

In April 2001, the Securities Exchange Commission (SEC) ruled against small investors by requiring Day Traders to hold a minimum of \$25,000 Equity in their accounts (Day Trading is buying and selling stock several times in one day). Small Day Traders with less than \$25000 were unfairly excluded from Day Trading in the US Stock Markets.

Day Trading adds liquidity to the Stock Markets. Large firms lobbied for the current ruling because small Day Traders were competing with their business. The current SEC Day Trading Rule allows the wealthy to Day Trade in the Stock Market on a daily basis while the smaller investor is not allowed to do so. By eliminating the small investor, large firms are allowed to more easily manipulate the market. Small Day Traders help modulate that manipulation by placing a different force on liquidity.

Under the current Day Trading Rules, the penalty for Day Trading with less than \$25,000 equity is severe. If a trader with less than \$25,000 equity Day Trades, the SEC requires that his account be frozen from trading for 90 days. He is barred from doing any trading, of any kind, in the Stock Market for three months.

The SEC reasons for the current Day Trading Rules are written: "to protect the smaller investor." Essentially, the ruling "unfairly excludes" small investors from daily trading the US Stock Markets. It does not protect.

Below is a Day Trading rule change proposal that protects the small investor while allowing him/her to Day Trade. This change should positively affect liquidity in the markets.

By the way, a "Trader" can go to Las Vegas and spend every dime of cash he has. No one sets minimum equity limits for that "Trader."

## **PROPOSED DAY TRADING RULE CHANGE:**

- 1) ***Allow Day Traders with less than \$25000 Equity to Day Trade with cash when:***
  - ***The account is opened as a Margin account***
  - ***The account has at least \$2000 Equity***
  - ***The investor day trades with CASH only***
  - ***The investor is NOT using Margin (borrowing money from the Brokerage Firm).***
  
- 2) ***Allow Day Traders with \$25000 or more Equity to Day Trade using the current Day Trading rules.***