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Abstract
Since the stock market crashed all over the world in 1987, the security market regulators recognize the importance of market stability system, and do some revolutions in the trading system. In order to mitigate market price fluctuations, the Taiwan Stock Exchange introduced a new trading mechanism "Intraday Volatility Interruption System" on July 1, 2002 to suspend trade for 2 to 3 minutes. This paper analyzes the impact of intraday volatility interruption system on the liquidity and volatility for Taiwan stock market. The results show that trading halts mainly concentrated on Monday and during 9:00 to 9:30 daily; second , turnover rate is reverse related with the number of suspensions and number of days; third, the liquidity of non-halt days is better than that of halt-days; forth, the volatility of halt days is higher than that of non-halt days; fifth, the relationship between liquidity and volatility is not significant for halt days; sixth, there is a significantly positive relationship between liquidity and volatility for halt days. To conclude, the Intraday Volatility Interruption System can not reach the expected effects of reducing price fluctuations.
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