

Trading venue outages standard protocols in fixed income markets

18th November 2022, Brussels

1. EU financial market infrastructure is robust, stable, and resilient. The Covid-19 crisis in 2020 demonstrated that investors can rely on the European financial ecosystem to trade without disruption during periods of exceptionally high volatility and activity: on 17 March 2020, European financial market infrastructures handled approximately four times as much volume as usual.
2. The reliability of trading systems in extreme market conditions is underpinned by the continuous investments of trading venues and market participants in their infrastructure. This serves to ensure orderly trading, provide investors with the best possible service and comply with the applicable regulatory requirements, notably those set out in MiFID II / MiFIR and specifically in Articles 47 and 48 in respect of trading venues.
3. While trading venue outages are rare, even more so in fixed income markets, they require an appropriate response. With the objective of a more harmonised framework in Europe that builds on the broad consensus in place and to support market participants, FESE supports the adoption of an industry-wide standard protocol to harmonise communication and outage procedures. This initiative is designed to ensure market participants' confidence in the underlying procedures that are to be followed in the event of a market outage.
4. In short, the adoption of outage standard protocols would give the entire market and its participants the confidence, awareness and transparency needed in these exceptional, yet incredibly rare, circumstances. Our proposed framework for the outage standard protocols in fixed income markets is included in Annex 1. FESE and its members look forward to an ongoing and constructive discussion with all our stakeholders, from our clients, market participants through to regulators and policymakers.
5. For additional background information on this FESE exercise, please see the FESE outages standard protocols in equity markets at this [link](#). Given that many exchanges in the EU use the same infrastructure for both equities and fixed income products, the principles applied to these asset classes are largely similar.

Annex: 9 Principles for an industry-wide standard protocol in fixed income markets

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The members of FESE hereby commit to:

1. Publishing individual playbooks including all principles listed hereafter. Playbooks shall be reviewed and updated on a regular basis.
2. Publishing as close to real-time a market notice whenever an outage occurs.
3. Updating their market status on a regular basis (even if the issues are not yet ascertained) and at least every 30 minutes, depending on the severity of the incident.
4. Providing a notice before re-opening the market following an outage. The notice period should give the market participants sufficient time to prepare for opening, taking the trading protocols used into account.
5. Offering an order book purge to every trading participant especially in cases where the integrity of orders has been compromised to a large degree.
6. Considering trades for which an acknowledgement has been sent as valid (unless conducted under improper conditions).
7. In the event the closing of the market is affected, the time for closing the market can be postponed until a certain point to be defined by the trading venue.
8. If the market publishes an official closing price, and the ordinary algorithm for defining the official closing price may not be used, the market should publish information on how the official closing price will be calculated.
9. Trading venues commit to run a post-mortem analysis and to explain the sequence of events and share conclusions and detailed mitigating procedures via appropriate communication channels like follow-up bilateral calls.