

# **Stepping Out of Limit Order Book: Empirical Evidence from the EBS FX market**

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## **Abstract:**

Most of limit orders exit from the market without any transactions by either cancellations or revisions. The EBS dataset allows measuring how long an individual limit order stays in the foreign exchange market. With the measured lifetime of cancelled limit orders, we find that, consistent with optimal behaviors of order placement, post-order-placement changes in market price and the depth in limit order book affect cancellation behaviors. FX dealers cancel their limit orders faster when depth at better quotes become thicker. When a market price moves away from their submitted quotes, patient dealers show more forbearance to their worsened position.

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Keywords: Foreign exchange market; Life time; Limit order; Market microstructure; Order book.