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The dark side of liquidity: shedding light on dark pools' marketing and market-making

Andrea Lagna 🕩 & Marc Lenglet 🔀 🕩

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ABSTRACT

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No potential conflict of interest was reported by the authors.

Notes on contributors

Andrea Lagna is an assistant professor at the School of Business and Economics,

Loughborough University. He's currently conducting research on the management of

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@a_lagn

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2007-2008 financial crisis exposed significant weaknesses in the functioning of

financial markets in the United States and Europe. European policymakers tried to address such weaknesses when they began to discuss a revised version of MiFID (MiFID II) and the Market in Financial Instruments Regulation (MiFIR). The European Commission adopted MiFID II and MiFIR in June 2014. Both regulations became applicable as of January 2018 and introduced caps on the volume of trades that can be executed through dark pools (Hadfield 2017).

2 We use market-making in the wider sense of building financial markets. Hence, we do not intend to refer solely to the professional figure of the market-maker, namely the broker-dealer who guarantees to buy and sell securities at all times in order to keep markets liquid.

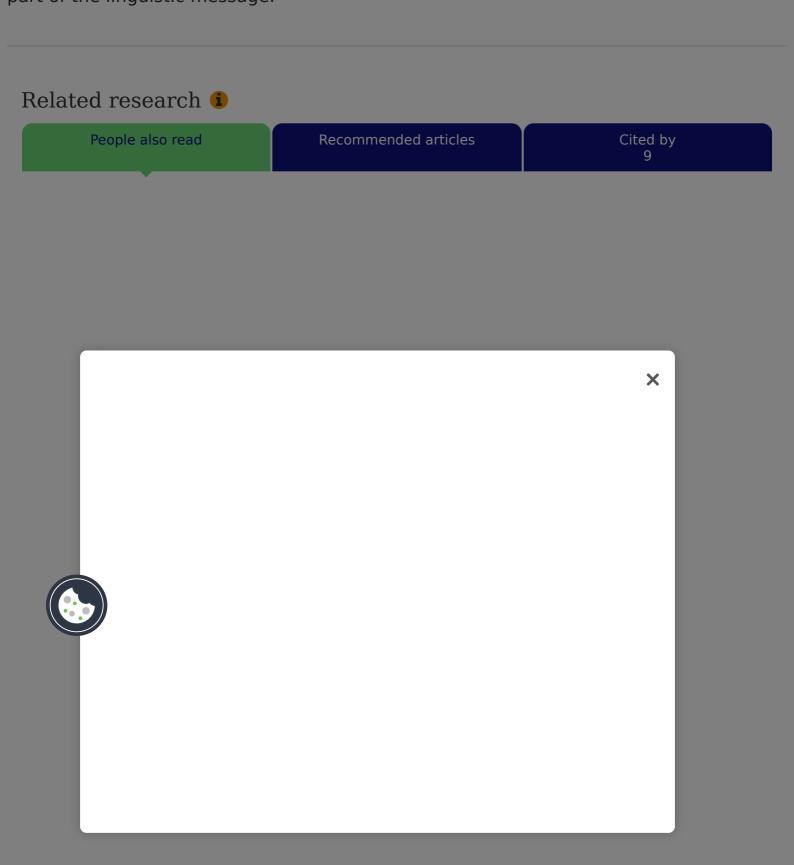
3 Investors use dark pools to trade company shares. However, several dark pools also offer dark-trading services for corporate bonds (Mooney <u>2015</u>).

4 For instance, if pension fund ABC wanted to buy 100,000 shares of company XYZ, other investors would surely notice such large order by a pension fund and rush to buy XYZ shares. Such action would move price upwards and ABC would end up buying part of those 100,000 shares at a higher price than expected. By executing the buy order through a dark pool, ABC is instead able to reduce the market impact of its trade (Banks 2014, 6).

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growing importance of visual practices and technologies goes beyond the realm of

- finance (Boxenbaum et al. 2018; Meyer et al. 2013).
- 7 See Sebeok (2001) for an introduction to semiotics as an academic discipline. See Beasley and Danesi (2002) for an overview on semiotics of advertising.
- 8 Barthes drew primarily on the Saussurean tradition of semiotics. For his understanding of semiotics, see Barthes (1957, 1964a, 1964b).
- 9 The octagon logo could also be seen as an iconic message. We prefer to analyze it as part of the linguistic message.



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