To Whom It May Concern,

Thank you for the opportunity to comment on Regulatory Notice 24-13, “Effectiveness and Efficiency of [FINRA] Requirements Relating to Day Trading.” I appreciate the opportunity to offer some thoughts to the community in this way and appreciate your time and attention to this issue.

My comments here are specifically focused on Rule 4210, and the Special Requirements for Pattern Day Traders (PDT) in the listed equity options market. I strongly believe that this existing rule is the single, greatest detriment to effective trading and risk management for the retail trader or investor who has less than $25,000 in equity. I would strongly recommend that the authority completely eliminate all minimum equity requirements and further eliminate any restrictions on the number of day trades allowed in a day.

For the past 37 years, I have worked in the equity and index options markets in several capacities: as an independent market maker on the Cboe, as a large DPM firm on all U.S. exchanges, and now as an executive, educator, content provider, and podcast host in the retail trading space. Each of my experiences has given me a solid understanding of the market structure, and how each of the market participants interact, helping to provide the most liquid markets ever seen in the industry. PDT, unfortunately, inhibits the smallest of the market participants, which is ironically who PDT set out to protect.

The capital markets thrive due to the contributions of the various participants who commit risk capital, including market makers (liquidity providers), institutional traders and firms, investors, and retail traders, among others. If any of these layers face limitations or disruptions, the entire ecosystem is affected, leading to less-than-optimal markets for everyone involved.

Retail Trader Harm:

The restriction on the number of opening and closing trades in a 5-business day rolling period for accounts less than $25,000 unnecessarily limits their ability to manage their account effectively. This rule creates a risk instead of reducing one.

Since an option is a derivative and its price dependent on the underlying asset, it serves as an outstanding risk management tool. Most strategies retail traders use require active management which includes rolling options and spreads to new strikes. Restricting same day opening and closing transactions eliminates the small retail trader's ability to take profits or limit losses effectively.

Furthermore, retail traders under the PDT equity requirement often must let the legs of option spreads expire rather than closing them. This can result in exercise or assignment risk, leaving the trader with an unwanted and potentially costly stock position after expiration. If these traders were allowed to close their options positions, this risk could be entirely avoided.

I, personally, have set out to see how harmful the rule is for accounts less than $25,000. While I have vast experience in synthetic option strategies to mitigate risk and “lock in” profits, I still find

the rule forces unnecessary bad trades. It causes me to hold positions that I would not have otherwise. Additionally, this regulatory roadblock often prevents me from capturing my maximum intraday P&L.

I have also seen massive interest from the retail community in short-dated or zero-day expirations, also known as 0DTEs, which by their very nature prohibit the small retail trader from participation. Most retail strategies in 0DTE are risk defined and used just for the day. Those with accounts above the threshold enjoy great opportunities in these 0DTEs, while the "little guy" sits on the sideline in frustration. Professionals use 0DTEs to manage their short-term risk profiles effectively, but customers with less than $25,000 in their accounts are unable to do the same. According to Cboe data, 0DTEs account for 51% of SPX volume—a point of pride in the industry—yet smaller account holders are excluded from accessing these opportunities in the same manner as larger accounts. It seems counter-intuitive to allow the biggest players the greatest ability to manage their risk profiles actively, take profits, roll options, and stop losses while the small account holder sits on his or her hands as their profits ebb and flow. Not only is this rule illogical, but it also actually deprives the smaller account holder of sound risk management tools.

The robust and massive liquidity in today's options marketplace is also amble reason to eliminate the equity size restriction. With the substantial growth in strikes and expirations, there are options available for any equity balance. Furthermore, in the most actively traded securities, bid-ask spreads are only pennies wide, significantly reducing slippage and transaction costs, making execution more cost-effective than ever.

Another important consideration is that all retail brokerages have several credential and option level checks which help prevent any harmful impacts of frequent daily trading. One of the factors that helps a brokerage assess option level certification is your experience with options and options trading. Such vetting enables brokerages to make a solid assessment of those individuals able to manage frequent, daily trading, irrespective of their account size.

Frequent transactions are not a reliable measure of the riskiness of a trading strategy, as good risk management using options can often require frequent adjustments. On the other hand, an account of any size could allocate its entire equity to a single, large trade which could have a far greater level of risk than frequent daily adjustments using options.

Markets are now more liquid and accessible than ever, combined with an abundance of education available to investors. Traders who have demonstrated competency should be allowed to manage their accounts, regardless of the account's size or how many trades they make in a day.

Conclusion:

I have taught many strategies and concepts in options trading over the span of my 37 years in the options business. One key takeaway is that no one can improve his or her investing or trading skills without consistent practice. Paper trading is not a solution because an investor must feel real emotion with real money! Having real money in the market is the best way to learn options trading.

I am proud to have been a part of the evolution of the options business. From the open outcry days of the 80s and 90s to the fully electronic markets of today, I have witnessed it all! Throughout this vibrant evolution, daily option volume has soared to roughly 45,000,000 contracts per day. Every

level of investor should have ample access to this growing marketplace, despite his or her account size.

As an industry, customers have exceptionally low costs, access to deep, liquid markets, and participation rights that actually favor customers. The greatest hurdle to reaching the next great levels of the options industry is PDT Rule 4210. I recommend that the minimum account size and number of trades in the 5-day rolling window be eliminated entirely.

Sincerely,

Kevin M. Luthringshausen

Tradier Inc.