

Good Faith Violations

Important Notice for Cash Accounts

Before February 18, 2005 if you purchased securities in your cash account, the purchase was considered "paid for" using the sale of fully paid for securities in your account even though those sales had not yet reached settlement date.

In response to a Staff Opinion issued by the Federal Reserve, effective Friday, February 18, 2005, Siebert, through its clearing agent National Financial Services LLC (NFS), is required to implement the following important change to the treatment of purchases in your cash account.

Good Faith Violation ("GFV")

After February 17, 2005, your account will be charged with a Good Faith Violation if you purchase a security in a cash account and sell that security prior to paying for the purchase with settled funds. Three (3) GFVs in any rolling twelve (12) month 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 the responsibility of the client.

Going forward, a purchase will not be considered "paid for" if unsettled proceeds from a sale are being used. The purchase will only be considered paid for if the proceeds from the sale have settled.

Here is an example of the new policy:

- Account is long ABC worth \$10,000 but holds no cash.
- Monday Customer Sells ABC for \$10,000.
- Monday Customer Buys XYZ for \$10,000.
- Tuesday Customer Sells XYZ for \$10,000.

These transactions would result in the account being charged a GFV. If the customer had sold **XYZ** on Thursday, which is settlement of the sale of **ABC**, then the purchase of **XYZ** would have been "fully paid" and no violations would have occurred.

Please note that this new procedure will not be an issue for most of our clients. However, we thought it would be beneficial to make you aware of it.

If you have any questions, please feel free to contact the Customer Service Department toll-free at 800-872-0444 from 7:30 a.m. - 7:30 p.m. ET, Monday-Friday.