

Interactive Brokers Group - What Is Cash Worth?

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Decision scope: Positive-cash interest eligibility and customer proposition

Case convention: This is an author-created management decision exercise. The role and alternatives are hypothetical; company disclosures are historical. No private deliberations are represented.

The decision

On 16 April 2024, Interactive Brokers Group (IBKR) reported first-quarter net interest income of \$747 million, up 17% from a year earlier. It also reported \$104.9 billion in customer credit balances, 2.75 million customer accounts, and \$465.9 billion in customer equity. Management attributed the increase in net interest income to higher benchmark rates, customer margin loans and customer credit balances. The release did not isolate the effect of the interest schedule on positive customer cash. [S2], financial highlights, lines 12-28; business highlights, lines 41-52.

IBKR's latest detailed public description of its U.S.-dollar schedule said that it paid no interest on the first \$10,000 of cash. Securities accounts with more than \$100,000 in net asset value received the full eligible rate on cash above that threshold; accounts below that NAV level received reduced, tiered rates. Equivalent thresholds and rates varied across currencies and account segments. [S1], Item 7, "Interest Income and Interest Expense," printed p. 50/PDF p. 68, lines 2811-2815; Item 7A, "Interest Rate Risk," printed p. 64/PDF p. 81, lines 3403-3417.

IBKR's FY2023 filing described attractive rates on customer cash as an important platform feature and said its rates were among the industry's highest. Those statements were management's view, not a measured comparison or evidence that the schedule caused customer growth. [S1], Item 7, "Business Environment-Interest Rates," printed p. 43/PDF p. 60, lines 2445-2449.

You are advising IBKR's senior leadership after the Q1 release. Should it retain the existing positive-cash interest tiers, broaden eligibility for smaller accounts, or stage a test of a revised offer? What customer outcome and economic evidence should guide the decision?

Assignment: Prepare a decision memo choosing one of the three paths. Explain the customer segments most likely to value a change, the strongest argument against your choice, and how IBKR could tell whether the choice is working. State what evidence would cause you to reconsider. Treat any proposed test, target, or success threshold as your own recommendation; none is disclosed as an IBKR plan. Use only information available by 16 April 2024.

One platform, several sources of interest income

IBKR described its business as an electronic broker serving individual, institutional and advisor clients across multiple markets and currencies. Its customer-facing proposition combined access to trading markets and technology with the handling of customer cash and securities. The company said a majority of segregated cash was invested in short-term U.S. government securities and related instruments. These are company descriptions, not evidence that every client's cash followed the same path. [S1], Item 1 and Item 7, "Business Environment-Interest Rates," printed pp. 42-43/PDF pp. 59-60, lines 2437-2449.

Positive customer cash was one side of a broader interest-rate system. IBKR also earned interest on margin loans, segregated cash and securities, securities lending and other assets. Customer credits and other interest-bearing liabilities affected expense. The FY2023 filing reported \$2.794 billion in GAAP net interest income (NII), up 68% year over year. Management attributed the increase to higher benchmarks and customer credit balances; NII on customer balances increased by \$882 million as the average federal funds effective rate and average customer credits both rose. These figures do not identify the cost or customer response to a different positive-cash schedule. [S1], Item 7, "Interest Income and Interest Expense," printed pp. 49-52/PDF pp. 66-69, lines 2786-2815.

The filing also reported a 2.36% net interest margin for 2023. Its NIM table used a \$2.820 billion numerator, which included \$26 million of interest-like income reported outside GAAP NII. NIM divided annualized table NII by average interest-earning assets; it was not the rate paid on customer cash or an account-level profit measure. [S1], Item 7, printed pp. 49-52/PDF pp. 66-69, lines 2800-2806, 2851-2881.

Exhibit 1. Selected company-reported measures

Measure	Period/value	What it does and does not show
GAAP net interest income	FY2023: \$2.794bn; +68% year over year	Consolidated interest income less interest expense; includes more than positive customer cash.
NII on customer balances	FY2023 increase: \$882m	Company's reported change; higher benchmark rates and larger average customer credits both contributed.
NII	Q1 2024: \$747m; +17% year over year	Management cited benchmarks, margin loans and customer credits; no rate-schedule effect was isolated.
Customer credit balances	31 Mar 2024: \$104.9bn; +9% year over year	Point-in-time aggregate; no account-size or currency distribution supplied here.
Customer accounts	31 Mar 2024: 2.75m; +25% year over year	Aggregate count; does not identify why clients opened or retained accounts.
Customer equity	31 Mar 2024: \$465.9bn; +36% year over year	Aggregate measure; does not reveal positive cash by NAV tier.

Sources: [S1], Item 7, printed pp. 49-52/PDF pp. 66-69, lines 2786-2815; [S2], lines 12-28 and 41-52. Growth comparisons are the company's reported year-over-year comparisons.

The pricing question

The published architecture links interest eligibility to both cash balance and account NAV. A customer can have eligible positive cash yet receive a reduced rate because the securities account falls below the NAV threshold. Broadening access could strengthen the proposition for smaller accounts. Retaining the schedule could preserve current pricing economics and the relationship between customer scale and rates. A staged test could generate evidence before a wider policy change, if the company can define a suitable and compliant comparison.

The public data do not show how many customers fall into each NAV and cash tier, how much cash is affected by the first-\$10,000 threshold, or how those distributions vary by currency and account type. They also do not show which customers choose IBKR because of the schedule, move cash when rates change, or leave when another provider offers a different rate. No matched, dated competitor schedule or customer-level rate response is established in the materials for this exercise.

IBKR estimated that a 25-basis-point change in U.S. benchmarks would change annualized NII by approximately \$56 million, based on year-end 2023 balances and reinvestment assumptions. It separately estimated \$18-20 million of sensitivity to a comparable move in relevant non-U.S. rates. These were balance-sheet rate sensitivities, not estimates of the cost of changing client tiers. [S1], Item 7A, printed pp. 64-65/PDF pp. 81-82, lines 3418-3434.

A mechanism-and its boundary

Research on U.S. bank deposits offers one way to frame customer outside options. Drechsler, Savov and Schnabl found that after increases in policy rates, deposit spreads widened more and deposit outflows were greater in more concentrated local bank markets. Their preferred within-bank estimates compared branches in higher- and lower-concentration markets; a 100-basis-point federal funds increase was associated with a 14-basis-point larger savings-deposit spread response and 66-basis-point greater deposit outflow in higher-concentration branches. [A1], §§VI.B-C, PDF pp. 23-28, Tables II-III, PDF pp. 55-56.

The study is about bank deposits, not brokerage cash, IBKR's accounts, or a global multi-currency broker. Its coefficients should not be used to predict IBKR's account acquisition, retention, cash balances or NII. It raises a question about customer alternatives and pricing; company-specific evidence would be needed to answer it.

Three paths for leadership

1. **Retain the disclosed schedule.** Keep the first-\$10,000 threshold and NAV-based reductions. Continue to assess customer balances, account growth and NII across rate environments. The unresolved question is whether smaller clients' valuation of the rate proposition is being understated.
2. **Broaden eligibility.** Reduce or remove a barrier, such as the cash threshold or the reduced-rate tier for lower-NAV accounts. Leadership would need to decide which accounts and currencies are in scope, and how to assess any additional customer value against the cost and operational implications.
3. **Stage a test.** Evaluate a limited, time-bound offer or policy change for a defined eligible cohort, subject to account, currency, jurisdictional and compliance review. Specify comparison groups, customer outcomes, economic measures and a decision date. Public materials do not establish whether IBKR can implement such a test or what its results would be.

These paths are decision options for the classroom, not announced company plans. The evidence available does not identify a financially optimal schedule.

Discussion questions

1. What role does positive-cash interest play in IBKR's broader customer proposition? Which customers may value it most, and what evidence is missing?
2. How should leadership weigh the potential customer benefit of broader eligibility against the economics of the current schedule?
3. Which of the three paths would you recommend now? What is the strongest case against it?
4. If you recommend a test, what would you vary, compare and measure? What would make the result misleading?
5. Which evidence would change your recommendation? Separate customer response from movements driven by benchmarks, balances, margin lending, currency mix or market conditions.

Sources and conventions

S1. Interactive Brokers Group, Inc., [FY2023 Form 10-K / annual report](#), filed 28 February 2024. Relevant passages and printed/PDF pages are cited in the text; filing detail: [SEC accession 0001381197-24-000083](#).

S2. Interactive Brokers Group, Inc., [Q1 2024 earnings release](#), 16 April 2024, SEC Form 8-K Exhibit 99.1. Line references follow the SEC HTML document.

A1. Itamar Drechsler, Alexi Savov and Philipp Schnabl, “The Deposits Channel of Monetary Policy,” *Quarterly Journal of Economics* 132(4) (2017), 1819-1876, [DOI 10.1093/qje/qjx019](#). Read version: [author-hosted PDF](#). The paper studies U.S. commercial-bank deposits. Its use here is limited to a mechanism, not a transferable estimate.

All financial values are company-reported unless identified otherwise. Historical information ends on 16 April 2024. No subsequent company policy, market result or customer outcome is included.