

TMX Trading Simulator

Simulator Versus Reality

Every effort has been made to provide you with the experience of a realistic trading environment. Unfortunately, to achieve the scope of the simulator project and meet educational needs, we had to sacrifice simulator features.

Trading Leg by Leg

Simulator: Trading leg by leg consists in buying two positions separately with the intention of creating a strategy. However, the simulator does not recognize strategies comprised of two individual positions. The simulator provides you with pre-defined strategies. For purposes of the contest, participants are required to use pre-defined strategies in order to successfully complete the mandatory requirements.

Reality: When using a brokerage account, leg by leg trading is considered to be an option strategy. For example, if you already own shares of company XYZ and write calls on them, you will have completed a covered call strategy.

American-Style Exercise Versus European-Style Exercise

Simulator: There are two types of exercise styles. Although the equity/ETF options traded on the simulator use American-style exercise all options traded on the simulator use European-style exercise because an exercise feature is not available, i.e. options will only be exercised if they are in-the-money on expiration.

Reality: When using a brokerage account, if you are long an American-style option contract, you will have the opportunity to exercise your option at any time before it expires. Typically, exercising can be done by calling your broker and notifying him of your intent to exercise.

Closing Options

Simulator: The simulator will keep a position in the account at a balance of zero if you make two "opening" or "closing" transactions. For example, if you "buy to open" 10 XYZ call options and then "sell to open" these 10 XYZ call options, the simulator will hold a net balance of zero XYZ calls. In order to avoid this situations, you must "buy to open" and then "sell to close" your position, and vice-versa.

Reality: Should you make two opening transactions by mistake, your broker can enter your account and adjust the second trade to a closing transaction (any losses will also be applied).

Dividends and Interest

Simulator: Cash deposited in the simulator account does not earn any interest. Additionally, although you may own some dividend paying stocks, the simulator does not register the dividend payments.

Reality: In a typical brokerage account, you will earn interest on the cash balance. In addition, if you own dividend paying stocks, you will receive dividend income.