



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Investor Bulletin: After-Hours Trading

The SEC's Office of Investor Education and Advocacy is issuing this Investor Bulletin to help educate investors about after-hours trading for stocks. After-hours trading, also known as extended-hours trading, refers to trading that occurs outside of regular trading hours. Regular trading hours for stocks traded on exchanges and certain other markets are from 9:30 a.m. to 4:00 p.m. Eastern Time. After-hours trading sessions may occur before or after regular trading hours. The duration of after-hours trading sessions varies between markets and trading venues. Investors should contact their brokerage firms to determine if and when after-hours trading sessions are available.

Overview of After-Hours Trading

Investors should be aware that the rules governing the various markets and venues that conduct after-hours trading vary and may differ significantly from rules that apply during regular trading hours. Differences may include the types of orders accepted for after-hours trading, the securities that are available to trade, the presence or absence of market makers, and rules designed to protect investors from poor prices. Investors should contact their brokerage firms to determine the specific rules that apply.

After-hours trading takes place within computerized trading systems, informally known as "electronic markets," that operate beyond regular trading hours. These "electronic markets" may include, for example,

alternative trading systems (ATSs) and electronic communications networks (ECNs) (both operated by broker-dealers), or exchanges and other markets with electronic trading platforms.

After-Hours Trading Risks

While after-hours trading presents investment opportunities, investors should consider the following risks before engaging in after-hours trading:

- **Order Handling.** Some rules that apply to the handling of orders during regular trading hours do not apply to orders in after-hours trading. Investors should check with their brokerage firms to determine how orders placed during after-hours trading are handled, including the markets to which the firm routes orders and whether or not it seeks to route each order to the best displayed price.
- **Lack of Liquidity.** Liquidity refers to the existence of buyers and sellers who are willing to trade with incoming orders and the degree of price competition among buyers and sellers. A lack of liquidity can affect an investor's ability to quickly buy or sell stock with a minimal effect on the stock's price. During regular trading hours, buyers and sellers of most stocks rigorously compete on prices to attract trading interest. However, during after-hours trading

there generally is less trading interest and less price competition for most stocks, which may raise trading costs, increase uncertainty with respect to prevailing prices, or make it more difficult to execute trades. There may be no market makers actively making markets in most or all stocks. In fact, some stocks may not trade at all during after-hours trading.

- **Larger Quote Spreads.** The reduced level of trading interest in after-hours trading generally results in wider spreads between the bid and ask prices for a stock or no quotes at all. As a result, investors may find it more difficult to get their orders executed or to get as favorable a price as they could have during regular market hours.
- **Price Volatility.** For stocks with limited trading activity, investors may find greater price fluctuations than they typically would see during regular trading hours.
- **Uncertain Prices.** The prices of some stocks traded during after-hours trading may not reflect the prices of those stocks during regular hours, either at the end of the regular trading session or upon the opening of regular trading the next business day.
- **Requirement of Limit Orders.** With respect to after-hours trading, many brokerage firms currently accept only [limit orders](#) in order to protect investors from unexpectedly bad prices. Limit orders can be executed only at the limit price or better. If the market moves away from the limit price, the order will not be executed.
- **Order Time Limit.** Investors should check with their brokerage firms to see whether orders not executed during after-hours trading will be cancelled or whether they will be automatically entered when regular trading hours begin. Similarly, investors should also check with their brokerage firms to see if orders placed during regular trading hours will carry over to after-hours trading.

- **Competition with Professional Traders.** Investors should note that many of the after-hours traders are professional traders who, by nature of their profession, generally have access to more information than individual investors.

Related Information:

For additional educational information for investors, see the SEC's Office of Investor Education and Advocacy's homepage. For additional information relating to the types of orders investors may use to buy or sell stock, please read our investor bulletin "[Trading Basics](#)."

The Office of Investor Education and Advocacy has provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney.

