

# **High-frequency trading in capital markets from the perspective of recent legislation**

## **Abstract**

The rapid development of technology in recent decades has also had an impact on capital markets trading. In particular breakthroughs in information and communication technology and quantitative market modelling have had an impact. Today's markets have become essentially just electronic matching systems that allow traders to trade at previously unimaginable speeds and with reduced transaction costs. However, these technological advances have brought with them increased market fragmentation and the emergence of new ways of trading.

These developments resulted in, among other things, algorithmic and then high-frequency trading. Both of these relatively young disciplines have brought with them their own set of specific impacts, both positive and negative, on capital markets, but it is high-frequency trading that has attracted the attention of both the lay and professional public, particularly in relation to its impact on the stability and fairness of capital markets.

The goal of this paper is to describe both the technological and regulatory factors that have led to the development of high-frequency trading, to provide an insight into some of the strategies that are used by high-frequency traders, to describe some of the impacts of high-frequency trading on capital markets and, in particular, to summarise the legal regulation contained in the MiFID II / MIFIR legislative framework that impacts all entities that either directly engage in, enable or are affected by the activity of high-frequency traders. Specifically, this includes high-frequency traders themselves, the trading systems on which they apply their trading strategies, providers of direct electronic access and colocation, providers of clearing service and dark pool operators.

Finally, this paper will attempt to describe some of the impacts of the MiFID II / MIFIR legislative framework on capital markets and answer the question whether or not these impacts are consistent with the objectives of this legislative framework.

**Key words: [HFT, EU, Regulation]**