



LOW-PRICED SECURITIES - Penny and Sub-Penny Stocks

低價證券 – Penny and Sub-Penny Stocks

The term “penny stock” generally refers to low-priced (below \$5), speculative securities of very small companies. While penny stocks generally are quoted over the counter, such as on the OTC Bulletin Board or in the Pink Sheets, they may also trade on securities exchanges, including foreign securities exchanges. In addition, the definition of penny stock can include the securities of certain private companies with no active trading market.

RISKS

Investments in low-priced securities are speculative and involve considerable risk. Low-priced securities often exhibit high price volatility and erratic market movements. Often, when investors buy or sell these securities, they affect the quoted price significantly. In some cases, the liquidation of a position in a low-priced security may not be possible within a reasonable period of time and is subject to additional fees (read below Additional Fees section).

It may be difficult to properly value an investment in a low-priced security. Reliable information regarding issuers of low-priced securities, their prospects, or the risks associated with investing in such securities may not be available. Certain issuers of low-priced securities have no obligation to provide information to investors. Some issuers register securities with the Securities and Exchange Commission (SEC) and may provide regular reports to investors. Others however may not be required to maintain such registration or provide such reports. Securities may continue to be traded if issuers are delinquent in their reporting obligation to the SEC or other federal or state regulatory agencies.

Penny stocks have not been approved or disapproved by the Securities and Exchange Commission (SEC). The SEC has not passed upon the fairness, the merits, the accuracy or adequacy of the information contained in any prospectus or any other information provided by an issuer or a broker or a dealer of penny stocks.

Trading low-priced securities is subject to significant risks, increasing regulatory requirements and oversight, and additional fees.

FEES

Low-priced securities are subject to settlement fees if they are non-DTC-eligible securities. The Depository Trust Company (DTC) provides clearing, settlement and information services for certain securities. Certain low-priced securities are not DTC-eligible or have had their eligibility revoked. As a result, the settlement of these physical positions can carry significant pass-through charges for our clearing firm, Apex Clearing Corp, including execution fees, DTC fees, deposit fees, New York window

fees, and transfer agent fees. These fees, which can vary and may be substantial, increase the cost that Apex Clearing Corp, passes through for clearing and execution.

Customers who trade penny stocks and non-DTC-eligible securities are responsible for these charges, which can be as high as 10 times the value of the trade. Orders that require executions with multiple contra-parties will result in settlement fees for each separate transaction. Neither Firstrade nor Apex Clearing Corp mark up any of these fees before they are passed through to customers. These pass-through charges may not be immediately charged to a customer account following a trade in non-DTC-eligible securities, as our clearing firm may receive notice of such fees several weeks following the trade. Firstrade reserves the right to withhold funds in a customer account pending potential assessment of fees associated with trading in low-priced securities. It is your responsibility to investigate the eligibility status of a low-priced equity before trading it. You should contact the specific company whose equity you intend to trade to confirm eligibility.

FORCED BUY-INS

Your sale of a low-priced security may be reversed with a forced buy-in executed at the current market price, leading to potential large losses.

The National Securities Clearing Corporation (NSCC), a subsidiary of DTC, enforces an "Illiquid Requirement" onto the clearing firm when one customer (or more than one customer in the aggregate, across the totality of customers of Apex Clearing Corp's correspondents) whose account is carried by Apex Clearing Corp sells more than 25% of the average daily trading volume of a security over the last rolling 20 business days. The Illiquid Requirement is a deposit ("charge") that the Clearing firm is required to post under certain circumstances. The amount of this requirement depends on the percentage of the ADV (Average Daily Value) represented by the open sales. The requirement has very little relation to the value of the trade, and is generally at least ten times the trade value and may be as high as one hundred times the trade value, or even more. This requirement is incurred even if the customer owns the shares and even when Apex Clearing Corp has these shares long in its DTC account. If Apex Clearing Corp's customer creates a NSCC Illiquid Charge greater than \$50,000, the offending trade or trades may be bought in on T+1, without notice to the customer. If a customer creates a second NSCC Illiquid Charge greater than \$50,000 in a ninety-day period, in addition to the buy-in, the customer account may be subject to closure for ninety days.

低價證券 – Penny and Sub-Penny Stocks

“Penny Stocks” 一詞通常指非常小型的低價（低於\$5）投機性證券。Penny Stocks 一般通過電子報價系統報價，例如 OTC 公告板或粉單市場，但它們也可能在證券交易所交易，包括外國證券交易所，此外，Penny stock 的定義可包括某些沒有活躍交易市場的私營公司的證券。

風險

投資低價證券是具有投機性，並且涉及相當大的風險。低價證券通常呈現出高價格波動及不穩定的市場走勢。大多時候，當投資者買入或賣出這些證券時，它們的報價將會被顯著影響。在某些

情況下，低價證券可能在一段期間內無任何交易量，並且可能會需要支付額外的費用。（請參閱以下附加費用部分）。

正確的評估對於投資於低價證券中的風險可能是比較困難的，因為低價證券發行商的信息、其招股說明書、或者可能涉及到的風險披露都可能無法獲得。某些低價證券發行商並沒有義務披露信息給投資者，有些低價證券發行商通過美國證監會註冊證券，可能會被要求定期向投資者提供相關報告，而其它低價證券發行商並沒有被要求向投資者提供報告。如果證券發行公司延誤向 SEC 或其他聯邦或州監管機構提供相關報告，證券仍然可以繼續進行交易。

美國證券交易委員會 (SEC) 對於批准或不批准 Penny Stock 不會表示任何意見，也不保證任何招股說明書中所載信息的公平性、價值性、準確性，發行公司、經紀人或 Penny Stock 交易商提供的任何其他信息。

交易低價證券存在重大風險，需要更加嚴格的監管和額外費用。

費用

如果低價證券不能透過存托信託公司交割，結算交割此證券時需支付額外的交割費用。存托信託公司從事對於某些證券提供證券清算、結算及部分證券的信息服務。但對於某些不符合不屬於存托信託公司證券的低價證券或者其資格被撤銷的證券，其結算費用將會對我們的結算商公司（APEX Clearing Corp.）造成高昂的費用。這裡包括執行費、DTC 費、存款費、紐約窗口費以及轉讓代理費，這些費用金額可能會不同並且比較高，增加交割商公司 Apex Clearing Corp 的清算和執行成本。交易這些 Penny Stocks 及不屬於 DTC 證券股票的投資者將負責支付這些費用，這些費用可能導致超過多達成交額的 10 倍的金額。通過多方交易成交的訂單每筆交易均會產生清算費，這些費用不論 Firstrate 或者 Apex Clearing Corp 均不會提高費用轉嫁給客戶，但這些費用可能不會在下單后立即呈現在賬戶上，這是因為交割商可能在訂單成交後的數周後才會收到其費用通知。Firstrate 保留暫扣客戶賬戶涉及到低價證券交易費用資金的權利。客戶有義務在交易前查詢其低價證券是否屬於存托信託公司結算範圍內。並應與相關公司聯絡以確保其 DTC 所屬資格。

強制補倉

您賣出的低價證券可能會被以市場價格強制補倉，因而導致大量損失。

國家清算公司 (NSCC) 是存托信託公司 (DTC) 的子公司，該公司 (NSCC) 要求清算公司針對單一客戶或在交割公司 Apex clearing Corp 管理下的多個賬戶總和，在過去 20 個工作日內賣出超過平均交易額 20% 的賬戶執行“非流通性保證金”。這個“非流通性保證金”，需由清算商公司在特定情況下公佈，此要求金額取決於公開銷售後日均價的百分比。此要求與該證券交易市值關係不大，通常是交易市值的十倍，甚至可能達到交易市值的一百倍或者更高。即使客戶持有該證券或是 Apex Clearing Corp 長期在 DTC 賬戶中持有相關證券，該要求費用仍會產生。如果 Apex Clearing Corp. 客

戶產生超過\$50,000 的 NSCC 非流通性費用，違規交易或是全部交易可能會在沒有任何通知的情況下，以 T+1 的形式直接買回。如果客戶在 90 天內產生了第二次超過\$50,000 的 NSCC 非流通性費用，除了直接買回外，客戶的賬戶可能會被關閉 90 天。