Lite. For clients that choose IBKR Pro (the option chosen by most clients), IBG clears and executes their transactions without selling order flow to wholesale trading firms. Conversely, IBKR Lite generates revenue from payment for order flow and from higher margin rates and lower deposit rates that, in part, offset the zero commission.

The company claims that clients of IBKR Pro benefit from better execution prices compared with peers' prices.

Trading volumes at IBG have benefited from the surge in retail options trading in the U.S. since 2020 and, notably, from zero-day-to-expiration equity index options.

With operations spread across 33 countries in Europe, Asia, and the Americas, IBG has good and increasing geographic diversification. Its foreign operations include a small amount of market-making outside the U.S., but they mostly include electronic brokerage, as well as support clearing and customer service across multiple product types (predominantly exchange traded or settled). Brokerage clients from outside North America accounted for about 56% of client equity and 48% of commission revenue in September 2024, up from 53% and 48%, respectively, in 2023. A large proportion of IBG's international clients' activity is in U.S.-listed stocks. In contrast to some large U.S peers, IBG offers U.S clients the possibility to trade foreign single stocks and many non-U.S futures.

The company fully owns an exchange, ForecastEx, that allows customers to bet on some events like the outcome of elections or macroeconomic data.

The 2019 promotion of longtime president Milan Galik to CEO addressed the issue of succession for founder and majority shareholder Thomas Peterffy, who continues as chairman of the board and remains closely involved in the business. We view favorably senior management's and ownership's commitment to very strong capitalization and a limited risk appetite, as well as their focus on lower-risk brokerage.

Capital And Earnings: Very Strong Risk-Adjusted Capital

We view IBG's capitalization as very strong, given the expected RAC ratio (above 30%), management and ownership's commitment to maintaining conservative capital levels, and the firm's strong risk-adjusted earnings. As of Dec. 31, 2024, the RAC ratio was 32.7%, reflecting the firm's commitment to strong capitalization and limited payout. This is the strongest RAC ratio out of all the U.S. securities firms we rate. Of note, the company raised the dividend recently (only the second hike in more than 10 years) and now targets a dividend yield between 0.5% and 1%.

In addition, the firm has no additional risks not covered in RAC, given the minimal levels of illiquid and Level 3 assets it has. We expect the firm to continue growing equity through good retention of earnings, with very limited stock buybacks and an annual capital payout ratio remaining well below 50% (despite the recent increase in the quarterly dividend to 32 cents per share). Interactive Brokers Group Inc.'s status as a public company gives IBG some flexibility to raise additional capital if needed.

At the same time, Peterffy's controlling ownership limits investor pressure to distribute capital. As of the end of March 2025, 25.8% of IBG LLC was ultimately owned by the public company, and 74.2% of it was owned by IBG Holdings LLC, an entity that Peterffy controls. At the end of the first quarter of 2025, IBG LLC had $17.5 billion of total equity.

IBG's extensive use of technology gives it a low expense base, which enables it to be a low-cost provider while still generating pretax margins typically above 60%. At the end of March 2025, the company generated a 74% pretax margin. The company's earnings are also strong on a risk-adjusted basis, with three-year average core earnings to S&P Global Ratings' risk-weighted assets of 5.3%, higher than the peer average.

All IBG's regulated subsidiaries have considerable excess regulatory capital--a total of $12.9 billion as of March 31, 2025.

Risk Position: Excess Capital Helps Offset Risks

We think the firm's good risk management, relatively modest risk appetite, and loss experience continues to support the rating, despite some periods with higher-than-peer losses on client margin loans.

In its brokerage business (including the prime brokerage business with hedge funds), IBG limits its credit risk and collateral-posting requirements by trading almost exclusively in listed or exchange-settled securities and cash foreign exchange. Cash foreign exchange, metals, and contracts for difference (CFD) transactions are done only with large, highly rated banks, and the company doesn't trade over-the-counter derivatives (except CFDs) with hedge fund clients.

For margin lending, the firm employs real-time margin compliance monitoring technology, allowing it to quickly liquidate customers' positions if their equity falls below margin requirements. Based on the firm's assessment of client exposures, concentration or leverage, and market conditions, it also limits exposure or client risk through its pricing, imposing additional limitations or increasing margin requirements.

We view IBG's management of its margin loan book ($63.9 billion as of March 31, 2025) as adequate. Its total margin loan losses in 2021 were minuscule, despite the high volatility in meme stocks that year. However, IBG has had some notable margin loan losses in the past. It recognized an aggregate loss of approximately $42 million on margin loans in the first quarter of 2019, related to some customers' large positions in a U.S.-listed company whose stock price dropped precipitously.

The firm also incurs some market risk from clients' options trading. In a market crash scenario (with stock prices down or volatility up), clients selling put options might be unable to meet their financial commitments, making IBG responsible to counterparties (most likely clearinghouses) to absorb the losses.

We think this risk is well monitored through adequate margining (with a "short option charge" that, in combination with other charges, pushes margins for short options traders higher than what clearinghouses would normally request), as well as through "exposure fees" that increase pricing for traders that would pose the highest risk to the company in a stress scenario. Nonetheless, clients' derivatives activity caused IBG to indemnify $104 million of client losses in April 2020. The losses that were related to an IBG system issue that prevented clients from seeing or acting on negative prices in West Texas Intermediate energy futures.

Aside from clients' derivatives trading positions, trading risk is small, with only $3.2 billion of securities on the balance sheet as of March 31, 2025. However, principal risk has slightly picked up following the launch of fractional shares trading for clients and the growth in CFD trading in some non-U.S. countries (and related hedges).

In partnership with Paxos Trust Co. and Zero Hash LLC, IBG allows clients to trade some crypto assets (bitcoin and ethereum among them), but it does not bear clearing or custody risks.

Operational risk has fallen with the wind-down of most market-making operations, except in a few markets outside the U.S. Still, the use of proprietary models (algorithms) and trading systems to execute a large volume of trades in the residual market-making segment exposes the firm to operational risk because a malfunctioning algorithm could result in accumulating undesired directional positions and expose the company to principal losses.

However, the strength of IBG's capitalization offsets the firm's exposure to low-probability, high-impact events; it has a cushion of approximately $9.2 billion of total adjusted capital, which is above our 15% RAC ratio threshold for very strong capitalization.

Unlike peers such as Charles Schwab that cash sweep a majority of brokerage cash to their own banks and invest in securities to grow net interest income (at the banks), IBG does not own a bank, and it deposits clients' cash at third-party banks (or invests into short-term U.S. Treasuries with an average duration below 30 days). As a result, it largely insulates itself from interest rate risk (and from rising rates, which may affect the value of the securities portfolio).

Funding And Liquidity: A Highly Liquid Balance Sheet And Solid Funding

Our view of IBG's funding and liquidity incorporates its very liquid balance sheet, excess stable funding of its less liquid assets, and good liquidity management. IBG's GSFR--available stable funding to the illiquid portion of its assets--was solid at 182% as of March31, 2025.

While most of IBG's clients are more stable retail customers, we believe IBG's institutional customers (such as hedge funds) expose it to more customer confidence sensitivity than its purely retail peers, given the firm's reliance on client balances to support client activity.

IBG's liquidity coverage metric (LCM)--balance-sheet liquidity sources relative to balance-sheet liquidity needs--was 0.82x as of March 31, 2025. The LCM is artificially low because, unlike at most other firms, IBG's securities borrowing, and repo transactions are mostly not financing transactions. In addition, we believe IBG's practices and accounting for customer securities lending activity understate the firm's liquidity in the LCM, given that the collateral received on securities-borrowed transactions is segregated for clients.

IBG has a highly liquid balance sheet composed of cash; margin loans; exchange-listed marketable securities, which are marked to market daily; segregated customer assets; receivables from customers; and margins posted at central counterparties. Illiquid assets are less than 10% of total adjusted capital, and less than 1% of assets are Level 3.

The firm is exposed to margin and collateral calls on its open exchange-traded derivatives positions (on behalf of clients) as well as its securities loaned and open client positions. It maintains significant unencumbered liquidity to offset its exposure to margin and collateral calls, including more than $100 billion of re-pledgeable collateral available from securities lending transactions and customer margin assets. IBG is allowed to pledge to Options Clearing Corp. (the largest equity options clearinghouse in the U.S.) stocks owned by clients with open derivatives positions.

IBG also has uncommitted secured and unsecured broker bank lines, both to fund everyday needs and provide ready access to the liquidity of its unencumbered securities.

IBG's brokerage business carries minimum securities inventory, so its funding needs are limited primarily to customer margin loans ($63.9 billion as of March 31, 2025), which are largely funded by customer free credit balances.

Additional Rating Factors

We base the 'a-' group credit profile on peer comparisons. IBG's capital position is stronger than that of Jefferies Financial Group, which has a group credit profile of 'bbb+'. Therefore, we make a positive one-notch adjustment.

Our rating on Interactive Brokers LLC, IBG's U.S. broker-dealer subsidiary, is at the same level as the 'a-' group credit profile because it is an operating company. Our issuer credit rating on IBG is one notch lower than the group credit profile, reflecting the entity's structural subordination as a nonoperating holding company for regulated subsidiaries.

Key Statistics

IBG LLC--Key figures

	2024	2023	2022	2021	2020
Adjusted assets	150,094.00	128,380.00	115,095.00	109,067.00	95,642.00
Adjusted common equity	16,549.00	14,024.00	11,567.00	10,176.00	8,966.00
Total Adjusted Capital	16,549.00	14,024.00	11,567.00	10,176.00	8,966.00
Operating revenues	5,185.00	4,340.00	3,067.00	2,714.00	2,218.00
Noninterest expenses	1,475.00	1,264.00	1,066.00	924.00	949.00
Net income	755.00	600.00	380.00	308.00	195.00
Core earnings	3,407.0	2,812.00	1,842.00	1,636.00	1,179.00

IBG LLC--Business position

	2024	2023	2022	2021	2020
Total revenues	5,185.00	4,340.00	3,067.00	2,714.00	2,218.00
Total revenue growth (year over year)	19.47	41.51	13.01	22.36	14.51
Net interest income/operating revenues	60.71	64.38	54.39	42.30	39.31
Fee income/operating revenues	38.13	35.88	49.10	57.77	58.03
Pretax profit/operating revenues	71.26	70.71	65.15	65.84	56.63
Core earnings/average adjusted common equity	22.29	21.98	16.94	17.09	13.98

IBG LLC--Capital

	2024	2023	2022	2021	2020
Leverage Ratio (US GAAP)	11.03	10.92	10.05	9.33	9.37
Adjusted total equity/adjusted assets	11.03	10.92	10.05	9.33	9.37
Adjusted common equity/total adjusted capital	100.00	100.00	100.00	100.00	100.00

IBG LLC--Earnings

	2024	2023	2022	2021	2020
Personnel expenses/operating revenues	11.07	12.14	14.80	14.70	14.65
Cost to income ratio	28.45	29.12	34.76	34.05	42.79
Core earnings/operating revenues	65.71	64.79	60.06	60.28	53.16
Internal capital generation/prior year's equity	4.73	4.82	3.34	3.01	2.06

IBG LLC--Funding and liquidity

	2024	2023	2022	2021	2020
Gross stable funding ratio	179.13	203.75	198.44	137.01	164.35
Short-term wholesale funding/adjusted assets	10.93	8.94	7.91	10.97	10.56
Liquidity coverage metric (x)	0.71	0.90	1.00	0.65	0.70
Brokerage customer payables/adjusted assets	76.85	78.68	80.97	78.52	79.34

Rating Component Scores

Rating Component Scores	
Issuer Credit Rating	BBB+/Stable/--
SACP	a-
Anchor	bbb-
Business position	Adequate (0)
Capital and earnings	Very Strong (2)
Risk position	Adequate (0)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	1
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	-1
SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.	

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of July 22, 2025)*	
IBG LLC	
Issuer Credit Rating	BBB+/Stable/--
Issuer Credit Ratings History	
26-Apr-2022	BBB+/Stable/--
24-Nov-2020	BBB/Positive/--
04-May-2020	BBB/Stable/--
Sovereign Rating	
United States	AA+/Stable/A-1+
Related Entities	
Interactive Brokers LLC	
Issuer Credit Rating	A-/Stable/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.