

Day Trading FAQs

What is a day trader?

FINRA and the NYSE define a Pattern Day Trader (PDT) as one who effects four or more day trades (same day opening and closing of a given equity security ("stock") or equity option) within a five business day period.

Note that Futures contracts and Futures Options are not included in the SEC Day Trade rule.

What is the definition of a "Potential Pattern Day Trader"?

A potential pattern day trader error message means that an account has less than the SEC required \$25,000 minimum Net Liquidation Value AND the number of available day trades (3) has already been used within the last five days.

The system is programmed to prohibit any further trades to be initiated in the account, regardless of the intent to day trade that position or not. The system is programmed to protect the accounts with less than \$25,000 so the account would not "potentially" be flagged as a day trading account.

If an account receives the error message "potential pattern day trader", there is no PDT flag to remove. The account holder will need to wait for the five-day period to end before any new positions can be initiated in the account.

What happens if an account with less than \$25,000 is flagged as a day trading account? Or, if the account is flagged as a PDT account, and the value subsequently falls below the SEC required \$25,000 minimum (intraday included)?

The customer has the following options:

- A. Deposit funds to bring the account's equity up to the SEC required minimum of \$25,000
- B. Wait the required 90 day period before any new positions can be initiated
- C. Request a PDT account reset

If the intraday situation occurs, the customer will immediately be prohibited from initiating any new positions. Customers should be able to close any existing positions in his account, but will not be allowed to initiate any new positions.

The customer will have the same options listed above, however, if at any time the Net Liquidation Value figure goes back above the threshold amount (\$25,000), then the account will once again have unlimited day trades available.

What is a PDT account reset?

FINRA has provided brokerage firms the ability to remove the PDT flag from a customer's account once every 180 days. If an account was erroneously flagged, and the customer's intent

is not to day trade in his/her account, we have the ability to remove this flag. Once the PDT flag is removed, the customer will then be allowed three day trades every five business days. If an account gets re-flagged as a PDT account within 180 days after the reset, the customer then has the following options:

- A. Deposit funds to bring the account's equity up to the SEC required minimum of \$25,000
- B. Wait the required 90 day period before any new positions can be initiated

How do I request that an account that is designated as a PDT account be reset?

FINRA and the NYSE define a Pattern Day Trader (PDT) as one who effects 4 or more day trades (same day purchase and sale of a given equity security ("stock") or equity option) within a five-day period, and NYSE and FINRA rules place certain restrictions on those who are deemed to be pattern day traders. If a customer account effects three (3) day trades involving stocks or equity options within any five (5) day period, we will require that such account satisfy the minimum Net Liquidation Value requirement of \$25,000 before we will accept the next order to purchase or sell a stock or equity option. Once the account has effected a fourth day trade (in such 5 day period), we will deem the account to be a PDT account.

Pattern Day Trading regulations allow a broker to remove the PDT designation if the client acknowledges that she/he does not intend to engage in day trading strategies, and requests that the PDT designation be removed. If you wish to have the PDT designation for your account removed, provide us with the following information in a letter using the Customer Service Message Center in Account Management:

1. Provide the following acknowledgements:
 - I do not intend to engage in a day trading strategy in my account.
 - I hereby request that you the broker no longer designate my account as a "Pattern Day Trading" account under NYSE and FINRA rules.
 - I understand that if, following this acknowledgement I engage in Pattern Day Trading, my account will be designated as a Pattern Day Trading" account, and you the broker will apply all applicable PDT rules to my account.
2. Log into Account Management, then click Message Center in the Support menu. Create a ticket in the Message Center, then paste the aforementioned acknowledgements, your account number, your name, and the statement "I agree" into the ticket form. Submit the ticket to Customer Service.

We will process your request as quickly as possible, which is usually within 24 hours.

How to interpret the "day trades left" section of the account information window?

For example, if the window reads (0,0,1,2,3), here is how to interpret this information:

If today was Wednesday, the first number within the parenthesis, 0, means that 0-day trades are available on Wednesday. The 2nd number in the parenthesis, 0, means that no day trades are available on Thursday. The 3rd number within the parenthesis, 1, means that on Friday 1-day

trade is available. The 4th number within the parenthesis, 2, means that on Monday, if 1-day trade was not used on Friday, and then on Monday, the account would have 2-day trades available.

The 5th number within the parenthesis, 3, means that if no day trades were used on either Friday or Monday, then on Tuesday, the account would have 3-day trades available.