



CaptiveX Securities LLC
Day Trading Risk Disclosure Summary
March 18, 2025

Important Notice Regarding Day Trading Activities

A day-trading strategy is defined as the regular execution of intra-day transactions, wherein a customer both purchases and sells securities within the same trading day. This disclosure outlines significant considerations and risks associated with day trading, which are provided to ensure informed decision-making. The **Pattern Day Trader (PDT) Rule**, established by the U.S. **Financial Industry Regulatory Authority (FINRA)**, limits accounts with equity below \$25,000 to **no more than three round-trip trades within a rolling five business-day period**.

Day trading is inherently speculative and involves substantial risk

It is generally unsuitable for individuals with limited financial resources, minimal trading experience, or a low tolerance for risk. Participants should be prepared to lose all funds allocated to this activity. It is strongly advised that day trading not be funded with critical financial resources, such as retirement savings, student loans, emergency reserves, second mortgages, or funds earmarked for essential life goals, including education or home ownership. Evidence suggests that starting with less than \$50,000 can greatly reduce the likelihood of achieving profitability. However, an initial investment of \$50,000 or more offers no guarantee of success.

Claims of substantial profits from day trading, whether found in advertisements or promotional materials, should be approached with skepticism. Such statements often omit the significant financial risks involved, including the potential for immediate and substantial losses.

Day trading requires a comprehensive understanding of securities markets and advanced knowledge of trading strategies and techniques. Those engaging in this activity will compete against licensed professionals employed by financial institutions, making appropriate experience and preparation essential. Furthermore, understanding the operational practices of CaptiveX Securities, including its order execution systems and procedures, is critical. Market volatility, unexpected trading halts, and system disruptions can create significant challenges in executing trades or liquidating positions at favorable prices.

The cost of frequent transactions inherent in day trading can be substantial. Despite low per-trade fees, the cumulative impact of commissions may erode profits or exacerbate losses. For example, an average trade cost of \$16 combined with 29 trades per day could result in annual commission expenses exceeding \$111,000.

Trading on margin and short selling, common practices in day trading, carry additional risks. When trading with borrowed funds, losses can exceed the initial investment, particularly if declines in asset value trigger margin calls that require additional funds to cover positions. Similarly, short selling can expose traders to unlimited losses if they are forced to cover positions at elevated prices.

Regulatory requirements impose further obligations on day traders. Pattern day traders must maintain a minimum equity balance of \$25,000 in their accounts on any day they engage in trading. Failure to meet this requirement may result in restrictions, including limiting activity to closing transactions only. Additionally, exceeding day trading buying power will trigger a margin call, requiring resolution within five business days. Failure to meet this call will restrict trading to a cash-only basis for 90 days or until the margin call is satisfied. Funds used to meet minimum equity or margin call requirements must remain in the account for a minimum of two business days.

Individuals providing investment advice or managing securities accounts for others may be required to register as Investment Advisors under the Investment Advisers Act of 1940 or as Brokers or Dealers under the Securities Exchange Act of 1934. These activities may also trigger state-specific registration requirements.

CaptiveX Securities serves as the broker of record for your day trading account and may earn compensation from trades executed on your behalf. Day trading typically results in significant execution costs, which must be carefully considered before engaging in this strategy. Furthermore, execution quality and price may vary significantly between brokers for the same security on the same day, and such differences can materially impact trading outcomes.

Day trading is a high-risk strategy that requires significant financial resources, expertise, and the ability to withstand potentially significant losses. CaptiveX Securities strongly encourages prospective day traders to fully evaluate their financial circumstances, experience, and objectives before pursuing this speculative activity.