

Tick size change on the Stock Exchange of Thailand

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Abstract This paper explores the impact of an exogenous tick size reduction on bid-ask spreads, depths, and trading volume on the Stock Exchange of Thailand (SET). On November 5, 2001, the SET implemented a tick size reduction on stocks priced below THB 25. Even though trading on SET is largely dominated by retail investors, the tick reduction produces similar empirical results found in markets where institutional investors are more dominant. Tick reduction on the SET is associated with declines in spreads, and quoted and accumulated market depths. The study finds no significant change in trading volume due to the reduction.

Keywords Tick size · Market microstructure · Transaction costs

JEL Classification G14 · G18

We thank the Stock Exchange of Thailand for providing us with data and also thank Charnwit Suebsureekul for programming assistance. We are grateful for comments from anonymous referees. Pavabutr acknowledges research support from the Australian School of Business, University of New South Wales. This study began when Prangwattananon was a graduate student in the MSc in Finance Program at the School of Business, Thammasat University.

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