

Connecticut SMS[®]

Stock Market Simulations

Trading Rules

www.connecticutsms.com

Presented by:



Connecticut SMS Rules

1. Trading Dates & Initial Cash Balance

The Connecticut SMS trading dates will vary please check your newspapers home page for exact trading dates. The initial cash balance is \$100,000. You must compete for a minimum of 8 weeks to be eligible for the competition and invest in at least 3 different stocks throughout the competition.

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.

There are two ways to make a trade:

A. Connecticut SMS homepage (www.connecticutsms.com)

Visit the home page to submit trades, review your team's activity, research stocks, obtain quotes, find ticker symbols, and review your team's ranking. This is the best way to trade because it is fast, accurate, and convenient.

B. Fax Line Toll-Free: 1-888-275-0969

You may fax in your trades 24 hours a day. This is used as a back up for the Internet. You must send your trade request in on the fax form provided to you. The form may be found as a link on the left navigation bar. The fax form can be viewed and printed using Adobe Acrobat Reader. All information must be filled in completely for the trade to be processed.

Trading Stocks: There are four basic ways to trade stocks: buy (BO), sell (SC), short sell (SS), and short cover (CO). 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 that long position. 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. To buy or short sell a stock, specify how many shares you want, rather than how much money you wish to spend. You may not be long and short in the same stock at the same time.

Trading Commodities: You may buy or sell commodities with the SMS. Commodities (such as gold, orange juice, and corn) are traded in contracts/units not by number of shares. Commodities must be traded in whole units.

3. 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 am – 4:00 pm ET). Trades placed after the market has closed will receive the next day's open price. Trades made via fax and received before market close will receive that day's closing price. Trades made after market close will receive the next day's closing price.

Commodities: Trades made via the web page will receive end of day prices if placed while the market is open (generally 9:30 am to 4:00 pm ET). Trades placed after the market has closed will receive the next day's closing price. Trades made via fax and received by market close will be executed at that day's closing price. Fax trades received after market close will receive the next day's closing price.

4. 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."

5. 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. IPOs are usually available the afternoon that the new stock starts trading on the exchanges. Stock trades may be in any whole number of shares greater than 25 (i.e., 25 share minimum but you can trade 26 shares or more).

Commodities: You may buy and sell commodities. A list of the commodities available to be traded is listed on the Commodities Order Screen. All commodity trades must be made in a whole number of contracts/units.

6. Volume and Purchase Restrictions:

- Throughout the simulation, teams may invest no more than \$25,000 in any one stock.
- Teams may not buy or short sell stocks trading for under \$5 per share (no penny stocks).
- The maximum number of shares a team may trade is limited to the volume of the stock that day.
- You may not hold a short and a long position in the same stock at the same time.
- Day trading is not permitted.
- Duplicate trades on the same day are not allowed.

7. Ticker Symbols:

You 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 web page are two really good 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.

8. Commission:

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.

9. Margin Requirements:

The margin requirement for the simulation is 50%. Initially, this means that since you are starting with \$100,000, you may borrow another \$100,000, making your total buying power \$200,000. You may buy and short sell stocks on margin.

10. 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.

11. 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 charge 8% interest.

12. Number of Transactions:

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.

13. 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 usually within a week of the end of the simulation.

14. Disputes and Errors:

- If you and your teacher believe an error has been made in your portfolio, your teacher may call 1-866-SMS-DESK, toll-free, to discuss the problem. Please review your statements and report any problems right away.
- 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.
- Stock-Trak, Inc. is not responsible for trades or quote prices that are incomplete, incorrect, or not received.
- Stock-Trak, Inc. may use various methods (such as time and tape analysis) to resolve disputes. The decision made by Stock-Trak, Inc. is final.
- Stock-Trak, Inc. has 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.
- Stock-Trak, Inc. has the ultimate authority to settle disputes.
- Stock-Trak, Inc.'s liability is limited to the fee paid for the service.

For an enjoyable and terrific learning experience, please follow the rules listed above.