

Apex Clearing's higher maintenance requirements on concentrated positions

Our clearing firm, Apex Clearing Corp, has an important update regarding an increase in margin maintenance requirements for concentrated positions in margin accounts. **The implementation of this policy change will occur on Friday, June 30, 2023.**

Currently, a margin account that has a concentrated position will only have the maintenance requirement increase if the account has a debit balance of \$2.5 million or greater. **The new policy will change this debit balance limit to \$100,000 or greater**, meaning maintenance requirements on concentrated positions will be increased for a margin account with a debit balance equal to or greater than \$100,000.

The purpose of concentration requirements is to reduce the risk carried in non-diversified accounts. By increasing the requirements, Apex and the client have extra protection should the concentrated position(s) move against the investor.

Apex considers a single position as concentrated if it represents 25% or more of the total market value of positions held in the account. Here are the three tiers they enforce:

Single Position Percentage of Total Market Value Held	Concentration Requirement
25%	35%
35%	40%
40%	50%

Only margin accounts carrying debit balances overnight in the amount of \$100,000 or more are subject to these higher overnight margin maintenance requirements. Only equity positions are considered for concentration. ETFs and options are excluded from the calculation. Some equities are already held by Apex at higher maintenance requirements due to a variety of factors, including relatively high volatility. In that case, the greater of the regular maintenance requirement or the concentrated requirement will apply. For example, a margin account has a \$100,000 debit balance and it holds Tesla (TSLA) which represents 30% of the total market value of the account. The concentrated requirement for this TSLA position is 35%, but because TSLA is currently held at 50% requirement, the higher 50% regular requirement is applied to the concentrated TSLA position.

Please note, SogoTrade's buying power logic does not factor intraday concentration. Apex Clearing's Margin Department will use the official 4pm ET closing prices and the resulting total market value of the positions held, to determine if any position(s) is considered concentrated. The initial overnight buying power Apex Clearing delivers daily, will have factored any higher concentrated maintenance requirements that were applied.

If you are carrying a \$100,000 or greater debit balance overnight and you want to avoid higher concentrated maintenance requirements, you must diversify your portfolio and **ensure no single equity position represents 25% or more of the total market value held overnight.**

Here is an example of a diversified margin account, with a \$110,000 debit balance, that avoids Apex's higher concentrated maintenance requirements. Note that no single position has a market value that represents 25% or more of the total \$198,496 market value held overnight.

Quantity	↑ Symbol	Last Price	Change (\$)	Change (%)	Lock / Avail	Avg Price	Cost	Mkt Value
200	AAPL	184.05	0.74	0.40%	0 / 200	200.00	40,000.00	36,810.00
200	BA	218.23	-2.15	-0.98%	0 / 200	200.00	40,000.00	43,646.00
160	CAT	246.33	0.89	0.36%	0 / 160	250.00	40,000.00	39,412.80
130	HD	299.63	-0.45	-0.15%	0 / 130	300.00	39,000.00	38,951.90
650	KO	61.04	0.59	0.98%	0 / 650	60.00	39,000.00	39,676.00
							198,000.00	198,496.70

This information is not intended as a recommendation or solicitation to invest in, or liquidate, a particular security or portfolio.

If you do prefer to open and hold concentrated positions overnight, please be prepared to only use a fraction of the intraday buying power provided, which is for non-concentrated positions only. Given the highest concentrated requirement is 50%, this likely means using less than half of the overnight buying power, in an effort to avoid unexpected concentrated maintenance (CM) margin calls the following day.