

German market puts brakes on high-frequency traders

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Trading in German and French share options on the Deutsche Boerse's Eurex platform will face a speed limit in a six-month test from June 3

German stock market operator Deutsche Boerse plans to slow down some kinds of high-frequency trading by 1,000 times in a pilot project designed to reduce "aggressive" behaviour, it told AFP Tuesday.

Trading in German and French share options on its Eurex platform will face a speed limit in a six-month test from June 3, the group said.

Options give investors the right to buy or sell a set number of shares at a pre-fixed price and date.

The test will probe the effects of "parking" orders some traders place using high-powered computers with delays as low as one millionth of a second.

Such so-called "aggressive" orders are currently executed immediately on the [stock market](#)'s order book—the list of all the offers to buy or sell a [financial instrument](#).

In future, they "will be 'parked' for one millisecond" or one-thousandth of a second, Deutsche Boerse said, adding the move would "enable market participants who provide liquidity to focus on the needs of final customers and [institutional investors](#)".

One of Europe's leading derivatives exchanges alongside London's Liffe, Eurex says around one-third of its traders are high-frequency specialists, but that they account for 50 to 60 percent of options trades.

High-frequency trading has often under scrutiny as a potential amplifier of swings on financial markets.

"Some high frequency trading actors are especially active at times of high [market](#) volatility and can therefore contribute to strengthening trends in price development," Germany's Bundesbank central bank warned in a 2016 report.

But so-called "speed bumps" like Eurex's "parking" rule have mostly been limited to American exchanges until recently.

Atlanta-based Intercontinental Exchange said in February that it would slap a three-millisecond delay on orders for gold and silver futures contracts.

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