Submission on Proposals relating to Dark Liquidity and high-frequency trading.

The original purpose of a sharemarket was to connect companies needing capital with investors who were willing to invest capital and to supply a market mechanism for investors to trade their shares with other investors. Over the years traders have almost totally lost sight of this and converted the sharemarket into a casino where canny operators extract as much money as they can from the transactions between investors. In recent years this has reached the point where genuine long term investors are being discriminated against in the frenzy to make money.

With the advent of algorithmic trading, the old market rules that applied to investors appear to have have been completely thrown out by the traders and replaced with their own rules and systems which retail investors are effectively locked out of.

Trading was supposed to add depth and liquidity to the market, benefiting all market participants, however with more and more traders operating off market in dark pools, the spread, depth and liquidity is fast evaporating

Retail investors are required to buy and sell shares in marketable parcels of $500 minimum. Algorithmic traders buy and sell shares in batches that appear to have no minimum size. Retail investors are constrained to specific tick sizes. Traders can gazump retail investors by trading between tick sizes. Retail investors trade on the normal lit market. Traders have the option of trading outside of the normal market, so the retail investors do not have the option of buying their shares or selling to them.

All we are asking for is a level playing field where the same rules apply to investors and traders. While most of the proposals appear reasonable, there are still some areas where retail investors are being disadvantaged.

B1 Dark Pools – Minimum sizes
Dark pools were set up for large block trades so that these trades did not distort the market and affect the market price. I can see no reason at all why dark pools should be used for smaller volume trades.

C1 Crossing Systems
Crossed trades should be reported immediately on the relevant exchange and should form part of the course of sales for the day they are traded.

D1 Tick Sizes
Traders should be constrained to the same tick sizes as retail investors except for block trades of large parcels of shares where the price should be at the discretion of the participants in the trade.

Currently the tick size for share prices below 10c is 0.1c and for prices above 10c is 0.5c. This results in a comparatively very large tick from 10c to 10.5c which is a 5% price difference. The tick size of 0.1c should apply at least up to 20c, preferably up to 50c.

E1 Small and fleeting orders
Marketable parcel rules should apply equally to both traders and investors. The requirement for orders to remain in the market for half a second would be an improvement, 5 seconds would be better, at least then humans could have some chance of actually seeing the order.

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