

The Capitol Hill Challenge Program – 2017

Advisor Role & Agreement

By participating as a **Capitol Hill Challenge Advisor**, I am agreeing that I will

1. Read and abide by the CHC Program Rules & Code of Participation outlined below and also available online at www.sifma.org/chc
2. Ensure that my students read and abide by the CHC Program Rules & Code of Participation outlined below and also available online at www.sifma.org/chc

Eligibility

- 1) Participant eligibility
 - a. 2 schools per Member of Congress (junior high or high school, with priority consideration given to public schools)
 - b. 10 teams per school
 - c. 3-5 students per team
- 2) Winner eligibility: 10 teams with the nationally top-ranked portfolios
 - a. one winning team per school
 - b. one winning team per MOC

General Information

- Participation in the CHC is by invitation only, with priority consideration given to public schools
- Request for participation does not guarantee placement in the competition
- There is **no cost** to participate
- A maximum of two schools per MOC can participate
- Students may only participate on ONE team in the CHC competition
- Students taking part in a separate SMG game window can also take part in CHC
- The dates for this exciting 14-week competition are **February 6 to May 12, 2017**
- The last day for entering portfolio transactions is **Thursday, May 11, 2017, 4pm EST**
- The names of ALL participating students on EACH registered team must be submitted by the CHC Advisor **by February 26, 2017, 11 pm EST** to be eligible to attend the winners' event (no substitutions)
- The school must be located in the MOC's district with matching zip code - **Please reconfirm your district and MOC at: www.house.gov.**
- Updated 2017 CHC Rules are available below and at: www.sifma.org/chc/

IMPORTANT DATES:

- **CHC Portfolio Trading Begins:** Monday, February 6, 2017, 9:30am EST
- **Last Day to Submit Participant Names:** Sunday February 26, 2017, 11pm EST
- **Diversification Requirement Days:** To qualify for the winners' event, each team's portfolio must contain at least one each of a stock, bond, and mutual fund every Friday at 4pm EST from February 24 – May 5 and on Thursday, May 11, 4pm EST
- **Last Day of Trading:** May 11, 2017, 4pm EST
- **Winners' Trip to Washington, DC:** June 20-22, 2017

Capitol Hill Challenge Program Rules

A complete set of program rules is also listed at www.sifma.org/chc/

1. All Advisors must submit their student team rosters to the SIFMA Foundation no later than Sunday, February 26, 2017, 11 PM EST, as described on the form. Team rosters must contain the full list of participant names with each of their Capitol Hill Challenge Team ID numbers. This is a requirement for teams to be eligible for the winners' trip. No substitutions allowed.
2. Students can participate on only one team for the duration of the competition and they cannot switch teams.
3. Each team begins the simulation with \$100,000 in cash and may borrow additional funds of up to \$50,000 as a *Margin* line of credit. A team's total buying power is equal to 1.5 x Available Equity. Teams that buy on margin are required to maintain a minimum total equity (the formula to determine this amount for each portfolio can be found in the "Help" section of the portfolio page). If a portfolio's total equity dips below the minimum, a Margin Call will be issued, requesting that the team sell off enough investments to meet the *Minimum Maintenance* requirement. If a team still has not met its minimum within seven days, the SMG system will automatically liquidate enough of the portfolio's investments to collect the required amount.
4. In order to be eligible to attend the winners' event, each CHC team has until Friday, February 24, 2017, 4pm EST to meet the **Diversification Requirement**. This requires all teams to be invested in all three asset classes – with at least one stock, one bond, and one mutual fund held in their portfolio. Every week thereafter on Friday at 4pm EST, teams will again be required to have in their portfolio at least one stock, one bond and one mutual fund. Portfolios can contain multiple holdings of each of the different asset classes, as long as all three asset classes are represented. All team portfolios will be subject to random review to confirm presence of all three asset classes at the close of trading on February 24, on each Friday thereafter through May 5, and again on Thursday May 11 (4pm EST on Feb. 24, March 3, March 10, March 17, March 24, March 31, April 7, April 14, April 21, April 28, and May 5).
5. 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 through Friday) and posted Saturday (with Friday's date). The daily rate is based on a 365-day year. Daily Interest = Cash x Appropriate Interest Rate (as a decimal)/365. Bond coupon payments are posted when due.
6. Teams may trade only stocks and mutual funds listed on the NASDAQ Stock Market and the New York Stock Exchange and a pre-determined group of Municipal, Corporate, and Treasury bonds. Teams cannot trade over-the-counter or pink sheet stocks and Class B stocks due to unreliable pricing reports. If we find these stocks in portfolios, we will cancel any related transactions, which may result in a loss for the team.
7. CHC provides End-of-Day Game transactions priced at market daily closing prices. These prices can be found by using the price quote facilities of SMG. Bond prices are available only on the SMG website. All Mutual Fund transactions are treated as End-of-Day transactions and priced at that day's closing price. All bond transactions are treated as Real-Time transactions. Transactions entered with a limit price will not be held past the initial attempt to price the transaction.
8. All Stock and Mutual Fund buy orders must be a minimum of 10 shares. Sell orders for less than 10 shares are permitted. Municipal and Corporate Bond orders must be bought and sold in \$1,000 increments only. Treasury Bonds must be bought and sold in \$100 increments only.
9. The minimum market capitalization for stocks in the Stock Market Game is \$25 million. This rule supports the trading of highly liquid and stable stocks with low volatility.
10. SMG does not permit buying stocks or mutual funds that trade below \$3 per share the day before and the day of execution. Such orders will be rejected. Sell transactions for existing long positions where transactions are executed at closing prices will be accepted, even if the price is less than \$3 per share. (This is because low-priced stocks, known as penny stocks, are very risky, volatile investments. Brokers do not permit their customers to trade these securities on margin. Penny stocks tend to have shallow markets and their prices move sharply with large orders, unlike SMG where transactions are executed at closing or real time prices regardless of order size). Only Bonds provided by SMG may be bought and sold. These bonds will be investment grade only with S&P ratings of "BBB" or higher.
11. Trades can only be processed in whole and will be rejected if sufficient buying power does not exist to execute the entire order.
12. A 1% broker's fee is charged for all transactions. For example, if you buy 100 shares of a stock at \$10 per share, you must pay the 1% of \$1,000 or \$10. On Sell or Short-sell transactions an SEC fee is also charged. 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.

13. The Game is run Monday through Friday. Teams may trade on any day the participating stock markets are open. Orders may be entered 7 days a week during hours the system is available.
14. Stock trades entered after close of market (4PM ET) are priced at next day's closing price. Bonds are given the most recent price displayed in the trading system. Mutual funds are priced at the next day's closing price.
15. Teams should not liquidate their portfolios at the end of the competition. Winners are determined on the basis of their portfolio equity.
16. Teams may not invest more than 15% of their total buying power in any one company or fund. If the stock or fund in a team portfolio increases in value and places the investment beyond 15% of their total equity, they will be unable to purchase additional shares of that stock or fund. This is the Maximum Equity rule. The Stock Market Game system will automatically enforce this rule to encourage diversity in a team portfolio.
17. All short-sell orders must be for a minimum of 10 shares. Short cover orders for less than 10 shares will be permitted. Open-ended mutual funds cannot be short sold. Held short sell positions are marked to the market daily and the resulting gain or loss is added or subtracted from cash. No mark-to-market transactions are posted in transaction history.
18. SMG does not permit short sells on stocks or mutual funds that trade below \$3 per share. Such orders will be rejected. Short cover transactions for existing short positions will be accepted, even if the price is less than \$3 per share. (See Rule #10 for an explanation). Mutual Funds and Bonds cannot be sold short.
19. A record of a team's portfolio and transactions will be available daily. A team will not be ranked until its initial transaction is entered successfully. A student can only be assigned to ONE CHC portfolio per game period.
20. 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 to the Security Table the security can then 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. Only Bonds listed in the SMG can be traded. No post-dating of trades due to the system being unavailable will be performed.
21. 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.
22. Participants of the end of day pricing game may delete pending transactions prior to market close except bonds which are processed as real time orders.

Capitol Hill Challenge Code of Participation

1. 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.
2. CHC advisors must be responsible adults 18 years of age or older. They cannot be matriculated K-12 students.
3. CHC advisors will ensure that they themselves and every participant on their team(s) have read and understand the CHC Rules & Code of Participation.
4. Teams that do not comply with the CHC Rules & Code of Participation will become ineligible for the winners' trip to Washington, DC and potentially removed from the portfolio rankings. The authority to remove a team from the rankings lies solely with the SIFMA Foundation.
5. Each team is responsible for any opening or closing transactions entered into its portfolio. Teams may not enter transactions into portfolios other than their own. (When a team asserts that a transaction was entered by a non-member of that team, the team will nevertheless be ranked based on their portfolio's total equity, which will include the challenged transaction.)
6. Only transactions stored on the SMG database will be recognized for purposes of evaluating portfolio total equity. Teams are responsible for maintaining the secrecy of their password.
7. The SIFMA Foundation is responsible for accuracy of the 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 Foundation reserves the right to disqualify and delete the CHC team. If a team believes a stock price or other information is incorrect, the team Advisor shall notify the CHC Coordinator by email.
8. 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, where applicable.