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Volcker ruling will harm high frequency

High frequency traders, so precise by nature, seem unlikely victims of an untidy fate. Yet, many of these funds are expressing concerns that businesses could soon be impacted by the rather messy law of unintended consequences, as Paul Volcker's plan to scythe banks from prop desks eats into future funding.

At the Mankoff Company's, *Automated, High Frequency and Algorithmic Trading: Strategies for the Future of Trading* event in London last week, managers addressed these worries, with the drying up of the necessary levels of gearing forming the centre of their concerns.

Tushar Patel, managing director of Hedge Funds Investment Management (HFIM), a London-based funds of hedge funds, and a panelist at the conference, worried that Volcker's plan would, quite accidentally, "seriously impact traders."
"They might not be getting the leverage or access to funding from banks to the level they have been used to in the past," he feared.

And if Volker's plans are worrying, the threat is further compounded by an ongoing US Securities and Exchange Commission investigation into the space, as lawmakers question whether high-frequency benefits Wall Street, at the expense of Main Street. It's a conflagration of intended, and unintended, happenings that could hamper one of the sector's hottest strategies.