

Eurozone Trading Hours & Calendar Recommendations – Cash Trading of Eurozone Government Bonds

The EPDA¹ issues the following Eurozone trading hours and calendar recommendation for the benefits of the European Government bond market.

The EPDA members believe such recommendation on trading hours and calendar in relation to multilateral electronic platforms has many benefits to the market whilst not impacting participants' flexibility to trade. By recommending there are no mandatory quoting obligations on holidays or days when the primary hedging futures market is closed, it reflects the light trading anticipated on those days. By having set trading hours for multilateral electronic platforms, it will further the concentration of the liquidity during the trading day whilst not negatively impacting volumes. Market participants will not trade more because the platform is opened longer hours. Extended trading hours would therefore be unlikely to lead to the creation of additional traded volumes. On the contrary, in limiting the trading hours the market would concentrate the liquidity on a shorter period of time hence potentially improving the trading opportunities during this timeframe.

In a comparatively more liquid market, such as that of equities, exchanges typically limit the trading day² in order to concentrate liquidity into the business day. Moreover, as European Government bond trading is very reliant on the ability to hedge one's position in the futures market, the EPDA believes it is important that electronic cash trading platforms trading hours are at least in line with the Eurex interest rate futures market³.

Therefore, extending trading hours beyond these recommendations outlined herein would not positively improve liquidity (and may negatively impact it) whilst at the same time increasing the overall cost of trading. Market participants and electronic platforms would be required to dedicate more resources over a longer trading day both in terms of maintaining their systems and having human resources to execute the few trades that may come outside of normal business hours.

If trading needs to occur outside business hours, investors can trade with counterparties over the phone or through their single dealer platforms as is the case in the equity market. Moreover, as with exchanges in the equity markets, we believe electronic platforms in European Government bonds have a role to play in acting in the best interests of the market especially in relation to concentrating liquidity.

Based on the above, the EPDA recommendation for trading hours and calendar days of cash trading in the Eurozone Government bond market is as follows:

¹ The European Primary Dealers Association's (EPDA) Executive Members are: Banca IMI, Bank of America Merrill Lynch, Barclays Capital, BNP Paribas, Calyon, Citigroup, Commerzbank, Crédit Suisse, Deutsche Bank, Goldman Sachs, HSBC, ING, J.P.Morgan, Morgan Stanley, Natixis, Nomura, Royal Bank of Scotland, Société Générale, UBS & Unicredit.

² For instance the London Stock Exchange is open for trading between 8:00am and 4:30pm GMT; Deutsche Börse and Euronext markets open between 9:00am and 5:30pm CET.

³ Eurex futures for instance opens between 8:00am and 7:00 or 10:00pm CET.

I. Trading Hours

The EPDA recommends that trading platforms in the B2B and B2C environment be only open for mandatory quoting and the request for quotes functionality respectively during the following trading hours: 8:30am – 6:00pm CET (7:30 – 5:00pm GMT).

II. Calendar

1. It is recommended that there are no mandatory quoting obligations on Saturday and Sunday.
2. It is recommended that there are no mandatory quoting obligations across the Eurozone on the ECB TARGET holidays which currently are:
 - New Year's Day
 - Good Friday (Catholic/Protestant)
 - Easter Monday (Catholic/Protestant)
 - 1 May (Labour Day)
 - Christmas Day and
 - Boxing Day
3. It is recommended that there are no mandatory quoting obligations across the Eurozone when the Eurex platform for Interest Rates Derivates is closed (in addition to TARGET days) which currently include:
 - Christmas Eve
 - New Year's Eve
4. For domestic holidays, it is recommended that mandatory quoting obligations shall be on a best efforts basis.
5. Between 24 December and 1 January, it is recommended that all mandatory quoting should be on a best effort basis (if recommendation 1, 2, and 3 above do not apply).
6. It is recommended that trading platforms in the B2B and B2C environment do not count ECB Target holidays in the calculation of the number of days to settlement (e.g. T+3) for the purpose of clearing and settlement of trades on their platform.