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MARGIN DEBT IN RETAIL CUSTOMER ACCOUNTS

- Margin debt in retail customer accounts is at 635,275 million as of the end of October, 2023 a significant increase from pre-pandemic levels of margin debt
- Rises in volatility have also engendered swings in margin debt nearing almost a billion dollars a year ago
- Money borrowed on margin is being used primarily to trade options contracts

MARGIN DEBT IS BEING USED TO TRADE OPTIONS

- Options contracts are purchased, sold and valued in the market based on whether certain securities are likely to go up or down in value in the future
- Option contracts must be exercised before their expiration date – when you buy or sell actual shares pursuant to the contract -otherwise they expire worthless

TRADING ON OPTIONS
IMPACT ON THE SMALL UNSOPHISTICATED RETAIL INVESTOR

- Small retail investors are engaging in options trading in record numbers
  - Equity options trading is up significantly on all options trading platforms since the beginning of the pandemic
    - Options trading is complicated,
    - Presents high risks, and
    - Has rules that risk customers being forced out of their positions

SMALL RETAIL CUSTOMERS CAN END UP OWING THEIR BROKERAGE FIRMS MONEY FOR SHORTFALLS IN THEIR ACCOUNTS

ISSUES IMPACTING SMALL RETAIL INVESTORS WITH OPTIONS ACCOUNTS

- Understanding the information on your screen
- Trading restrictions
- Positions can be closed out at the Broker-Dealer's option to manage risk
- Automatic exercise or not?
- When something goes wrong – technical glitches