Aligning our Definitions

Esen Onur
Office of the Chief Economist
CFTC

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Soup of Acronyms

- ATS/AT – Automated Trading Systems / Algorithmic Trading (Trader)
- HFT – High Frequency Trading (Trader)
- MAN – Manual Trading (Trader)

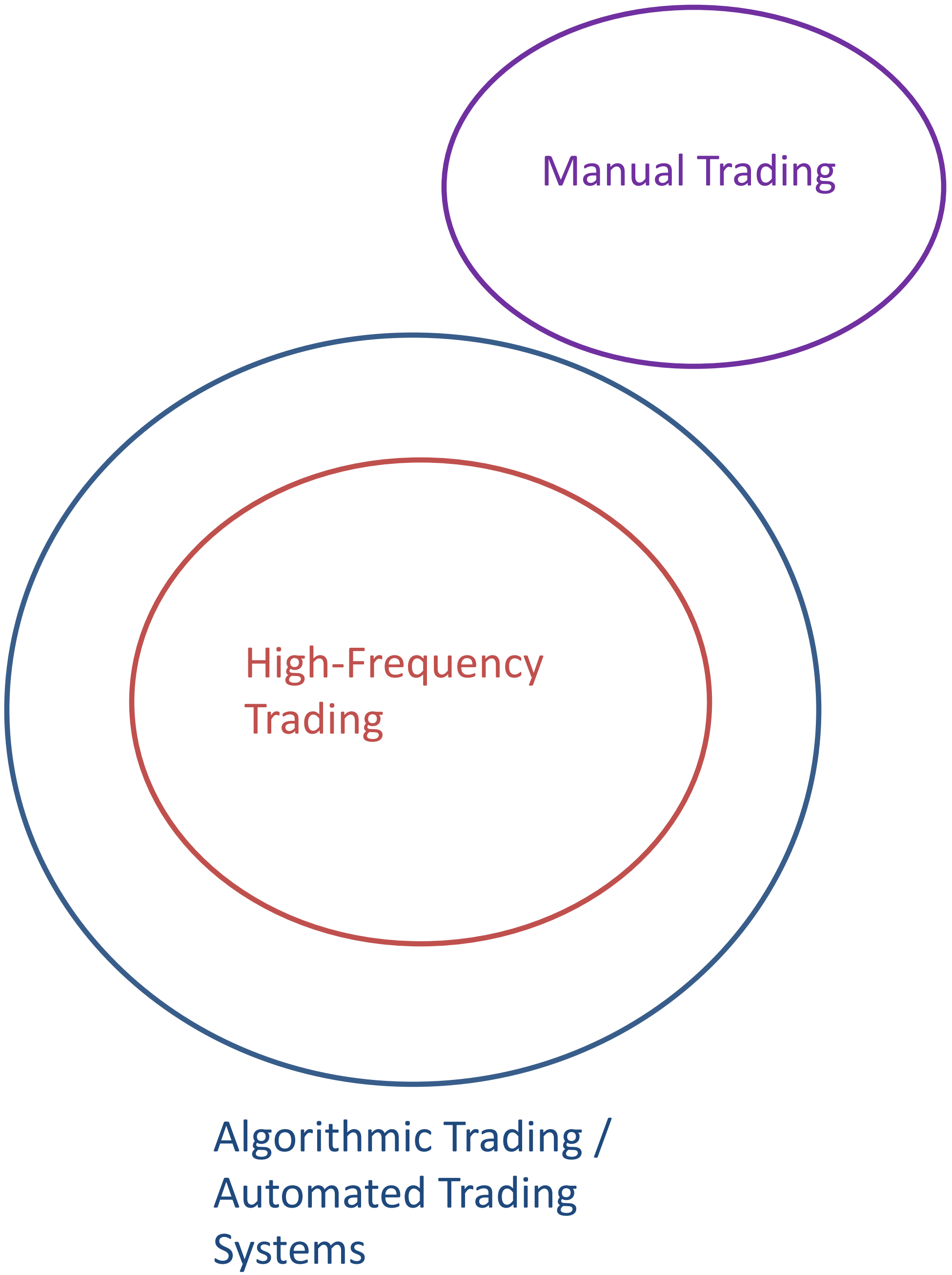
- Where do these definitions intersect and where do they diverge?
- Can we agree on a definition for each?

How to think about them

ATS/AT – Automated Trading System is a trading method that involves orders being entered without human intervention, generally by a computer system or an automated routing functionality.

HFT – High Frequency Trading is when messages are sent to the matching engine at very high frequencies, often via AT designed to take advantage of the trader’s low latency capability.

MAN – Manual Trading is a trading method when orders are submitted to the matching engine by an individual directly entering the order into a front-end system, typically via keyboard, mouse or touch screen, and which is routed in its entirety to the matching engine at the time of submission.



How to define an HFT?

The Securities and Exchange Commission (2014) offers five criteria to identify high frequency traders:

(1) high speed in routing and executing orders,

(2) use of co-location services,

(3) short time between establishing and liquidating positions,

(4) using a submit and cancel approach to orders, and

(5) ending trading sessions with near zero inventories.

U. S. Securities and Exchange Commission, 2014, Equity Market Structure Literature Review - Part II: High Frequency Trading, Staff of the Division of Trading and Markets, March 18, 2014.