

Equity Market Outages: Perspectives of Exchange Participants

Since the start of 2020, there have been a number of significant exchange outages impacting the European equities market. AFME, EFAME and FIA EPTA (the “Associations”) acknowledge that these incidents will occur as markets increase their reliance on electronification and automation. We therefore place significant emphasis on the need for robust and detailed protocols for managing outages, to help minimise disruption, provide critical and timely information to market participants, and to support the orderly restoration of trading.

We note significant progress in recent years towards exchanges’ adoption of outage protocols, supported by regulatory and market-driven initiatives, including the ESMA Final Report on Market Outages (May 2023)¹, the FCA Policy Statement on Improving Equity Secondary Markets (May 2023)², and the Plato Partnership Proposed Standards (November 2024)³.

Regulatory and supervisory expectations are now clear and Exchanges have broadly committed to adherence to these expectations in their protocols.

However, the utility of these protocols is only realised if they are accurately followed by exchanges in the event of an outage. The Associations, representing a sizable proportion of exchange participants, note examples of recent incidents whereby protocols were not fully adhered to, creating additional complexity, confusion and risk for our respective members.

We restate below what we consider to be key principles that must be followed in the event of an exchange outage, and request that exchanges take the necessary steps to ensure that they are fully equipped to accurately follow their own protocols should an incident arise.

¹ https://www.esma.europa.eu/sites/default/files/2023-05/ESMA70-156-6458_Final_Report_on_market_outages.pdf

² <https://www.fca.org.uk/publication/policy/ps23-4.pdf>

³ <https://www.platopartnership.com/market-outage-standards>

1. ORDER STATUS

At a minimum, any market statuses, instrument prices, outstanding order statuses, and trade feeds published by trading venues on their execution or market data feeds must be accurate and consistent during an outage, and not lead participants to believe the venue is operating in a normal state. This could be aided by development of a special “outage” or “closed” status.

This market data notification regarding status is essential for the market to know without doubt that there is a technical issue on the market, which can in turn trigger participants’ automatic redundancy plans and allow participants to decide whether or not to continue trading elsewhere.

In addition, trading venues should make public the specific timestamps at the point at which orders were cleared and/or rejected and which trades were considered valid. This should be done as soon as is feasible and in any case, certainty should be provided within one hour.

2. ONLINE UPDATES

In the event of an outage, communications on the status of the trading venue system should occur on a regular fixed schedule, at least every 15 minutes, even if there is no change in status.

Communication of details about the outage should occur simultaneously to all market participants and in any case should also be published on the trading venue’s public website.

Communications regarding market status should be in a machine-readable format, available on exchange connectivity and market data protocols, so that trading systems can automatically incorporate these notifications into their procedures, where relevant.

3. REOPENING

Any planned reopening times should be communicated clearly to the market, at least 15 minutes in advance. Reopening times should be on a “round” time increment (e.g., on the hour or half hour).

Trading venues should consult with participants on whether to reopen to ensure there are no outstanding issues which might be further exacerbated by the market reopen. Trading venues should also consider conducting an order book purge prior to reopening.

4. CLOSING AUCTIONS

Exchanges should notify market participants 30 minutes before the normal schedule whether or not they intend to hold a closing auction. Market close should occur no later than 18:00 CET.

If this cannot be adhered to because the system issue is ongoing, exchanges should have in place clear arrangements to ensure that the market is provided with a closing price for the day by 18:00 CET. For example, by publishing a list of close prices on a spreadsheet on their website and to market data vendors. The spreadsheet should contain ISIN, SEDOL, RIC, Currency and Price. The methodology for determining the closing price should be deterministic and communicated to participants clearly and in a timely manner.



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AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

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Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities. EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the authoritative EFAMA Fact Book.

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