

## **Trader Responsibilities**

You, the client, are responsible for knowing, understanding, and complying with all applicable securities laws, regulations, and rules, as well as SpeedTrader Market's, Inc and the clearing firm's policies and procedures. Although it would be impossible to list all your responsibilities in a single document, we have attempted here to describe some of your key responsibilities and our policies. We update this document from time to time, so check back for updates. Additional information can be found on our website at: [www.speedtrader.com](http://www.speedtrader.com).

### **BASIC INFORMATION ABOUT ACCOUNTS AT SPEEDTRADER:**

Margin and Option Accounts - Cash Accounts

Minimum Funding Requirement \$2500

Pattern day traders must maintain at least \$25,000 equity at all times.

All accounts are self-directed. We do not make recommendations or give trading advice.

**ACCOUNT REVIEW:** It is always your responsibility to review your account at least daily, through your clearing firm's website. You should compare the information shown on the clearing firm's site against the information displayed on the trading software. If there is any discrepancy of any kind (including but not limited to: current equity, buying power, or positions) you must contact us before acting on any information that does not match. If you ever believe for any reason that anything is incorrect in your account, contact us before acting. If you act before contacting us to verify your account information, you will be responsible for any issues or losses that result. You are responsible for notifying us, via email to [info@speedtrader.com](mailto:info@speedtrader.com) or via mail to our office in Katonah, NY, within 5 calendar days after any order, transaction or charge is posted to your account that you believe is erroneous or unauthorized. If you do not notify us within 5 calendar days, the order, transaction, or charge will be conclusively binding on you. It is your responsibility to notify us promptly if you wish to cancel contracted services (such as enhanced market data, etc.) or close the account. Absent receipt of written notice, we will consider the account to be active and in good order. Applicable account fees, including but not limited to inactivity fee, paper statement and confirmation fees, trading platform software fees, etc., will be charged.

**RESPONSIBILITY FOR ORDERS:** You are solely responsible for all orders placed in the account using your login credentials (user ID and password), so you should keep usernames and passwords secure and not allow anyone else to have access to that information. You will be responsible for any execution or cancellation of those orders regardless of the timing of the order(s). Limit orders placed and left outstanding in your account may be executed at any time, including in pre-market or after-hours trading. You are responsible for cancelling any order you do not want executed.

**STOCK SPLITS, SYMBOL CHANGES & OPTIONS:** It is your responsibility to notify us if you hold any security that has either a forward or reverse stock split and/or if any security you own has a symbol change of any kind. If you oversell, inadvertently creating a short position, because of a reverse split, you must close the short position immediately and notify us. If you do

not close the position, we will do so at your expense and risk. You will not be permitted to retain any profit resulting from the transaction. You must also contact us if you are holding an option that has expired, been exercised, want to exercise, been assigned, had a dividend and/or stock split adjustment, or a symbol change. The trading software will not automatically adjust for these changes. You must contact us so that we can manually adjust the trading software to reflect these changes.

**MARGIN:** There are 2 types of margin buying power available — Overnight (2:1) and Day Trading (4:1). Overnight buying power is limited to two times the available equity at the end of the preceding day. Overnight positions held above two times equity will result in a federal margin call. You may have up to 5 business days to cover an overnight call by either sending in new funds for the amount of the call or liquidating positions (2X the amount due) to meet the call. If you do not deposit new funds or close positions to cover the amount of the call when due, we will liquidate the position. In addition, we reserve the right to liquidate positions at any time, even if we have previously given you a certain amount of time to meet the margin call, based on changed market conditions. If we liquidate positions to meet a margin call, the account may be restricted or closed.

Day Trading Buying Power is applied to securities that are day traded (buy and sell in the same day). For margin accounts with equity above \$25,000, the margin is set at 4:1 and there is no limit to the number of day trades that can be transacted. Positions held overnight must not exceed 2:1 margin.

For accounts under \$25,000, there is a limit of 3-day trades per day in any 5 rolling business day period. Positions held overnight positions are not affected by this limitation. If you violate this rule your account may be restricted or closed. It is your responsibility to abide by these rules. The electronic order entry software systems provided to you by the firm cannot predict when you plan to close a position and therefore cannot do this on your behalf.

Buying power is set at the beginning of the day and generally will not be increased for the remainder of the day. Covering positions held overnight will not increase buying power. When you have overnight positions, your available buying power will generally be computed as follows: 30% (minimum maintenance) for short positions and 25% (minimum maintenance) for long positions; subtract both figures from the equity and double what is left over. These percentages may be subject to change or differ by the security's margin requirements.

There are also increased margin requirements when shorting low priced securities. The minimum margin requirement is \$2.50 per share. Therefore, securities trading under \$2.50 per share will be held at \$2.50 the minimum requirement. Securities trading between \$2.50 and \$5 will be held to 100% requirement. Securities above \$5 per share will be held to a minimum requirement of \$5 per share or 40%, whichever is greater, and then the regular short requirements thereafter.

A margin call will be issued if transactions in the account exceed the day trading buying power at any point during the day. This day trading (DT) margin call must be met with cash only (not by liquidating positions). Customers must know the specific policies of the customer's clearing firm. Generally, it is required that customers to meet a DT within 2 business days. Further, since market conditions can change rapidly, we and the clearing firms always have the right to liquidate positions at any time, even if we have previously given you a certain amount of time to meet the margin call. The cash deposited to meet the DT call can be withdrawn 3 business days

after the funds clear, as long as the funds are not used for trading and there is enough excess cash in the account to support the withdrawal of the deposited funds. If the DT call is not met when due, the account will be restricted from trading for 90 days. Repeated restrictions could result in the account being closed.

It is your responsibility to monitor the account at all times and to adhere strictly to all margin rules. We will generally attempt to contact you about any margin calls due, but we are not obligated to do so. If we send you a notice, we may do so by e-mail, phone, or any other means available. We are permitted to liquidate positions to meet a margin call at any time with or without notice. The clearing firm may choose to stop extending any credit or close the account for repeated violations. We will not honor any instructions to withdraw funds by check or wire will unless there is at least enough cash available to pay the amount requested.

**SHORT SALES:** The term “Short Sale” means any sale of a security that the seller does not own, or any sale which is consummated by the delivery of a security, borrowed by, or for the account of the seller. The clearing firms publish an Easy to Borrow list every day. You may enter short sale orders for Easy to Borrow stocks at any time during the day. For securities that are not on the Easy to Borrow list, you must enter a stock locate request before you can enter the short sale order. Customers must obtain a locate through an approved locate desk. If the locate is obtained, you may enter your short sale order. If you do not obtain a locate, you are not permitted to short the stock.

If you enter a short sale order for a security that is not on the Easy to Borrow list without obtaining a locate, whether purposely or inadvertently (such as by accidental oversell, or if the stock was subject to a reverse split), you must immediately cancel the order or, if it executes, you must cover the position by entering a corresponding buy order. If you do not do so, we may cancel the transaction or buy to close the position. You must also notify us via email to [info@speedtrader.com](mailto:info@speedtrader.com) by the end of the trading day. Regardless of who enters the closing order, you will be responsible for any loss that results. If the trade results in a profit, the profit will be removed from your account, as you are not permitted to profit from these trades.

All short sale orders must be entered as “sell short.” Entering a short order as a “long” sale, or overselling a position, is a violation of the securities regulations. Repeated violations of these rules may result in the account being closed.

**SHORT SALE LOCATE, HOLDING/ BORROW, AND OTHER FEES:** You are responsible for all fees relating to your short positions. These fees can be substantial. You are responsible for locating or pre-borrowing stock to be shorted and will be charged a fee for the locate or pre-borrow. Also, if you hold a security overnight, the clearing firm may charge a Stock Borrow Fee, which is separate from a stock locate fee. If you have a short position and if for any reason, fail to deliver stock to close the sale transaction by the time that trade settles, you will be subject to fees for that failure to deliver. You will not know whether you are subject to a Stock Borrow Fee or fail-to-deliver fee, or the amount of the fee(s), until after trade settlement.

#### **Stock Borrow Fees:**

- The Stock Borrow Fee rate can vary dramatically throughout the day and does change from day to day.
- The Stock Borrow Fee is typically known on settlement of the short side of the trade.
- The Stock Borrow Fee continues until the buy side settles.

- The clearing firm may pre-borrow shares at its discretion and pass the cost on to you.
- Stock Borrow Fees are also assessed for weekends, holidays and during trading halts.
- Stock Borrow Fees may extend beyond settlement of your trade.
- Stock Borrow Fees, Fail to deliver fees, or any applicable fee, may be substantial.
- Other fees may apply.

### **Stock Borrow Fees are Based on:**

- Closing price of the stock rounded up to the next dollar multiplied by the number of shares borrowed rounded up to the next 100 share increment multiplied by the Stock Borrow Fee rate divided by 365.
- For example. If short 150 shares of XYZ with a closing price of \$32.01 and has a Stock Borrow Fee rate of 325%, the calculation for the Stock Borrow Fee per day is:
  - o For the calculation, the 150 share position is rounded up to 200 shares and the price is rounded up to \$33 per share.
  - o  $200 \text{ shares} * \$33/\text{share} * 325\% / 365 \text{ days} = \$58.77 / \text{day}$

**EQUITY REQUIREMENT:** The amount of equity required to open and maintain a pattern day-trading account is \$25,000. If the equity falls below this amount, you must deposit additional funds to bring the equity back up to \$25,000. If you do not maintain this minimum equity, the account will become a regular margin account. Buying power will be determined in accordance with regular margin rules. You will be limited to 3 day-trades in a rolling five business days. Positions held overnight do not count as day-trades.

**CASH ACCOUNTS:** It takes 2 business days after the trade date for traded funds to settle in cash accounts. When a security is sold, the proceeds will not be settled for at least 2 business days after the trade date. If unsettled funds are used to buy a new position and the new position is sold before settlement of the original sale, the transaction has violated the free riding and withholding rule, unless you deposit funds to pay for the new buy position prior to settlement. To avoid this violation, you must hold new positions past the settlement of the original sell trade. Another way to avoid this violation is to open a margin account. If you engage in free riding or withholding, the account will be restricted for 90 days; during this period, you will have to hold sufficient cash in the account to pay for the purchase before you can enter the buy order. The account will be closed for repeated violations.

**ILLIQUID STOCKS:** When trading illiquid stocks, you should be aware that there are restrictions on the amount that all clients of SpeedTrader, Inc., in the aggregate, may trade.

- (1) Our clients, in the aggregate, may not trade in excess of 10% of the previous 20 business day average trading volume of any stock on any day, regardless of the stock's price.
- (2) For stocks trading below \$1 per share, our clients' trades, in the aggregate, cannot represent more than 25% of the current day's trading volume.
- (3) We cannot have more than a total of 5,000,000 shares of any one stock settling in clients' accounts, in the aggregate, during any 3-business day settlement period.
- (4) Lower trading volumes can also trigger illiquidity restrictions.

If you enter transactions that cause our firm to exceed these restrictions, you will be subject to fees and interest charges, and possible buy in or sell out of the violating position, during the 2-

day settlement period of those trades. There will be a \$300 fee for any trade that is in violation of this policy. In addition, the interest charges will be assessed on an illiquidity requirement imposed on the clearing firm, which could be many times the value of the trade. The interest rates charged to clients who violate these restrictions will be a minimum overnight rate of 15% of the illiquidity requirement. All illiquidity fees, interest, and other charges imposed by the clearing firm will be passed through to you. Repeated violations of this policy will result in the account being closed.

**ROUTING AND OTHER FEES:** Routing fees are charged by the routes. They are subject to change without notice. While we attempt to keep a current list of routing fees on our website, and we try to keep our software updated to reflect the routing fees, it is your responsibility to know and verify the fee for any route prior to placing a trade. We reserve the right to charge or adjust for venue, routing, or exchange fees, and to mark up or adjust any routing fees at our sole discretion. Also, we receive payment for order flow when routing certain equity and options orders to specific routes or market centers. We post a copy of our Rule 606 (Order Routing) report on our website and will provide you with a hard copy upon request. It is your responsibility to know all the account and other fees applicable to your orders and account.

**SOFTWARE AND SYSTEMS:** System response, trade executions and account access may be affected by market conditions, system performance, quote delays and other factors. The risk of loss in electronic trading can be substantial. You should consider whether this trading is suitable for you in light of your financial resources and circumstances. We are not responsible for losses resulting from system delays or latency, issues with the use of third-party software quoting systems or third-party order execution routing issues.

**CUSTOMER AGREEMENT:** It is your responsibility to read, understand and comply with all terms of the Customer Agreement currently in effect. We update the Customer Agreement from time to time. The current version is always posted on our website, and we will send you a copy upon request. You are bound by the current Customer Agreement, whether you read it or not.

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