

4210. Margin Requirements (Continued)**(b) Initial Margin**

For the purpose of effecting new securities transactions and commitments, the customer shall be required to deposit margin in cash and/or securities in the account which shall be at least the greater of:

- (1) the amount specified in Regulation T, or SEA Rules 400 through 406 of the Customer Margin Requirements for Security Futures, or Rules 41.42 through 41.49 under the Commodity Exchange Act (“CEA”); or
- (2) the amount specified in paragraph (c) of this Rule; or
- (3) such greater amount as FINRA may from time to time require for specific securities; or
- (4) equity of at least \$2,000 except that cash need not be deposited in excess of the cost of any security purchased (this equity and cost of purchase provision shall not apply to “when distributed” securities in a cash account). The minimum equity requirement for a “pattern day trader” is \$25,000 pursuant to paragraph (f)(8)(B)(iv)a. of this Rule.

Withdrawals of cash or securities may be made from any account which has a debit balance, “short” position or commitments, provided it is in compliance with Regulation T and SEA Rules 400 through 406 of the Customer Margin Requirements for Security Futures and Rules 41.42 through 41.49 under the CEA, and after such withdrawal the equity in the account is at least the greater of \$2,000 (\$25,000 in the case of a “pattern day trader”) or an amount sufficient to meet the maintenance margin requirements of this Rule.

/01 Compliance with Regulation T

Members must adhere to the requirements of this Rule or Regulation T, whichever is greater. Where Regulation T requires “good faith” margin or has no requirements (e.g., exempted securities or portfolio margin accounts), then the equity required by this Rule will govern.

/02 Minimum Equity — (Rescinded, RN 21-24, July 2021)/021 Minimum Equity

- (a) Each new transaction in a customer margin account, including those instances where more than one margin account is permitted under Regulation T, is subject to the \$2,000 minimum equity requirement except that:

4210. Margin Requirements (Continued)**(b) Initial Margin (Continued)**

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(1) Full cash payment for any security purchased will satisfy this requirement with respect to such purchase, even if the resulting equity is less than \$2,000;

(2) Full cash payment for any option purchased will satisfy this requirement with respect to such purchase, even if the resulting equity is less than \$2,000 (the purchase or sale of securities upon the exercise of an option, however, will constitute a new commitment for purposes of this requirement);

(3) The purchase of exempted securities;

(4) Securities transactions resulting in positions covered by Rule 4210(e)(2)(F), (G) or (H) or other provisions of Rule 4210 that allow the member to take a capital charge in lieu of collecting margin are not subject to this requirement;

(5) Even if the resulting equity is less than \$2,000, the minimum equity requirement with respect to the sale of an option in the account would be satisfied by the deposit into the account or under an escrow agreement (as defined in Rule 4210(f)(2)(A)(xiv)) of:

(A) cash sufficient to satisfy the customer's payment obligation upon the assignment of the options if it is a put; or

(B) fully paid securities sufficient to satisfy the customer's delivery obligation upon the assignment of the option if it is a call;

(b) Except for transactions described in (a)(4) and (a)(5) above, every short sale is subject to the \$2,000 minimum equity requirement regardless of the amount involved.

/022 Effect of Market Value Decline Below \$2,000

If the equity in a margin account falls below \$2,000 because of a decline in the market value of the security positions in the account and no new commitments are made, no deposit or liquidation is necessary. For the purpose of this Rule, a same-day substitution constitutes a new commitment.

/023 Withdrawals Below \$2,000 Equity

No withdrawal may be made from a margin account that would leave less than \$2,000 equity in the account after the withdrawal if the account has a debit balance, short position or other commitment. Withdrawals of cash or securities may be made from any

account, even if after such withdrawal the equity in the account is less than \$2,000, provided that:

- (a) The account does not have a debit balance, short position or commitment after giving effect to the withdrawal;
- (b) The withdrawal is in compliance with Regulation T and Rules 400 through 406 of SEC Customer Margin Requirements for Security Futures and Rules 41.42 through 41.49 under the CEA; and
- (c) The account is not a pattern day trader (in which case the \$25,000 minimum applies).

/024 Minimum Equity – Cash Account

The \$2,000 minimum equity requirement of paragraph (b)(4) does not apply to transactions in a cash account, including transactions in when issued or when distributed securities in a cash account, even though Rule 4210(f)(3)(B) generally subjects cash account positions in such securities to the same maintenance margin requirements as in a margin account.

/025 Minimum Equity – Pattern Day Trader

Pattern day traders are subject to a \$25,000 minimum equity requirement under Rule 4210(f)(8)(B)(iv)a.

/03 Accounts Subject to Minimum Equity

In accordance with the designation of types of accounts or transactions permitted under Regulation T, such accounts or transactions will be subject to a minimum equity requirement as follows:

<u>Margin Account</u>	(\$2,000)
<u>Broker-dealer Credit Account</u>	
(1) <u>Omnibus</u>	(\$2,000)
(2) <u>Joint Back Office</u>	(\$1,000,000)
<u>Good Faith Account</u>	
(1) <u>Arbitrage</u>	(\$2,000)
(2) <u>Prime Brokerage</u>	(\$500,000)
	(\$100,000 – if managed by a registered investment advisor)
<u>Portfolio Margin Account</u>	(\$100,000 – Full, real-time intraday monitoring capability*, all trades executed at broker-dealer.)

(\$150,000 – Partial, real-time intraday monitoring capability\*\*, all trades executed at broker-dealer.)  
 (\$500,000 – some or all trades executed away.)

All other accounts or transactions not listed here are exempt from a minimum equity requirement except where specified elsewhere in this Rule.

\*Full, real-time intraday monitoring capability means the ability to calculate an account at the time an order is entered, using real-time pricing, and having the ability to prevent the order from being executed if an account has insufficient maintenance excess.

\*\* Partial, real-time intraday monitoring capability means that a broker dealer's intraday monitoring process does not meet the definition of full, real-time intraday monitoring capability as stated above.

/04 Additional Minimum Equity

Pursuant to FINRA Rule 2360(b)(16)(E)(iv), members are required to establish minimum net equity requirements for customer accounts that establish and maintain uncovered “short” option positions. Due to the inherent risks associated with uncovered option positions, members should consider establishing account minimum net equity requirements that are higher than what is required under this Rule.

/05 Profitable Options

A customer that holds profitable options may either sell them or exercise them and simultaneously liquidate the resulting security position without meeting the margin requirement of this paragraph of the Rule. A profitable option is defined as an option to buy or sell a security at a price which is more favorable to the option holder than the current market price of the security on which the option is written.

This same treatment is permitted on bona fide spread positions when, on the same day, a short call is exercised against the customer and the customer exercises a long call to close out the short security position created.

/06 Federal National Mortgage Association (FNMA)

The initial margin required on purchases of FNMA common stock or FNMA convertible debentures will be the same as that required by Regulation T for a margin security at that time. Short sales, which must be made in the margin account, require initial margin equal to the amount required by Regulation T for short sales.

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