

Your SMG Margin

Margin Calculations

Buying Power =
Available Equity x 1.5.

Buy Margin Requirement
= $[2/3 \times (\text{Value of Long Stocks} + \text{Value of Mutual Funds} + |\text{Value of Shorts}|)]$
+ $(.04 \times \text{Value of Treasury Bonds})$ + $(.10 \times \text{Value of Municipal Bonds})$ + $(.25 \times \text{Value of Corporate Bonds})$

Minimum Maintenance Requirement = $0.30 \times (\text{Value of Stocks} + \text{Mutual Funds} + |\text{Value of Shorts}|)$
+ $(.024 \times \text{Value of Treasury Bonds})$ + $(.06 \times \text{Value of Municipal Bonds})$ + $(.15 \times \text{Value of Corporate Bonds.})$

Interest = (Amount Borrowed x Interest Rate) x Number of Days / 360

In The Stock Market Game (SMG), the process of buying on margin occurs automatically once the portfolio's cash balance has been exhausted. SMG teams begin with a cash balance of \$100,000 (plus any interest earned). However, because they may buy on margin, their **Buying Power** is \$150,000 (one and one half their Available Equity).

The **Buy Margin Requirement** in SMG is 2/3 or 66% of the sum of the value of the team's long positions and the value of their short positions plus 4% of the value of the team's Treasury Bond positions plus 10% of the team's Municipal bond positions plus 25% of value of the team's corporate bond positions.

SMG's **Minimum Maintenance Requirement** is 30%. A team that does not meet this requirement will receive a margin call. They have five days to meet the 30% maintenance requirement. If it is not met, SMG will sell or short cover stocks, beginning with the lowest-priced ones, until the minimum maintenance requirement is met.

It is important for teams to understand the risk associated with purchasing on margin. Usually, teams using Buying on Margin as an investment strategy tend to do so early in the trading session, allowing for ample time to recover any losses that may be generated.

More information about *Buying on Margin*, *Minimum Maintenance*, and *Margin Calls* is available in the Help pages of the Account Summary section of your SMG team portfolio.

SMG Interest

In the Stock Market Game 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. Daily Interest = Cash x Appropriate Interest Rate (as a decimal) / 365. Bond coupon payments will be posted when due.

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