USE OF STOP ORDERS DURING VOLATILE MARKET CONDITIONS

A "stop order" is an order to buy or sell a security when it reaches a specified price. Stop orders are often used as a tool for managing market risk, such as to protect profits against a price decline when holding a long position or limit the potential losses of a price increase when holding a short position. However, once the stop order price is reached, that stop order becomes a market order and it is immediately exposed to the risks inherent in a market order, especially during volatile market conditions, possibly resulting in an execution at an unfavorable price. You should be aware of the potential risks of using stop orders, particularly during volatile market conditions. Examples of these risks include the following:

Stop prices are not guaranteed execution prices. A stop order becomes a market order when the stop price is reached and Oppenheimer is 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 your stop price. Accordingly, while you 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.

Stop orders may be triggered by a short-lived, dramatic price change. You should be aware of the fact 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). You should understand that if your stop order is triggered under these circumstances, you may sell at an undesirable price even though the price of the stock may stabilize during the same trading day.

Sell stop orders may exacerbate price declines during times of extreme volatility. The activation of a sell stop order may add downward price pressure on a security. If triggered during a precipitous price decline, a sell stop order also is more likely to result in an execution well below the stop price.

Placing a "limit price" stop order may help manage some of these risks. A stop order with a "limit order" (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"). By using a stop limit order instead of a regular stop order, you will receive additional certainly with respect to the price you receive for the stock. However, you should also be aware that, because Oppenheimer 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. You are encouraged to use limit orders in cases where you prioritize achieving a desired target price more than getting an immediate execution irrespective of price.

USE OF OTHER ORDER TYPES DURING MARKET VOLATILITY

In addition to stop orders, there are other order types that may be significantly impacted by volatility in the markets. While not an exhaustive list, please be reminded of the following:

Good-Til-Canceled (GTC):

A GTC order is an order to buy or sell a security at a specified price that remains open until it is either executed or cancelled. In volatile markets, there is a higher likelihood that open orders previously away from the last traded market price will be executed, including GTC orders. Please speak with your Financial Advisor about whether or not the quantity and limit price of any outstanding order is still appropriate under changing market conditions. Additionally, please note that Oppenheimer's policy, as of September 2016, is to cancel any GTC orders that are open longer than ninety (90) business days.

Market Order vs. Limit Order

Volatile markets are associated with high volumes of trading, which may cause delays in execution. These high volumes may also cause executions to occur at prices that are significantly different than the price quoted at the time the order was entered. In a volatile market, quotes may be far behind what is currently happening in the market and the number of shares available at a certain price may change rapidly, affecting the likelihood of a quoted price being available.

- A Market Order will always be executed, but in volatile markets the price at which an order is executed may be significantly different than what the quote was at the time the order was entered.

- A Limit Order will protect your execution price, but there is the inherent risk of not receiving an execution if the security does not trade at or through the order's limit price.

Stop Order vs. Stop Limit Order

A stop order is designed to guarantee execution, not price, whereas a stop limit order is designed to ensure price, not execution. It is important to note the difference between a stop order and a stop limit order, as the potential outcome of using the two orders may be quite different during volatile market conditions.

- A stop order is an order that becomes a market order when a transaction occurs at or through the stop price. In volatile markets, you may suffer a substantial loss using a stop order if the stock price dislocates and the resulting market order is filled at a price significantly away from the stop price.

- A stop limit order is an order that becomes a limit order when a transaction occurs at or through the stop price. In volatile markets, you may suffer a substantial loss due to the fact that the limit order may not get filled before the market price drops below that amount, skipping the limit price.

Third Party Resources

By accessing the links below, you will be leaving the Oppenheimer & Co. Inc. website and entering a website hosted by other parties. Please be advised that you will no longer be subject to, or under the protection of, the privacy and security policies of the Oppenheimer & Co. Inc. website. The other parties are responsible for the content on their website. You are encouraged to read and evaluate the privacy and security policies on the specific site you are entering.

For more information: https://www.finra.org/investors/alerts/understanding-order-types-can-save-time-and-money.