
Insider information: An exploratory study of the ethicality of the high frequency trading industry

Daphne Sobolev

School of Management, University College London

Keywords

High frequency trading, insider information, electronic platform, ethics

Abstract

High frequency trading – the use of electronic platforms to enter orders to exchanges thousands of times a day – has raised numerous ethical questions. Thus, it has attracted the attention of regulators, the media, and the public. However, the ethical perceptions of HFT actors (traders, programmers and managers) have not been investigated. This study explores the way ethics affects the work and well-being of HFT actors (traders, programmers and managers) through the analysis of a series of thirty interviews. It reveals that regulations have a profound effect on HFT actors' practices. However, HFT actors hold a wide range of perceptions about the regulator and the law. Specifically, central regulations are considered to be unethical. Furthermore, there is a high variance in their judgment of the social contribution of HFT. The perception that HFT has a positive social contribution is associated with moral satisfaction, whereas the perception that it has a negative social contribution is related to emotional detachment, sense of meaninglessness, and turnover intent. Thus, the results emphasise the subjective, personal nature of the ethical judgments of HFT actors. Management applications are discussed.
