Risks Regarding the Use of Stop Orders during Volatile Market Conditions

While stop orders may be a useful tool for investors who are unable to regularly monitor the price of their positions, stop orders are not without potential risks. Customers should be aware of the following risks inherent in the use of stop orders:

1. **Stop prices are not guaranteed execution prices.** A "stop order" becomes a "market order" when the "stop price" is reached and firms are required to execute a market order fully and promptly at the current market price. Therefore, the price at which a stop order ultimately is executed may be very different from the investor's "stop price." Accordingly, while a customer may receive a prompt execution of a stop order that becomes a market order, during volatile market conditions the execution may be at a significantly different price from the stop price if the market is moving rapidly.

2. **Stop orders may be triggered by a short-lived, dramatic price change.** Customers should be aware that during periods of volatile market conditions the price of a stock can move significantly in a short period of time and trigger an execution of a stop order (and the stock may later resume trading at its prior price level). Investors should understand that if their stop order is triggered under these circumstances they may sell at an undesirable price even though the price of the stock may stabilize during the same trading day.

3. **Placing a "limit price" on a stop order may help manage some of these risks.** A stop order with a "limit price" (a "stop limit" order) becomes a "limit order" when the stock reaches the "stop price." A "limit order" is an order to buy or sell a security for an amount no worse than a specific price (i.e., the "limit price"). The use of a stop limit order instead of a stop market order will provide the customer with additional certainty with respect to the price the customer receives for the stock. The customer should, however, be aware that because brokers cannot sell for a price that is lower (or buy for a price that is higher) than the limit price selected there is the possibility that the order will not be executed at all. Customers should strongly consider the use of stop limit orders in cases where they prioritize achieving a desired target price more than getting an immediate execution irrespective of price.