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Answers and explanations follow the test.

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Question ID: 1994

- 1) For purposes of pricing obligations, the Designated Percentage during most of a trading day for an S&P 500 or Russell 1000 index stocks is**

☐ A) 4%  
☐ B) 6%  
☐ C) 8%  
☐ D) 10%

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Question ID: 2206

- 2) The Nasdaq halt cross process aims to reopen trading after a halt at a price that**

☐ A) reflects market supply and demand.  
☐ B) creates incentives for placing new orders  
☐ C) avoids profiteering.  
☐ D) represents fair market value.

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Question ID: 2939

- 3) What must a broker-dealer do to operate as a Nasdaq market maker and use Nasdaq trading systems and services?**

☐ A) Send a notice to FINRA  
☐ B) Register with Nasdaq  
☐ C) Terminate FINRA membership  
☐ D) Register with the SEC

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Question ID: 2743

- 4) Broker-dealer B receives a customer order to buy 100 shares of ABC. BD B buys 100 shares of ABC from the market at \$60 and then resells the shares to its customer at \$60 plus commission. This is an example of what type of trade?**

☐ A) VWAP  
☐ B) Risk Arbitrage  
☐ C) Riskless Principal  
☐ D) Net Basis

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Question ID: 2123

- 5) Which Nasdaq Market Makers are eligible for excused withdrawal requests based on vacation?**

☐ A) Only those with five or fewer market makers  
☐ B) Only those with a single market maker  
☐ C) All market makers  
☐ D) Only those with three or fewer market makers

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Question ID: 3222

**6) The automatic time-stamping of Nasdaq System Orders is important because it determines**

- ☐ A) Time ranking
  - ☐ B) Trading time zone
  - ☐ C) Trade routing
  - ☐ D) Short sale period
- 

Question ID: 36520

**7) A firm makes a market in 80 stocks, of which half are priced at \$5 or below and half are priced above \$5. What is the firm's minimum net capital requirement?**

- ☐ A) \$100,000
  - ☐ B) \$125,000
  - ☐ C) \$140,000
  - ☐ D) \$1,000,000
- 

Question ID: 3305

**8) At a time when a protected bid is higher than a protected offer in an NMS stock, a market maker enters into a bid at the same price as the protected bid. Is this prohibited as a locking or crossing quote?**

- ☐ A) Not if the market maker receives an exemption against the general rule
  - ☐ B) No, because it is an exception to the general rule against locking or crossing quotes
  - ☐ C) Yes, because the bid is not protected
  - ☐ D) Yes, because only one such bid is allowed at a time
- 

Question ID: 1923

**9) Which of the following orders could not be placed in the Nasdaq system?**

- ☐ A) "Sell 105.5 shares @ 32.50"
  - ☐ B) "Buy 622,000 shares @ .18"
  - ☐ C) "Sell 72 shares at 103.55"
  - ☐ D) "Buy 350 shares at 22.75"
-

Question ID: 2147

**10) An order placed on the Nasdaq Stock Market for less than a normal unit of trading is**

- ☐ A) An odd-lot
  - ☐ B) Automatically cancelled
  - ☐ C) A mixed-lot
  - ☐ D) A partial lot
- 

Question ID: 1951

**11) A market maker must fulfill the two-sided quote obligation by offering both bid and ask quotes of at least**

- ☐ A) 10 shares
  - ☐ B) 100 shares
  - ☐ C) 200 shares
  - ☐ D) There is no specified number of shares
- 

Question ID: 2366

**12) FINRA's Alternative Display Facility (ADF) does all of the following except**

- ☐ A) Execute trade comparisons
  - ☐ B) Deliver real-time data for compliance and enforcement
  - ☐ C) Provide order routing and execution
  - ☐ D) Report transactions in NMS securities
- 

Question ID: 3250

**13) For OTC market makers, excused withdrawals related to systematic equipment problems usually are granted for**

- ☐ A) up to two weeks.
  - ☐ B) up to seven business days.
  - ☐ C) up to three business days.
  - ☐ D) up to five business days.
- 

Question ID: 2745

**14) When is a market maker's obligation to meet pricing obligations suspended?**

- ☐ A) When the member has announced a qualified block trade
  - ☐ B) Never
  - ☐ C) During trading halts, suspensions or pauses
  - ☐ D) During the last 30 minutes of each trading day
-

Question ID: 1952

**15) Market makers are expected to buy a normal trading unit of the quoted stock at their current quote. That unit usually is**

- ☐ A) 10 shares
  - ☐ B) 100 shares
  - ☐ C) 500 shares
  - ☐ D) 1,000 shares
- 

Question ID: 2610

**16) Trader E previously placed a System Order to sell 1,000 shares of ABC stock. Now, he modifies the order by reducing the size to be sold to 500 shares. How does this affect priority of the order?**

- ☐ A) It is not affected
  - ☐ B) All orders must be given priority over this order
  - ☐ C) Smaller orders must be given priority over this order
  - ☐ D) Larger orders must be given priority over this order
- 

Question ID: 2063

**17) To request more than one Market Participation Identifier (MPID), a FINRA member must identify**

- ☐ A) A foreign subsidiary.
  - ☐ B) separate trading symbols to be used for each MPID.
  - ☐ C) a bona fide business or regulatory purpose.
  - ☐ D) separate and distinct trading desks.
- 

Question ID: 2831

**18) If an ADF Trading Center requests a withdrawal based on a religious holiday, the request must be received by FINRA how far in advance?**

- ☐ A) Two weeks
  - ☐ B) One day
  - ☐ C) Three days
  - ☐ D) Five days
- 

Question ID: 2775

**19) Can FINRA membership be terminated when a market maker registers with Nasdaq?**

- ☐ A) Only if the firm provides at least 30 days' notice
  - ☐ B) Only with explicit SEC approval
  - ☐ C) Only if the firm is registered with at least one other SRO
  - ☐ D) Not in any case
-

Question ID: 2637

**20) KKF Securities, a FINRA registered market maker, is displaying a quote in a Nasdaq listed security of 7-8 4x5. A customer of the firm contacts his registered rep and asks to have the quote explained to him. Which of the following is the best explanation?**

- ☐ A) KKF is willing to sell 400 shares at \$8
  - ☐ B) KKF is willing to buy 700 shares at \$4
  - ☐ C) KKF is willing to buy 400 shares at \$7 per share
  - ☐ D) KKF is willing to sell 700 shares at \$5
- 

Question ID: 2801

**21) By definition, a dealer becomes a market-maker by holding himself out as willing to buy or sell securities for his own account**

- ☐ A) on a regular and continuous basis.
  - ☐ B) at either a profit or loss.
  - ☐ C) at competitive prices.
  - ☐ D) on a high-volume basis.
- 

Question ID: 1869

**22) A block positioner must meet a minimum net capital requirement of**

- ☐ A) \$100,000
  - ☐ B) \$500,000
  - ☐ C) \$1,000,000
  - ☐ D) \$3,000,000
- 

Question ID: 2088

**23) When a market maker has not executed a trade, what action will require the market maker to refresh a quote on a stock?**

- ☐ A) Lack of trading interest among investors
  - ☐ B) A lack of competing quotes
  - ☐ C) A trading halt
  - ☐ D) A big change in the NBBO
- 

Question ID: 2646

**24) A market maker seeking to purchase shares of ABC at the open at 50 or better should place a(n)**

- ☐ A) Marketable limit order
  - ☐ B) Limit on Open order
  - ☐ C) Open Limit order
  - ☐ D) Market order
-

Question ID: 2030

**25) Under the Nasdaq rule on firm quotes, what is the highest percentage that may be used for the pricing obligation of a Tier 1 security, during the last 25 minutes of the trading day?**

- ☐ A) 8%
  - ☐ B) 10%
  - ☐ C) 12%
  - ☐ D) 20%
- 

Question ID: 2230

**26) Market maker A has two MPIDs, a primary and an alternate. If effecting a trade using their alternate MPID,**

- ☐ A) The trade report must contain the alternate MPID only
  - ☐ B) MM A can decide which MPID they would prefer to use for the trade report
  - ☐ C) Both MPIDs must be supplied in the trade report
  - ☐ D) The trade report should be posted showing the alternate MPID as the "executing" ID and the primary MPID as the "official" ID
- 

Question ID: 33780

**27) The inside market for an OTC stock is 12.14    12.19 25 X 11. If an order to buy 600 shares at 12.20 is entered and executed, what will the quote be immediately after execution?**

- ☐ A) 12.14    12.20; 25 x 11
  - ☐ B) 12.14    12.19; 25 x 5
  - ☐ C) 12.14    12.20; 19 x 5
  - ☐ D) 12.14    12.19; 19 x 11
- 

Question ID: 2390

**28) Who has the burden for proving that an ADF Trading Center's system outage is excused?**

- ☐ A) FINRA
  - ☐ B) An arbitration panel
  - ☐ C) The Trading Center
  - ☐ D) The counterparty
-

Question ID: 2949

**29) A firm that has the responsibility to monitor securities for the purpose of preventing unauthorized issuance is a(n)**

- ☐ A) registrar and transfer agent
  - ☐ B) exchange
  - ☐ C) bank and clearing agent
  - ☐ D) regulator
- 

Question ID: 2792

**30) A mutual fund that holds Nasdaq-traded securities calculates its NAV based on which official published Price?**

- ☐ A) OCAM
  - ☐ B) NOCP
  - ☐ C) ACPL
  - ☐ D) NCPL
- 

Question ID: 2443

**31) DZ Securities is a FINRA member firm and registered market maker. In its capacity as such, DZ may do each of the following except**

- ☐ A) Hold itself out as willing to buy or sell a particular security at publicly quoted prices
  - ☐ B) Operate a physical marketplace where securities may be bought and sold
  - ☐ C) Trade for its own proprietary account
  - ☐ D) Trade for the accounts of its customer
- 

Question ID: 2597

**32) To be granted by Nasdaq, market maker withdrawal requests based on legal or regulatory requirement must be supported by a statement that the problem**

- ☐ A) involves a violation of federal securities law.
  - ☐ B) is not permanent in nature.
  - ☐ C) is being appropriately addressed by qualified legal counsel.
  - ☐ D) is severe and mission-critical.
-

Question ID: 1889

**33) A customer submits a limit-on-close (LOC) order to sell shares of ABC stock at \$28.42. If the closing cross price is \$28.40. What price will he receive?**

- ☐ A) \$28.40
  - ☐ B) \$28.41
  - ☐ C) \$28.42
  - ☐ D) The trade will not execute
- 

Question ID: 37925

**34) Under the designated percentage rule, new quotes for Tier 1 securities must be entered within 8% of the NBBO, except during certain market hours. At what time, prior to the market close, does the designated percentage increase and by how much does it increase?**

- ☐ A) At 3:25 p.m., to 12%
  - ☐ B) At 3:35 p.m., to 20%
  - ☐ C) At 3:45 p.m., to 15%
  - ☐ D) At 3:55 p.m., to 22%
- 

Question ID: 36474

**35) A customer sees that the inside quote for DEF stock is 27.45 x 4,000 27.46 x 10,000. If the customer then enters an order to sell 100 shares at 27.46, when will the customer's order be filled?**

- ☐ A) Immediately
  - ☐ B) After 4,000 shares are executed at the limit price or better
  - ☐ C) After 10,000 shares are executed at the limit price or better
  - ☐ D) As soon as another investor or market-maker is willing to pay the limit price or better
- 

Question ID: 2271

**36) How does a dealer hold himself out as willing to buy or sell securities?**

- ☐ A) By entering quotes
  - ☐ B) By public declaration
  - ☐ C) By registering with the SEC
  - ☐ D) By trading at or above an assigned volume threshold
-



Question ID: 3105

**37) What is the Designated Percentage?**

- ☐ A) The percentage that all fees, mark-ups, mark-downs, and commissions quotes must be away from the NBBO.
  - ☐ B) The percentage that existing quotes can be away from the NBBO without requiring adjustment
  - ☐ C) The maximum percentage that all new quotes may be away from the NBBO.
  - ☐ D) The percentage of trading that a firm can conduct in its proprietary accounts as compared to its customer limit orders.
- 

Question ID: 36471

**38) A market maker displays a two-sided quote of \$27.14 x 300 - \$27.23 x 100 on ABC stock, which is currently the only quote available on this thinly traded stock. If a customer enters an order to buy 245 shares of the stock at \$27.23, how many shares is the market maker obliged to sell?**

- ☐ A) Zero shares
  - ☐ B) 100 shares
  - ☐ C) 245 shares
  - ☐ D) 300 shares
- 

Question ID: 2962

**39) Market Maker C displays a manual quote in the ADF, so that it locks a previously disseminated quote. Unless the quote is promptly withdrawn the market maker must**

- ☐ A) Reverse the trade within 30 minutes
  - ☐ B) Route an intermarket sweep order
  - ☐ C) Request an exemption from FINRA
  - ☐ D) Cease trading for the rest of the day
- 

Question ID: 2937

**40) After each trade execution a market maker must take what action in order to maintain a continuous two-sided market?**

- ☐ A) Refresh the quote
  - ☐ B) Rebalance the quote
  - ☐ C) Reduce the quote size to 100 shares on each side
  - ☐ D) Update the quote to reflect the most competitive price available
-

Question ID: 2744

**41) The electronic system through which Nasdaq measures and declares the unpaired shares is called**

- ☐ A) Net Order Imbalance Indicator (NOII)
  - ☐ B) Electronic Trade Order System (ETOS)
  - ☐ C) Share Cross Automated System (SCAS)
  - ☐ D) Trade Order Balance Processor (TOBP)
- 

Question ID: 2964

**42) Nasdaq Level 3 service is used by**

- ☐ A) Pattern day traders
  - ☐ B) Institutional investors
  - ☐ C) Market Makers
  - ☐ D) Retail investors
- 

Question ID: 36469

**43) When is a market maker allowed to withdraw one side of a firm two-sided quote entered into the Nasdaq system?**

- ☐ A) At no time
  - ☐ B) When the quote is entered using a supplemental MPID
  - ☐ C) When the quote is entered using a primary MPID
  - ☐ D) At any time
- 

Question ID: 2538

**44) A market maker is not required to honor its currently quoted price**

- ☐ A) If it plans to publish a revised quote in one hour
  - ☐ B) When it receives an order two minutes after it revises its quote
  - ☐ C) If the market maker receives an order that it places in its order book
  - ☐ D) If the market maker was in the process of effecting a trade and will be revising its quote
- 

Question ID: 2929

**45) What name is given to a Nasdaq process for determining the price at which trades will execute, when a security is re-opened?**

- ☐ A) Reopening
  - ☐ B) Net order cross
  - ☐ C) Rebalancing
  - ☐ D) Halt cross
-

Question ID: 2297

**46) When a broker dealer acts on an agency basis to help a customer complete trades, the firm normally is compensated through**

- ☐ A) Mark-ups
  - ☐ B) Commissions
  - ☐ C) Transaction surcharges
  - ☐ D) Asset-based fees
- 

Question ID: 2565

**47) For purposes of a market maker's quote, what does a "Defined Limit" do?**

- ☐ A) Alert regulators that the quote is non-conforming
  - ☐ B) Indicate when quotes must be refreshed
  - ☐ C) Indicate when quotes must be withdrawn
  - ☐ D) Halt all trading activity for the rest of the day
- 

Question ID: 2135

**48) All of the following are true regarding a Nasdaq market maker's application for an excused withdrawal except**

- ☐ A) An application based on legal reasons may be granted for up to 60 days.
  - ☐ B) An application based on a religious holiday must include the names in which the firm is seeking a withdrawal from.
  - ☐ C) An application based on a vacation must include the names in which the firm is seeking a withdrawal from.
  - ☐ D) An application based on a system outage must be submitted to Nasdaq Market Operations
- 

Question ID: 37928

**49) A market maker is displaying a firm two-sided quote on XYZ stock at 2:00 pm EST. At what time during the trading day does the obligation to display the firm quote end?**

- ☐ A) 2:45 pm
  - ☐ B) 3:55 pm
  - ☐ C) 4:00 pm
  - ☐ D) 8:00 pm
-

Question ID: 18851

**50) What are two key functions of a market maker?**

- ☐ A) determining profit and loss
  - ☐ B) providing liquidity and price transparency
  - ☐ C) setting the open and close
  - ☐ D) establishing exchanges and alternative trading systems
- 

Question ID: 26089

**51) A Nasdaq market maker decides to begin offering quotes on ABC Co. stock. The market maker has never quoted this stock previously. If the ABC offers the market maker a \$5,000 gift for providing quotes, the market maker should**

- ☐ A) refuse the gift and stop quoting the stock.
  - ☐ B) accept the gift and stop quoting the stock.
  - ☐ C) refuse the gift but continue quoting the stock.
  - ☐ D) accept the gift and continue quoting the stock.
- 

Question ID: 1868

**52) A Qualified Block Positioner is a broker-dealer who executes orders with a current market value of**

- ☐ A) \$100,000
  - ☐ B) \$500,000
  - ☐ C) \$200,000
  - ☐ D) \$250,000
- 

Question ID: 2685

**53) An entity that buys and sells securities for its own account on a regular and continuous basis at a quoted price and for a minimum size is defined as a(n)**

- ☐ A) Market maker
  - ☐ B) Market center
  - ☐ C) Agency trader
  - ☐ D) Block positioner
- 

Question ID: 1864

**54) The NBBO on ABC, an S&P 500 stock, is 10.00 - 10.10. MDS is a market maker and wants to enter a new bid on the stock at 3:55 p.m. What is the lowest bid MDS could enter?**

- ☐ A) \$1.00
  - ☐ B) \$7.00
  - ☐ C) \$8.00
  - ☐ D) \$9.20
-

Question ID: 1959

**55) Market Maker G bids \$47.50 to buy 800 shares of XYZ Co. If G receives an offer from a dealer to sell 600 shares at the market, how many must it buy from the dealer at that price?**

- ☐ A) 100
  - ☐ B) 300
  - ☐ C) 600
  - ☐ D) 800
- 

Question ID: 1902

**56) At 3:10 p.m., Trader H enters an IO limit order to buy at \$45.63. At what price will it execute?**

- ☐ A) \$45.63
  - ☐ B) \$45.64
  - ☐ C) At or below the 4 p.m. bid price
  - ☐ D) At or above the 4 p.m. ask price
- 

Question ID: 2031

**57) A market maker's quote must be refreshed when it is more than**

- ☐ A) 8% away from the last NBBO.
  - ☐ B) 12% away from the last NBBO.
  - ☐ C) one standard trading interval away from the last NBBO.
  - ☐ D) a Defined Limit away from the last NBBO.
- 

Question ID: 2406

**58) The Designated Percentages establish what pricing obligation limits on a market maker's quotes?**

- ☐ A) Floor on bids, ceiling on asks
  - ☐ B) Floor on bids, no limit on asks
  - ☐ C) Guidance but no hard-and-fast limits
  - ☐ D) Ceiling on asks, no limit on bids
- 

Question ID: 37926

**59) The NBBO for a Tier 1 stock is 20.24 - 20.28. Under the designated percentage rule, what is the lowest new quote that a market maker can enter to buy the stock five minutes after the market opens?**

- ☐ A) \$16.19
  - ☐ B) \$16.22
  - ☐ C) \$18.62
  - ☐ D) \$18.65
-

Question ID: 34896

**60) A market making firm files to begin quoting an additional stock that is has not previously quoted. How long after the filing becomes effective may the market maker delay before starting bona fide quotes in the additional name?**

- ☐ A) 24 hours
  - ☐ B) Three business days
  - ☐ C) Five business days
  - ☐ D) Up to 30 days, depending on liquidity in the additional name
- 

Question ID: 2891

**61) Broker A is an ADF Trading Center that has received an order via direct access from another broker-dealer. Broker A must report to FINRA five additional items of information about the order if it acts on or responds to the order. They include all of the following except**

- ☐ A) Quantity
  - ☐ B) Order Response
  - ☐ C) Commission
  - ☐ D) Price
- 

Question ID: 2043

**62) Which of the following firms is a market maker, by definition?**

- ☐ A) A registered rep who deals in only one issue
  - ☐ B) A broker-dealer that meets size and volume criteria
  - ☐ C) A specialist permitted to act as a dealer
  - ☐ D) A supervisory analyst
- 

Question ID: 2817

**63) For a quote on an OTC equity that is subsequently reported to a FINRA system as a trade how many different MPIDs may be used at maximum?**

- ☐ A) One
  - ☐ B) Three
  - ☐ C) There is no limit
  - ☐ D) Two
-

Question ID: 3293

**64) Broker-dealer C has been approved as a Nasdaq market maker. It must begin to enter quotes**

- ☐ A) As soon as its NASDAQ terminal is properly connected
  - ☐ B) Within five business days of application approval
  - ☐ C) Upon notification by FINRA
  - ☐ D) Within one business day of application approval
- 

Question ID: 3021

**65) How does an ADF Participant obtain FINRA's approval to use a second MPID?**

- ☐ A) The second MPID is automatically assigned
  - ☐ B) Meet trade reporting requirements for six months
  - ☐ C) Be nominated by a FINRA director
  - ☐ D) Submit a written request to FINRA
- 

Question ID: 2259

**66) When a broker-dealer maintains a firm market in a stock, that broker-dealer is committed to**

- ☐ A) buying or selling the normal trading unit of that stock at the quoted price
  - ☐ B) working out the amount of the markup or commission on each OTC transaction
  - ☐ C) buying back any security it sells
  - ☐ D) maintaining a continuous subject market
- 

Question ID: 3287

**67) A market maker can initiate market making activities in additional securities with the appropriate application to NASDAQ. Quoting may begin**

- ☐ A) When authorized by FINRA
  - ☐ B) Within 24 hours
  - ☐ C) That same day
  - ☐ D) Within 48 hours
- 

Question ID: 2849

**68) When do Imbalance Only (IO) orders execute?**

- ☐ A) Only in the after-market
  - ☐ B) Only in the pre-market
  - ☐ C) Only at the opening and closing cross
  - ☐ D) At any time during the trading day
-

Question ID: 3249

**69) When Nasdaq grants excused status for legal or regulatory problems, it is usually for a period of**

- ☐ A) up to 60 days
  - ☐ B) up to five days
  - ☐ C) up to two weeks
  - ☐ D) up to 120 days
- 

Question ID: 3034

**70) Which Nasdaq event occurs at 3:55 p.m. daily?**

- ☐ A) The 30-second pre-close trading halt
  - ☐ B) Termination of Market-on-close (MOC) quotes
  - ☐ C) Cancellation of open day limit orders
  - ☐ D) Dissemination of the Net Order Imbalance Indicator
- 

Question ID: 2199

**71) Any quotes entered by a market maker or broker-dealer must represent prices**

- ☐ A) at which a prudent person would be willing to buy or sell.
  - ☐ B) at which the market maker or broker-dealer is willing to buy or sell.
  - ☐ C) that are not more than 10% away from the NBBO.
  - ☐ D) that are competitive with the current market.
- 

Question ID: 34898

**72) A broker-dealer believes a market maker has failed to honor a bona fide quote. What action can the broker-dealer take to remedy this situation?**

- ☐ A) Declare self-help
  - ☐ B) File a reneging complaint with regulators
  - ☐ C) Re-enter the trade as a market-on-close order
  - ☐ D) File a backing away complaint with regulators
- 

Question ID: 26090

**73) A customer enters an order to sell 457 shares of a Nasdaq stock at a limit price of \$32.09 per share. It is a day order. This is displayed as an order for**

- ☐ A) four round lots and one odd lot.
  - ☐ B) five round lots.
  - ☐ C) four round lots.
  - ☐ D) an odd lot.
-



Question ID: 34899

- 74) A customer submits a displayed order to buy 300 shares of stock at \$47 per share, while there already is a non-displayed order to buy 500 shares of the same stock at the same price. Which order has priority?**
- ☐ A) The non-displayed order has priority because it was entered first.
  - ☐ B) The non-displayed order has priority because it is larger in size.
  - ☐ C) The displayed order has priority over the non-displayed order at the same price.
  - ☐ D) Both orders have the same priority.
- 

Question ID: 3289

- 75) When must a qualified block positioner execute an order to buy or sell a block of securities?**
- ☐ A) Within 30 minutes
  - ☐ B) Within one hour
  - ☐ C) Within the same trading day
  - ☐ D) As rapidly as possible
- 

Question ID: 1932

- 76) A market maker seeking an excused withdrawal from Nasdaq for involuntary failure to maintain a clearing arrangement can expect the withdrawal to be granted for up to**
- ☐ A) 1 day
  - ☐ B) 3 days
  - ☐ C) 5 days
  - ☐ D) 60 days
- 

Question ID: 3199

- 77) Beginning at 3:58 p.m. ET, which closing orders can still be entered?**
- ☐ A) Imbalance only (IO) orders
  - ☐ B) Limit-on-close (LOC) orders
  - ☐ C) All on-close orders
  - ☐ D) Market-on-close (MOC) orders
-

Question ID: 3220

**78) A Nasdaq Market Maker makes a two-sided quote in four OTC issues. If registration is voluntarily withdrawn in one issue, what will happen to the other three?**

- ☐ A) Trading is suspended
  - ☐ B) Registration is suspended
  - ☐ C) Trading can continue.
  - ☐ D) Registration is terminated
- 

Question ID: 3225

**79) A firm that acts as an intermediary in making payments and deliveries and which provides facilities for settling securities is a**

- ☐ A) escrow agent
  - ☐ B) broker's broker
  - ☐ C) transfer agent
  - ☐ D) clearing agent
- 

Question ID: 3248

**80) A FINRA-excused withdrawal from ADF Trading Center quotes and orders, based on demonstrated legal or regulatory requirements, is granted for how long in most cases?**

- ☐ A) Up to 30 days
  - ☐ B) Up to 60 days
  - ☐ C) Up to three months
  - ☐ D) Up to 90 days
- 

Question ID: 2828

**81) Request for excused market maker withdrawal for religious holidays must be received by Nasdaq how far in advance?**

- ☐ A) One business day
  - ☐ B) Five business days
  - ☐ C) Seven business days
  - ☐ D) Three business days
- 

Question ID: 2294

**82) Just before the market closes Nasdaq disseminates information about unpaired shares on the closing book through the**

- ☐ A) Closing Cross
  - ☐ B) Nasdaq Official Closing Price (NOCP)
  - ☐ C) Net Order Imbalance Indicator (NOII)
  - ☐ D) Closing Imbalance Index Level (CIIL)
-

Question ID: 2040

**83) Market makers may not withdraw two-sided quotes unless Nasdaq grants**

- ☐ A) excused status
  - ☐ B) exempt status
  - ☐ C) a blanket waiver
  - ☐ D) a vacation or religious holiday
- 

Question ID: 2868

**84) What happens during the quote-only period of a Nasdaq halt cross?**

- ☐ A) Orders may not be placed
  - ☐ B) Orders may be freely placed and canceled
  - ☐ C) Executions may take place
  - ☐ D) Orders are automatically canceled
- 

Question ID: 2324

**85) Which one of the following services is not performed by the Nasdaq Market Center?**

- ☐ A) Clearing
  - ☐ B) Data feeds
  - ☐ C) Order execution
  - ☐ D) Trade reporting
- 

Question ID: 36470

**86) A market maker has entered a firm quote into the Nasdaq system to buy 400 ABC Co. shares at \$19.23 and sell 200 ABC Co. shares at \$19.35. The quote has been entered using a supplemental MPID. If the market maker wishes to temporarily withdraw the bid side of this quote in full, what action is allowed?**

- ☐ A) This action is not allowed because quotes must be firm and two-sided
  - ☐ B) One side of the quote may be withdrawn in full, without restriction
  - ☐ C) Both the bid and ask side of the quote must be simultaneously withdrawn, in full.
  - ☐ D) One side of the quote may be withdrawn in full, but the withdrawal must continue for the rest of the trading day
-

Question ID: 1883

**87) The NBBO on BRT, an S&P 500 stock, is 20.00 - 20.10. MDX is a market maker and has an existing offer on the stock. What is the highest possible value for MDX's offer?**

- ☐ A) \$20.10
  - ☐ B) \$22.00
  - ☐ C) \$27.20
  - ☐ D) \$27.62
- 

Question ID: 2644

**88) Brian calls his registered rep and asks for the NBBO on shares of EDD common stock. The rep indicates it is \$25.64-\$25.69 12x4. Brian places a market order to buy 300 shares, and asks for an estimated gross cost per share, inclusive of any fees and commissions. What is the best estimate the rep can give Brian?**

- ☐ A) More than \$25.69
  - ☐ B) Exactly \$25.64
  - ☐ C) Less than \$25.64
  - ☐ D) Exactly \$25.69
- 

Question ID: 3197

**89) How do mutual funds use the Nasdaq Official Closing Price (NOCP)?**

- ☐ A) To calculate daily NAV
  - ☐ B) To determine the number of daily share redemptions
  - ☐ C) To report trading volume
  - ☐ D) To calculate gains/losses
- 

Question ID: 2076

**90) During a Nasdaq halt cross, trading resumes with the execution of**

- ☐ A) a round-lot order at the indicative clearing price.
  - ☐ B) a bulk order at a negotiated price.
  - ☐ C) a round-lot order at a negotiated price.
  - ☐ D) a bulk order at the indicative clearing price.
- 

Question ID: 2692

**91) An order to purchase 1000 shares at the open regardless of price is a**

- ☐ A) Limit on Open order
  - ☐ B) Market on open order
  - ☐ C) Marketable limit order
  - ☐ D) Market order
-

Question ID: 2721

**92) A market is crossed when the inside ask price is**

- ☐ A) More than the inside bid
  - ☐ B) The same as the inside bid
  - ☐ C) More than 1% below the inside bid
  - ☐ D) Less than the inside bid
- 

Question ID: 2956

**93) Which of the following is not a valid reason for a market maker to request an excused withdrawal?**

- ☐ A) Equipment malfunction
  - ☐ B) Religious Holiday
  - ☐ C) Passive market making
  - ☐ D) Under staffed trading desk
- 

Question ID: 3007

**94) What is a four-letter code assigned by FINRA to identify a member and enforce quote and pricing obligations?**

- ☐ A) MPID
  - ☐ B) SPDT
  - ☐ C) PARN
  - ☐ D) OPED
- 

Question ID: 36472

**95) A customer enters an order to sell 480 shares of ABC Co. stock at \$19.84. The current inside quote for the stock is \$19.75 x 300 - \$19.82 x 600. How will the customer's order be displayed in the Nasdaq system?**

- ☐ A) As 4 round lots
  - ☐ B) As 5 round lots
  - ☐ C) As 4.8 round lots
  - ☐ D) As 480 shares
-

Question ID: 2457

- 96) When a firm "position trades", it
- I. makes a market in securities
  - II. trades for the firm's account
  - III. sells short in all transactions
  - IV. executes agency trades for customers

- ☐ A) I and II only
  - ☐ B) I, II, III and IV
  - ☐ C) II and III only
  - ☐ D) I, II and IV only
- 

Question ID: 2275

- 97) For NMS stocks, how are a market maker's pricing obligations determined?

- ☐ A) By Designated Percentages away from the current National Best Bid/Offer
  - ☐ B) By the SEC, based on historic trading patterns
  - ☐ C) Based on trading volume in the underlying security
  - ☐ D) By the market maker's investment policies and procedures
- 

Question ID: 2681

- 98) Broker C advises his clients not to trade Nasdaq stocks too near the market open, due to fast price movements or imbalances. This advice is most applicable to which type of orders?

- ☐ A) Market
  - ☐ B) Limit
  - ☐ C) Fill or kill
  - ☐ D) Stop-limit
- 

Question ID: 36521

- 99) A firm makes a market in 40 stocks, of which half are priced at \$5 or below and half are priced above \$5. What is the firm's minimum net capital requirement?

- ☐ A) \$70,000
  - ☐ B) \$100,000
  - ☐ C) \$150,000
  - ☐ D) \$1,000,000
-

Question ID: 1890

**100) A customer submits a limit-on-close (LOC) order to buy shares of ABC stock at a price of \$28.42 per share. If the closing cross price is \$28.40. What price will he receive?**

- ☐ A) \$28.40
  - ☐ B) \$28.41
  - ☐ C) \$28.42
  - ☐ D) The trade will not execute
- 

Question ID: 2737

**101) A Nasdaq market maker can request a withdrawal for operational difficulties from**

- ☐ A) Nasdaq MarketWatch.
  - ☐ B) FINRA.
  - ☐ C) Nasdaq Market Operations.
  - ☐ D) the SEC.
- 

Question ID: 2893

**102) For purposes of resolving a Nasdaq halt cross, what is indicated by the Current Reference Price?**

- ☐ A) Price at which the maximum number of shares can be paired
  - ☐ B) Price of the last trade
  - ☐ C) Average price of trading in the last five minutes
  - ☐ D) Average price of open buy orders
- 

Question ID: 1989

**103) Under the Nasdaq rule for designated percentages for market maker quotes, for how many minutes per day, in total, do the pricing obligation percentages change for Tier 1 securities?**

- ☐ A) 30
  - ☐ B) 40
  - ☐ C) 60
  - ☐ D) 120
- 

Question ID: 2955

**104) Which of the following excused withdrawal requests to Nasdaq MarketWatch will typically allow a market maker to stop quoting a security for up to five business days?**

- ☐ A) Religious holiday
  - ☐ B) Equipment failure
  - ☐ C) Underwriting activities under Regulation M
  - ☐ D) Involuntary failure to maintain a clearing agreement
-

Question ID: 2707

**105) Which one of the following broker-dealers does not meet the criteria for a block positioner?**

- ☐ A) Minimum net capital of \$1.5 million; sells blocks worth \$250,000
  - ☐ B) Minimum net capital of \$500,000; sells blocks worth \$1 million
  - ☐ C) Minimum net capital of \$2.0 million; sells blocks worth \$250,000
  - ☐ D) Minimum net capital of \$1.0 million; sells blocks worth \$500,000
- 

Question ID: 1939

**106) For Tier 1 securities what is the percentage difference between the Defined Limit and the Designated Percentage triggers?**

- ☐ A) 1.00%
  - ☐ B) 1.50%
  - ☐ C) 2.50%
  - ☐ D) 5.00%
- 

Question ID: 2810

**107) Firm P is a Registered Reporting ADF ECN. To maintain ADF certification, it must post at least one marketable quote or order through the ADF on each side of the market at least**

- ☐ A) Once every 30 calendar days
  - ☐ B) Once per week
  - ☐ C) Once every 15 calendar days
  - ☐ D) Twice per week
- 

Question ID: 1926

**108) What is the minimum number of shares of stock a market maker generally must quote?**

- ☐ A) It depends on the securities' trading volume
  - ☐ B) 1
  - ☐ C) 100
  - ☐ D) 1000
- 

Question ID: 2687

**109) An ADF Market Maker is required to buy and sell securities for its own account on a continuous basis during regular market hours. In short, this duty is called the**

- ☐ A) Liquidity Provision
  - ☐ B) Double-Sided Continuous Trade
  - ☐ C) Market Making Imperative
  - ☐ D) Two-Sided Obligation
-



Question ID: 1870

**110) A block positioner engages in buying or selling blocks of stock with a current market value of**

- ☐ A) \$100,000 or more
  - ☐ B) \$200,000 or more
  - ☐ C) \$500,000 or more
  - ☐ D) \$1 million or more
- 

Question ID: 2033

**111) On each trading day, an ADF Trading Center must begin making a market not later than what time of day?**

- ☐ A) 9:00 a.m. EST
  - ☐ B) 8:00 a.m. EST
  - ☐ C) 8:30 a.m. EST
  - ☐ D) 9:30 a.m. EST
- 

Question ID: 2260

**112) Trader Q enters a MDAY buy order for 600 shares at 10:00 a.m. At 10:20, 200 shares of the order are filled. When will the remaining shares be filled?**

- ☐ A) By 11:00 a.m. or not at all
  - ☐ B) By 4:00 p.m. or not at all
  - ☐ C) Never because the order will be cancelled with a partial fill
  - ☐ D) At any time
- 

Question ID: 2638

**113) KKF Securities, a FINRA registered market maker is displaying a quote in a Nasdaq listed security of 7-8 4x5. A customer of the firm contacts his registered rep and asks to have the quote explained to him. Which of the following is the best explanation?**

- ☐ A) KKF will sell shares at \$8 per share for 400 shares
  - ☐ B) KKF will sell shares at \$7 per share for 400 shares
  - ☐ C) KKF will sell shares at \$7 per share for 500 shares
  - ☐ D) KKF will sell shares at \$8 per share for 500 shares
- 

Question ID: 1987

**114) During the trading day Nasdaq begins disseminating information through its Net Order Imbalance Indicator (NOII) at**

- ☐ A) 3:30 p.m.
  - ☐ B) 3:45 p.m.
  - ☐ C) 3:55 p.m.
  - ☐ D) 10 seconds before 4 p.m.
-

Question ID: 2198

**115) A Nasdaq halt cross would most likely occur**

- ☐ A) on a weekend or holiday
  - ☐ B) in pre and post-market hours
  - ☐ C) at the open and close
  - ☐ D) during the trading day
- 

Question ID: 2077

**116) An order for less than a normal unit of trading is called**

- ☐ A) A mixed lot
  - ☐ B) A short lot
  - ☐ C) An odd lot
  - ☐ D) A round lot
- 

Question ID: 37932

**117) Two buy limit orders are entered at the exact same time. Both orders are also entered at the same price of \$25.10. What determines the priority of which order is filled first?**

- ☐ A) The customer with the larger historical trading volume is filled first
  - ☐ B) The larger order is filled first
  - ☐ C) The smaller order is filled first
  - ☐ D) The firm will randomly select which customer order is filled first
- 

Question ID: 26087

**118) A trader wants to sell 2,000 shares of a stock at the closing cross price, but only if it is \$26.50 or better. If the full order is not sold, she would like the remainder to be killed. This order should be entered as**

- ☐ A) sell 2,000 and \$26.50, AON and LOC.
  - ☐ B) sell 2,000 at \$26.50, AON.
  - ☐ C) sell 2,000 at \$26.50, FOK.
  - ☐ D) sell 2,000 at \$26.50, LOC.
- 

Question ID: 2606

**119) For a market maker in a Tier 1 security, at what time in the afternoon does the pricing obligation percentage change?**

- ☐ A) It doesn't
  - ☐ B) At 3:35 p.m. EST
  - ☐ C) At 3:00 p.m. EST
  - ☐ D) At the market close
-

Question ID: 3107

**120) If a market maker is quoting both equity and warrants on a specific issuer, the market maker is required to trade**

- ☐ A) The minimum size for the equity but no specific quantity of warrants
  - ☐ B) The minimum size for the equity and the warrant.
  - ☐ C) As many shares and as many warrants as the public display book is showing
  - ☐ D) One warrant for every 100 shares
- 

Question ID: 2108

**121) Firm C has a Two-Sided Obligation to make a market in ABC Co. common stock. If trading in the stock is suspended, when does the obligation re-commence?**

- ☐ A) As agreed upon by all market makers in the stock
  - ☐ B) After FINRA issues a trading signal
  - ☐ C) After the first regular way trade in the primary listing market
  - ☐ D) At the opening on the next trading day
- 

Question ID: 2234

**122) Which of the following is true regarding Nasdaq MPIDs?**

- ☐ A) Primary MPIDs must be firm and two-sided while supplemental MPIDs must be two-sided only.
  - ☐ B) Primary MPIDs must be firm and two-sided while supplemental MPIDs must be firm only.
  - ☐ C) Both primary and supplemental MPIDs must be firm but neither is required to be two-sided.
  - ☐ D) Both primary and supplemental MPIDs must be firm and two-sided.
- 

Question ID: 3118

**123) When a broker-dealer receives a limit order from a customer,**

- ☐ A) The order must be displayed in the broker-dealer quote if the customer specifically requests that his order be displayed
  - ☐ B) The order must be returned to the customer
  - ☐ C) The order must be executed as promptly as possible
  - ☐ D) It must be displayed in the firm's quote absent special instructions
-

Question ID: 2797

**124) If the best bid for an NMS stock is \$54.11 per share, which of the following quotes would produce a locked quote?**

- ☐ A) Bid \$54.11
  - ☐ B) Offer \$54.12
  - ☐ C) Offer \$54.11
  - ☐ D) Bid \$54.10
- 

Question ID: 2001

**125) On a voluntary basis, what is the latest time of day that an ADF Trading Center may remain open for business?**

- ☐ A) 4:00 p.m. EST
  - ☐ B) 5:00 p.m. EST
  - ☐ C) 6:30 p.m. EST
  - ☐ D) 8:30 p.m. EST
- 

Question ID: 3006

**126) A market maker is expected to make what kind of trading market in round lots of securities quoted?**

- ☐ A) Sound
  - ☐ B) Ongoing
  - ☐ C) Firm
  - ☐ D) Even
- 

Question ID: 2024

**127) Client Rick has placed a limit order to buy 300 shares at 22. The current bids on the limit book are:**

**MM W : 22.08 X 100  
MM X: 22.05 X 300  
MM Y: 22.04 X 200  
MM Z : 22.02 X 500**

**How many shares must be purchased before Rick receives an execution?**

- ☐ A) 600 shares
  - ☐ B) 1,000 shares
  - ☐ C) 1,100 shares
  - ☐ D) 700 shares
-

Question ID: 1950

**128) The normal trading unit for equity securities traded through the Alternative Display Facility (ADF) is**

- ☐ A) 10 shares
  - ☐ B) 100 shares
  - ☐ C) 500 shares
  - ☐ D) It depends on the stock price
- 

Question ID: 1863

**129) The NBBO on ABC, an S&P 500 stock, is 10.00 - 10.10. MDS is a market maker and wants to enter a new bid on the stock. What is the lowest bid MDS could enter?**

- ☐ A) \$1.00
  - ☐ B) \$7.00
  - ☐ C) \$7.20
  - ☐ D) \$9.20
- 

Question ID: 2545

**130) Two trading books are brought together at 4 p.m. to produce the Nasdaq closing cross. They are the**

- ☐ A) Net and gross order books
  - ☐ B) Continuous and closing order books
  - ☐ C) Limit and market order books
  - ☐ D) Imbalance and regular order books
- 

Question ID: 3064

**131) If there is an NBBO, a market maker must satisfy the Two-Sided Obligation by entering a bid that is, at most, how far away from the NBBO?**

- ☐ A) The Designated Percentage
  - ☐ B) 12.5%
  - ☐ C) The Defined Limit
  - ☐ D) 7.5%
- 

Question ID: 2207

**132) When a market maker fails to honor a quote in full, it is a violation called**

- ☐ A) undercutting
  - ☐ B) hedging
  - ☐ C) reneging
  - ☐ D) backing away
-

Question ID: 26088

**133) All of the following are exclusively associated with exchanges with the exception of**

- ☐ A) designated market makers.
  - ☐ B) market makers.
  - ☐ C) floor brokers.
  - ☐ D) specialists.
- 

Question ID: 3254

**134) How must requests for multiple MPIDs be submitted and approved?**

- ☐ A) Either verbally or in writing
  - ☐ B) Through a designated contact at the SEC
  - ☐ C) In writing
  - ☐ D) Verbally
- 

Question ID: 2053

**135) Firm A enters into a written agreement, under which it will outsource to Company B its responsibilities for reporting order data to FINRA and maintaining required records. Company B is considered**

- ☐ A) An Authorized Representative
  - ☐ B) A Reporting Agent
  - ☐ C) A Designated Provider
  - ☐ D) A Technology Vendor
- 

Question ID: 36473

**136) Three buy limit orders are entered at the same price but at 10-minute intervals. All are displayed orders. Customer A's order is entered first to buy 300 shares. Customer B's order is entered next to buy 500 shares. Customer C's order is entered next to buy 100 shares. Which order will be filled first?**

- ☐ A) The orders will be executed simultaneously since they are all entered at the same price
  - ☐ B) Customer A's order since it was entered first
  - ☐ C) Customer B's order since it is the largest order size
  - ☐ D) Customer C's order since it is the smallest order size
-

Question ID: 2020

**137) If an ADF Trading Center chooses to open at the earliest possible time during a trading day, when must it begin making firm two-sided quotes?**

- ☐ A) 6:00 a.m. EST
  - ☐ B) 8:00 a.m. EST
  - ☐ C) 9:00 a.m. EST
  - ☐ D) 9:30 a.m. EST
- 

Question ID: 2829

**138) An ADF Trading Center is granted an excused absence from submitting quotes and responding to orders, based on circumstances beyond its control. Normally, this absence will be granted for how long?**

- ☐ A) Five business days
  - ☐ B) 15 business days
  - ☐ C) One business day at a time
  - ☐ D) 10 business days
- 

Question ID: 1918

**139) The NBBO on ABC, an S&P 500 stock, is 10.00 - 11.00. MDS is a market maker and wants to enter a new offer on the stock. What is the highest offer MDS could enter?**

- ☐ A) \$9.20
  - ☐ B) \$10.00
  - ☐ C) \$11.88
  - ☐ D) \$14.08
- 

Question ID: 2345

**140) When is a market maker required to maintain a continuous two-sided quote?**

- ☐ A) During all regular market hours
  - ☐ B) During all regular and pre-market hours
  - ☐ C) During all regular, pre-market and after-hours trading
  - ☐ D) At least four hours per trading day
-

Question ID: 2401

**141) After an excused withdrawal and notification of an intent to reinstate quotes, how much time does a market maker have to meet its market making obligations?**

- ☐ A) 60 minutes
  - ☐ B) 30 minutes
  - ☐ C) 10 minutes
  - ☐ D) Five minutes
- 

Question ID: 36519

**142) A market maker must maintain a minimum net capital of**

- ☐ A) \$100,000.00
  - ☐ B) \$500,000.00
  - ☐ C) \$1,000,000.00
  - ☐ D) \$1,500,000.00
- 

Question ID: 34897

**143) A firm's primary MPID must be used for all of the following types of quotes except:**

- ☐ A) Passive market making quotes
  - ☐ B) Pre-market quotes
  - ☐ C) Market maker quotes
  - ☐ D) Stabilization quotes
- 

Question ID: 3121

**144) What is the Defined Limit?**

- ☐ A) The percentage that all fees, mark-ups, mark-downs, and commissions quotes must be away from the NBBO.
  - ☐ B) The percentage that all new quotes can be away from the NBBO.
  - ☐ C) The percentage of trading that a firm can conduct in its propriety accounts as compared to its customer limit orders.
  - ☐ D) The percentage that existing quotes can be away from the NBBO without requiring adjustment
-



Question ID: 1898

**145) GA Securities, a FINRA registered market maker, is displaying a quote in a Nasdaq listed security of 7-8 4x5. A customer of the firm contacts his registered rep and places a market buy order. What price will the customer receive?**

- ☐ A) \$4 per share
  - ☐ B) \$5 per share
  - ☐ C) \$7 per share
  - ☐ D) \$8 per share
- 

Question ID: 2032

**146) For a quote in a stock that is a component of the S&P 500 index made at 11 a.m. during a trading day what is the Defined Limit?**

- ☐ A) 8% from NBBO
  - ☐ B) 31.5% from NBBO
  - ☐ C) 28% from NBBO
  - ☐ D) 9.5% from NBBO
- 

Question ID: 1904

**147) A market sell order is executed at the quote at a time when the NBBO is \$48.35-\$48.37. The transaction price is**

- ☐ A) \$48.35
  - ☐ B) \$48.37
  - ☐ C) Below \$48.35
  - ☐ D) Above \$48.37
- 

Question ID: 2858

**148) An ADF Trading Center is suspended on the grounds of too many unexcused system outages. May it appeal?**

- ☐ A) Yes, by requesting a determination by a special FINRA subcommittee
  - ☐ B) Only with FINRA permission
  - ☐ C) Only if the firm has not previously been suspended for the same reason
  - ☐ D) Yes, by submitting an application to the SEC
-

Question ID: 2614

**149) What makes a quote or order marketable, for purpose of complying with FINRA's requirement against inactive quoting by a Registered Reporting ADF ECN?**

- ☐ A) It is competitively priced
  - ☐ B) It is visible to the public
  - ☐ C) It is accessed by another center or participant
  - ☐ D) It is reported to FINRA
- 

Question ID: 2961

**150) How does a Nasdaq Market Maker voluntarily terminate registration on a security-by-security basis?**

- ☐ A) Withdraw the two-sided quote
  - ☐ B) Request a waiver
  - ☐ C) Publish an announcement to other Market Makers
  - ☐ D) Request a termination
- 

Question ID: 2643

**151) Brian calls his registered rep and asks for the NBBO on shares of EDD common stock. The rep indicates it is \$25.64-\$25.69 12x4. Brian places a market order to sell 100 shares, and asks for an estimated gross proceeds per share, inclusive of any fees and commissions. What is the best estimate the rep can give Brian?**

- ☐ A) More than \$25.69
  - ☐ B) Exactly \$25.64
  - ☐ C) Less than \$25.64
  - ☐ D) Exactly \$25.69
- 

Question ID: 2600

**152) The Net Order Imbalance Indicator (NOII)**

- ☐ A) Provides parties with details concerning opening and closing orders along with the likely opening and closing prices of a security
  - ☐ B) Provides traders with an estimate of the trading volume that will be represented during the opening and closing crosses
  - ☐ C) Reflects the volume of short interest in the market at the opening and close of trading each day
  - ☐ D) Is used by NASDAQ to calculate the average bid-ask spread on a security
-

Question ID: 1931

**153) A market maker seeking an excused withdrawal from Nasdaq for operational difficulties can expect the withdrawal to be granted for up to**

- ☐ A) 1 day.
  - ☐ B) 3 days.
  - ☐ C) 5 days.
  - ☐ D) 60 days.
- 

Question ID: 2216

**154) Which of the following quotes represents a valid market maker quote of a normal trading unit?**

- ☐ A) Bid 200 shares at \$39; ask 50 shares at \$39.25
  - ☐ B) Bid 100 shares at \$39; ask 100 shares at \$38.90
  - ☐ C) Bid 100 shares at \$39; ask 100 shares at \$39.25
  - ☐ D) No bid; ask 200 shares at \$39.25
- 

Question ID: 3169

**155) If there is no National Best Bid/Offer on a stock, how is the market maker's pricing obligation determined?**

- ☐ A) There is no pricing obligation in this case
  - ☐ B) Based on the market maker's best estimate
  - ☐ C) Based on the prior day's average execution price
  - ☐ D) Based on the last reported sale
- 

Question ID: 2358

**156) Supplemental MPIDs are often used to report**

- ☐ A) ETF trades.
  - ☐ B) short sales.
  - ☐ C) dark pool and OTC trades.
  - ☐ D) option trades.
- 

Question ID: 26092

**157) The NBBO for a stock is \$47.25-\$47.30. The two sides of this quote are shown by one exchange. A Nasdaq market maker then enters a buy order on the same exchange with a limit price of \$47.31. This order is permitted by Nasdaq only if**

- ☐ A) the exchange showing the crossed quote is experiencing a system malfunction.
  - ☐ B) it is displayed for less than 30 seconds and not executed.
  - ☐ C) it is on behalf of a qualified institution.
  - ☐ D) it is for an odd lot.
-

Question ID: 2917

**158) Closing Imbalance Orders (CIO) are entered to**

- ☐ A) Offset the remaining unexecuted orders from the Opening Cross
  - ☐ B) Ensure that all customer orders receive execution at the market close.
  - ☐ C) Provide liquidity to offset on-close orders during the closing cross
  - ☐ D) Provide liquidity to offset on-open orders during the opening cross
- 

Question ID: 2876

**159) Which stocks are eligible for trading on the Alternative Display Facility (ADF)?**

- ☐ A) All
  - ☐ B) NMS
  - ☐ C) Penny stocks
  - ☐ D) OTC-only
- 

Question ID: 3272

**160) For pricing obligation purposes, what is the difference between a Tier 2 and Tier 3 security?**

- ☐ A) Whether the share price is above \$1
  - ☐ B) Whether the average daily trading volume is greater than 100,000 shares
  - ☐ C) How many shares of stock are outstanding
  - ☐ D) Whether the security has been offered for at least one year
- 

Question ID: 3268

**161) When is a market maker's inability to maintain quotes excused by Nasdaq, if it relates to a failure to maintain a clearing arrangement?**

- ☐ A) When the failure is voluntary
  - ☐ B) When the failure is relationship-related
  - ☐ C) When the failure is system-related
  - ☐ D) When the failure is involuntary
- 

Question ID: 2426

**162) A market maker displays quotes that represent prices at which it is willing to buy or sell securities**

- ☐ A) belonging to its customers
  - ☐ B) to or for large traders
  - ☐ C) from its own inventory
  - ☐ D) for a commission
-

Question ID: 1943

**163) Once a Nasdaq Market Maker voluntarily terminates registration for a Nasdaq-listed security, for how long is the firm barred from re-registering that security?**

- ☐ A) 10 business days
  - ☐ B) 20 business days
  - ☐ C) 30 business days
  - ☐ D) There is no set time limit; it is at FINRA's discretion
- 

Question ID: 2025

**164) Broker D is an ADF Trading Center. If it wishes to deny a broker-dealer that is not a Trading Center direct electronic access, how much prior notice must it give to FINRA?**

- ☐ A) 7 business days
  - ☐ B) 14 calendar days
  - ☐ C) 21 calendar days
  - ☐ D) 30 business days
- 

Question ID: 2560

**165) For an ADF Trading Center one of two criteria can be used to declare a system outage. One is an inability to post automated quotations. The other is**

- ☐ A) Lack of network connection
  - ☐ B) Inability to report data to FINRA
  - ☐ C) Inability to respond to orders
  - ☐ D) Lack of power for two consecutive hours
- 

Question ID: 37933

**166) Three sell limit orders are entered at exactly the same time and at the same price, \$17.43. Customer A's order is for 2,000 shares. Customer B's order is for 800 shares. Customer C's order is for 500 shares. If a bid is entered for 800 shares at \$17.43, which customer order will be filled first?**

- ☐ A) Customer A
  - ☐ B) Customer B
  - ☐ C) Customer C
  - ☐ D) It could be Customer A, B, or C based on random selection by the firm
-

Question ID: 2834

**167) The minimum quote increment for a stock trading at \$7.50 per share is**

- ☐ A) One tenth of a cent
  - ☐ B) One hundredth of a cent
  - ☐ C) One cent
  - ☐ D) Five cents
- 

Question ID: 2986

**168) Assuming that a round-lot size for a security is 100 shares, which of the following orders is for a mixed lot?**

- ☐ A) Buy 89
  - ☐ B) Buy 100
  - ☐ C) Sell 50
  - ☐ D) Sell 140
- 

Question ID: 3049

**169) Broker N has a system outage on Wednesday at 9pm. To request a FINRA determination that the outage is excused, Broker N must supply supporting information by**

- ☐ A) The close of business on Wednesday
  - ☐ B) The close of business on Thursday
  - ☐ C) The start of business on Thursday
  - ☐ D) The start of business on Friday
- 

Question ID: 2005

**170) On the basis of unexcused system outages, how long can a trading suspension last for an ADF Trading Center?**

- ☐ A) 5 business days
  - ☐ B) 10 business days
  - ☐ C) 20 business days
  - ☐ D) 30 business days
-

Question ID: 2416

- 171) As the result of a regulatory audit, FINRA is requiring that Market Maker A withdraw its quotes from Nasdaq. Market MMA notifies NASDAQ of its intention to withdraw its quotes in all those securities it makes a market in. MMA will be permitted to abstain from market making
- ☐ A) With 60 days written notice to FINRA
  - ☐ B) With written consent of NASDAQ market operations
  - ☐ C) For up to 30 days
  - ☐ D) For up to 60 days
-





Question ID: 1994

1) For purposes of pricing obligations, the Designated Percentage during most of a trading day for an S&P 500 or Russell 1000 index stocks is

- ☐ A) 4%
- ☐ B) 6%
- ☒ C) 8%
- ☐ D) 10%

**Answer Explanation:**

The standard Designated Percentage for securities in the S&P 500 or Russell 1000 Index is 8%. Market makers cannot enter quotes further than 8% away from the inside market.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 2206

2) The Nasdaq halt cross process aims to reopen trading after a halt at a price that

- ☒ A) reflects market supply and demand.
- ☐ B) creates incentives for placing new orders
- ☐ C) avoids profiteering.
- ☐ D) represents fair market value.

**Answer Explanation:**

The process allows investors to enter orders and participate in price discovery during a halt. When executions resume, it seeks to maximize trading volume at a price reflecting market supply and demand.

**Textbook Reference:** Please see textbook section 1.10.5

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Question ID: 2939

3) What must a broker-dealer do to operate as a Nasdaq market maker and use Nasdaq trading systems and services?

- ☐ A) Send a notice to FINRA
- ☒ B) Register with Nasdaq
- ☐ C) Terminate FINRA membership
- ☐ D) Register with the SEC

**Answer Explanation:**

The firm must register with Nasdaq. Its registered persons must be shown in the Central Registration Depository as meeting Nasdaq registration status.

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 2743

- 4) **Broker-dealer B receives a customer order to buy 100 shares of ABC. BD B buys 100 shares of ABC from the market at \$60 and then resells the shares to its customer at \$60 plus commission. This is an example of what type of trade?**

☐ A) VWAP  
☐ B) Risk Arbitrage  
☒ C) Riskless Principal  
☐ D) Net Basis

**Answer Explanation:**

Trades effected in this manner are examples of riskless principal trades

**Textbook Reference:** Please see textbook section 1.3.1

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Question ID: 2123

- 5) **Which Nasdaq Market Makers are eligible for excused withdrawal requests based on vacation?**

☐ A) Only those with five or fewer market makers  
☐ B) Only those with a single market maker  
☐ C) All market makers  
☒ D) Only those with three or fewer market makers

**Answer Explanation:**

Requests for withdrawals based on vacations are only available to small Nasdaq Market Markets - those with three or fewer Nasdaq level 3 terminals.

**Textbook Reference:** Please see textbook section 1.11.4

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Question ID: 3222

- 6) **The automatic time-stamping of Nasdaq System Orders is important because it determines**

☒ A) Time ranking  
☐ B) Trading time zone  
☐ C) Trade routing  
☐ D) Short sale period

**Answer Explanation:**

The time-stamp determines the time ranking of the order, for purposes of processing. Limit orders placed earliest generally have priority on the order book over more recent orders at the same limit price.

**Textbook Reference:** Please see textbook section 1.7

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Question ID: 36520

7) A firm makes a market in 80 stocks, of which half are priced at \$5 or below and half are priced above \$5. What is the firm's minimum net capital requirement?

- ☐ A) \$100,000
- ☐ B) \$125,000
- ☒ C) \$140,000
- ☐ D) \$1,000,000

**Answer Explanation:**

For firms registered as a market maker, the required minimum net capital is a function of the number of stocks the firm is quoting, subject to a minimum net capital of \$100,000, regardless of the number of stocks being quoted. For stocks with a bid price of \$5 or less, the market maker must have a net capital of \$1,000 per security, and for stocks with a bid price of more than \$5, a market maker must have a minimum net capital of \$2,500 per security. In this case, the firm is required to have 40 stocks x \$1,000 and 40 stocks x \$2,500, or \$140,000 total. Note that this concept is not explicitly covered in the 2nd Edition textbook, but as long as you review the answer and explanation you will be prepared for this item for the exam.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 3305

8) At a time when a protected bid is higher than a protected offer in an NMS stock, a market maker enters into a bid at the same price as the protected bid. Is this prohibited as a locking or crossing quote?

- ☐ A) Not if the market maker receives an exemption against the general rule
- ☒ B) No, because it is an exception to the general rule against locking or crossing quotes
- ☐ C) Yes, because the bid is not protected
- ☐ D) Yes, because only one such bid is allowed at a time

**Answer Explanation:**

There are three exceptions to the general rule against locking/crossing quotes: 1) market failure or malfunction; 2) routing of an intermarket sweep against the full displayed size; and 3) quote entered at a time when a protected bid is higher than a protected offer. In this example, the third exception is met.

**Textbook Reference:** Please see textbook section 1.9

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Question ID: 1923

9) Which of the following orders could not be placed in the Nasdaq system?

- ☒ A) "Sell 105.5 shares @ 32.50"
- ☐ B) "Buy 622,000 shares @ .18"
- ☐ C) "Sell 72 shares at 103.55"
- ☐ D) "Buy 350 shares at 22.75"

**Answer Explanation:**

Orders which may be entered into the Nasdaq system range from a single share to 999,999 shares. Odd lot orders may be accepted as well, but orders for fractional shares may not be accepted

**Textbook Reference:** Please see textbook section 1.6.3

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Question ID: 2147

10) An order placed on the Nasdaq Stock Market for less than a normal unit of trading is

- ☒ A) An odd-lot
- ☐ B) Automatically cancelled
- ☐ C) A mixed-lot
- ☐ D) A partial lot

**Answer Explanation:**

A normal unit of trading on the Nasdaq Stock Market is 100 shares. An order for less than 100 shares is an odd-lot.

**Textbook Reference:** Please see textbook section 1.6.3

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Question ID: 1951

11) A market maker must fulfill the two-sided quote obligation by offering both bid and ask quotes of at least

- ☐ A) 10 shares
- ☒ B) 100 shares
- ☐ C) 200 shares
- ☐ D) There is no specified number of shares

**Answer Explanation:**

The normal unit of trading, for quoting purposes, is 100 shares.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 2366

12) FINRA's Alternative Display Facility (ADF) does all of the following except

- ☐ A) Execute trade comparisons
- ☐ B) Deliver real-time data for compliance and enforcement
- ☒ C) Provide order routing and execution
- ☐ D) Report transactions in NMS securities

**Answer Explanation:**

The ADF is a quote collection and trade reporting facility that serves as an alternative to exchanges for orders in NMS securities. It does not provide order routing and execution.

**Textbook Reference:** Please see textbook section 1.11

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Question ID: 3250

13) For OTC market makers, excused withdrawals related to systematic equipment problems usually are granted for

- ☐ A) up to two weeks.
- ☐ B) up to seven business days.
- ☐ C) up to three business days.
- ☒ D) up to five business days.

**Answer Explanation:**

Systematic equipment problems include defects in the market maker's software or hardware, and connectivity problems. The standard excused withdrawal is for up to five business days, during which time the market maker is expected to remedy such problems.

**Textbook Reference:** Please see textbook section 1.8.2

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Question ID: 2745

14) When is a market maker's obligation to meet pricing obligations suspended?

- ☐ A) When the member has announced a qualified block trade
- ☐ B) Never
- ☒ C) During trading halts, suspensions or pauses
- ☐ D) During the last 30 minutes of each trading day

**Answer Explanation:**

Market makers must meet pricing obligations during regular trading hours, except when trading is halted, suspended or paused.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 1952

15) Market makers are expected to buy a normal trading unit of the quoted stock at their current quote. That unit usually is

- ☐ A) 10 shares
- ☒ B) 100 shares
- ☐ C) 500 shares
- ☐ D) 1,000 shares

**Answer Explanation:**

In the normal course of business, market makers and dealers are expected to make a "firm trading market" in round lots of securities quoted.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 2610

16) Trader E previously placed a System Order to sell 1,000 shares of ABC stock. Now, he modifies the order by reducing the size to be sold to 500 shares. How does this affect priority of the order?

- ☒ A) It is not affected
- ☐ B) All orders must be given priority over this order
- ☐ C) Smaller orders must be given priority over this order
- ☐ D) Larger orders must be given priority over this order

**Answer Explanation:**

Priority is not affected when a System Order is modified by a partial cancellation of the share size.

**Textbook Reference:** Please see textbook section 1.7

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Question ID: 2063

17) To request more than one Market Participation Identifier (MPID), a FINRA member must identify

- ☐ A) A foreign subsidiary.
- ☐ B) separate trading symbols to be used for each MPID.
- ☒ C) a bona fide business or regulatory purpose.
- ☐ D) separate and distinct trading desks.

**Answer Explanation:**

Members must identify one or more bona fide business or regulatory purposes for each MPID they will use.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 2831

18) If an ADF Trading Center requests a withdrawal based on a religious holiday, the request must be received by FINRA how far in advance?

- ☐ A) Two weeks
- ☒ B) One day
- ☐ C) Three days
- ☐ D) Five days

**Answer Explanation:**

Excused withdrawals for vacation or religious holidays may be granted only if the request is received by FINRA one day in advance.

**Textbook Reference:** Please see textbook section 1.8.2

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Question ID: 2775

19) Can FINRA membership be terminated when a market maker registers with Nasdaq?

- ☐ A) Only if the firm provides at least 30 days' notice
- ☐ B) Only with explicit SEC approval
- ☒ C) Only if the firm is registered with at least one other SRO
- ☐ D) Not in any case

**Answer Explanation:**

Nasdaq rules require members to belong to at least one other self-regulatory organization, in addition to Nasdaq.

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 2637

20) KKF Securities, a FINRA registered market maker, is displaying a quote in a Nasdaq listed security of 7-8 4x5. A customer of the firm contacts his registered rep and asks to have the quote explained to him. Which of the following is the best explanation?

- ☐ A) KKF is willing to sell 400 shares at \$8
- ☐ B) KKF is willing to buy 700 shares at \$4
- ☒ C) KKF is willing to buy 400 shares at \$7 per share
- ☐ D) KKF is willing to sell 700 shares at \$5

**Answer Explanation:**

The market maker's quote of 7-8 4x5 indicates the firm bid-ask and the number of shares available at those prices 4 round lots (400 shares) at the bid and 5 round lots (500 shares) at the offer. The bid is the price the firm will pay to buy shares. The ask is where the firm will sell shares.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 2801

21) By definition, a dealer becomes a market-maker by holding himself out as willing to buy or sell securities for his own account

- ☒ A) on a regular and continuous basis.
- ☐ B) at either a profit or loss.
- ☐ C) at competitive prices.
- ☐ D) on a high-volume basis.

**Answer Explanation:**

Market makers must be willing to buy and sell, by entering two-sided quotes on a regular and continuous basis.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 1869

22) A block positioner must meet a minimum net capital requirement of

- ☐ A) \$100,000
- ☐ B) \$500,000
- ☒ C) \$1,000,000
- ☐ D) \$3,000,000

**Answer Explanation:**

A qualified block positioner is a broker-dealer that engages in buying or selling blocks of stock and meets a \$1 million minimum net capital requirement.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 2088

23) When a market maker has not executed a trade, what action will require the market maker to refresh a quote on a stock?

- ☐ A) Lack of trading interest among investors
- ☐ B) A lack of competing quotes
- ☐ C) A trading halt
- ☒ D) A big change in the NBBO

**Answer Explanation:**

The refresh requirement is triggered by a sizeable change in the NBBO beyond the "Defined Limit." For most NMS stocks the defined limit is 9.5% away from the NBBO.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 2646

24) A market maker seeking to purchase shares of ABC at the open at 50 or better should place a(n)

- ☐ A) Marketable limit order
- ☒ B) Limit on Open order
- ☐ C) Open Limit order
- ☐ D) Market order

**Answer Explanation:**

If a market maker wants to buy shares at the open and receive a specific price or better, it should place a Limit on Open order.

**Textbook Reference:** Please see textbook section 1.10.3

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Question ID: 2030

25) Under the Nasdaq rule on firm quotes, what is the highest percentage that may be used for the pricing obligation of a Tier 1 security, during the last 25 minutes of the trading day?

- ☐ A) 8%
- ☐ B) 10%
- ☐ C) 12%
- ☒ D) 20%

**Answer Explanation:**

During the last 25 minutes of the trading day, the pricing obligation percentage for Tier 1 securities increases from 8% to 20%. The Designated Percentages are only different at market open and close for Tier 1 securities, not others. This percentage refers to the maximum deviation allowed from the NBBO when entering quotes.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 2230

26) Market maker A has two MPIDs, a primary and an alternate. If effecting a trade using their alternate MPID,

- ☒ A) The trade report must contain the alternate MPID only
- ☐ B) MM A can decide which MPID they would prefer to use for the trade report
- ☐ C) Both MPIDs must be supplied in the trade report
- ☐ D) The trade report should be posted showing the alternate MPID as the "executing" ID and the primary MPID as the "official" ID

**Answer Explanation:**

In this scenario, Market maker A must use its alternate MPID when reporting the details of the trade

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 33780

27) The inside market for an OTC stock is 12.14 12.19 25 X 11. If an order to buy 600 shares at 12.20 is entered and executed, what will the quote be immediately after execution?

- ☐ A) 12.14 12.20; 25 x 11
- ☒ B) 12.14 12.19; 25 x 5
- ☐ C) 12.14 12.20; 19 x 5
- ☐ D) 12.14 12.19; 19 x 11

**Answer Explanation:**

The order is executed at the resting ask price of \$12.19, but it does not change the quoted price. It does absorb 600 shares of the resting ask, so it reduces the ask size from 11 round lots (1,100 shares) to 5 round lots (500 shares).

**Textbook Reference:** Please see textbook section 1.6.5

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Question ID: 2390

28) Who has the burden for proving that an ADF Trading Center's system outage is excused?

- ☐ A) FINRA
- ☐ B) An arbitration panel
- ☒ C) The Trading Center
- ☐ D) The counterparty

**Answer Explanation:**

Once a system outage exists, the burden rests with the Trading Center to prove it is excused. This is normally done by submitting timely documents to FINRA Product Management.

**Textbook Reference:** Please see textbook section 1.11.5

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Question ID: 2949

29) A firm that has the responsibility to monitor securities for the purpose of preventing unauthorized issuance is a(n)

- ☒ A) registrar and transfer agent
- ☐ B) exchange
- ☐ C) bank and clearing agent
- ☐ D) regulator

**Answer Explanation:**

The term "transfer agent" includes any person who registers the transfer of securities or exchanges or converts securities. The definition includes a "registrar," the person who monitors securities to prevent unauthorized issuance.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 2792

30) A mutual fund that holds Nasdaq-traded securities calculates its NAV based on which official published Price?

- ☐ A) OCAM
- ☒ B) NOCP
- ☐ C) ACPL
- ☐ D) NCPL

**Answer Explanation:**

The closing cross sets the Nasdaq Official Closing Price (NOCP) for Nasdaq-listed securities. This is used to benchmark securities prices held by mutual funds, for purposes of calculating daily NAVs.

**Textbook Reference:** Please see textbook section 1.10.2

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Question ID: 2443

31) DZ Securities is a FINRA member firm and registered market maker. In its capacity as such, DZ may do each of the following except

- ☐ A) Hold itself out as willing to buy or sell a particular security at publicly quoted prices
- ☒ B) Operate a physical marketplace where securities may be bought and sold
- ☐ C) Trade for its own proprietary account
- ☐ D) Trade for the accounts of its customer

**Answer Explanation:**

Market makers are firms that hold themselves out as willing to buy or sell a particular security at publicly quoted prices. This includes broker-dealers that trade for their own (proprietary) accounts or the accounts of their customers (retail or institutional). A physical marketplace where securities transactions occur must be SEC registered as an exchange (e.g. NYSE).

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 2597

32) To be granted by Nasdaq, market maker withdrawal requests based on legal or regulatory requirement must be supported by a statement that the problem

- ☐ A) involves a violation of federal securities law.
- ☒ B) is not permanent in nature.
- ☐ C) is being appropriately addressed by qualified legal counsel.
- ☐ D) is severe and mission-critical.

**Answer Explanation:**

Nasdaq wants to know that the market maker can address legal or regulatory problems in some fashion. Otherwise, it may terminate registration in some or all securities.

**Textbook Reference:** Please see textbook section 1.8

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Question ID: 1889

- 33) A customer submits a limit-on-close (LOC) order to sell shares of ABC stock at \$28.42. If the closing cross price is \$28.40. What price will he receive?

- ☐ A) \$28.40
- ☐ B) \$28.41
- ☐ C) \$28.42
- ☒ D) The trade will not execute

**Answer Explanation:**

If the closing price is worse (less favorable) than the specified limit price in an LOC order the customer's order will not be executed.

**Textbook Reference:** Please see textbook section 1.10.2

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Question ID: 37925

- 34) Under the designated percentage rule, new quotes for Tier 1 securities must be entered within 8% of the NBBO, except during certain market hours. At what time, prior to the market close, does the designated percentage increase and by how much does it increase?

- ☐ A) At 3:25 p.m., to 12%
- ☒ B) At 3:35 p.m., to 20%
- ☐ C) At 3:45 p.m., to 15%
- ☐ D) At 3:55 p.m., to 22%

**Answer Explanation:**

The designated percentage for Tier 1 securities increases to 20% from 9:30 am to 9:45 am (market open) and from 3:35 to 4:00 pm (market close).

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 36474

- 35) A customer sees that the inside quote for DEF stock is 27.45 x 4,000 27.46 x 10,000. If the customer then enters an order to sell 100 shares at 27.46, when will the customer's order be filled?

- ☐ A) Immediately
- ☐ B) After 4,000 shares are executed at the limit price or better
- ☒ C) After 10,000 shares are executed at the limit price or better
- ☐ D) As soon as another investor or market-maker is willing to pay the limit price or better

**Answer Explanation:**

Because of time priority, limit orders always go "to the back of the line" behind other limit orders waiting to fill at the same limit price (on the same side). Because the customer has placed a sell limit order at \$27.46, all 10,000 shares at that price must first be executed before the customer's order will be filled.

**Textbook Reference:** Please see textbook section 1.7.2.1

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Question ID: 2271

36) How does a dealer hold himself out as willing to buy or sell securities?

- ☒ A) By entering quotes
- ☐ B) By public declaration
- ☐ C) By registering with the SEC
- ☐ D) By trading at or above an assigned volume threshold

**Answer Explanation:**

Dealers become market makers by entering two-sided continuous quotes to buy and sell for their own accounts.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 3105

37) What is the Designated Percentage?

- ☐ A) The percentage that all fees, mark-ups, mark-downs, and commissions quotes must be away from the NBBO.
- ☐ B) The percentage that existing quotes can be away from the NBBO without requiring adjustment
- ☒ C) The maximum percentage that all new quotes may be away from the NBBO.
- ☐ D) The percentage of trading that a firm can conduct in its proprietary accounts as compared to its customer limit orders.

**Answer Explanation:**

The Designated Percentage is the maximum percentage that all new quotes can be away from the current National Best Bid Offer (NBBO). If there is no NBBO, the pricing obligation references the last reported sale. Firms are not permitted to enter new quotes outside the designated percentage. For example, if the Designated Percentage is 8%, and the NBBO is 10.00-10.01, all new bids must be entered within 8% of the best bid (from \$9.20 and upwards) and all new asks must be within 8% of 10.01 (from \$10.81 and lower).

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 36471

- 38) A market maker displays a two-sided quote of \$27.14 x 300 - \$27.23 x 100 on ABC stock, which is currently the only quote available on this thinly traded stock. If a customer enters an order to buy 245 shares of the stock at \$27.23, how many shares is the market maker obliged to sell?

- ☐ A) Zero shares
- ☒ B) 100 shares
- ☐ C) 245 shares
- ☐ D) 300 shares

**Answer Explanation:**

Because the market maker is only quoting one round lot at \$27.23, they are only obligated to sell one hundred shares (one round lot).

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 2962

- 39) Market Maker C displays a manual quote in the ADF, so that it locks a previously disseminated quote. Unless the quote is promptly withdrawn the market maker must

- ☐ A) Reverse the trade within 30 minutes
- ☒ B) Route an intermarket sweep order
- ☐ C) Request an exemption from FINRA
- ☐ D) Cease trading for the rest of the day

**Answer Explanation:**

If a member displays a manual quote that locks or crosses, the member must either promptly withdraw the quote or else route an intermarket sweep order to execute against the full displayed size of the locked or crossed quote.

**Textbook Reference:** Please see textbook section 1.9

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Question ID: 2937

- 40) After each trade execution a market maker must take what action in order to maintain a continuous two-sided market?

- ☒ A) Refresh the quote
- ☐ B) Rebalance the quote
- ☐ C) Reduce the quote size to 100 shares on each side
- ☐ D) Update the quote to reflect the most competitive price available

**Answer Explanation:**

Refreshing the quote means making sure that bid and ask quotes are currently available in sizes of at least one round lot.

**Textbook Reference:** Please see textbook section 1.6.7

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Question ID: 2744

41) The electronic system through which Nasdaq measures and declares the unpaired shares is called

- ☒ A) Net Order Imbalance Indicator (NOII)
- ☐ B) Electronic Trade Order System (ETOS)
- ☐ C) Share Cross Automated System (SCAS)
- ☐ D) Trade Order Balance Processor (TOBP)

**Answer Explanation:**

The Net Order Imbalance Indicator (NOII) shows the Current Reference Price - the share price at which the maximum number of shares can be paired (balanced). The imbalance indicator is used during the opening and closing cross.

**Textbook Reference:** Please see textbook section 1.10.4

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Question ID: 2964

42) Nasdaq Level 3 service is used by

- ☐ A) Pattern day traders
- ☐ B) Institutional investors
- ☒ C) Market Makers
- ☐ D) Retail investors

**Answer Explanation:**

Nasdaq Level 3 service is required for market makers, it is not available to non-market makers. Level 3 service allows a market maker to adjust its quotes in the system, providing the mechanism to change quotes as investors change their view of a particular security. Institutional investors and day traders would likely use Level 2 service or TotalView, and individual investors might access market data through the Level 1 service.

**Textbook Reference:** Please see textbook section 1.5

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Question ID: 36469

43) When is a market maker allowed to withdraw one side of a firm two-sided quote entered into the Nasdaq system?

- ☐ A) At no time
- ☒ B) When the quote is entered using a supplemental MPID
- ☐ C) When the quote is entered using a primary MPID
- ☐ D) At any time

**Answer Explanation:**

Supplemental MPID quotes do not need to be two-sided and can be withdrawn at any time. Primary MPID quotes must always have a firm, two-sided quote.

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 2538

**44) A market maker is not required to honor its currently quoted price**

- ☐ A) If it plans to publish a revised quote in one hour
- ☐ B) When it receives an order two minutes after it revises its quote
- ☐ C) If the market maker receives an order that it places in its order book
- ☒ D) If the market maker was in the process of effecting a trade and will be revising its quote

**Answer Explanation:**

Market makers are not required to honor their currently quoted price under two specific conditions. The firm revised its quote prior to receipt of the order, as well as the case where the firm was in the process of effecting a trade and will be revising its quote.

**Textbook Reference:** Please see textbook section 1.6.7

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Question ID: 2929

**45) What name is given to a Nasdaq process for determining the price at which trades will execute, when a security is re-opened?**

- ☐ A) Reopening
- ☐ B) Net order cross
- ☐ C) Rebalancing
- ☒ D) Halt cross

**Answer Explanation:**

A halt cross increases transparency by disseminating timely information to investors on imbalances and the resumption of trading, after halts.

**Textbook Reference:** Please see textbook section 1.10.5

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Question ID: 2927

**46) When a broker dealer acts on an agency basis to help a customer complete trades, the firm normally is compensated through**

- ☐ A) Mark-ups
- ☒ B) Commissions
- ☐ C) Transaction surcharges
- ☐ D) Asset-based fees

**Answer Explanation:**

Acting as an agent, broker dealers normally charge commissions. Acting as principals, they mark up securities sold from their own inventory, or purchased and then sold.

**Textbook Reference:** Please see textbook section 1.3.1.2

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Question ID: 2565

47) For purposes of a market maker's quote, what does a "Defined Limit" do?

- ☐ A) Alert regulators that the quote is non-conforming
- ☒ B) Indicate when quotes must be refreshed
- ☐ C) Indicate when quotes must be withdrawn
- ☐ D) Halt all trading activity for the rest of the day

**Answer Explanation:**

The market maker's quote must be refreshed if a change in the NBBO causes it to be more than the Defined Limit away from the NBBO.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 2135

48) All of the following are true regarding a Nasdaq market maker's application for an excused withdrawal except

- ☐ A) An application based on legal reasons may be granted for up to 60 days.
- ☒ B) An application based on a religious holiday must include the names in which the firm is seeking a withdrawal from.
- ☐ C) An application based on a vacation must include the names in which the firm is seeking a withdrawal from.
- ☐ D) An application based on a system outage must be submitted to Nasdaq Market Operations

**Answer Explanation:**

Market makers seeking an excused withdrawal for religious holidays or vacation must submit the request at least one business day in advance. If the request is based on vacation, it must also include the names the firm is seeking to withdraw from. For religious reasons there is no such requirement.

**Textbook Reference:** Please see textbook section 1.8.2

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Question ID: 37928

49) A market maker is displaying a firm two-sided quote on XYZ stock at 2:00 pm EST. At what time during the trading day does the obligation to display the firm quote end?

- ☐ A) 2:45 pm
- ☐ B) 3:55 pm
- ☒ C) 4:00 pm
- ☐ D) 8:00 pm

**Answer Explanation:**

Market makers do not have an obligation to maintain quotes outside regular market hours, before 9:30 am EST or after 4:00 pm EST.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 18851

**50) What are two key functions of a market maker?**

- ☐ A) determining profit and loss
- ☒ B) providing liquidity and price transparency
- ☐ C) setting the open and close
- ☐ D) establishing exchanges and alternative trading systems

**Answer Explanation:**

The two key functions of market makers are to provide liquidity and price transparency in the market. Accordingly, Nasdaq Rule 4613 sets forth the obligations of all Nasdaq market makers relating to:

- Firm, two-sided quotes
- Order size
- Pricing
- Refreshing quotes

**Textbook Reference:** Please see textbook section 1.6

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Question ID: 26089

**51) A Nasdaq market maker decides to begin offering quotes on ABC Co. stock. The market maker has never quoted this stock previously. If the ABC offers the market maker a \$5,000 gift for providing quotes, the market maker should**

- ☐ A) refuse the gift and stop quoting the stock.
- ☐ B) accept the gift and stop quoting the stock.
- ☒ C) refuse the gift but continue quoting the stock.
- ☐ D) accept the gift and continue quoting the stock.

**Answer Explanation:**

A market maker cannot accept any payment to initiate quotes. If an issuer offers payments (or any compensation) in return for initiating quotes, the market maker must refuse the payment, but can continue quoting the stock.

**Textbook Reference:** Please see textbook section 1.3.2

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Question ID: 1868

**52) A Qualified Block Positioner is a broker-dealer who executes orders with a current market value of**

- ☐ A) \$100,000
- ☐ B) \$500,000
- ☒ C) \$200,000
- ☐ D) \$250,000

**Answer Explanation:**

A Qualified Block Positioner is a broker-dealer who executes orders with a current market value of \$200,000 or more in a single trade, or in several trades at approximately the same time

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 2685

53) An entity that buys and sells securities for its own account on a regular and continuous basis at a quoted price and for a minimum size is defined as a(n)

- ☒ A) Market maker
- ☐ B) Market center
- ☐ C) Agency trader
- ☐ D) Block positioner

**Answer Explanation:**

This is the definition of a market maker.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 1864

54) The NBBO on ABC, an S&P 500 stock, is 10.00 - 10.10. MDS is a market maker and wants to enter a new bid on the stock at 3:55 p.m. What is the lowest bid MDS could enter?

- ☐ A) \$1.00
- ☐ B) \$7.00
- ☒ C) \$8.00
- ☐ D) \$9.20

**Answer Explanation:**

The Designated Percentage is the percentage that all new quotes must be away from the current National Best Bid Offer (NBBO). If there is no NBBO, the pricing obligation references the last reported sale. The Designated Percentage is 8% if the stock is in the S&P 500 or Russell 1000 (a Tier 1 stock); 28% if it is an NMS stock with a price greater than \$1.00 and 30% for all other stocks. The percentage on Tier 1 stocks, however, increases during the market open period (9:30 a.m. to 9:45 a.m.) and market close period (3:35 p.m. - 4 p.m.) to 20%. Here, the NBB is \$10.00, the stock is on the S&P 500, and the bid is being entered in the market close period, so the Designated Percentage is 20% below \$10.00, or \$8.00

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 1959

55) Market Maker G bids \$47.50 to buy 800 shares of XYZ Co. If G receives an offer from a dealer to sell 600 shares at the market, how many must it buy from the dealer at that price?

- ☐ A) 100
- ☐ B) 300
- ☒ C) 600
- ☐ D) 800

**Answer Explanation:**

A firm quote means that a market maker executes transactions of at least the size displayed, at the price bid/offered.

**Textbook Reference:** Please see textbook section 1.11

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Question ID: 1902

56) At 3:10 p.m., Trader H enters an IO limit order to buy at \$45.63. At what price will it execute?

- ☐ A) \$45.63
- ☐ B) \$45.64
- ☒ C) At or below the 4 p.m. bid price
- ☐ D) At or above the 4 p.m. ask price

**Answer Explanation:**

IO orders must be limit orders. But their limits are re-priced just before the Nasdaq opening and closing crosses. An IO buy order executes at or below the opening or closing bid price. IO sell orders execute at or above the closing ask price. The purpose of an IO order is to add liquidity to the crosses.

**Textbook Reference:** Please see textbook section 1.10.2

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Question ID: 2031

57) A market maker's quote must be refreshed when it is more than

- ☐ A) 8% away from the last NBBO.
- ☐ B) 12% away from the last NBBO.
- ☐ C) one standard trading interval away from the last NBBO.
- ☒ D) a Defined Limit away from the last NBBO.

**Answer Explanation:**

A quote must be refreshed if a change in NBBO causes the quote to be more than a Defined Limit away from the last NBBO.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 2406

**58) The Designated Percentages establish what pricing obligation limits on a market maker's quotes?**

- ☒ A) Floor on bids, ceiling on asks
- ☐ B) Floor on bids, no limit on asks
- ☐ C) Guidance but no hard-and-fast limits
- ☐ D) Ceiling on asks, no limit on bids

**Answer Explanation:**

The pricing obligations set both a floor on bids and ceiling on asks.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 37926

**59) The NBBO for a Tier 1 stock is 20.24 - 20.28. Under the designated percentage rule, what is the lowest new quote that a market maker can enter to buy the stock five minutes after the market opens?**

- ☒ A) \$16.19
- ☐ B) \$16.22
- ☐ C) \$18.62
- ☐ D) \$18.65

**Answer Explanation:**

Under the designated percentage rule, new quotes for Tier 1 securities must be entered within 8% of the NBBO except from 9:30 am to 9:45 am and 3:35 pm to 4:00 pm. During these times, just after market open and just before market close, the percentage increases to 20%.  $20.24 \times .80 = \$16.19$ .

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 34896

**60) A market making firm files to begin quoting an additional stock that is has not previously quoted. How long after the filing becomes effective may the market maker delay before starting bona fide quotes in the additional name?**

- ☐ A) 24 hours
- ☐ B) Three business days
- ☒ C) Five business days
- ☐ D) Up to 30 days, depending on liquidity in the additional name

**Answer Explanation:**

When a firm files to becomes a market maker in an additional stock, the filing is typically effective on the same business day. The market maker must begin quoting the security by the open of trading five business days later.

**Textbook Reference:** Please see textbook section 1.6

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Question ID: 2891

**61) Broker A is an ADF Trading Center that has received an order via direct access from another broker-dealer. Broker A must report to FINRA five additional items of information about the order if it acts on or responds to the order. They include all of the following except**

- ☐ A) Quantity
- ☐ B) Order Response
- ☒ C) Commission
- ☐ D) Price

**Answer Explanation:**

The five items that must be reported for an order received and acted upon or responded to via direct or indirect access from another broker dealer are: unique order identifier, order response, order response time, quantity, and price. The commission is not required in a trade report.

**Textbook Reference:** Please see textbook section 1.11.7

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Question ID: 2043

**62) Which of the following firms is a market maker, by definition?**

- ☐ A) A registered rep who deals in only one issue
- ☐ B) A broker-dealer that meets size and volume criteria
- ☒ C) A specialist permitted to act as a dealer
- ☐ D) A supervisory analyst

**Answer Explanation:**

The law defines market-maker in three ways, one of which is "any specialist permitted to act as a dealer." The term specialist generally applies to market makers on the NYSE.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 2817

**63) For a quote on an OTC equity that is subsequently reported to a FINRA system as a trade how many different MPIDs may be used at maximum?**

- ☒ A) One
- ☐ B) Three
- ☐ C) There is no limit
- ☐ D) Two

**Answer Explanation:**

Any quote for an OTC Equity Security, subsequently reported to a FINRA system as a trade, must use the same MPID for the quote and trade. This helps market participants track transactions throughout the life of the order.

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 3293

**64) Broker-dealer C has been approved as a Nasdaq market maker. It must begin to enter quotes**

- ☐ A) As soon as its NASDAQ terminal is properly connected
- ☒ B) Within five business days of application approval
- ☐ C) Upon notification by FINRA
- ☐ D) Within one business day of application approval

**Answer Explanation:**

Once the application for market making status is approved, the firm must enter its initial quote within five business days.

**Textbook Reference:** Please see textbook section 1.6

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Question ID: 3021

**65) How does an ADF Participant obtain FINRA's approval to use a second MPID?**

- ☐ A) The second MPID is automatically assigned
- ☐ B) Meet trade reporting requirements for six months
- ☐ C) Be nominated by a FINRA director
- ☒ D) Submit a written request to FINRA

**Answer Explanation:**

The first MPID assigned to a participant is the "primary." To obtain a second MPID, the participant must request it in writing and obtain permission from FINRA Market Operations.

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 2259

**66) When a broker-dealer maintains a firm market in a stock, that broker-dealer is committed to**

- ☒ A) buying or selling the normal trading unit of that stock at the quoted price
- ☐ B) working out the amount of the markup or commission on each OTC transaction
- ☐ C) buying back any security it sells
- ☐ D) maintaining a continuous subject market

**Answer Explanation:**

When a broker-dealer maintains a firm market in a stock it is committed to trading the stock at the quoted price, and for up to the quoted number of round lots. Any amount greater than that must be negotiated with the broker-dealer. Quotes in the NASDAQ are firm quotes, whereas quotes on the pink sheets are workable indications, and are not binding.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 3287

67) A market maker can initiate market making activities in additional securities with the appropriate application to NASDAQ. Quoting may begin

- ☐ A) When authorized by FINRA
- ☐ B) Within 24 hours
- ☒ C) That same day
- ☐ D) Within 48 hours

**Answer Explanation:**

When applying for registration status in additional securities, Nasdaq will typically review and approve the request on the same day, and quoting may begin immediately.

**Textbook Reference:** Please see textbook section 1.6

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Question ID: 2849

68) When do Imbalance Only (IO) orders execute?

- ☐ A) Only in the after-market
- ☐ B) Only in the pre-market
- ☒ C) Only at the opening and closing cross
- ☐ D) At any time during the trading day

**Answer Explanation:**

IO orders are limit orders designed to add liquidity during the Nasdaq opening cross and closing cross. They only execute at the cross.

**Textbook Reference:** Please see textbook section 1.10.1

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Question ID: 3249

69) When Nasdaq grants excused status for legal or regulatory problems, it is usually for a period of

- ☒ A) up to 60 days
- ☐ B) up to five days
- ☐ C) up to two weeks
- ☐ D) up to 120 days

**Answer Explanation:**

60 days is a standard period for excused status related to legal or regulatory problems. Nasdaq may grant longer periods to a distribution participant to comply with SEC rules. For other excused withdrawals a market maker is typically granted five days.

**Textbook Reference:** Please see textbook section 1.8.2

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Question ID: 3034

70) Which Nasdaq event occurs at 3:55 p.m. daily?

- ☐ A) The 30-second pre-close trading halt
- ☐ B) Termination of Market-on-close (MOC) quotes
- ☐ C) Cancellation of open day limit orders
- ☒ D) Dissemination of the Net Order Imbalance Indicator

**Answer Explanation:**

At 3:55 p.m., Nasdaq begins the closing auction process, with dissemination of data on order imbalances through the Net Order Imbalance Indicator, along with an indicative closing price. The NOII is updated every second from 3:55 to 4:00 p.m. Note that this is a recent rule change by Nasdaq and update to the textbook as this process used to begin at 3:50 p.m and the NOII used to be updated every five seconds.

**Textbook Reference:** Please see textbook section 1.10.2

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Question ID: 2199

71) Any quotes entered by a market maker or broker-dealer must represent prices

- ☐ A) at which a prudent person would be willing to buy or sell.
- ☒ B) at which the market maker or broker-dealer is willing to buy or sell.
- ☐ C) that are not more than 10% away from the NBBO.
- ☐ D) that are competitive with the current market.

**Answer Explanation:**

Any quote must be entered at prices at which the market maker or broker-dealer is willing to buy or sell.

**Textbook Reference:** Please see textbook section 1.6.4

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Question ID: 34898

72) A broker-dealer believes a market maker has failed to honor a bona fide quote. What action can the broker-dealer take to remedy this situation?

- ☐ A) Declare self-help
- ☐ B) File a reneging complaint with regulators
- ☐ C) Re-enter the trade as a market-on-close order
- ☒ D) File a backing away complaint with regulators

**Answer Explanation:**

Failing to honor a bona fide quote is a backing away violation. Complaints about backing away should be filed with regulators within five minutes.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 26090

73) A customer enters an order to sell 457 shares of a Nasdaq stock at a limit price of \$32.09 per share. It is a day order. This is displayed as an order for

- ☐ A) four round lots and one odd lot.
- ☐ B) five round lots.
- ☒ C) four round lots.
- ☐ D) an odd lot.

**Answer Explanation:**

On Nasdaq, an order for a mixed lot is displayed as a number of round lots, each with 100 shares (400 shares). The odd lot (57 shares) is not displayed. All 457 shares are available for execution.

**Textbook Reference:** Please see textbook section 1.6.3

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Question ID: 34899

74) A customer submits a displayed order to buy 300 shares of stock at \$47 per share, while there already is a non-displayed order to buy 500 shares of the same stock at the same price. Which order has priority?

- ☐ A) The non-displayed order has priority because it was entered first.
- ☐ B) The non-displayed order has priority because it is larger in size.
- ☒ C) The displayed order has priority over the non-displayed order at the same price.
- ☐ D) Both orders have the same priority.

**Answer Explanation:**

Displayed limit orders have priority over non-displayed limit orders at the same price.

**Textbook Reference:** Please see textbook section 1.7.2.1

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Question ID: 3289

75) When must a qualified block positioner execute an order to buy or sell a block of securities?

- ☐ A) Within 30 minutes
- ☐ B) Within one hour
- ☐ C) Within the same trading day
- ☒ D) As rapidly as possible

**Answer Explanation:**

There is no strict time test for executing a block, other than as rapidly as possible.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 1932

76) A market maker seeking an excused withdrawal from Nasdaq for involuntary failure to maintain a clearing arrangement can expect the withdrawal to be granted for up to

- ☐ A) 1 day
- ☐ B) 3 days
- ☐ C) 5 days
- ☒ D) 60 days

**Answer Explanation:**

Excused withdrawal requests to Nasdaq MarketWatch for vacation or religious holiday are typically granted for five business days. Excused withdrawal requests for investment banking activities will vary in length. Excused withdrawal requests due to involuntary failure to maintain a clearing agreement are typically granted for 60 days. Excused withdrawal requests for a technical problem are typically granted for five days, but must be requested through Nasdaq Market Operations, not MarketWatch.

**Textbook Reference:** Please see textbook section 1.8.2

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Question ID: 3199

77) Beginning at 3:58 p.m. ET, which closing orders can still be entered?

- ☒ A) Imbalance only (IO) orders
- ☐ B) Limit-on-close (LOC) orders
- ☐ C) All on-close orders
- ☐ D) Market-on-close (MOC) orders

**Answer Explanation:**

Market-on-close (MOC), limit-on-close (LOC), and imbalance only (IO) orders can be entered, modified, or cancelled until 3:55 p.m. ET. Beginning at 3:55 p.m. MOC orders are no longer accepted. Beginning at 3:58 p.m. LOC orders are no longer accepted, though IO orders may still be submitted (though no longer modified or cancelled). Note that this is a recent rule change by Nasdaq and update to the textbook as this process used to begin at 3:50 p.m.

**Textbook Reference:** Please see textbook section 1.10.3

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Question ID: 3220

78) A Nasdaq Market Maker makes a two-sided quote in four OTC issues. If registration is voluntarily withdrawn in one issue, what will happen to the other three?

- ☐ A) Trading is suspended
- ☐ B) Registration is suspended
- ☒ C) Trading can continue.
- ☐ D) Registration is terminated

**Answer Explanation:**

Voluntary withdrawal from a two-sided quote in one security does not affect any other securities in which the same member makes a market.

**Textbook Reference:** Please see textbook section 1.8.1

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Question ID: 3225

79) A firm that acts as an intermediary in making payments and deliveries and which provides facilities for settling securities is a

- ☐ A) escrow agent
- ☐ B) broker's broker
- ☐ C) transfer agent
- ☒ D) clearing agent

**Answer Explanation:**

Clearing agents make payments/deliveries, settle transactions, and act as custodians.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 3248

80) A FINRA-excused withdrawal from ADF Trading Center quotes and orders, based on demonstrated legal or regulatory requirements, is granted for how long in most cases?

- ☐ A) Up to 30 days
- ☒ B) Up to 60 days
- ☐ C) Up to three months
- ☐ D) Up to 90 days

**Answer Explanation:**

Excused withdrawals are not permanent in nature. They may be granted based on demonstrated legal or regulatory requirements for up to 60 days in most cases. For non-legal reasons, the maximum length is usually five days.

**Textbook Reference:** Please see textbook section 1.11.4

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Question ID: 2828

**81) Request for excused market maker withdrawal for religious holidays must be received by Nasdaq how far in advance?**

- ☒ A) One business day
- ☐ B) Five business days
- ☐ C) Seven business days
- ☐ D) Three business days

**Answer Explanation:**

The withdrawal request must be received by Nasdaq one business day in advance.

**Textbook Reference:** Please see textbook section 1.8.2

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Question ID: 2294

**82) Just before the market closes Nasdaq disseminates information about unpaired shares on the closing book through the**

- ☐ A) Closing Cross
- ☐ B) Nasdaq Official Closing Price (NOCP)
- ☒ C) Net Order Imbalance Indicator (NOII)
- ☐ D) Closing Imbalance Index Level (CIIL)

**Answer Explanation:**

The NOII is disseminated every second from 3:55 p.m. until the market closes 5 minutes later along with an indicative closing price. The indicator helps to make order imbalances transparent. Note that this is a recent rule change by Nasdaq and update to the textbook as this process used to begin at 3:50 p.m and occur every five seconds.

**Textbook Reference:** Please see textbook section 1.10.2

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Question ID: 2040

**83) Market makers may not withdraw two-sided quotes unless Nasdaq grants**

- ☒ A) excused status
- ☐ B) exempt status
- ☐ C) a blanket waiver
- ☐ D) a vacation or religious holiday

**Answer Explanation:**

To obtain excused status, the reason for the withdrawal must be made clear. The reason determines the duration of the excused withdrawal.

**Textbook Reference:** Please see textbook section 1.8.2

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Question ID: 2868

84) What happens during the quote-only period of a Nasdaq halt cross?

- ☐ A) Orders may not be placed
- ☒ B) Orders may be freely placed and canceled
- ☐ C) Executions may take place
- ☐ D) Orders are automatically canceled

**Answer Explanation:**

In the quote-only period, Nasdaq accepts quotes and order entry. Orders can be freely placed and canceled but no executions may take place.

**Textbook Reference:** Please see textbook section 1.10.5

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Question ID: 2324

85) Which one of the following services is not performed by the Nasdaq Market Center?

- ☒ A) Clearing
- ☐ B) Data feeds
- ☐ C) Order execution
- ☐ D) Trade reporting

**Answer Explanation:**

The Nasdaq Market Center consists of an order execution service, a trade reporting service, and data feeds to display bid and ask quotes. It isn't a clearing facility.

**Textbook Reference:** Please see textbook section 1.10.4

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Question ID: 36470

86) A market maker has entered a firm quote into the Nasdaq system to buy 400 ABC Co. shares at \$19.23 and sell 200 ABC Co. shares at \$19.35. The quote has been entered using a supplemental MPID. If the market maker wishes to temporarily withdraw the bid side of this quote in full, what action is allowed?

- ☐ A) This action is not allowed because quotes must be firm and two-sided
- ☒ B) One side of the quote may be withdrawn in full, without restriction
- ☐ C) Both the bid and ask side of the quote must be simultaneously withdrawn, in full.
- ☐ D) One side of the quote may be withdrawn in full, but the withdrawal must continue for the rest of the trading day

**Answer Explanation:**

Supplemental MPID quotes do not need to be two-sided and can be withdrawn at any time. Primary MPID quotes must always have a firm, two-sided quote.

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 1883

- 87) The NBBO on BRT, an S&P 500 stock, is 20.00 - 20.10. MDX is a market maker and has an existing offer on the stock. What is the highest possible value for MDX's offer?

- ☐ A) \$20.10  
☒ B) \$22.00  
☐ C) \$27.20  
☐ D) \$27.62

**Answer Explanation:**

The Defined Limit is the percentage that existing quotes can deviate from the current National Best Bid Offer (NBBO). If there is no NBBO, the pricing obligation references the last reported sale. Firms must adjust any quotes that are more than the Defined Limit away from the NBBO. The Defined Limit is 9.5% if the stock is in the S&P 500 or Russell 1000 (a Tier 1 stock); 29.5% if it is an NMS stock with a price greater than \$1.00 and 31.5% for all other stocks. Here, the NBO is \$20.10, the stock is on the S&P 500, and the offer is already in the system, so the most it can be away from the NBO is the Defined Limit of 9.5%, or \$22.0095 (rounded to \$22.00).

**Textbook Reference:** Please see textbook section 1.6.7

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Question ID: 2644

- 88) Brian calls his registered rep and asks for the NBBO on shares of EDD common stock. The rep indicates it is \$25.64-\$25.69 12x4. Brian places a market order to buy 300 shares, and asks for an estimated gross cost per share, inclusive of any fees and commissions. What is the best estimate the rep can give Brian?

- ☒ A) More than \$25.69  
☐ B) Exactly \$25.64  
☐ C) Less than \$25.64  
☐ D) Exactly \$25.69

**Answer Explanation:**

By placing a market order to buy Brian's will buy shares at the national best offer, plus pay his firm a fee. Here, the market is \$25.64-\$25.69, so Brian will buy shares from the lowest priced seller at \$25.69 plus pay for the brokerage. Therefore, the best estimate will be more than \$25.69 per share.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 3197

89) How do mutual funds use the Nasdaq Official Closing Price (NOCP)?

- ☒ A) To calculate daily NAV
- ☐ B) To determine the number of daily share redemptions
- ☐ C) To report trading volume
- ☐ D) To calculate gains/losses

**Answer Explanation:**

The Nasdaq Official Closing Price (NOCP) is used to benchmark prices of Nasdaq-listed securities held by mutual funds, for purposes of calculating daily Net Asset Value (NAV) after the market's close. All share purchases and redemptions that day are priced off NAV.

**Textbook Reference:** Please see textbook section 1.10.2

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Question ID: 2076

90) During a Nasdaq halt cross, trading resumes with the execution of

- ☐ A) a round-lot order at the indicative clearing price.
- ☐ B) a bulk order at a negotiated price.
- ☐ C) a round-lot order at a negotiated price.
- ☒ D) a bulk order at the indicative clearing price.

**Answer Explanation:**

Trading resumes with an execution of a bulk order at the indicative clearing price. A bulk print is sent to the tape. There are no circuit breakers on the execution price.

**Textbook Reference:** Please see textbook section 1.10.5

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Question ID: 2692

91) An order to purchase 1000 shares at the open regardless of price is a

- ☐ A) Limit on Open order
- ☒ B) Market on open order
- ☐ C) Marketable limit order
- ☐ D) Market order

**Answer Explanation:**

An order to purchase shares at the open regardless of price is a Market on Open order.

**Textbook Reference:** Please see textbook section 1.10.3

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Question ID: 2721

92) A market is crossed when the inside ask price is

- ☐ A) More than the inside bid
- ☐ B) The same as the inside bid
- ☐ C) More than 1% below the inside bid
- ☒ D) Less than the inside bid

**Answer Explanation:**

The definition of a crossed market is that a quote causes the inside ask price to be less than the inside bid, making the bid/ask spread less than zero.

**Textbook Reference:** Please see textbook section 1.9

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Question ID: 2956

93) Which of the following is not a valid reason for a market maker to request an excused withdrawal?

- ☐ A) Equipment malfunction
- ☐ B) Religious Holiday
- ☐ C) Passive market making
- ☒ D) Under staffed trading desk

**Answer Explanation:**

An understaffed trading desk is not an acceptable reason to request an excused withdrawal, as the market maker can take steps to prevent this from occurring.

**Textbook Reference:** Please see textbook section 1.8.2

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Question ID: 3007

94) What is a four-letter code assigned by FINRA to identify a member and enforce quote and pricing obligations?

- ☒ A) MPID
- ☐ B) SPDT
- ☐ C) PARN
- ☐ D) OPED

**Answer Explanation:**

MPID stands for Market Participant Identifier, a four-letter code assigned by FINRA to identify a member and enforce firm quote and pricing obligations. The Primary MPID designates the firm.

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 36472

- 95) A customer enters an order to sell 480 shares of ABC Co. stock at \$19.84. The current inside quote for the stock is \$19.75 x 300 - \$19.82 x 600. How will the customer's order be displayed in the Nasdaq system?

- ☒ A) As 4 round lots  
☐ B) As 5 round lots  
☐ C) As 4.8 round lots  
☐ D) As 480 shares

**Answer Explanation:**

Round lots are multiples of 100 shares. Odd lots (like 480 shares) are displayed in full round lots, rounded down in this case to 4 round lots. All 480 shares are still available for execution.

**Textbook Reference:** Please see textbook section 1.6.3

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Question ID: 2457

- 96) When a firm "position trades", it  
I. makes a market in securities  
II. trades for the firm's account  
III. sells short in all transactions  
IV. executes agency trades for customers

- ☒ A) I and II only  
☐ B) I, II, III and IV  
☐ C) II and III only  
☐ D) I, II and IV only

**Answer Explanation:**

Position trading is another term for a firm making a market in securities and trading for its own account to make a profit.

**Textbook Reference:** Please see textbook section 1.6

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Question ID: 2275

- 97) For NMS stocks, how are a market maker's pricing obligations determined?

- ☒ A) By Designated Percentages away from the current National Best Bid/Offer  
☐ B) By the SEC, based on historic trading patterns  
☐ C) Based on trading volume in the underlying security  
☐ D) By the market maker's investment policies and procedures

**Answer Explanation:**

The market maker must maintain quotes within Designated Percentages of the best bid/offer. These percentages vary by type of security traded.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 2681

98) Broker C advises his clients not to trade Nasdaq stocks too near the market open, due to fast price movements or imbalances. This advice is most applicable to which type of orders?

- ☒ A) Market
- ☐ B) Limit
- ☐ C) Fill or kill
- ☐ D) Stop-limit

**Answer Explanation:**

Market orders are the most vulnerable to fast moving prices due to imbalances around the market open or close. During a fast market, customers are encouraged to place limit orders to limit their exposure.

**Textbook Reference:** Please see textbook section 1.10.3

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Question ID: 36521

99) A firm makes a market in 40 stocks, of which half are priced at \$5 or below and half are priced above \$5. What is the firm's minimum net capital requirement?

- ☐ A) \$70,000
- ☒ B) \$100,000
- ☐ C) \$150,000
- ☐ D) \$1,000,000

**Answer Explanation:**

For firms registered as a market maker, the required minimum net capital is a function of the number of stocks the firm is quoting, subject to a minimum net capital of \$100,000, regardless of the number of stocks being quoted. For stocks with a bid price of \$5 or less, the market maker must have a net capital of \$1,000 per security, and for stocks with a bid price of more than \$5, a market maker must have a minimum net capital of \$2,500 per security. In this case, the firm is required to have 20 stocks x \$1,000 and 20 stocks x \$2,500, or \$70,000 total. Remember, however, that the minimum net capital is still \$100,000 for a market maker regardless of the number of stock being quoted. Note that this concept is not explicitly covered in the 2nd Edition textbook, but as long as you review the answer and explanation you will be prepared for this item for the exam.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 1890

- 100) A customer submits a limit-on-close (LOC) order to buy shares of ABC stock at a price of \$28.42 per share. If the closing cross price is \$28.40. What price will he receive?

- ☒ A) \$28.40
- ☐ B) \$28.41
- ☐ C) \$28.42
- ☐ D) The trade will not execute

**Answer Explanation:**

If the closing price is better (more favorable) than the specified limit price in an LOC order the customer receives that price.

**Textbook Reference:** Please see textbook section 1.10.2

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Question ID: 2737

- 101) A Nasdaq market maker can request a withdrawal for operational difficulties from

- ☐ A) Nasdaq MarketWatch.
- ☐ B) FINRA.
- ☒ C) Nasdaq Market Operations.
- ☐ D) the SEC.

**Answer Explanation:**

When a Nasdaq Market Maker needs to seek a withdrawal for technical problems, the request is made through market operations. For a withdrawal for any other reason, the request is made through MarketWatch.

**Textbook Reference:** Please see textbook section 1.8.1

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Question ID: 2893

- 102) For purposes of resolving a Nasdaq halt cross, what is indicated by the Current Reference Price?

- ☒ A) Price at which the maximum number of shares can be paired
- ☐ B) Price of the last trade
- ☐ C) Average price of trading in the last five minutes
- ☐ D) Average price of open buy orders

**Answer Explanation:**

Nasdaq measures and declares an imbalance based on its Net Order Imbalance Indicator (NOII). It shows the Current Reference Price as the price at which the maximum number of shares can be paired.

**Textbook Reference:** Please see textbook section 1.10.5

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Question ID: 1989

**103) Under the Nasdaq rule for designated percentages for market maker quotes, for how many minutes per day, in total, do the pricing obligation percentages change for Tier 1 securities?**

- ☐ A) 30
- ☒ B) 40
- ☐ C) 60
- ☐ D) 120

**Answer Explanation:**

The regular pricing obligation percentage is 8%. But it changes to 20% during the first 15 minutes and the last 25 minutes of each trading day = 40 minutes in total per day.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 2955

**104) Which of the following excused withdrawal requests to Nasdaq MarketWatch will typically allow a market maker to stop quoting a security for up to five business days?**

- ☒ A) Religious holiday
- ☐ B) Equipment failure
- ☐ C) Underwriting activities under Regulation M
- ☐ D) Involuntary failure to maintain a clearing agreement

**Answer Explanation:**

Excused withdrawal requests to Nasdaq MarketWatch for vacation or religious holiday are typically granted for five business days. Excused withdrawal requests for investment banking activities will vary in length. Excused withdrawal requests due to involuntary failure to maintain a clearing agreement are typically granted for 60 days. Excused withdrawal requests for a technical problem are typically granted for five days but must be requested through Nasdaq Market Operations, not MarketWatch.

**Textbook Reference:** Please see textbook section 1.8.2

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Question ID: 2707

**105) Which one of the following broker-dealers does not meet the criteria for a block positioner?**

- ☐ A) Minimum net capital of \$1.5 million; sells blocks worth \$250,000
- ☒ B) Minimum net capital of \$500,000; sells blocks worth \$1 million
- ☐ C) Minimum net capital of \$2.0 million; sells blocks worth \$250,000
- ☐ D) Minimum net capital of \$1.0 million; sells blocks worth \$500,000

**Answer Explanation:**

For block positioners, the minimum net capital requirement is \$1.0 million and the minimum block size is \$200,000 or more.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 1939

**106) For Tier 1 securities what is the percentage difference between the Defined Limit and the Designated Percentage triggers?**

- ☐ A) 1.00%
- ☒ B) 1.50%
- ☐ C) 2.50%
- ☐ D) 5.00%

**Answer Explanation:**

During most of the trading day, the Designated Percentage is 8% and the Defined Limit is 9.5%. So, the difference is 1.5%. The designated percentage applies to new quotes being entered by market makers whereas the Defined Limit is the amount by which the quote can drift away from the inside market before it must be refreshed.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 2810

**107) Firm P is a Registered Reporting ADF ECN. To maintain ADF certification, it must post at least one marketable quote or order through the ADF on each side of the market at least**

- ☒ A) Once every 30 calendar days
- ☐ B) Once per week
- ☐ C) Once every 15 calendar days
- ☐ D) Twice per week

**Answer Explanation:**

A quote or order will be presumed marketable if it is accessed by another trading center or market participant. Marketable quotes must be posted on each side of the market at least once every 30 calendar days.

**Textbook Reference:** Please see textbook section 1.11.3

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Question ID: 1926

**108) What is the minimum number of shares of stock a market maker generally must quote?**

- ☐ A) It depends on the securities' trading volume
- ☐ B) 1
- ☒ C) 100
- ☐ D) 1000

**Answer Explanation:**

The SEC has clarified that market makers generally must be ready to buy and sell at least 1 round lots, or 100 shares, of a stock.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 2687

**109) An ADF Market Maker is required to buy and sell securities for its own account on a continuous basis during regular market hours. In short, this duty is called the**

- ☐ A) Liquidity Provision
- ☐ B) Double-Sided Continuous Trade
- ☐ C) Market Making Imperative
- ☒ D) Two-Sided Obligation

**Answer Explanation:**

The Two-Sided Obligation is the essence of a market maker's responsibility. During market hours, it exists at all times, barring an excused withdrawal.

**Textbook Reference:** Please see textbook section 1.11.4

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Question ID: 1870

**110) A block positioner engages in buying or selling blocks of stock with a current market value of**

- ☐ A) \$100,000 or more
- ☒ B) \$200,000 or more
- ☐ C) \$500,000 or more
- ☐ D) \$1 million or more

**Answer Explanation:**

A qualified block positioner is a broker-dealer that meets minimum net capital requirements and engages in buying or selling blocks of stock with a current market value of \$200,000 or more.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 2033

**111) On each trading day, an ADF Trading Center must begin making a market not later than what time of day?**

- ☐ A) 9:00 a.m. EST
- ☐ B) 8:00 a.m. EST
- ☐ C) 8:30 a.m. EST
- ☒ D) 9:30 a.m. EST

**Answer Explanation:**

ADF Trading Centers must open for business as of 9:30 a.m. EST and close no earlier than 4 p.m.

**Textbook Reference:** Please see textbook section 1.11

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Question ID: 2260

112) Trader Q enters a MDAY buy order for 600 shares at 10:00 a.m. At 10:20, 200 shares of the order are filled. When will the remaining shares be filled?

- ☐ A) By 11:00 a.m. or not at all
- ☒ B) By 4:00 p.m. or not at all
- ☐ C) Never because the order will be cancelled with a partial fill
- ☐ D) At any time

**Answer Explanation:**

MDAY orders are executable between 9:30 a.m. and 4:00 p.m. on the day the order is entered. They may be filled in part. But if there is any unfilled part, the order is returned at 4:00 p.m.

**Textbook Reference:** Please see textbook section 1.10.2

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Question ID: 2638

113) KKF Securities, a FINRA registered market maker is displaying a quote in a Nasdaq listed security of 7-8 4x5. A customer of the firm contacts his registered rep and asks to have the quote explained to him. Which of the following is the best explanation?

- ☐ A) KKF will sell shares at \$8 per share for 400 shares
- ☐ B) KKF will sell shares at \$7 per share for 400 shares
- ☐ C) KKF will sell shares at \$7 per share for 500 shares
- ☒ D) KKF will sell shares at \$8 per share for 500 shares

**Answer Explanation:**

The market maker's quote of 7-8 4x5 indicates the firm bid-ask and the number of shares available at those prices: 4 round lots (400 shares) at the bid and 5 round lots (500 shares) at the offer. The bid is the price the firm will pay to buy shares. The ask is where the firm will sell shares.

Thus, the best explanation of the firm's quote here is that KKF is offering (asking or selling) shares at \$8 per share, and will do so for 5 round lots.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 1987

**114) During the trading day Nasdaq begins disseminating information through its Net Order Imbalance Indicator (NOII) at**

- ☐ A) 3:30 p.m.
- ☐ B) 3:45 p.m.
- ☒ C) 3:55 p.m.
- ☐ D) 10 seconds before 4 p.m.

**Answer Explanation:**

At 3:55 p.m., Nasdaq begins the closing auction process, with dissemination of data on order imbalances through the NOII, along with an indicative closing price. Note that this is a recent rule change by Nasdaq and update to the textbook as this process used to begin at 3:50 p.m.

**Textbook Reference:** Please see textbook section 1.10.4

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Question ID: 2198

**115) A Nasdaq halt cross would most likely occur**

- ☐ A) on a weekend or holiday
- ☐ B) in pre and post-market hours
- ☐ C) at the open and close
- ☒ D) during the trading day

**Answer Explanation:**

A halt cross is the process for determining the price when a halted security is re-opened during the trading day. The process is substantially similar to the opening cross in that it attempts to increase transparency by disseminating timely information to investors on imbalances prior to the resumption of trading. At the open Nasdaq uses an opening cross and at the close Nasdaq uses a closing cross.

**Textbook Reference:** Please see textbook section 1.10.5

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Question ID: 2077

**116) An order for less than a normal unit of trading is called**

- ☐ A) A mixed lot
- ☐ B) A short lot
- ☒ C) An odd lot
- ☐ D) A round lot

**Answer Explanation:**

If the normal unit of trading is 100 shares (round lot), then an odd lot is an order for less than 100 shares.

**Textbook Reference:** Please see textbook section 1.6.3

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Question ID: 37932

- 117) Two buy limit orders are entered at the exact same time. Both orders are also entered at the same price of \$25.10. What determines the priority of which order is filled first?
- ☐ A) The customer with the larger historical trading volume is filled first
  - ☒ B) The larger order is filled first
  - ☐ C) The smaller order is filled first
  - ☐ D) The firm will randomly select which customer order is filled first

**Answer Explanation:**

If two limit orders are entered at the exact same time and the exact same price, the larger order has priority and is filled first.

**Textbook Reference:** Please see textbook section 1.7.2

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Question ID: 26087

- 118) A trader wants to sell 2,000 shares of a stock at the closing cross price, but only if it is \$26.50 or better. If the full order is not sold, she would like the remainder to be killed. This order should be entered as
- ☐ A) sell 2,000 and \$26.50, AON and LOC.
  - ☐ B) sell 2,000 at \$26.50, AON.
  - ☐ C) sell 2,000 at \$26.50, FOK.
  - ☒ D) sell 2,000 at \$26.50, LOC.

**Answer Explanation:**

A limit-on-close order (LOC) must have a size and price, and it will execute (in full or part) at the closing cross price if the limit price is attained. These orders can never be all-or-none (AON). Any unfilled part is cancelled.

**Textbook Reference:** Please see textbook section 1.10.2

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Question ID: 2606

- 119) For a market maker in a Tier 1 security, at what time in the afternoon does the pricing obligation percentage change?
- ☐ A) It doesn't
  - ☒ B) At 3:35 p.m. EST
  - ☐ C) At 3:00 p.m. EST
  - ☐ D) At the market close

**Answer Explanation:**

The Tier 1 pricing obligation percentage is 8% until 3:35 and then it changes to 20%.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 3107

**120) If a market maker is quoting both equity and warrants on a specific issuer, the market maker is required to trade**

- ☐ A) The minimum size for the equity but no specific quantity of warrants
- ☒ B) The minimum size for the equity and the warrant.
- ☐ C) As many shares and as many warrants as the public display book is showing
- ☐ D) One warrant for every 100 shares

**Answer Explanation:**

A market maker is required to trade the minimum size for both the equity and the warrant if the MM is quoting both securities on a particular issuer

**Textbook Reference:** Please see textbook section 1.6.4

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Question ID: 2108

**121) Firm C has a Two-Sided Obligation to make a market in ABC Co. common stock. If trading in the stock is suspended, when does the obligation re-commence?**

- ☐ A) As agreed upon by all market makers in the stock
- ☐ B) After FINRA issues a trading signal
- ☒ C) After the first regular way trade in the primary listing market
- ☐ D) At the opening on the next trading day

**Answer Explanation:**

The Two-Sided Obligation is suspended during a trading halt, suspension or pause. It re-commences after the first regular way trade in the primary listing market.

**Textbook Reference:** Please see textbook section 1.11.1

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Question ID: 2234

**122) Which of the following is true regarding Nasdaq MPIDs?**

- ☐ A) Primary MPIDs must be firm and two-sided while supplemental MPIDs must be two-sided only.
- ☒ B) Primary MPIDs must be firm and two-sided while supplemental MPIDs must be firm only.
- ☐ C) Both primary and supplemental MPIDs must be firm but neither is required to be two-sided.
- ☐ D) Both primary and supplemental MPIDs must be firm and two-sided.

**Answer Explanation:**

The primary MPID used by a Nasdaq market maker must be both firm and two-sided. Any supplemental MPIDs used by a market maker must be firm, but the quote is not required to be two-sided.

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 3118

**123) When a broker-dealer receives a limit order from a customer,**

- ☐ A) The order must be displayed in the broker-dealer quote if the customer specifically requests that his order be displayed
- ☐ B) The order must be returned to the customer
- ☐ C) The order must be executed as promptly as possible
- ☒ D) It must be displayed in the firm's quote absent special instructions

**Answer Explanation:**

Limit orders must be displayed in broker-dealer quotes if no specific instructions are otherwise provided

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 2797

**124) If the best bid for an NMS stock is \$54.11 per share, which of the following quotes would produce a locked quote?**

- ☐ A) Bid \$54.11
- ☐ B) Offer \$54.12
- ☒ C) Offer \$54.11
- ☐ D) Bid \$54.10

**Answer Explanation:**

A locked quote is one that is equal to the best bid/offer on the opposite side. An offer to sell at \$54.11 would lock a bid to buy at \$54.11.

**Textbook Reference:** Please see textbook section 1.9

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Question ID: 2001

**125) On a voluntary basis, what is the latest time of day that an ADF Trading Center may remain open for business?**

- ☐ A) 4:00 p.m. EST
- ☐ B) 5:00 p.m. EST
- ☒ C) 6:30 p.m. EST
- ☐ D) 8:30 p.m. EST

**Answer Explanation:**

ADF Trading Centers may stay open voluntarily from 8:00 a.m. to 6:30 p.m. EST (ADF Trading Centers must be open from 9:30 a.m. to 4:00 p.m.). If they choose to open voluntarily in pre-market or after-market hours, they must maintain a Two-Sided Obligation and firm quotes during these hours.

**Textbook Reference:** Please see textbook section 1.11

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Question ID: 3006

126) A market maker is expected to make what kind of trading market in round lots of securities quoted?

- ☐ A) Sound
- ☐ B) Ongoing
- ☒ C) Firm
- ☐ D) Even

**Answer Explanation:**

In the normal course of business, market makers are expected to make a firm trading market in round lots of securities quoted.

**Textbook Reference:** Please see textbook section 1.6.3

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Question ID: 2024

127) Client Rick has placed a limit order to buy 300 shares at 22. The current bids on the limit book are:

MM W : 22.08 X 100

MM X: 22.05 X 300

MM Y: 22.04 X 200

MM Z : 22.02 X 500

How many shares must be purchased before Rick receives an execution?

- ☐ A) 600 shares
- ☐ B) 1,000 shares
- ☒ C) 1,100 shares
- ☐ D) 700 shares

**Answer Explanation:**

In this scenario, all other bids above 22 must be filled prior to Rick's order.

**Textbook Reference:** Please see textbook section 1.6.3

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Question ID: 1950

128) The normal trading unit for equity securities traded through the Alternative Display Facility (ADF) is

- ☐ A) 10 shares
- ☒ B) 100 shares
- ☐ C) 500 shares
- ☐ D) It depends on the stock price

**Answer Explanation:**

FINRA defines an ADF normal trading unit as 100 shares, unless the primary market where the security is listed determines that a normal unit is of a different quantity.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 1863

**129) The NBBO on ABC, an S&P 500 stock, is 10.00 - 10.10. MDS is a market maker and wants to enter a new bid on the stock. What is the lowest bid MDS could enter?**

- ☐ A) \$1.00
- ☐ B) \$7.00
- ☐ C) \$7.20
- ☒ D) \$9.20

**Answer Explanation:**

The Designated Percentage is the percentage that all new quotes can be away from the current National Best Bid Offer (NBBO). If there is no NBBO, the pricing obligation references the last reported sale. The Designated Percentage is 8% if the stock is in the S&P 500 or Russell 1000 (a Tier 1 stock); 28% if it is an NMS stock with a price greater than \$1.00 and 30% for all other stocks. Here, the NBB is \$10.00 and the stock is on the S&P 500 so the Designated Percentage is 8% below \$10.00, or \$9.20.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 2545

**130) Two trading books are brought together at 4 p.m. to produce the Nasdaq closing cross. They are the**

- ☐ A) Net and gross order books
- ☒ B) Continuous and closing order books
- ☐ C) Limit and market order books
- ☐ D) Imbalance and regular order books

**Answer Explanation:**

The continuous book runs throughout the trading day. The closing book indicates orders marked to fill at the close, such as market-on-close (MOC) and limit-on-close (LOC). The orders on these two books are brought together to produce the Nasdaq Closing Cross.

**Textbook Reference:** Please see textbook section 1.10.2

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Question ID: 3064

131) If there is an NBBO, a market maker must satisfy the **Two-Sided Obligation** by entering a bid that is, at most, how far away from the NBBO?

- ☒ A) The Designated Percentage
- ☐ B) 12.5%
- ☐ C) The Defined Limit
- ☐ D) 7.5%

**Answer Explanation:**

New bids and offers must be no more than the Designated Percentage away from the current NBBO. During most of the trading day, the percentage is 8% for Designated Stocks. Thereafter, the quote can drift to no more than the Defined Limit away from the NBBO. The defined limit is usually 1.5% more than the designated percentage.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 2207

132) When a market maker fails to honor a quote in full, it is a violation called

- ☐ A) undercutting
- ☐ B) hedging
- ☐ C) reneging
- ☒ D) backing away

**Answer Explanation:**

Failure to maintain firm quotes is called "backing away" and is considered a serious violation.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 26088

133) All of the following are exclusively associated with exchanges with the exception of

- ☐ A) designated market makers.
- ☒ B) market makers.
- ☐ C) floor brokers.
- ☐ D) specialists.

**Answer Explanation:**

Floor brokers, floor market makers, specialists, and designated market makers are all associated with exchanges. The term market maker can be used in reference to exchanges (e.g. Nasdaq) or OTC securities.

**Textbook Reference:** Please see textbook section 1.3

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Question ID: 3254

**134) How must requests for multiple MPIDs be submitted and approved?**

- ☐ A) Either verbally or in writing
- ☐ B) Through a designated contact at the SEC
- ☒ C) In writing
- ☐ D) Verbally

**Answer Explanation:**

All requests for multiple MPIDs must be submitted in writing. Written approval for their use must be obtained from FINRA Operations.

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 2053

**135) Firm A enters into a written agreement, under which it will outsource to Company B its responsibilities for reporting order data to FINRA and maintaining required records. Company B is considered**

- ☐ A) An Authorized Representative
- ☒ B) A Reporting Agent
- ☐ C) A Designated Provider
- ☐ D) A Technology Vendor

**Answer Explanation:**

Reporting and record-keeping requirements may be outsourced by written agreement to a Reporting Agent. However, the member remains responsible for reporting and record-keeping requirements.

**Textbook Reference:** Please see textbook section 1.11.7

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Question ID: 36473

**136) Three buy limit orders are entered at the same price but at 10-minute intervals. All are displayed orders. Customer A's order is entered first to buy 300 shares. Customer B's order is entered next to buy 500 shares. Customer C's order is entered next to buy 100 shares. Which order will be filled first?**

- ☐ A) The orders will be executed simultaneously since they are all entered at the same price
- ☒ B) Customer A's order since it was entered first
- ☐ C) Customer B's order since it is the largest order size
- ☐ D) Customer C's order since it is the smallest order size

**Answer Explanation:**

Orders are executed based on price priority. But if two orders have the same limit price, time priority prevails. The order entered first is executed first.

**Textbook Reference:** Please see textbook section 1.7.2.1

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Question ID: 2020

**137) If an ADF Trading Center chooses to open at the earliest possible time during a trading day, when must it begin making firm two-sided quotes?**

- ☐ A) 6:00 a.m. EST
- ☒ B) 8:00 a.m. EST
- ☐ C) 9:00 a.m. EST
- ☐ D) 9:30 a.m. EST

**Answer Explanation:**

ADF Trading Centers may choose to be open from 8:00 a.m. to 6:30 p.m. EST. If they choose to open voluntarily in pre-market or after-market hours, they must maintain a Two-Sided Obligation and firm quotes during all such hours.

**Textbook Reference:** Please see textbook section 1.11

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Question ID: 2829

**138) An ADF Trading Center is granted an excused absence from submitting quotes and responding to orders, based on circumstances beyond its control. Normally, this absence will be granted for how long?**

- ☒ A) Five business days
- ☐ B) 15 business days
- ☐ C) One business day at a time
- ☐ D) 10 business days

**Answer Explanation:**

Excused withdrawals based on circumstances beyond a Center's control (e.g. equipment failure) may be granted by FINRA for up to five business days, unless extended by ADF Operations. Excused withdrawals are not permanent in nature.

**Textbook Reference:** Please see textbook section 1.11.4

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Question ID: 1918

139) The NBBO on ABC, an S&P 500 stock, is 10.00 - 11.00. MDS is a market maker and wants to enter a new offer on the stock. What is the highest offer MDS could enter?

- ☐ A) \$9.20
- ☐ B) \$10.00
- ☒ C) \$11.88
- ☐ D) \$14.08

**Answer Explanation:**

The Designated Percentage is the percentage that all new quotes must be away from the current National Best Bid Offer (NBBO). If there is no NBBO, the pricing obligation references the last reported sale. The Designated Percentage is 8% if the stock is in the S&P 500 or Russell 1000 (a Tier 1 stock); 28% if it is an NMS stock with a price greater than \$1.00 and 30% for all other stocks. Here, the NBO is \$11.00 and the stock is on the S&P 500 so the Designated Percentage is 8% above \$11.00, or \$11.88.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 2345

140) When is a market maker required to maintain a continuous two-sided quote?

- ☒ A) During all regular market hours
- ☐ B) During all regular and pre-market hours
- ☐ C) During all regular, pre-market and after-hours trading
- ☐ D) At least four hours per trading day

**Answer Explanation:**

The member must be willing to buy and sell for its own account on a continuous basis during all regular market hours. There is no obligation to maintain quotes in the pre-market or after-market.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 2401

141) After an excused withdrawal and notification of an intent to reinstate quotes, how much time does a market maker have to meet its market making obligations?

- ☐ A) 60 minutes
- ☐ B) 30 minutes
- ☒ C) 10 minutes
- ☐ D) Five minutes

**Answer Explanation:**

After notification of a reinstatement of quotes, the market maker has 10 minutes to meet its market maker obligations.

**Textbook Reference:** Please see textbook section 1.8.2

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Question ID: 36519

**142) A market maker must maintain a minimum net capital of**

- ☒ A) \$100,000.00
- ☐ B) \$500,000.00
- ☐ C) \$1,000,000.00
- ☐ D) \$1,500,000.00

**Answer Explanation:**

The minimum net capital for a market maker is \$100,000. Note that this is different than qualified block positioners, which have a minimum net capital of \$1,000,000. Note that this concept is not explicitly covered in the 2nd Edition textbook, but as long as you review the answer and explanation you will be prepared for this item for the exam.

**Textbook Reference:** Please see textbook section 1.2.1

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Question ID: 34897

**143) A firm's primary MPID must be used for all of the following types of quotes except:**

- ☐ A) Passive market making quotes
- ☒ B) Pre-market quotes
- ☐ C) Market maker quotes
- ☐ D) Stabilization quotes

**Answer Explanation:**

A firm's primary MPID must be used for market maker quotes, passive market making and stabilization quotes.

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 3121

**144) What is the Defined Limit?**

- ☐ A) The percentage that all fees, mark-ups, mark-downs, and commissions quotes must be away from the NBBO.
- ☐ B) The percentage that all new quotes can be away from the NBBO.
- ☐ C) The percentage of trading that a firm can conduct in its proprietary accounts as compared to its customer limit orders.
- ☒ D) The percentage that existing quotes can be away from the NBBO without requiring adjustment

**Answer Explanation:**

The Defined Limit is the percentage that existing quotes can deviate from the current National Best Bid Offer (NBBO). If there is no NBBO, the pricing obligation references the last reported sale. Firms must adjust any quotes that are more than the Defined Limit away from the NBBO. The Defined Limit is 9.5% if the stock is in the S&P 500 or Russell 1000 (a Tier 1 stock); 29.5% if it is an NMS stock with a price greater than \$1.00 and 31.5% for all other stocks.

**Textbook Reference:** Please see textbook section 1.6.7

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Question ID: 1898

**145) GA Securities, a FINRA registered market maker, is displaying a quote in a Nasdaq listed security of 7-8 4x5. A customer of the firm contacts his registered rep and places a market buy order. What price will the customer receive?**

- ☐ A) \$4 per share
- ☐ B) \$5 per share
- ☐ C) \$7 per share
- ☒ D) \$8 per share

**Answer Explanation:**

The market maker's quote of 7-8 4x5 indicates that the firm is willing to sell 500 shares (5 round lots) at \$8.00. A customer's market buy order will execute against the best offer in the market place at that point in time.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 2032

**146) For a quote in a stock that is a component of the S&P 500 index made at 11 a.m. during a trading day what is the Defined Limit?**

- ☐ A) 8% from NBBO
- ☐ B) 31.5% from NBBO
- ☐ C) 28% from NBBO
- ☒ D) 9.5% from NBBO

**Answer Explanation:**

For Designated Stocks, the Defined Limit is 9.5% from NBBO (or last trade) at all times except between 9:30 and 9:45 and 3:35 and market close.

**Textbook Reference:** Please see textbook section 1.6.7

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Question ID: 1904

**147) A market sell order is executed at the quote at a time when the NBBO is \$48.35-\$48.37. The transaction price is**

- ☒ A) \$48.35
- ☐ B) \$48.37
- ☐ C) Below \$48.35
- ☐ D) Above \$48.37

**Answer Explanation:**

An execution at the quote means a buy order is executed at the national best offer and a sell order is executed at the national best bid.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 2858

**148) An ADF Trading Center is suspended on the grounds of too many unexcused system outages. May it appeal?**

- ☒ A) Yes, by requesting a determination by a special FINRA subcommittee
- ☐ B) Only with FINRA permission
- ☐ C) Only if the firm has not previously been suspended for the same reason
- ☐ D) Yes, by submitting an application to the SEC

**Answer Explanation:**

The appeal of a suspension for excessive unexcused trading outages is made to a three-member subcommittee comprised of members of FINRA's Market Regulation Committee.

**Textbook Reference:** Please see textbook section 1.11.5

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Question ID: 2614

**149) What makes a quote or order marketable, for purpose of complying with FINRA's requirement against inactive quoting by a Registered Reporting ADF ECN?**

- ☐ A) It is competitively priced
- ☐ B) It is visible to the public
- ☒ C) It is accessed by another center or participant
- ☐ D) It is reported to FINRA

**Answer Explanation:**

The test is whether the quote or order is accessed (traded against) by another trading center or market participant. At least one quote or order on both sides of the market must be marketable within a 30-day period.

**Textbook Reference:** Please see textbook section 1.11.3

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Question ID: 2961

**150) How does a Nasdaq Market Maker voluntarily terminate registration on a security-by-security basis?**

- ☒ A) Withdraw the two-sided quote
- ☐ B) Request a waiver
- ☐ C) Publish an announcement to other Market Makers
- ☐ D) Request a termination

**Answer Explanation:**

A Nasdaq Market Maker may voluntarily terminate registration on a security-by-security basis by withdrawing the two-sided quote from the Nasdaq Market Center. A withdrawal is considered a termination of the registration for that security. The market maker can subsequently apply to resume quoting the security 20 business days later.

**Textbook Reference:** Please see textbook section 1.8.1

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Question ID: 2643

**151) Brian calls his registered rep and asks for the NBBO on shares of EDD common stock. The rep indicates it is \$25.64-\$25.69 12x4. Brian places a market order to sell 100 shares, and asks for an estimated gross proceeds per share, inclusive of any fees and commissions. What is the best estimate the rep can give Brian?**

- ☐ A) More than \$25.69
- ☐ B) Exactly \$25.64
- ☒ C) Less than \$25.64
- ☐ D) Exactly \$25.69

**Answer Explanation:**

By placing a market order to sell Brian's will sell shares at the national best bid, and pay his firm a fee. Here, the market is \$25.64-\$25.69, so Brian will sell shares to the highest paying buyer, receiving \$25.64 per share, minus the fees Brian must pay for the brokerage. Therefore, the best estimate of the gross per share proceeds will be less than \$25.64 per share.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 2600

**152) The Net Order Imbalance Indicator (NOII)**

- ☒ A) Provides parties with details concerning opening and closing orders along with the likely opening and closing prices of a security
- ☐ B) Provides traders with an estimate of the trading volume that will be represented during the opening and closing crosses
- ☐ C) Reflects the volume of short interest in the market at the opening and close of trading each day
- ☐ D) Is used by NASDAQ to calculate the average bid-ask spread on a security

**Answer Explanation:**

The Net Order Imbalance indicator provides insight about the opening and closing orders and the likely opening and closing prices of a security.

**Textbook Reference:** Please see textbook section 1.10.4

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Question ID: 1931

**153) A market maker seeking an excused withdrawal from Nasdaq for operational difficulties can expect the withdrawal to be granted for up to**

- ☐ A) 1 day.
- ☐ B) 3 days.
- ☒ C) 5 days.
- ☐ D) 60 days.

**Answer Explanation:**

Excused withdrawal requests to Nasdaq MarketWatch for vacation or religious holiday are typically granted for five business days. Excused withdrawal requests for investment banking activities will vary in length. Excused withdrawal requests due to involuntary failure to maintain a clearing agreement are typically granted for 60 days. Excused withdrawal requests for a technical problem are typically granted for five days, but must be requested through Nasdaq Market Operations, not MarketWatch.

**Textbook Reference:** Please see textbook section 1.8.2

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Question ID: 2216

**154) Which of the following quotes represents a valid market maker quote of a normal trading unit?**

- ☐ A) Bid 200 shares at \$39; ask 50 shares at \$39.25
- ☐ B) Bid 100 shares at \$39; ask 100 shares at \$38.90
- ☒ C) Bid 100 shares at \$39; ask 100 shares at \$39.25
- ☐ D) No bid; ask 200 shares at \$39.25

**Answer Explanation:**

A normal trading unit quote is 100 shares on both bid and ask sides. Also, market makers cannot enter quotes that would lock or cross the market. A crossed quote is where the ask is lower than the bid.

**Textbook Reference:** Please see textbook section 1.6.2

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Question ID: 3169

**155) If there is no National Best Bid/Offer on a stock, how is the market maker's pricing obligation determined?**

- ☐ A) There is no pricing obligation in this case
- ☐ B) Based on the market maker's best estimate
- ☐ C) Based on the prior day's average execution price
- ☒ D) Based on the last reported sale

**Answer Explanation:**

If there is no NBBO, the market maker's pricing obligation is based on the last reported sale.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 2358

**156) Supplemental MPIDs are often used to report**

- ☐ A) ETF trades.
- ☐ B) short sales.
- ☒ C) dark pool and OTC trades.
- ☐ D) option trades.

**Answer Explanation:**

FINRA considers the issuance of multiple MPIDs to the same firm to be a privilege, not a right. Supplemental MPIDs are often used to report dark pool and OTC trades.

**Textbook Reference:** Please see textbook section 1.6.1

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Question ID: 26092

**157) The NBBO for a stock is \$47.25-\$47.30. The two sides of this quote are shown by one exchange. A Nasdaq market maker then enters a buy order on the same exchange with a limit price of \$47.31. This order is permitted by Nasdaq only if**

- ☒ A) the exchange showing the crossed quote is experiencing a system malfunction.
- ☐ B) it is displayed for less than 30 seconds and not executed.
- ☐ C) it is on behalf of a qualified institution.
- ☐ D) it is for an odd lot.

**Answer Explanation:**

A Nasdaq market maker is permitted to enter a quote that would lock or cross the market only if the exchange showing the quote is experiencing a system malfunction. In this case, the locked quote is \$47.31-\$47.30. It is crossed because the bid is above the ask price.

**Textbook Reference:** Please see textbook section 1.9

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Question ID: 2917

**158) Closing Imbalance Orders (CIO) are entered to**

- ☐ A) Offset the remaining unexecuted orders from the Opening Cross
- ☐ B) Ensure that all customer orders receive execution at the market close.
- ☒ C) Provide liquidity to offset on-close orders during the closing cross
- ☐ D) Provide liquidity to offset on-open orders during the opening cross

**Answer Explanation:**

The purpose and effect of entering a Closing Imbalance Order is to balance the closing cross, by providing liquidity to offset on-close orders.

**Textbook Reference:** Please see textbook section 1.10.3

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Question ID: 2876

**159) Which stocks are eligible for trading on the Alternative Display Facility (ADF)?**

- ☐ A) All
- ☒ B) NMS
- ☐ C) Penny stocks
- ☐ D) OTC-only

**Answer Explanation:**

FINRA defines an ADF-eligible security as an NMS stock.

**Textbook Reference:** Please see textbook section 1.11

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Question ID: 3272

**160) For pricing obligation purposes, what is the difference between a Tier 2 and Tier 3 security?**

- ☒ A) Whether the share price is above \$1
- ☐ B) Whether the average daily trading volume is greater than 100,000 shares
- ☐ C) How many shares of stock are outstanding
- ☐ D) Whether the security has been offered for at least one year

**Answer Explanation:**

Tier 2 Securities consist of NMS stocks that are not Tier 1 with a price equal to or greater than \$1. Tier 3 consists of NMS stocks that are not Tier 1 with a price less than \$1. The only difference is share price. Tier 1 includes S&P 500 and Russell 1000 stocks.

**Textbook Reference:** Please see textbook section 1.6.6

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Question ID: 3268

**161) When is a market maker's inability to maintain quotes excused by Nasdaq, if it relates to a failure to maintain a clearing arrangement?**

- ☐ A) When the failure is voluntary
- ☐ B) When the failure is relationship-related
- ☐ C) When the failure is system-related
- ☒ D) When the failure is involuntary

**Answer Explanation:**

A voluntary failure to maintain a clearing arrangement will not be an excused withdrawal. However, an involuntary failure will be considered excused and participation in the Nasdaq Market Center system will be suspended.

**Textbook Reference:** Please see textbook section 1.11.4

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Question ID: 2426

**162) A market maker displays quotes that represent prices at which it is willing to buy or sell securities**

- ☐ A) belonging to its customers
- ☐ B) to or for large traders
- ☒ C) from its own inventory
- ☐ D) for a commission

**Answer Explanation:**

A market maker's quotes must be firm, which means it is willing to buy securities from anyone or sell to anyone from its own inventory.

**Textbook Reference:** Please see textbook section 1.3

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Question ID: 1943

**163) Once a Nasdaq Market Maker voluntarily terminates registration for a Nasdaq-listed security, for how long is the firm barred from re-registering that security?**

- ☐ A) 10 business days
- ☒ B) 20 business days
- ☐ C) 30 business days
- ☐ D) There is no set time limit; it is at FINRA's discretion

**Answer Explanation:**

A withdrawal is considered a termination of that particular security. After a withdrawal, the Market Maker is barred from re-registering as a market maker in that same security for 20 business days for Nasdaq-listed securities.

**Textbook Reference:** Please see textbook section 1.8.1

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Question ID: 2025

**164) Broker D is an ADF Trading Center. If it wishes to deny a broker-dealer that is not a Trading Center direct electronic access, how much prior notice must it give to FINRA?**

- ☐ A) 7 business days
- ☒ B) 14 calendar days
- ☐ C) 21 calendar days
- ☐ D) 30 business days

**Answer Explanation:**

The Trading Center must give prior notice of at least 14 calendar days to FINRA Market Operations before denying a broker-dealer direct electronic access.

**Textbook Reference:** Please see textbook section 1.11.7

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Question ID: 2560

**165) For an ADF Trading Center one of two criteria can be used to declare a system outage. One is an inability to post automated quotations. The other is**

- ☐ A) Lack of network connection
- ☐ B) Inability to report data to FINRA
- ☒ C) Inability to respond to orders
- ☐ D) Lack of power for two consecutive hours

**Answer Explanation:**

An outage can exist when a firm is unable to immediately and automatically respond to orders.

**Textbook Reference:** Please see textbook section 1.11.5

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Question ID: 37933

**166) Three sell limit orders are entered at exactly the same time and at the same price, \$17.43. Customer A's order is for 2,000 shares. Customer B's order is for 800 shares. Customer C's order is for 500 shares. If a bid is entered for 800 shares at \$17.43, which customer order will be filled first?**

- ☒ A) Customer A
- ☐ B) Customer B
- ☐ C) Customer C
- ☐ D) It could be Customer A, B, or C based on random selection by the firm

**Answer Explanation:**

If two or more limit orders are entered at the exact same time and at the exact same price, the larger order will have priority and be filled first. In this case, 800 shares of Customer A's order would be filled.

**Textbook Reference:** Please see textbook section 1.7.2

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Question ID: 2834

**167) The minimum quote increment for a stock trading at \$7.50 per share is**

- ☐ A) One tenth of a cent
- ☐ B) One hundredth of a cent
- ☒ C) One cent
- ☐ D) Five cents

**Answer Explanation:**

The minimum quote increments are one cent for quotes of \$1.00 or more and one hundredth of a cent for quotes below \$1.00.

**Textbook Reference:** Please see textbook section 1.6.4

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Question ID: 2986

**168) Assuming that a round-lot size for a security is 100 shares, which of the following orders is for a mixed lot?**

- ☐ A) Buy 89
- ☐ B) Buy 100
- ☐ C) Sell 50
- ☒ D) Sell 140

**Answer Explanation:**

A mixed lot is defined as an order that is for more than a normal unit of trading (round lot) but not a multiple thereof.

**Textbook Reference:** Please see textbook section 1.6.3

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Question ID: 3049

**169) Broker N has a system outage on Wednesday at 9pm. To request a FINRA determination that the outage is excused, Broker N must supply supporting information by**

- ☐ A) The close of business on Wednesday
- ☒ B) The close of business on Thursday
- ☐ C) The start of business on Thursday
- ☐ D) The start of business on Friday

**Answer Explanation:**

An ADF Trading Center that seeks a FINRA review of a system outage must supply supporting information by the close of business that day or on the following business day if the outage occurs outside normal market hours. FINRA normally will make a determination on the day after that.

**Textbook Reference:** Please see textbook section 1.11.5

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Question ID: 2005

**170) On the basis of unexcused system outages, how long can a trading suspension last for an ADF Trading Center?**

- ☐ A) 5 business days
- ☐ B) 10 business days
- ☒ C) 20 business days
- ☐ D) 30 business days

**Answer Explanation:**

A Trading Center can be suspended for 20 business days for issues with system outages. The suspension generally requires three unexcused outages within five business days.

**Textbook Reference:** Please see textbook section 1.11.5

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Question ID: 2416

171) As the result of a regulatory audit, FINRA is requiring that **Market Maker A** withdraw its quotes from Nasdaq. Market MMA notifies NASDAQ of its intention to withdraw its quotes in all those securities it makes a market in. MMA will be permitted to abstain from market making

- ☐ A) With 60 days written notice to FINRA
- ☐ B) With written consent of NASDAQ market operations
- ☐ C) For up to 30 days
- ☒ D) For up to 60 days

**Answer Explanation:**

A market maker may withdraw its quote from NASDAQ on an excused basis for legal or regulatory reasons for up to 60 days.

**Textbook Reference:** Please see textbook section 1.8.1

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