Dear Commissioners of The SEC and Chairman Jay Clayton:

I will first provide the substance of the pattern day trader rule:

Anyone who buys and sells a particular security in the same trader day (day trades), and does this four or more times in any five consecutive business day period is considered a pattern day trader. A pattern day trader is subject to special rules. The main rule is that in order to engage in pattern day trading you must maintain an equity balance of at least $25,000 in a margin account. If you are flagged as a pattern day trader and do not maintain a balance of $25,000 your account will be frozen for 90 days.

I am petitioning for the repeal or amendment of the pattern day trader rule. The rule, which is designed to protect unsophisticated investors from the high risk of day trading, is instead increasing risk by limiting the number of stop positions one can take, driving traders to more volatile markets such as futures and forex where no pattern day trader rules exist, and driving traders into off shore brokerages who do not adhere to the SEC pattern day trader regulations.

I propose two separate amendments to fix the problems NASD Rule 2520 has created. Implementing either of these amendments by themselves would greatly reduce the problems I have described above.

1.) Increase the number of allowed day trades in a 5 day period from 3 to 10. This would give more stop loss flexibility to those with diversified holdings. As it is now, if you hold 4 or more securities and the market takes an unexpected downturn you face penalties for activating multiple stop losses in one day. Professional day traders may execute dozens of trades in a day, a limit of 10 per week is not unreasonable.

2.) Only count day trades which use leverage against our limit of 3 day trades per week. Many traders only use margin accounts to avoid the long 3 business day settlement time selling a security incurs. They trade only with funds they have, or funds which are in the process of being settled. These traders do not borrow money on margin and expose themselves to extra risk, they only use margin accounts to trade in a timely manner.
Ideally I believe the rule should be repealed all together, because as Americans we should have the freedom to trade and risk our money as we see fit. If we lose that money then that is the price we pay for the freedom to do so! Despite our rights to freedom as Americans I do not believe the SEC is willing to repeal NASD Rule 2520 at this time. Please repeal the rule, I'm certain a repeal would be received with great gratitude from small, sophisticated investors everywhere.

Thank you,

Stephen Callahan