ILLEGAL MANIPULATIVE TRADING IN THE U.S.

Trading securities in the U.S. is subject to many laws and rules. Violation of these U.S. trading laws and rules is very serious and may lead to severe civil and criminal penalties such as monetary fines and even imprisonment. Violations can also lead to loss of trading privileges and surrender of illegal profits, among other consequences. This document provides an introduction to certain types of illegal stock trading activities in the U.S. generally referred to as "manipulation."

This document does not cover all possible legal and illegal trading activities, and ignorance of the laws and rules is not a defense; therefore, you are strongly discouraged from engaging in any trading activity unless you are certain it is legal. Before engaging in questionable trading activities, inquire further about whether a proposed trade(s)/strategy is permissible.

Manipulation Generally

Manipulation may generally be described as conduct designed to deceive investors by controlling or artificially affecting the market for a security. Manipulation can involve a number of techniques to affect the supply of, or demand for, a stock. They include: spreading false or misleading information about a company; improperly limiting the number of publicly-available shares; or entering orders or trades to create a false picture of the market for a security or to impact the trading of others.

Spreading False or Misleading Information

It is illegal to spread/disseminate/publish false or misleading information about a company, security, industry, sector, etc. for the purpose of affecting the price or the market for a security or securities. It does not matter how the false/misleading information is spread (examples include email, telephone, social media, internet chat rooms, etc.)

Examples of the illegal spreading of false/misleading information:

- Telling false/misleading positive information to others to encourage them to buy a stock in order to cause the price of the stock to increase.
- Posting negative information about a company in an internet chat room to cause a decrease in the price of the company's stock.
- Spreading false rumors about war, terrorism, political conflict, etc. to adversely affect the securities markets more broadly.

Non-Bona Fide Orders and Trades

Orders and transactions in securities should only be effected for investment purposes. Orders to buy or sell should only be submitted if your sole purpose is to actually buy or sell the security. Similarly, purchases and sales should only be made if your sole purpose is to establish or unwind a position in securities. Submitting orders or trading for the purpose of affecting the price of a security is illegal.

Types of non-bona fide (illegal) orders and trades include the following:

- Wash sales/wash trades – trades with no real change in ownership (ex., trades between two accounts with the same owner or owned by related people).
- Matched orders – orders entered on opposite sides of the market (i.e., one buy and one sell) designed to cross each other.
- Spoofing/Layering – similar illegal strategies that both involve a person entering one or more orders on one side of the market (ex., buy orders) for the purpose of causing other market participants to change their orders and enable the original person to effect a trade on the other side of the market (ex., a sale).

Pre-Arranged or Collusive Trading

It is usually illegal to engage in pre-arranged trading (i.e,, a strategy that involves colluding/cooperating with others when trading). For example, it is illegal to agree with another person to repeatedly buy and sell a security to each other at pre-arranged prices in order to increase or decrease the price of the security.

“Cornering the Market” and “Short Squeezes”

“Cornering the market” involves buying a substantial percentage of the publicly available stock of a company and holding that stock in order to restrict supply and cause an artificial increase in price. Smaller companies with smaller amounts of public stock are more susceptible to this form of illegal manipulation.

A closely related form of illegal manipulation is a “short squeeze” which is buying (or engaging in other activity) intended to increase the stock price of a company with a large short position that causes short sellers to buy to cover their short positions and further increase the price. Again, smaller companies with smaller amounts of public stock are more susceptible to this form of illegal manipulation.

Rules to Live By

You may not:

- Send any order unless you actually are willing to transact under the terms of the order
- Send any order (trade) if the purpose of the order (trade) is to give any person or the market generally a misperception of the market for that security
- Send any order or effect any trade if the purpose of such order/trade is to change/affect the behavior of other market participants
- Send multiple orders to one or more trading venues to give the appearance of increased demand to buy or sell the security

You may (assuming you do not have a manipulative purpose):

- Send out multiple orders with the same terms to different venues for the purpose of executing multiple transactions

- Send out multiple orders with the same terms to different venues for the purpose of executing only one transaction as quickly as possible then cancelling the other open orders

- Cancel an order that was originally a bona fide order if you have a legitimate trading purpose for such cancellation

- Send multiple smaller orders to one or more venues in order to obtain a larger position (ex., send 5 buy orders ranging in size from 100 – 500 shares in order to obtain a 1500 share long position).

FINAL WARNING!!!

This is not an exhaustive description of all illegal manipulative trading activities. Make sure your orders/trades/strategies are legal before you trade. If you are not sure, do not trade!!

Please acknowledge that you have read and understand the aforementioned information.

______________________ __________________

Trader's Signature Date

____

Trader's Name (Print)