What Is Wash Trading?

Wash Trading

Wash trading occurs when a buyer and seller collude to mislead the market and artificially inflate the value of a security without incurring any actual risk or changing the traders' positions. The buyer and seller essentially send the security and cash back and forth, but only the initial sale is publicly reported, with the second exchange where the security and money are returned to their original owners happening surreptitiously. Wash trading was first banned by the federal government by the Commodity Exchange Act in 1936, but it has come under recent scrutiny again following the advent of high-frequency trading.

Related Capabilities

- Capital Markets
- Securities, M&A & Corporate Governance Litigation
- Cryptocurrencies, Digital Assets & Blockchain Technology