



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:** Where possible, reports should describe the parameters at an asset class or sub-asset class level and, in particular, for classes or sub-classes where the same parameters (but not necessarily the exact same thresholds) 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.

NCA should ensure that trading venues submit a report to them by 15 January every year, on the parameters being used to halt or constrain trading as at the first trading day of a year, so as to enable verification and update of the data held by the NCAs 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

Trading halt identification variables (levels)				Trading halts information variables																		
Trading venue	Market type	Class of financial instruments (or instruments if different rules apply)	Trading period (if different rules apply)	<i>Add any other relevant granularity level (e.g. liquidity, price, specific instruments...)</i>	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 thresholds in % (*)	Dynamic reference Price(s) used (*)	Dynamic threshold(s) in % (*)	Absolute thresholds, where allowed price variations cannot be expressed as percentage of a reference price(*)	Any other trigger mechanisms (please report detailed description)(*)	Frequency of updates (Intraday, Daily, Monthly, etc...)	Thresholds disclosed (Yes or No)	Mechanism to extend volatility interruption	Do you have trading halt mechanisms for periods of unusual market conditions (for example, periods of high volatility)? If yes	For each thresholds, duration of trading halts (with out extensions) (specify the duration for fixed duration and random	Possibility for trading to be suspended for the rest of the day? (Yes or No)	Mechanism to resume trading	Number of times the trading halt was triggered over the last year	<i>Add any other information variable you deem relevant to be reported</i>

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

ABC Market (MIC code)	Cash market	Stocks	Auction		XX X	Please elaborate	Upward	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 trading halt mechanism triggered for a price absolute variation of EUR 0.10	For example, a derivative halted because the underlying is halted	Intraday	Yes	For example, first extension automatic, the following ones activated manually by the Trading venue	XXX	Fixed: 2min Random: 0s to 30s	Yes	Auction	0	XXX					
ABC Market (MIC code)	Cash market	Stocks	Continuous		XX X	XXX	Upward	XXX	2.5	XXX	1.5	XXX	XXX	XXX	No	XXX	XXX	XXX	Yes	XXX	1	XXX					

ABC Market (MIC code)	Derivatives	Futures	Auction	XX X	XXX	Both	XXX	1	XXX	0.5	XXX	XXX	XXX	Yes	XXX	XXX	XXX	Yes	XXX	212	XXX
ABC Market (MIC code)	Derivatives	Futures	Continuous	XX X	XXX	Downward	XXX	1	XXX	0.5	XXX	XXX	XXX	No	XXX	XXX	XXX	Yes	XXX	124 56	XXX
ABC Market (MIC code)	Cash market	ETFs	Auction	XX X	XXX	Downward	XXX	1	XXX	0.5	XXX	XXX	XXX	Yes	XXX	XXX	XXX	Yes	XXX	65	XXX
ABC Market (MIC code)	Cash market	ETFs	Continuous	XX X	XXX	Downward	XXX	1	XXX	0.5	XXX	XXX	XXX	No	XXX	XXX	XXX	Yes	XXX	987	XXX

* Please leave blank if not applicable

Procedure steps

Step	Action	Responsibility
1	<p>By 15 January of every year, trading venues must report to their NCA on the parameters used to halt or constrain trading as at the first trading day of a year.</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.</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.