Trading glitches Wednesday morning threw stock exchanges into a tizzy, the latest in a series of problems that have raised fundamental questions about the integrity of U.S. financial markets.

A huge surge in buy and sell orders after the opening bell struck nearly 150 stocks, prompting exchanges to halt trading and regulators to launch investigations. Such high-profile technical problems have become more common as investors have grown more reliant on high-speed trading platforms.

Wednesday’s fiasco followed the bungled Facebook initial public offering in May, irregular trading in blue-chip stocks such as Apple and the “flash crash” of May 2010, when the Dow Jones industrial average fell nearly 1,000 points in minutes before it regained most of those losses.

Congress has debated whether the government should step in to shore up the system, but the Securities and Exchange Commission has assured lawmakers that safety mechanisms instituted since the flash crash have been working.

The most recent problems have renewed concerns about whether those safeguards are sufficient.

Officials at the New York Stock Exchange traced Wednesday’s activity to a large trading firm called Knight Capital Group in New Jersey. The firm said in a statement that “a technology issue occurred” in one of its units that uses algorithms to trade shares.

Knight told clients to route orders elsewhere as it investigated the problem.

Spokeswoman Kara Fitzsimmons said Knight is continuing to review its procedures. Likewise, the NYSE said it is reviewing “irregular trading” and will “provide updates” on its investigation.

For its part, SEC spokesman Kevin Callahan said the agency is “closely monitoring the situation and [is] in continuous contact with the NYSE and other market participants.”

Although the price swings caused concern, they did not create a broad upheaval in the markets as volatility controls kicked in to halt some trades. That circuit breaker was put in place by the SEC after the flash crash to prevent widespread calamity.

Larry Harris, a former SEC chief economist, credited the circuit breaker with containing the fallout, but he said it would be better if regulators could isolate problems without disrupting the markets.

“If orders are being spit out in ways that appear anomalous, and that’s easy enough to figure out, then we should stop those orders at the source,” said Harris, a finance professor at the University of Southern California’s Marshall School of Business in Los Angeles. “We want to stop the offending orders, not all trading.”

He recommended that proprietary traders start monitoring anomalous patterns in stock orders on a regular basis, just as they do when “trying to identify patterns in stock prices and volumes.”

Opponents of electronic trading contend that the model is irreparably flawed. The stock market will be susceptible to continued problems as more firms adopt electronic trading platforms, these critics say.

“When you rely on computers as delivery systems for order flow, this stuff is going to happen,” said veteran trader Ted Weisberg, president of Seaport Securities in New York. “The winners are the people with the fastest computers, but the losers are everyone that looks to the equity markets for some sort of transparency and credibility.”

Finding alternatives to the current system, Weisberg said, is the best way to prevent problems.

Trading hiccups have plagued a number of companies in recent months. Nasdaq, for instance, experienced technical difficulties in handling Facebook's initial public offering in May, and the exchange compensated investors for delays that marred the social network's market debut.

In light of that glitch, the House Financial Services Committee held a hearing on high-frequency trading and the rise of "dark pools," which move the trading of securities onto private, lightly regulated platforms. Lawmakers and market experts discussed holding exchanges liable for technical difficulties and improving coordination among trading firms to prevent problems from mushrooming.

**Rep. John Campbell (R-Calif.)**, a member of the committee, said Wednesday that he is not ready to prescribe solutions but that the government needs to continue investigating market hiccups, especially involving high-frequency trades. **"Trades that happen in milliseconds are not good for transparency in the market," Campbell said. "People who are for them would say it creates all of this liquidity, but you have average people leaving the public markets because they don't trust what's going on.**
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