Abstract

Subject matter of this thesis is the problem of informed trading on the Prague Stock Exchange. This topic is developed in two directions.

First one is empirical analysis of informed trading, which makes use of unique dataset which includes trading in XETRA and SPAD. This dataset enabled the author to compare change in measures of informed trading in respective trading systems. For this comparison models PIN and VPIN are used, the latter for the first time in Czech academic research. Model PIN brings the result that the probability of informed trading has significantly decreased following the transition to XETRA. On the contrary, results of VPIN metric suggest that measure of toxic liquidity has slightly increased.

Second one is economic analysis of law. On the basis of economic insight two regulatory issues are identified – the problem of inside information and conflict of interest in case of market makers. Legal analysis has brought two key findings – problem of inside information is the result of incomplete implementation of european legislature and the conflict of interest is attributed to its improper treatment, based on the concept of fiduciary duties, which are hard to enforce in this particular case. Proposal how to fix these problems suggests „chinese wall" as the solution which would prohibit observed behavior which is concurrently untreated and undesirable.