Algorithmic and high-frequency trading on capital market

Abstract

The subject of this diploma thesis is legal regulation and development of regulation of algorithmic and high-frequency trading on capital market within Community Law but also within several European countries, USA and Japan. The aim of this diploma thesis is to define terms of algorithmic and high-frequency trading, which were not thoroughly regulated until lately, to outline development of legal regulation, to compare different approaches to their regulation in different countries and to assess the phenomenon of algorithmic and high-frequency trading. The diploma theses uses descriptive method to define the fundamental terms and discuss positive legal framework. It also uses deduction for assessment and comparative method to examine different approaches to legal regulation in different countries.

The first chapter characterizes capital market as a place in which algorithmic and high-frequency trading takes place, including its historical development, participants and supervisory authorities.

The second chapter defines terms of algorithmic and high-frequency trading considering their historical development and both mutual similarities their differences and their characteristics. It also includes an analysis of their key aspects and related terms such as co-location, latency a several forms of high-frequency trading.

The third chapter aims at the legal regulation within the European Union with particular focus on the MiFID II directive and respective supplementing regulation. This chapter also deals with different duties and responsibilities of individual parties subject to legal regulation.

The fourth chapter briefly outlines different development of algorithmic and high-frequency trading in the USA, several European countries and Japan. It also includes assessment and comparison of both different approaches to legal regulation in these countries and behavior of regulatory and oversight bodies.

Lastly, the diploma thesis assesses the regulation of algorithmic and high-frequency trading and suggest a global approach to further regulation of these forms of trading.

Key words: Algorithmic trading; High-frequency trading; Capital market