

Teachers Guide

Understanding Portfolios

► Rules of the Game

Promotional Materials

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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. $\text{Daily Interest} = \text{Cash} * \text{Appropriate Interest Rate (as a decimal)} / 365$.

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 stocks 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.

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.

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 buy orders must be a minimum of 100 shares. Sell orders for less than 100 shares will be permitted. Open ended mutual funds can not 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.

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).

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.

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. 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).

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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).

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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. No post dating of trades due to the system being unavailable.

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 which are processed as real time orders.

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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.

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Code of participation

1. 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.

2. SMG advisors will ensure that every participant on their team(s) has read and understands the SMG Rules and the Code of Participation.

3. Teams that do not comply with the SMG Code of Participation will be removed from the portfolio rankings.

4. The authority to remove a team from the rankings lies solely with the team's SMG coordinator organization.

5. Each team is responsible for any opening or closing transactions entered into its portfolio.

6. 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.)

7. Only transactions stored on the SMG database will be recognized for purposes of evaluating portfolio total equity.

8. 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.

9. 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.

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Your Local Rules of the Game

Competition Eligibility Rules

To be eligible for regional and state awards, you must adhere to the following rules.

1. You must be holding 3 different stocks by the end of the 4th week of the program, and must continue to hold at least 3 different stocks for the remainder of the program.
2. Each team is limited to 100 transactions during the trading period. Each buy, sell, short sell or short cover counts as a transaction. For example, if you buy a stock and sell another stock you will be charged with 2 transactions. Dividends, interest payments and splits do not count as transactions.
3. This rule is the Maximum Equity Rule. Teams may not invest more than 13% of their total equity (X 2) in any one company. If a stock in a team portfolio increases in value and places the investment beyond 13% of their total equity (X 2), they will be able to retain their shares but unable to purchase additional shares of that stock. The SMG system will automatically enforce this rule to encourage diversity in a team portfolio.
4. Teachers must notify the State Stock Market Coordinator of teams consisting of fewer than 2 students and more than 5 by the end of the 4th week of the program. Failure to notify may disqualify team for awards.
5. SMG Advisors with outstanding balances or owing payment to ICEE or a regional partner will not be eligible for competitions and contests associated with The Stock Market Game program until the outstanding amount is paid.
6. Final decision
The Indiana Council for Economic Education and/or the Foundation for Investor Education have the authority to make decisions regarding errors or disputes.