

## Overview

Same Day Trading is defined as buying and selling the same security on the same day, i.e. during the same trading session. It is a facility that most developed stock exchanges offer to their investors to enhance the market liquidity and efficiency.

Day traders rapidly buy and sell stocks during the day to benefit from the slight price fluctuations throughout the session, allowing them to lock in quick profits in short terms. This in turn, will increase the volume and the value traded on the stock and hence increase its liquidity. Same day trading also protects the investors from uncertain long term price movements.

However, Same Day Trading has been and still is a debatable issue among stock market specialists because of the high risk it involves. Day traders usually suffer from financial losses in the first months due to lack of experience in price movements' patterns and trading techniques, in addition to the risk they are taking if keeping the stocks overnight without a proper study of the possible price movements.

Therefore, **day traders** (either individual investors or institutions) **should be aware of** the following:

- Day trading strategies usually require large capital to benefit from the slight price fluctuations.
- Day trading is a stressful, expensive full-time job, that demands high concentration to keep watching and tracking the price fluctuations to spot market trends and act accordingly.
- Do not follow blindly claims of quick and sure profits from day trading. Check out the sources thoroughly and carefully.
- Day traders should know up front how much they need to make to cover expenses and break even. The accumulated commissions involved in the frequent buying and selling transactions associated to this kind of trading, may result in a significant reduction in profits.
- Day traders may suffer financial losses in the first months of trading and accordingly, day traders should only risk money they can afford to lose, i.e they should not use the money needed in their daily expenses, retirement, mortgage .. etc.
- Day trading on margin or short selling may lead to incurring losses beyond the initial investment, so investors should first know how margin works and when to meet a margin call and the risks associated with not meeting margin calls.
- Last, but not least, day traders should check out day trading firms with the market regulators. Investors must confirm that day trading firms have obtained a license from the regulator and that they are member firms of the Exchange. It is also advisable for investors to check out the track record of the member firms with the stock exchange, the regulator and their customers.

## Same Day Trading on CASE:

Within the framework of Cairo & Alexandria Stock Exchanges (CASE) current plan to increase market depth and liquidity, the Exchange has formulated new rules to arrange the Same Day

Trading activities. In that respect, the Capital Market Authority (CMA) Chairman has issued Decree No. 24 on August 7th 2005, that introduced the "Same Day Trading" concept for the first time to the Egyptian market.

According to the rules, member firms wishing to carry out Same Day Trading transactions, should first obtain a **license** from the CMA, and should meet the following requirements:

- A Minimum deposit of LE 5 million in one of the clearing banks in order to meet the settlement of the Same Day Trading transactions. Member firms can only trade within the limits of **four times** the amount deposited at the clearing bank.
- A disclosure statement from the member firm to its clients on the investment risks involved with such transactions.
- The form of the contract issued between the member firm and the client including the detailed rights and obligations of each party.

For the security of the investor only **securities** that fulfill the following **requirements** can be traded according to the Same Day Trading System.

- The securities must be dematerialized.
- The securities must be listed on the Stock Exchange (official or unofficial schedules)
- The minimum trading days of the security should not be less than 95% of the total number of trading days throughout the year.
- The average number of brokerage companies executing transactions on this security should not be less than 50 companies per year.
- The security average number of transactions per day should be at least 1% of the total market average number of transactions throughout the year.
- The minimum free float should be 15% of the total listed shares.

Before the start of the trading session, CASE shall announce on the trading terminals the securities permitted to be traded according to this system.

At the investor level, he has to conduct the same day trading transactions (the purchase and the sale) through one broker. Moreover, the volume of daily transactions made by one investor, according to this system, should not exceed **1/10,000 (one over ten thousand)** of the company's listed securities on CASE.

The Mistr Clearing, Settlement, Depository and Registry (MCDRI) shall perform clearing and settlement transactions on the trades done according to this system on the same day **(T+0)**.

Finally, in order to ensure investor protection and stability in the market, and for the benefit of the market participants, the CMA retains the right to **suspend** any violating member firms or **modify** the daily transactions value of the member firm.