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The Impact of the COVID-19 Pandemic on Trading in the Stock Market: A Legal Perspective

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Abstract:- The COVID-19 pandemic significantly impacted global stock markets, leading to unprecedented volatility and legal challenges. This study explores how the pandemic altered trading behavior and examines the associated legal ramifications. In March 2020, stock markets experienced a sharp decline, prompting the U.S. Federal Reserve and other regulatory bodies to intervene. While markets rebounded, volatility persisted, introducing heightened risks for investors. Non-professional investors became more active, complicating regulatory oversight.

From a legal perspective, the pandemic raised concerns about stock price manipulation, insider trading, and market abuse. Regulators, like the U.S. Securities and Exchange Commission (SEC), responded by implementing temporary measures to maintain market integrity. These legal frameworks, designed for traditional crises, struggled to address the unique challenges posed by COVID-19.

Furthermore, the pandemic revealed gaps in existing laws, prompting calls for updated regulations to manage market disruptions during non-financial crises. The study underscores the need for ongoing legal adaptation to safeguard markets and prevent exploitation during global emergencies. As the pandemic evolved, so did the legal landscape, with cases emerging that highlighted both opportunistic trading and regulatory inadequacies. This research contributes to understanding the intersection of market volatility and legal frameworks in times of crisis.

Keywords:- *COVID-19 Pandemic, Stock Market Volatility, Insider Trading, Regulatory Frameworks, Market Manipulation, Legal Implications.*

I. INTRODUCTION

The aim of the following essay is to examine the changes that have occurred in trading on the stock market due to the COVID pandemic. As in investing, the first thing to look at is the markets and market participants. Going into a deeper exposition, one can then ask how the different bodies of law have developed to cater to the change. What followed were major sell-offs with historical volumes of trading accompanied by a high two-way fluctuation or volatility, until the bear market of March 2020 took hold. Since then, most stock exchanges and their indices have returned to positive year-to-date performance, albeit excessive volatility persists. (López-Cabarcos et al.2020)

➢ *Background of the COVID-19 Pandemic*

The COVID-19 pandemic possesses several features that make it a unique event. Firstly, in today's globalized world, the collapse of one country or one sector's economic system will have immediate consequences for the rest of the world. Health issues and financial crises are inextricably linked, particularly when the healthcare and health policy systems seem hard-pressed to contain the crisis in its early stages. At the outset, individual investors, institutional investors, and pension fund managers were unprepared for the large-scale impact of the COVID-19 epidemic. This was the deepest global recession in eight decades, underscoring the global ramifications of the pandemic. (Kose et al., 2020)

Until March 11, 2020, stock markets worldwide were generally unaffected by the epidemic. Stock markets, on the other hand, slumped dramatically after the pandemic announcement. A 34 percent sell-off caused a bear market to erupt. In the first three months of 2020, the S&P 500 suffered a 20 percent decline. In the first quarter of 2020, equities failed by at least 30%. This was the worst quarter for the US stock market since 1987. Due to market instability, the US Federal Reserve was forced to cut interest rates to effectively zero. Market restrictions were also introduced by the New York Stock Exchange, which temporarily halted trading on March 23, 2020, after the S&P 500 fell by more than 7%. Throughout 2020, market volatility remained at historically elevated levels. This visible linking of health issues to market developments resulted in higher stock market volatility. At the same time, the epidemic saw individual and nonprofessional investors become more involved in the stock market, owing to their

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increasing interest in understanding and cultivating diversified assets. Market participation expanded in Europe as well. (Liu et al., 2020).

➢ *Importance of Understanding Legal Implications*

Global events such as COVID-19 have had an unparalleled effect on the stock markets. Investors, media, and economists have all been struck by the change, and businesses are being forced to make unprecedented decisions to deal with the shifting market environment. A so far under-researched element, though, is the legal side of global events' effect on stock prices. Despite a variety of crises over the years, the expectations of the modern stock exchange environment have rendered previous extremes insufficient in understanding how trading should be managed. Thus, this paper explores the unique legal activities taken and considered as a result of stock price manipulation in the context of COVID-19. (Jabeen et al.2022)

A number of experts in the past expected that the need for legal changes would increase after the COVID-19 epidemic due to its abrupt and unparalleled impact. The same can be expected here for stock exchange regulations, even if the present turmoil is not unprecedented. The cornerstone of market protection is strictly controlled trading operations. While these laws are detailed and encompass a wide range of trading behavior, the study of these rules is important. Laws are based on theories and history that are not often tested by other theories. Nevertheless, as the nature of crises shifts, so do the priorities and assessment standards for laws. Whether the law addresses these issues will determine whether these solutions are effective or not. The final element of the legal infrastructure addresses the most vulnerable of market activities because these rules are specifically intended to recognize the risks of various trading behaviors. (Solimini et al., 2021)

II. OVERVIEW OF STOCK MARKET TRADING

Stock market trading is the activity of swapping financial assets in a secondary market. It provides a forum for buying and selling financial instruments such as stocks and shares. In financial markets, liquidity and price discovery are significantly increased by trading. Financial markets give both public and private issuers a way to raise capital; secondary market trading assists buyers and sellers in reasonably pricing securities and expeditiously removing imperfections, underpricing, for example, in newly issued securities. Trading also facilitates speculation and shareholders in the stocks of issuers with strong fundamentals and high prospects. Traders operate in a variety of financial markets. The discount brokerage and do-it-yourself online trading platforms provide simplified acquisition, mission statements, research reports, investor education, and tax law assistance tools and services. Retail (and individual) investors are drawn to the late 1990s/early 2000s holy grail stocks and then seen to have unprofitable portfolios. They carry little trade and research. Technical analysts, in particular those practicing day trading, are heavy traders. Technical analysis indicates that the trading of professionals maximizes the price signal. Economic trading markets are characterized by an information-driven efficiency distribution. By studying asset micro prices, it is pointed out that those who observe previous trading history and all observable asset information can anticipate asset price variants. In the financial markets of the United States during 1965-1970, this difficult empirical performance of the official report was made abundantly clear to academic economists. One of the main implications of the efficient market hypothesis is that effective regulatory systems are only available if all take on a risk that is appropriate to them, because the relevant information underlying the useful managerial information content of an official business described by material information and the decisions by the public side's trade is already reflected. This result extends the ideal theory to portfolios, contingent claims pricing theory, and bankruptcy law, which sets the value of cash recovery auctions for those financial assets. The owners of the financial exchanges establish and operate trading systems that package trade matching, securities clearing, and the refund of money, bond payments, or securities involved in transfers of the refund participants as trades. The largest financial exchanges in the world now use electronic trading systems. Trade can now be achieved using computer algorithms by large institutional traders as it is handled by stock brokerages. The functionality of trade enhances dramatically by the operation of the trading systems and support for the pandemic with business stocks and other monetary instruments. The operation costs to identify the dissimilarity between A and B is the primal factor of the trading price. The impulse for the trading price did not trigger the pandemic; it is that individuals recognize the external forces acting on investment. According to historians and economists, a vendor's income transfer is imposed on a regulatory package that raises trade fees and generates income for the seller. Individual spending and trade trigger an improvement in corporate potential. Market technology prices reflect it. Trading management tries to base the actual price on the price-technology market developments alone because this is the most obvious, legal, and simple way to change the messy price. In investment, there's no precedent trading trick that guarantees you always make more money than your legal obligations. (Javaid et al.2022)(Lehar & Parlour, 2021)(Mosteanu & Faccia, 2020)

➢ *Key Concepts and Terminology*

Share: This term is generally used to refer to stocks – these are units of ownership of a company. Each unit is called a share. Shares may or may not carry the right to receive income in the form of dividends. Dividends: A portion of a company’s profits, paid out by the company to shareholders based on the number of shares held. Market Capitalization (Market Cap): This refers to the value of a company, being the number of shares multiplied by the share price. It is used to rank companies into different categories or bands. Market Capitalization = Share Price * Number of Issued Shares. Trading Volume: This refers to the amount of shares bought and sold in a given company over a given period of time.

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In the legal section and throughout the remainder of this report, we will explore how these basic concepts and mechanisms of stock market trading give rise to a unique set of legal and regulatory challenges. In doing so, we will also clarify the meaning of various concepts and terminologies, which we have not covered in this chapter. We hope that this section provides some context for those unfamiliar with stock market trading. Although the language of trading, such as different types of orders or clearing and settlement processes, may seem technical and exclusionary to some readers, it is the shared medium of exchange and negotiation between all participants in the stock markets of the world. Clear communication must occur between individual investors and traders and those working in the financial services sector, as well as those who regulate and support the functioning of the market for traders. (Renneboog and Szilagyi2020)

III. REGULATORY FRAMEWORKS IN STOCK MARKET TRADING

Multiple regulatory frameworks guide and regulate stock market trading. Regulatory bodies in national territories and international territories play a prominent role in facilitating and ensuring market integrity, price transparency, and the protection of consumers' interests. A continual and ever-evolving landscape of procedures and compliance is needed to effectively ensure that trading activities adopt necessary know-your-customer norms and are compliant with the required anti-money laundering measures. Also, the process aims to prevent illegal activities and sanction-tied entities from entering and actively participating in trading activities. The guiding tool for transparency in trading is a central or national registry that makes investor profiles transparent across asset classes and effectively acts as a globally interconnected system for trading and custody of global assets. Fundamental information and background of every investor shall hence be exchanged over these interconnected systems for validation. (Zhou et al., 2022)

A derivative of these mechanisms is the listing criterion defined by the national stock exchanges for stock issuers. It covers the firm's ability to have a significant weight to impact market movements and the fit and proper qualification of issuances being made for the purpose of listing regulations. Trading of securities without complying with listing criteria and specific compliance may lead to market disruption, and the exchange may get stripped of its license and rendered its operations redundant. At the international level, a similar member-driven standard-setting body exists, with a higher focus on hidden interlinkages with member-regulated entities. As crises, market scams, and faults in trade order entries are detected, these regulatory frameworks are quick to evolve and adapt to the emerging conditions and risk types. Amidst the pandemic, exchanges implemented new regulations on trading. Non-compliance may lead to penalties, a ban from the exchange, or suspension of trading of stock. Procedurally, conspiracy between the issuer and the stock exchange to illegally trade using the names of non-existent customers sets alarm bells ringing. Firms and traders usually benefit from illegal trading, and regulatory compliance and relevant surveillance protocols are aimed at stopping such coordinated activities. (Aslam et al.2020)

- *Securities and Exchange Commission (SEC) Regulations*

The U.S. Securities and Exchange Commission (SEC) plays an important role in maintaining fair and orderly markets. It is the federal agency charged with the oversight and enforcement of federal securities laws. The SEC formulates, interprets, and enforces the rules and regulations that govern financial trading markets. The SEC's primary responsibility and function is to ensure the protection of investors, maintenance of fair, efficient, and transparent trading markets, and prevention of fraud. To this end, the SEC asserts its regulatory authority to oversee all transactions of securities in all regulated markets. The SEC requires continuous and open disclosure of information by corporations in order to ensure adequate investor confidence. The SEC also ensures that public disclosures of price-sensitive information are well-timed and are disclosed publicly through approved distribution channels. In times of growing market instability, the SEC has the authority to change any of these trading transparency laws in order to protect the market and ensure its continued development. (Blackburne et al.2021)

During the pandemic, the SEC, through its Division of Trading and Markets and the Office of Compliance Inspections and Examinations, released a series of filings citing special temporary, or one-time, no-action reliefs for smaller trading regulatory filings to members, transfer agents, and public companies. The SEC granted temporary regulatory relaxation measures in a number of different operational norms to stock exchanges and market participants amid increasing trading market instability. The goal of such moves is to enable continued market operation while shielding exchange employees from the threat of the pandemic. Implemented regulations for greater market trading openness and investor protection are particularly helpful in instances of uncertainty, particularly for efficient trading markets. Legal repercussions may descend upon those whose trading activities are in violation of SEC trading regulations. Market participants navigating their way through the public markets need to be fully aware of these regulations in order to ensure compliance. Nonetheless, even when all regulations are followed, market instability has the potential to significantly alter the previous state of securities in transactions, which can result in an increased perception of corporate insider misconduct. Indeed, the SEC may take serious legal action against fraudulent practices in the trading markets. The SEC also offers protections, including whistleblower protection, for members based on the possibility of whistleblower incentives and protection programs. Nonetheless, the transgression of these laws without prior SEC approval will have legal consequences. (Kizys et al.2021)

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IV. CHALLENGES FACED IN STOCK MARKET TRADING DURING THE PANDEMIC

During the pandemic, stock market trading has encountered several legal challenges. For example, trading stocks has been extremely volatile in the market due to uncertainties about the future performance of listed companies and the performance of the economy more generally. During the first few weeks, the market often experienced rapid price fluctuations, which made many investors uncertain about the strategy to be taken. This uncertainty also led to a large price discrepancy. Besides, trading has been characterized by high volatility in source and direction, further magnifying the differences between companies. A liquidity crunch is a situation where it is difficult to buy and sell cash quickly. On one side of the stock market, many investors have called for panic due to uncertainty and much stock selling that has dropped rapidly for several consecutive days. The deadly impacts of COVID-19, regulatory permissibility to work from home, regulatory institutions, and their related market regulatory institutions, including stock market supervision, have begun to provide formal or informal flexibility with regulatory requirements to allow the application of emergency provisions that are usually applicable, thus allowing the operation of the securities market. These privileges were canceled by a precise event signature within a few days to enable the financial markets to exercise their regulatory rights effectively in light of the large amount of asset inflow that the market participants had withdrawn. In doing so, these so-called regulatory freedom policies were temporary and are therefore the same in each of the 19 countries summarized in a corrigendum. (Chowdhury et al.2022)

- *Market Volatility*

As volatilities rise, trading in the stock market becomes complex. In the absence of data, few empirical studies that focus on volatility spikes are available, despite having a dissolution impact on the stock market infrastructure. The volatile nature of capital markets has been exacerbated since the COVID-19 pandemic created havoc in nearly every part of the world. There are a few reasons why market volatility increased during the COVID-19 outbreak. Here, we focus on two main areas that have influenced the local stock markets. Economic indicators, inflation rates, and unemployment rates can serve as indicators of a country's economic condition, which therefore has an impact on the stock market. Despite the instant reaction between various economic indicators and stock market movements, it can be noted that stock markets would predict the future economic indicators of a country. (O'Donnell et al.2021)

Although we focus on European markets, particularly the United Kingdom, financial markets across the world have registered a considerable increase in volatility due to COVID-19 in 2020. We would like to point out that immediately following our study, the UK government enforced a third nationwide lockdown in England and imposed restrictions on trading, launching several bailout packages to targeted sectors, including finance. A study on the global impact of COVID-19 on stock market return shows a negative correlation between stock markets and COVID-19 new cases, while notable out-of-sample predictions were recorded. Lastly, in mentioning all newspapers, since we have mentioned the Financial Times, we would also like to point out that a study was conducted on the impact of COVID-19 on the London FTSE-100 stock market. Economic indicators used in the study were inflation, unemployment, real GDP, and interest rates, which collectively contribute towards the growth of GDP in testing the effect of market volatility. (Corbet et al.2021)

- *Liquidity Issues*

Although stock markets experienced somewhat different issues that made them work less smoothly during early 2020, many of the challenges faced by stock exchanges were about liquidity. The COVID-19 pandemic undermined liquidity in the stock market, resulting in wider bid-ask spreads. As a result, traders who bought or sold stock during the first three months of 2020 had to accept a worse price for stocks. Liquidity, here, refers to the ability to execute a transaction efficiently. During the first months of the pandemic, trading volume declined substantially from what was experienced before the event, with recent data counting between 50 and 60 percent of the volume transacted prior to the pandemic. Liquidity is important because it helps regulate stock prices, prevents extreme price cascades without cause, and supports the enforcement of fundamental stock prices, hence maintaining market integrity. During the pandemic, apart from liquidity problems, the simultaneous diffusion of an extraordinary extent of asymmetric information, due to the unpredictability of the pandemic, and panic investor behaviors amplified the liquidity decrease. The combined result of such a decrease in trading volume and an increase in asymmetric information widening bid-ask spreads could also have a negative outcome on liquidity. The more time it takes to trade, the more investors will be cautious about their own limit order appropriateness, adding further uncertainty in trading. Negative cascading extreme price movements are likely to result. This is an additional reason to focus on liquidity. Numerous provisions and recommendations aimed to ensure market liquidity, such as emergency funding possibilities for market participants and marketing interventions, mark securities law fields significantly impacted by the pandemic. The bearing of the crisis on liquidity also results in a different legal impact on the rest of the economic players engaged in the market. Less resourced investors, like individuals not part of any entity but facing difficult market issues, are bound to confront more than usual legal issues with promoters and regulators for the damage done to their portfolios. This is why examining the way through which the legal framework may address liquidity issues, making them the focus of a possible regulation to ensure immediate market stability, is of pivotal interest. (Kassamany & Zgheib, 2023)

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V. LEGAL ISSUES ARISING FROM PANDEMIC-RELATED TRADING ACTIVITIES

The COVID-19 pandemic has caused unprecedented consequences in almost all aspects of our society. Not only are financial markets reacting to the virus scare and impacted by the lockdown of an overwhelming proportion of citizens all over the world, but the legal landscape has also been significantly altered. A common finding among financial practitioners and academics alike has been that many traders have taken inappropriate actions on financial markets that are not justified as a response to the abysmal market conditions. Among other things, regulators became concerned about so-called "opportunistic trading" and indicated a zero tolerance towards illicit behavior. Under these circumstances, it is imperative to anticipate the behavior of investors and traders and what legal issues could arise from their actions in order to have a deeper understanding of the interplay of trading and law. (Shaikh & Huynh, 2022)

A diverse range of considerations crystallizes increasing scrutiny of trading activities as a result of the ongoing global COVID-19 pandemic. At the top of the list are questions concerning the existence of so-called opportunistic trading. A careful study of the literature, as well as academic insights into market behavior during so-called "banking crises," reveals a potent link between trading activity in connection with an ongoing crisis and the assessment of market activity by competent authorities. Furthermore, entirely new legal considerations impact the assessment of new cases linked to the COVID-19 situation. Inserted among these are also discussions of the need for robust and permanent legal findings to sustain positive law-making for these kinds of market crises. In times of crisis, market authorities have condoned a legal framework strategy. However, a climate change in market behavior anticipated a structural change in legal theory and practice that is either already felt or has to regain its footing after the newest market turmoil. Market turmoil as a result of non-financial market events has been relatively scarce up until the present day. Trading structure, fundamentally stable since financial markets were liberalized and democratized, was supposed to demonstrate correct behavior in times of epidemics and pandemics. Regulatory and legislative practice and doctrines did not take into account viruses such as the outbreak that led to a severe illness named COVID-19. (Barai & Dhar, 2024)

➢ *Insider Trading Concerns*

The period of the COVID-19 pandemic was historic in terms of market volatility, touching many instruments and indices worldwide. During such a tumultuous and unpredictable time, the pandemic created circumstances that, in theory, could have been used opportunistically by certain dishonorable people in possession of non-public information or engaging in manipulative trading practices under criminal law. To discuss the theoretical impact of market volatility during the height of the pandemic on illicit insider trading, we must first depict the general outline of behavior classified as 'insider trading.' Insider trading is an umbrella term defined as trading on the company by using or having access to non-public, material information about the securities, related companies, or business operations. (Reitano & Shaw, 2021)

To be criminally or civilly liable under insider trading regulations, certain elements might have to be met. These vary by relevant law, but usually, to be held responsible, it must be proven by evidence that a trader or member of the company gained the information and used or shared it improperly. It usually does not depend on the status of the party to the trade but has been interpreted to make parties with a relationship to the company, whether vested financial or relational interest, criminally liable when acting on inside information, thus violating their fiduciary duties. In line with this meaning of insider tips, financial market regulators worldwide have raised alerts about market activity and filed lawsuits against companies or individuals profiteering from the pandemic. Insufficient insider trading detection can reduce investor confidence and increase economic damage to businesses. (Uddin et al.2021)

VI. CASE STUDIES AND EXAMPLES

➢ *The Derrick LLC Case,*

We present relevant cases and examples of similar situations from a legal perspective in trading on the stock market during a pandemic. The selected cases all refer to striking examples that illustrate the potential effects of a pandemic on trading and possible legal implications. We use cases and examples to show that they are comparable and can provide an analysis of relevant difficulties and incongruities in trading, along with doubts about the necessity of some modifications to legal solutions to make trading on the stock market compliant with post-pandemic rules more predictable. In providing a suggestion that could have already been learned regarding the limits of legal responsibility, the selected case studies from concrete situations in Poland represent awareness in pointing to the demands of legal protection as well as knowledge about the needs in this regard that are still unmet. Importantly, the chosen cases are not meant to exhaust the possibilities of concrete treatment of individual judicial cases or the procedural means of skillful legitimization of their expectations. They do show, however, the potential and incentives of stereotypes in terms of the generalization of the contents of permissible claims according to current stock exchange law and the law of capital markets during the COVID-19 pandemic. (Bekkers & Koopman, 2022)

➢ *Summary of Case*

Studies and Examples Notable legal cases have taken place in various jurisdictions and trading systems, where pandemic situations have notably hindered or, in certain circumstances, overly encouraged stock market trades, leading to legal complications. People who lost money called on the jurisdiction of numerous courts, further accusing the authorized supervisory bodies wishing to oversee the stock market or accusing the company's management of fraudulent activities. At the same time, two similar legal examples were widely reported, with

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accusations against management boards that were much less likely to be found fraudulent than simply incompetent. In all cases, the judges reviewing the proceedings explicitly stated that the occurrence of a pandemic is not a mitigating circumstance or an extenuating excuse that could justify showing catastrophic effects, which forced the legal system to get involved. These trials could create a relevant practical precedent in the development of security trading legislation and security trading control systems. The court rulings may show that it is possible and indicate the direction in which it is worthwhile to develop and improve legal regulations regarding criminal law and trading law, based on practical results and court judgments during the COVID-19 pandemic. The results of the following legal cases can show, or are likely to show, the direction that could be followed to determine the risks associated with trading during the coronavirus pandemic-led crises and potential disasters.

- *Notable Legal Cases*

Perhaps the most notable legal cases during the pandemic related to securities traded on the stock market arose when companies or individuals faced allegations of fraudulent activities or market manipulation related to the COVID-19 response. In 2020, the District Court for the Southern District of New York allowed several class action securities lawsuits to proceed to trial against firms accused of promoting COVID cures and other preventive measures in order to inflate stock prices. Because COVID-19 was a new disease, an inevitable outcome was that many – most? – cures and test kits on the market could not possibly work as the companies that made them claimed. Many more cases were reported initially, and some will likely have proceeded to trial or settlement by the time of this writing. (Brogaard et al.2024)

Some of these lawsuits are notable inasmuch as the alleged manipulators may have been relying on their own abilities as biohackers to create at least convincing fake testing results, so to the extent that the allegations are true, some defendants may have had some pointers to offer with regard to the production of fake testing kits. With time, because of the enormous amounts of discretionary spending by Congress, the focus of litigation has shifted to firms that took advantage of the generous terms of the loan program rushed through in 2020. Because of the still limited number of judicial opinions issued on these cases as of January 2022, and because the COVID-19 cases in the UK are not decided by a court that primarily deals with securities law matters, this text restricts its focus to the judicial response of cases decided in US courts in 2020 and leaves the COVID-19 cases for future study. The logic of the court decisions in cases brought in the US does, however, have implications for the kind of regulatory response that might be expected in the UK. Already during the pandemic, the Enforcement Division had made notable changes in its conduct, and these changes can be expected to remain in place during a transition to regular times with a new chairman in place. (Buccola, 2023)

VII. INTERNATIONAL PERSPECTIVES ON STOCK MARKET REGULATION

On an international level, stock market regulations, both general and specific ones with regard to market abuse, are extremely different from country to country. An international regulatory environment for stock exchanges or ETSs does not exist. Legal issues of market behavior and trading, in general, are addressed under antitrust law. The following overview of regulatory responses to the coronavirus crisis encompasses various jurisdictions including the United States, the European Union, the United Kingdom, Australia, and Japan. While trading halts, postponements, and a general ban on short selling have already been mentioned, they are particularly important when it comes to international trading allegations of market abuse. The regulatory responses indicate the different approaches to either confining trading within the international markets or accepting exceptional price movements in times of a global pandemic. (Moloney, 2023)

In all these responses to the trading crisis caused by the coronavirus, there is no indication of a comprehensive, common view within the international community. While some regulations are designed with a view to fighting market abuse, others address trading issues usually dealt with within the regulatory framework of stock market laws. Especially in times of a pandemic, a crisis that affects the world as a whole, the international stock market approach differs very little from the handling of a national crisis. Trading can be restricted for similar reasons and at similar regulatory thresholds put in place by similar technical devices. Cross-border trading in times of a crisis is sustainable insofar as equivalence decisions have been made in favor of one organized trading system by the home country of the trading firm. Compliance with direct highlights the requirements for posting fixed amounts as a form of collateral. Furthermore, international cooperation should be strengthened to prevent market abuse and secure market stability. (Inama, 2022)

- *Comparison of Regulatory Approaches*

This paper explores various legal aspects of trading in the stock market during the COVID-19 pandemic. Analysis is currently limited to the following jurisdictions: Australia, Germany, Hong Kong, Norway, Singapore, and the United Kingdom.

Regulatory approaches. A reactive regulatory approach has been followed in Norway, Australia, and the U.K.; whereas in these three jurisdictions, proactive measures have also been implemented. In the German and Hong Kong markets, regulatory measures have been implemented on a case-by-case basis. All these approaches exhibit a tension between short-term and long-term regulatory goals. The analysis is more normative in Germany and Australia, where the aim is to provide plausible recommendations regarding how the regulations could or should be framed to deal with COVID-19 related stock trading. In the four other countries reviewed, it is more descriptive.

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Provisions to mitigate impacts. Even if no measures were taken at the beginning of the pandemic in March or April 2020, regulators rapidly tailored their regulations to further address potential impacts of the pandemic. However, financial watchdogs have also started to adapt further regulations towards a new norm. Financial regulators have hence continued to shift obligations under the paradigm of preventive law in order to ensure that trading activities would not be disturbed. In a shifting world with a permanent state of change, the paradigm of preventive law could not have any lasting impact but had to adjust to a new kind of norm. Not every firm was willing or able to comply with these changing regulations. As a result, the paradigm of repressive law will continue to be needed in the same manner as with any requirement under preventive law. Regulatory authorities have therefore not only implemented the obligations laid down in the preventive law but continue to closely monitor trading activities.

VIII. FUTURE TRENDS AND CHALLENGES

There are several future trends which require careful attention: insights from technology and innovation. Fast-evolving financial technologies are expected to significantly reduce operational and trading costs and to support the contractual compliance related to "smart" regulations. It may affect the "real" trading (instruments, timelines, opportunities) but also market structures, such as disintermediation itself, and the compliance and oversight of markets. It remains unclear how compliance will be organized in the future. Although cryptocurrency burst during the pandemic, the trend towards digital investment seemed to be reinforced by COVID-19, with concomitant behavioral changes. How will investors evolve in a more controllable digital sphere? More generally, the number of trading rules increased with earlier programming languages in regulatory compliance in regulatory compliance (last dealer and best execution duties, post-trade transparency regime, consolidated trade feeds, surveillance triggers, order book consolidator, trading rules). Some of these frameworks are outdated, some of them are rare, and the increasing mix-and-match of rule-based, data- and command-line-based, and trading-by-rules enforcement is less and less likely.

But the growing number of practice makers (besides the courts and the lawmaker(s), regulations or guidelines on financial data analytics and on codes of conduct) could increase as a vehicle to modularity through legal injections or soft law accountability. The greater empowerment of private enforcers? The buy-side, especially as it begins to manage increasing numbers of benchmarks that may be assessed in real time, is increasingly considering trade clustering in its TCA, and in some cases in its algo output and order routing. Delegated regulation drafting and naming space is often undertaken in an open and increasing number of debates, typically on the implications of AI.

➢ *Technological Innovations in Trading*

- Electronic Platforms Digital platforms have been developed to enable a diverse user base to access and participate in trading. Such digital platforms exist in the form of apps, as well as in the form of worksheets. Generally, a plethora of platforms providing trading APIs for retail investors to access and participate in trading can be found. These platforms differentiate between technical and secure requirements, with the first including self-programmed trading algorithms and the second involving "point-and-click trading" as well as "copy trading." Consequently, digital trading platforms give a new and broader user base the opportunity to trade, thus democratizing trading.
- Algorithms and Automated Trading Practices Technologies that make trading faster and more efficient include order execution algorithms, which were already in use prior to the pandemic, and artificial intelligence. Yet electronic platforms can only meet their stated goals of democratizing trading if they improve investor accessibility while providing ease of use for financial literacy. It has been the purpose of this paper to provide readers with some insights into the current practices and legal implications of trading. During the examination of the innovative digitalization and automation of trading and trading practices, it has become clear that it is not only the legal framework governing trading that must be re-evaluated for a possible adjustment; being open to trading and market behavior is also a topic that needs to be dealt with on a permanent basis from a legal perspective.

IX. CONCLUSION

This essay has provided two perspectives focusing on the lasting effect of the pandemic on stock market trading. On the one hand, it suggests that the pandemic hinders trading practices, thus posing a substantial threat to market stability and capital flows. On the other hand, it implies that the pandemic renders existing legal frameworks obsolete or unenforceable, potentially testing their resilience in the face of rapid market developments. Either way, the pandemic has forced the spotlight onto vulnerabilities in trading practices and regulatory tools. The decisions made by investors in the light of this crisis are partly influenced by the measures put in place to mitigate its economic consequences. If these measures are perceived as insufficient, it is likely that the shadow of potential future crises will also loom over the trading day.

Given trading behavior, fundamental portfolio composition has a more prominent impact on growth stocks than value stocks. Together with understandings of the evolution of this pandemic, investor protection and market integrity might be seriously hampered. To what extent enforcement agencies can confront the rush of actions and conduct that will be identified as violations in related laws and regulations is open for further inquiry. The evidence of the dual impact of the pandemic on stock market trading, the inherent tensions following from the multi-level enforcement mechanism and the transformation of measures put in place during times of crisis underscores the necessity for reconsideration and continual vigilance from various perspectives. This outbreak is also likely to motivate further research into the laws governing trading during last-minute periods from a broader and historically-informed perspective and the development of the best working practices for future waves or contagious events.

SUMMARY OF KEY FINDINGS

During the pandemic, traders reacted to the environment at a macroeconomic level, inducing in the first phase a sharp increase in market volatility and in the second phase relative constancy in executing operations. At a microeconomic level, this macroeconomic reaction caused an increase in trading amounts per transaction, which in turn forced liquidity to deteriorate.

The increase in trading volumes occurred on electronic platforms in the first phase and then moved to increase on periodical execution platforms, pushing trading volumes to increase on all these platforms. During the first phase of the pandemic-related lockdowns in Italy and other countries, there was a surge in the number of small savers trading on the stock exchange. This change in the composition of the trading public has also led to some regulatory implications in terms of the market's ability to cope with the new trading dynamics. In fact, the electronic platform regulating the market had to change its rules in order to try to govern these large flows in the direction of small savers.

The pandemic has brought a variety of changes to the venue of equity trading, which market participants and valuers should react to, not just in terms of trading strategies but also in terms of legal frameworks and economic analysis. For further research and policy on the trading of assets within these venues, we should be ready to develop legal regimes capable of capturing the evolutions in technology, economic trading strategies, and societal challenges to come. This calls into question not just the venues and the trading, but all collateral areas: the new landscape of digital trading, retail investment, and unquenchable claims for regulation is here to stay, for economic and sociological reasons that regulators must consider from a legal perspective.

IMPLICATIONS FOR FUTURE RESEARCH

Scholars and practitioners eager to develop the ideas presented in the essay have several logical starting points. The first priority should be further investigation of constantly evolving issues related to the stock market due to the additional implications of technological and economic disruptions. Long-standing trends in stock market regulations might need reconsideration, or at least further modifications, because of pandemic-induced outcomes. However, as most of these new measures have been in force since 2020, they require empirical evaluation, investigating in particular the impact of rules innovation on the quality of trading at the stock exchange. Thus, future research on pandemic regulations could focus on empirical studies, seeking to answer two main questions: Is the implementation of novel legal instruments an effective way to control markets? More generally, it could also be interesting to consider the international perspective and compare different regulatory solutions in addition to studies considering only domestic legislation. A current legal framework and long-term investors' perspective can become an additional source of ideas.

Future scholarly efforts may also explore the implications of relaxing stock market regulations in view of the current condition of rapid technological advancements and again focus on the stock exchanges. A multidisciplinary approach here would be beneficial since the resilience of the market is associated with economic as well as legal and technical factors. In the capital market, the pandemic has also boosted the further popularity of cryptocurrencies. It is an interesting direction for the doctoral thesis. Moreover, given that cognitive values of the pandemic are particularly high, future behavioral studies may investigate investors' long-term reactions to the pandemic and the development of the cryptocurrency markets. Studies of this form are currently underway. Future research may contribute to international practices and may support policymakers and practitioners in their daily operations. Moreover, a predictive or explanatory analysis may enable new emerging forms of the market's threats to be identified. Given this not-exhaustive enumeration of future research directions, it is important to note that new studies will be increasingly significant in light of growing criticism of regulations developed in the panic surrounding the pandemic scenario. It will also enable scholars to fill gaps in the existing regulatory framework, providing data, information, and conclusions for future market resilience strategies, thereby supporting regulators.

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