← Lesson #15 Quiz
Graded Quiz • 30 min

Due Nov 16, 1:59 AM EST

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Finance 268

Lesson #15 Quiz

LATEST SUBMISSION GRADE
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1. The difference between dealers and brokers is:

1 / 1 point

- ○ Brokers are market makers and dealers are not.
- ○ Dealers make, on average, more profits than brokers.
- ○ Dealers do not serve as a principal in transactions and brokers do.
- ◉ Brokers do not serve as a principal in transactions and dealers do.

✓ **Correct**

2. Stock exchanges did not flourish until the 19th century in the U.S. because:

1 / 1 point

- ○ The cost of creating such an exchange was perceived to be too high.
- ◉ Basic information technology was not yet available.
- ○ The number of potentially listed companies was too small.
- ○ There was no demand for such a stock exchange.

✓ Correct

3. Consider a hypothetical NASDAQ level II screen for the shares of a corporation. Suppose the displayed ask is $20.05 for 100 shares and the displayed bid is $20 for 150 shares. What happens if another dealer places a limit order to buy 50 shares for $20.02?

1 / 1 point

- ○ There will be a transaction of 50 shares at $20.05.
- ○ There will be a transaction of 100 shares at $20.05.
- ◉ No transaction will occur.
- ○ There will be a transaction of 50 shares at $20.

✓ **Correct**

When the dealer places a limit order to buy 50 shares for $20.02, there are neither ask nor bid quotes available for 50 shares at this specific price. Hence, immediately after posted, no transaction will occur.

4. Investment firms which specialize in high frequency trading try to locate their servers close to the exchanges where they execute their transactions because they want to:

1 / 1 point

- ○ Benefit from the highest possible demand for trades.
- ○ Take advantage of the maintenance services provided by the exchanges if any of their servers fails.
- ◉ Minimize the time to transmit orders to the exchange.
- ○ Receive price discounts on transactions from exchanges that come with co-location.

✓ **Correct**

5. A payment for order flow is:

1 / 1 point

- ◉ The compensation and benefit a brokerage receives by directing orders to different parties to be executed.
- ○ A transaction cost which is only associated with limit orders.
- ○ Equal to the bid-ask spread.
- ○ A transaction cost which is only associated with stop-loss orders.

✓ **Correct**