



European Securities and
Markets Authority

Reporting of circuit breakers' parameters by NCAs to ESMA

Procedure / Policy

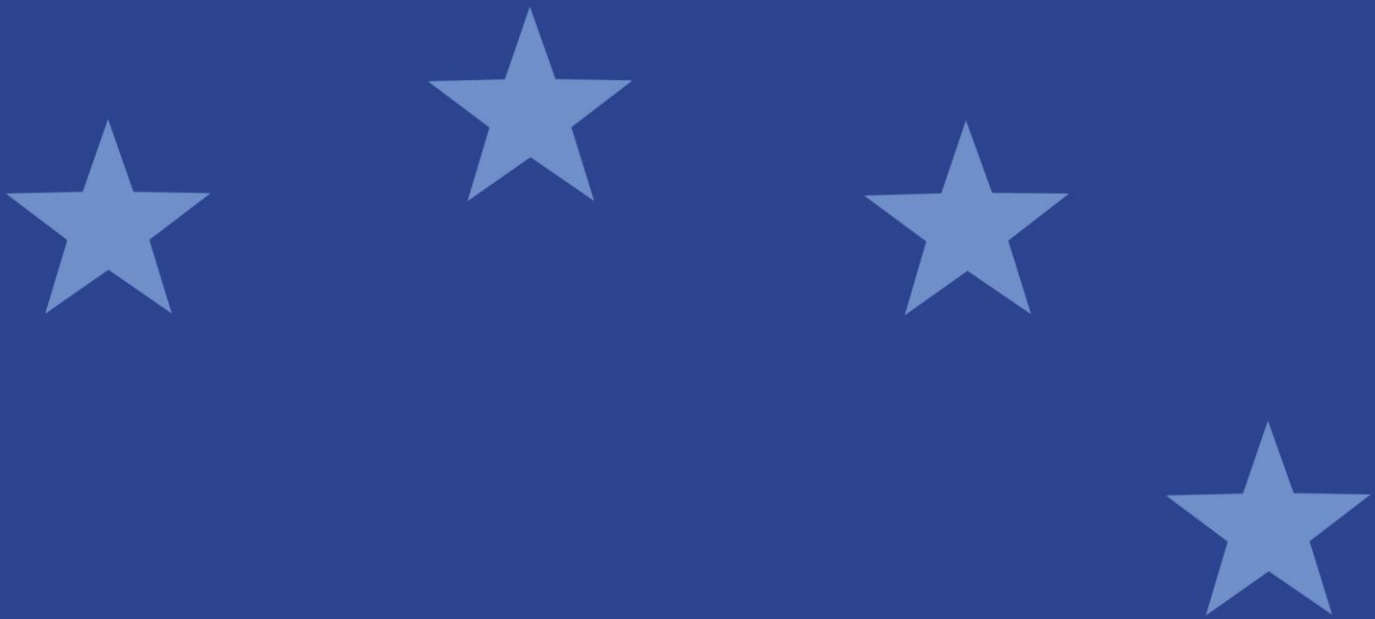


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Introduction

The second paragraph of Article 48(5) of Directive 2014/65/EU (MiFID II) determines that trading venues shall report the parameters for halting trading and any material changes to those parameters to their national competent authority (NCA) in a consistent and comparable manner, and that the NCA shall in turn report them to ESMA.

The Guidelines on the calibration of circuit breakers and publication of trading halts under MiFID II (ESMA70-872942901-63) were published by ESMA on 6 April 2017. These Guidelines apply to trading venues that allow or enable algorithmic trading on their systems and to NCAs.

The Final Report to the aforementioned Guidelines established the template and procedure for the submission of the parameters of mechanisms to halt or constrain trading. It has been decided though not to include these reporting standards and procedure into the Guidelines and rather have them in an ESMA procedure to be approved by the Board. ESMA took advantage of the Consultation Paper for the Guidelines to consult on those reporting standards and procedures and they were broadly supported by respondents.

This document formalises a common standard and procedure for NCAs to adhere to in reporting the parameters to halt or constrain trading used by the trading venues under their jurisdiction to ESMA, without prejudice to the possibility for NCAs to require those trading venues to report to them the parameters using a different and, where appropriate, more granular format.

These common reporting standards aim to ensure consistency and comparability of the reported parameters.

The intended recipients of this document are NCAs.

Purpose and scope

This document sets out a procedure and a harmonised format to be used by NCAs in reporting the parameters to halt or constrain trading used by the trading venues under their jurisdiction to ESMA.

Legal basis

Article 48(5) of MiFID II provides that “*Member States shall require a regulated market to be able to temporarily halt or constrain trading if there is a significant price movement in a financial instrument on that market or a related market during a short period and, in exceptional cases, to be able to cancel, vary or correct any transaction*”.

The second paragraph of Article 48(5) of MiFID II establishes that “*Member States shall ensure that a regulated market reports the parameters for halting trading and any material changes to*



those parameters to the competent authority in a consistent and comparable manner, and that the competent authority shall in turn report them to ESMA”.

Whereas there is no legal mandate to determine the format of those reports, it is necessary to specify the format of those submissions to ensure consistency and comparability of those notifications.

Definitions

| | |
|------------------|---|
| Circuit breakers | Mechanisms to be set in place by trading venues in accordance with Article 48(5) of MiFID to temporarily halt or constrain trading if there is a significant price movement in a financial instrument. |
| Trading halts | <p>Trading halts include the following types of mechanisms:</p> <ul style="list-style-type: none">• Mechanisms that interrupt continuous trading, including:<ul style="list-style-type: none">○ Mechanisms whereby trading stops on a certain security for a certain time period, on which no trades are executed and no new prices are determined; and○ Mechanisms whereby trading switches from continuous trading to a call auction. This can take place following a trade or following the introduction of an order that would result in a trade outside the static price ranges pre-determined by the trading venue.• mechanisms that extend the period of scheduled or unscheduled call auctions in case of price divergence with respect to a pre-defined reference price at the end of the auction. |
| NCA | National Competent Authority, or the authority designated by each Member State in accordance with Article 67 of MiFID II |
| CDR | Commission Delegated Regulation |
| SMSC | Secondary Markets Standing Committee |
| BoS | Board of Supervisors |
| ESMA Regulation | Regulation (EU) No 1095/2010 establishing a European Supervisory Authority (European Securities Markets Authority) |

Reporting of circuit breakers' parameters from NCAs to ESMA

In accordance with the second paragraph of Article 48(5) of MiFID II, NCAs shall communicate the parameters for halting or constraining trading (and any changes to those parameters) used by the trading venues under their jurisdiction to ESMA at least annually and in accordance with the predefined reporting template below.

In particular, NCAs should ensure that the following items are covered in their report to ESMA:

- **Instrument or class of financial instrument:** Reports should describe the parameters for each class of financial instruments based on the CIF code (ISO 10962) where the same parameters are used. Reports should only be provided on a per instrument basis where a report at a less granular level would be inappropriate.
- **General description of the volatility mechanism:** Information should be provided about the types of mechanisms applied in the trading venues' trading systems and a general description of how the mechanisms operate.
- **Dynamic / static:** It should be specified whether the trading venue for which a report is submitted uses a static (opening price, closing price, intraday reference or other) or dynamic (last traded price, potential execution price or other) reference price.
- **Reference price:** Reports should describe the reference price that activates the mechanism of management volatility. Where an external reference price is used (e.g. reference price from other trading venue trading the same instrument or other), this should be flagged in the report.
- **Thresholds:** Both the lower limits and upper limits (if at all) for activation of trading halts should be reported. The limits should be expressed in percentage (e.g. a variation of +/- 5% from the reference price).
- **Frequency of updates:** Where the mechanism used by trading venues is subject to regular updates, the report should include the frequency of those updates (intra-day, inter-day, weekly, monthly...).
- **Duration of the halts:** Where an automatic trading halt remains in effect for a pre-set amount of time, this information should be provided in the report, including the randomisation parameters.
- **Mechanism employed in resuming the market:** Reports should include a description of mechanism used to resume trading. In particular, where a continuous trading session is interrupted through a trading halt and the resumption of the market occurs through

an auction process, the details of such a mechanism (e.g. duration, randomised or not, etc.) should be provided.

More detailed guidance can be found in the template itself, where specific data validation rules have been embedded and all fields benefit from an explanatory note.

NCAAs should ensure that trading venues submit a report to them by 15 January every year (however, the first report should be submitted by 15 June 2018), on the parameters being used to halt or constrain trading at the first trading day of a year, so as to enable verification and update of the data held by the NCAAs and ESMA. Trading venues should, during the course of the year, send an update if they introduce material changes to any of the parameters mentioned above.

Changes limited to adjustments of the thresholds used should not be considered as material for this purpose and new reports should only be sent in case of amendments which significantly affect the functioning and overall structure of the mechanism in place.

Template for reporting trading halt parameters to ESMA¹

| VH Identification variables (levels) | | | | | | | | VH Information variables | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------|-------------------------|--------------------------|-------------|--------------------------------|--|----------------|--|--------------------------|---------------------------------|---------------------------------------|---|--|---------------------|--|----------------------|--|---|----------------------|--|----------------------|--|--|---|---|--|-----------------------------|--|---|----------------------------|--|
| Operating MIC code | Market segment MIC code | Trading venue | Market type | Class of financial instruments | Specific instruments | Trading period | Trading period (if Other) | Other relevant details | Type of trading system | General description of the mechanisms | In which market direction(s) can a trading halt be triggered? | Static reference price(s) used(*) | Static threshold(*) | Dynamic reference price(s) used(*) | Dynamic threshold(*) | Absolute thresholds, only if price variations cannot be expressed as percentage of a reference price (*) | Any other trigger mechanisms(*) | Frequency of updates | Frequency of updates (if Other) | Thresholds disclosed | Mechanism to extend volatility interruption | VH mechanisms for periods of unusual market conditions | For each threshold, minimum duration in seconds (with out extensions) | For each threshold, maximum duration in seconds (with out extensions) | Possibility for trading to be suspended for the rest of the day? | Mechanism to resume trading | Mechanism to resume trading (if Other) | Number of times the VH mechanism was triggered over the last year | Other relevant information | |
| ABCD | ABC1 | The ABC D Stock Exchange | Cash | ESXX UX | All ordinary shares with fixed rate income | Other | Trading period other than those provided in the list ... | | For example Millennium Exchange | Please elaborate | Both | Report as many as there are in place (e.g. last auction price) | 2.5 | Report as many as there are in place (e.g. last trade price) | 1.25 | For example, a VH mechanism triggered for a price absolute variation of EUR 0.10 | For example, a derivative halted because the underlying is halted | Daily | Frequency other than those provided in the list... | Yes | For example, first extension automatic following ones triggered manually | For example, special mechanisms for periods of high volatilities | 120 | 150 | No | Auction | Mechanism other than those provided in the list... | 9999 | 9999 | |
| ABCD | ABC1 | The ABC D Stock Exchange | Cash | ESXX UX | All ordinary shares with fixed rate income | Auction | Trading period other than those provided in the list ... | | For example Millennium Exchange | Please elaborate | Both | Report as many as there are in place | 5 | Report as many as there are in place | 2.5 | For example, a VH mechanism triggered for a price | For example, a derivative halted because the underlying is halted | Daily | Frequency other than those provided in the list... | Yes | For example, first extension automatic following | For example, special mechanisms for periods of high | 240 | 300 | No | Auction | Mechanism other than those provided in the list... | 1234 | 56789 | |

¹ Downloadable version available in https://www.esma.europa.eu/sites/default/files/library/template_trading_halt_parameters_0.xlsx

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|-------|-------|--------------------------|-------------|---------|------|------------|--|--|----------------------------------|------------------|----------|--|---------------------------|--|-------------------------|--|---|------------|--|-------------|--|--|--------------|-----|-----|---------|--|--------|--|--|--|--|--|
| | | | | | | | provided in the list ... | | | | | | (e.g. last auction price) | | (e.g. last trade price) | | absolute variation of EUR 0.10 | | | the list... | | ones triggered manually | volatilities | | | | | | | | | | |
| ABC D | AB C2 | The ABC D Stock Exchange | Derivatives | XXXX XX | ALL | Continuous | Trading period other than those provided in the list ... | | For example Milleannium Exchange | Please elaborate | Downward | Report as many as there are in place (e.g. last auction price) | 3.25 | Report as many as there are in place (e.g. last trade price) | 1.625 | For example, a VH mechanism triggered for a price absolute variation of EUR 0.10 | For example, a derivative halted because the underlying is halted | Monthly | Frequency other than those provided in the list... | No | For example, first extension automatic following ones triggered manually | For example, special mechanisms for periods of high volatilities | 156 | 216 | Yes | None | Mechanism other than those provided in the list... | 654123 | | | | | |
| ABC D | AB C2 | The ABC D Stock Exchange | Derivatives | XXXX XX | ALL | Auction | Trading period other than those provided in the list ... | | For example Milleannium Exchange | Please elaborate | Downward | Report as many as there are in place (e.g. last auction price) | 2 | Report as many as there are in place (e.g. last trade price) | 1 | For example, a VH mechanism triggered for a price absolute variation of EUR 0.10 | For example, a derivative halted because the underlying is halted | Monthly | Frequency other than those provided in the list... | No | For example, first extension automatic following ones triggered manually | For example, special mechanisms for periods of high volatilities | 96 | 156 | Yes | None | Mechanism other than those provided in the list... | 123456 | | | | | |
| ABC D | AB C3 | The ABC D Stock Exchange | Cash | CEX XXX | ETFs | Continuous | Trading period other than those provided in the list ... | | For example Milleannium Exchange | Please elaborate | Upward | Report as many as there are in place (e.g. last auction price) | 8 | Report as many as there are in place (e.g. last trade price) | 4 | For example, a VH mechanism triggered for a price absolute variation of EUR 0.10 | For example, a derivative halted because the underlying is halted | Continuous | Frequency other than those provided in the list... | No | For example, first extension automatic following ones triggered manually | For example, special mechanisms for periods of high volatilities | 384 | 444 | No | Auction | Mechanism other than those provided in the list... | 4578 | | | | | |

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------|-----------|--------------------------------|------|------------|------|---------|--|--|--|---------------------|--------|---|---|---|---|--|--|------------|--|----|---|--|-----|-----|----|---------|--|------|
| ABC D | ABC C3 | The ABC D Stock Exchange | Cash | CEX XXX | ETFs | Auction | Trading period other than those provided in the list ... | | For example Mille nnium Exchange | Please elaborate | Upward | Report as many as there are in place (e.g. last auction price) | 6 | Report as many as there are in place (e.g. last trade price) | 3 | For example, a VH mechanism triggered for a price absolute variation of EUR 0.10 | For example, a derivative halted because the underlying is halted | Continuous | Frequency other than those provided in the list... | No | For example, first extension automatic , following ones triggered manually | For example, special mechanisms for periods of high volatilities | 288 | 348 | No | Auction | Mechanism other than those provided in the list... | 3215 |
|----------|-----------|--------------------------------|------|------------|------|---------|--|--|--|---------------------|--------|---|---|---|---|--|--|------------|--|----|---|--|-----|-----|----|---------|--|------|

Procedure steps

| <i>Step</i> | <i>Action</i> | <i>Responsibility</i> |
|-------------|---|-----------------------|
| 1 | <p>By 15 January of every year, trading venues must report to their NCA the parameters used to halt or constrain trading at the first trading day of a year. The first report is expected to be provided by 15 June 2018.</p> <p>NCA's may require the trading venues under their jurisdictions to report these parameters using a different, and, where appropriate, more granular format.</p> <p>Trading venues should, in the course of the year, send an update if they introduce material changes to any of the parameters mentioned above.</p> <p>Changes limited to adjustments of the thresholds used should not be considered as material for this purpose and new reports should only be sent in case of amendments which significantly affect the functioning and overall structure of the mechanism in place.</p> | Trading venues |
| 2 | <p>The recipient NCA's should use the pro-forma template to transcribe the information obtained from their trading venues under Step 1, and forward this information by email to ESMA without delay after verifying the data provided by the trading venue and no later than 30 January (no later than 30 June 2018 for the first report).</p> <p>Where, during the course of the year, a trading venue informs its NCA about a material change to its parameters, the NCA should pass this information on to ESMA without delay after verifying the data provided by the trading venue and no later than two weeks after receiving the data from the trading venue.</p> | NCA's |



Awareness campaign

Process to be published on the ESMA website.

Data protection

No data from natural persons is to be processed or published.

Records

Electronic copies of the documents provided to be stored by ESMA.

Final provisions

This document shall enter into force on the day following that of its publication on the ESMA website.