PASS QUESTION

PRACTICE QUESTIONS

EXAM PREPARATION GUIDE

Learn Smarter

Practice Effectively

Achieve Your Goals

https://www.passquestion.com

One Year of Content Updates Included

Exam : **Series 6**

Title : Investment Company and Variable Contracts Products Representative Qualification Examination (IR)

Version : DEMO

1.Which of the following statements about the over-the-counter market is true?
A. Only penny stocks are traded in the over-the-counter market.
B. Trades in the over-the-counter market are conducted via the auction process.
C. Only bonds and other debt instruments are traded in the over-the-counter market.
D. Stocks that are listed on exchange floors are also traded in the over-the-counter market.
Answer: D
Explanation:
Stocks that are listed on exchange floors are also traded in the over-the-counter market. The term “third market” refers to over-the-counter trading of listed stocks. All types of securities-stocks, bonds, options, warrants, rights-trade over the counter. The over-the-counter market is a negotiated market, not an auction market.

2.Which of the following is not an auction market?
A. NASDAQ
B. NYSE
C. CHX
D. All of the above are auction markets
Answer: A
Explanation:
NASDAQ is not an auction market. NASDAQ is a computerized system of geographically dispersed securities’ dealers. As such, it is a negotiated market. The NYSE (New York Stock Exchange) and the CHX (Chicago Stock Exchange) are both auction markets.

3.The entity that serves as the auctioneer for trades conducted on an organized exchange floor is known as a:
A. registered trader.
B. specialist.
C. floor broker.
D. commission broker.
Answer: B
Explanation:
The entity that serves as the auctioneer for trades conducted on an organized exchange floor is known as a specialist. The specialist is assigned stocks by the exchange and is a market maker in those stocks. A registered trader is a private individual who buys and sells on his own account only. Floor brokers and commission brokers execute trades for other investors.

4.Which of the following statements about specialists is false?
A. Specialists are market makers in assigned stocks and, as such, can profit from these investments.
B. Specialists are required to maintain a fair and orderly market in their assigned stocks, meaning that they must buy if there is an excess of sell orders and sell out of their own portfolios if there is an excess of buy orders.
C. Specialists are employees of the exchange on which they oversee trades.
D. In addition to acting as market makers, specialists also act as agents and execute limit orders placed by commission brokers for their clients if the specified price is reached.

Answer: C
Explanation:
The statement that specialists are employees of the exchange on which they oversee trades is false. Specialists are separate firms that are members of the exchange. Specialists are market makers in the stocks that are assigned them by the exchange and can earn profits (or losses) on these investments, just like any other market maker. They are required to maintain a fair and orderly market in their assigned stocks, however, which means they sometimes must trade against the market. They also maintain a central limit order “book” in their assigned stocks.

5.NASDAQ market makers provide investors with assurance that:
A. there is a market for the listed security.
B. the investor will be able to buy or sell the security at a price he desires.
C. the investor will be investing in a high quality investment with relatively low risk.
D. NASDAQ market makers provide investors with no assurance whatsoever. It is “buyer beware.”
Answer: A
Explanation:
NASDAQ market makers provide investors with assurance that there is a market for the listed security by posting bid and ask prices for it. There is no guarantee, however, that the investor will be able to buy or sell the security at the price he desires or that the investment is high quality and low risk.