SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104572; File No. SR-FINRA-2025-017]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 4210 (Margin Requirements) to Replace the Day Trading Margin Provisions with Intraday Margin Standards

January 9, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on December 29, 2025, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 4210 to replace its current day trading margin provisions with modern intraday margin standards. As such, the proposed rule change would eliminate paragraph (f)(8)(B) under Rule 4210 together with associated provisions relating to the day trading margin requirements under paragraphs (b), (f)(10) and (g)(13), would establish new paragraphs (a)(17) through (a)(19), new paragraph

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

(d)(2) and new paragraphs (g)(1)(J) and (g)(1)(K), and would make minor conforming amendments.

The text of the proposed rule change is available on FINRA's website at http://www.finra.org and at the principal office of FINRA.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Day trading is a trading strategy where a customer buys and sells the same security in an account in the same day to profit from intraday movements in the price or value of the security. To address customer trading problems arising at the turn of the century, FINRA adopted special maintenance margin requirements for customers that engage in day trading in margin accounts, including a specified minimum equity requirement of $25,000 and buying power limitations for customers that demonstrate a pattern of day trading ("pattern day traders"). These current requirements have generally been referred to as the "day trading margin requirements."[3] Informed by extensive input

[3] The day trading margin requirements are set forth under paragraph (f)(8)(B) of Rule 4210. Associated provisions are found in references to pattern day trader minimum equity requirements in paragraph (b) of the rule, as well as paragraph

from market participants, including customers, FINRA believes the day trading margin requirements have become outdated, impose unnecessary burdens on both customers and members, and no longer align with the needs of the investing public. As such, the proposed rule change, as described further below, would replace the current day trading margin requirements with new provisions for intraday margin. FINRA believes the proposed new requirements would benefit customers and members alike by addressing current risks of intraday trading exposures, with fewer distorting conditions for customers and more practicable margin standards to be applied by members. The discussion below reviews the background of the current day trading margin requirements; the concerns expressed by customers and members regarding these requirements; the changes in trading conditions that support revisiting these requirements; and the benefits of the new intraday margin requirements.

A. Background of the Current Day Trading Margin Requirements; Summary of the Current Requirements

Under current Rule 4210, the day trading margin requirements include the following key features:

- Defines "day trading," subject to specified exceptions, as the purchasing and selling or the selling and purchasing of the same security on the same day in a margin account;[4]

(g)(13), which addresses the conditions for applicability of the day trading margin requirements in portfolio margin accounts, and corresponding references to the day trading requirements under paragraph (f)(10), which addresses security futures.

4 See current Rule 4210(f)(8)(B)(i).

- Defines "pattern day trader" to mean any customer[5] who executes four or more day trades within five business days.[6] A customer who is deemed a pattern day trader becomes subject to the special requirements under paragraph (f)(8)(B)(iv) of Rule 4210 that apply to pattern day traders. Chief among these:
    - Minimum equity of $25,000 is required for the account of a customer deemed to be a pattern day trader.[7] Under the rule, this minimum equity must be deposited in the account before the customer may continue day trading and must be maintained in the customer's account at all times;
    - The rule prohibits pattern day traders from trading in excess of their "day-trading buying power," as defined under the rule.[8] When pattern

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5 Rule 4210(a)(3) defines the term "customer" to mean "any person for whom securities are purchased or sold or to whom securities are purchased or sold whether on a regular way, when issued, delayed or future delivery basis. It will also include any person for whom securities are held or carried and to or for whom a member extends, arranges or maintains any credit. The term will not include the following: (A) a broker or dealer from whom a security has been purchased or to whom a security has been sold for the account of the member or its customers, or (B) an 'exempted borrower' as defined by Regulation T of the Board of Governors of the Federal Reserve System ('Regulation T'), except for the proprietary account of a broker-dealer carried by a member pursuant to paragraph (e)(6) of this Rule."

6 See current Rule 4210(f)(8)(B)(ii). Under the current rule, if the customer's number of day trades is six percent or less of their total trades for a five-business day period, the customer will not be considered a pattern day trader.

7 See current Rule 4210(f)(8)(B)(iv)a.

8 See current Rule 4210(f)(8)(B)(iv)c. Under current paragraph (f)(8)(B)(iii) of the rule, "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 Rule 4210, multiplied by four for equity

day traders exceed their day-trading buying power, that creates a special maintenance margin deficiency and the rule requires the member to take several specified actions.[9]

- 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 are permitted to execute transactions only on a cash available basis for 90 days or until the special maintenance margin call is met.[10]
- Pattern day traders are restricted from using the guaranteed account provision pursuant to paragraph (f)(4) of Rule 4210 for meeting the requirements of paragraph (f)(8)(B).[11] Further, funds deposited into a pattern day trader's account to meet the minimum equity or maintenance margin requirements of paragraph (f)(8)(B) of the rule

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securities. Paragraph (f)(8)(B)(iii) prescribes several additional requirements with regard to day-trading buying power.

9 Specifically: the account must be margined based on the cost of all the day trades made during the day; the customer's day-trading buying power must 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 Rule 4210, multiplied by two for equity securities; and "time and tick" (that is, calculating margin using each trade in the sequence that it is executed, using the highest open position during the day) may not be used. See current Rule 4210(f)(8)(B)(iv)c.1. through c.3.

10 See current Rule 4210(f)(8)(B)(iv)d.

11 See current Rule 4210(f)(8)(B)(iv)e. Broadly, paragraph (f)(4) of Rule 4210 permits an account guaranteed by another account to be consolidated with that other account, for purposes of margin, subject to specified conditions under the rule.

cannot be withdrawn for a minimum of two business days following the close of business on the day of deposit.[12]

- 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 the SEC's Net Capital Rule (SEA Rule 15c3-1) and, if applicable, Rule 4110(a).[13]

These day trading margin requirements were adopted[14] in their current form nearly a quarter of a century ago after day trading had gained popularity in the 1990s.[15] At that time regulators and legislators expressed concern that customers needed to be protected from excessively trading their own accounts, largely because high commission

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12 See current Rule 4210(f)(8)(B)(iv)f.

13 Rule 4110(a) is a component of FINRA's capital compliance rules.

14 In 2001, the SEC jointly approved rule amendments by the New York Stock Exchange ("NYSE") and by the National Association of Securities Dealers ("NASD"), FINRA's predecessor, that established the current day trading margin requirements. See Securities Exchange Act Release No. 44009 (February 27, 2001), 66 FR 13608 (March 6, 2001) (New York Stock Exchange, Inc., and National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Changes Relating to Margin Requirements for Day Trading; Notice of Filing and Order Granting Accelerated Approval of Amendments No. 1 to Each Proposed Rule Change; File Nos. SR-NYSE-99-47 and SR-NASD-00-03) (the "Pattern Day Trading Approval Order"). See also Notice to Members 01-26 (March 27, 2001) (SEC Approves Proposed Rule Change Relating to Day-Trading Margin Requirements).

15 For further discussion of the history of the requirements, see Regulatory Notice 24-13 (October 29, 2024) (FINRA Requests Comment on the Effectiveness and Efficiency of its Requirements Relating to Day Trading).

costs compounded potential trading losses.[16] It was felt that customer day trading activities risked significant losses to their accounts, as well as exposing firms to risk when day trading accounts lacked adequate equity capital.[17]

Over the years since the day trading margin requirements were adopted, the financial markets have undergone significant changes, including broadened access by retail investors; widespread elimination of trading commissions; expansion of the types of products available, some of which are designed for short-term trading; and rapid technological advances. Further, recent years have seen material changes in the profile of the investing public. For example, research by the FINRA Foundation identifies large demographic differences in investors' preferences and attitudes toward investments, with younger investors more comfortable with risk, including trading on margin.[18] Younger

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16 See, e.g., Securities Exchange Act Release No. 43021 (July 10, 2000), 65 FR 44082 (July 17, 2000) (Order Approving Proposed Rules Change and Amendment No. 1 and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 2 Relating to the Opening of Day-Trading Accounts; File No. SR-NASD-99-41) (noting in part that "because a day-trading strategy requires frequent trades, payment of commissions will add to losses or significantly decrease earnings"), at 65 FR 44084; United States Senate, Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, Day Trading: Case Studies and Conclusions, July 27, 2000. 106th Congress, 2d Session, Report 106-364 (stating in part that "the average day trader must realize gains of more than $200,000 annual just to pay commissions and fees"), at page 3.

17 See Pattern Day Trading Approval Order, 66 FR 13608, 13613, 13617.

18 FINRA Investor Education Foundation, Investors in the United States: A Report of the National Financial Capability Study (December 2025), available at www.FINRAfoundation.org. See also FINRA Investor Education Foundation, The Changing Landscape of Investors in the United States: A Report of the National Financial Capability Study (December 2022); and FINRA Investor Education Foundation and CFA Institute, Gen Z and Investing: Social Media, Crypto, FOMO and Family (May 2023), both available at www.FINRAfoundation.org.

investors also are more likely to rely on mobile apps for placing trades and social media for information.[19] Some market participants suggested to FINRA that the day trading margin requirements need to be modernized to better reflect such changes in the market environment.[20] Also, over time, FINRA has received input from members and the investing public that customers are confused and hindered by the current requirements, and they frequently complain about the requirements to members. Against this backdrop, in October 2024, FINRA issued Regulatory Notice 24-13[21] to commence a retrospective review of the requirements governing day trading[22] to assess their effectiveness and efficiency.

B. Input from Retrospective Review and Industry Outreach

Commenters on Regulatory Notice 24-13 reflected a broad set of perspectives, including customers, small and large firms, industry associations and financial

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19 See supra note 18.

20 For example, industry groups such as Securities Industry and Financial Markets Association and Security Traders Association, and exchanges including BOX Options Market LLC, Cboe Global Markets, Members Exchange, Miami International Holdings, Inc. and Nasdaq, Inc. have suggested that the requirements should be modernized to account for market developments.

21 See supra note 15.

22 The retrospective review as announced in Regulatory Notice 24-13 included both the day trading margin requirements and FINRA's rules that govern approval procedures for day-trading accounts (Rule 2130) and specified risk disclosures that address day trading (Rule 2270). As discussed further below, comments received in response to Regulatory Notice 24-13 overwhelmingly addressed issues related to the day trading margin requirements under Rule 4210. FINRA is deferring consideration of Rule 2130 and Rule 2270 until any further action on the day trading margin requirements under Rule 4210 is complete. As such, Rule 2130 and Rule 2270 are not within the scope of this proposed rule change.

professionals.[23] Most of the input FINRA received called upon FINRA to either significantly change or altogether abolish the day trading margin requirements under Rule 4210. In short:

- Deeming a customer a pattern day trader: Comments from customers and firms alike expressed frustration with the approach under the current rule of deeming a customer who executes four or more day trades within five business days as a pattern day trader. Commenters felt that keeping count of day trades to detect when a customer engages in pattern day trading is onerous and restrictive, both for members and customers. Commenters said the use of day trade counts captures far too many customers whose trading activity poses little or no risk. More generally, commenters felt the requirements are not aligned with the realities and needs of modern trading.
- $25,000 minimum equity: Customers in particular asserted that the $25,000 requirement is unfair, prohibitive and exclusionary. Overall, commenters felt that the $25,000 minimum equity requirement unfairly restricts retail customer participation in the securities markets and is unnecessary in light of the current capabilities of members to monitor risk in real time. Commenters said that to avoid being deemed a day trader, customers will hold positions overnight that they would have preferred to liquidate, thereby increasing their risk and the risk to members carrying their accounts. As such, many commenters called for a substantial reduction or abolition of this requirement.

[23] FINRA received approximately 65 comments, available at FINRA.org.

- Day-trading buying power limitation: Commenters felt that the current day-trading buying power limitations are outdated, confusing and unnecessarily burdensome. Industry organizations commented that many members currently monitor and calculate maintenance margin requirements and account equity in real time, which they suggested is a better approach than relying on the account's equity at the close of the previous business day. Commenters said it is more helpful to customers if they can see their buying power computed and displayed in their accounts in real time as opposed to a figure based on the previous day.

Informed by the input received in response to Regulatory Notice 24-13, FINRA engaged in additional extensive outreach to a cross-section of members and other interested parties. Members participating in these outreach efforts urged substituting a new intraday margin rule to replace the current day trading margin requirements, including permitting members to use real-time monitoring of customers' activity and to block trades that would create margin deficits.

C. The Proposed Intraday Margin Requirements

1. Overview of the Proposed Amendments

Informed by the extensive engagement with customers and members, FINRA is proposing to replace the current day trading margin requirements, including the provisions relating to "pattern day traders," the computation and use of "day trading buying power," and the $25,000 pattern day trader minimum equity requirement, with

new intraday margin requirements.[24] The new provisions for intraday margin would ensure customers maintain equity in their margin account commensurate with the amount of market exposure they have at any given point in time during the trading day, irrespective of whether they engage in day trading. FINRA believes that the proposed rule change will benefit customers and members alike by reducing risks of intraday trading exposures more broadly and giving customers more freedom to participate in the markets, while reducing compliance costs for members. FINRA notes that one of the primary rationales for the current requirements – that commission costs would seriously undermine returns when investors over-traded in their accounts – is largely gone: customers today have the benefit of zero commission trading. In addition, by removing the current day trading margin requirements, more retail investors may choose to participate in the markets and pursue their preferred trading strategies. Further, FINRA believes customers should also find the intraday margin approach significantly easier to

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[24] As such, the proposed rule change would delete paragraph (f)(8)(B) of Rule 4210 in its entirety. In addition, the proposed rule change would delete, as rendered obsolete, provisions elsewhere in Rule 4210 that refer to or are premised upon the current day trading margin requirements, including: in paragraph (b) the references to the pattern day trader minimum equity requirement; paragraphs (f)(10)(G)(ii) and (f)(10)(G)(iii) in their entirety, given those provisions are premised on applying the current day trading margin requirements in the context of security futures; and paragraph (g)(13) in its entirety, given that provision is premised on specified conditions for applicability of the current day trading margin requirements in portfolio margin accounts. See Exhibit 5.

If the proposed rule change is approved by the SEC, FINRA would also delete associated interpretations relating to the day trading margin requirements that FINRA maintains on its website, FINRA.org. These associated interpretations include: Interpretations /023, /025 and /034 under Rule 4210(b)(4); Interpretation /03 under Rule 4210(f)(5); Interpretations /01, /02 and /03 under Rule 4210(f)(8)(B)(ii); and all interpretations under Rule 4210(f)(8)(B) and Rule 4210(g)(13).

understand than the current day trading margin requirements. Members, relieved of the burdens associated with enforcing outdated pattern day trading requirements, should benefit from lower compliance costs, while reducing risks of overextended trading. Finally, FINRA anticipates that the new proposed requirements, by requiring appropriate margin for intraday risk created by day trades and other intraday activity, such as transactions in options on their expiration dates ("zero day to expiration" or "0DTE" options trading), will be effective in avoiding the build-up of unmargined positions that could hurt both customers and members during large shifts in market prices.

FINRA notes that the proposed rule change makes no change to the regular maintenance margin requirements as they exist today.[25] Rather, the proposed rule change supplements these existing maintenance margin requirements.

The key features of the proposed intraday margin provisions include:

- Members would be empowered to use real-time monitoring to block trades that would create or increase customer intraday margin deficits;
- Alternatively, members could, at the end of the day, compute each customer's intraday margin deficit, which, for customers that are not day trading or opening option positions on their expiration date, is comparable to their regular maintenance deficits;
- When an account has an intraday margin deficit, the member would require the intraday deficit to be satisfied as promptly as possible, by deposits to the account or liquidations of positions to increase the maintenance margin

[25] The maintenance margin requirements are set forth under paragraph (c) of Rule 4210.

excess;

- If an intraday margin deficit is not satisfied within five business days, the member would be required to deduct the deficit in its net capital computations (for up to ten business days). If the customer makes a practice of failing to satisfy intraday margin deficits promptly, the member would be required to "freeze" the customer from obtaining additional extensions of credit until the deficit is satisfied (or 90 days elapse).

2. Detailed Summary of the Proposed Rule Change

The proposed rule change would establish a new paragraph (d)(2) ("Intraday Margin") under Rule 4210.[26] The core, operative provision would be set forth in paragraph (d)(2)(A), which establishes the requirement on each member to determine the "intraday margin deficit"[27] for each margin account of a customer, as further specified in the rule. Paragraph (d)(2)(B) sets parameters for purposes of making the required determination. Paragraphs (d)(2)(C) and (d)(2)(D) govern the satisfaction of an intraday margin deficit and set forth the provisions for a specified 90 day freeze in the event of failure to satisfy a deficit. FINRA notes the requirements of new paragraph (d)(2) are designed so that members could comply with the rule by implementing real-time monitoring of customer positions and blocking transactions that would otherwise create or increase intraday margin deficits. As a result, these members' customers should never

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[26] The provisions under current paragraph (d) would be redesignated, without material change, as paragraph (d)(1), under a new header ("House Margin and Limits"), which FINRA believes is appropriate to the subject matter and function of that paragraph.

[27] See further discussion below for the proposed definition of "intraday margin deficit."

incur intraday margin deficits. FINRA notes, however, that real-time monitoring is not a requirement under the rule and that members would be permitted, alternatively, to continue to make a single margin calculation at the end of the day, rather than throughout the day, as they do under the current requirements. FINRA expects that, for customers that do not day trade or do not open option positions on their expiration date, the end of day intraday margin computation should not be more burdensome than the regular maintenance margin computation because their intraday margin deficits should not exceed their regular maintenance deficits. FINRA believes this approach would be effective because, whether the member implements real-time monitoring, or conducts end-of-day computations, the rule is designed to result in an effective, disciplined approach to margin.

Following are the elements of proposed paragraphs (d)(2)(A) and (d)(2)(B):

- Paragraph (d)(2)(A) – Core requirement to determine the intraday margin deficit: Under new paragraph (d)(2)(A), each member would be required to determine the "intraday margin deficit," if any, for each margin account of a customer that it maintains, other than a good faith account or portfolio margin account, and for each day in which there is any "IML-reducing transaction."[28] This requirement involves three key new terms defined under the proposed rule: "IML" (or "intraday margin level"); "IML-reducing transaction"; and "intraday margin deficit":
    - "IML" (or "intraday margin level"): Defined under new paragraph

[28] See proposed paragraph (d)(2)(A) in Exhibit 5.

(a)(17),[29] this term means "with respect to a customer's margin account for a time or IML-reducing transaction in such margin account during a day, either: (A) the amount of cash that the customer could withdraw while still having the maintenance margin required by provisions of Rule 4210 other than Rule 4210(d)(2); or (B) the amount of additional cash (expressed as a negative number) that the customer would need to deposit into such margin account for it to have the maintenance margin required by provisions of Rule 4210 other than Rule 4210(d)(2), in each case [that is, (A) or (B)] determined as of such time or immediately after such IML-reducing transaction in accordance with Rule 4210(d)(2)(B)."

- "IML-reducing transaction": Defined under new paragraph (a)(18),[30] this term refers, broadly, to any transaction that reduces the amount available to a customer to withdraw while still meeting the maintenance margin requirement (for example, the purchase of a stock other than to cover a short position or the short sale of an option).
- "Intraday margin deficit": Defined under new paragraph (a)(19), this term refers, broadly, to the highest deficiency following an "IML-

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29 See proposed paragraph (a)(17) in Exhibit 5.

30 See proposed paragraph (a)(18) in Exhibit 5. Paragraph (a)(18) would define "IML-reducing transaction" to mean "with respect to a margin account, any purchase or sale effected in such account (including as the result of the exercise or assignment of an option) that has the effect of reducing the account's IML, the expiration of any option long in the account that has the effect of reducing the account's IML, and any withdrawal of cash or securities from such account."

reducing transaction" between the margin to be maintained and the equity in the account.[31]

- Paragraph (d)(2)(B) – Parameters for determining an IML or intraday margin deficit: Proposed paragraph (d)(2)(B) sets forth certain parameters for members to take into account in determining an IML or intraday margin deficit:
    - Sweep Programs:[32] A member would be permitted to treat a customer's deposits at FDIC-insured banks under a Sweep Program, operated by the member, as a credit balance in the customer's account for this purpose.[33] FINRA notes members would be able to apply such treatment regardless of whether the customer does any day trading;
    - Market value: The proposed rule would permit use of values more recent than the execution price or previous day's closing price to determine the current market value of a position. FINRA notes, for example, a member that makes a single end of day calculation of its

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31 See proposed paragraph (a)(19) in Exhibit 5. Specifically, "intraday margin deficit" would be defined to mean "with respect to a margin account for a day in which there is any IML-reducing transaction in such account, an amount determined in accordance with Rule 4210(d)(2)(B) by the member maintaining such account that is not less than the absolute value of the largest negative IML (if any) with respect to any IML-reducing transaction in such margin account during such day."

32 See the provisions under SEA Rule 15c3-3(j) governing "Sweep Programs" as defined under SEA Rule 15c3-3(a)(17).

33 See proposed Rule 4210(d)(2)(B)(i) in Exhibit 5 (stating the member "may follow a written policy or procedure of treating the aggregate amount of such customer's deposits at FDIC-insured banks under a Sweep Program operated by such member as a credit balance in such account").

customers' intraday margin deficits could utilize the same end of day prices for that calculation as it uses for determining whether the customer has a maintenance margin deficiency as the end of the day;[34]

- "As of" actions: Members would be permitted to allocate "as of" actions either to the approximate time and day during which they are processed or to the earlier time or day recorded for their occurrence.[35]
- Treatment of deposits and withdrawals: Members would be permitted to treat all deposits and withdrawals of cash or securities into a margin account during the day as occurring simultaneously and immediately after the beginning of the day, notwithstanding the time of occurrence. The same would be permitted for any transaction that closes a position that was open at the beginning of the day. FINRA notes this allows net deposits, and margin released by closing positions existing at the end of the day, to reduce or eliminate intraday margin deficits that otherwise would have occurred as a result of activity before the

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34 See proposed Rule 4210(d)(2)(B)(ii) in Exhibit 5 (stating "the member may follow a written policy or procedure of using values that are more recent than the execution price or the previous business day's closing price to determine the current market value of a position, provided that such procedure is reasonably designed for the purpose of making computations using more current market values rather than reducing intraday margin requirements").

35 See proposed Rule 4210(d)(2)(B)(iii) in Exhibit 5 (stating "the member may follow a written policy or procedure for the allocation of 'as of' actions either to the approximate time and day during which they are processed, or to the earlier time or day recorded for their occurrence, provided that such procedure is reasonably designed for the purpose of addressing 'as of' actions rather than reducing intraday margin requirements, and the member redetermines any previously determined intraday margin deficit that is impacted by the allocation of an 'as of" action to the earlier time or day").

deposits or liquidations took place;[36]

- Multiple legs of a spread and options exercised and liquidated on the same day: Members would be permitted to treat as occurring simultaneously the substantially contemporaneous execution of multiple legs of a spread, or the creation of a position by the assignment or exercise of an option and the liquidation of such position during the same day;[37]
- Computing IML: The proposed rule would provide that, for purposes of paragraph (d)(2)(B), if two or more activities in a margin account occurred during a day and the member cannot demonstrate that one activity occurred before another activity, then the IML with respect to such activities must be computed on the assumption that the activities occurred in an order that results in the highest intraday margin deficit for such day.[38]

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36 See proposed Rule 4210(d)(2)(B)(iv) in Exhibit 5 (stating "the member may treat the following as occurring simultaneously and immediately after the beginning of the day, notwithstanding the actual time of their occurrence: a. all deposits and withdrawals of cash or securities into or from such margin account during such day; or b. any transaction that closes a position that was open at the beginning of such day").

37 See proposed Rule 4210(d)(2)(B)(v) in Exhibit 5 (stating "the member may treat as occurring simultaneously: a. the execution of multiple legs of a spread, or other strategy with a reduced maintenance margin requirement, as a result of a single order submission, or otherwise substantially contemporaneously; or b. the creation of a position by the assignment or exercise of an option and the liquidation of such position during the same day").

38 See proposed Rule 4210(d)(2)(B)(vi) in Exhibit 5.

Paragraphs (d)(2)(C) and (d)(2)(D) are designed to help support a disciplined approach to intraday margin. Following are the elements of those paragraphs.

- Paragraph (d)(2)(C) – Satisfaction of intraday margin deficit: Proposed new paragraph (d)(2)(C) would include three core provisions:
    - If a margin account (other than a good faith account or portfolio margin account) has an intraday margin deficit with respect to a day in which there is an IML-reducing transaction in such account, then the member must require such intraday margin deficit to be satisfied as promptly as possible;[39]
    - An intraday margin deficit for a day would be "satisfied" for purposes of the rule if, from the end of such day to the end of a subsequent day, the customer has made net deposits, or otherwise caused an increase in the account's IML, sufficient to equal such intraday margin deficit. The rule would provide that net deposits or increases in IMLs may satisfy multiple outstanding intraday margin deficits for the same margin account;[40]
    - An intraday margin deficit would remain outstanding until satisfied or until immediately after the close of business on the fifteenth business day after the date of the intraday margin deficit.[41]
- Paragraph (d)(2)(D) – 90 day freeze: Proposed new paragraph (d)(2)(D)

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39 See proposed Rule 4210(d)(2)(C)(i) in Exhibit 5.

40 See proposed Rule 4210(d)(2)(C)(ii) in Exhibit 5.

41 See proposed Rule 4210(d)(2)(C)(iii) in Exhibit 5.

would provide that, if a customer makes a practice of failing to satisfy intraday margin deficits as promptly as possible and fails to satisfy an intraday margin deficit by the close of business on the fifth business day after it occurs, the member must enforce written policies and procedures reasonably designed to prevent the customer from creating or increasing a short position or debit balance (other than by closing a short position) for 90 calendar days after such fifth business day or until the intraday margin deficit has been satisfied (without regard to its expiration pursuant to proposed Rule 4210(d)(2)(C)(iii)). The rule would provide a customer shall not be considered to be making a practice of failing to satisfy intraday margin deficits as promptly as possible due to intraday margin deficits that: (i) do not exceed the lesser of 5% of the equity in the margin account or $1,000; or (ii) are reasonably determined by the member to have occurred under extraordinary circumstances such that failures to satisfy such intraday margin deficits do not reflect a practice of failing to satisfy intraday margin deficits as promptly as possible.

Finally, the proposed rule change would update the provisions of paragraph (g) under Rule 4210 with respect to portfolio margin. Because the proposed rule change would render obsolete references under Rule 4210 that are premised on specified conditions for the applicability of the current day trading margin requirements, FINRA would delete paragraph (g)(13).[42] In lieu of paragraph (g)(13), the proposed rule change would establish new paragraphs (g)(1)(J) and (g)(1)(K), which would provide that,

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[42] See supra note 24.

among the other monitoring provisions for portfolio margin, a member, in performing the risk analysis of portfolio margin accounts required by the rule, would need to include in the written risk analysis methodology procedures and guidelines for: determining and monitoring intraday risk created by activity in each portfolio margin account;[43] and requiring each portfolio margin account that maintains less than $5 million in equity to maintain margin for intraday risk that is substantially similar to the margin the member requires for positions existing at the end of the day.[44] FINRA believes this approach, which preserves the $5 million threshold that currently applies, is well understood by industry participants and appropriate given the nature of portfolio margin activity.

3. Implementation

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice. FINRA recognizes that some members may need time to prepare to implement the new requirements while other members may be able to implement the requirements more quickly. As such, FINRA believes members should be permitted for an interim period to continue to apply the current day trading margin requirements where they deem appropriate – for example, by account – while they prepare to implement the new provisions. By the same token, FINRA believes that members that prefer to implement the new provisions more quickly should be permitted to do so at any time prior to the expiration of this interim period. FINRA anticipates that that the interim period would be for 12 months after FINRA announces the effective date of the proposed rule change in a Regulatory Notice. FINRA

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43 See proposed Rule 4210(g)(1)((J) in Exhibit 5.

44 See proposed Rule 4210(g)(1)(K) in Exhibit 5.

invites comment on this proposed approach to implementation of the proposed change, including on whether a 12 month interim period is appropriate. In particular, FINRA invites comment on the most appropriate way to achieve a smooth transition that treats customers and members equitably.[45]

To aid members in preparing for implementation of the proposed rule change, FINRA will make available on its website training materials, illustrative examples and other guidance as appropriate regarding the application of intraday margin.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[46] which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The proposed rule change is informed by extensive input that FINRA has received from customers and industry participants. Based upon this input, FINRA believes that the current day trading margin requirements are no longer tailored to meet the regulatory objective to protect both customers and members and do not meet the needs of today's customers, members and markets. FINRA believes that, by eliminating these requirements and establishing in their place new requirements that address the risks of intraday trading exposures, the proposed rule change will benefit customers by providing more freedom to participate in the markets and will benefit members by reducing

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45 FINRA notes that the proposed rule change would not impact members that are funding portals or that have elected to be treated as capital acquisition brokers ("CABs"), given that neither funding portals nor CABs are subject to Rule 4210.

46 15 U.S.C. 78o-3(b)(6).

compliance costs. Further, the proposed rule change will provide, to customers and members alike, additional protection that accounts for new intraday products and the dynamics of the modern markets. FINRA believes this will help promote the public interest by facilitating greater participation in the securities markets, without the loss of investor protection.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the regulatory need for the proposed rule change, its potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, relative to the current baseline, and the alternatives considered in assessing how best to meet its regulatory objective.

A. Regulatory Need

As discussed previously, FINRA believes it is appropriate to propose a new rule to replace the day trading margin requirements that were established in a different era. FINRA believes the proposed rule change aligns with the developments of modern technology, the evolution of modern markets and the needs of today's retail customers. Some of the risks the current rule was intended to address no longer exist in the same form, such as commission charges from frequent trading turning otherwise profitable trading into losses. At the same time, new risks have emerged that are not covered by

current rule, such the expansion in 0DTE options trading, which generally does not qualify as day trading under the current rule.[47] Modern technology also makes it feasible for members to implement more sophisticated approaches to managing risk with fewer unintended consequences for both members and their customers.

B. Economic Baseline

As noted above, under the current rule, a customer who executes four or more day trades within five consecutive business days in a margin account is generally designated a pattern day trader ("PDT").

FINRA estimated the number of PDTs in two ways. The primary estimate is based on data FINRA requested and received on PDTs from ten members as of January 17, 2025. FINRA estimates these ten firms account for over 85% of PDT accounts.[48] Together, these members identified approximately 1.3 million current customers that were designated as PDTs. These PDTs account for 2.4% of approximately 54 million customers with margin accounts and 0.9% of approximately 150 million total customers

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47 For a broader discussion and additional information on 0DTE options, see: Zeroing in on an Options Trading Strategy: 0DTE (June 6, 2023), available at: https://www.finra.org/investors/insights/zeroing-in-options-trading-strategy; The Evolution of Same Day Options Trading (August 3, 2023), available at https://www.cboe.com/insights/posts/the-evolution-of-same-day-options-trading/; and Heiner Beckmeyer, Nicole Branger & Leander Gayda, Retail Traders Love 0DTE Options . . . But Should They? (March 30, 2023), available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4404704.

48 FINRA requested data from larger firms that have substantial self-directed business, which are likely to have a higher proportion of PDTs. When attempting to identify PDT accounts using Consolidated Audit Trail ("CAT") data as discussed below, approximately 85% of PDT accounts originated orders from one of the ten firms that provided data. Because this CAT data analysis is based on the member that originated the order, this 85% may underrepresent the coverage of data provided by these ten firms by excluding accounts for which they clear trades.

at the ten firms providing data.[49] There is substantial variation in the proportion of PDT customers across the ten firms, with a standard deviation of 7.8% for the percentage of customers with margin accounts and 18% for PDTs as a proportion of all customers.

To provide additional color on the overall scope of PDT activity, FINRA also attempted to identify the number of accounts engaged in pattern day trading using CAT data.[50] FINRA classified accounts of type individual or employee as defined by CAT as PDT accounts based on the maximum number of equity and option day trades during any consecutive five business day period between January and March 2025. These estimates are likely to be substantially less accurate than the data provided by members.[51] However, the CAT data allows FINRA to study pattern day trading in a broader universe

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49 These customers may not be distinct if they hold accounts at multiple firms.

50 The CAT system is composed of two separate databases: the order audit trail database (which has information on order events, such as origination and executions of orders); and the Customer Account Information System ("CAIS") database (which includes certain limited information on individual customer accounts and account owners). FINRA did not utilize information from the CAIS database in its analysis discussed here; thus, the data used in this analysis does not include or rely upon any personal identifying information related to any individual account holder. Throughout this proposed rule change, the order trail database is referred to as CAT.

51 FINRA's identification of PDT accounts using CAT data is likely to differ from actual PDT accounts for several reasons. First, the CAT data does not distinguish margin accounts from cash accounts, so our accounts include cash accounts that are not affected by the PDT requirements. Second, an account may have been designated as a PDT account based on trading prior to our sample period. This would result in underestimating the number of PDT accounts and is likely to be a primary reason the member data request identified a higher number of PDTs. Third, this analysis is conducted at the account level whereas the PDT designation is applied at the customer level by members. Finally, trades identified as day trades in the CAT data may not correspond exactly to day trades as identified by members. FINRA allows multiple methodologies for counting day trades. See Regulatory Notice 21-13 (March 2021).

and in greater detail than possible based on the data provided by the ten firms.

Using the CAT data, FINRA estimates that approximately 1.1 million accounts qualified as PDTs based on trading activity in this three-month time period. These account for approximately 3% of the 36 million individual or employee accounts with at least one equity or options trade in the sample period. Approximately 75% of PDT-qualified accounts were well over the rule threshold with six or more day trades in a five day period.

Table 1 – Number of Accounts by Count of Day Trades Based on CAT Data, January – March 2025

Number of accounts by the maximum count of day trades they made in a 5-Day window during the period January – March 2025, and whether they would be classified as PDT or not PDT.

Maximum Day Trades per 5 Days	Number of Accounts	% of Total
0, Not PDT	32,801,857	90.9%
1, Not PDT	1,289,184	3.6%
2, Not PDT	520,719	1.4%
3, Not PDT	402,981	1.1%
4, PDT	159,984	0.4%
5, PDT	105,550	0.3%
6+, PDT	809,769	2.2%
Total	36,090,044	100.0%

The current rule also impacts investors who day trade less frequently than they would prefer to avoid being subject to the PDT requirements. In particular, the $25,000 minimum equity requirement is likely constraining the behavior of investors, particularly small investors. Investors who cannot or will not fund the account with $25,000 of equity must avoid being designated as PDTs to continue trading.

FINRA does not have access to market-wide account-level information that would

permit us to directly estimate the number of accounts or customers in this population. Table 1 shows that approximately 6% of accounts had at least one day trade but never met the threshold for qualifying as a PDT. The vast majority of accounts, 91% of accounts that traded in this time period, engaged in no day trading. Customers with few trades may be somewhat more likely to be constrained by the PDT requirements but there may be other customers who do not currently trade or day trade who could be affected. Information provided to FINRA by seven of the ten firms suggests that some investors are likely constrained by the $25,000 minimum equity requirement. Table 2 groups these members' cash and margin accounts by the number of day trades and amount of equity in the account.[52] Table 2 shows the average and standard deviation across the seven firms of the number of accounts in each group. Cash accounts at all equity levels and margin accounts with $25,000 or more of equity are not constrained by this minimum equity requirement. For all of those groups, FINRA sees a clear difference in distribution, with the largest numbers of accounts having either 1 day trade or 4+ day trades. However, for margin accounts with less than $25,000 in equity, FINRA sees few accounts in the 4+ day trade group.

Table 2 – Accounts by Count of Day Trades and Equity Based on Data Provided by Members[53]

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52 The seven firms that provided information on the number of cash and margin accounts grouped by the number of day trades and amount of equity in the account represent 43% of the approximately 1.3 million total PDT customers and 70% of the approximately 150 million total customers in the data provided by the ten firms.

53 FINRA requested information based on the number of day trades for the 5-day period of January 13, 2025 through January 17, 2025 and the equity in the account as of January 17, 2025.

Average (standard deviation) of number of accounts, for either cash accounts or margin accounts, for different categories of account equity and number of day trades. The average (standard deviation) is calculated across the members that reported the data.

Account Type	Day Trades	0 to $5,000	$5,000.01 to $20,000	$20,000.01 to $25,000	$25,000.01 to $30,000	$30,000.01 to $50,000	>$50,000
Cash Accounts	1	2,755 (4,760)	1,036 (1,143)	176 (194)	158 (165)	414 (451)	2,234 (2,930)
	2	1,476 (2,802)	475 (626)	82 (106)	71 (87)	185 (229)	976 (1,516)
	3	1,035 (2,104)	292 (430)	54 (70)	37 (49)	100 (124)	527 (802)
	4+	4,248 (8,834)	1,263 (2,147)	186 (264)	155 (207)	370 (442)	2,068 (2,985)
Margin Accounts	1	7,454 (17,022)	2,733 (5,635)	429 (851)	596 (875)	1,321 (2,025)	5,185 (7,976)
	2	3,543 (8,000)	1,169 (2,499)	167 (346)	281 (395)	603(895)	2,159 (3,271)
	3	2,707 (6,339)	802 (1,783)	112 (245)	210 (302)	405 (618)	1,317 (1,953)
	4+	463 (815)	236 (333)	110 (168)	984 (1,167)	1,724 (2,286)	5,233 (7,804)

Investors may avoid receiving a PDT designation either by limiting their intraday trading or by holding positions overnight. Where investors adapt to the rule by holding positions longer than they would otherwise, they may take on more risk than they would prefer. The minimum equity requirement also may cause some investors to cease trading after being designated as PDTs. Information provided to FINRA by members shows that accounts with under $25,000 equity are more likely to become inactive after being designated as PDTs relative to larger accounts or non-PDT accounts.

FINRA sought to identify the number of members that might be impacted by the current PDT requirements. Based on members' margin debits and credits as of June 2025, FINRA estimates approximately 78 member clearing firms are directly affected by

the PDT requirements. All of these 78 firms have customers, or may obtain new customers, whose accounts could potentially meet the criteria to be designated as PDTs and so need to have controls in place to identify such accounts. Seven of these 78 firms are primarily self-directed retail firms which are most likely to be significantly impacted by the current PDT requirements. Thirty-six of these 78 firms are other retail firms, many of which offer wealth management services and are less likely to be significantly impacted by the current PDT requirements, but some of which also offer self-directed trading. Thirty-two of these 78 firms serve primarily institutional customers and offer prime brokerage services. Such members are generally likely to have many customers who qualify as PDTs, but few for which the minimum equity requirement is an obstacle. Three of the 78 firms are affiliate clearing firms for foreign banks and unlikely to be substantially impacted by the PDT requirements.

Based on available information from Form BD and Form Custody, FINRA identified 1,185 members that clear some or all of their equity and options trades through one or more of the estimated 78 clearing firms impacted by the current rule.[54] Some of these introducing firms may also self-clear some of their trades. Introducing firms with PDT customers are impacted by the current PDT requirements as they are involved in the application of these requirements and handle related customer communications.

Using CAT data from January through March 2025, FINRA identified 879 firms originating equity or options orders on behalf of individual or employee accounts that

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[54] This reflects the number of introducing brokers that have a clearing agreement with any of the clearing firms that report margin accounts. It does not mean that the set of introducing brokers all have customers who have margin accounts or engage in day trading.

resulted in at least one trade. PDT activity appears to be highly concentrated.[55] Ten of these firms accounted for over 95% of identified PDT accounts. Of the 879 firms, 568 had no accounts that met the criteria to be designated PDTs based on activity during this time period. The firms with no PDT accounts had very little day trading in general. Of those 568 firms, 334 had no day trades and none had more than 100 total day trades across all customers.

Members expressed to FINRA that they expend substantial resources responding to customer inquiries regarding the PDT requirements. Customers have frequent questions regarding how day trades are counted and ask for their PDT designations to be lifted.

C. Economic Impacts

Anticipated Benefits

The proposed rule change is expected to result in direct and indirect benefits to members and the investor community. First, it addresses gaps in the current rule regarding risks from investor activity resulting from day trading. These risks may arise from the use of intraday leverage, either through trading on margin or 0DTE options or from customers holding positions open overnight to avoid the PDT designation.

Second, the proposed rule change would alleviate the challenges investors encounter stemming from the PDT requirements and designation and reduce confusion with the rule and its implementation, as discussed above. Eliminating the PDT designation is expected to ease trading choices for investors, especially for investors with

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55 See supra note 51 for a discussion of FINRA's identification of PDT accounts using the CAT data.

lower account equity that would otherwise fall under the current minimum account equity requirement. After the initial transition period, FINRA expects a decrease in customer inquiries or complaints related to the issue of trading throughout the day and taking on intraday risk. In addition to the direct benefits to investors, members will benefit from lower costs responding to such inquiries.

Under the baseline, customers who are designated PDTs and have account equity under $25,000 have a higher probability of becoming inactive or closing the account. The proposed rule change is expected to reduce incentives for such customers to engage in "firm hopping," a practice in which customers designated as PDTs close their accounts (or stop trading) at one firm and open new accounts at different firms to avoid being restricted by the PDT requirements. Doing so would benefit members and investors in terms of minimizing the costs associated with account opening and closure and is expected to increase customer retention.

The proposed rule change is therefore designed to address these gaps and challenges by removing the special margin requirements and treatment of day trading and aligning the treatment of day trading activity with other parts of Rule 4210(c). Removing the PDT designation, the need to count day trades, the day-trading buying power, and the $25,000 minimum equity requirement will reduce burdens for investors who wish to day trade and the members that facilitate those trades.

Removing the PDT minimum equity requirement would give investors greater discretion in their trading activities. As discussed above, data received from members shows relatively less day trading in margin accounts with under $25,000 equity compared to margin accounts with more equity or cash accounts, consistent with the PDT minimum

equity requirement constraining their trading activity. Based on calls and inquiries received over the years, FINRA understands that the PDT minimum equity requirement could be burdensome on smaller retail investors. Such investors who wish to day trade may take on risk to borrow sufficient funds away from the broker-dealer to be able to meet the $25,000 requirement. Thus, the proposed rule change is expected to provide relief to such investors.

Finally, removing the day trading buying power ("DTBP") requirements should benefit both members and investors.[56] Members would no longer need to accurately calculate, track, and display customers' DTBP. Removing the DTBP requirements and replacing them with intraday margin would give customers more flexibility in how they use their liquidity. Customers would not need to maintain equity in an account as of the previous day's close in anticipation of potentially day trading. Instead, customers could fund the account as necessary to avoid incurring an intraday margin deficit. Additionally, allowing certain activities, such as the use of a customer's aggregate amount of deposits at a FDIC-insured bank under a sweep program, as a credit in the determination of the customer's IML would benefit customers by allowing them to satisfy margin requirements while still benefitting from the generally higher interest rates of sweep accounts. Inclusion of bank sweep balances is expected to decrease the free credits in customers' margin accounts,[57] which members have expressed would benefit them from

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56 See supra note 8.

57 Pursuant to FINRA Rule 4521(d), FINRA members carrying margin accounts for customers are required to submit, on a settlement date basis, as of the last business day of the month, the following customer information: the total of all debit balances in securities margin accounts; and the total of all free credit balances in all cash accounts and all securities margin accounts. The data is aggregated across members and made available on FINRA's website at

an operational perspective by reducing unnecessary transactions.

The proposed rule change gives members some discretion in their implementation of the rules. First and foremost, members would have the discretion to choose between a single margin calculation at the end of the day that reflects the largest intraday margin deficiency, or multiple margin calculations throughout the day. The treatment of the margin deficiency in the former would align with the current requirements for maintenance margin deficiencies at the end of day in other parts of Rule 4210, except that it would reflect intraday margin deficits. This method may be less difficult for members to implement and manage.

The method of multiple calculations could benefit both members and their customers. For members, it would provide the ability to manage intraday risk and increase margin requirements intraday, as needed, potentially enhancing protections for the member and its customers. For customers, multiple calculations would enable the use of prices closer to real time prices. When prices move in a favorable direction for the customer, this could relax margin constraints. The use of multiple calculations or intraday margin monitoring could reduce investor risk in terms of major market events and conversely allow members to increase margin requirements as needed throughout the day.

Anticipated Costs

FINRA believes that the proposed rule change would result in direct and indirect

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https://www.finra.org/rules-guidance/key-topics/margin-accounts/margin-statistics. The historical data shows a trend of growth in the aggregate debit balance and aggregate free credit balance in customers' securities margin accounts.

costs to members and investors. Clearing and introducing firms that have accounts engaging in day trading would likely incur technology-related implementation costs. These costs would stem from unwinding the current technological infrastructure associated with identifying, monitoring and, where necessary, limiting day trading, and building or adapting and implementing new infrastructure to monitor customers' IMLs. FINRA expects new infrastructure costs would be mitigated by the choice of aligning the proposed rule change with the current requirements of Rule 4210.

The costs of building systems to determine customers' intraday margin deficits will vary across members. The costs associated with single intraday margin calculation are expected to be lower than those associated with multiple intraday margin calculations. Members that possess intraday risk monitoring technology or pre-trade monitoring systems that prevent customers from incurring intraday margin deficits, are expected to utilize their existing systems and incur lower costs resulting from the proposed rule change. Members that do not possess such capabilities may choose to invest and would be expected to incur significant start-up costs, which may be offset by potential future gains in business and reduced risk exposure. Members could seek to build their own solutions or rely upon third-party providers, as best meets their business needs.

Members impacted by the proposed rule change would also likely incur non-technology-related implementation costs in the transition from the current rule. These will stem from three main sources. First, members would need to update their written supervisory procedures ("WSP"), in compliance with FINRA Rule 3110, including documenting the choices made in the implementation of the rule. Second, members would need to provide appropriate training to their staff to comply with and implement

the proposed rule change, as well as how to handle or address customer inquiries or complaints. Third, members may need to invest in revising various related investor-facing communications. FINRA does not expect any increase in these costs relative to the burden of the current rule after the initial transition.

As discussed above, the proposed rule change would lift the existing PDT requirements that pose some trading restrictions on retail investors. The resulting potential increase in trading activity, especially by retail investors with lower account equity, could expose these investors to increased intraday risk. Members may incur costs from such risks, although the extent of the risk will be limited by the intraday margin requirements. In addition to potentially increasing intraday risk, it is also possible that an increase in retail trading activity could impact market volatility and liquidity. However, evidence on the relationship between retail trading activity and market quality is mixed.[58]

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[58] For example, Eaton et al. (2022) study outages at retail brokerages and find that "unsophisticated" retail trading is negatively associated with market quality. The authors attribute this effect to herding by retail traders increasing the inventory risk of market makers. However, they also find that other retail trading is associated with decreased volatility and higher liquidity. Peress and Schmidt (2020) find that reduced retail trading due to distracting news events is associated with lower liquidity and lower volatility. Foucault et al. (2011) find a reform that reduced retail trading by increasing the cost of margin trading for retail investors in the French stock market decreased volatility but had mixed impacts on different measures of liquidity. Ozik et al. (2021) find that retail trading alleviated increases in illiquidity during the COVID-19 crisis.

See Gregory Eaton, T. Clifton Green, Brian Roseman & Yanbin Wu, Retail Trader Sophistication and Stock Market Quality: Evidence from Brokerage Outages, 146(2) Journal of Financial Economics 502-528 (2022); Joel Peress & Daniel Schmidt, Glued to the TV: Distracted Noise Traders and Stock Market Liquidity, 75(2) Journal of Finance 1083-1133 (2020); Thierry Foucault, David Sraer & David Thesmar, Individual Investors and Volatility, 66(4) Journal of Finance 1369-1406 (2011); Gideon Ozik, Ronnie Sadka & Siyi Shen, Flattening the Illiquidity Curve: Retail Trading During the COVID-19 Lockdown, 56(7) Journal of Financial and Quantitative Analysis 2356-2388 (2021).

Finally, it is possible that, especially at the beginning of the implementation of the new rule while investors and members adapt to it, there would be an increase in margin calls.

Members that provide clearing services to introducing brokers may pass on costs incurred due to the proposed rule change to the introducing brokers. In addition to the implementation costs discussed above, these clearing firms may incur additional costs related to their introducing brokers. If a clearing firm is able to implement the proposed rule change more quickly than some of its introducing broker customers, this may result in delays or additional technological costs for the clearing firm associated with maintaining parallel systems during the transition. If introducing firms choose to take on customers who pose additional risk due to their day trading activity as a result of the proposed rule change, this could pose new and additional risks to the clearing firm. To manage and mitigate this risk, clearing firms may choose to increase the clearing deposit requirements from their correspondents or revisit their carrying agreements to account for such changes. From the introducing brokers' perspective, additional costs could arise if they clear through multiple clearing firms, and those firms implement the proposed rule change in different ways with different intraday margin policies.

Finally, expanding the scope of securities activities covered under the intraday margin requirements from the scope of activities covered under the current day trading requirements is expected to result in additional costs to some members and customers. These are expected to be both direct, in terms of including additional customer activity in the margin calculations and requirements, as well as indirect costs in terms of the potential changes in investor behavior around these activities.

Anticipated Competitive Impacts

FINRA believes there is potential for competitive effects across members that may arise from differences in implementation costs based on business model and current risk controls and systems.

Some members may be able to implement the proposed rule change more quickly or for less cost, which may give them some competitive advantages in attracting or retaining customers during the transition period. For example, members that currently use pre-trade monitoring to prevent customers from incurring intraday margin deficits may be able to more easily and quickly comply with the proposed intraday margin requirements. This, in turn, may permit them to more quickly offer customers in margin accounts more opportunities to trade. The value of this competitive advantage should be short-lived (vanishing as all members implement the intraday margin requirements) and may be of greater value in the market for new account holders than for existing account holders, who would incur costs to move their accounts to another firm. However, members that attract additional customers during the implementation period may continue to benefit from retaining those customers.

Members with multiple clearing arrangements and their customers may be disadvantaged if their clearing partners choose to implement the proposed rule change in different ways. Such members would incur costs associated with building systems and processes to handle multiple implementations or altering their clearing arrangements.

In the long term, FINRA does not expect the proposed rule change to have substantial competitive impacts. Firms are expected to balance the costs of implementation decisions with the demand from potential customers.

D. Alternatives Considered

FINRA has considered possible alternatives to the proposed rule change. For example, FINRA considered eliminating the day trading margin requirements without adopting new intraday margin requirements. This alternative would remove the unnecessary burdens on firms and customers associated with complying with the PDT requirements without imposing the costs of implementing new systems or requirements. However, FINRA believes it would not adequately address risks arising from customers' intraday trading activities. FINRA further considered increasing the number of day trades required for a customer to be designated a PDT. Although this alternative would reduce the number of customers designated as PDT, depending on the threshold chosen, it would result in either an outcome where many customers would still be burdened by the PDT requirements or an outcome that may not adequately address risks arising from customers' intraday trading activities. As shown in Table 1, FINRA estimates 75% of PDT accounts have at least 6 day trades in a five-day window. Under this alternative, firms would also continue to be required to comply with the requirements to identify and apply restrictions to PDT accounts. Finally, FINRA considered amending the PDT requirements to decrease the minimum equity requirements for PDTs. While such an alternative would reduce what is considered a significant burden for small retail investors who are designated as PDTs, under this alternative firms would still need to comply with the requirements to identify and apply restrictions to PDT accounts. FINRA believes that these alternatives would not sufficiently address risks that are not covered by the current rule as discussed above, nor sufficiently address unnecessary burdens to investors or members.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments on this specific proposal were neither solicited nor received.

As discussed above, in October 2024, FINRA issued Regulatory Notice 24-13[59] to commence a retrospective review of the requirements governing day trading[60] to assess their effectiveness and efficiency. FINRA received approximately 65 comments in response to Regulatory Notice 24-13. The comments reflected a broad set of perspectives, including customers, small and large firms, industry groups and financial professionals. Most of the comments FINRA received called upon FINRA to either significantly change or altogether abolish the day trading margin requirements under Rule 4210. The comments FINRA received helped to inform the development of the proposed rule change, including the proposed removal of the $25,000 minimum equity requirement and the day-trading buying power limitations for customers, and the proposed establishment of new intraday margin requirements.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date

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59 See supra note 15.

60 The retrospective review as announced in Regulatory Notice 24-13 included both the day trading margin requirements and FINRA's rules that govern approval procedures for day-trading accounts (Rule 2130) and specified risk disclosures that address day trading (Rule 2270). As discussed in note 22, FINRA is deferring consideration of Rule 2130 and Rule 2270 until any further action on the day trading margin requirements under Rule 4210 is complete. As such, Rule 2130 and Rule 2270 are not within the scope of this proposed rule change.

if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2025-017 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2025-017. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable

information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FINRA-2025-017 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[61]

J. Matthew DeLesDernier,

Deputy Secretary.

[61] 17 CFR 200.30-3(a)(12).