

The Risk-and-Availability Gate

Before every trade, answer six questions. If any answer is no, do not open the trade.

- 1 **Bound.** Does this structure have an established maximum loss, including costs? Yes ☐
- 2 **Size.** Does the maximum loss of one complete structure fit my per-trade budget? Does the maximum loss of the quantity I plan to trade, including costs, still fit? Yes ☐
- 3 **Limits and funding.** After adding this trade, am I within my daily loss budget, campaign loss budget and total open-exposure limit, with enough buying power and settlement funding? Yes ☐
- 4 **Availability.** Can I keep every monitoring checkpoint this trade's plan requires today? Yes ☐
- 5 **Calendar.** Have I checked today's scheduled events, and run the Chapter 7 evaluation if there is a major one? Yes ☐
- 6 **Quotes.** Are the quotes acceptable right now, with a reasonable bid-ask spread and displayed size? Yes ☐

One condition overrides all six: once you hit your daily stop, the gate is closed for the rest of the day.

WHAT EACH QUESTION GUARDS AGAINST

Bound. An uncovered short call has theoretically unlimited loss. An uncovered short put has a finite but potentially very large loss. Some multi-leg structures depend on how a remaining leg is valued later. If you cannot state the maximum loss and its conditions, stop here (Chapters 8 and 9). If you would build or unwind the structure in pieces, every intermediate position needs its own bound too (Chapter 12).

Size. Check one complete structure first. A spread is several option contracts, so "one contract" is not the unit. If one SPX spread's maximum loss exceeds your budget, the answer is a smaller product such as XSP, or no trade. Then check the full quantity (Chapters 2 and 8).

Limits and funding. A trade that fits on its own can still break your day if you already have open positions or losses. A new day does not erase a campaign's losses. Buying power and settlement cash are separate checks from loss (Chapter 8).

Availability. If the plan needs you at 11:30 and you will be in a meeting at 11:30, the plan fails. Resting orders are part of a plan, not a substitute for being able to act (Chapter 14).

Calendar. On announcement days, the first question is whether to trade at all (Chapter 7).

Quotes. Wide or thin quotes mean the price on your screen may not be one you can exit at (Chapter 12).

Date _____ Trade _____