

## **ABSTRACT**

*This study was conducted to determine the effect of the new tick size on liquidity. New tick size policy was implemented on January the 6<sup>th</sup>, 2014 by Indonesia Stock Exchange and affects 4 group of shares within Rp 200,- to Rp 500,- (Group. 1) price range, Rp 500,- to Rp 2000,- (Group.2) price range, Rp 2000,- to Rp 5000,- (Group.3) price range and above Rp 5000,- (Group.4). Based on Indonesia Stock Exchange's pronouncement letter No 00071/BEI/11-2013, one purpose of this change is to boost liquidity. Liquidity describes how these shares can be traded ultimately and one that supports the realization of liquidity is tick size that will match bid and offer in a transaction. Using purposive sampling technique, 236 companies were selected as the sample. This research used daily data of transaction 30 days before and after the reduction of the tick size. Using Wilcoxon Signed Rank Test, the result of this research found that the reduction of tick size has a positive effect of the reduction on both relative spread and depth . To resolve the two contradictory results, Depth to Relative Spread was used and shown that the tick size reduction significantly doesn't affect the liquidity at group 1 and 3, affects the liquidity at group 4 but not significant, and affects the liquidity significantly at group 2.*

*Keywords: Tick size, relative spread, depth, DTRS*