

Investment Risk Management

A decorative graphic consisting of several parallel white lines of varying thicknesses, slanted diagonally from the bottom-left towards the top-right, positioned in the lower right quadrant of the slide.

PURCHASING STOCK

- ▶ A Broker is a person who is licensed to buy and sell stocks, provide investment advice, and collect a commission on each purchase or sale
 - ▶ Purchases stocks on an organized exchange (stock market)
 - ▶ Over $\frac{3}{4}$ of all stocks are bought and sold on an organized exchange

BROKERS

- ▶ Minimum requirements for a stock to ensure only reputable companies are used
- ▶ Each exchange has a limited number of seats available which brokerage firms purchase to give them the legal right to buy and sell stocks on the exchange

ORGANIZED EXCHANGES

- ▶ New York Stock Exchange (NYSE)
 - ▶ Oldest and largest, began in 1792
 - ▶ 1,366 seats available
 - ▶ 2,800 companies
 - ▶ Average stock price is \$33.00
 - ▶ Strict requirements

NEW YORK STOCK EXCHANGE

AMERICAN STOCK EXCHANGE

- ▶ American Stock Exchange
 - ▶ Began in 1849
 - ▶ 2nd largest exchange
 - ▶ It's requirements are not as strict as NYSE allowing younger, smaller companies to list
 - ▶ Average stock price is \$24.00

- ▶ Regional Stock Exchanges
 - ▶ Stocks are traded to investors living in a specific geographical area
 - ▶ Including Boston, Cincinnati, Philadelphia, Spokane

REGIONAL STOCK EXCHANGES

- ▶ National Association of Securities Dealers Automated Quotations
 - ▶ Stocks are traded in an over the counter electronic market
 - ▶ 4,000 small companies
 - ▶ Company requirements are not as strict
 - ▶ More volatile because companies are young and new
 - ▶ Average stock price is \$11.00

NASDAQ