The impact of tick sizes on trader behavior Evidence from cryptocurrency exchanges

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Discussion:
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The paper

- Examines the impact of increase in tick size on trading behavior and market quality.
- Exploits a staggered increase in tick sizes at the cryptocurrency exchange, "Kraken".

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- Exploits a staggered increase in tick sizes at the cryptocurrency exchange, "Kraken".
- Findings:
  - Reduced undercutting
  - Restored the relevance of time priority
  - Reduced quoted spreads, improved depth, reduced volatility at best prices

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- Unique setting: extremely low relative tick sizes, unconstrained spreads, $\approx$ zero fundamental value, and limited participation.
- Provides a laboratory experiment setting to analyse trader behavior and, thus market outcomes.
- Large body of literature on equity markets. Fills the gap with analysis from an alternative asset class setting.
- Findings – in line with the theoretical predictions, except for improvements in liquidity costs.

Questions

- What's the composition of traders on the exchange in terms of HFT vs not?
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  - Did the tick size increase lead to higher liquidity provision by HFTs due to speed advantage?
- What was the tick size on competing exchanges, and market share of Kraken?
  - Did liquidity providers move from other exchanges to Kraken after the increment?

Questions

- Was the tick size increase an exogenous shock? Or was it anticipated by traders?
    - If yes, then the analysis will require a longer event window.
    - Effects of tick size increase also likely to stabiize over a longer time period, than just a week.

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  - If yes, then the analysis will require a longer event window.
  - Effects of tick size increase also likely to stabiize over a longer time period, than just a week.
- What prompted the exchange to increase the tick size within a week?

Comments: Empirical strategy

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- Endogeneity issues with X's (volumes, volatility, number of trades). Include lagged returns?

Minor comments

- Intraday dummy definition not clear in the paper?
- Post event dummy for both the events allotted 1?
- Clustered standard errors?
- Any peak trading time on which to concentrate on?

Thank you