Global Algorithmic Capital Markets

High Frequency Trading, Dark Pools, and Regulatory Challenges

Edited by Walter Mattli

OXFORD UNIVERSITY PRESS
Contents

List of Figures vii
List of Tables ix
Notes on Contributors xi

1. Introduction and Overview: A New Capital Market Reality 1
   Walter Mattli

Part 1. High Frequency Trading: Key Topics

2. Is Trading Fast Dangerous? 9
   Thierry Foucault and Sophie Moinas

3. A Case Study in Regulatory Arbitrage and Information
   Asymmetry: High Frequency Trading and the Post Only
   Intermarket Sweep Order 28
   Haim Bodek

4. The FX Race to Zero: Electronification and Market Structural
   Issues in Foreign Exchange Trading 61
   Dan Marcus and Miles Kellerman

Part 2. Market Quality and Best Order Execution

5. A Comparison of Execution Quality across US Stock Exchanges 91
   Elaine Wah, Stan Feldman, Francis Chung, Allison Bishop,
   and Daniel Aisen

6. What has Changed in Four Years? Are Retail Broker Routing
   Decisions in 4Q2016 Consistent with the Pursuit
   of Best Execution? 147
   Robert Battalio

7. Better 'Best Execution': An Overview and Assessment 165
   Christopher Nagy and Tyler Gellasch
## Contents

### Part 3. Analytical and Regulatory Frameworks

8. Naked Open-Market Manipulation and Its Effects  
   *Merritt B. Fox, Lawrence R. Glosten, and Gabriel V. Rauterberg*  
   199

9. Algorithmic Trading and Market Regulation  
   *Yesha Yadav*  
   232

10. Legal Liability for Fraud in the Evolving Architecture of Securities Markets: From Marketplaces to Traders  
    *Stanislav Dolgopolov*  
    260

### Part 4. Regulatory Agencies and Market Structure Regulation

11. Regulating High Frequency Trading and Dark Liquidity in Australia  
    *Greg Medcraft*  
    283

12. High Frequency Trading and Circuit Breakers in the EU: Recent Findings and Regulatory Activities  
    *Steffen Kern and Giuseppe Loiacono*  
    308

13. A Framework for Responsive Market Regulation  
    *Timothy Baikie, Tracey Stern, Susan Greenglass, and Maureen Jensen*  
    332

*Index*  
359