stockpile™
Member FINRA/ SIPC

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Good Faith Violation Disclosure

The prohibited practice of "freeriding" includes making securities purchases using the proceeds of sales of securities that were purchased with unsettled funds. Your account will be charged with a Good Faith Violation if you purchase a security in a cash account and sell that security to purchase another using unsettled funds. Three (3) Good Faith Violations in any twelve (12) month rolling period will result in your account being restricted to "Funds in Advance" of trading for a period of 90 days. If an account trades through a 90-day restriction, any resulting loss in the account will be your responsibility and your account may be coded for "no more business."

Example of freeriding:

- On Monday customer sells "A" for $5,000, but holds no cash in his account
- On Monday customer buys "B for $5,000
- On Monday, Tuesday, or Wednesday customer sells "B", prior to the settlement date of "A"

In this example, the account would be charged with a Good Faith Violation. The settlement date of security "A" is Thursday. If the customer had sold security "B" on settlement of the sale of "A", then the purchase of security "B" would have been "fully paid" and no violations would have occurred.