

Rules of The Stock Market Game Program

1. Each team begins the simulation with \$100,000 in cash and may borrow additional funds. How much you may borrow is dependent upon the equity in your account. Interest is charged weekly on negative cash balances at an annual rate of 7.00%, and credited weekly on positive cash balances at an annual rate of 2.00%. Interest is calculated daily, then summed for the week (Saturday through Friday) and posted on the following Tuesday. The daily rate is based upon a 365 day year. $\text{Daily Interest} = \text{Cash} * \text{Appropriate Interest Rate (as a decimal)} / 365$. Bond coupon payments will be posted when due.
2. You may trade only stocks and mutual funds listed on the American Stock Exchange, Nasdaq Stock Market and the New York Stock Exchange that have traded within the last 7 days. Canadian stock traded on these exchanges will be priced within these markets but the current value is calculated using Canadian exchange prices adjusted using the current exchange rate for the American dollar equivalent. Some competitive regions may also trade a pre-determined group of Municipal, Corporate, and Treasury bonds.
3. End of Day Game transactions are priced at market daily closing prices. These prices can be found in the next day's newspaper or by using the price quote facilities of **SMG**. Real Time Game transactions are priced at the market price at the time of entry. Bond prices are available only on the SMG website.

All Mutual Fund transactions are treated as real time transactions and priced at the previous day's closing price. This applies to both End of Day and Real Time games.

Transactions entered with a limit price will not be held past the initial attempt to price the transaction. This applies to both the End of Day or Real Time Games.

4. All Stock and Mutual Fund buy orders must be a minimum of 100 shares. Sell for Stocks and Mutual Funds orders for less than 100 shares will be permitted. Municipal and Corporate Bond orders must be bought and sold in \$1000 increments only. Treasury Bonds must be bought and sold in \$100 increments only.
5. **SMG** does not permit buying stocks or mutual funds that trade below \$5 per share. Such orders will be rejected. Sell transactions for existing long positions where transactions are executed at closing or real time prices will be accepted, even if the price is less than \$5.00 per share. (There are a number of reasons for this rule. Low priced stocks, known as penny stocks, are very risky and volatile investments. Accordingly, brokers will not permit their customers to trade such securities on margin, just as SMG does not. Also, penny stocks tend to have very shallow markets and their prices move sharply with large orders, unlike SMG where transactions are executed at closing or real time prices regardless of order size). Only Bonds provided by SMG may be bought and sold. These bonds will be investment grade only with S&P ratings of "BBB" or higher.
6. Trades can only be processed in whole and will be rejected if sufficient buying power does not exist to execute the entire order.
7. A 2% broker's fee is charged for all transactions. For example, if you buy 100 shares of a stock at \$10 per share, you must pay the 2% of \$1000 or \$20. On Sell or Shortsell transactions an SEC fee of \$5.60 per million gross rounded to the nearest penny is also charged. Bond buyers will also be charged for accrued interest since the last coupon payment. Bond sellers will receive accrued interest since the last coupon payment.
8. The Game is run Monday through Friday. Teams may trade on any day the participating stock markets are open. Orders may be entered 7 days a week during hours the system is available.
9. Trades entered after close of market (4:00 PM ET) will be priced at next day's closing price for the End of Day Game and at opening price for the Real Time Game. Bonds, however, can trade from 12 midnight through 11pm (ET) 7 days a week during the hours the system is available. Mutual Funds are always treated as real time trades but priced at the last closing price.
10. Teams do not have to liquidate their portfolios at the end of The Game. Winners will be determined on the basis of either equity or the % return above/below S&P 500 Growth. (Some states may use additional criteria to determine winners).

Short sell/short cover rules

11. All short sell orders must be for a minimum of 100 shares. Short cover orders for less than 100 shares will be permitted. Open ended mutual funds can not be short sold.

12. SMG does not permit short sells on stocks or mutual funds that trade below \$5.00 per share. Such orders will be rejected. Short cover transactions for existing short positions will be accepted, even if the price is less than \$5.00 per share. (See Rule #5 for an explanation). Mutual Funds and Bonds can not be short sold.

Portfolios

13. A record of a team's portfolio and transactions will be available daily. A team will not receive a portfolio nor be listed in regional rankings until its initial transaction is entered successfully. A student can only be assigned to ONE portfolio per game period.

14. No back posting of trades will be done for trades of securities not contained within the SMG Security Table. Once the missing security has been added to the Security Table the security can then be traded. The same rule applies to trades rejected if they are incorrectly priced below \$5. Once the pricing has been corrected the security can be traded. Only Bonds listed in the SMG can be traded.

15. Stock and cash dividends and stock splits are automatically computed into portfolios. Every effort is made to simulate as closely to real life as possible a variety of other corporate actions (mergers, acquisitions, spinoffs, etc.), which may include the standard three-day settlement period. In this case, it may be necessary to suspend trading of a given security until the action can be completed. Canadian stocks trading on US exchanges cannot be traded between a split's record date and its payout date. It is the responsibility of teams to check their portfolios for accuracy and notify their Coordinator by email of any problems that are encountered.

16. Participants of the end of day pricing game may delete pending transactions prior to market close except in the case of Mutual Funds and Bonds which are processed as real time orders.

Additional rules

17. Any violation of the rules of the SMG may result in the invalidation of a transaction. Repeated violation of the rules may result in the disqualification of a team.

18. Additional rules have been developed in some states and, if applicable, have been included in your Coordinator's Information Page. It is the responsibility of your team to learn and abide by all rules.

19. You must maintain a total equity position that is greater than or equal to 30% of the current value of your current holdings. If you don't you will receive a margin call.

Your Local Rules for the Stock Market Game

1. The last day for making team transactions is the day before the end of the game session. For example, if the session ends November 25th, the last day to enter trades is November 24th.

2. Portfolios must contain a minimum of three different stocks or mutual funds at the end of the game session in order to qualify for the portfolio competition.

3. Teams may not invest more than 33% of their total equity in any one company or fund. If a stock or fund in a team portfolio increases in value and places the investment beyond 33% of their total equity, they will be unable to purchase additional shares of that stock or fund. This rule is the Maximum Equity rule. The Stock Market Game system will automatically enforce this rule to encourage diversity in a team portfolio.

4. Portfolio transactions will receive end-of-day pricing and rankings are updated daily.