



# Rules of The Stock Market Game™

## Portfolio Rules

1. Each team begins the simulation with \$100,000 in cash and may borrow additional funds. How much you may borrow is dependent on the equity in your account. Teams that buy on margin must maintain the *Minimum Maintenance* requirement. If you dip below this level, you will receive a margin call and must sell off enough investments to meet *Minimum Maintenance*. If a team still has not met its *Minimum Maintenance* requirement within seven days, the SMG system will automatically liquidate enough of the portfolio's investments to collect the required amount.
2. Interest is charged weekly on negative cash balances at an annual rate of 7%, and credited weekly on positive cash balances at an annual rate of 0.75%. Interest is calculated daily, then summed for the week (Saturday – Friday) and posted Saturday (with Friday's date). The daily rate is based on a 365-day year.  $\text{Daily Interest} = \text{Cash} \times \text{Appropriate Interest Rate (as a decimal)} / 365$ . Bond coupon payments will be posted when due. 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.
3. Teams may trade only stocks and mutual funds listed on the NASDAQ Stock Market and the New York Stock Exchange. Teams cannot trade over-the-counter or "pink sheet" stocks since they often price incorrectly. In addition, extremely volatile stocks or stocks that trade infrequently are not permitted and may be liquidated to protect portfolio stability. SMG reserves the right to cancel transactions in these securities as deemed necessary.
4. Some regions may also trade a pre-determined group of municipal, corporate, and Treasury bonds. Only bonds provided by SMG may be traded. These bonds will be investment grade, with S&P ratings of "BBB" or higher. Teams cannot trade unrated bonds or those with lower than "BBB" ratings, also known as high-yield or "junk" bonds, as they often carry higher default risk.
5. A record of a team's portfolio and transactions will be available daily. A team will not receive a portfolio ranking 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.
6. Teams do not have to liquidate their portfolios at the end of the game. Winners will be determined based on either *Total Equity* or *Percent Return Above/Below S&P 500 Growth*. (Some states may use additional criteria to determine winners). For more information, please [click here](#).

## Transaction Rules

7. The minimum market capitalization for stocks in SMG is \$25 million, and SMG does not permit buying stocks or mutual funds or short selling stocks that trade below \$3 per share the day before and the day of execution. These low-priced stocks, also known as "penny" stocks, are risky and volatile investments. Sell transactions on long positions and short cover transactions on short positions will be accepted, even if the price is less than \$3 per share.



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8. All stock and mutual fund buy orders and stock short sell orders must be for a minimum of 10 shares. Sell orders on existing inventory and short cover orders for less than 10 shares will be permitted. Municipal and corporate bonds can only be traded in \$1,000 increments, and Treasury bonds can only be traded in \$100 increments. Bonds and mutual funds cannot be sold short.
9. Stock transactions in Real-Time games are executed at market price at the time of entry, while bond and mutual fund transactions are treated as End-of-Day transactions and are executed at that day's closing price. End-of-Day game transactions are priced at market daily closing prices for all asset types. Participants of End-of Day games may delete pending transactions prior to market close.
10. SMG is run Monday – Friday with hours of operation from 9:30AM ET – 4PM ET. Teams may trade on any day the participating stock markets are open. Orders may be entered seven days a week during hours the system is available. Stock trades entered after close of market (4PM ET) or on weekends and market holidays will be priced at the next business day's opening price for Real-Time games and at the next business day's closing price for End-of-Day games. Bonds and mutual funds will be priced at the next business day's closing price for both Real-Time and End-of-Day games.
11. Transactions entered with a limit price will not be held past the initial attempt to price the transaction during market hours. This applies to both Real-Time and End-of-Day games.
12. Trades can only be processed in whole. There are no partial fills.
13. A \$5-per-trade commission fee is charged on all transactions. An SEC fee is also charged on all sell transactions.
14. Short positions held in stocks are marked to the market daily and the resulting gain or loss is added or subtracted from *Cash Balance*. No mark-to-market transactions are posted in *Transaction History*. (Please note: there is no short-selling allowed in non-margin cash accounts.)
15. 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, the security can be traded. The same rule applies to trades rejected if they are incorrectly pricing below \$3. Once the pricing has been corrected, the security can be traded. There is no post-dating of trades due to the system being unavailable.
16. 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.



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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.

## Code of Participation

19. 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.
20. SMG advisors will ensure that every participant on their team(s) has read and understands the SMG Rules and the Code of Participation.
21. 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.
22. Teams are responsible for maintaining the secrecy of their password and the integrity of their portfolio. Each team is responsible for any opening or closing transactions entered in its portfolio. Teams may not enter transactions in portfolios other than their own. (When a team asserts that a transaction was entered by a non-member, the team will still be ranked based on their portfolio, which will include the challenged transaction.)
23. Only transactions stored on the SMG database will be recognized for the purposes of evaluating portfolio *Total Equity* and determining rankings.
24. The SIFMA Foundation is responsible for the accuracy of market data. Teams are responsible for reporting any major price discrepancies found in their portfolios. Failure to do so may result in disqualification. In extreme cases of disregard for this rule, the SIFMA Foundation 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.
25. In the event of an error on the part of SIFMA Foundation and/or coordinator organization(s), their liability to a participant shall be limited to the refund of registration fees paid.