

Italy starts high frequency trading tax - on deals last...

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As the [FT reports this morning](#):

Italy will on Monday become the first country to introduce a tax on high-frequency trading in a move that has become a test case for potential further crackdowns on the controversial practice.

The Italian version explicitly focuses on high-frequency trading and derivatives, which are often used by corporations and banks to hedge against risk. The tax will also apply regardless of where the transaction is executed, or the country of residence of the counterparty.

For high-frequency traders, order changes and cancellations will be taxed at 0.02 per cent when they occur within a timeframe shorter than half a second, once above a threshold.

There are the usual howls of protest - including that claim that this will reduce liquidity in the market.

I wonder of those making the claim realise that reducing liquidity in the market is one of the aims of the tax? As 2008 proved, excess liquidity is not a good thing. The move is to be welcomed for exactly that reason.