

In case of discrepancies between the French and the English text, the French text shall prevail.

Luxembourg, 19 April 2018

To all the regulated markets, market operators, credit institutions, investment firms and market operators operating an MTF or an OTF

**CIRCULAR CSSF 18/691**

**Re: Update of Circular CSSF 17/668 concerning the ESMA Guidelines on calibration of circuit breakers and publication of trading halts under Directive 2014/65/EU on markets in financial instruments (“MiFID II”) and details on reporting of circuit breakers’ parameters**

Ladies and Gentlemen,

1. The present circular amends Circular CSSF 17/668 by taking into account the publication by ESMA of the revised procedure “Reporting of circuit breakers’ parameters by NCAs to ESMA (ref.: ESMA70-156-181)” published on 19 December 2017 and the revised form attached thereto “Template for reporting trading halt parameters to ESMA”. The revised procedure is attached as an Annex to this circular.
2. Circular CSSF 17/668 is amended as follows:
  - a. After the words “... by 15 January of each year” in the 2<sup>nd</sup> sentence of the first paragraph of point 2 is inserted the bracket “(and the first report by 15 June 2018)”.
  - b. In the 2<sup>nd</sup> paragraph of point 2, the reference to the procedure is replaced by that to the revised procedure, i.e. ESMA70-156-181 published on 19 December 2017.
  - c. In the 2<sup>nd</sup> paragraph of point 2, the link pointing to the electronic version of the template "Template for reporting trading halt parameters to ESMA" is replaced by a link pointing to the electronic version of the new template.

d. Annex B is superseded by the revised procedure, i.e. ESMA70-156-181.

A coordinated version of Circular 17/668 will be published on the CSSF website

Yours faithfully,

COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

Françoise KAUTHEN  
Directeur

Claude SIMON  
Directeur

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Directeur général

Annex:

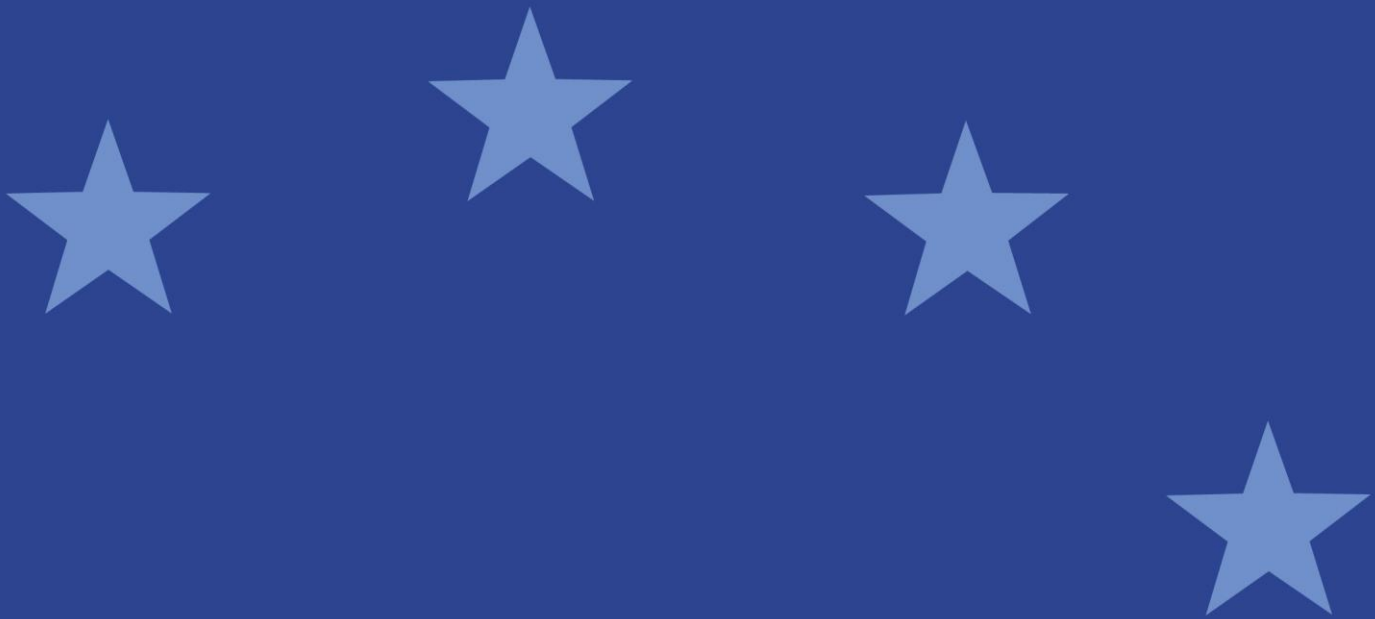
Procedure: Reporting of circuit breakers' parameters by NCAs to ESMA (Ref.: ESMA70-156-181)



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"><li>• Mechanisms that interrupt continuous trading, including:<ul style="list-style-type: none"><li>○ 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</li><li>○ 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.</li></ul></li><li>• 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.</li></ul>
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:** Reports should describe the parameters for each class of financial instruments based on the CIF code (ISO 10962) where the same parameters 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.

More detailed guidance can be found in the template itself, where specific data validation rules have been embedded and all fields benefit from an explanatory note.

NCAAs should ensure that trading venues submit a report to them by 15 January every year (however, the first report should be submitted by 15 June 2018), on the parameters being used to halt or constrain trading at the first trading day of a year, so as to enable verification and update of the data held by the NCAAs 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 ESMA<sup>1</sup>

VH Identification variables (levels)								VH Information variables																						
Operating MIC code	Market segment MIC code	Trading venue	Market type	Class of financial instruments	Specific instruments	Trading period	Trading period (if Other)	Other relevant details	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 threshold(*)	Dynamic reference price(s) used(*)	Dynamic threshold(*)	Absolute thresholds, only if price variations cannot be expressed as percentage of a reference price (*)	Any other trigger mechanisms(*)	Frequency of updates	Frequency of updates (if Other)	Thresholds disclosed	Mechanism to extend volatility interruption	VH mechanisms for periods of unusual market conditions	For each threshold, minimum duration in seconds (with out extensions)	For each threshold, maximum duration in seconds (with out extensions)	Possibility for trading to be suspended for the rest of the day?	Mechanism to resume trading	Mechanism to resume trading (if Other)	Number of times the VH mechanism was triggered over the last year	Other relevant information	
ABCD	ABC1	The ABC D Stock Exchange	Cash	ESXX UX	All ordinary shares with fixed rate income	Other	Trading period other than those provided in the list ...		For example Millennium Exchange	Please elaborate	Both	Report as many as there are in place (e.g. last auction price)	2.5	Report as many as there are in place (e.g. last trade price)	1.25	For example, a VH mechanism triggered for a price absolute variation of EUR 0.10	For example, a derivative halted because the underlying is halted	Daily	Frequency other than those provided in the list...	Yes	For example, first extension automatic following ones triggered manually	For example, special mechanisms for periods of high volatilities	120	150	No	Auction	Mechanism other than those provided in the list...	9999	9999	
ABCD	ABC1	The ABC D Stock Exchange	Cash	ESXX UX	All ordinary shares with fixed rate income	Auction	Trading period other than those provided in the list ...		For example Millennium Exchange	Please elaborate	Both	Report as many as there are in place	5	Report as many as there are in place	2.5	For example, a VH mechanism triggered for a price	For example, a derivative halted because the underlying is halted	Daily	Frequency other than those provided in the list...	Yes	For example, first extension automatic following	For example, special mechanisms for periods of high	240	300	No	Auction	Mechanism other than those provided in the list...	1234	56789	

<sup>1</sup> Downloadable version available in [https://www.esma.europa.eu/sites/default/files/library/template\\_trading\\_halt\\_parameters\\_0.xlsx](https://www.esma.europa.eu/sites/default/files/library/template_trading_halt_parameters_0.xlsx)



ABC D	ABC C3	The ABC D Stock Exchange	Cash	CEX XXX	ETFs	Auction	Trading period other than those provided in the list ...		For example Mille nnium Exchange	Please elaborate	Upward	Report as many as there are in place (e.g. last auction price)	6	Report as many as there are in place (e.g. last trade price)	3	For example, a VH mechanism triggered for a price absolute variation of EUR 0.10	For example, a derivative halted because the underlying is halted	Continuous	Frequency other than those provided in the list...	No	For example, first extension automatic , following ones triggered manually	For example, special mechanisms for periods of high volatilities	288	348	No	Auction	Mechanism other than those provided in the list...	3215
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## Procedure steps

<i>Step</i>	<i>Action</i>	<i>Responsibility</i>
<b>1</b>	<p>By 15 January of every year, trading venues must report to their NCA the parameters used to halt or constrain trading at the first trading day of a year. The first report is expected to be provided by 15 June 2018.</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>	<b>Trading venues</b>
<b>2</b>	<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 (no later than 30 June 2018 for the first report).</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>	<b>NCA's</b>



## **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.