1. Which of the following financial intermediaries is most likely to provide liquidity service to its clients?

A. Brokers

B. Dealers

C. Exchanges

2. A trader buys a stock at $30 and wants to limit downside risk. Which of the following orders will *most likely* guarantee that he can sell the stock at $25? (GTC means good till cancelled)

A. Put option buy market order with a strike price of $25

B. GTC, stop $25, limit $25 sell order

C. GTC, stop $25, market sell order

3. Which of the following statements concerning the objectives of market regulation is least accurate? Regulators:

A. set standards to ensure that all agents acting in the market are skilled.

B. promote fair and orderly markets.

C. ensure that systems are in place to prevent fraud.

4. For portfolio managers of passive funds, market indexes are least useful as:

A. proxies to measure systematic risk.

B. benchmarks for portfolio performance attribution.

C. tools to develop exchange-traded funds for non-accessible markets.

5. Compared with unregulated markets, regulated markets are best characterized by:

A. higher transaction costs.

B. ower trading volumes.

C. reduced arbitrage opportunities.