

ESMA Consultation Paper on Market Outages

ESMA 70-156-6040

Submitted to ESMA 15<sup>th</sup> December 2022

Question	Notes / Comments
<p><b>Q1: Do you agree with the main communication principles identified above?</b></p>	<p>Yes – we are supportive of clear and easily accessible plans documented in a consistent manner. We specifically note the following points:</p> <p><b>Monitoring &amp; flagging of outages</b></p> <p>Guidance for monitoring and the identification/flagging of issues is very important. We recognize that different trading venues have different market models and technology platforms, hence guidance cannot be overly prescriptive. However, we believe that the following key points should be addressed by such guidance, with implementation details left to the venue operators:</p> <p>First, a clear definition of an ‘outage’, with our recommendation being an impairment of any aspect of the functionality, performance, availability or resilience of infrastructure involved in any part of the trading process (including participant connectivity, market data, reference data, post-trade feeds and of course the trading platform itself). When an outage is communicated, its impact (in terms of which of these is impacted, and in what way) should be clearly stated. It should be noted that some ‘outages’ may only become apparent some time after an incident has happened (for example an issue with a post-trade feed that only becomes apparent at the end of the trading day). Outages do not need to happen in real time.</p> <p>Second, once an ‘outage’ has been detected, its scope must be clearly identified. For example, if only specific participants or instruments are impacted, this should also form part of any communication (without, in the former case, identifying the participants).</p> <p>Third, guidance must cater for the possibility that an outage is so severe as to limit the ability for the trading venue to communicate details of the outage electronically.</p> <p><b>Communication of outages</b></p> <p>We have identified a number of requirements for outage communication in terms of:</p> <ul style="list-style-type: none"> <li>• The trigger for communication</li> <li>• The communication mechanism</li> <li>• The content of messages</li> </ul>

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	<ul style="list-style-type: none"> <li>• Timing and frequency of non-event driven updates</li> <li>• Target audience</li> <li>▪ Triggers for communications would include: <ul style="list-style-type: none"> <li>• The identification that the venue is aware of a problem but is not in a position to provide specific details</li> <li>• The venue has identified the scope and nature of the outage and is able to provide this information to its participants</li> <li>• The venue has identified the cause and defined a remediation plan</li> <li>• The venue is communicating how the market will be brought back into a regular trading state (e.g., restarting order book trading with an auction, whether open orders will be purged or not).</li> <li>• The outage is over and normal business has resumed.</li> </ul> <p>It was also noted that a periodic update should be provided even if there has been no change in status. It was further suggested that it be made as easy as possible for firms to obtain the full communication history for an outage, e.g., having the full history on a single page when using a website, and through use of a common identifier on electronic messages and in the subject of email communications.</p> </li> <li>▪ Methods of communication should include: <ul style="list-style-type: none"> <li>• Machine-readable messaging, using free and open standards (noting that the FIX Protocol contains some capabilities in this regard, and we are willing to work on producing these standards).</li> <li>• Human-readable emails, based on similar free and open standards.</li> <li>• Human-readable content on venue websites, also based on free and open standards.</li> </ul> <p>The content and frequency of all three media should be the same.</p> </li> <li>▪ Content should include: <ul style="list-style-type: none"> <li>• The identifier for the venue (the more granular of operator or segment MIC as appropriate, noting that venues may operate different market segments on separate technology platforms).</li> <li>• Status (in line with the ‘communication triggers’ above).</li> <li>• Severity (to distinguish between a total failure of the impacted service vs. a detrimental capability).</li> <li>• Impacted capability (e.g., trading, market data, connectivity, post-trade).</li> <li>• Scope (in terms of specific instruments, instrument ranges, , specific venue features), noting that this must be provided in a manner that does not require access to additional reference data to decode (e.g., ‘Instruments on partition 3’).</li> <li>• For market resumption communication, the time at which the market is planned to restart.</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>• A textual description to provide additional detail, noting this should supplement, not replace, the codified attributes described here. For market resumption communication, this should include supplementary details (e.g., if the market is to restart with an auction, this fact plus the duration of the auction).</li> </ul> <ul style="list-style-type: none"> <li>▪ Audience           <ul style="list-style-type: none"> <li>• Outage communications should be made available to anybody (including the public), not just venue participants (it is assumed that this comment refers to mechanisms such as venue websites, and not a requirement that venues provide electronic messaging connectivity to the public).</li> <li>• It is expected that venue participants may wish to forward electronic outage communication messages to their clients.</li> <li>• It was noted that venues might need to send messages to each other, particularly where there is some dependency between them (e.g., on market data for reference prices).</li> </ul> </li> </ul> <p><b>Outage plans</b></p> <p>We note that many trading venues have outage plans today, and that FESE host a number of their members' plans on their website.</p>
<p><b>Q2: To promote harmonisation, should the guidance include a template on what trading venues' communication notices should include?</b></p>	<p>Yes</p>
<p><b>Q3: Do you agree that trading venues should have a maximum of one hour to provide clarity on the status of the orders during an outage? If not, what would be an appropriate timeframe in your view and why?</b></p>	<p>We suggest that consideration be given to the functionality affected (e.g., market data, order book, clearing feed). An outage affecting the order book would likely require a very rapid communication of order status (i.e. as soon as possible), with this being less critical for an outage on, say, a post-trade feed. We wish to re-emphasise our point made under our response to Q1 regarding the need for frequent updates on status.</p>
<p><b>Q4: Do you think the possibility to require trading venues to offer an order book purge should be considered in the guidance? If yes, should ESMA provide</b></p>	<p>We believe trading venues should be able to make their own determinations (given their diversity of technical infrastructures and, in some cases, market models) but that these determinations should be documented clearly in their outage plan/playbook.</p>

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further guidance on when the integrity of the orders has been largely compromised?	
<b>Q5: What is your view with regards to the conditions under which a trading venue should reopen trading?</b>	<p>We believe trading venues should be able to make their own determinations (given their diversity of technical infrastructures and, in some cases, market models) but that these determinations should be documented clearly in their outage plan/playbook.</p> <p>We also note the following text in the consultation:</p> <p>40 ...this communication should be sent via any means which enables the trading venue to communicate simultaneously to market participants</p> <p>41 ... should indicate the exact time of reopening</p> <p>In both cases we suggest ‘simultaneously’ and ‘exact time’ be softened (e.g. ‘to the nearest minute’ for time of reopening)</p>
<b>Q11: Do you agree with the proposed approach for non-equity instruments? Do you agree that provisions on par. 37-39 can be exempted for those trading venues that do not provide CLOB?</b>	<p>We believe no distinction relating to outage communications should be made with regards to either asset class or market mechanism (while also noting that some non-equity products use CLOBs, particularly listed derivatives, and that some equity-like products use other market mechanisms, e.g., ETFs frequently trading on venues operating RFQ facilities).</p>
<b>Q12: Is there any particular issue relating to trading of non-equity instruments that should be taken into account in the case of an outage? Where possible please differentiate between bonds and derivatives.</b>	<p>We believe no distinction relating to outage communications should be made with regards to either asset class or market mechanism (while also noting that some non-equity products use CLOBs, particularly listed derivatives, and that some equity-like products use other market mechanisms, e.g., ETFs frequently trading on venues operating RFQ facilities).</p>