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# A comparison of volatility and bid-ask spread for NASDAQ and NYSE after decimalization

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# Notes

<sup>1</sup> Specifically, Bacidore ([1997](#)), Porter and Weaver ([1997](#)) and Ahn et al. ([1998](#)) study the tick size change on April 1996 in the Toronto Stock Exchange. Ronen and Weaver ([2001](#)) investigate the changes in minimum tick size on 7 May 1997 in the AMEX. Goldstein and Kavajecz ([2000](#)) provide evidence related to the June 1997 conversion of NYSE stocks to sixteenth.

<sup>2</sup> Although the only matching characteristic in Bessembinder and Kaufman ([1997](#)) and Bessembinder ([1999](#)) is the market capitalization, they do note that their sample of matched NASDAQ and NYSE stocks have quite similar price level and trading volume.

<sup>3</sup> Some argue that matching trading volumes across markets has become an increasingly difficult task because of the changes implemented in reporting conventions after decimalization. Yet, no consensus has been reached as to how to best deal with the changes such as a rising presence of ECN trades and volume (reported differently from trades and volume of market makers).

<sup>4</sup> We also experiment with several other adjustment factors, ranging from 1/0.3 to 1/0.5, and our results are quite consistent across these adjustment factors.

<sup>5</sup> The variation in Chung et al. ([2000](#)) use trading volume is quite different due to the difference in the pair to be compared. The extra control variable in Chung et al. ([2000](#)) is likely to be constrained by the NASDAQ variable. The extra control variable in Chung et al. ([2000](#)) is likely to be constrained by the NASDAQ variable.

<sup>6</sup> Data assimilation in May 2000 is the month of decimalization.

<sup>7</sup> Prior studies on US stocks are generally by Bacidore and Sofianos (1997) and



significantly improves and transaction costs increase after a stock split (Muscarella and Vetsuypens, [1996](#); Schultz, [2000](#)).

<sup>8</sup> For our samples 2 and 3, dollar spread and percentage spread should provide consistent readings of transaction costs since share prices are similar for our matched pairs.

<sup>9</sup> Lee and Ready ([1991](#)) find that 30% of the transactions in their sample occurs inside spread.

<sup>10</sup> Huang and Stoll ([1996](#)) find that about 0.4% of transactions take place outside the quote ranges.

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