



(Continued)

**Q: How long will high-speed trading rule the markets?** ? It doesn't really "rule" them at the moment, but it does account for about half of all U.S. market volume right now. If it is any comfort, the percentage of market activity conducted via algorithmic trading platforms declined by 10% in the current bull market (according to The Atlantic, it went from 61% in 2009 to 51% in 2012).<sup>3</sup>

**Q: What really goes on in dark pools?** For the uninitiated, dark pools are the private trading platforms maintained by banks. We can't see what goes on inside these private trading venues, as they aren't public exchanges like the NYSE or NASDAQ. The SEC is finally investigating them - its current chair, Mary Jo White, thinks they "risk seriously undermining" the credibility and validity of stock prices.<sup>4</sup>

Dark pools account for about 40% of equities trading in America, and they aren't policed nearly as much as the public exchanges. As there are 11 public stock exchanges in this country compared to 40+ dark pools, there seems to be a sizable amount of trading going on behind closed doors.<sup>4</sup>

Brad Katsuyama, the former Royal Bank of Canada trader who spearheaded the reform movement chronicled in Flash Boys, plans to introduce a pricing system that will let most banks and brokerages trade on the IEX platform for free - a move that might encourage them to get out of the dark pools (where they face no fees that they would ordinarily incur for trading on the public exchanges) and bring more of their trading into the light. But even IEX currently operates as a dark pool - though it plans to register with the Securities and Exchange Commission soon and become a full-fledged exchange - and its proposed pricing system would explicitly favor brokerages over individual investors.<sup>4</sup>

**Will trading ever truly be transparent?** It would be naïve to think so, but there is room for improvement. When even key players on Wall Street admit that they have been in the dark about trading mechanics (as Michael Lewis discovered in researching Flash Boys), something has to change and change soon.<sup>1</sup>

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

**Citations.**

1 - [tinyurl.com/kuah7pf](http://tinyurl.com/kuah7pf) [4/1/14]

2 - [nytimes.com/2014/04/08/business/argument-for-financial-transaction-tax-regains-footing.html](http://nytimes.com/2014/04/08/business/argument-for-financial-transaction-tax-regains-footing.html) [4/8/14]

3 - [theatlantic.com/business/archive/2014/04/everything-you-need-to-know-about-high-frequency-trading/360411/](http://theatlantic.com/business/archive/2014/04/everything-you-need-to-know-about-high-frequency-trading/360411/) [4/11/14]

4 - [tinyurl.com/lac32yy](http://tinyurl.com/lac32yy) [7/7/14]