

# Order Cancellations, Fees, and Execution Quality in U.S. Equity Options

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## Abstract

We examine the effects of an order cancellation fee on limit order flow and execution quality in the PHLX options market. The cancellation fee on professional order flow effectively reduces the rate at which limit orders are canceled. Whereas the cancellation fee discourages the submission of nonmarketable orders, it encourages the submission of marketable orders. Consequently, nonmarketable order fill rates increase; marketable order fill speeds decrease; and bid-ask spreads widen. We also find slight increases in both dollar volume and market share. (*JEL* G11, G14, G18)

Authors have furnished an [Internet Appendix](#), which is available on the Oxford University Press Web site next to the link to the final published paper online.

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**JEL:** G11 - Portfolio Choice; Investment Decisions, G14 - Information and Market Efficiency; Event Studies; Insider Trading, G18 - Government Policy and Regulation

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