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FINRA Revises Treatment of Non-Margin Eligible Equity Securities and Delays Effective Date

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The Financial Industry Regulatory Authority announced in Regulatory Notice 11-30 that it is deferring the effective date for treatment of non-margin eligible equity securities to October 3. In April, FINRA issued Regulatory Notice 11-16, which clarified margin requirements for both long and short non-margin eligible equity securities in Regulation T and portfolio margin accounts. In addition, the Notice provided that a member firm must issue a day-trade call if a customer day traded a non-margin eligible equity security whose special maintenance margin requirement of 100% exceeded one times the regulatory maintenance excess. If the resulting day-trade call was not satisfied within five business days, a member firm would be required to cancel any day-trade transaction of such securities. FINRA has stated that it understands that the requirement to cancel day-trade transactions may cause operational issues and therefore is revising the cancellation requirement to require that for customers who fail to meet a day-trade call issued as a result of day-trading of a non-margin eligible equity security, member firms will be required to restrict all day-trading activity for such customers to one times the regulatory maintenance excess for a period of 90 calendar days.

Click here to read Regulatory Notice 11-30.

Click here to read a summary of FINRA's treatment of non-margin eligible equity securities in Regulatory Notice 11-16.

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