High Frequency Trading in Australia

Senator Jacqui Lambie raised a very important issue in Parliament on Thursday September 15th 2016 – however as noted by one of the Victims of Financial Fraud (VOFF) executive said after listening to the section of the Senator's speech that "*Jacqui Lambie doesn't get coverage in the main stream media on topics like this but she should*".

Industry Super Network (ISN) wrote in 2013 that,

> *The activity of High Frequency Traders (HF traders) in Australia's equity markets costs other investors, including long term investors such as superannuation funds, an estimated $1.6 to $1.9 billion per year.*
>
> *The analysis provides further evidence that the changes to market systems that cater to HFT are undermining not only the public policy objectives underlying market regulation, but also the public policy objectives of the superannuation system.*[1]

The Australian Securities and Investments Commission (ASIC) noted in 2014,

> *'There are concerns about the 'noise' created by excessive trading messages that relate to small and/or fleeting orders (messages which make it more difficult to discern significant trading patterns), and concerns that high-frequency traders employ predatory strategies or that they 'game' the orders of fundamental investors, manipulate prices and may contribute to market instability.*[2]

An American BUSINESSWEEK Bestseller could have given ASIC warning of how and why traders in the shadows that are skimming billions of dollars from mum and dad superannuation might be in breach of the Superannuation and Corporation Acts. The Bestseller in question is Frank Partnoy's F.I.A.S.C.O. and the back cover says the author is one of the world's leading experts on financial markets. Partnoy writes for the Financial Times, the New York Times and Portfolio and he is the founder of the Center on Corporate and Securities Law at the University of San Diego, where he is professor.

Partnoy states in F.I.A.S.C.O. that only a handful of elite derivatives salesmen know the closely guarded secrets of how derivatives are actually used and they have no reason to share secrets worth million of dollars with anybody. Partnoy was a derivatives salesman at First Boston and Morgan Stanley and it was almost impossible for him to learn the details of the most profitable deals on Wall Street.

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[1] Industry Super Network (ISN) Fair Game or Fatally Flawed?
Some Costs of High Frequency Trading in Low Latency Markets, June 2013
http://www.industrysuperaustralia.com/assets/Reports/Quantifying-HFT-costs-June-2013as-published.pdf

[2] Information Sheet 178 - Dark liquidity and high-frequency trading, 5-January-2014
http://download.asic.gov.au/media/1338878/info178-published-15-January-2014.pdf page 2 accessed Sept 18th 2016.

Wall Street made and continues to make, huge amounts of money on derivatives by trickery and deceit. Regulators can only learn what the derivatives insiders are willing to reveal.[3]

If there is deceptive trading in the Australian market (unidentified group of possibly half dozen people/companies) that are able to skim billions of dollars from mum and dad superannuation and ASIC is unable to discover who the entities are, this does not fit neatly within ASIC's role of *'ensuring that Australia's financial markets are fair and transparent, supported by confident and informed investors and consumers'*.[4]

As ASIC is unable to say who the half dozen are then it can't keep its promise *'to make information about companies and other bodies available to the public as soon as practicable'*.[5]

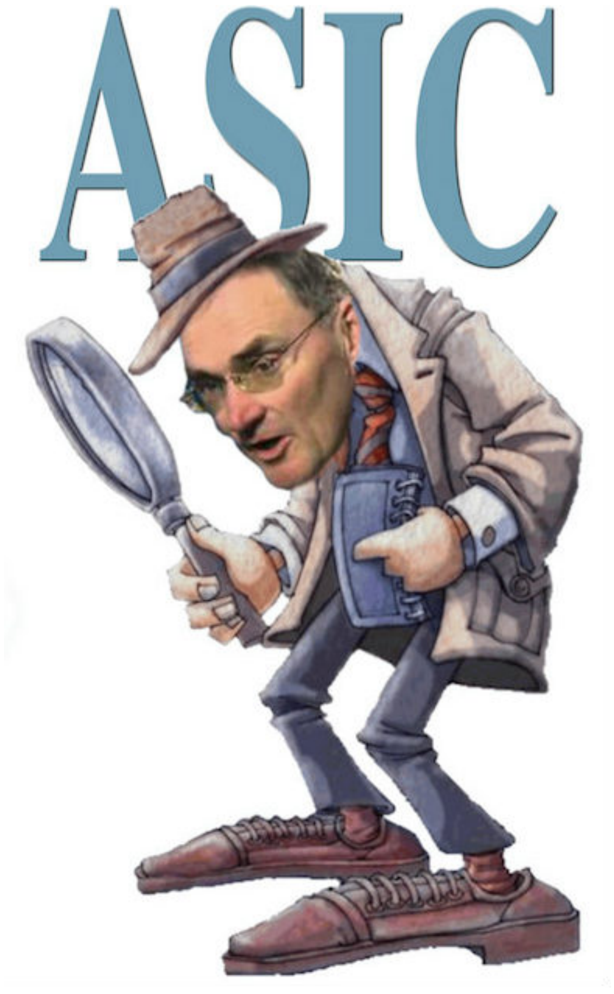

Illustration of what ASIC's Greg Medcraft might look like if he searched for the three to four billion dollars skimmed off mum and dad's superannuation each year.

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[3] Frank Partnoy F.I.A.S.C.O. Blood in the Water on Wall Street W.W.Norton & Company United States of America 2009 page 28
[4] http://asic.gov.au/about-asic/what-we-do/our-role/
[5] http://asic.gov.au/about-asic/what-we-do/our-role/