

## Market Volatility Disclosure

Fast markets are markets that experience heavy trading volumes and wide price fluctuations within a short period of time. Below is a description of the risks of trading during periods of high market volatility.

### Delays

High volumes of trading at the market opening or intra-day may cause delays in execution and executions at prices significantly away from the market price quoted or displayed at the time the order was entered. Market Makers may execute orders manually or reduce their size guarantees during periods of volatility, resulting in possible delays in order execution and losses.

### Types of Orders

It is important to understand the difference between market and limit orders and the benefits and risks of each. Zecco Trading is required to execute a market order fully and promptly without regard to price and that, while a customer may receive a prompt execution of a market order, the execution may be at a price significantly different from the current quoted price of that security. Limit orders will be executed only at a specified price or better and that, while the customer receives price protection, there is the possibility that the order will not be executed.

For market orders for initial public offering (IPO) securities trading in the secondary market, particularly those that trade at a much higher price than their offering price, or in "hot stocks" (those that have recently traded for a period of time under what is known as "fast market conditions," in which the price of the security changes so quickly that quotes for a stock do not keep pace with the trading price of the stock), customers' risk of receiving an execution substantially away from the market price at the time they place the order may be significantly reduced if they also include a cap (or floor) with the order above (or below) which the order is not to be executed, by placing a limit order.

### Access

Customers that they may suffer market losses during periods of volatility in the price and volume of a particular stock when systems problems result in inability to place buy or sell orders. Customers trading on-line may have difficulty accessing their accounts due to high Internet traffic or because of systems capacity limitations. Customers trading through Zecco Trading representatives when on-line trading has been disabled or is not available because of systems limitations may have difficulty reaching account representatives on the telephone during periods of high volume. Zecco Trading's procedures for responding to these access problems are outlined in our [Business Continuity Plan](#).

### Hot IPOs and Hot Stocks

There could be significant volatility during the period of time when certain IPOs open for secondary market trading. When some of these IPOs start trading on an exchange or on The NASDAQ Stock Market, Inc., after going public, they might initially trade at a much higher price than their IPO offering price. The prices of some of these "hot" IPOs can double or more in initial trading, only to fall sharply in subsequent trading. This price volatility can be accompanied by significant trading volume. Certain

non-IPO stocks of can also trade for a period of time under fast market conditions. The extraordinary volume of orders and cancellations during these periods can cause queues and backlogs. As a result of the level of market volatility and volume of orders, Market Makers may discontinue their normal automatic execution of orders and begin handling orders manually. Firms may also reduce their size guarantees on individual stocks or groups of stocks. This in turn leads to delays in order executions, executions at prices significantly away from the market quoted at the time the order was entered, and delays in execution confirmations and cancellation reports.

### **Margin**

Zecco Trading may raise margin requirements for volatile stocks, such as the amount of equity that must be maintained in margin accounts (maintenance margin) for long positions. Increasing maintenance margin requirements protects both Zecco Trading and customers by ensuring that investors have more equity in their margin accounts as protection in case of a large change in the value of a stock, which reduces the likelihood that Zecco Trading will have to liquidate assets in the customer's account to meet a margin call. Zecco Trading evaluates stocks for more stringent maintenance margin requirements by examining price fluctuations, market capitalization, and volatility.

Zecco Trading may also prohibit the use of margin to purchase certain securities. Some securities may be designated as "not marginable," requiring customers to purchase the securities with 100 percent initial margin, allowing payment to be made within three days of settlement. We may also designate certain securities as "cash on hand," requiring customers to have 100 percent of the purchase price of the security in the account before the transaction.

### **Quotes**

During periods of high volatility, real time quotes viewed on the Zecco Trading website may not reflect the current trading price of a stock. During a fast market, orders are submitted to market makers and specialists at such a rapid pace, there's likely to be a backlog that can create significant delays. As a result when customers place a market order under these conditions, the quote received is more an indication of what has already happened in the market than an indication of the trade execution price the customer will receive.

### **Order Cancellations**

During periods of high volatility, it may not be feasible to cancel a market order, since it may already have been executed, even if a customer has not yet received a trade report confirming the execution. Entering a cancel order and a separate replacement order may result in the customer being responsible for the execution of duplicate orders, if the cancellation order cannot be processed in a timely fashion. Customers may use limit orders to reduce the risk of placing a duplicate order and ensure that the price received is within acceptable limits.

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