

Review

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Flash boys Flash boys is a publication of Michael Lewis that exposes high frequency traders (HFTs). It could not have come at a better time especially in the finance industry and has served as a wakeup call for the Feds to take action. When the book was launched in April last year, many regulatory agencies hurried to reveal that they had positioned themselves and were taking action. For the better part of last year, it seemed, the Justice Department, the exchange commission (SEC), the FBI as well as the Financial Industry Regulatory Authority launched investigations on exchanges and HFT firms for violations ranging from insider trading and breach of other wall street regulations.

Eric Schneiderman, the state attorney of New York claimed they were sending out subpoenas to exchanges so as to probe their dealings with the HFTs. Close scrutinizing of these types of relations is bound to follow, together with some new rules. Prosecutions may also be brought forth. Thus, pushback and outrage from Wall Street (referred to by Lewis as "shitstorm") recently has been inharmonious and it's not hard to see why. In any case, Lewis's argues that the stock market is being manipulated to favour front-running individuals; thus screwing other players with slower connections. Such an allegation is mostly threatening to the all-vital image of stock market as being transparent and open. Wall Street from time immemorial has always drawn more than its share fair of bandits and scammers. Lewis's argues that the present day exemplars are HFTs-who exploit technological armory of fiber optic cable, servers, as well as microwave communication towers to trade milliseconds before anyone else in the market.

Thus the moment an order is placed, it pings from one exchange to another, claiming a small number of shares at every stop searching for the best price

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till the completion of the order. However, the moment the order hits the 1st exchange, the HFTs notices it; and they consequently race ahead to other exchanges; buying the stock one wants to buy and then selling it back to you again, fractionally more than one expected to pay; all this within milliseconds and it occurs millions of times daily to millions of ordinary traders. Mr. Lewis writes that these minute but profitable trades add up to huge profits for companies such as Citadel and Getco and though he cannot place a hard number on this industry's size, he suggests that billions of dollars are involved(Lewis, 2014).

This therefore seems like the ancient Wall Street rip-off front-managing the market; that is because it exactly is. With the exception of the fact that in this case, it is completely legal. In fact, Mr. Lewis claims that strategies of HFTs were the unplanned result of well-meant regulation. Big businesses have recently started influencing the procedures of the exchanges that generally are dependent on them. Exchanges not only take fees from HFTs for them to access order flows, they also bend rules to favour the HFTs's bidding. The HFTs also wanted another decimal place included in the stock prices for example, so that they could mop up each thousandth of a penny whenever prices fluctuated. Something which the exchanges obliged. Mr. Lewis writes that by summer 2013, the global financial markets were planned to capitalize on the number of collisions between HFTs and ordinary investors-at ordinary investors' expense

Mr. Lewis therefore wants to claim, that the markets are not just outrageous, but also manipulated. The heroes of " Flash Boys" are clear: Mr. Katsuyama finally gathers a team of gifted nonconformists to build an HFT-proofed exchange called IEX, where any price is a price. Mr. Lewis thus provides <https://assignbuster.com/review-book-report-samples-3/>

readers with widespread insight on how his heroes view the market, however, the alleged criminals of the piece-HFTs-are silent in their own protection. Clearly, “Flash Boys” is an absolutely prejudiced book.

Works cited

Michael, Lewis. Flash Boys: A Wall Street Revolt. New York: W. W Norton Company, 2014.