



NEWS RELEASE

# Schwab Issues Statement About Recent Trading Activity

1/29/2021

Neither Charles Schwab & Co. nor TD Ameritrade have halted buying or selling in any stocks

WESTLAKE, Texas--(BUSINESS WIRE)-- The Charles Schwab Corporation announced today it has issued a statement regarding recent trading activity:

In recent days, much attention has been paid to trading in a group of securities that include GME, AMC, EXPR and others, that are part of what is being called a "short-squeeze." As part of the increased media attention around this activity, there has been some confusion about what Charles Schwab & Co. and TD Ameritrade have each done in response to the situation. To clarify:

Neither Charles Schwab & Co. nor TD Ameritrade halted buying or selling ANY stocks this week. Neither firm restricted buying or selling basic options. Both firms did adjust margin requirements on select stocks to ensure clients had sufficient assets to pay for stock purchases. Both firms also restricted certain advanced options strategies.

More specifically, the actions taken include:

1. Both firms put in place some restrictions on certain types of options transactions to help mitigate risk. For example, we are not allowing clients to sell naked call options in order to mitigate an unlimited risk situation. These decisions are based on risk and volatility and are made on an individual security basis.
2. Both firms, as normal course of business, review and alter margin requirements in highly volatile securities. As margin requirements increase, clients are required to hold more equity in their accounts to make trades in these securities.



3. As an example, for the GME security, both firms changed the requirement to 100%, thereby removing margin from the security. This process began on Jan 13th, 2021. Since that time, clients have been restricted from using GME as collateral for a margin loan; before Jan 13th clients could do so in a limited way. The example below illustrates what this means:

- a. Client owns \$100,000 of a marginable stock (i.e., XYZ). They can take out a margin loan against XYZ to buy non-marginable securities, like GME.
- b. Client owns \$100,000 of a non-marginable stock, like GME. They cannot take out a margin loan against GME to buy XYZ.

We believe these steps appropriately balance investors' ability to trade these securities with the firm's duty to protect itself from potentially absorbing losses incurred by an individual's trading or investing strategies. They are consistent with our long-standing risk management practices and similar to steps we have taken with other high-risk or highly volatile securities in the past.

The Schwab Center for Financial research has published **commentary** for investors seeking additional perspective.

## About Charles Schwab

At Charles Schwab we believe in the power of investing to help individuals create a better tomorrow. We have a history of challenging the status quo in our industry, innovating in ways that benefit investors and the advisors and employers who serve them, and championing our clients' goals with passion and integrity.

More information is available at [www.aboutschwab.com](http://www.aboutschwab.com). Follow us on **Twitter**, **Facebook**, **YouTube** and **LinkedIn**.

\* The performance characteristics of selling a naked call are unlimited risk and limited potential.

Borrowing on margin may not be appropriate for every investor and it is important to determine how it fits into your investment strategy. Margin has additional risk associated with market volatility, and it is possible to lose more funds than you deposit into your account. Margin accounts also require a higher level of attention, including potentially monitoring stock prices on a daily basis. Schwab generally recommends margin be used by clients with more than five years of investing experience. Please review **Margin Borrowing at Schwab: Overview and Disclosure Statement** for additional information.

Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options through Schwab. Investing involves risks, including loss of principal. Hedging and protective strategies generally involve additional costs and do not assure a profit or guarantee against loss. With long options, investors may lose 100% of funds invested. Covered calls provide income, downside protection only to the extent of the premium received, and limit upside potential to the strike price plus premium received. Spread trading must be

done in a margin account. Please read the Options Disclosure Document titled "**Characteristics and Risks of Standardized Options**" before considering any options transaction. Supporting documentation for any claims or statistical information is available upon request.

(0121-1C3C)

Erin Montgomery

Charles Schwab

(212) 403-9271

**[Erin.Montgomery@schwab.com](mailto:Erin.Montgomery@schwab.com)**

Source: The Charles Schwab Corporation