

When two or more accounts are carried for a customer, the margin to be maintained may be determined on the net position of said accounts, provided the customer has consented that the money and securities in each of such accounts may be used to carry or pay any deficit in all such accounts.

(6) Time Within Which Margin or "Mark to Market" Must Be Obtained

The amount of margin or "mark to market" required by any provision of this Rule shall be obtained as promptly as possible and in any event within 15 business days from the date such deficiency occurred, unless FINRA has specifically granted the member additional time.

(7) Practice of Meeting Regulation T Margin Calls by Liquidation Prohibited

When a "margin call," as defined in Section 220.2 of Regulation T, is required in a customer's account, no member shall permit a customer to make a practice of either deferring the deposit of cash or securities beyond the time when such transactions would ordinarily be settled or cleared, or meeting the margin required by the liquidation of the same or other commitments in the account.

This prohibition on liquidations shall not apply (i) to those accounts that, at the time of liquidation, are in compliance with the equity to be maintained pursuant to the provisions of this Rule or (ii) to any account carried on an omnibus basis as prescribed by Regulation T.

(8) Special Initial and Maintenance Margin Requirements(A) Notwithstanding the other provisions of this Rule, FINRA may, whenever it shall determine that market conditions so warrant, prescribe:

(i) higher initial margin requirements for the purpose of effecting new securities transactions and commitments in accounts of customers with respect to specific securities;

(ii) higher maintenance margin requirements for accounts of customers with respect to any securities; and

(iii) such other terms and conditions as FINRA shall deem appropriate relating to initial and/or maintenance margin requirements for accounts of customers with respect to any securities.

(B) Day Trading(i) The term "day trading" means the purchasing and selling or the selling and purchasing of the same security on the same day in a margin account except for:

a. a "long" security position held overnight and sold the next day prior to any new purchase of the same security, or

b. a "short" security position held overnight and purchased the next day prior to any new sale of the same security.

(ii) The term "pattern day trader" means any customer who executes four or more day trades within five business days. However, if the number of day trades is 6 percent or less of total trades for the five business day period, the customer will not be considered a pattern day trader and the special requirements under paragraph (f)(8)(B)(iv) of this Rule will not apply. In the event that the member at which a customer seeks to open an account or to resume day trading knows or has a reasonable basis to believe that the customer will engage in pattern day trading, then the special requirements under paragraph (f)(8)(B)(iv) of this Rule will apply.

(iii) The term "day-trading buying power" means the equity in a customer's account at the close of business of the previous day, less any maintenance margin requirement as prescribed in paragraph (c) of this Rule, multiplied by four for equity securities.

The day-trading buying power for non-equity securities may be computed using the applicable special maintenance margin requirements pursuant to other provisions of this Rule.

Whenever day trading occurs in a customer's margin account the special maintenance margin required, based on the cost of all the day trades made during the day, shall be 25 percent for margin eligible equity securities, and 100 percent for non-margin eligible equity securities. For non-equity securities, the special maintenance margin shall be as required pursuant to the other provisions of this Rule. Alternatively, when two or more day trades occur on the same day in the same customer's account, the margin required may be computed utilizing the highest (dollar amount) open position during that day. To utilize the highest open position computation method, a record showing the "time and tick" of each trade must be maintained to document the sequence in which each day trade was completed.

When the equity in a customer's account, after giving consideration to the other provisions of this Rule, is not sufficient to meet the day trading requirements of this paragraph, additional cash or securities must be received into the account to meet any deficiency within five business days of the trade date.

(iv) Special Requirements for Pattern Day Traders

a. Minimum Equity Requirement for Pattern Day Traders — The minimum equity required for the accounts of customers deemed to be pattern day traders shall be \$25,000. This minimum equity must be deposited in the account before such customer may continue day trading and must be maintained in the customer's account at all times.

b. In the event that the member at which a customer seeks to open an account or resume day trading in an existing account, knows or has a reasonable basis to believe that the customer will engage in pattern day trading, then the minimum equity required under subparagraph (iv)a. above (\$25,000) must be deposited in the account prior to commencement of day trading.

c. Pattern day traders cannot trade in excess of their day-trading buying power as defined in paragraph (f)(8)(B)(iii) above. In the event a pattern day trader exceeds its day-trading buying power, which creates a special maintenance margin deficiency, the following actions will be taken by the member:

1. The account will be margined based on the cost of all the day trades made during the day,
2. The customer's day-trading buying power will be limited to the equity in the customer's account at the close of business of the previous day, less the maintenance margin required in paragraph (c) of this Rule, multiplied by two for equity securities, and
3. "time and tick" (i.e., calculating margin using each trade in the sequence that it is executed, using the highest open position during the day) may not be used.

d. Pattern day traders who fail to meet their special maintenance margin calls as required within five business days from the date the margin deficiency occurs will be permitted to execute transactions only on a cash available basis for 90 days or until the special maintenance margin call is met.

e. Pattern day traders are restricted from using the guaranteed account provision pursuant to paragraph (f)(4) of this Rule for meeting the requirements of paragraph (f)(8)(B).

f. Funds deposited into a pattern day trader's account to meet the minimum equity or maintenance margin requirements of paragraph (f)(8)(B) of this Rule cannot be withdrawn for a minimum of two business days following the close of business on the day of deposit.

(v) In the event a customer does not meet a special margin maintenance call by the fifth business day, then on the sixth business day only, members are required to deduct from net capital the amount of the unmet special margin maintenance call pursuant to SEA Rule 15c3-1 and, if applicable, Rule 4110(a).

(9) Free-Riding in Cash Accounts Prohibited

No member shall permit a customer (other than a broker-dealer) to make a practice, directly or indirectly, of effecting transactions in a cash account where the cost of securities purchased is met by the sale of the same securities. No member shall permit a customer to make a practice of selling securities with them in a cash account which are to be received against payment from another broker-dealer where such securities were purchased and are not yet paid for. A member transferring an account which is subject to a Regulation T 90-day freeze to another member shall inform the receiving member of such 90-day freeze.

The provisions of Section 220.8(c) of Regulation T dictate the prohibitions and exceptions against customers' free-riding. Members may apply to FINRA in writing for waiver of a 90-day freeze not exempted by Regulation T.

(10) Customer Margin Rules Relating to Security Futures

(A) Applicability

No member may effect a transaction involving, or carry an account containing, a security futures contract with or for a customer in a margin account, without obtaining proper and adequate margin as set forth in this subparagraph.

(B) Amount of customer margin

(i) General Rule. As set forth in paragraphs (b) and (c) of this Rule, the minimum initial and maintenance margin levels for each security futures contract, long and short, shall be 20 percent of the current market value of such contract.

(ii) Excluded from the Rule's requirements are arrangements between a member and a customer with respect to the customer's financing of proprietary positions in security futures, based on the member's good faith determination that the customer is an "Exempted Person," as defined in Rule 401(a)(9) of SEC Customer Margin Requirements for Security Futures, and Rule 41.43(a)(9) under the CEA, except for the proprietary account of a broker-dealer carried by a member pursuant to paragraph (e)(6)(A) of this Rule. Once a registered broker or dealer, or member of a national securities exchange ceases to qualify as an "Exempted Person," it shall notify the member of this fact before establishing any new security futures positions. Any new security futures positions will be subject to the provisions of this subparagraph.

(iii) Permissible Offsets.

Notwithstanding the minimum margin levels specified in paragraph (f)(10)(B)(i) of this Rule, customers with offset positions involving security futures and related positions may have initial or maintenance margin levels (pursuant to the offset table below) that are lower than the levels specified in paragraph (f)(10)(B)(i) of this Rule.

	Description of Offset	Security Underlying the Security Future	Initial Margin Requirement	Maintenance Margin Requirement
(1)	"Long" security future (or basket of security futures representing each component of a narrow-based securities index) and "long" put option on the same underlying security (or index).	Individual stock or narrow-based security index.	20 percent of the current market value of the "long" security future, plus pay for the "long" put in full.	The lower of: (1) 10 percent of the aggregate exercise price of the put plus the aggregate put out-of-the-money amount, if any; or (2) 20 percent of the current market value of the "long" security future.
(2)	"Short" security future (or basket of security futures representing each component of a narrow-based securities index) and "short" put option on the same underlying security (or index).	Individual stock or narrow-based security index.	20 percent of the current market value of the "short" security future, plus the aggregate put in-the-money amount, if any. Proceeds from the put sale may be applied.	20 percent of the current market value of the "short" security future, plus the aggregate put in-the-money amount, if any.
(3)	"Long" security future and "short" position in the same security (or securities basket) underlying the security future.	Individual stock or narrow-based security index.	The initial margin required under Regulation T for the "short" stock or stocks.	5 percent of the current market value as defined in Regulation T of the stock or stocks underlying the security future.
(4)	"Long" security future (or basket of security futures representing each component of a narrow-based securities index) and "short" call option on the same underlying security (or index).	Individual stock or narrow-based security index.	20 percent of the current market value of the "long" security future, plus the aggregate call in-the-money amount, if any. Proceeds from the call sale may be applied.	20 percent of the current market value of the "long" security future, plus the aggregate call in-the-money amount, if any.
(5)	"Long" a basket of narrow-based security futures that together tracks a broad based index and "short" a broad-based security index call option contract on the same index.	Narrow-based security index.	20 percent of the current market value of the "long" basket of narrow-based security futures, plus the aggregate call in-the-money amount, if any. Proceeds from the call sale may be applied.	20 percent of the current market value of the "long" basket of narrow-based security futures, plus the aggregate call in-the-money amount, if any.
(6)	"Short" a basket of narrow-based security futures that together tracks a broad-based security index and "short" a broad-based security index put option contract on the same index.	Narrow-based security index.	20 percent of the current market value of the "short" basket of narrow-based security futures, plus the aggregate put in-the-money amount, if any. Proceeds from the put sale may be applied.	20 percent of the current market value of the "short" basket of narrow-based security futures, plus the aggregate put in-the-money amount, if any.
(7)	"Long" a basket of narrow-based security futures that together tracks a broad-based security index and "long" a broad-based security index put option contract on the same index.	Narrow-based security index.	20 percent of the current market value of the long basket of narrow-based security futures, plus pay for the long put in full.	The lower of: (1) 10 percent of the aggregate exercise price of the put, plus the aggregate put out-of-the-money amount, if any; or (2) 20 percent of the current market value of the long basket of security futures.

(8)	"Short" a basket of narrow-based security futures that together tracks a broad-based security index and "long" a broad-based security index call option contract on the same index.	Narrow-based security index.	20 percent of the current market value of the "short" basket of narrow-based security futures, plus pay for the "long" call in full.	The lower of: (1) 10 percent of the aggregate exercise price of the call, plus the aggregate call out-of-the-money amount, if any; or (2) 20 percent of the current market value of the "short" basket of security futures.
(9)	"Long" security future and "short" security future on the same underlying security (or index).	Individual stock or narrow-based security index.	The greater of: (1) 5 percent of the current market value of the "long" security future; or (2) 5 percent of the current market value of the "short" security future.	The greater of: (1) 5 percent of the current market value of the "long" security future; or (2) 5 percent of the current market value of the "short" security future.
(10)	"Long" security future, "long" put option and "short" call option. The "long" security future, "long" put and "short" call must be on the same underlying security and the put and call must have the same exercise price. (Conversion)	Individual stock or narrow-based security index.	20 percent of the current market value of the "long" security future, plus the aggregate call in-the-money amount, if any, plus pay for the put in full. Proceeds from the call sale may be applied.	10 percent of the aggregate exercise price, plus the aggregate call in-the-money amount, if any.
(11)	"Long" security future, "long" put option and "short" call option. The "long" security future, "long" put and "short" call must be on the same underlying security and the put exercise price must be below the call exercise price. (Collar)	Individual stock or narrow-based security index.	20 percent of the current market value of the long security future, plus the aggregate call in-the-money amount, if any, plus pay for the put in full. Proceeds from call sale may be applied.	The lower of: (1) 10 percent of the aggregate exercise price of the put plus the aggregate put out-of-the-money amount, if any; or (2) 20 percent of the aggregate exercise price of the call, plus the aggregate call in-the-money amount, if any.
(12)	"Short" security future and "long" position in the same security (or securities basket) underlying the security future.	Individual stock or narrow-based security index.	The initial margin required under Regulation T for the "long" security or securities.	5 percent of the current market value, as defined in Regulation T, of the long stock or stocks.
(13)	"Short" security future and "long" position in a security immediately convertible into the same security underlying the security future, without restriction, including the payment of money.	Individual stock or narrow-based security index.	The initial margin required under Regulation T for the "long" security or securities.	10 percent of the current market value, as defined in Regulation T, of the long stock or stocks.
(14)	"Short" security future (or basket of security futures representing each component of a narrow-based securities index) and "long" call option or warrant on the same underlying security (or index).	Individual stock or narrow-based security index.	20 percent of the current market value of the short security future, plus pay for the call in full.	The lower of: (1) 10 percent of the aggregate exercise price of the put plus the aggregate put out-of-the-money amount, if any; or (2) 20 percent of the current market value of the short security future.

(15)	"Short" security future, "short" put option and "long" call option. The "short" security future, "short" put and "long" call must be on the same underlying security and the put and call must have the same exercise price. (Reverse Conversion)	Individual stock or narrow-based security index.	20 percent of the current market value of the "short" security future, plus the aggregate put in-the-money amount, if any, plus pay for the call in full. Proceeds from put sale may be applied.	10 percent of the aggregate exercise price, plus the aggregate put in-the-money amount, if any.
(16)	"Long" ("short") a security future and short ("long") an identical ¹ security future traded on a different market.	Individual stock and narrow-based security index.	The greater of: (1) 3 percent of the current market value of the "long" security future(s); or (2) 3 percent of the current market value of the short security future(s).	The greater of: (1) 3 percent of the current market value of the "long" security future(s); or (2) 3 percent of the current market value of the "short" security future(s).
(17)	"Long" ("short") a basket of security futures that together tracks a narrow-based index and "short" ("long") a narrow-based index future.	Individual stock and narrow-based security index.	The greater of: (1) 5 percent of the current market value of the "long" security future(s); or (2) 5 percent of the current market value of the "short" security future(s).	The greater of: (1) 5 percent of the current market value of the "long" security future(s); or (2) 5 percent of the current market value of the "short" security future(s).

¹ Two security futures contracts will be considered "identical" for this purpose if they are issued by the same clearing agency or cleared and guaranteed by the same derivatives clearing organization, have identical specifications, and would offset each other at the clearing level.

(C) Definitions

For the purposes of paragraph (f)(10) of this Rule and the offset table noted above, with respect to the term "security futures contracts," the following terms shall have the meanings specified below:

(i) The term "security futures contract" means a "security future" as defined in Section 3(a)(55) of the Exchange Act.

(ii) The term "current market value" has the same meaning as defined in Rule 401(a)(4) of SEC Customer Margin Requirements for Security Futures and Rule 41.43(a)(4) under the CEA.

(iii) The term "underlying security" means, in the case of physically settled security futures contracts, the security that is delivered upon expiration of the contract, and, in the case of cash settled security futures contracts, the security or securities index the price or level of which determines the final settlement price for the security futures contract upon its expiration.

(iv) The term "underlying basket" means, in the case of a securities index, a group of security futures contracts where the underlying securities as defined in subparagraph (iii) above include each of the component securities of the applicable index and that meets the following conditions: (1) the quantity of each underlying security is proportional to its representation in the index, (2) the total market value of the underlying securities is equal to the aggregate value of the applicable index, (3) the basket cannot be used to offset more than the number of contracts or warrants represented by its total market value, and (4) the security futures contracts shall be unavailable to support any other contract or warrant transaction in the account.

(v) The term "underlying stock basket" means a group of securities that includes each of the component securities of the applicable index and that meets the following conditions: (1) the quantity of each stock in the basket is proportional to its representation in the index, (2) the total market value of the basket is equal to the underlying index value of the index options or warrants to be covered, (3) the securities in the basket cannot be used to cover more than the number of index options or warrants represented by that value, and (4) the securities in the basket shall be unavailable to support any other option or warrant transaction in the account.

(vi) The term "variation settlement" has the same meaning as defined in Rule 401(a) of SEC Customer Margin Requirements for Security Futures and Rule 41.43(a)(32) under the CEA.

(D) Security Futures Dealers' Accounts

(i) Notwithstanding the other provisions of this paragraph (f)(10), a member may carry and clear the market maker permitted offset positions (as defined below) of one or more security futures dealers in an account that is limited to market maker transactions, upon a "Good Faith" margin basis that is 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 the purpose of this paragraph (f)(10)(D), the term "security futures dealer" means (1) a member of a national securities exchange or a national securities association registered pursuant to Section 15A(a) of the Exchange Act; (2) is registered with such exchange or association as a security futures dealer pursuant to rules that are effective in accordance with Section 19(b)(2) of the Exchange Act and, as applicable Section 5c(c) of the CEA, that: (a) requires such member to be registered as a floor trader or a floor broker with the CFTC under Section 4f(a)(1) of the CEA, or as a dealer with the SEC under Section 15(b) of the Exchange Act; (b) requires such member to maintain sufficient records to prove compliance with the rules of the exchange or association of which it is a member; (c) requires such member to hold itself out as being willing to buy and sell security futures for its own account on a regular and continuous basis; and (d) provides for disciplinary action, including revocation of such member's registration as a security futures dealer, for such member's failure to comply with Rules 400 through 406 of SEC Customer Margin Requirements for Security Futures and Rules 41.42 through 41.49 of the CEA or the rules of the exchange or association of which the security futures dealer is a member.

(ii) For purposes of this paragraph (f)(10)(D), a permitted offset position means in the case of a security futures contract in which a security futures dealer makes a market, a position in the underlying asset or other related assets, or positions in options overlying the asset or related assets. Accordingly, a security futures dealer may establish a long or short position in the assets underlying the security futures contracts in which the security futures dealer makes a market, and may purchase or write options overlying those assets if the account holds the following permitted offset positions:

- a. A "long" position in the security futures contract or underlying asset offset by a "short" option position that is "in or at the money";
- b. A "short" position in the security futures contract or underlying asset offset by a "long" option position that is "in or at the money";
- c. A position in the underlying asset resulting from the assignment of a market-maker "short" option position or making delivery in respect of a short security futures contract;
- d. A position in the underlying asset resulting from the assignment of a market-maker "long" option position or taking delivery in respect of a long security futures contract;
- e. A net "long" position in a security futures contract in which a security futures dealer makes a market or the underlying asset;
- f. A net "short" position in a security futures contract in which a security futures dealer makes a market or the underlying asset; or
- g. An offset position as defined in SEA Rule 15c3-1, including its appendices, or any applicable SEC staff interpretation or no-action position.

(E) Approved Options Specialists' or Approved Market Makers' Accounts

(i) Notwithstanding the other provisions of paragraphs (f)(10) and (f)(2)(K), a member may carry and clear the market maker permitted offset positions (as defined below) of one or more approved options specialists or approved market makers in an account that is limited to bona fide approved options specialist or approved market maker transactions, upon a "Good Faith" margin basis that is 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 the purpose of this paragraph (f)(10)(E), the term "approved options specialist" or "approved market maker" means a specialist, market maker, or registered trader in options as referenced in paragraph (f)(2)(K) of this Rule, who is deemed a specialist for all purposes under the Exchange Act and who is registered pursuant to the rules of a national securities exchange.

(ii) For purposes of this paragraph (f)(10)(E), a permitted offset position means a position in the underlying asset or other related assets. Accordingly, a specialist or market maker may establish a long or short position in the assets underlying the options in which the specialist or market maker makes a market, or a security futures contract thereon, if the account holds the following permitted offset positions:

- a. A "long" position in the underlying instrument or security futures contract offset by a "short" option position that is "in or at the money";
- b. A "short" position in the underlying instrument or security futures contract offset by a "long" option position that is "in or at the money";
- c. A stock position resulting from the assignment of a market-maker short option position or delivery in respect of a "short" security futures contract;
- d. A stock position resulting from the exercise of a market maker "long" option position or taking delivery in respect of a long security futures contract;

- e. A net "long" position in a security (other than an option) in which the market maker makes a market;
- f. A net "short" position in a security (other than an option) in which the market maker makes a market; or
- g. An offset position as defined in SEA Rule 15c3-1, including its appendices, or any applicable SEC staff interpretation or no-action position.

(iii) For purposes of paragraphs (f)(10)(D) and (E), the term "in or at the money" means that the current market price of the underlying security is not more than two standard exercise intervals below (with respect to a call option) or above (with respect to a put option) the exercise price of the option; the term "in the money" means that 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; 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.

(iv) Securities, including options and security futures contracts, in such accounts shall be valued conservatively in light of current market prices and the amount that 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 or security futures contracts, (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.

(F) Approved Specialists' and Approved Market Makers' Accounts — Others

(i) Notwithstanding the other provisions of paragraphs (f)(10) and (f)(2)(K), a member may carry the account of an "approved specialist" or "approved market maker" which account is limited to bona fide specialist or market making transactions including hedge transactions with security futures contracts upon a margin basis that is satisfactory to both parties. The amount of any deficiency between the equity in the account and haircut requirement pursuant to SEA Rule 15c3-1 and, if applicable, Rule 4110(a), shall be charged against the member's net capital when computing net capital under SEA Rule 15c3-1 and Rule 4110(a).

(ii) For purposes of this paragraph (f)(10)(F), the term "approved specialist" or "approved market maker" means a specialist or market maker who is deemed a specialist or market maker for all purposes under the Exchange Act and who is registered pursuant to the rules of a national securities exchange.

(G) Additional Requirements

(i) Money market mutual funds, as defined in Rule 2a-7 under the Investment Company Act, can be used for satisfying margin requirements under this paragraph (f)(10), provided that the requirements of Rule 404(b) of SEC Customer Margin Requirements for Security Futures and Rule 41.46(b)(2) under the CEA are satisfied.

(ii) Day trading of security futures is subject to the minimum requirements of this Rule. If deemed a pattern day trader, the customer must maintain equity of \$25,000. The 20 percent requirement, for security futures contracts, should be calculated based on the greater of the initial or closing transaction and any amount exceeding FINRA excess must be collected. The creation of a customer call subjects the account to all the restrictions contained in paragraph (f)(8)(B) of this Rule.

(iii) The use of the "time and tick" method is based on the member's ability to substantiate the validity of the system used. Lacking this ability dictates the use of the aggregate method.

(iv) Security futures contracts transacted or held in a futures account shall not be subject to any provision of this Rule.

(g) Portfolio Margin

As an alternative to the "strategy-based" margin requirements set forth in paragraphs (a) through (f) of this Rule, members may elect to apply the portfolio margin requirements set forth in this paragraph (g) to all margin equity securities,¹ listed options, security futures products (as defined in Section 3(a)(56) of the Exchange Act), unlisted derivatives, warrants, stock index warrants, and related instruments (as defined in paragraph (g)(2)(D)), provided that the requirements of paragraph (g)(6)(B)(i) of this Rule are met.

In addition, a member, provided that it is a Futures Commission Merchant ("FCM") and is either a clearing member of a futures clearing organization or has an affiliate that is a clearing member of a futures clearing organization, is permitted under this paragraph (g) to combine an eligible participant's related instruments with listed index options, unlisted derivatives, options on exchange traded funds ("ETF"), stock index warrants and underlying instruments and compute a margin requirement for such combined products on a portfolio margin basis.

The portfolio margin provisions of this Rule shall not apply to Individual Retirement Accounts ("IRAs").

(1) Monitoring

Members must monitor the risk of portfolio margin accounts and maintain a comprehensive written risk analysis methodology for assessing the potential risk to the member's capital over a specified range of possible market movements of positions maintained in such accounts. The risk analysis methodology shall specify the computations to be made, the frequency of computations, the records to be reviewed and maintained, and the person(s) within the organization responsible for the risk function. This risk analysis methodology must be filed with FINRA, or the member's designated examining authority ("DEA") if other than FINRA, and submitted to the SEC prior to the implementation of portfolio margining. In performing the risk analysis of portfolio margin accounts required by this Rule, each member shall include in the written risk analysis methodology procedures and guidelines for:

- (A) obtaining and reviewing the appropriate account documentation and financial information necessary for assessing the amount of credit to be extended to eligible participants;
- (B) the determination, review and approval of credit limits to each eligible participant, and across all eligible participants, utilizing a portfolio margin account;
- (C) monitoring credit risk exposure to the member from portfolio margin accounts, on both an intra-day and end of day basis, including the type, scope and frequency of reporting to senior management;
- (D) the use of stress testing of portfolio margin accounts in order to monitor market risk exposure from individual accounts;
- (E) the regular review and testing of these risk analysis procedures by an independent unit such as internal audit or other comparable group;
- (F) managing the impact of credit extended related to portfolio margin accounts on the member's overall risk exposure;
- (G) the appropriate response by management when limits on credit extensions related to portfolio margin accounts have been exceeded;
- (H) determining the need to collect additional margin from a particular eligible participant, including whether that determination was based upon the creditworthiness of the participant and/or the risk of the eligible product; and
- (I) monitoring the credit exposure resulting from concentrated positions within both individual portfolio margin accounts and across all portfolio margin accounts.

Moreover, management must periodically review, in accordance with written procedures, the member's credit extension activities for consistency with these guidelines. Management must periodically determine if the data necessary to apply this paragraph (g) is accessible on a timely basis and information systems are available to adequately capture, monitor, analyze and report relevant data.

(2) Definitions — For purposes of this paragraph (g), the following terms shall have the meanings specified below:

(A) The term "listed option" means any equity-based or equity index-based option traded on a registered 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).

(B) The term "portfolio" means any eligible product, as defined in paragraph (g)(6)(B)(i), grouped with its underlying instruments and related instruments.

(C) The term "product group" means two or more portfolios of the same type (see table in paragraph (g)(2)(F) below) for which it has been determined by SEA Rule 15c3-1a that a percentage of offsetting profits may be applied to losses at the same valuation point.

(D) The term "related instrument" within a security class or product group means broad-based index futures and options on broad-based index futures covering the same underlying instrument. The term "related instrument" does not include security futures products.

(E) The term "security class" refers to all listed options, security futures products, unlisted derivatives, and related instruments covering the same underlying instrument and the underlying instrument itself.

(F) The term "theoretical gains and losses" means the gain and loss in the value of individual eligible products and related instruments at ten equidistant intervals (valuation points) ranging from an assumed movement (both up and down) in the current market value of the underlying instrument. The magnitude of the valuation point range shall be as follows:

Portfolio Type	Up / Down Market Move (High & Low Valuation Points)
High Capitalization, Broad-based Market Index ²	+6% / -8%
Non-High Capitalization, Broad-based Market Index ³	+/- 10%
Any other eligible product that is, or is based on, an equity security or a narrow-based index	+/- 15%

(G) The term "underlying instrument" means a security or security index upon which any listed option, unlisted derivative, security future, or broad-based index future is based.

(H) The term "unlisted derivative" means any equity-based or equity index-based option, forward contract, or security-based swap that can be valued by a theoretical pricing model approved by the SEC and that is neither traded on a national securities exchange, nor issued and guaranteed by a registered clearing agency and shall not include an OCC Cleared OTC Option (as defined in Rule 2360).

(3) Approved Theoretical Pricing Models — Theoretical pricing models must be approved by the SEC.

(4) Eligible Participants — The application of the portfolio margin provisions of this paragraph (g) is limited to the following:

(A) any broker or dealer registered pursuant to Section 15 of the Exchange Act;

(B) any member of a national futures exchange to the extent that listed index options, unlisted derivatives, options on ETFs, stock index warrants or underlying instruments hedge the member's index futures; and

(C) any person or entity not included in paragraphs (g)(4)(A) and (g)(4)(B) above approved for uncovered options and, if transactions in security futures are to be included in the account, approval for such transactions is also required. However, an eligible participant under this paragraph (g) (4)(C) may not establish or maintain positions in unlisted derivatives unless minimum equity of at least \$5 million is established and maintained with the member. For purposes of this minimum equity requirement, all securities and futures accounts carried by the member for the same eligible participant may be combined provided ownership across the accounts is identical. A guarantee pursuant to paragraph (f)(4) of this Rule is not permitted for purposes of the minimum equity requirement.

(5) Opening of Accounts

(A) Members must notify and receive approval from FINRA, or the member's DEA if other than FINRA, prior to establishing a portfolio margin methodology for eligible participants.

(B) Only eligible participants that have been approved to engage in uncovered short option contracts pursuant to Rule 2360, or the rules of the member's DEA if other than FINRA, are permitted to utilize a portfolio margin account. If eligible participants engage in security futures products transactions, approval from the member will also be required pursuant to Rule 2370.

(C) On or before the date of the initial transaction in a portfolio margin account, a member shall:

(i) furnish the eligible participant with a special written disclosure statement describing the nature and risks of portfolio margining which includes an acknowledgement for all portfolio margin account owners to sign, attesting that they have read and understood the disclosure statement, and agree to the terms under which a portfolio margin account is provided (see Rule 2360(c)); and

(ii) obtain the signed acknowledgement noted above from the eligible participant and record the date of receipt.

(6) Establishing Account and Eligible Positions

(A) For purposes of applying the portfolio margin requirements prescribed in this paragraph (g), members are to establish and utilize a specific securities margin account, or sub-account of a margin account, clearly identified as a portfolio margin account that is separate from any other securities account carried for an eligible participant.

A margin deficit in the portfolio margin account of an eligible participant may not be considered as satisfied by excess equity in another account. Funds and/or securities must be transferred to the deficient account and a written record created and maintained. However, if a portfolio margin account is carried as a sub-account of a margin account, excess equity in the margin account (determined in accordance with the rules applicable to a margin account other than a portfolio margin account) may be used to satisfy a margin deficit in the portfolio margin sub-account without having to transfer any funds and/or securities.

(B) Eligible Products(i) For eligible participants as described in paragraphs (g)(4)(A) through (g)(4)(C), a transaction in, or transfer of, an eligible product may be effected in the portfolio margin account. Eligible products under this paragraph (g) consist of:

a. a margin equity security (including a foreign equity security and option on a foreign equity security, provided the foreign equity security is deemed to have a "ready market" under SEA Rule 15c3-1 or a "no-action" position issued thereunder, and a control or restricted security, provided the security has met the requirements in a manner consistent with Securities Act Rule 144 or an SEC "no-action" position issued thereunder, sufficient enough to permit the sale of the security, upon exercise or assignment of any listed option or unlisted derivative written or held against it, without restriction);

b. a listed option on an equity security or index of equity securities;

c. a security futures product;

d. an unlisted derivative on an equity security or index of equity securities;

- e. a warrant on an equity security or index of equity securities; and
- f. a related instrument as defined in paragraph (g)(2)(D).

(7) Margin Required

The amount of margin required under this paragraph (g) for each portfolio shall be the greater of:

(A) the amount for any of the ten equidistant valuation points representing the largest theoretical loss as calculated pursuant to paragraph (g)(8) below; or

(B) for eligible participants as described in paragraph (g)(4)(A) through (g)(4)(C), \$.375 for each listed option, unlisted derivative, security future product, and related instrument, multiplied by the contract's or instrument's multiplier, not to exceed the market value in the case of long contracts in eligible products.

(C) Account guarantees pursuant to paragraph (f)(4) of this Rule are not permitted for purposes of meeting margin requirements.

(D) Positions other than those listed in paragraph (g)(6)(B)(i) above are not eligible for portfolio margin treatment. However, positions not eligible for portfolio margin treatment (except for ineligible related instruments) may be carried in a portfolio margin account, provided the member has the ability to apply the applicable strategy-based margin requirements promulgated under this Rule, with the exception of securities subject to other provisions of paragraph (g). Shares of a money market mutual fund may be carried in a portfolio margin account, also subject to the applicable strategy-based margin requirement under this Rule provided that:

- (i) the customer waives any right to redeem shares without the member's consent;
- (ii) the member (or, if the shares are deposited with a clearing organization, the clearing organization) obtains the right to redeem shares in cash upon request;
- (iii) the fund agrees to satisfy any conditions necessary or appropriate to ensure that the shares may be redeemed in cash, promptly upon request; and
- (iv) the member complies with the requirements of Section 11(d)(1) of the Exchange Act and SEA Rule 11d1-2.

(E) Non-margin eligible equity securities held "long" in a portfolio margin account shall be maintained at 100 percent of the current market value at all times. Non-margin eligible equity securities held "short" in a portfolio margin account shall be maintained at 50 percent of the current market value at all times.

(8) Method of Calculation

(A) Long and short positions in eligible products, including underlying instruments and related instruments, are to be grouped by security class; each security class group being a "portfolio." Each portfolio is categorized as one of the portfolio types specified in paragraph (g)(2)(F) above, as applicable.

(B) For each portfolio, theoretical gains and losses are calculated for each position as specified in paragraph (g)(2)(F) above. For purposes of determining the theoretical gains and losses at each valuation point, members shall obtain and utilize the theoretical values of eligible products as described in this paragraph (g) rendered by an approved theoretical pricing model.

(C) Offsets. Within each portfolio, theoretical gains and losses may be netted fully at each valuation point. Offsets between portfolios within the eligible product groups, as described in paragraph (g)(2)(F), may then be applied as permitted by SEA Rule 15c3-1a.

(D) After applying the offsets above, the sum of the greatest loss from each portfolio is computed to arrive at the total margin required for the account (subject to the per contract minimum).

(E) In addition, if a security that is convertible, exchangeable, or exercisable into a security that is an underlying instrument requires the payment of money or would result in a loss if converted, exchanged, or exercised at the time when the security is deemed an underlying instrument, the full amount of the conversion loss is required.

(9) Portfolio Margin Minimum Equity Deficiency(A) If, as of the close of business, the equity in the portfolio margin account of an eligible participant as described in paragraph (g)(4)(C), declines below the \$5 million minimum equity required, if applicable, and is not restored to at least \$5 million within three business days by a deposit of funds and/or securities or through favorable market action, members are prohibited from accepting new opening orders beginning on the fourth business day, except that new opening orders entered for the purpose of reducing market risk may be accepted if the result would be to lower margin requirements. This prohibition shall remain in effect until,

- (i) equity of \$5 million is established, or
- (ii) all unlisted derivatives are liquidated or transferred from the portfolio margin account to the appropriate securities account.

(B) Members will not be permitted to deduct any portfolio margin minimum equity deficiency amount from net capital in lieu of collecting the minimum equity required.

(10) Portfolio Margin Deficiency

(A) If, as of the close of business, the equity in the portfolio margin account of an eligible participant, as described in paragraph (g)(4)(A) through (g)(4)(C), is less than the margin required, the eligible participant may deposit additional funds and/or securities or establish a hedge to meet the margin requirement within three business days. After the three business day period, members are prohibited from accepting new opening orders, except that new opening orders entered for the purpose of reducing market risk may be accepted if the result would be to lower margin requirements. In the event an eligible participant fails to hedge existing positions or deposit additional funds and/or securities in an amount sufficient to eliminate any margin deficiency after three business days, the member must liquidate positions in an amount sufficient to, at a minimum, lower the total margin required to an amount less than or equal to the account equity.

(B) If the portfolio margin deficiency is not met by the close of business on the next business day after the business day on which such deficiency arises, members will be required to deduct the amount of the deficiency from net capital until such time the deficiency is satisfied or positions are liquidated pursuant to paragraph (g)(10)(A) above.

(C) Members will not be permitted to deduct any portfolio margin deficiency amount from net capital in lieu of collecting the margin required.

(D) FINRA, or the member's DEA if other than FINRA, may grant additional time for an eligible participant to meet a portfolio margin deficiency upon written request, which is expected to be granted in extraordinary circumstances only.

(E) Notwithstanding the provisions of subparagraph (A) above, members should not permit an eligible participant to make a practice of meeting a portfolio margin deficiency by liquidation. Members must have procedures in place to identify accounts that periodically liquidate positions to eliminate margin deficiencies, and the member is expected to take appropriate action when warranted. Liquidation to eliminate margin deficiencies that are caused solely by adverse price movements may be disregarded.

(11) Determination of Value for Margin Purposes

For the purposes of this paragraph (g), all eligible products shall be valued at current market prices. Account equity for the purposes of paragraphs (g)(9)(A) and (g)(10)(A) shall be calculated separately for each portfolio margin account by adding the current market value of all long positions, subtracting current market value of all short positions, and adding the credit (or subtracting the debit) balance in the account.

(12) Net Capital Treatment of Portfolio Margin Accounts

(A) No member that requires margin in any portfolio account pursuant to paragraph (g) of this Rule shall permit the aggregate portfolio margin requirements to exceed ten times its net capital for any period exceeding three business days. The member shall, beginning on the fourth business day, cease opening new portfolio margin accounts until compliance is achieved.

(B) If, at any time, a member's aggregate portfolio margin requirements exceed ten times its net capital, the member shall immediately transmit telegraphic or facsimile notice of such deficiency to the principal office of the SEC in Washington, D.C., the district or regional office of the SEC for the district or region in which the member maintains its principal place of business; and to FINRA, or the member's DEA if other than FINRA. The notice to FINRA shall be in such form as FINRA may prescribe.

(13) Day Trading Requirements — The day trading restrictions promulgated under paragraph (f)(8)(B) of this Rule shall not apply to portfolio margin accounts that establish and maintain at least \$5 million in equity, provided that a member has the ability to monitor the intra-day risk associated with day trading. Portfolio margin accounts that do not establish and maintain at least \$5 million in equity will be subject to the day trading restrictions under paragraph (f)(8)(B) of this Rule, provided the member has the ability to apply the applicable day trading requirement under this Rule. However, if the position or positions day traded were part of a hedge strategy, the day trading restrictions will not apply. A "hedge strategy" for purposes of this Rule means a transaction or a series of transactions that reduces or offsets a material portion of the risk in a portfolio. Members are expected to monitor these portfolio margin accounts to detect and prevent circumvention of the day trading requirements. In the event day trades executed in a portfolio margin account exceed the day-trading buying power, the day trade margin deficiency that is created must be met by the deposit of cash and/or securities within three business days.

(14) Requirements to Liquidate(A) A member is required immediately either to liquidate, or transfer to another broker-dealer eligible to carry portfolio margin accounts, all portfolio margin accounts with positions in related instruments if the member is:

(i) insolvent as defined in Section 101 of Title 11 of the United States Code, or is unable to meet its obligations as they mature;

(ii) the subject of a proceeding pending in any court or before any agency of the United States or any State in which a receiver, trustee, or liquidator for such debtor has been appointed;

(iii) not in compliance with applicable requirements under the Exchange Act or rules of the SEC or any self-regulatory organization with respect to financial responsibility or hypothecation of eligible participant's securities; or

(iv) unable to make such computations as may be necessary to establish compliance with such financial responsibility or hypothecation rules.

(B) Nothing in this paragraph (g)(14) shall be construed as limiting or restricting in any way the exercise of any right of a registered clearing agency to liquidate or cause the liquidation of positions in accordance with its by-laws and rules.

(15) Members must ensure that portfolio accounts are in compliance with Rule 2360.

(h) Margin Requirement Exception for Certain Members.

Any member designated to another self-regulatory organization for oversight of the member's compliance with applicable securities laws, rules and regulations, and self-regulatory organization rules under SEA Rule 17d-1 is exempt from the provisions of Rule 4210.

• • • Supplementary Material: -----

.01 The following tables are given to illustrate the method of computing the number of elapsed days in conformity with paragraph (f)(2)(A)(ii):

On bonds (except bonds issued or guaranteed by the United States Government):
From 1st to 30th of the same month to be figured as 29 days
From 1st to 31st of the same month to be figured as 30 days
From 1st to 1st of the following month to be figured as 30 days.

Where interest is payable on 30th or 31st of the month:
From 30th or 31st to 1st of the following month to be figured as 1 day
From 30th or 31st to 30th of the following month to be figured as 30 days
From 30th or 31st to 31st of the following month to be figured as 30 days
From 30th or 31st to 1st of second following month, figured as 1 month, 1 day

On bonds issued or guaranteed by the United States Government:
From 15th of a 28-day month to the 15th of the following month is 28 days
From 15th of a 30-day month to the 15th of the following month is 30 days
From 15th of a 31-day month to the 15th of the following month is 31 days.

The six month's interest period ending:	
January 15 is 184 days	July 15 is 181* days
February 15 is 184 days	August 15 is 181* days
March 15 is 181* days	September 15 is 184 days
April 15 is 182* days	October 15 is 183 days
May 15 is 181* days	November 15 is 184 days
June 15 is 182* days	December 15 is 183 days

* Leap Year Adds 1 day to this period.

.02 Monitoring Procedures. (To be implemented on March 25, 2021).**.03 Mark to Market Loss/Deficiency. (To be implemented on March 25, 2021).****.04 Determination of Exempt Account. (To be implemented on March 25, 2021).****.05 Risk Limit Determination**

(a) For purposes of any risk limit determination pursuant to paragraphs (e)(2)(F), (e)(2)(G) or (e)(2)(H) of this Rule:

(1) If a member engages in transactions with advisory clients of a registered investment adviser, the member may elect to make the risk limit determination at the investment adviser level;

(2) Members of limited size and resources that do not have a credit risk officer or credit risk committee may designate an appropriately registered principal to make the risk limit determinations;

(3) The member may base the risk limit determination on consideration of all products involved in the member's business with the counterparty, provided the member makes a daily record of the counterparty's risk limit usage; and

(4) A member shall consider whether the margin required pursuant to this Rule is adequate with respect to a particular counterparty account or all its counterparty accounts and, where appropriate, increase such requirements.

¹ For purposes of this paragraph (g) of this Rule, the term "margin equity security" utilizes the definition at Section 220.2 of Regulation T.

² In accordance with paragraph (b)(1)(i)(B) of SEA Rule 15c3-1a (Appendix A to SEA Rule 15c3-1), 17 CFR 240.15c3-1a(b)(1)(i)(B).

³ See footnote 2.

Amended by SR-FINRA-2015-036 eff. Dec. 15, 2016

Amended by SR-FINRA-2013-027 eff. Nov. 7, 2013.

Amended by SR-FINRA-2013-001 eff. Feb. 4, 2013.

Amended by SR-FINRA-2012-024 eff. Jan. 23, 2013.

Amended by SR-FINRA-2012-024 eff. Oct. 26, 2012.

Amended by SR-FINRA-2010-024 eff. Dec. 2, 2010.

Amended by SR-FINRA-2008-042 eff. Aug. 1, 2008.

Amended by SR-FINRA-2008-041 eff. Aug. 1, 2008.

Amended by SR-NASD-2007-045 eff. Aug. 1, 2007.

Amended by SR-NASD-2007-024 eff. April 2, 2007.

Amended by SR-NASD-2007-013 eff. April 2, 2007.

Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.

Amended by SR-NASD-2006-045 eff. April 3, 2006.

Amended by SR-NASD-2000-08 eff. Dec. 1, 2003.

Amended by SR-NASD-2003-45 eff. March 20, 2003.

Amended by SR-NASD-2002-166 eff. Jan. 24, 2003.

Amended by SR-NASD-2000-03 eff. Sept. 28, 2001.

Amended by SR-NASD-2000-15 eff. Feb. 26, 2001.

Amended by SR-NASD-99-05 eff. Aug. 21, 2000.

Amended by SR-NASD-97-28 eff. Aug. 7, 1997.

Amended by SR-NASD-97-14 eff. June 10, 1997.

Amended by SR-NASD-95-37 eff. Sept. 28, 1995.

Amended by SR-NASD-93-48 eff. Mar. 8, 1994.

Amended by SR-NASD-92-35 eff. April 19, 1993.

Amended eff. Feb. 15, 1974;

Selected Notices: 74-08, 76-08, 76-31, 77-19, 88-26, 93-15, 93-23, 94-24, 94-70, 95-82, 00-51, 01-11, 01-26, 03-66, 06-26, 07-11, 08-41, 10-45, 12-44, 13-39, 16-31.

[Interpretations of FINRA's Margin Rule](#)

VERSIONS

Dec 15, 2016 - Mar 24, 2021

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> [FINRA RULES](#) > [4000. FINANCIAL AND OPERATIONAL RULES](#) > [4200. MARGIN](#)

4220. Daily Record of Required Margin

The Rule

Notices

Each member carrying securities margin accounts for customers (as such term is defined in Rule 4210(a)(3)) shall make a record each day of every case in which, pursuant to FINRA rules or Regulation T of the Board of Governors of the Federal Reserve System, initial or additional margin must be obtained in a customer's account in such format as FINRA may require. The record shall show, for each account, the amount of margin so required and the date when and manner in which cash or securities are deposited or the margin requirements were otherwise complied with. Individual entries will be deemed a "record," and such entries need not be combined and kept as a separate record.

Adopted by SR-FINRA-2010-024 eff. Dec. 2, 2010.

Selected Notice: 10-45.

[← 4210. MARGIN REQUIREMENTS](#)

UP

[4230. REQUIRED SUBMISSIONS FOR REQUESTS FOR EXTENSIONS OF TIME UNDER REGULATION T AND SEA RULE 15C3-3](#) ▶

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4230. Required Submissions for Requests for Extensions of Time Under Regulation T and SEA Rule 15c3-3

[The Rule](#)[Notices](#)

(a) When FINRA is the designated examining authority pursuant to SEA Rule 17d-1 for a member that is a clearing firm, such member must submit requests for extensions of time as contemplated by Sections 220.4(c) and 220.8(d) of Regulation T of the Board of Governors of the Federal Reserve System ("Regulation T") and SEA Rule 15c3-3(n) to FINRA for approval, in such format as FINRA may require.

(b) Each member that is a clearing firm for which FINRA is the designated examining authority is required to file a monthly report with FINRA in such format as FINRA may require, indicating all broker-dealers for which it clears that have overall ratios of requests for extensions of time as contemplated by Sections 220.4(c) and 220.8(d) of Regulation T and SEA Rule 15c3-3(n) to total transactions for the month that exceed a percentage specified by FINRA. The report is due to FINRA within five business days following the end of each reporting month. For months when no broker-dealer for which it clears exceeds the criteria, the clearing firm must submit a report indicating such.

Amended by SR-FINRA-2010-024 eff. Dec. 2, 2010.

Adopted by SR-NASD-2006-064 eff. March 1, 2007.

Selected Notices: 06-62, 10-45.