# Trade Direct

## Market Volatility Margin Disclosure

Although capital markets are diligently and carefully regulated, market reaction to various events and news are part of the general course of a trading day, so it's important for clients to become familiar with certain information that may occur during those periods in which markets are more volatile.

To better understand what to expect during times of market and equity price and volume volatility (i.e. fast markets), please carefully review the information below.

For those clients purchasing and/or borrowing funds via margin, please carefully review the information below.

### Market Disclosures

- **Delays –** High volumes of trading at the market opening or intra-day may cause delays in execution and executions at prices significantly away from the market price quoted or displayed
- **Quotations –** Price quotations (bid and offer prices) may be delayed or inaccurate during fast or volatile markets. Consequently, execution prices may vary significantly from displayed quotes

### Trade Order Disclosures

- **Types of Orders –** The types of orders placed during volatile or fast markets may have their own benefits and risks. See below:
    - Market orders are fully and promptly executed without regard to price. Execution price(s) may significantly differ from the current quoted price.
    - Limit orders will be executed only at a specified price or better. They offer price protection, but there exists a possibility that the order will not be executed.
    - Stop Loss orders without price limits will trigger as a market order once the stop price is met. The actual execution may significantly differ from the stop loss price
    - Initial public offering (IPO) securities that begin trading in the secondary market may experience rapid and volatile price quote changes that subsequently do not keep up with the trading price of the stock itself. Therefore, execution prices may significantly vary from the quoted or displayed bid and offer price
- **Cancelling and Replacing Orders –** Customers attempting to cancel orders during volatile or fast markets, and then attempt to enter a separate, new replacement order, assume the risk of both orders being executed. Both execution and cancellation reports may be delayed during volatile and fast markets. Replacement orders should only be entered after confirmation that the initial order was in fact canceled.

### Margin Disclosures

Margin (applicable to only those accounts utilizing margin/borrowing against securities in account) - Margin requirements (required equity percentage) may increase (up to 100%) for those stocks considered volatile, as determined by the regulators, LPL Financial, or the market center. A margin requirement percentage increase is to help ensure sufficient funds (equity) to cover large changes in the price of a stock. An increase in margin requirement may trigger a margin call and require either additional funds (equity) to be deposited, or current positions to be liquidated.

LPL Financial LLC (LPL) is furnishing this document to you to provide some basic facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a margin account. Before trading securities in a margin account, you should carefully review the margin agreement provided by LPL. Consult your financial consultant regarding any questions or concerns you may have with your margin accounts.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from LPL. If you choose to borrow funds from LPL, you will open a margin account with LPL. The securities purchased are LPL's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, LPL can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with LPL, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

- You can lose more funds than you deposit in the margin account. A decline in the value of securities that are purchased on margin may require you to provide additional funds to the firm that has made the loan to avoid the forced sale of those securities or other securities or assets in your account(s).
- The firm can force the sale of securities or other assets in your account(s). If the equity in your account falls below the maintenance margin requirements or the firm's higher "house" requirements, the firm can sell the securities or other assets in any of your accounts held at the firm to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.
- The firm can sell your securities or other assets without contacting you. Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. Most firms will attempt to notify their customers of margin calls, but they are not required to do so. However, even if a firm has contacted a customer and provided a specific date by which the customer can meet a margin call, the firm can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the customer.
- You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call. Because the securities are collateral for the margin loan, the firm has the right to decide which security to sell in order to protect its interests.
- The firm can increase its "house" maintenance margin requirements at any time and is not required to provide you advance written notice. These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause the member to liquidate or sell securities in your account(s).
- You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.