

Stock Market Simulation Rules

Wisconsin Stock Market Simulation Rules 10-Week Competition

- 1. Initial Cash Balance** Refer to the trading calendar found in this kit for official dates of The Wisconsin Stock Market Simulation. Each team will begin with \$100,000.
- 2. How To Trade** Before making any trades, you must have your team number, password, and the ticker symbols of the securities you wish to trade.
- 3. There are Two Versions of the Program:**
 - The Internet version:** Visit our home page, www.WisconsinSMS.com, to submit trades, review your team's activity and ranking, research stocks, obtain quotes, and find ticker symbols. This is the best way to trade because it is fast, accurate, and convenient. Internet teams may fax in trades only if they experience technical problems.
 - The Fax version:** You may fax in your trades 24 hours a day to our toll-free fax line: 1-888-275-0969. You must send your trade request in on the official fax form provided to you. The form may be found on the Wisconsin SMS website. All forms must be completed using blue or black ink and all information must be filled in completely for the trade to be processed. Trades submitted in pencil can not be read and will therefore be rejected. Teams registered as a fax team can only make trades via fax. Teams cannot change versions during the simulation.
- 4. Trading Stocks:** There are four basic ways to trade stocks: buy, sell, short sell, and short cover. When buying a stock, you are taking a "long position" with the hope that the price per share will increase. When you sell a stock, you close or reduce that long position. To buy or short sell a stock, specify how many shares you want, rather than how much money you wish to spend. Selling short is selling a stock that you don't own (you actually borrow the stock from the broker) with the hope that you can later buy the stock back at a lower price. When you buy the stock to pay back what you borrowed, it is called "covering" your short position. You may not be long and short in the same stock at the same time.

Day trading is not allowed.

Duplicate trades on the same day are not allowed.
- 5. Trading Funds:** You may buy or sell mutual funds with the SMS. Mutual funds are traded in dollar amounts rather than by number of shares. Mutual funds must be traded in lots of \$500. To sell off all of your mutual fund shares enter a "99999" in the box for dollar amounts. Like stocks, in order to trade mutual funds you must have the ticker symbol. All mutual fund ticker symbols are five letters long ending in "X".
- 6. Trading Times and Prices Received**
 - Stocks:** Trades made via the web page will receive 15-20 minute delayed prices if placed while the market is open (generally 9:30 a.m. and by 4:00 p.m. EST). Trades placed after the market has closed will receive the next day's open price. Trades made via fax and received before the market close will receive that day's closing price. Trades made after market close will receive the next day's closing price.
 - Mutual Funds:** Mutual funds are always traded at the end of day prices (NAV or net asset value). Trades received before market close will be placed at the closing price for that day. Trades made after market close will receive the next day's closing price.
 - Splits and Dividends** All stock splits and all dividend payments over \$0.10 will be credited to your portfolio. Splits that have been credited to your portfolio have the appearance of a buy or short sell, but the price per share is \$0.00. Dividends will appear in your portfolio with a "DIV" attached to the ticker symbol. In order to receive a split and/or dividend, a team must have a current open position in the stock by the Ex-Date (The ex-date is usually two business days before the record date. It is indicated in newspaper listings with an x.). Splits and dividends will be posted in accounts by the "Ex-Date."
- 7. Securities that can be traded**
 - Stocks:** You may buy, sell, sell short, and cover a short almost all NYSE and NASDAQ-AMEX stocks (common and preferred) that are trading at \$5.00 or more and have a current reported volume of at least 10,000 shares. IPOs are usually available within 48 hours of the day the stock starts trading on the exchanges. IPOs cannot be traded until they become available on the SMS website.
 - Mutual Funds:** You may buy and sell any of the U.S. Mutual funds listed, regardless of the price (No \$5.00 minimum price as with stocks.)
- 8. Volume and Purchase Restrictions**

Throughout the simulation, teams may invest no more than \$25,000 in any one stock. If a team buys \$25,000 in any one stock and the price increases, teams are not required to sell any portion of that stock to remain at \$25,000.

Teams may not buy or short sell stocks trading for under \$5 per share (no penny stocks). *continued . . .*

The maximum number of shares a team may trade is limited to one-half of the actual volume for that day.

All trades must be for a minimum of 25 shares. Teams do not have to purchase shares in multiples of 25 shares per trade. For example, teams may buy 26 shares or 157 shares, but not 24 shares.

Mutual funds must be traded in lots of \$500.

You may not hold a short and a long position in the same stock at the same time.

- 9. Ticker Symbols** You will need to know the ticker symbol for the security before you can trade it. Please note that most local newspapers show only the abbreviation of the company name, not the ticker symbol. The Wall Street Journal and the SMS web page are excellent sources to help you find the ticker symbols you need. You can also find links on our research page that will help you find a certain ticker symbol.
- 10. Commissions** A broker's commission is applied to most transactions. The commission for stock trades is a flat fee of \$25 on each transaction regardless of the number of shares. If you sell one stock and buy another you will be charged two commission fees.

Mutual funds traded are not charged a commission.
- 11. Margin Requirements** The margin requirement for the simulation is 50%. This means that since you are starting with \$100,000, you may borrow another \$100,000, making your total buying power \$200,000 minus commissions. You may buy and short sell stocks on margin.
- 12. Interest Earned** Interest will be earned on all available cash balances and credited at the close of each day. During the simulation, cash balances will earn 3% interest, compounded daily.
- 13. Interest Charged** Interest will be charged on all loan balances and will be debited at the close of each day. During the simulation, loan balances will be charged at 8% interest, compounded daily.
- 14. Portfolio Statements** Portfolios and rankings are available on the web site and are updated daily. All rankings are a combination of both fax and Internet teams.

Any fax teams wishing to receive printed versions of their portfolios should notify Economics *Wisconsin*.
- 15. Number of Transactions** Each team is limited to 50 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 two transactions.

16. Competition Eligibility Teams wishing to be eligible for the Wisconsin Stock Market Simulation Competition must follow the Three Stock Rule. Teams must be holding at least three different companies' stocks at the end of weeks six, seven, eight, nine and ten.

17. End of the Simulation You do not need to convert all of your investments to cash on the last day of the simulation. Your portfolio will be valued at the closing prices for that day.

Official winners of the simulation will be notified by Economics *Wisconsin* usually within two weeks of the end of the simulation.

18. Disputes and Errors If you and your teacher believe an error has been made in your portfolio, your teacher may call the Wisconsin Stock Market Simulation office at (414) 221-9785 or STOCK-TRAK at 1-866-SMS-DESK. You may also report errors online by e-mailing econed@economicswisconsin.org or by clicking on the 'Help Desk' tab on our website, www.wisconsinSMS.com. Please review your statements and report any problems right away.

Please have the following information ready when submitting errors: team number, password, date of transaction, type of trade, ticker symbol, number of shares, price of stock at time of transaction and confirmation number.

Trades that result from cases of stolen passwords, those submitted by a team member without the consent of his or her team mates, and/or trades that result due to human error will not be deleted from accounts.

Neither Economics *Wisconsin* nor STOCK-TRAK are responsible for trades that are incomplete, incorrect, or not received.

Economics *Wisconsin* and STOCK-TRAK may use various methods (such as time and tape analysis) to resolve disputes. The decision made by Economics *Wisconsin* and/or Stock-Trak, Inc. is final.

Economics *Wisconsin* and STOCK-TRAK reserve the right to adjust or delete trades that are believed to be incorrect, and the right to terminate any account that they believe may have attempted to exploit, manipulate, or sabotage any part of the SMS trading system and/or web page.

The liability to Economics *Wisconsin* and STOCK-TRAK is limited to the fee paid for the service.

Economics *Wisconsin* and the management of STOCK-TRAK have the ultimate authority to settle disputes.