

Rules of The Stock Market Game (SMG) Program

- 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 0.75%. Interest is calculated daily, then summed for the week (Saturday through Friday) and posted Saturday (with Friday's Date). 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.
- You may trade only stocks and mutual funds listed on the Nasdaq Stock Market and the New York Stock Exchange that have traded within the last 7 days. Some competitive regions may also trade a pre-determined group of Municipal, Corporate, and Treasury bonds. Teams cannot trade over-the-counter or pink sheet stocks since they often price incorrectly; teams also cannot trade Class A or Class B stocks as they normally have a variety of ways they are written on price providers (such as ABC.A, ABC-A, ABCA, etc.) and are, therefore, difficult to price correctly. When we find these stocks in portfolios, we must cancel any related transactions, which may result in a loss for the team.
- 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 End of Day transactions and priced at that day's closing price. All bond transactions are treated as Real Time transactions. 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 End of Day or Real Time Games.

- 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.
- SMG does not permit buying stocks or mutual funds that trade below \$5 per share the day before and the day of execution. 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.

- Trades can only be processed in whole and will be rejected if sufficient buying power does not exist to execute the entire order.
- A 1% 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 1% of \$1000 or \$10. On Sell or Shortsell transactions an SEC fee 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.
- 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.
- Stock 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 will be given last price displayed in the system and Mutual funds will be priced at next day's closing price.
- 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

- 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 cannot be short sold. Held short sell positions are marked to the market daily and the resulting gain or loss is added or subtracted from cash. No mark-to-market transactions are posted in transaction history.
- 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 cannot be short sold.

Portfolios

- 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.
- 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

pricing below \$5. Once the pricing has been corrected the security can be traded. Only Bonds listed in the SMG can be traded. No post dating of trades due to the system being unavailable.

- 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.
- Participants of the end of day pricing game may delete pending transactions prior to market close except bonds which are processed as real time orders.

Additional rules

- 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.
- 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.
- 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.

Code of participation

- SMG advisors must be responsible adults 18 years of age or older. In no case may they be a matriculated student in grades K-12.
- SMG advisors will ensure that every participant on their team(s) has read and understands the SMG Rules and the Code of Participation.
- Teams that do not comply with the SMG Code of Participation will be removed from the portfolio rankings.
- The authority to remove a team from the rankings lies solely with the team's SMG coordinator organization.
- Each team is responsible for any opening or closing transactions entered into its portfolio.
- Teams may not enter transactions into portfolios other than their own. (Please note that when a team asserts that a transaction was entered by a non-member of that team, the

team will nevertheless be ranked based on their portfolio's total equity, which will include the challenged transaction.)

- Only transactions stored on the SMG database will be recognized for purposes of evaluating portfolio total equity. Teams are responsible for maintaining the secrecy of their portfolio password.
- FIE will be responsible for the accuracy of the market data. It is the responsibility of teams to report any major price discrepancies found in their portfolios. Failure to do so may result in disqualification from the competition. In extreme cases of continued disregard for this rule, FIE reserves the right to delete teams from the game. If a team believes a stock price or other information is incorrect, the team advisor shall notify their Coordinator by email.
- In the event of an error on the part of FIE and/or coordinator organization(s), their liability to a participant shall be limited to the refund of registration or other fees paid.