

## Swissquote Conference 2014 on Algorithmic and High-Frequency Trading

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**Title: The Flash Crash: The Impact of High Frequency Trading on an Electronic Market**

**Abstract:** We present an empirical analysis of the Flash Crash - a systemic market event on May 6, 2010. The Flash Crash was blamed on high frequency traders (HFTs) - hyperactive trading algorithms operating inside automated markets. We use audit-trail data for the E-mini S&P 500 futures contract to show that HFTs did not cause the Flash Crash - a large sell program did - but exacerbated the price movement by absorbing immediacy ahead of others. We present novel findings on the trading behavior of HFTs as part of a market ecosystem and propose recommendations for making automated markets more resilient to large liquidity imbalances.