

# R.F. Lafferty & Co., Inc.

Est. 1946

## **Day Trading Risk Disclosure Statement & Acknowledgements**

You should consider the following points before engaging in a day-trading strategy. For purposes of this notice, a "day-trading strategy" means an overall trading strategy characterized by the regular transmission by a customer of intra-day orders to affect both purchase and sale transactions in the same security or securities.

**Day trading can be extremely risky.** Day trading generally is not appropriate for someone of limited resources and limited investment or trading experience and low risk tolerance. You should be prepared to lose all of the funds that you use for day trading. In particular, you should not fund day-trading activities with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership, or funds required to meet your living expenses. Further, certain evidence indicates that an investment of less than \$50,000 will significantly impair the ability of a day trader to make a profit. Of course, an investment of \$50,000 or more will in no way guarantee success.

**Be cautious of claims of large profits from day trading.** You should be wary of advertisements or other statements that emphasize the potential for large profits in day trading. Day trading can also lead to large and immediate financial losses. Day trading requires knowledge of securities markets. Day trading requires in-depth knowledge of the securities markets and trading techniques and strategies. In attempting to profit through day trading, you must compete with professional, licensed traders employed by securities firms. You should have appropriate experience before engaging in day trading.

**Day trading requires knowledge of a firm's operations.** You should be familiar with a securities firm's business practices, including the operation of the firm's order execution systems and procedures. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. This can occur, for example, when the market for a stock suddenly drops, or if trading is halted due to recent news events or unusual trading activity. The more volatile a stock is, the greater the likelihood that problems may be encountered in executing a transaction. In addition to normal market risks, you may experience losses due to system failures.

**Day trading will generate substantial commissions,** even if the per trade cost is low. Day trading involves aggressive trading, and generally you will pay commissions on each trade. The total daily commissions that you pay on your trades will add to your losses or significantly reduce your earnings. For instance, assuming that a trade costs \$16 and an average of 29 transactions are conducted per day, an investor would need to generate an annual profit of \$111,360 just to cover commission expenses.

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Member: SIPC, FINRA

**Day trading on margin or short selling may result in losses beyond your initial investment.**

When you day trade with funds borrowed from a firm or someone else, you can lose more than the funds you originally placed at risk. A decline in the value of the securities that are purchased may require you to provide additional funds to the firm to avoid the forced sale of those securities or other securities in your account. Short selling as part of your day trading strategy also may lead to extraordinary losses, because you may have to purchase a stock at a very high price in order to cover a short position.

**Minimum Equity Requirement**

Pattern day trading rules requires that a pattern day trader have deposited in his or her account minimum equity of \$25,000 on any day in which the customer day trades. The required minimum equity must be in the account prior to any day trading activities. If the customer meets the pattern day trading criteria and does not have the minimum equity in his or her account, the firm will issue an equity deficiency call and will only allow the entry of closing orders. This call is separate and distinct from the day trading margin call.

**Day Trading Margin Calls**

In the event a day trading customer exceeds his or her trading buying power, firms are required to issue a day trading margin call to pattern day traders that exceed their day trading buying power. Customers have five business days to deposit funds to meet this day trading margin call. The day trading account is restricted to day trading power of two times maintenance margin excess, beginning on the trading day after the day trading buying power is exceeded until the earlier of when the call is met or five business days. If the day trading margin call is not met by the fifth business day, the account must be further restricted to trading only on a cash basis for 90 days or until the call is met.

**Two Day Holding Period Requirement**

The rule requires that funds used to meet the day trading minimum equity requirement or to meet a day trading margin call must remain in the customer's account for two business days.

**Potential Registration Requirements.** Persons providing investment advice for others or managing securities accounts for others may need to register as either an "Investment Advisor" under the Investment Advisors Act of 1940 or as a "Broker" or "Dealer" under the Securities Exchange Act of 1934. Such activities may also trigger state registration requirements

**Your Broker and Your Account.** R.F. Lafferty & Co., Inc. will be the introducing broker on record and can receive compensation on the trades executed on your behalf. Your day trading account may have significant execution costs and R.F. Lafferty & Co., Inc. may receive a large portion of trading commissions for this day trading strategy. Trading commissions can be significant as day trading is highly speculative and all investors who implement this type of trading strategy must have a high-risk tolerance. This account will be used for unsolicited trades only. Trade execution may vary from broker to broker in the same security on the same day. Other brokers may trade in the same security on the same day; execution times and prices can vary significantly.

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**Acknowledgments.** You acknowledge that the systems, software, and information, and any third party related goods and services provided under the terms of your account agreement are provided “as is”, without warranty of any kind, express or implied, by Keystone Capital. You agree that R.F. Lafferty & Co., Inc. shall not be liable to any entity or person, for any trading losses, lost revenues, lost profits, loss of business or information, loss of use, loss of costs or other savings, or any direct, incidental, indirect, damages suffered, or costs or expenses incurred, by any entity or person, of any kind or nature, or from any cause whatsoever, arising out of or relating to the furnishing, performance, maintenance of, use of or inability to use any of the system, software, and information, or any third party related goods and services provided as part of the servicing of your account.

You further acknowledge that you are a sophisticated trader with full knowledge of various short selling, insider trading and market manipulations rules and regulations, including, but not limited to, SEC rules promulgated under Regulation M, Regulation SHO and Sections 9, 10 and 10b-5 of the Securities and Exchange Act of 1934. I understand the above statements in regard to opening a day trading account. By signing below, I agree to the terms and conditions of the account agreement and understand the disclosures and acknowledgements contained herein. I understand that R.F. Lafferty & Co, Inc. may restrict my account at any time and I understand the risks involved in this speculative investment strategy. A margin account is required for all day trading accounts and I have read and understand the terms and conditions of the margin agreement.

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Client Signature

\_\_\_\_\_  
Printed Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Account Number

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