



Fall 2019 Hawaii Stock Market Simulation **INVESTING RULES**

1. **Initial Cash Balance:** The Hawaii Stock Market Simulation begins on September 30, 2019 and ends on December 6, 2019. Each team will begin with \$100,000. There is a practice period from September 16 through September 27 – during this window, teams can log in and practice trading. All portfolios will be reset before the competition begins on September 30, 2019.
2. **How To Invest:** Before making any transactions, you must have your team number, password, and the ticker symbols of the securities you wish to buy/sell.
3. **Accessing The Challenge**

Go to: <http://www.hawaiisms.com>. Visit our home page to submit transactions, review your team's activity, research stocks, obtain quotes, find ticker symbols, and review your team's ranking. This is the best way to make transaction because it is fast, accurate, and convenient.

Investing in Stocks: There are two basic ways to purchase or sell stocks: buy (BO) and sell (SC). 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. Day trading is not allowed. Duplicate transactions on the same day are not allowed.

Investing in Bonds: Hawaii SMS allows you to buy or sell bonds. Bonds are notoriously difficult to research. A selection of Corporate Bonds, Treasury Bonds, Strips, and Bond Mutual Funds is listed on the bond transaction screen. All bonds have a par value of \$1,000. Bonds will accrue interest during the competition, which can be reviewed from the "Account Balances" page.

Investing in Mutual Funds: Hawaii SMS allows you to buy or sell mutual funds. Mutual funds are purchased in dollar amounts not by number of shares. Selling mutual funds is transacted in numbers of shares. To fully close a mutual fund position, click "Liquidate Position" on the trading page when selling. Like stocks, to buy or sell mutual funds you must have the ticker symbol. All mutual fund ticker symbols are five letters long ending in "X".

Mutual fund transactions execute at the end of the trading day. This means if a team enters a "buy" order for mutual funds before the markets close, their order will execute at 6pm New York time. If the team enters their "Buy" order after the markets close, their order will execute at the end of the next trading day. Pending orders can be viewed, edited, or cancelled from the "Order History" page.

4. **Investing Times and Prices Received**

Stocks: Transactions made via the web page will receive 15-20 minute delayed prices if

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placed while the market is open (generally 9:30 a.m. and by 4:00 p.m. EST). Transactions placed after the market has closed will receive the next day's open price. Transactions do use real-time bid/ask prices, but delayed prices are displayed on the website to comply with SEC regulations.

Bonds: Orders placed via the web page will receive end of day prices. Orders received after market close will receive the next day's closing price. Since bonds pay interest via coupons, when you buy bonds in between coupon dates, you must pay accrued interest. You will earn interest at the coupon rate while you continue to hold the bond. If you sell your bond during the simulation, you will receive all that accrued interest.

Mutual Funds: Mutual funds are always transacted at the end of day prices (NAV or net asset value). Transactions received before market close will be placed at the closing price for that day. Transactions made after market close will receive the next day's closing price.

5. **Splits and Dividends:** All stock splits and all dividend payments over \$0.10 will be credited to your portfolio. All split and dividend transactions can be reviewed from the "Transaction History" page. The "Account Balances" page also includes a sum of all dividends received.

6. **Securities that can be bought or sold**

Stocks: You may buy, sell, sell short, and cover a short for almost all NYSE and NASDAQ-AMEX stocks (common and preferred) that are priced 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 is first listed on the exchanges.

Bonds: The bond transaction page has a limited set of 103 bonds that participants can choose from. All bonds have a par value of \$1,000. You cannot short a bond.

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.)

7. **Volume and Purchase Restrictions:** Throughout the simulation, teams may invest no more than \$50,000 in any one stock. For example, if you buy \$50,000 in any one stock and the price increases, you are not required to sell any portion of that stock to remain at \$50,000. Teams may not buy stocks priced for under \$5 per share (no penny stocks). The maximum number of shares a team may transact is limited to one-half of the actual volume for that day. All stocks have a 25 share minimum but do not have to be in multiples of 25 shares per transaction. For example, you can now buy 26 shares or 157 shares, but not 24 shares. Mutual funds must be transacted in lots of \$500.
8. **Ticker Symbols:** All stock and mutual fund transactions require a ticker symbol. If the team does not know the ticker symbol, they can type the company name on the trading page to view tickers that match.
9. **Commissions:** A broker's commission is applied to most transactions. The commission for stock transactions 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 are not charged a commission.

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 be charged at 8% interest, compounded daily.
12. **Portfolio Statements:** Team activity or portfolio statements are available on the Internet at www.hawaiisms.com 24 hours a day, and can be exported as spreadsheets to be printed. Team activity and team rankings are updated continuously throughout the competition.
13. **Number of Transactions:** Each team is limited to 100 transactions during the 10-week 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.
14. **Incentive/Competition Eligibility:**
Teams must have at least 5 investments in their portfolio by the end of the 3rd week **(October 18, 2019)** of the simulation, and must continue to hold at least 5 for the remainder of the simulation. Teams may not invest more than \$50,000 in any one stock during the simulation.
 - **Income/Growth Division (Grades 9-12):** portfolio must contain 50% stocks and/or stock funds and 50% bonds and/or bond funds
 - **Growth Division (Grades 9-12):** portfolio must contain 65% stocks and/or stock funds and 35% bonds and/or bond funds
 - **Aggressive Growth Division (Grades 9-12):** portfolio must contain 80% stocks and/or stock funds and 20% bonds and/or bond funds.
 - **Elementary Division (Grades 3-8):** portfolio must contain at least 50% stocks and/or bonds or bond funds.

To be eligible for incentives and counted in the official rankings:

1. Each team must have between 2-4 students.
2. Team must meet the following deadlines **(based on Eastern Time, not Hawaii Time)**. The following rules must be met by the closing Bell on the New York Stock Exchange on the following days (EST and EDT is very important for these rules):

Week 3: October 18, 2019: Teams must make their initial purchases and have a

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minimum of 5 different equity positions (stocks, bonds, and mutual funds).

Week 5: November 1, 2019: Teams must meet their stock/bond allocation.

Income/Growth Division: 50% stocks and 50% bonds

Growth Division: 65 % stocks and 35% bonds

Aggressive Division: 80% stocks and 20% bonds

Elementary Division: 50% stocks and bonds

Teams must continue to hold a minimum of 5 equity positions and continue to meet their stock/bond allocation.

To be eligible for prizes, teams must make their initial investments and hold a minimum of 5 equity positions on or prior to October 18, 2019. They also must meet their stock/bond allocation on or prior to November 1, 2019.

Teams must continue to hold a minimum of 5 equity positions and continue to meet the allocation requirements until the end of the simulation. Teams that invest in stocks only and purchase bonds in the last days or weeks of the session will not be eligible for prizes.

The dates listed above are based on New York time, not Hawaii time. For example, if a team purchases all their bonds on the afternoon of Friday after the markets are closed, the transaction will actually be made on Monday. This team did not make the bonds allocation deadline. Please keep in mind the time difference when making transactions.

The requirements above have been put into place to give the students a more realistic environment in which to invest.

3. Each team must outperform the benchmark in their division to be eligible for incentives.

At the end of the investment session, the top team's portfolios will be compared to a relative benchmark of the proper asset allocation (same asset allocation based on division in which the team is participating) of the 10-yr Treasury Note and S&P500 stocks. If the team outperforms this benchmark and meets the stock/bond allocation criteria of their division, it will be eligible for prizes.

A team that accumulates a total portfolio value well above the benchmark but does not have the proper allocation of stocks and bonds will not be eligible for prizes. The benchmark is listed on the Account Balances page. Each team's ranking is listed on the ranking page.

Determining Proper Allocation

You can determine the percentage of stocks and bonds in your portfolio by using the formulas below. Use the Portfolio and Summary pages to gather your data.

$$\% \text{ Stocks} = \text{Net Stocks} \div \text{Total Portfolio Value}$$

$$\% \text{ Bonds} = \text{Net Bonds} \div \text{Total Portfolio Value}$$

Calculate the total portfolio value using this formula:

$$\text{Total Portfolio Value} = \text{Net Cash} + \text{Net Stocks} + \text{Net Bonds}$$

Calculate the net stocks and net bonds using these formulas:

$$\text{Net Stocks} = \text{MVL P (Stocks)} + \text{MVL P (Stock Mutual Funds)}$$

$$\text{Net Bonds} = \text{MVL P (Bonds)} + \text{MVL P (Bond Mutual Funds)}$$

Calculate the net cash using this formula:

$$\text{Net Cash} = \text{Ending Cash Balance}$$

MVL P = Market Value of Long Position

As the simulation progresses, teams may find it necessary to reallocate in order to maintain the proper balance of stocks and bonds. When the judges are reviewing final portfolio values for incentive eligibility, a range of 20 points will be allowed in each category, 10% on either side of the target. To be eligible for incentives a team's final portfolio must meet the following requirements on the last day of the simulation.

Income/Growth Division: 40-60% stocks and 40-60% bonds

Growth Division: 55-75% stocks and 25-45% bonds

Aggressive Division: 70-90% stocks and 10-30% bonds

Elementary Division: 50% stocks and bonds

Remember: Teams are still expected to meet the original target allocation of stocks and bonds by the October 18, 2019 deadline.

- 16. End of the Simulation:** Please *do not* 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 the Hawai'i Council on Economic Education.
- 17. Disputes and Errors:** If you and your teacher believe an error has been made in your portfolio, your teacher may call STOCK-TRAK @ 1-866-SMS-DESK, toll-free, to discuss the problem. Please review your statements and report any problems right away.

- The Hawai`i Council on Economic Education and STOCK-TRAK are not responsible for transactions or quote prices that are incomplete, incorrect, or not received.
- The Hawai`i Council on Economic Education and STOCK-TRAK may use various methods (such as time and tape analysis) to resolve disputes. The decision made by the Council and/or STOCK-TRAK is final.
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- The Hawai`i Council on Economic Education and/or the management of STOCK-TRAK have the ultimate authority to settle disputes.
- The Hawai`i Council on Economic Education and STOCK-TRAK's liability is limited to the fee paid for the service.