

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

2014 - 2015

**Department/Agency: Australian Securities and Investments Commission**

**Question: BET 73**

**Topic: High-Frequency share traders**

**Reference: Hansard page no. 15 - 03 June 2015**

**Senator: Lambie, Jacqui**

**Question:**

Senator LAMBIE: Yes, I am on to that. I have also been informed that the companies which do high-frequency share trading make their money, effectively, by scamming and skimming profits—up to \$3 billion a year—from mum-and-dad investors of Australia. Is that accurate and correct?

Ms Armour: That has not been borne out by our studies. We have a report on that which we can make available to you. We are retesting that again and will have another report out in October.

Senator LAMBIE: How many high-frequency share traders are there in Australia?

Ms Armour: I cannot give you precise information on that. We will take it on notice.

**Answer:**

In considering high-frequency trading, we look at the behaviour of individual trading accounts that are active in the top 300 Australian listed securities by turnover. For each day of trading, we analyse which accounts are exhibiting HFT-like attributes based on the definition of the International Organization of Securities Commissions (IOSCO). In 2012, we estimated that there were between 40 and 70 trading accounts operating each day that traded in a HFT-like manner.<sup>1</sup> Our current estimates are around 25-35 accounts. They still account for around 27% of turnover in these securities.

It is difficult to measure the profits of these accounts as their trading strategies are often cross-asset class and cross-market. They are also impacted by volatility and market turnover. This is something our current review on high-frequency trading is looking at and it may form part of our report (expected to be published in October/ November 2015). Early indications are that any profits generated in our market are vastly smaller than the \$3 billion suggested.

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<sup>1</sup> See ASIC's 2013 report on Dark Liquidity and High-Frequency-Trading at <http://download.asic.gov.au/media/1344182/rep331-published-18-March-2013.pdf>