

Frequently Asked Questions: Margin

What is margin?

- A margin account allows you to borrow against your eligible securities to purchase additional securities, sell securities short, obtain short-term financing, or use the account as a source of overdraft protection. Full margin features are not available for all account types.

What is limited margin?

- With limited margin you can trade using unsettled funds. No interest fees are charged because you may not sell short, borrow funds, or carry a debit balance using the limited margin feature. Limited margin can be applied to all account types. Essentially limited margin facilitates trading and settlement activities without subjecting an account to freeride restrictions.

Can you have limited margin on qualified accounts?

- Limited margin can be added to any Axos Advisor Services account, including qualified accounts, because the account is not permitted to sell short, borrow funds, or carry a debit balance.

How do I add limited margin to an existing account?

- The account owner(s) must positively consent in writing to add margin to an account via the Change Certification, Indemnity and Agreement form. Check the box indicating that margin should be added to the account, sign and return the form.

When will Axos Advisor Services begin offering limited margin on client accounts?

- Initially, Axos Advisor Services will be soliciting indications of interest in the margin feature. The client's consent will be stored in the Axos database. When we are ready to enable the limited margin features the client will be notified and their account will get converted from a cash account to a margin account. Account holders can cancel their consent at any time, which will ensure the account remains a Cash account.

Will my limited margin account eliminate freeride restrictions?

- Yes. Freeride restrictions only apply to cash accounts, not margin accounts. However margin accounts are subject to pattern day trading regulations, which can be highly restrictive for accounts valued under \$25,000.

Could my limited margin account be subject to pattern day trading regulations?

- Yes. A limited margin account is still a margin account and subject to pattern day trading rules.

What is a pattern day trader?

- FINRA rules define a "pattern day trader" as any customer who executes four or more "day trades" within five business days, provided that the number of day trades represents more than six percent of the client's total trades in the margin account for that same five business day period. This rule is a minimum requirement, and some broker-dealers use a slightly broader definition in determining whether a customer qualifies as a "pattern day trader."
- A broker-dealer may also designate a client as a "pattern day trader" if it "knows or has a reasonable basis to believe" that a customer will engage in pattern day trading. For example, if a client's broker-dealer provided day trading training to such client before opening the account, the broker-dealer could designate that customer as a "pattern day trader."
- Under FINRA rules, clients designated "pattern day traders" by their brokerage firms must have at least \$25,000 in their accounts and can only trade in margin accounts.

What are the margin requirements for pattern day traders?

- Per FINRA, the minimum equity requirement for a client who is designated as a pattern day trader is \$25,000. This \$25,000 requirement must be deposited into the designated client's account prior to any day trading activities and must be maintained at all times. A client cannot fulfill this \$25,000 requirement by cross-guaranteeing separate accounts. Each day trading account is required to meet the \$25,000 requirement independently, using only the financial resources available in that account.

Important Note: If a client account falls below the \$25,000 requirement, the customer will not be permitted to day trade until the customer deposits cash or securities into the account to restore the account to the \$25,000 minimum equity level.

Investment Products: Not FDIC Insured - No Bank Guarantee - May Lose Value.

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