



Algorithmic and High-frequency Trading in Hong Kong's Equity Market:

Adoption, market impact and risk management

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What is the participation of algorithmic trading (AT) and high-frequency trading (HFT) in Hong Kong's equity market?

Is there any relationship between AT/HFT and market liquidity and volatility?

How do market participants in Hong Kong view AT/HFT adoption?

What is the role of market participants and regulators in overseeing AT/HFT activities?

Our research findings show that AT/HFT accounts for about **11% of all cash equity trades occurring on the Main Board**. This trading has remained **modest and stable** over the period between August 2018 and July 2020.

Our preliminary analysis suggests that a **higher level of AT/HFT activities is not associated with a deterioration of market liquidity or increased market volatility**. However, further research is needed to understand these complex relationships.

Survey respondents view that **AT/HFT technologies have provided benefits to adopters**. However, they also highlight that there are **challenges and risks to be monitored and managed**.

Market participants and exchanges have implemented measures to **mitigate the risks emerging from AT/HFT**, and regulators have **integrated the monitoring of AT/HFT into their supervisory frameworks**.

Find Out More



Contact us

Email: hkimr@hkma.gov.hk

Tel: +852 2878 1706

Website: <https://www.aof.org.hk/research/HKIMR>