

Dear CAD colleagues,

For registration, please.

Regards,

[Redacted]

[Redacted]

Personal Assistant to the Director General

European Commission - DG MARKT

[Redacted]

B-1049 Brussels/Belgium

[Redacted]

From: FAULL Jonathan (MARKT)

Sent: Tuesday, December 04, 2012 5:25 PM

To: [Redacted] (MARKT)

Cc: [Redacted] (MARKT)

Subject: FW: High-frequency trading -- pathology and remedy

Pls reg

Jonathan

From: [Redacted] [[mailto:\[Redacted\]](mailto:[Redacted])]

Sent: Tuesday, December 04, 2012 5:05 PM
To: FAULL Jonathan (MARKT)
Cc: CALLEJA CRESPO Daniel (ENTR)
Subject: High-frequency trading -- pathology and remedy

Dear DG Faull,

I have just come from a meeting with DG Daniel Calleja, who is here in Washington to explore some aspects of a transatlantic agreement on regulation. [REDACTED] [REDACTED] [REDACTED], and I were appointees in the Bush Administration, but are now at the Regulatory Studies Center at George Washington University; he stopped by to consult with us.

Daniel thought you might be interested in a recent paper we filed with the SEC, regarding the inefficiencies associated with High-Frequency Trading in financial markets.

My sense is that European regulators are being more pro-active in dealing with this problem than their counterparts in the U.S., and that their instinct to impose some kind of brief delay is correct. However, a minimum exposure time is not the place to apply that remedy because it works to the advantage of competing trading venues that do not impose such a delay. The attached paper attempts to explain, in mostly plain language, why high-frequency trading is inefficient and destabilizing, and how it can be mitigated by using short, random, and encrypted delays *prior* to exposing an order to the market.

I hope the insights in the paper will prove useful as you explore these market-structure issues in Europe. In many ways you are better situated to make improvements on this front than are our SEC and CFTC. Please let me know if I can be of any further assistance.

[REDACTED]

Regulatory Studies Center

George Washington University

Washington, DC

