

# FINRA Announces Updates to the Interpretation on FINRA's Margin Rule for Day Trading

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On March 24, the Financial Industry Regulatory Authority (FINRA) issued Regulatory Notice 21-13 (Notice) announcing updates to its interpretations regarding FINRA's Margin Rule 4210(f)(8)(B)(ii) (Rule). The Rule provides (1) the numerical determination of when a customer is classified as a "pattern trader;" and (2) that if a member knows or has reasonable basis to believe that a customer will engage in pattern day trading, then the pattern day trading margin requirements of the rule will apply.

FINRA announced that the new interpretations of the Rule will afford additional flexibility and guidance for firms by offering an alternative method to calculate the number of day trades when there are multiple purchases and sales of the same security on the same day. Under the new interpretations, instead of counting day trades based on the number of transactions a customer executes to establish or increase a position that is liquidated on the same day, firms may count day trades based on the number of times during the day that the day trading customer changes its trading direction, from buying a particular security to selling it, or from selling a particular security to buying it. In addition, under the new interpretations, a customer may terminate its pattern day trader designation based on the customer's good faith determination by (1) providing written certification that the customer understands the definition of pattern day trading and will not engage in future pattern day trading; or (2) finding that based on the member's application of technological restrictions on customer's trading activity, the customer is effectively prevented from engaging in pattern day trading.

[Regulatory Notice 21-13](#)

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