

## **Day Trading Risk – Customer Disclosure Statement**

Zions Direct Brokerage strongly suggests that you consider the following definitions and risks involved with a day trading strategy **before** engaging in this type of investment activity.

### **What is a day trade?**

A day trade involves the buying and selling or selling short and then buying again the same security during the same business day. It's important to know that you must deposit and maintain a minimum equity margin balance of \$25,000. This requirement can be met with either cash or marginable securities. If your account falls below \$25,000 you will not be permitted to day trade further until this requirement has been met.

### **What is a patterned day trader?**

Patterned day trading is when you trade in excess of four trades within five business days and your activity is equal or greater to 6 percent of your trading activity.

### **Consider your level of risk**

Day trading is not considered an appropriate investment for customers with limited resources, investment knowledge or low risk tolerance. Investors should be forewarned that a potential for entire loss of funds is possible. Investors should not use proceeds specifically set aside for retirement, funding educational, emergency cash, living expenses or any second mortgage financing to fund this purpose.

### **Profitability**

Market research has indicated that investments involving less than \$50,000 may impair profitability, although investments involving amounts in excess of \$50,000 do not guarantee success either. Be extremely cautious of any statement indicating a potential large profit as an immediate large loss may also occur with a day trading strategy.

### **Knowledge**

You need to familiarize yourself with our firm's trading practices, order execution and operational procedures **prior to** engaging in day trading activity. Certain market conditions (i.e. high trading activity, market halts or specific news) may expose you to the inability to quickly liquidate a position or receive a reasonable price. Your order will compete with other traders and customers at other firms and you may experience losses due to system failures.

### **What are the costs involved with day trading?**

Day trading short securities on margin involves borrowing funds, which then expose you to potential loss **in excess** of your initial investment. A decline in market value on a margined security will require additional funding to maintain acceptable loan levels. If the level is not met, your account will be liquidated to that acceptable level. Contrarily, a market increase on a short stock position has additional funding requirements or a potential purchase of stock to cover short shares at a higher price. You should consider the commission fees involved for each purchase or sell. The commissions involved should be added to your cost and can reduce your earnings.

### **Day Trade Buying Power:**

Is the amount that an account can trade within the day without incurring a day trade call. Day trade buying power for an unrestricted account without any open day trade calls is generally calculated as four times the maintenance margin excess as of the close of business of the previous day.

"Time & tick" is a method used to calculate whether an account created a day trade call using the time of the execution of the trades in your account.

### **Day Trade Call:**

A day trade call is generated whenever an executed day trade exceeds the account's day trade buying power. Each customer's account has a maximum of five business days to meet the call. During this time

your account will be restricted to a day trading buying power of only two times maintenance margin excess.

Account Restriction: If a call is not met by settlement, the account will be liquidated and placed on a 90-day restriction. An account on restriction is prevented from placing trades online and the buying power is reduced to two times the excess margin maintenance. All orders would be subject to approval and placed through our trading desk with commissions generated based upon our broker assisted schedule

Also see: <http://www.finra.org/investors/smartinvesting/advancedinvesting/daytrading/p005906>