FACULTÉ DE DROIT, D'ÉCONOMIE ET DE FINANCE

Date of the event:

On Thursday, 9th February, 2012
From 01:00 PM to 2:00 PM

Location:

Luxembourg School of Finance
University of Luxembourg
4 Rue Albert Borschette
2nd Floor
Modigliani Miller Auditorium (E02-003)
L-1246 Luxembourg

Registrations:

- Free seminar (with lunch included)
- Registrations by email before February 6th, 2012
- At the following address : lsf-events@uni.lu

Information:

Ms Martine Zenner
Tel : +352 46 66 44 6335

http://www.lsf.lu/eng/Research/Seminars-and-Workshops

UNIVERSITÉ DU LUXEMBOURG

FACULTÉ DE DROIT, D'ÉCONOMIE ET DE FINANCE

LUXEMBOURG SCHOOL OF FINANCE

The LSF is pleased to invite you to the following lunch seminar:

Trading Fees and Efficiency in Limit Order Markets

By Professor Thierry Foucault
HEC, Paris

UNIVERSITÉ DU LUXEMBOURG

Thursday, 9th February, 2012
From 01:00 PM to 2:00 PM

The Luxembourg School of Finance

Is pleased to invite you to the

LSF Seminar

Trading Fees and Efficiency in Limit Order Markets

Common wisdom is that competition between trading platforms in securities markets benefit investors because it forces platforms to charge smaller fees. We challenge this view by showing that a decrease in trading fee can impair investors' expected welfare in limit order markets. Indeed, a decrease in trading fee can induce investors to strategically post limit orders with a smaller execution probability, in order to earn a greater surplus in case of execution. Hence, a decrease in trading fee yields larger gains from trade when a trade takes place but it can reduce the likelihood of a trade in the first place. The model has testable implications for the effects of a change in trading fees and their breakdown between investors submitting limit orders (makers) and market orders (takers) on limit order fill rates and various measures of bid-ask spreads.