

Name _____

Unlocking the World of Stock Exchanges

Short Answer Key

1. Stock exchanges contribute to price discovery by matching buy and sell orders based on supply and demand. When more people want to buy a stock than sell it, its price tends to rise, and vice versa.
2. Brokers serve as intermediaries who execute trades on behalf of investors. They receive orders from clients, route them to stock exchanges, and ensure orders are executed.
3. Liquidity is essential because it ensures that investors can buy or sell securities with relative ease without significantly impacting their prices. It provides market efficiency and reduces trading costs.
4. Electronic exchanges operate electronically through computer networks, while floor-based exchanges involve physical trading on a trading floor. Electronic exchanges offer faster execution and access to a wider range of securities.
5. Enforcing rules and regulations is crucial to prevent market manipulation, insider trading, and unfair practices. It maintains trust in the financial system.

