

# **Beginners Corner Information**

## Lesson 6

### Executing A Put-Selling Trade

#### Selling Cash-Secured Puts

# Course Review: Lessons 1-5

- Learned the basics of options and selling puts
- Selected the best option-selling candidates using fundamental and technical analysis and common sense principles
- Used calculations to determine portfolio returns and make-up

# Types of Orders

- *Market order*: An order to buy or sell a stock or option at the current best available price
- *Limit order*: An order to buy or sell a stock or option at a specific price or better
- Always use limit orders when selling options

# Options Approval Form

- *FINRA Rule 2090* - also known as “*know your customer*” or *KYC rule* - requires brokerage firms to use reasonable diligence when opening accounts for retail investors to help us avoid taking inappropriate risks.

# Levels Of Trading Approval

Strategy	Level 1	Level 2	Level 3	Level 4	Level 5
Covered call writing					
Protective Puts					
Buying stock or index puts and calls					
Covered put writing					
Spreads					
Uncovered put and call writing					
Uncovered writing of straddles and strangles					
Uncovered writing of index puts and calls					

# Fill Out Order Form

Virtual Options Order Form

[Mini Price](#)
[Adjust Virtual Funds / Trading Level](#)

Option

Trailing/Stop

Continued

Symbol

FB

May14

55

Put

Find Chain

Action

Sell To Open

Quantity

1

All or None

Price

Market

Limit \$

2.55

Stop \$

Stop Limit

Order can be entered in penny increments up to \$3.00

Duration

Day Order

Advanced Orders

None

Renew Order

Account Balances

More Detail

Account Equity

\$95,602.09

Stock Buying Power

\$109,460.18

Option Buying Power

\$94,730.09

Quotes

Refresh

	Last	Bid	Ask	Vol
FB	59.10	59.09	59.10	80,305,632
FB May14 55 Put	2.61	2.55	2.57	3,771

Quotes delayed at least 15 minutes.

# Preview Order

## Virtual Option Order Preview

» Please Review Your Virtual Order Carefully

Symbol	Description	Last	Change	Bid	Ask	Volume
FB	FACEBOOK INC	59.01	0.12 ▲	59.00	59.01	95,260,201
FB May14 55 Put	FACEBOOK INC	2.00	0.11 ▲	2.50	2.60	3,602

Action	Qty	Symbol	Description	Contract Size	Price	Duration	All or None
Sell To Open	1	FB May14 55 Put	FACEBOOK INC	100	Limit 2.55	Day Order	Off
						Estimated Commission	\$14.05
						Estimated Order Total	\$240.05
						Time	3:15:14 PM ET

This Preview is provided for your protection, so please review all order details carefully. Clicking the "Place Order >>" button will transmit this order to the exchange marketplace for action.



# Verify Order

## Virtual Option Trade Placed

Thank You. Your order has been received and submitted.

### Order #42418476

Please record this order number for your records. The order number is a unique number that should be referenced when communicating with us.

### Order Time

4/15/2014 3:17:04 PM ET

[Place Another Trade](#)

[Check Order Status](#)



### What Next?

- [View Your Positions](#)
- [Check Your Balances](#)

# Order Status

## Virtual Order Status

As of 4/15/2014 3:18:40 PM ET.  
Intraday data delayed at least 15 minutes.

☒ Detach
 ☐ Customize
 ☐ Auto-Refresh

Date
Status
Security

Today
All Orders
All Securities
Go

Status

View Positions

Order	Symbol	Description	Bid	Ask	Action	Qty	Type	Dur	Exc	Fill	Fill Time	Create / Cancel Time	Status
42393102	FB May14 55 Put	FACEBOOK INC	2.55	2.67	STO	1	Limit	2.55	DAY	2.67	4/15/2014 10:02:38 AM	4/14/2014 4:18:10 PM	Filled Trade
42418476	FB May14 55 Put	FACEBOOK INC	2.55	2.67	STO	1	Limit	2.55	DAY	2.55	4/15/2014 3:17:05 PM	4/15/2014 3:17:04 PM	Filled Trade

Key

BTO Buy To Open  
[ OTO, OCO

BTC Buy To Close  
[ Untriggered  
Contingent

SS Sell Short  
[ Untriggered  
Trading Stop

STO Sell To Open

STC Sell To Close

# Summary

- We must fill out a broker options approval form
- Approval based on the level of trading approval assigned to strategy and client experience and finances
- Use limit orders when buying or selling calls or puts
- Trade execution is a 4-step process
- \*\*\*Paper-trade before “going live”
- In Lesson 7 we will address exit strategies or position management