

From: [Fatima Sani](#)
To: [Comments, Public](#)
Subject: FINRA Requests Comment on the Effectiveness and Efficiency of its Requirements Relating to Day Trading
Date: Monday, November 4, 2024 1:06:27 PM

WARNING: External Sender! Exercise caution with links, attachments and requests for login information.

To Whom It May Concern,

Thank you for the opportunity to provide feedback on FINRA's day trading requirements. Below, I address specific areas of concern regarding the Pattern Day Trader (PDT) rule, particularly its \$25,000 minimum balance requirement and three-day rolling limit. My comments highlight how the rule unfairly disadvantages small retail investors, while recent market changes and technological advancements suggest alternative ways to address the underlying risks.

1. Have the Original Purposes of and Need for the Day Trading Requirements Been Affected by Recent Changes?

Yes, the original purposes of the PDT rule, established in a different market context, have been significantly impacted by changes in technology, market structure, and customer behavior. With the advent of zero-commission trading and real-time risk monitoring tools, brokers are now far better equipped to assess and manage intraday risks without requiring high minimum balances. Moreover, retail customers today have access to educational resources and trading strategies that were previously limited to institutional traders.

Furthermore, the high \$25,000 minimum balance requirement creates a disproportionate burden on smaller investors. For an average retail trader, \$25,000 can represent a significant portion of their life savings, far beyond what most would risk in a single investment strategy. This barrier effectively prevents them from participating in day trading and denies them the flexibility to manage risk in real-time. In contrast, wealthier investors who can more easily meet the \$25,000 threshold benefit from intraday trading opportunities with reduced exposure to overnight volatility, creating an uneven playing field that favors those with more capital.

2. How Useful Are the Pattern Day Trading Requirements in Addressing Risks to Individual Customers and Firms?

The PDT rule's high balance requirement and three-day rolling limit force small investors into overnight holds, often exposing them to more volatility and risk than if they could exit their positions intraday. The limitations do little to protect these investors; instead, they hinder their ability to manage risk effectively and limit market access.

A fairer and more efficient solution would be to lower the minimum balance requirement to around \$2,000 or \$5,000, allowing more investors to day trade responsibly without bearing the high overnight risk. Removing the three-day limit would also provide investors with greater flexibility to manage their intraday risks.

3. Are There Alternative or Additional Ways to Protect Customers?

Yes, rather than relying on high balance requirements, FINRA could consider encouraging brokers to offer robust risk management tools and educational resources. Features such as automated stop-loss orders and position limits based on account size could be highly effective in helping investors manage risk without restricting their trading access. Brokers could also provide enhanced disclosure on the risks of day trading, ensuring that investors make informed decisions without being excluded by high financial barriers.

4. Applicability and Comparison to Other Markets

It is worth noting that similar high-risk activities, such as cryptocurrency trading, forex, and even gambling, do not have such restrictive requirements. The United States is the only country with a PDT rule for stock markets, which limits American investors' flexibility and competitiveness compared to those in other countries. The lack of consistency across financial markets suggests that the PDT rule may no longer be necessary in its current form.

5. Should the Definition of a Pattern Day Trader Be Modified?

Yes, the definition could be expanded to allow traders more flexibility without excessive limitations. Instead of designating a trader as a pattern day trader based on three trades within a rolling five-day period, FINRA could consider allowing unlimited day trades for accounts meeting a more reasonable minimum balance threshold. Removing the rolling trade limit and lowering the balance requirement would better align the definition of a day trader with today's market environment.

6. Should FINRA Change the \$25,000 Minimum Equity Amount?

Yes, the \$25,000 minimum equity amount should be reduced to a level that aligns with the current market environment and allows broader access to day trading. A threshold of \$2,000 or \$5,000 would provide more retail investors with the flexibility to actively manage their positions without compromising their financial stability. For an average investor, \$2,000 to \$5,000 is a more realistic entry point that represents a manageable portion of their investment capital. In comparison, \$25,000 is prohibitive and can represent an individual's entire life savings, creating an undue barrier to active trading and effectively excluding less wealthy investors from participating. Adjusting this requirement would create a fairer playing field for investors with smaller accounts and reduce the disproportionate risk exposure that small investors currently face.

Conclusion

In summary, I urge FINRA to reconsider the PDT rule by lowering the minimum balance requirement, removing the three-day rolling trade limit, and exploring alternative ways to manage risk through educational resources and risk management tools. These changes would create a more equitable, modernized trading environment that protects investors without unduly restricting their participation in the stock market.

Thank you for considering these comments as part of your ongoing review.

--

Kind regard

Mrs Fatima Yahaya Sani