

Download This Paper (Delivery.cfm/SSRN_ID407705_code030601600.pdf?abstractid=407705&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID407705_code030601600.pdf?abstractid=407705&mirid=1&type=2)

☆ Add Paper to My Library

Share:

Island Tides: Exploring Ecn Liquidity

32 Pages

Posted: 21 Jun 2003

Oliver Hansch (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=23415)

Pennsylvania State University

Date Written: January 15, 2003

Abstract

The introduction of the Order Handling Rules and Regulation ATS by the U.S. Securities and Exchange Commission has had a major impact on the Nasdaq market. In particular, the rise and success of electronic communication systems (ECNs) is a direct outcome of these regulatory changes. This paper investigates the behavior of intra-day liquidity and trading on one of the most successful new market participants, the Island ECN. Using limit buy and sell order and time and sales data collected from Island's website, we find strong intraday patterns in trading volume and number of trades executed as well as market depth and price impact, our measure of liquidity. We also find that market quality on Island is far better during the hours when Nasdaq is open, and that after hours trading volume is negligible, mainly because of lack of liquidity. These findings indicate that ECNs strongly depend on the larger Nasdaq system. For example, the number of orders on the book increase and the price impact declines dramatically when Nasdaq opens. The reverse occurs at Nasdaq's close. We show that trading activity increases with (intra-day) volatility and available depth, and is negatively related to liquidity. We also find evidence of commonality in liquidity on Island.

JEL Classification: D40, G10

[Suggested Citation](#) >

[Show Contact Information](#) >

Download This Paper (Delivery.cfm/SSRN_ID407705_code030601600.pdf?abstractid=407705&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID407705_code030601600.pdf?abstractid=407705&mirid=1&type=2)

0 References

0 Citations

Fetch Citations

Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

Paper statistics

DOWNLOADS

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](#)

505

<https://www.elsevier.com/legal/cookiepolicy>

3,172

[Cookie Settings](#)

Accept all cookies

PlumX Metrics



(https://plu.mx/ssrn/a/?ssrn_id=407705)
Related eJournals

Capital Markets: Market Efficiency eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1504403)

Follow



Recommended Papers

Limit Order Book as a Market for Liquidity (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=269908&rec=1&srcabs=407705&pos=1)

By Thierry Foucault (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=57561), Ohad Kadan (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=276421), ...

Limit Order Book as a Market for Liquidity (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=279911&rec=1&srcabs=407705&pos=2)

By Thierry Foucault (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=57561), Ohad Kadan (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=276421), ...

Equilibrium in a Dynamic Limit Order Market (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=410021&rec=1&srcabs=407705&pos=3)

By Ronald L. Goettler (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=279881), Christine A. Parlour (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=129817), ...

View more >

Feedback

Submit a Paper > (https://hq.ssrn.com/submission.cfm)

SSRN Quick Links



SSRN Rankings



About SSRN



f (https://www.facebook.com/SSRNcommunity/)

in (https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

t (https://twitter.com/SSRN)

(http://www.elsevier.com/)

Copyright (https://www.ssrn.com/index.cfm/en/dmca-notice-policy/)

Terms and Conditions (https://www.ssrn.com/index.cfm/en/terms-of-use/)

Privacy Policy (https://www.elsevier.com/legal/privacy-policy)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



(http://www.relx.com/)

(https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true)