(i) obtains a current prospectus in effect with the SEC, meeting the requirements of Section 10 of the Securities Act, covering such securities;

(ii) has no reason to believe the Registration Statement is not in effect or that the issuer has been delinquent in filing such periodic reports as may be required of it with the SEC and is satisfied that such registration will be kept in effect and that the prospectus will be maintained on a current basis; and

(iii) retains a copy of such Registration Statement, including the prospectus, in an easily accessible place in its files. Shelf-registered securities which do not meet all the conditions prescribed above shall have no value for purposes of this Rule. Also see subparagraph (C) below.

(B) Other Control and Restricted Securities — Except as provided in subparagraph (D) below, the equity in accounts of customers for other control and restricted securities of issuers that are subject to Securities Act Rule 144 or 145(c), shall be 40 percent of the current market value of such securities "long" in the account, provided the member:

(i) in computing net capital under SEA Rule 15c3-1 and, if applicable, Rule 4110(a), deducts any margin deficiencies in customers' accounts based upon a margin requirement as specified in subparagraph (C)(iv) below for such securities and values only that amount of such securities which are then saleable under Securities Act Rule 144(b)(2) or 145(d)(2)(i) in conformity with all of the applicable terms and conditions thereof, for purposes of determining such deficiencies; and

(ii) makes volume computations necessary to determine the amount of securities then saleable under Securities Act Rule 144(b)(2) or 145(d)(2)(i) on a weekly basis or at such frequency as the member and/or FINRA may deem appropriate under the circumstances. See also subparagraph (C) below.

(C) Additional Requirements on Shelf-Registered Securities and Other Control and Restricted Securities — Except as provided in subparagraph (D) below, a member extending credit on shelf-registered and other control and restricted securities in margin accounts of customers shall be subject to the following additional requirements:

(i) FINRA may at any time require reports from members showing relevant information as to the amount of credit extended on shelf-registered, and other control and restricted securities and the amount, if any, deducted from net capital due to such security positions.

(ii) The greater of the aggregate credit agreed to be extended in writing or the aggregate credit that is actually extended to all customers on control and restricted securities of any one issue that exceeds 10 percent of the member's excess net capital shall be deducted from net capital for purposes of determining a member's status under Rule 4120. The amount of such aggregate credit extended, which has been deducted in computing net capital under SEA Rule 15c3-1 and, if applicable, Rule 4110(a), need not be included in this calculation. FINRA, upon written application, may reduce the deduction to net capital under Rule 4120 to 25 percent of such aggregate credit extended that exceeds 10 percent but is less than 15 percent of the member's excess net capital.

(iii) The aggregate credit extended to all customers on all control and restricted securities (reduced by the amount of such aggregate credit which has been deducted in computing net capital under SEA Rule 15c3-1 and, if applicable, Rule 4110(a)), shall be deducted from net capital on the following basis for purposes of determining a member's status under Rule 4120.

a. To the extent such net amount of credit extended does not exceed 50 percent of a member's excess net capital, 25 percent of such net amount of credit extended shall be deducted, and

b. 100 percent of such net amount of credit extended which exceeds 50 percent of a member's excess net capital shall be deducted.

(iv) Concentration Reduction. A concentration exists whenever the aggregate position in control and restricted securities of any one issue, excluding excess securities (as defined below), exceeds:

a. 10 percent of the outstanding shares of such issue, or

b. 100 percent of the average weekly volume for such issue during the preceding three-month period. Where a concentration exists, for purposes of computing subparagraph (B)(i) above, the margin requirement on such securities shall be, based on the greater of subparagraph (iv)a. or b., above, as specified below:

Percent of Outstanding Shares	**or Percent of Average Weekly Volume**	**Margin Requirement**
Up to 10 percent	Up to 100 percent	25 percent
Over 10 percent and under 15 percent	Over 100 percent and under 200 percent	30 percent
15 percent and under 20 percent	200 percent and under 300 percent	45 percent

20 percent and under 25 percent	300 percent and under 400 percent	60 percent
25 percent and under 30 percent	400 percent and under 500 percent	75 percent
30 percent and above	500 percent and above	100 percent

For purposes of this paragraph (e)(8)(C)(iv), "excess securities" shall mean the amount of securities, if any, by which the aggregate position in control and restricted securities of any one issue exceeds the aggregate amount of securities that would be required to support the aggregate credit extended on such control and restricted securities if the applicable margin requirement were 50 percent.

(v) The amount to be deducted from net capital for purposes of determining a member's status under Rule 4120, pursuant to paragraph (e)(8)(C) shall not exceed 100 percent of the aggregate credit extended reduced by any amount deducted in computing net capital under SEA Rule 15c3-1 and, if applicable, Rule 4110(a).

(D) Certain Restricted Securities — Securities either:

(i) then saleable pursuant to the terms and conditions of Securities Act Rule 144(b)(1), or

(ii) then saleable pursuant to the terms and conditions of Securities Act Rule 145(d)(2), shall not be subject to the provisions of paragraph (e)(8) of this Rule.

(f) Other Provisions

(1) Determination of Value for Margin Purposes

Active securities dealt in on a national securities exchange shall, for margin purposes, be valued at current market prices provided that only those options contracts on a stock or stock index, or a stock index warrant, having an expiration that exceeds nine months and that are listed or OTC (as defined in this Rule), may be deemed to have market value for the purposes of this Rule. Other securities shall be valued conservatively in view of current market prices and the amount that might be realized upon liquidation. Substantial additional margin must be required in all cases where the securities carried in "long" or "short" positions are subject to unusually rapid or violent changes in value, or do not have an active market on a national securities exchange, or where the amount carried is such that the position(s) cannot be liquidated promptly.

(2) Puts, Calls and Other Options, Currency Warrants, Currency Index Warrants and Stock Index Warrants

(A) Definitions

Except where the context otherwise requires or as defined below, the definitions contained in paragraph (a) of Rule 2360, "Options," shall apply to the terms used in this Rule.

(i) The term "aggregate discount amount" as used with reference to a Treasury bill option contract means the principal amount of the underlying Treasury bill (A) multiplied by the annualized discount (i.e., 100 percent minus the exercise price of the option contract) and (B) further multiplied by a fraction having a numerator equal to the number of days to maturity of the underlying Treasury bill on the earliest date on which it could be delivered pursuant to the rules of The Options Clearing Corporation in connection with the exercise of the option (normally 91 or 182 days) and a denominator of 360.

(ii) The term "aggregate exercise price" as used with reference to an option contract means:

a. if a single stock underlies the option contract, the exercise price of the option contract multiplied by the number of shares of the underlying stock covered by such option contract;

b. if a Treasury bond or Treasury note underlies the option contract,

1. the exercise price of the option contract multiplied by the principal amount of the underlying security covered by such option contract, plus

2. accrued interest:

A. on bonds (except bonds issued or guaranteed by the United States Government), that portion of the interest on the bonds for a full year, computed for the number of days elapsed since the previous interest date on the basis of a 360-day-year. Each calendar month shall be considered to be 1/12 of 360 days, or 30 days, and each period from a date in one month to the same date in the following month shall be considered to be 30 days.

B. on bonds issued or guaranteed by the United States Government, that portion of the interest on the bonds for the current full interest period, computed for the actual number of days elapsed since the previous interest date on the basis of actual number of calendar days in the current full interest period. The actual elapsed days in each calendar month shall be used in determining the number of days in a period.

c. if a Treasury bill underlies the option contract, the difference between the principal amount of such Treasury bill and the aggregate discount amount;

d. if an index stock group underlies the option contract, the exercise price of the option contract times the index multiplier; or

e. if a GNMA underlies the option contract, the exercise price of the option contract multiplied by the nominal principal amount of the underlying GNMA covered by such option contract. In the case of an underlying GNMA, if the remaining unpaid principal balance of a GNMA delivered upon exercise of an option contract is a permissible variant of, rather than equal to, the nominal principal amount, the aggregate exercise price shall be adjusted to equal the product of the exercise price and such remaining unpaid principal balance, plus in each case the appropriate differential.

(iii) The term "American-style option" means an option contract that can be exercised at any time prior to its expiration pursuant to the rules of The Options Clearing Corporation.

(iv) The term "annualized discount" as used with reference to a Treasury bill means the percent discount from principal amount at which the Treasury bill may be purchased or sold, expressed as a discount for a term to maturity of 360 days.

(v) The term "appropriate differential" as used with reference to a GNMA option contract means a positive or negative amount equal to the product of (A) the difference between the remaining unpaid principal balance of a GNMA delivered upon exercise of that contract and the nominal principal amount, and (B) the difference between the current cash market price of GNMAs bearing the same stated rate of interest as that borne by the GNMA delivered upon exercise and the exercise price.

(vi) The term "box spread" means an aggregation of positions in a long call and short put with the same exercise price ("buy side") coupled with a long put and short call with the same exercise price ("sell side") structured as: (A) a "long box spread" in which the sell side exercise price exceeds the buy side exercise price or, (B) a "short box spread" in which the buy side exercise price exceeds the sell side exercise price, all of which have the same contract size, underlying component or index and time of expiration, and are based on the same aggregate current underlying value.

(vii) The term "broad index stock group" means an index stock group of 25 or more stocks whose inclusion and relative representation in the group are determined by the inclusion and relative representation of their current market prices in a widely disseminated stock index reflecting the stock market as a whole or an inter-industry sector of the stock market.

(viii) The terms "call" and "put":

a. as used in connection with a currency, currency index or stock index warrant mean a warrant structured as a "call" or "put" (as appropriate) on the underlying currency, index currency group or stock index group (as the case may be) or

b. as used in connection with an option contract means an option under which the holder has the right, in accordance with the terms of the option, to purchase from (in the case of a call), or sell to (in the case of a put), The Options Clearing Corporation:

1. the number of shares of the underlying stock (if a single stock underlies the option contract);

2. the principal amount of the underlying security (if a Government security underlies the option contract);

3. the multiple of the index group value of the underlying group (if an index stock group underlies the option contract); or

4. the nominal principal amount or any permissible variant of the underlying GNMA (if a GNMA underlies the option contract) covered by the option contract.

(ix) The term "class (of options)" means all option contracts of the same type and kind covering the same underlying security or underlying stock group.

(x) The term "covered" has the same meaning as defined in Rule 2360(a).

(xi) The terms "currency warrant," "currency index" and "currency index warrant" have the same meanings as defined in Rule 2351(b).

(xii) The term "current cash market price" as used with reference to GNMAs means the prevailing price in the cash market for GNMAs bearing a particular stated rate of interest to be delivered on the next applicable monthly settlement date determined in the manner specified in the rules of The Options Clearing Corporation.

(xiii) The terms "current market value" or "current market price" of an option, currency warrant, currency index warrant, or stock index warrant are as defined in Section 220.2 of Regulation T.

(xiv) The term "escrow agreement," when used in connection with cash settled calls, puts, currency warrants, currency index warrants or stock index warrants, carried "short", means any agreement issued in a form acceptable to FINRA under which a bank holding cash, cash equivalents, one or more qualified equity securities or a combination thereof in the case of a call or warrants, or cash, cash equivalents or a combination thereof in the case of a put or warrant is obligated (in the case of an option) to pay the creditor the exercise settlement amount in the event an option is assigned an exercise notice or, (in the case of a warrant) the sufficient funds to purchase a warrant sold "short" in the event of a buy-in.

(xv) The term "European-style option" means an option contract that can be exercised only at its expiration pursuant to the rules of The Options Clearing Corporation.

(xvi) The term "exercise price" in respect of an option or warrant contract means the stated price per unit at which the underlying security may be purchased (in the case of a call) or sold (in the case of a put) upon the exercise of such option contract.

(xvii) The term "exercise settlement amount" shall mean the difference between the "aggregate exercise price" and the "aggregate current index value" (as such terms are defined in the pertinent By-Laws of The Options Clearing Corporation).

(xviii) The term "expiration date" in respect of an option contract means the date and time fixed by the rules of The Options Clearing Corporation for the expiration of all option contracts covering the same underlying security or underlying index stock group and having the same expiration month as such option contract.

(xix) The term "expiration month" in respect of an option contract means the month and year in which such option contract expires.

(xx) The term "index currency group" means a group of currencies whose inclusion and relative representation in the group is determined by the inclusion and relative representation of the current market prices of the currencies in a currency index.

(xxi) The term "index group value," when used in respect of a currency index warrant or a stock index warrant, shall mean $1.00 (1) multiplied by the numerical value reported for the index that is derived from the market prices of the currencies in the index currency group or the stocks in the stock index group and (2) divided by the applicable divisor in the prospectus (if any). When used with reference to the exercise of an stock index group option, the value is the last one reported on the day of exercise or, if the day of exercise is not a trading day, on the last trading day before exercise.

(xxii) The term "index multiplier" as used in reference to an index option contract means the amount specified in the contract by which the index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract.

(xxiii) The term "industry stock index group" means an index stock group of six or more stocks whose inclusion and relative representation in the group are determined by the inclusion and relative representation of their current market prices in a widely disseminated stock index reflecting a particular industry or closely related industries.

(xxiv) The term "listed" as used with reference to a call or put option contract means an option contract that is traded on a national securities exchange or issued and guaranteed by a registered clearing agency and shall include an OCC Cleared OTC Option (as defined in Rule 2360).

(xxv) The term "nominal principal amount" as used with reference to a GNMA option means the remaining unpaid principal balance of GNMAs required to be delivered to the holder of a call or by the holder of a put upon exercise of an option without regard to any variance in the remaining unpaid principal balance permitted to be delivered upon such exercise and shall be $100,000 in the case of a single call or put.

(xxvi) The term "numerical index value," when used in respect of a currency index warrant or stock index warrant, shall mean the level of a particular currency index or stock index as reported by the reporting authority for the index.

(xxvii) The term "OTC" as used with reference to a call or put option contract means an over-the-counter option contract that is not traded on a national securities exchange and is issued and guaranteed by the carrying broker-dealer and shall not include OCC Cleared OTC Option (as defined in Rule 2360).

(xxviii) A "registered clearing agency" shall mean a clearing agency as defined in Section 3(a)(23) of the Exchange Act that is registered with the SEC pursuant to Section 17A(b)(2) of the Exchange Act.

(xxix) The term "reporting authority," when used in respect of a currency index warrant or a stock index warrant, shall mean the institution or reporting service specified in the prospectus as the official source for calculating and reporting the level of such currency index or stock index.

(xxx) The term "series (of options)" means all option contracts of the same class of options having the same expiration date, exercise price and unit of trading.

(xxxi) The term "spot price" in respect of a currency warrant on a particular business day means the noon buying rate in U.S. dollars on such day in New York City for cable transfers of the particular underlying currency as certified for customs purposes by the Federal Reserve Bank of New York.

(xxxii) The term "spread" means a "long" and "short" position in different call option series, different put option series, or a combination of call and put option series, that collectively have a limited risk / reward profile, and meet the following conditions;

a. all options must have the same underlying security or instrument;

b. all "long" and "short" option contracts must be either all American-style or all European-style;

c. all "long" and "short" option contracts must be either all listed or all OTC;

d. the aggregate underlying contract value of "long" versus "short" contracts within option type(s) must be equal; and

e. the "short" option(s) must expire on or before the expiration date of the "long" option(s).

(xxxiii) The term "stock index group" has the same meaning as defined in Rule 2351(b).

(xxxiv) The term "stock index warrant" shall mean a put or call warrant that overlies a broad stock index group or an industry stock index group.

(xxxv) The term "underlying component" shall mean in the case of stock, the equivalent number of shares; industry and broad index stock groups, the index group value and the applicable index multiplier; U.S. Treasury bills, notes and bonds, the underlying principal amount; foreign currencies, the units per foreign currency contract; and interest rate contracts, the interest rate measure based on the yield of U.S. Treasury bills, notes or bonds and the applicable multiplier. The term "interest rate measure" represents, in the case of short term U.S. Treasury bills, the annualized discount yield of a specific issue multiplied by ten or, in the case of long term U.S. Treasury notes and bonds, the average of the yield to maturity of the specific multiplied by ten.

(xxxvi) The term "unit of underlying currency" in respect of a currency warrant means a single unit of the currency covered by the warrant.

(B) Except as provided below, and in the case of a put, call, index stock group option, or stock index warrant with a remaining period to expiration exceeding nine months, no put, call, currency warrant, currency index warrant or stock index warrant carried for a customer shall be considered of any value for the purpose of computing the margin to be maintained in the account of such customer.

(C) The issuance, guarantee or sale (other than a "long" sale) for a customer of a put, a call, a currency warrant, a currency index warrant or a stock index warrant shall be considered a security transaction subject to paragraphs (b) and (c).

(D) For purposes of this paragraph (f)(2), obligations issued by the United States Government shall be referred to as United States Government obligations. Mortgage pass-through obligations guaranteed as to timely payment of principal and interest by the Government National Mortgage Association shall be referred to as GNMA obligations.

In the case of any put, call, currency warrant, currency index warrant, or stock index warrant carried "long" in a customer's account that expires in nine months or less, initial margin must be deposited and maintained equal to at least 100 percent of the purchase price of the option or warrant.

"Long" Listed Option or Warrant With An Expiration Exceeding Nine Months. In the case of a listed put, call, index stock group option, or stock index warrant carried "long", margin must be deposited and maintained equal to at least 75 percent of the current market value of the option or warrant; provided that the option or warrant has a remaining period to expiration exceeding nine months.

"Long" OTC Option or Warrant With An Expiration Exceeding Nine Months. In the case of an OTC put, call, index stock group option, or stock index warrant carried "long", margin must be deposited and maintained equal to at least 75 percent of the option's or warrant's "in-the-money" amount plus 100 percent of the amount, if any, by which the current market value of the option or warrant exceeds its "in-the-money" amount provided the option or warrant:

(i) is guaranteed by the carrying broker-dealer,

(ii) has an American-style exercise provision, and

(iii) has a remaining period to expiration exceeding nine months.

(E) The margin required on any listed or OTC put, call, currency warrant, currency index warrant, or stock index warrant carried "short" in a customer's account shall be:

(i) In the case of listed puts and calls, 100 percent of the current market value of the option plus the percentage of the current market value of the underlying component specified in column II of the chart below. In the case of currency warrants, currency index warrants and stock index warrants, 100 percent of the current market value of each such warrant plus the percentage of the warrant's current "underlying component value" (as column IV of the chart below describes) specified in column II of the chart below.

The margin on any listed put, call, currency warrant, currency index warrant, or stock index warrant carried "short" in a customer's account may be reduced by any "out-of-the-money amount" (as defined below), but shall not be less than 100 percent of the current market value of the option or warrant plus the percentage of the current market value of the underlying component specified in column III, except in the case of any listed put carried "short" in a customer's account. Margin on such put option contracts shall not be less than the current value of the put option plus the percentage of the put option's aggregate exercise price as specified in column III.

	I Type of Option	II Initial and/or Maintenance Margin Required	III Minimum Margin Required	IV Underlying Component Value
(1)	Stock	20 percent	10 percent	The equivalent number of shares at current market prices.
(2)	Industry index stock group	20 percent	10 percent	The product of the index group value and the applicable index multiplier.
(3)	Broad index stock group	15 percent	10 percent	The product of the index group value and the applicable index multiplier.
(4)	U.S. Treasury bills — 95 days or less to maturity	.35 percent	1/20 percent	The underlying principal amount.
(5)	U.S. Treasury notes	3 percent	1/2 percent	The underlying principal amount.
(6)	U.S. Treasury bonds	3.5 percent	1/2 percent	The underlying principal amount.
(7)	Foreign Currency Options and Warrants*	4 percent	3/4 percent	The product of units per foreign currency contract and the closing spot price.
(8)	Interest Rate contracts	10 percent	5 percent	The product of the current interest rate measure and the applicable multiplier.
(9)	Currency Index Warrants	**	**	The product of the index group value and the applicable index multiplier.
(10)	Stock Index Warrant on Broad Index Stock Group	15%	10%	The product of the index group value and the applicable index multiplier.
(11)	Stock Index Warrant on Industry Index Stock Group	20%	10%	The product of the index group value and the applicable index multiplier.

* Does not include Canadian dollars, for which the initial requirement is 1 percent.

** Subject to the approval of the SEC, FINRA shall determine applicable initial, maintenance and minimum margin requirements for currency index warrants on a case-by-case basis.

For purposes hereof, "out-of-the-money amounts" are determined as follows:

Option or Warrant Issue	Call	Put
Stock Options	Any excess of the aggregate exercise price of the option over the current market value of the equivalent number of shares of the underlying security.	Any excess of the current market value of the equivalent number of shares of the underlying security over the aggregate exercise price of the option.

U.S. Treasury Options	Any excess of the aggregate exercise price of the option over the current market value of the underlying principal amount.	Any excess of the current market value of the underlying principal amount over the aggregate exercise price of the option.
Index Stock Group Options, Currency Index Warrants, and Stock Index Warrants	Any excess of the aggregate exercise price of the option or warrant over the product of the index group value and the applicable multiplier.	Any excess of the product of the index group value and the applicable multiplier over the aggregate exercise price of the option or warrant.
Foreign Currency Options and Warrants	Any excess of the aggregate exercise price of the option or warrant over the product of units per foreign currency contract and the closing spot prices.	The product of units per foreign currency contract and the closing spot prices over the aggregate price of the option or warrant.
Interest Rate Options	Any excess of the aggregate exercise price of the option over the product of the current interest rate measure value and the applicable multiplier.	Any excess of the product of the current interest rate measure value and the applicable multiplier over the aggregate exercise price of the option.

If the option or warrant contract provides for the delivery of obligations with different maturity dates or coupon rates, the computation of the "out-of-the-money amount," if any, where required by this Rule, shall be made in such a manner as to result in the highest margin requirement on the short option or warrant position.

(ii) In the case of listed puts and calls which represent options on GNMA obligations in the principal amount of $100,000, 130 percent of the current market value of the option plus $1,500, except that the margin required need not exceed $5,000 plus the current market value of the option.

(iii) In the case of OTC puts and calls, the percentage of the current value of the underlying component and the applicable multiplier, if any, specified in column II below, plus any "in-the-money amount" (as defined in this paragraph (f)(2)(E)(iii)).

In the case of OTC options, the margin on any put or call carried "short" in a customer's account may be reduced by any "out-of-the-money amount" (as defined in paragraph (f)(2)(E)(i)), but shall not be less than the percentage of the current value of the underlying component and the applicable multiplier, if any, specified in column III below, except in the case of any OTC put carried "short" in a customer's account. Margin on such put option contracts shall not be less than the percentage of the put option's exercise price as specified in column III below.

	I **Type of Option**	**II** **Initial and/or Maintenance Margin Required**	**III** **Minimum Margin Required**	**IV** **Underlying Component Value**
1.	Stock and convertible corporate debt securities	30%	10%	The equivalent number of shares at current market prices for stocks or the underlying principal amount for convertible corporate debt securities.
2	Industry Index stock group	30%	10%	The product of the index group value and the applicable index multiplier.
3	Broad index stock group	20%	10%	The product of the index group value and the applicable index multiplier.
4.	U.S. Government or U.S. Government Agency debt securities other than those exempted by SEA Rule 3a12-7*	5%	3%	The underlying principal amount.
5.	Listed non-equity securities and other margin eligible non-equity securities as defined in paragraphs (a)(15) and (a)(16).	15%	5%	The underlying principal amount.

6.	All other OTC options not covered above	45%	20%	The underlying principal amount.

* Option contracts under category (4) must be for a principal amount of not less than $500,000.

For the purpose of this paragraph (f)(2)(E)(iii), "in-the-money amounts" are determined as follows:

Option Issue	Call	Put
Stock options	Any excess of the current market value of the equivalent number of shares of the underlying security over the aggregate exercise price of the option.	Any excess of the aggregate exercise price of the option over the current market value of the equivalent number of shares of the underlying security.
Index stock group options	Any excess of the product of the index group value and the applicable multiplier over the aggregate exercise price of the option.	Any excess of the aggregate exercise price of the option over the product of the index group value and the applicable multiplier.
U.S. Government mortgage related or corporate debt securities options	Any excess of the current value of the underlying principal amount over the aggregate exercise price of the option.	Any excess of the aggregate exercise price of the option over the current value of the underlying principal amount.

(iv) OTC puts and calls representing options on U.S. Government and U.S. Government Agency debt securities that qualify for exemption pursuant to SEA Rule 3a12-7, must be for a principal amount of not less than $500,000, and shall be subject to the following requirements:a. For exempt accounts, as defined in paragraph (a)(13), 3 percent of the current value of the underlying principal amount on thirty (30) year U.S. Treasury bonds and non-mortgage backed U.S. Government agency debt securities; and 2 percent of the current value of the underlying principal amount on all other U.S. Government and U.S. Government agency debt securities, plus any "in-the-money amount" (as defined in paragraph (f)(2)(E)(iii)) or minus any "out-of-the-money amount" (as defined in paragraph (f)(2)(E)(i)). The amount of any deficiency between the equity in the account and the margin required shall be deducted in computing the net capital of the member under SEA Rule 15c3-1 and, if applicable, Rule 4110(a), on the following basis:

1. On any one account or group of commonly controlled accounts to the extent such deficiency exceeds 5 percent of a member's tentative net capital (as such term is defined in SEA Rule 15c3-1), 100 percent of such excess amount, and

2. On all accounts combined to the extent such deficiency exceeds 25 percent of a member's tentative net capital (as such term is defined in SEA Rule 15c3-1), 100 percent of such excess amount, reduced by any amount already deducted pursuant to subparagraph (a) above.

b. For non-exempt accounts, 5 percent of the current value of the underlying principal amount on thirty (30) year U.S. Treasury bonds and non-mortgage backed U.S. Government agency debt securities; and 3 percent of the current value of the underlying principal amount on all other U.S. Government and U.S. Government agency debt securities, plus any "in-the-money amount" or minus any "out-of-the-money amount," provided the minimum margin shall not be less than 1 percent of the current value of the underlying principal amount.

(F)(i) Each put or call shall be margined separately and any difference between the current market value of the underlying component and the exercise price of a put or call shall be considered to be of value only in providing the amount of margin required on that particular put or call. Substantial additional margin must be required on listed or OTC options carried "short" with an unusually long period of time to expiration, or written on securities which are subject to unusually rapid or violent changes in value, or which do not have an active market, or where the securities subject to the option cannot be liquidated promptly.

(ii) No margin need be required on any "covered" put or call.

(G)(i) Where both a listed put and call specify the same underlying component and are carried "short" for a customer, the amount of margin required shall be the margin on the put or call, whichever is greater, as required pursuant to paragraph (f)(2)(E)(i) above, plus the current market value on the other option.

When:

a. a currency call warrant position is carried "short" for a customer account and is offset by a "short" currency put warrant and/or currency put option position;

b. a currency put warrant position is carried "short" for a customer account and is offset by a "short" currency call warrant and/or currency put option position;

c. a currency index call warrant position is carried "short" for a customer account and is offset by a "short" currency index put warrant and/or currency put option position;

d. a currency index put warrant position is carried "short" for a customer account and is offset by a "short" currency index call warrant and/or currency index call option position;

e. a stock index call warrant position is carried "short" for a customer account and is offset by a "short" stock index put warrant and/or stock index put option position;

f. a stock index put warrant position is carried "short" for a customer account and is offset by a "short" stock index call warrant and/or stock index call option position;

g. an index call warrant position is carried "short" for a customer account and is offset by a "short" index put warrant and/or index put option position;

h. an index put warrant position is carried "short" for a customer account and is offset by a "short" index call warrant and/or index call option position;

i. a broad index stock group call option position is carried "short" for a customer account and is offset by a "short" broad index stock group put option position; or

j. a broad index stock group put option position is carried "short" for a customer account and is offset by a "short" broad index stock group call option position and the offset position is of equivalent underlying value on the same currency, currency index or index stock group, as appropriate,

then the amount of margin required shall be the margin on the put position or the call position, whichever is greater, as required pursuant to subparagraph (E)(i), plus the current market value of the other warrant and/or option position.

(ii) Where either or both the put and call specifying the same underlying component are not listed and are OTC and carried "short" for a customer by the same carrying broker-dealer (as defined in paragraph (f)(2)(H) below), the amount of margin required shall be the margin on the put or call, whichever is greater, as required pursuant to paragraphs (f)(2)(E)(iii) and (E)(iv) above, plus any unrealized loss on the other option. Where either or both the put or call are not listed or OTC and are carried by the same carrying broker-dealer then the put and call must be margined separately pursuant to paragraphs (f)(2)(E)(iii) and (E)(iv) above, however, the minimum margin shall not apply to the other option.

(iii) If both a put and call for the same GNMA obligation in the principal amount of $100,000 are listed or OTC and are carried "short" for a customer, the amount of margin required shall be the margin on the put or call, whichever is greater, as required pursuant to paragraph (f)(2)(E)(ii) above, plus the current market value of the other option.

(H)(i) For spreads as defined in paragraph (f)(2)(A)(xxxii) of this Rule, the margin required on the "short" options shall be the lesser of:

a. The margin required pursuant to paragraph (f)(2)(E); or

b. The maximum potential loss. The maximum potential loss is determined by computing the intrinsic value of the options at price points for the underlying security or instrument that are set to correspond to every exercise price present in the spread. The intrinsic values are netted at each price point. The maximum potential loss is the greatest loss, if any.

"Long" options must be paid for in full. The proceeds of the "short" options may be applied towards the cost of the "long" options and/or any margin requirement.

(ii) Where a call warrant issued on an underlying currency, index currency group or index stock group is carried "long" for a customer's account and the account is also "short" a listed call option, or index stock group, which "short" call position(s) expire on or before the date of expiration of the "long" call position and specify the same number of units of the same underlying currency or the same index multiplier for the same index currency group or index stock group, as the case may be, the margin required on the "short" call(s) shall be the requirement pursuant to paragraph (f)(2)(H)(i) above.

Where a put warrant issued on an underlying currency, index currency group or index stock group is carried "long" for a customer's account and the account is also "short" a listed put option, and/or a put warrant, on the same underlying currency, index currency group, or index stock group, which "short" put position(s) expire on or before the date of expiration of the "long" put position and specify the same number of units of the same underlying currency or the same index multiplier for the same index currency group or index stock group, as the case may be, the margin required on the "short" put(s) shall be the requirement pursuant to paragraph (f)(2)(H)(i) above.

(iii)a. For spreads as defined in paragraph (f)(2)(A)(xxxii) of this Rule, that are written on the same GNMA obligation in the principal amount of $100,000, the margin required on the "short" options shall be the lower of:

1. the margin required pursuant to paragraph (f)(2)(E)(ii) above; or

2. the maximum potential loss, as described in paragraph (f)(2)(H)(i)b. of this Rule, multiplied by the appropriate multiplier factor set forth below.

"Long" options must be paid for in full. The proceeds of the "short" options may be applied towards the cost of the "long" options and/or any margin requirement.

b. For purposes of this paragraph (f)(2)(H)(iii) the multiplier factor to be applied shall depend on the then current highest qualifying rate as defined by the rules of the national securities exchange on or through which the option is listed or traded. If the then current highest qualifying rate is less than 8 percent, the multiplier factor shall be 1; if the then current highest qualifying rate is greater than or equal to 8 percent but less than 10 percent, the multiplier factor shall be 1.2; if the then current highest qualifying rate is greater than or equal to 10 percent but less than 12 percent, the multiplier factor shall be 1.4; if the then current highest qualifying rate is greater than or equal to 12 percent but less than 14 percent, the multiplier factor shall be 1.5; if the then current highest qualifying rate is greater than or equal to 14 percent but less than 16 percent, the multiplier factor shall be 1.6; and if the then current highest qualifying rate is greater than or equal to 16 percent but less than or equal to 18 percent, the multiplier factor shall be 1.7. The multiplier factor or factors for higher qualifying rates shall be established by FINRA as required.

(iv) The "long" and "short" OTC option contracts that comprise a spread as defined in paragraph (f)(2)(A)(xxxii) must be issued and guaranteed by the **same** carrying broker-dealer and the carrying broker-dealer must also be a FINRA member. If the the "long" and "short" OTC option contracts are not issued and guaranteed by the **same** carrying broker-dealer, or if the carrying broker-dealer is not a FINRA member, then the "short" option contracts must be margined separately pursuant to paragraph (f)(2)(E)(iii) or (E)(iv) above.

(v) The following requirements set forth the minimum amount of margin that must be maintained in margin accounts of customers having positions in components underlying options, and stock index warrants, when such components are held in conjunction with certain positions in the overlying option or warrant. The option or warrant must be listed or OTC (as defined in this Rule). In the case of a call or warrant carried in a short position, a related long position in the underlying component shall be valued at no more than the call/warrant exercise price for margin equity purposes.

a. "Long" Option or Warrant Offset. When a component underlying an option or warrant is carried "long" ("short") in an account in which there is also carried a "long" put (call) or warrant specifying equivalent units of the underlying component, the minimum amount of margin that must be maintained on the underlying component is 10 percent of the aggregate option/warrant exercise price plus the "out-of-the-money" amount, not to exceed the minimum maintenance required pursuant to paragraph (c) of this Rule.

b. Conversions. When a call or warrant carried in a "short" position is covered by a "long" position in equivalent units of the underlying component and is also carried with a "long" put or warrant specifying equivalent units of the same underlying component and having the same exercise price and expiration date as the short call or warrant, the minimum amount of margin that must be maintained for the underlying component shall be 10 percent of the aggregate exercise price.

c. Reverse Conversions. When a put or warrant carried in a "short" position is covered by a "short" position in equivalent units of the underlying component and is also carried with a "long" call or warrant specifying equivalent units of the same underlying component and having the same exercise price and expiration date as the "short" put or warrant, the minimum amount of margin that must be maintained for the underlying component shall be 10 percent of the aggregate exercise price plus the amount by which the exercise price of the put exceeds the current market value of the underlying, if any.

d. Collars. When a call or warrant carried in a "short" position is covered by a "long" position in equivalent units of the underlying component and is also carried with a "long" put or warrant specifying equivalent units of the same underlying component and having a lower exercise price and the same expiration date as the "short" call/warrant, the minimum amount of margin that must be maintained for the underlying component shall be the lesser of 10 percent of the aggregate exercise price of the put plus the put "out-of-the-money" amount or 25 percent of the call aggregate exercise price.

e. "Long" Box Spread in European-Style Options. With respect to a "long" box spread as defined in paragraph (f)(2)(A) of this Rule, in which all component options have a European-style exercise provision and are listed or OTC (as defined in this Rule), margin must be deposited and maintained equal to at least 50 percent of the aggregate difference in the exercise prices. The net proceeds from the sale of "short" option components may be applied to the requirement. For margin purposes, the "long" box spread may be valued at an amount not to exceed 100 percent of the aggregate difference in the exercise prices.

(I)(i) Where a listed or OTC call is carried "short" against an existing net "long" position in the security underlying the option or in any security immediately exchangeable or convertible, other than warrants, without restriction including the payment of money into the security underlying the option, no margin need be required on the call, provided:

a. such net "long" position is adequately margined in accordance with this Rule; and

b. the right to exchange or convert the net "long" position does not expire on or before the date of expiration of the "short" call. Where a listed or OTC put is carried "short" against an existing net "short" position in the security underlying the option, no margin need be required on the put, provided such net "short" position is adequately margined in accordance with this Rule.

(ii) Where a listed or OTC call is carried "short" against an existing net "long" position in a warrant convertible into the security underlying the option, margin shall be required on the call equal to any amount by which the conversion price of the "long" warrant exceeds the exercise price of the call, provided:

a. such net "long" position is adequately margined in accordance with this Rule; and

b. the right to convert the net "long" position does not expire on or before the date of expiration of the "short" call. However, when a payment of money is required to convert the "long" warrant such warrant shall have no value for purposes of this Rule.

(iii) In determining net "long" and net "short" positions, for purposes of paragraphs (f)(2)(I)(i) and (ii) above, offsetting "long" and "short" positions in exchangeable or convertible securities (including warrants) or in the same security, as discussed in paragraph (e)(1), shall be deducted. In computing margin on such an existing net security position carried against a put or call, the current market price to be used shall not be greater than the exercise price in the case of a call or less than the current market price in the case of a put and the required margin shall be increased by any unrealized loss.

(iv) Where a listed or OTC put or call option or stock index warrant is carried "short" in the account of a customer, against an escrow agreement, that is in a form satisfactory to FINRA, is issued by a third party custodian bank or trust company (the "custodian"), either is held in the account at the time the put or call is written, or is received in the account promptly thereafter, and is in compliance with the requirements of Rule 610 of The Options Clearing Corporation, no margin need be required on the put or call.

In the case of a call option or warrant on a broad index stock group, the escrow agreement must certify that the custodian holds for the account of the customer as security for the agreement either cash, cash equivalents, one or more qualified securities, or any combination thereof, having an aggregate market value, computed as at the close of business on the day the call is written, of not less than 100 percent of the aggregate index value computed as at the same time and that the custodian will promptly pay the member the exercise settlement amount in the event the account is assigned an exercise notice. The escrow agreement may provide for substitution of qualified securities held as collateral provided that the substitution shall not cause the value of the qualified securities held to be diminished. A qualified security means an equity security, other than a warrant, right or option, that is registered on any national securities exchange.

In the case of a call on any other option contract, the escrow agreement must certify that the custodian holds for the account of the customer as security for the agreement, the underlying security (or a security immediately convertible into the underlying security without the payment of money) or foreign currency and that the custodian will promptly deliver to the member the underlying security or foreign currency in the event the account is assigned an exercise notice.

In the case of a put on an option contract (including a put on a broad index stock group) or stock index warrant, the escrow agreement must certify that the custodian holds for the account of the customer as security for the agreement, cash or cash equivalents which have an aggregate market value, computed as at the close of business on the day the put is written, of not less than 100 percent of the aggregate exercise price of the put and that the custodian will promptly pay the member the exercise settlement amount (in the case of a put on a broad index stock group) or the aggregate exercise price (in the case of any other put on an option contract) in the event the account is assigned an exercise notice. Cash equivalents shall mean those securities referred to in Section 220.2 of Regulation T.

(J) When a member guarantees an option or stock index warrant to receive or deliver securities or foreign currencies for a customer, such option or stock index warrant shall be margined as if it were a put or call.

(K)(i) Registered specialists, market makers or traders — Notwithstanding the other provisions of this paragraph (f)(2), a member may clear and carry the listed option transactions of one or more registered specialists, registered market makers or registered traders in options (whereby registered traders are deemed specialists for all purposes under the Exchange Act, pursuant to the rules of a national securities exchange) (hereinafter referred to as "specialist(s)"), upon a "Good Faith" margin basis satisfactory to the concerned parties, provided the "Good Faith" margin requirement is not less than the net capital haircut deduction of the member carrying the transaction pursuant to SEA Rule 15c3-1 and, if applicable, Rule 4110(a). In lieu of collecting the "Good Faith" margin requirement, a carrying member may elect to deduct in computing its net capital the amount of any deficiency between the equity maintained in the account and the "Good Faith" margin required.

For purposes of this paragraph (f)(2)(K), a permitted offset position means, in the case of an option in which a specialist or market maker makes a market, a position in the underlying asset or other related assets, and in the case of other securities in which a specialist or market maker makes a market, a position in options overlying the securities in which a specialist or market maker makes a market. Accordingly, a specialist or market maker in options may establish, on a share-for-share basis, a long or short position in the securities underlying the options in which the specialist or market maker makes a market, and a specialist or market maker in securities other than options may purchase or write options overlying the securities in which the specialist or market maker makes a market, if the account holds the following permitted offset positions:

a. A "short" option position which is not offset by a "long" or "short" option position for an equal or greater number of shares of the same underlying security which is "in the money";

b. A "long" option position which is not offset by a "long" or "short" option position for an equal or greater number of shares of the same underlying security which is "in the money";

c. A "short" option position against which an exercise notice was tendered;

d. A "long" option position which was exercised;

e. A net "long" position in a security (other than an option) in which a specialist or market maker makes a market;

f. A net "short" position in a security (other than an option) in which the specialist or market maker makes a market; or

g. A specified portfolio type as referred to in SEA Rule 15c3-1, including its appendices, or any applicable SEC staff interpretation or no-action position.

Permitted offset transactions must be effected for specialist or market making purposes such as hedging, risk reduction, rebalancing of positions, liquidation, or accommodation of customer orders, or other similar specialist or market maker purpose. The specialist or market maker must be able to demonstrate compliance with this provision.

For purposes of this paragraph (f)(2)(K), the term "in the money" means the current market price of the underlying asset or index is not below (with respect to a call option) or above (with respect to a put option) the exercise price of the option; and, the term "overlying option" means a put option purchased or a call option written against a "long" position in an underlying asset; or a call option purchased or a put option written against a "short" position in an underlying asset.

(ii) Securities, including options, in such accounts shall be valued conservatively in the light of current market prices and the amount which might be realized upon liquidation. Substantial additional margin must be required or excess net capital maintained in all cases where the securities carried:

a. are subject to unusually rapid or violent changes in value including volatility in the expiration months of options;

b. do not have an active market; or

c. in one or more or all accounts, including proprietary accounts combined, are such that they cannot be liquidated promptly or represent undue concentration of risk in view of the carrying member's net capital and its overall exposure to material loss.

(L) FINRA may at any time impose higher margin requirements with respect to any option or warrant position(s) when it deems such higher margin requirements are appropriate.

(M) Exclusive designation — A customer may designate at the time an option order is entered which security position held in the account is to serve in lieu of the required margin, if such service is offered by the member; or the customer may have a standing agreement with the member as to the method to be used for determining on any given day which security position will be used in lieu of the margin to support an option transaction. Any security held in the account which serves in lieu of the required margin for a short put or short call shall be unavailable to support any other option transaction in the account.

(N) Cash account transactions — A member may make option transactions in a customer's cash account, provided that:

(i) The transaction is permissible under Regulation T, Section 220.8; or

(ii) A spread, as defined in paragraph (f)(2)(A)(xxxii) of this Rule, comprised of European-style cash-settled index stock group options, or a "short" stock index warrant and a "long" stock index warrant, having the same underlying component or index that is based on the same aggregate current underlying value, that is held in or purchased for the account on the same day, is deemed a covered position and eligible for the cash account provided that:

a. the "long" positions and the "short" positions expire concurrently;

b. the "long" positions are paid in full; and

c. there is held in the account at the time the positions are established, or received into the account promptly thereafter:

1. cash or cash equivalents of not less than the maximum loss, as described in paragraph (f)(2)(H)(i)b. of this Rule, to which net proceeds from the sale of the "short" positions may be applied, or

2. an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement i. cash, ii. cash equivalents, or iii. a combination thereof having an aggregate market value at the time the positions are established of not less than the maximum loss, as described in paragraph (f)(2)(H)(i)b. of this Rule and that the bank will promptly pay the member such amount in the event the account is assigned an exercise notice or that the bank will promptly pay the member sufficient funds to purchase a warrant sold "short" in the event of a buy-in.

d. A "long" warrant may offset a "short" option contract and a "long" option contract may offset a "short" warrant provided that they have the same underlying component or index and equivalent aggregate current underlying value. In the event that the "long" position is not listed, it must be guaranteed by the carrying broker-dealer; otherwise the "short" position is not eligible for the cash account and must be margined separately pursuant to paragraph (f)(2)(E).

(3) "When Issued" and "When Distributed" Securities

(A) Margin Accounts

The margin to be maintained on any transaction or net position in each "when issued" security shall be the same as if such security were issued.

Each position in a "when issued" security shall be margined separately and any unrealized profit shall be of value only in providing the amount of margin required on that particular position.

When an account has a "short" position in a "when issued" security and there are held in the account securities upon which the "when issued" security may be issued, such "short" position shall be marked to the market and the balance in the account shall for the purpose of this Rule be adjusted for any unrealized loss in such "short" position.

(B) Cash Accounts

On any transaction or net position resulting from contracts for a "when issued" security in an account other than that of a member, non-member broker-dealer, or a "designated account," equity must be maintained equal to the margin required were such transaction or position in a margin account.

On any net position resulting from contracts for a "when issued" security made for or with a non-member broker-dealer, no margin need be required, but such net position must be marked to the market.

On any net position resulting from contracts for a "when issued" security made for a member or a "designated account," no margin need be required and such net position need not be marked to the market. However, where such net position is not marked to the market, an amount equal to the loss at the market in such position shall be charged against the member's net capital as provided in SEA Rule 15c3-1 and, if applicable, Rule 4110(a).

The provisions of this paragraph (f)(3) shall not apply to any position resulting from contracts on a "when issued" basis in a security:

(i) which is the subject of a primary distribution in connection with a bona fide offering by the issuer to the general public for "cash," or

(ii) which is exempt by FINRA as involving a primary distribution. The term "when issued" as used herein also means "when distributed."

(4) Guaranteed Accounts

Any account guaranteed by another account may be consolidated with such other account and the margin to be maintained may be determined on the net position of both accounts, provided the guarantee is in writing and permits the member carrying the account, without restriction, to use the money and securities in the guaranteeing account to carry the guaranteed account or to pay any deficit therein; and provided further that such guaranteeing account is not owned directly or indirectly by (i) a member, or any stockholder (other than a holder of freely transferable stock only) in the member carrying such account, or (ii) a member, or any stockholder (other than a holder of freely transferable stock only) therein having a definite arrangement for participating in the commissions earned on the guaranteed account. However, the guarantee of a limited partner or of a holder of non-voting stock, if based upon his resources other than his capital contribution to or other than his interest in a member, is not affected by the foregoing prohibition, and such a guarantee may be taken into consideration in computing margin to be maintained in the guaranteed account.

When one or more accounts are guaranteed by another account and the total margin deficiencies guaranteed by any guarantor exceeds 10 percent of the member's excess net capital, the amount of the margin deficiency being guaranteed in excess of 10 percent of excess net capital shall be charged against the member's net capital when computing net capital under SEA Rule 15c3-1 and, if applicable, Rule 4110(a).

(5) Consolidation of Accounts