IV. Summary and Conclusions

This study provides evidence of significant difference in quotation between order book and market makers. The significant differences reveal that market makers use inefficient quotation to fulfill their obligations under market making requirements. In addition, the way of quotation indeed affects the price quotation from market makers on the market. The quoted spreads from R-order are smaller than that from Q-order. When market makers use R-order, which is similar to limit order, they provide efficient quotation and therefore they have potential intentions to hold a position in the market. In the end, our empirical results indicate foreign institutional investors (QFIIIs) and market makers bear lower execution cost comparing to other participants on the market. And the result of proportion of price improvement is not consistent with our intuition because market participants with wider effective spreads are at the inside quote frequently, especially for put.