Make-take decisions under high-frequency trading competition

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The make-take preferences of investors depend on high-frequency trading (HFT) competition, under which HFT firms endogenously acquire speed and informational advantages. In the case where there are many HFT firms in the market, they compete more through limit orders; meanwhile, in the case with few HFT firms, they compete more through market orders that ?pick-off" limit orders coming from the big crowd of slow traders. In the former (latter) case, additional HFT competition improves (damage) liquidity. In both cases, HFT competition improves informational efficiency and reduces microstructure noise. Finally, I use the model to analyze potential regulations under HFT competition.