

The impact of pre-closing implementation to price efficiency in indonesia stock exchange / Gilang Praditiyo

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Abstrak

The Indonesia Stock Exchange has really concerned about improving stock market quality these days. One of its effort is implementing pre-closing trading session. It refers to Decision of the Board of Directors of The Indonesia Stock Exchange Number Kep-00399/BEI/11-2012, regarding Amendment to Rule Number II-A concerning Equity-Type Securities Trading. The rule is effective on 2nd January 2013 and Indonesia Stock Exchange has implemented it since that date. The purposes of pre-closing implementation are to mitigate marking the close, which is the practice of buying security at the very end of the trading day at a significantly higher price than the current price of the security, and to improve market quality. This paper attempts to verify whether the impact of pre-closing implementation to price efficiency is positive or not. The result shows that the pre-closing implementation has positive impact to price efficiency. It reduces the return volatility and market manipulation at the closing time which also means that the pre-closing implementation has effectively improved market quality in the Indonesia Stock Exchange.