

***A RESEARCH ON THE PRICING MECHANISM AND
SPOOFING IN CHINESE STOCK MARKET***

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Abstract: We employ the bivariate Smooth-Transition VECM-GARCH (ST-VECM-GARCH) with a non-linear error-correction mechanism to test the price discovery and volatility spillover effect of the options markets in China. As the first cross-market option product in China, CSI 300 ETF options and the spots markets are investigated. We find the significant existence of a bilateral causality between the CSI 300 ETF options market and spots market, in which the CSI 300 ETF options market generally contributes more than the spots market in pricing efficiency and information transmission. Besides, the CSI 300 ETF options market in Shanghai shows a much more significant influence to the spots market than in Shenzhen.

Spoofer disrupt the normal order of market and destroy the integrity mechanism of market. We use SVM mechanism to detect Spoofer orders. Numerical experiments have detected some possible fraudulent canceled orders which are time-continuous.