SGX backs education drive in algo trading

NTU-SGX Centre for Financial Education to offer classes to traders, students and the public

By JAMIE LEE

THE Singapore Exchange (SGX) is pushing for more education in the area of algorithmic, or algo, trading – which makes up about 30 per cent of SGX’s derivatives trading volume now – with hopes that algo trading would expand into the equities space.

SGX has put its name behind a new institution based at the Nanyang Technological University (NTU), it announced yesterday.

Known as the NTU-SGX Centre for Financial Education, the centre offers three courses – each held over two days – to traders, students and the public, that look at the basics of algo design, as well as the designing and implementing of algo trading strategies.

The centre will be equipped with 80 terminals from Germany’s RTS Realtime Systems that allow algo trading, and receive real-time price feeds from SGX.

A joint announcement yesterday said the centre will offer its inaugural course in algo trading next month.

NTU declined to give the specific cost of the centre, but said it runs into millions of dollars.

Algo trading is a form of high-speed trading that relies on computer programming to determine the best time to execute a trade. This is sometimes referred to as “high frequency trading”.

Low Been Sin said the courses would help dispel a misconception that algo traders are linked to speculative trading.

“The sheer speed of such trading – which is thousands of times faster than the batting of an eyelid – has raised concerns over the last few years whether high-frequency traders can magnify a market selloff,” he added.

Questions also remain over whether high-frequency trading – which has been credited for reducing liquidity in the markets – should be regulated.

Director of the NTU-SGX Centre for Financial Education Low Been Sin said the classes would help to dispel the misconception that algo traders are linked to speculative trading.

Students of those courses would also look carefully into the “risk control aspects” of algo trading, he added.

Magnus Bocker, chief executive of SGX, said that algo traders create liquidity in the market, and thereby help to raise the pricing and valuations of companies listed here.

SGX is pushing ahead with more developments in the technology front that would help algo traders enter the equities trading segment as well, he added, and thereby help to aid the pricing and valuations of companies listed here.