

Workshop on High Frequency Trading Act 30 April 2013

Overview on HFT Act

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Licensing requirement

Section 1 Subparagraph 1a, 2nd sentence No. 4 of the Banking Act (Kreditwesengesetz – KWG)

- High Frequency Traders: license in future
- no additional license for institutions holding already a license
- no additional license for entities being able to use MiFID passport (Annex I Section 2 No. 3: „dealing on own account“)

Organisational requirements

Section 33 Subparagraph 1a of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG)

- refers to algorithmic trading (not only HFT)
- applies to investment services enterprises, asset management companies and self-managed investment stock corporations

Power to demand information

Section 4 Subparagraph 3a WpHG and Section 3 Subparagraph 5, Section 7 Subparagraph 3 of the Exchange Act (Börsengesetz – BörsG)

- BaFin, Exchange Supervisory Authorities and Trading Surveillance Offices
- Information on algorithmic trading, including system used for trading, trading strategies, trading parameters or trading limits

Further rules for trading participants

Obligation to ensure an **appropriate order-to-trade ratio** (section 26a BörsG)

- Obligation to **flag orders** generated by algorithms (section 16 subparagraph 2 No. 3 BörsG)
- Clarification that certain trading practices that use computer algorithms are considered as **market manipulation** (section 3 subparagraph 1 of the Ordinance Specifying Provisions to Prohibit Market Manipulation)

Rules relevant for trading venues

- Obligation to charge **separate fees for excessive usage** of exchange systems (section 17 subparagraph 4 BörsG)
- Obligation to take suitable precautionary measures – **circuit breakers** (section 24 subparagraph 2a BörsG)
- Obligation to determine an appropriate **minimum tick size** (section 26b BörsG)

For further guidance

Questions on the HFT Act can be sent to the following email address:

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