Margin investing

A guide for Vanguard Brokerage clients

Please read this brochure carefully before you apply for a margin account. This complex, high-risk strategy isn't appropriate for all investors.

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Is margin investing right for you?

What's "margin investing"?

When you invest on margin, you borrow either cash or securities from Vanguard Brokerage (Vanguard) to complete investment transactions. You're usually required to come up with just a percentage of the amount needed for a securities purchase or short sale, while paying interest to finance the rest based on an approved line of credit.

To keep your line of credit open, you must maintain a certain amount of equity—the current value of your assets less the amount of the margin loan—in your account at all times ($2,000 minimum). Essentially, you use the assets in your account as collateral to secure the loan. Margin trading can increase your return on an investment, but there's also potential for significant loss (see "Benefits" and "Risks" on pages 2 and 3, respectively).

At Vanguard, margin investing is allowed only for nonretirement Vanguard Brokerage Accounts and only with our prior approval. It's not permitted for retirement, Uniform Gifts/Transfers to Minors Act (UGMA/UTMA), and certain other accounts.

Margin investing is extremely complex, carries significant risks, and isn't appropriate for all investors. This brochure provides a basis for understanding how margin investing works at Vanguard and will help you determine whether it's the right strategy for you.

Ready to apply for a margin account?

- ☐ Make sure you understand the risks and benefits of margin investing (see pages 2 and 3).
- ☐ Keep a minimum of $2,000 in your nonretirement Vanguard Brokerage Account.
- ☐ Complete our Margin Account Application. Go to **vanguard.com/serviceforms** and search "Margin Account Application" to download it. Submit a separate application for each account you intend to use for margin investing.
- ☐ After we've reviewed your application, we'll notify you by mail whether you've been approved or denied for margin investing.

Benefits

You'll have access to ongoing credit

Margin loans are a ready source of credit and don't require the approval or credit checks that a bank may require. There's no set repayment schedule as long as you maintain the required level of equity in the account.

To meet short-term cash flow needs, taking a margin loan and paying interest is a convenient alternative to liquidating a portion of your portfolio, locking in capital gains, and being subject to taxes on those gains. However, remember that you'll pay interest to Vanguard for the duration of the loan.

You'll borrow at competitive rates

Margin borrowing is generally more cost-effective than other lending options, such as credit cards or a bank loan. (For details about Vanguard's interest rates, see page 4.)

You may be able to deduct your loan interest

Interest on margin loans may be tax deductible. Consult your tax advisor.

You'll be less likely to incur trading violations

Trading violations commonly triggered by trading in a cash account, such as "freeriding" (buying shares or other securities without actually having sufficient capital, then subsequently selling those shares to cover the trade) or "technical liquidations" (buying a security, then covering the amount due by selling another security the following trade date or later), are much less likely to occur in a margin account. You'll realize this benefit even if you never actually borrow money from Vanguard.

You'll have more buying power

Margin investing allows you to increase your "buying power" (the amount of money available in your account to purchase marginable securities). Buying power consists of your money available to trade, plus the amount that can be borrowed against securities held in your margin account.

For example, if you have $50,000 in your money market settlement fund, your buying power is actually $100,000 because you're required to deposit just 50% when buying or selling short most marginable securities.

Greater potential for gain: Example*

You buy shares of ABC stock for $100,000, using $50,000 from your money market settlement fund and a margin loan for $50,000. You sell the stock for $125,000.

Your net gain is 50%:	*versus*	25% if paid in full without using margin:
• $25,000 received on a $50,000 cash outlay		• $25,000 received on a $100,000 cash outlay
• [($100,000 – $25,000) – $50,000] / $50,000 = 50%		• ($125,000 – $100,000) / $100,000 = 25%

*The investment return doesn't take into account any fees, commissions, or interest charges paid by investors. This is a hypothetical illustration to show the potential impact of borrowing on investment returns.

Risks

Before placing any trades in a margin account, it's important that you fully understand that this activity involves **a high degree of risk.** These risks include the following:

You can lose much more than you deposit

If the securities in your account decline in value, you may be required to deposit additional money or marginable securities to prevent us from selling those or other securities in your account. Market conditions can increase any potential for loss.

You're fully liable for the money you borrow

During periods of extreme market volatility, the market value of the securities in your account (which are held as collateral) may drop below your loan value. If this occurs, you'll be responsible for covering the deficit in your account.

Make sure you understand all the risks

For a comprehensive list of risks associated with investing on margin, please review our Initial Margin Risk Disclosure Statement found within the Vanguard Brokerage Margin Account Agreement. According to FINRA rules and regulations, both documents are included in our Margin Account Application.

Vanguard can force the sale of securities or other property in your account

If the equity in your account falls below margin requirements or Vanguard's higher "house" maintenance margin requirements (see page 10), we reserve the right to sell the securities and other property in your account to cover the margin deficiency. You're not entitled to choose which securities or other assets in your account will be liquidated or sold to meet a margin call.

Vanguard can sell your securities and other property without contacting you

We'll try to notify you when a margin call exists, but we're not required to do so. In addition, we can sell your securities at any time throughout the margin call cycle; we don't have to wait until the due date of the margin call.

Greater potential for loss: Example*

You buy shares of ABC stock for $100,000, using $50,000 from your money market settlement fund and a margin loan for $50,000. You sell the stock for $75,000.

Your net loss is 50%:	*versus*	**25% if paid in full without using margin:**
• $25,000 lost on a $50,000 cash outlay		• $25,000 lost on a $100,000 cash outlay
• ($25,000 – $50,000) / $50,000 = –50%		• ($75,000 – $100,000) / $100,000 = –25%

*The investment return doesn't take into account any fees, commissions, or interest charges paid by investors. This is a hypothetical illustration to show the potential impact of borrowing on investment returns.

Vanguard's interest rates

When money is borrowed in a margin account, interest will be calculated on a daily basis and charged based on the total debit (borrowed) balance. The monthly interest period begins two business days before the beginning of each month and ends three business days before the following month's end.

At the close of each period during which credit was extended to you, interest will be calculated by multiplying the average daily debit balance by the applicable effective rate and by the number of days during which a debit was outstanding, and then dividing by 360 days (not 365). If not paid, the interest charge for credit extended to your account at the close of the interest period is added to the opening debit balance for the next interest period.

As of September 28, 2018, Vanguard's base lending rate and interest rates are as shown below. The effective rate, or true interest rate, charged on loan balances is the base lending rate plus the interest rate. The base lending rate is subject to change without notice. **If the rate of interest charged to you increases for any reason other than a change in the base lending rate, you will be notified at least 30 days in advance.**

Current interest rate schedule

Loan balance	Base rate	Interest rate	Effective rate
Up to $19,999	7.00%	2.50%	9.50%
$20,000–$49,999		2.00%	9.00%
$50,000–$99,999		1.50%	8.50%
$100,000–$249,999		1.00%	8.00%
$250,000–$499,999		0.50%	7.50%
$500,000–$999,999		–0.75%	6.25%
$1 million or more		–1.25%	5.75%

Margin interest calculation: Example*

Suppose you take a loan of $25,000 for 30 days:

- Multiply loan amount by the effective rate: $25,000 x 8.50% = $2,125
- Determine the daily interest amount: $2,125 / 360 = $5.90 per day
- Calculate the interest due after 30 days: $5.90 x 30 days = $177.08

If you chose not to pay off this amount at that time, it would be added to the loan balance for the next month:

($25,177.08 x 8.50%) / 360 days = $5.94 per day

$5.94 x 30 days = $178.33 total (charged at the end of the next month)

*Figures have been rounded for illustration purposes.

Managing your margin account

How to interpret the "Margin balance detail" screen

If you establish a margin account with Vanguard, your margin information will be displayed on the **Margin balance detail** screen when you log on to your account at **vanguard.com.** (From the **My Accounts** dropdown, select **Balances & holdings** and then **Margin balance detail** to view.) Following is an example of the information you'll find online.

Vanguard

My accounts › Balances & holdings › Thomas Shareholder—Brokerage Account—7777777

Margin balance detail

as of 01/09/2015

Buying power

1	Vanguard Federal Money Market Fund	$0.00
2	Cash trade date balance	$0.00
3	Margin cash available	$18,908.65
4	**Funds available to trade**	**$18,908.65**
5	Total buying power	$37,817.30
6	Value of open buy limit orders	$0.00

View order status ▸

Margin summary

7	Month-to-date margin interest	$0.00

Margin call information

8	House call	$0.00
8	Federal call	$0.00

Descriptions

1 Current balance of your money market settlement fund.

2 If you buy or sell a position that's initially not marginable (Vanguard exchange-traded funds (ETFs) and non-Vanguard mutual funds aren't marginable for 30 days), it will be traded in the cash account. The credit or debit from these trades is represented here.

3 Amount available to be withdrawn from your margin account as a loan or used to purchase securities that aren't marginable (i.e., they have a 100% margin requirement). The use of margin cash available will increase the debit balance in your account. (For detailed information regarding which securities are marginable at Vanguard, see "Margin requirements" on page 10.)

4 Consists of your money market settlement fund balance, pending credits or debits, and any margin cash available, and is adjusted for any open orders. *Money recently added to your account by check or bank transfer may not be available to purchase certain securities or to withdraw from the account.*

5 Amount that can be used for purchasing marginable securities (most commonly, your money available to trade multiplied by two).

6 Value of your current open buy limit orders that are being deducted from your money available to trade.

7 Amount of margin interest that has accrued month to date. Interest is charged at the end of the month. Year-to-date interest charges appear on your monthly statement.

8 If your account is currently in a margin call, the type of call and dollar amount will display here.

What’s a “margin call”?

A “margin call” is a demand to increase equity in a margin account to bring it up to minimum requirements. The three types of margin calls you may encounter are federal, maintenance, and exchange calls.

Federal (initial) call

A “federal” call is issued when you don’t have enough equity in your margin account to meet the Federal Reserve Board’s initial requirement as determined by Regulation T. The initial requirement is 50% of the total cost of the trade, including commissions, unless the stock is priced under $5, in which case it’s 100%. A federal call can only be generated as the result of a trade.

A federal call must be met by the trade date plus 4 days (T+4). If you’ve recently placed a trade that hasn’t yet settled, it’s common that your **Margin balance detail** screen on **vanguard.com** will display a federal call, even if you have sufficient money available in your settlement fund. Generally, upon the settlement date, money will be swept from your settlement fund, and the federal call will be met.

Maintenance (house) call

A “maintenance” call is issued when your equity falls below Vanguard’s house maintenance requirement. Currently, Vanguard’s house requirement for most marginable securities is 35% (see pages 10 and 11 for details). Vanguard can increase a security’s house requirement at any time, without advance written notice.

Since you’ve already satisfied the initial requirement (the federal call) when purchasing a security, house calls typically result from market movement. Margin maintenance requirements are based on the market value of a stock, not on the purchase price. Therefore, a decline in the price of a marginable security can result in a house call. Conversely, if a stock moves in your favor, it can reduce or eliminate the house call.

When the equity in your account falls below Vanguard’s house requirement, the house call is issued the following morning, known as Day 1. An automated message is typically sent to your email address on file. By Day 5, you must sell long securities, buy to close short securities, or deposit cash or securities to bring your account up to the required balance. Within the five-day cycle, the market may take your account out of the house call. If at any time the account is back in a call before Day 5, the call is still due on Day 5. Not until the entire five days have passed would you be considered out of the call completely.

All calls must be enforced

If at any time you don’t have sufficient money in your money market settlement fund to cover a federal, maintenance, or exchange call, you have three options to add money to the fund:

- Send money by electronic bank transfer, wire, or check by overnight mail.
- Sell or exchange Vanguard mutual funds.
- Sell a long security to cover (or buy to cover shares of a short position).

Note: If you don’t take action, we’ll sell (or buy to cover) securities in your account on the due date (or before, if necessary) to shore up the deficiency.

If you haven't taken action to cover the house call by Day 5 (typically by 2 p.m., Eastern time), Vanguard reserves the right to sell the securities and other property in your account to cover the margin deficiency. You're not entitled to choose which securities or other assets in your account will be liquidated or sold to meet a margin call. We'll try to notify you when a margin call exists (usually on Day 1 and again on Day 5), but we're not required to do so.

Note: When selling securities to cover, the amount you sell must be adjusted by the house requirement. For example, if your house call is $5,000, since only 35% of the sale is your equity and therefore released toward the call, you must sell $14,285.71 ($5,000 / 0.35) of marginable securities.

In addition, Vanguard may allow your call to be "recycled." This means the call will be reset to Day 1, allowing for a fresh five-day cycle. The options to have your call recycled are as follows:

- At any point throughout the cycle, add money to your settlement fund by electronic bank transfer or wire equal to or greater than the Day 1 call amount.
- At any point throughout the cycle, sell a long security to cover—or buy to cover shares of a short position—so that the amount, when adjusted, is sufficient to cover the greater of the Day 1 call or the current-day call amount.

Exchange (NYSE) call

An "exchange" call is issued when your equity falls below the New York Stock Exchange (NYSE) requirement, currently set at 25%. An account in an exchange call was probably already in a house call, but since the equity has fallen below the exchange requirement, covering the call is more urgent. Therefore, exchange calls have a two-day cycle. To cover an exchange call, you must meet the full amount of the call. This will bring the equity in the account back above both the NYSE's requirement and Vanguard's house requirement.

If you haven't taken action to cover the exchange call by Day 2 (typically by 2 p.m., Eastern time), Vanguard reserves the right to sell the securities and other property in your account to cover the margin deficiency. You're not entitled to choose which securities or other assets in your account will be liquidated or sold to meet a margin call. We'll try to notify you when a margin call exists (usually on Day 1, and again on Day 2), but we're not required to do so.

Note: When selling securities to cover, the amount you sell must be adjusted by the house requirement (because the house call is included in the exchange call). For example, if your exchange call is $5,000, since only 35% of the sale is released toward the call, you must sell $14,285.71 ($5,000 / 0.35) of marginable securities.

How margin calls work: Example

Week 1

Monday	Tuesday	Wednesday	Thursday	Friday
You buy $200,000 in XYZ shares.	If you don't have $100,000 available in your settlement fund (50% requirement), a Day 1 **federal call** will be issued for the difference of $100,000 and your settlement fund balance.	XYZ reports bad earnings; value drops to $150,000. $100,000 is swept from settlement fund (**federal call** eliminated).	Your equity is now only 33.3% ($50,000 / $150,000). Day 1 **house call** issued for $2,500.	Day 2 **house call**. XYZ drops further intraday, to $133,000.

Week 2

Monday	Tuesday	Wednesday	Thursday	Friday
Your equity is now only 24.8% ($33,000 / $133,000). Day 1 **exchange call** issued for $13,550.	**Exchange call** due.	Original **house call** would have been due (no longer applies).		

Margin requirements

Vanguard's house requirement for most marginable securities is 35%, provided that you maintain a minimum of $2,000 of equity in your account. **Note:** Vanguard can increase a security's house requirement at any time, without advance written notice.

Stocks

The following table details Vanguard's margin requirements for stocks.

Long			
	Federal (initial)	**Margin requirement:** 50% of purchase price ($2,000 minimum equity). Stocks trading below $5/share have a 100% federal requirement.	
	Maintenance (house)	Stock price	Requirement
		Under $3/share	100%
		Over $3/share	Greater of $3/share or 35%
		Concentrated account (value of holding is 40% or more of total long market value)	50%
Short			
	Federal (initial)	**Margin requirement:** 50% of sale price or net proceeds ($2,000 minimum equity)	
	Maintenance (house)	Stock price	Requirement
		Any	Greater of $5/share or 35%

Here's an example of a concentrated account:

Suppose you own two brokerage accounts. In Account 1, you own ABC and two other stocks, each making up about 33% of the account's value. In Account 2, you own two stocks, with ABC making up 66% of the account's value. *This is a concentrated account.* While ABC would have a 35% margin requirement in Account 1, it would have a 50% requirement in Account 2 because it makes up more than 40% of that account's value. Putting the majority of your money in one holding presents more risk to Vanguard, hence the increased requirement.

Account 1

Holding	Value	Requirement
ABC stock	$33,333	35%
QRS stock	$33,333	35%
XYZ stock	$33,333	35%

Account 2

Holding	Value	Requirement
ABC stock	$66,666	50%
XYZ stock	$33,333	35%

Special note about high-volatility stocks: We periodically review a comprehensive list of all marginable securities to identify stocks with higher-than-normal volatility. This may include pharmaceutical stocks, technology stocks, or initial public offerings (IPOs) that have recently begun trading on the secondary market. **When these types of securities are identified, we may raise the requirement of the stock to anywhere from 50% to 100%.**

Mutual funds and ETFs

A leveraged ETF uses derivatives and debt to amplify the returns of an underlying index.

Mutual funds held at Vanguard (including those from other providers) and Vanguard ETFs® aren’t marginable for the first 30 days. This means they must be paid for in full upon purchase but can be borrowed against after they’ve been held for 30 days (from the settlement date). You’ll see a line item labeled “transfer” in your transaction history on **vanguard.com** when a mutual fund or ETF becomes marginable. (We’ll automatically move it from the cash position to a margin position.) If you’ve previously held shares of the mutual fund or ETF, you may see two line items in your holdings: one for new shares (listed as cash) and one for previous shares that have been held for more than 30 days.

All *leveraged ETFs* (such as 2x or 3x leveraged, inverse, or standard) are nonmarginable at Vanguard. This means they must be paid for in full upon purchase and can’t be borrowed against.

Fixed income products

Fixed income products such as corporate bonds, municipal bonds, and Treasuries may be marginable based on their credit ratings. In general, bonds that are considered “investment grade” are marginable, but lower-rated bonds aren’t. (Certificates of deposit (CDs) aren’t marginable.) To determine if a specific bond is marginable, contact us.

Options

Options aren’t marginable at Vanguard. In addition, we may require that you maintain your option position based on the notional (exercised) value of the option. To determine the required option-specific position or strategy (spreads, straddles, naked puts, etc.) you’d like to initiate, contact us.

Borrowing cash from your margin account

As stated in the "Benefits" section, one advantage of a margin account is having easy access to cash.

Consider the example of having $100,000 invested at Vanguard and borrowing another $100,000 from Vanguard to invest in stock (bringing your equity to 50%). Conversely, if you have $100,000 invested at Vanguard, you may also take a cash loan of up to $50,000 (also bringing your equity to 50%). Both examples assume your account contains marginable securities.

How your margin account settles

There are two ways money can sweep to your settlement fund:

- Automatic sweep *(default method)*. Generally, credits from your margin account will automatically sweep to your money market settlement fund and, in turn, money in your settlement fund will automatically sweep to your margin account to reduce your margin loan.
- Manual sweep *(available only if you hold your money market settlement fund and brokerage assets in separate accounts)*. You can request this method if you want to keep money in your separately held money market settlement fund and a margin debt in your brokerage account at the same time. Once manual sweep is activated, you're responsible for contacting us to transfer money from your money market settlement fund to your brokerage account to pay down your margin debt, or to change back to automatic sweep (the default method). While on manual sweep, money would still be transferred from your money market settlement fund to your brokerage account in the case of a margin call or to facilitate a short sale transaction.

How to request a loan

To request a cash loan, you must call us at **800-992-8327**. You'll generally have two options to receive the money:

- **Wire directly to your linked bank account.** A same-day federal funds wire will be sent directly from your margin account to your bank account on file. This option bypasses your settlement fund, so there's no need to set your account to manual sweep. Because this is a same-day process, Vanguard must receive the request no later than 12 p.m., Eastern time. Requests received after that time will be processed on a best-efforts basis.
- **Deposit into your money market settlement fund.** A margin debt will be created in your brokerage account, and money will be deposited into your settlement fund. Your account must be set to manual sweep to prevent paying down the margin debt. Once the money is in your settlement fund, you may access it as you wish (by requesting an outgoing bank transfer or writing a check (if applicable), for example). This process generally takes two to three business days.

If you have questions regarding the options available to receive a cash loan, contact us.

Short sales

A "short sale" is a transaction in which you sell a security you don't own by borrowing the security. Short sales are made in anticipation of a decline in the price of the security, which enables you to cover the sale with a future purchase at a lower price and therefore a profit. You must be approved for margin investing to engage in short selling.

If the shares of the security that you sold short are no longer available to borrow through Vanguard, your account will be subject to a mandatory "buy in" at current market prices for all or part of your short positions. Because the price of the stock could rise indefinitely, short sales are said to have "unlimited liability" and should only be entered into if you fully understand the risks and potentially adverse impact such trades might have on your portfolio.

After a short sale is complete, the proceeds from the sale are maintained in your account as a "short credit." **These proceeds aren't released to your settlement fund, and you won't earn interest on the short credit.** The short credit ensures that you have enough assets to facilitate the closing transaction (buy to close) when you decide to terminate your short position. The credit is adjusted based on the market price of the security you've sold short, in a process known as "marking-to-market."

Marking-to-market is done on a daily basis, essentially releasing money to your settlement fund if the short position moves in your favor (market price declines) or pulling additional money from the settlement fund if the short position moves against you (market price increases). For an example of how this works, see the table below.

Short sale: Example

Assume you're short 1,000 shares of XYZ.

Monday	Tuesday	Wednesday	Thursday	Friday
XYZ reports bad earnings, falls by $2/share.	$2,000 ($2 x 1,000) is released from your short credit to your settlement fund (XYZ price is flat).	No mark-to-market. XYZ rebounds by $0.50/share.	$500 ($0.50 x 1,000) is pulled from your settlement fund and added to the short credit.	

Note: Marking-to-market is always based on the security's price movement from the previous day.

Day trading

What's "day trading"?

"Day trading" is defined as buying and selling, or selling short and buying to close, the same security on the same trading day. Examples include:

- Buying a security long and selling to close the same security during the same trading day.
- Selling short a security and buying to close the same security during the same trading day.

The following aren't considered day trading:

- Buying a security long, holding it overnight, and selling the same security the next day prior to any new purchase of the security.
- Selling short a security, holding it overnight, and buying to close the same security the next day before any new short sale of the security.

What's "pattern" day trading?

When trading in a margin account, if you execute at least four day trades over five successive business days, your account will be coded for "pattern" day trading. The only exception to this rule is if the day trades represent less than 6% of your total trading activity during the same five-day period.

The main difference between a pattern day trader and a standard margin client is that a pattern day trader can utilize greater buying power for day trading. If you become a pattern day trader, Vanguard allows you to exceed your standard margin buying power, knowingly putting yourself into a margin call, with the expectation that the position will be closed within that same trading day.

How we determine your day trade buying power

At Vanguard, day trade buying power is calculated as follows:

(4 x your settlement fund balance) + (4 x your NYSE surplus)

The NYSE surplus is the amount of the margin equity in your account above the NYSE's minimum maintenance requirement. As mentioned under "What's a 'margin call'?" the NYSE's requirement is 25%, so the NYSE surplus is calculated as your equity minus the 25% requirement for most marginable securities. Common exceptions to this rule are leveraged ETFs and options, which aren't fully marginable. See the examples below.

Factor	Example A	Example B
Settlement fund balance	$100,000	$0
Fully marginable stock	$0	$100,000
NYSE surplus	$0	$100,000 x (1 – 25%) = $75,000
Day trade buying power	**$400,000**	**$300,000**

Vanguard doesn't currently provide the NYSE surplus figure on the **Margin balance detail** screen (see page 6). Contact us if you'd like to know your NYSE surplus.

We have no control over whether or not you'll hold a position overnight or just for the day. It's your responsibility to enter orders that remain within your day trade buying power for the type of trade you're placing. If you decide to hold a position overnight, house and federal requirements still apply and you may be in a margin call the next morning.

How much equity you need to keep

Pattern day traders must maintain a minimum of $25,000 of equity in their brokerage accounts. If the equity falls below $25,000, the account will be restricted to 1 x money available each day until the equity is restored to $25,000. The minimum equity requirement can be satisfied by any holdings in the account (stocks, bonds, ETFs, CDs, etc.), as long as their total value minus any margin debt is at least $25,000.

When a day trade call is triggered

Pattern day traders must also be sure to trade within their day trade buying power (see the formula on page 14). If a single buying transaction or multiple buying transactions in a row (or short sales) exceed your day trade buying power, a day trade call will be issued the following morning for the overspent amount. The day trade call will restrict your account to 1 x money available each day for the next 90 days. To have the call removed, you must add money to your settlement fund in the amount of the call within five business days.

Avoid day trade liquidations

Another option to satisfy a day trade call is to sell a security that was held long on the morning the day trade call was issued. It can't be a sale of a stock purchased on the same day that the day trade call was issued or anytime thereafter. **This practice, known as day trade liquidation, isn't encouraged.** If you commit three day trade liquidations in a rolling 12-month period, the 1 x money available restriction will be added, similar to the day trade call, for 90 days.

Day trade call and liquidation: Example

As mentioned under "Margin requirements," leveraged ETFs, options, and other securities have higher-than-normal exchange requirements and therefore follow different day trading rules. The following example assumes you're day trading a fully marginable stock.

Start of day (Monday):

Settlement fund = $100,000
XYZ stock (fully marginable) = $100,000

Day trade buying power = 4 x ($100,000 + ($100,000 x (1 – 25%)) = $700,000

Monday	Tuesday	Wednesday	Thursday	Friday
Buy $750,000 XYZ Sell $750,000 XYZ	Day trade call issued for **$12,500** (90-day restriction added)	Sell $50,000 XYZ (day trade call reduced to day trade liquidation)		

Here's how the day trade call amount (as shown in the previous example) and the liquidation amount are calculated:

- First, the day trade buying power is divided by 4 to equal $175,000 ($700,000 / 4).
- Then the purchase of XYZ, a fully marginable security, is also divided by 4, to equal $187,500 ($750,000 / 4).
- The purchase is then compared with the day trade buying power to determine if a day trade call should be issued: $187,500 – $175,000 = **$12,500.** You'd have the option of sending Vanguard $12,500 to remove the day trade call completely or selling previously held securities to reduce the day trade call to a day trade liquidation (4 x $12,500, or $50,000, of a fully marginable stock must be sold in this example).

Questions?

For additional information about margin investing, including the risks associated with it, read our Initial Margin Risk Disclosure Statement (found within the Vanguard Brokerage Margin Account Agreement) or visit finra.org (the Financial Industry Regulatory Authority's website) and sec.gov (the U.S. Securities and Exchange Commission's website).

If you have questions about your margin account at Vanguard, call us at **800-992-8327**. Investment professionals are available on business days from 8 a.m. to 10 p.m., Eastern time.

P.O. Box 1170
Valley Forge, PA 19482-1170

Connect with Vanguard® > vanguard.com > 800-992-8327

All investing is subject to risk, including the possible loss of the money you invest.

For more information, visit vanguard.com, or call 800-992-8327 to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.

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Options are a leveraged investment and aren't suitable for every investor. Options involve risk, including the possibility that you could lose more money than you invest. Prior to buying or selling options, you must receive a copy of Characteristics and Risks of Standardized Options *issued by OCC. A copy of this booklet is available at theocc.com. It may also be obtained from your broker, any exchange on which options are traded, or by contacting OCC at One North Wacker Drive, Suite 500, Chicago, IL 60606 (888-678-4667 or 888-OPTIONS). The booklet contains information on options issued by OCC. It's intended for educational purposes. No statement in the booklet should be construed as a recommendation to buy or sell a security or to provide investment advice. For further assistance, please call The Options Industry Council (OIC) helpline at 888-OPTIONS or visit optionseducation.org. The OIC can provide you with balanced options education and tools to assist you with your options questions and trading.*

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