

15 October 2024

To: ESMA

Submitted electronically at <http://www.esma.europa.eu/>

Re: MiFIR Review 3rd Consultation Package, Recast of Commission Delegated Regulation 2017/584 (RTS 7) - new requirements on Circuit Breakers and amendments due to DORA framework

The Futures Industry Association (FIA) and the European Principal Traders Association (FIA EPTA) appreciate the opportunity to submit this letter in response to the above-referenced consultation package exclusively addressing the recast of the RTS 7 of Commission Delegated Regulation 2017/584 to introduce new requirements on Circuit Breakers (the “Recast”). We support the proposed recast as the changes align with the recently re-issued FIA best practice paper for automated trading risk controls and system safeguards¹ which promote greater transparency to market participants from trading venues regarding the type of circuit breakers, their calibrations and the circumstances of activation.

General Support

We strongly endorse the increased transparency mandated to trading venues regarding circuit breakers. This aligns with FIA’s commitment to promoting clarity in market safeguards, as outlined in our best practice paper on automated trading risk controls. By ensuring that market participants have access to clear information about the types of circuit breakers, their calibration, and the specific circumstances leading to their activation, the proposed changes will improve market integrity, enhance the price discovery process, and provide participants with the relevant information to be better prepared in times of high volatility.

We believe that transparency is essential not only for improving market resilience but also for minimizing the risks of disorderly trading by giving participants the necessary insights to navigate volatile periods. This clarity can ultimately help market participants during stress events, while still allowing the flexibility needed for venues to adapt their circuit breakers to their specific environments. The FIA fully supports these principles as they enhance and promote market efficiency, transparency and stability.

Articles 1 and 17 – Definitions and General principles for the establishment of circuit breakers

We support the general principles and definitions laid out in the proposal for article 1 and 17, particularly regarding the flexibility for trading venues to deploy either trading halts or price collars to manage short-term high volatility. We also acknowledge that the use of both static and dynamic circuit breakers may not always be necessary in certain circumstances, and we support the ability of trading venues to justify

¹ The FIA [Best Practices for Automated Trading Risk Controls and System Safeguards](#) was re-issued in July 2024.

appropriately when deploying only one mechanism. This approach strikes a balance between safeguarding market integrity and allowing tailored, market-specific set of controls. Periodic reassessment will further ensure all mechanisms remain fit for purpose.

Article 18 – General principles in the establishment of the parameters underpinning circuit breakers

We support the proposed changes to Article 18, which emphasize the importance of appropriate circuit breaker calibration to manage market volatility effectively. The requirement for trading venues to establish and document a clear methodology that accounts for market liquidity, volatility profiles, and both internal and external references aligns with our best practices paper. Additionally, we commend the proposal for periodic reviews of the methodology, ensuring that circuit breakers remain responsive to evolving market conditions. This dynamic approach is crucial for maintaining market stability, especially in fast-changing environments.

We also support the inclusion of provisions for extraordinary updates and manual overrides by trading venues, which provide flexibility to handle unforeseen market conditions while maintaining operational integrity. The combination of regular methodology reviews and adaptability ensures that circuit breakers can be calibrated to serve their intended purpose efficiently, even in volatile and/or illiquid markets.

Article 19 – parameters to be made public and information to be disclosed to NCAs

We also support the proposed changes for article 19 as these enhancements are crucial for improving transparency in trading venues, allowing market participants to make informed decisions during periods of volatility. We acknowledge the balance between necessary disclosures and the confidentiality of certain parameters as it might help mitigate risks of market manipulation in certain circumstances.

Additionally, the requirement for trading venues to disclose price collars ranges and the possibility of urgent ad hoc changes will foster greater awareness among participants. We also support the annual reporting to competent authorities to ensure consistency across venues. However, we encourage ESMA to specify the type of information to be publicly disclosed regarding circuit breaker activations.

Amendments to RTS 7 in light of DORA provisions



We support the proposed amendments to RTS 7 in light of the DORA framework, recognizing the importance of aligning with the new digital operational resilience requirements. The decision to delete provisions that overlap with DORA, such as Article 15 on business continuity arrangements and adjustments to Articles 8 and 23, reflects a necessary move towards reducing duplication and enhancing legal clarity. By streamlining these regulations, ESMA ensures that trading venues can effectively implement comprehensive operational resilience policies without unnecessary regulatory burdens. We appreciate the thoughtful approach taken to maintain essential obligations while integrating the broader scope of DORA, which ultimately strengthens the overall resilience and integrity of the financial market infrastructure.

Conclusion

In conclusion, the FIA strongly supports the proposed recast of RTS 7, as it aligns with our commitment to enhancing market transparency and resilience. The emphasis on clear definitions, appropriate calibration of circuit breakers, and robust reporting requirements will significantly contribute to a more stable and efficient trading environment. We encourage ESMA to consider our suggestions regarding the specification of information disclosed to market participants.

Thank you for the opportunity to provide our input, and we look forward to continuing to engage with you on these important issues. If you have any questions, please do not hesitate to contact Jacqueline Mesa at jmesa@fia.org or Piebe Teeboom at pteeboom@fia.org.

Respectfully submitted,

 Jacqueline Mesa FIA Chief Operating Officer and Senior Vice President of Global Policy	 Piebe Teeboom FIA EPTA Secretary General
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ABOUT FIA: FIA is the leading global trade organization for the futures, options, and centrally cleared derivatives markets. FIA's mission is to support open, transparent, and competitive markets; protect and enhance the integrity of the financial system; and promote high standards of professional conduct. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from more than 48 countries, as well as technology vendors, lawyers and other professionals serving the industry. For more information please visit www.fia.org

ABOUT FIA EPTA: The European Principal Traders Association (FIA EPTA) represents the leading Principal Trading Firms in the EU and UK. Our members are independent market makers and providers of liquidity and risk transfer for markets and end-investors across Europe, providing liquidity in all centrally cleared asset classes including shares, bonds, derivatives and ETFs. FIA EPTA works constructively with policymakers, regulators and other market stakeholders to ensure efficient, resilient and trusted financial markets in Europe. More information about FIA EPTA and independent market makers is available on: www.fia.org/epta and www.wearemarketmakers.com