Report on Trading Halts and Market Closures

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Report on Trading Halts and Market Closures

Executive Summary

With the globalization of the world's securities markets, the number of securities listed on more than one exchange ("multi-listed securities") has grown substantially, both within individual jurisdictions and cross-border, as has the number of derivative products tied to such securities.

One of IOSCO's core objectives is to ensure "that markets are fair, efficient and transparent."[1] Trading interruptions are tools used to address both potential and actual market disorder. By creating a break in trading, they aim to avert the risk of a disorderly market or, where disorderly conditions are already emerging, to facilitate the restoration of orderly trading.

Trading interruptions are utilized in all jurisdictions, most commonly in one of two sets of circumstances. In the first, the trading interruption is designed (principally) to facilitate the orderly absorption by market users of new information material to the valuation placed on an issuer's securities. The second main set of circumstances in which trading interruptions are used occurs when there is an order imbalance, excessive volatility or when there is some other indication of disorderly trading. In these cases, the trading halt generally provides time for supply and demand to rebalance at a new trading price.

The effect of trading interruptions on multi-listed securities and derivative products raises regulatory issues for markets, regulators, and market participants.

In order to examine the role and effectiveness of trading halts in the cross-border context, the IOSCO Technical Committee directed its Standing Committee on Regulation of Secondary Markets (TCSC-2) to conduct a survey of practices and procedures in TCSC-2 member countries and to explore, in light of IOSCO's core objectives, the operation of trading interruptions, the issues raised in respect of multi-listed securities,[2] and the implications for interactions among national regulators and markets.[3]

This report, based on work carried out since early 2001, basically describes:

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[1] *See* Objectives and Principles of Securities Regulation, IOSCO (September 1998). In particular, Section 13.3 of the IOSCO Principle states: "Trading Disruptions – Details of procedures for trading halts, other trading limitations and assistance available to the regulator in circumstances of potential trading disruption on the system should be provided to the regulator."

[2] The Standing Committee consulted the IOSCO Consultative Committee and benefited from the experience of market operators, which in many jurisdictions share regulatory responsibilities with the statutory authorities on matters concerning trading halts.

[3] This report also updates certain information contained in the report on "Coordination between Cash and Derivative Markets," IOSCO Technical Committee (October 1992). That report contains information, now out of date, about the operation of various types of trading halts.

- The types of trading interruptions (divided into two categories: "discretionary trading interruptions" and "automatic trading interruptions");

- The entities authorized to initiate a trading interruption;

- The issues related to multi-listed securities and derivative products; and

- The issues of information sharing and contact information procedures between market authorities and between market authorities and regulators in order to ensure an orderly market.

On the basis of the analysis carried out, it has been recognized that the application of trading halts in circumstances in which a security (or derivative on that security) is traded in more than one venue raises a number of issues for market regulators, market operators and issuers. These include, in particular:

- The efficiency of the processes by which information relating to a trading halt imposed in one market centre/jurisdiction may be transmitted to, or accessed by, other relevant trading venues and their users; and

- The need to evaluate carefully the potential risks to investors and/or markets arising from different approaches to trading halts.

The potential significance of these issues is different in the following two cases:

a) Multi-Listed Security Within a Single Jurisdiction - Concerns about transparency and regulatory arbitrage are less pronounced with regard to a halt in the trading of a security that is listed in more than one market, but only within a single jurisdiction.

Communication between issuers, market centers, and regulators within one jurisdiction should be relatively straightforward and there is limited potential for regulatory arbitrage in a single jurisdiction. In many cases, statutes or rules require that, once a trading halt is imposed on an exchange in a particular security, the security cannot be traded on any other market within the jurisdiction (this is frequently the case where the primary market imposes a trading halt). In other jurisdictions, where there is a trading halt in a security listed on an exchange, trading of the security in the over-the-counter market and on alternative trading systems may also be halted;

b) Cross-border - Market practices and regulatory requirements may actually impact the effectiveness of trading halts when securities are traded in more than one jurisdiction. Where the venues are located in different jurisdictions, the issues are of potentially greater complexity. Not only is there a greater likelihood of differences in the application of trading halts, but the processes involved in establishing and maintaining cross-border information flows are likely to be more demanding. A key issue for the markets and regulators in each jurisdiction is to determine the circumstances under which they might impose a trading halt parallel to one imposed in another jurisdiction.

Conclusions and Recommendations

All jurisdictions have arrangements in place for regulators and/or markets to implement trading interruptions. Although all jurisdictions have trading interruption procedures of some kind, based on broadly similar objectives, the detail of these arrangements is tailored to local circumstances and often varies considerably. This raises the question of whether, and to what extent, these differences present significant risks to markets and/or investors.

a) Evaluating the risk of differing regulatory approaches:

- Market authorities in all jurisdictions where a security trades generally have strong domestic grounds for following the lead of the primary jurisdiction[4]. In any event, *regulators need to fully evaluate the risks that may arise from permitting a continuation in trading in securities where trading has been halted in the initial listing market*.

b) Efficient Communication Processes:

- A key factor in enabling relevant parties to decide whether to impose a parallel trading halt in the cross-border context is the degree of transparency of the rules and circumstances surrounding the initial decision to interrupt trading in the foreign jurisdiction (the nature of the information that served as the basis of the halt, the duration of the halt, and the liquidity of the markets on which the instrument is traded. Regulators should ensure the public availability (whether by them or the markets) of relevant information relating to the basis for trading interruptions and the rules and protocols under which they are implemented;

- It is good practice for all markets where a security is listed or traded to be informed of trading halts and for the primary listing authority to be aware of the other markets on which a security is listed - especially those on which it is regularly traded. Listing and market authorities should encourage issuers to notify them of other markets on which they have their securities listed. Listing and market authorities should also have arrangements to communicate information relating to trading halts to those markets;

[4] For the purposes of this report, the primary market, generally, is the market where the issuer makes its initial listing of its securities because it is typically where a high proportion of trading volume in its securities occurs. However, in some contexts, other factors may result in other markets being deemed a primary market.

- Listing and market authorities should encourage issuers to communicate requests for a trading halt (and releases of material information) in an efficient manner, giving consideration to the best way of co-coordinating such requests (and announcements) so as to ensure that suspension (and information release) occurs in as orderly a manner as possible across all such trading venues;

- Circumstances may arise – increasingly so with the emergence of new trading platforms - in which neither the issuer, the primary market, nor the listing market are aware of all the trading platforms on which an issuer's securities are traded. In this respect, regulators should normally require trading venues that provide trading in securities without any formal arrangements with the issuer - particularly exchanges and other organized market facilities - to require the operator to ensure that it, and users of the system, have timely access to information relating to trading halts imposed in the primary market(s). Similar requirements should apply to operators of derivative trading platforms. In both cases, the market operator should be able to demonstrate this capacity through, for example, its arrangements with listing authorities or through its arrangements for monitoring market/issuer notices.

c) Market Closure:

- When a primary market is closed because of an "extreme event" or an infrastructure failure, the reaction of other markets, and derivatives markets, will depend on their assessment of all the relevant facts. *In the context of market closures, market operators and regulators should have adequate arrangements so that they can communicate with each other effectively and can access sufficient information to take appropriate decisions in as timely a manner as possible.*

I. Introduction

One of IOSCO's core objectives is to ensure "that markets are fair, efficient and transparent."[5] All jurisdictions have arrangements in place for regulators and/or markets to implement trading interruptions[6] in order to achieve these objectives. These interruptions, which include trading halts[7] and market closures, serve to address actual or potentially disorderly market conditions and protect investors.

For example, trading halts imposed to allow time for proper dissemination of material news concerning an issuer aim to allow trading to be based on publicly held facts. In addition, halts that result from a trading imbalance or excessive volatility allow time to evaluate the imbalance's cause and to promote orderly price discovery.

With the globalization of the world's securities markets, the number of securities listed on more than one exchange ("multi-listed securities") has grown substantially, both within individual jurisdictions and cross-border, as has the number of derivative products tied to such securities. The effect of trading interruptions on multi-listed securities and derivative products raises regulatory issues for markets, regulators, and market participants.

In order to examine the role and effectiveness of trading halts in the cross-border context, the IOSCO Technical Committee directed its Standing Committee on Regulation of Secondary Markets (TCSC-2):

- To conduct a survey of practices and procedures in TCSC-2 member countries[8] concerning trading halts, including trading halts involving multi-listed securities.

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[5] *See* IOSCO, Objectives and Principles of Securities Regulation (Sept. 1998). In particular, IOSCO Principle 13.3 states: Trading Disruptions – Details of procedures for trading halts, other trading limitations and assistance available to the regulator in circumstances of potential trading disruption on the system should be provided to the regulator.

[6] Trading interruptions may be referred to in several different ways, but most commonly as "trading halts" or "trading suspensions."

[7] A trading halt generally is a temporary interruption in the trading of a security, group of securities or a securities derivative in anticipation of, or in reaction to, an unusual event or condition affecting a security or a group of securities. Certain regulatory trading halts are sometimes referred to as trading suspensions, and are often broader in scope and of longer duration than a trading halt imposed by a market. Other situations may be thought of as trading halts, such as bank holidays and system malfunctions, because they interrupt trading in securities. However, neither of these events is intended to facilitate the dissemination of information. Accordingly, these events are not included within the scope of this paper.

[8] The Standing Committee members are: Australian Securities and Investments Commission; Comissão de Valores Mobiliários, Brazil; Commission des valeurs mobilières du Québec, Québec, Canada; Ontario Securities Commission, Ontario, Canada; Commission des Operations de Bourse, France; Bundesanstalt für Finanzdienstleistungsaufsicht, Germany; Deutsche Bundesbank, Germany; Securities and Futures Commission, Hong Kong; Commissione Nazionale per le Società e la Borsa, Italy; Financial Services Agency, Japan; Securities Commission, Malaysia; Comisión Nacional Bancaria y de Valores, Mexico; Securities Board of the Netherlands; Monetary Authority of Singapore; Comisión Nacional del Mercado de Valores, Spain; Finansinspektionen, Sweden; Swiss Federal Banking Commission, Switzerland;

- To assemble information about trading halts.

- To analyze the similarities and differences among different jurisdictions.

- To determine whether it is appropriate to give guidance or make recommendations to facilitate cooperation in this area.

This report explores, in light of IOSCO's core objectives, the operation of trading interruptions, the issues raised in respect of multi-listed securities, and the implications for interactions among national regulators and markets.[9] One of the most important questions raised by this examination is whether a halt in one jurisdiction should be implemented in a second jurisdiction where the same security is traded. This issue becomes particularly important in the case of discretionary trading halts,[10] such as where the halt was instituted because of fraud, or when the halt is imposed in the *primary market*.[11] Few, if any, jurisdictions *require* their markets to implement a trading halt parallel to a trading halt in another jurisdiction.

All jurisdictions recognize how trading halts may protect investors and maintain market integrity. Thus, the sharing of information, e.g., through formal or informal cooperation arrangements, regarding the imposition of a trading halt in one jurisdiction is critical in assisting another jurisdiction in deciding whether to impose a trading halt.

The Consultative Committee (consisting of market representatives) also reported general support among its members for trading interruptions aimed at permitting dissemination of information about securities and issuers. They believe, however, that trading interruptions should be used only in appropriate circumstances, and lifted as soon as possible.

The remainder of this report is organized as follows: Section II describes the types of trading interruptions. Section III discusses who may initiate a trading interruption. Section IV discusses multi-listed securities and derivative products, including domestic and cross-border issues. Section V is a survey of economic literature. Section VI analyzes trading halt data. Section VII illustrates information sharing and contact information. Section VIII contains the report's conclusions and recommendations.

Commodity Futures Trading Commission, United States of America; Securities and Exchange Commission, United States of America; and Financial Services Authority, United Kingdom.

[9] This report also updates certain information contained in the report on "Coordination between Cash and Derivative Markets," IOSCO Technical Committee (October 1992). That report contains information, now out of date, about the operation of various types of trading halts.

[10] Discretionary trading interruptions refer to the actions of a market operator or regulatory authority to halt trading in a security or group of securities on its market or within its jurisdiction. For a description of the types of discretionary trading interruptions, please refer to Section II, paragraph A.

[11] For the purposes of this paper, the primary market, generally, is the market where the issuer makes its initial listing of its securities because it is typically where a high proportion of trading volume in its securities occurs. However, in some contexts, other factors may result in other markets being deemed a primary market.

Appendix A is a list of references for the literature survey. Appendix B provides discretionary trading halt statistics as reported by markets in TCSC-2 jurisdictions. Appendix C is a compilation of the responses from TCSC-22 members to the initial survey. Appendix D is a compilation of the responses from TCSC-2 members to a supplemental survey.

II. <u>Types of Trading Interruptions</u>

It is difficult to develop a precise definition of trading interruptions. Based upon our survey, however, trading interruptions can generally be divided into two main categories, *discretionary* and *automatic*. This classification appears to be consistent with almost all regulations in member jurisdictions, and is a useful tool to assist in understanding the conclusions of this report.

A *discretionary* trading interruption refers to the essentially subjective actions of a market operator or regulatory authority to halt the trading in a security, or group of securities, on its market or within its jurisdiction. This type of trading interruption is normally imposed in anticipation of the imminent release of material news about an issuer. It may also be imposed in reaction to extraordinary events.[12] The duration of discretionary trading interruptions varies depending on their purpose and whether the particular circumstances will affect a single security, a group of securities, or the market as a whole.

An *automatic* trading interruption refers to a trading halt triggered in a non-discretionary way on the basis of pre-set parameters (e.g., market rules). Such a halt stops trading when large fluctuations in a security's price or the market more generally jeopardize an orderly marketplace. The duration of automatic trading interruptions is usually shorter than that of discretionary ones.

Whether discretionary or automatic, trading interruptions may apply to individual securities, groups of securities, entire markets, and derivative products. All IOSCO member jurisdictions have provisions to halt trading in equities, bonds, and warrants. A majority of the jurisdictions also have provisions to implement trading halts on groups of equities, convertible bonds, futures, index futures, options, index options, and others.

A. Discretionary Trading Interruptions

As noted in Section III, below, both market authorities and regulators may impose discretionary trading interruptions. In most cases there is no formal delineation of responsibility between them.

Four main types of discretionary trading interruptions have been considered: (1) trading halts related to the dissemination of material information, (2) trading halts for

[12] For the purposes of this report, discretionary trading interruptions also include interruptions caused by an issuer's failure to comply with listing standards. Discretionary trading halts also may be imposed where fraud or manipulation is believed to be affecting the market or where there is an order imbalance.

suspected fraudulent or manipulative activity, (3) trading suspensions for an issuer's failure to meet listing standards or continuous disclosure obligations, and (4) market closures resulting from extraordinary events.[13]

1. Dissemination of Information

A common reason for implementing a trading halt is to allow an issuer to release material news. This type of trading halt announces to the investing public that material news will be or is being disseminated that may have an impact on the market for that security. This type of trading halt is designed to allow the market to absorb the material information and reflect it in the price of the security in an orderly manner. The duration of the trading halt is also discretionary and determined by the entity that imposed the trading halt. In general, trading will be halted until such time as the imposing entity determines that price sensitive news has been widely disseminated to the market. In addition, a trading halt may be imposed pending clarification of rumors by the issuer.

In most jurisdictions, the issuer is required to inform the markets, where its securities are listed, of the proposed release of material news, pursuant to the listing agreements. In general, the issuer will provide the market authority with a draft press release and/or company statement. The market authority reviews and evaluates this information and determines whether it is sufficiently material to require a halt in trading pending its public dissemination (e.g., the information could have an impact on the price of the issuer's securities), and the appropriate duration of any halt. In several jurisdictions, an issuer may request the market to initiate a trading halt in its securities. The authority will generally comply with the request, if the market's rules or other pertinent regulators allow a halt for the reasons the issuer cites.

2. Fraud and Manipulation

Markets or regulators may halt trading in one or more securities when trading has been influenced by fraud or manipulation. Typical examples of such fraud include material misstatements in, or omissions of material facts from, financial documents. In addition, where unusual trading of a particular security indicates possible manipulation or insider trading, a market operator or regulator might impose a trading halt pending a statement by the issuer that there is no material information that would explain the unusual market activity.[14]

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[13] There is an additional type of discretionary trading interruption that is specific to one market. New York Stock Exchange market makers (i.e., specialists) impose trading halts in a particular security to respond to an order imbalance that is preventing orderly trading. The specialist will often take into account the security's volume and price variation history to estimate the trading value of the security and publish a "price indication." If this new price level substantially eliminates the imbalance, the specialist will permit resumption of trading. If not, the specialist will repeat the "price indication" process until an equilibrium price is reached.

[14] When considering whether to adopt such a discretionary trading interruption, the market operator or regulator usually considers the trading history of the security (e.g., trading volume and price), and the extent to which material information has been disseminated in the marketplace.

Rumors also can generate unusual trading in an issuer's securities. In some cases, rumors can be part of a fraudulent or manipulative scheme. A market authority may decide to halt trading to allow the issuer to issue a statement addressing the rumor. However, trading halts for this purpose are used sparingly so that issuers are not effectively required to comment on all market rumors, particularly if there is no apparent impact on the trading or price of their securities.

3. Issuer's Failure to Comply With Listing Standards and Disclosure Requirements

When an issuer fails to comply with the listing agreement or listing rules, a market may stop trading in the issuer's securities. For example, an issuer may fail to meet listing standards by becoming delinquent in financial reporting (or fail to comply with continuous disclosure requirements); or it may fall below the minimum stock value level, the minimum number of shareholders, or the minimum capitalization requirements. If the issuer is delinquent in meeting its reporting obligations, or it no longer satisfies listing requirements (number of shareholders, *etc*.), the regulator can halt trading until the requirement is met.[15] In many jurisdictions, these types of trading interruptions are referred to as *trading suspensions* because trading in the issuer's securities is suspended until the deficiency is rectified.

Although the conditions under which trading can be interrupted are usually pre-determined (i.e., compliance with specific rules is a prerequisite for listing), these types of trading halts are discretionary. That is, when an issuer fails to meet the listing rules, the market (or other appropriate authority) evaluates the particular circumstances and decides whether to impose the trading suspension. In some cases, the trading suspension leads to the issuer's delisting.

4. Market Closures

a) Authority

The market authorities for the major U.S. markets halted all trading on their markets for four days after the attacks on September 11, 2001. That event stimulated a discussion within IOSCO as to the circumstances in which an entire market could be closed. As a result, TCSC-2 member jurisdictions were surveyed about the authority of regulators and markets in their jurisdictions to close entire markets. We learned that most regulators and many market authorities have the ability to close their securities markets, although the basis for such action may differ.

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[15] In order to avoid disadvantaging investors unnecessarily, if continuous disclosure filings by issuers are delayed, but there is no evidence of fundamental problems, in two jurisdictions (Ontario and Québec), the regulatory authority may prohibit the officers and directors of the issuer from trading the issuer's securities ("management cease trade order"), pending the filing of the required disclosure documents. If any outstanding filings are not provided in a reasonable time, the cease trade order may be extended to all trading.

For example, many regulators have the express statutory authority to suspend all trading, whether on or off an exchange, if it is required by the public interest and for the protection of investors,[16] or in the case of "emergencies." Even those jurisdictions that do not have explicit authority to close markets may effectively do so in the public interest, however, by canceling a market's license to operate or by imposing or varying conditions of the license.

Few jurisdictions list the specific circumstances and events that would justify the closing of a market, or even have formal procedures to be followed in an emergency. This may be because of the lack of experience in this area, and/or the difficulty of foreseeing extraordinary events.

In addition to the authority of regulators to close markets, many markets have their own independent authority to suspend their operations. The rules of one market were recently amended and now provide a definition of the "extraordinary circumstances" under which the market could be closed.[17] Examples of possible extraordinary circumstances under the new rule include actual or threatened physical danger, severe climatic conditions, civil unrest, terrorism, an act of war, or loss or interruption of facilities utilized by the exchange.

b) Related Issue of Contingency Planning

The events of September 11, 2001 also caused many jurisdictions to re-evaluate their contingency (or "business continuity") plans. In general, contingency plans are designed to facilitate the evaluation of, and recovery from, a major market disruption.

At the outset, it is important to recall that, despite the physical destruction, loss of life, and the widespread dislocations to financial institutions' physical operations and personnel, the U.S. (and world) financial system continued to perform its vital economic functions. Nonetheless, the Technical Committee is aware of discussions between regulators and the securities industry concerning significant potential benefits from developing more robust business continuity plans across the financial sector.[18]

As part of the evaluation process, TCSC-2 members have identified the following steps that they have considered or taken when developing or enhancing contingency plans:

- Establish mechanisms to:

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[16] In invoking this authority, at least one regulator must publish an order that includes a brief statement of the specific facts supporting the required finding that the suspension is required by the public interest and for the protection of investors. However, the regulator notes that it has never used this authority.

[17] New York Stock Exchange Rule 51.

[18] *See*, e.g., http://www.sec.gov/divisions/marketreg/lessonslearned.htm (Summary of "Lessons Learned" from Events of September 11 and Implications for Business Continuity), and http://www.sec.gov/rules/concept/34-46432.htm (Draft Interagency White Paper on Sound Practices to Strengthen the Resilience of the U. S. Financial System).

- Collect and analyze information from the relevant markets, major market participants, clearing organizations, and self-regulatory organizations about prevailing conditions;
- Disseminate information and regulatory responses to markets, market participants, regulatory and self-regulatory organizations, appropriate government bodies, and the public; and
- Communicate information with foreign regulators concerning market events and conditions, and possible regulatory responses.

- Provide for secure and timely data backup, archiving of institutional knowledge, and organizational flexibility and responsiveness.

- Establish and test contingency plans to resume rapidly critical operations where staff is lost (or inaccessible) in a major operating location, or where there has been a wide-scale regional disruption.

- Achieve a high level of confidence (through ongoing use or robust testing) that critical internal and external continuity arrangements are effective and compatible.

- Clarify the authority to suspend trading (including individual securities, groups of securities, derivatives products, and entire markets).

- Maintain current emergency contact information (both domestically and internationally).

- Solicit the views of market participants to determine whether and how to encourage the development of guidance, standards, or sound practices in the areas of disaster preparedness, disaster recovery, and business continuity.

B. Automatic Trading Interruptions

Automatic trading interruptions are triggered if the reference variable (i.e., price or volume) of a security, or in some cases an index, exceeds preset limits. Automatic trading interruptions can therefore affect individual securities or the entire market. The parameters and conditions under which automatic trading interruptions occur are usually identified in rules adopted (and enforced) by the market operator. The two main types of automatic trading interruptions are (1) price limits, and (2) circuit breakers.

1. Price Limits

Some markets set price limits that aim to lessen sharp price swings in security prices.[19] A price limit may prohibit trading at prices below (or above) a pre-set limit. Sometimes, these limits are applicable only during a price decline. Price limits are therefore different from the trading halts discussed above because they are based on price changes and are implemented automatically when the limit is reached. Automatic trading

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[19] Securities-related derivative products also may be subject to price limits.

halts are more commonly used in order-driven than quote-driven markets. In the former, thin or uneven population of the order-book, together with the time it may take on occasion to refresh orders following a substantial depletion of orders on one side of the book, could lead to significant price fluctuations unless the market takes steps to prevent this. By contrast, a feature of quote-driven markets is the market makers' commitment to provide continuous liquidity, at least in a minimum size, and the resultant capacity to avoid the sharper short-term volatility that can occur on order-books with no price limit controls.

Some jurisdictions have *static* (i.e., set) thresholds tied to the last price quoted on the previous session, and/or the opening price.[20] Other jurisdictions may have both a static and a *dynamic* threshold. These dynamic thresholds are also known as *price continuity limits.* The dynamic limit is tied to the changing price of a particular security, such as the price at which a security was last traded.[21]

The static and dynamic thresholds have several purposes. First, the triggering of a price limit following any sharp price reaction to good or bad news about an issuer limits the immediate extent of any price move and provides investors with the opportunity to trade with less emotion and with a more rational evaluation of the fundamental value of the stock. This function is analogous to the role of a market specialist in traditional open outcry exchanges such as the New York Stock Exchange. Second, the limits alert market operators of potential order imbalances in particular securities. Third, the limits (particularly dynamic limits) may help stop trade orders that are made in error.[22]

2. Circuit Breakers

Circuit breakers were developed in response to the market break of 1987, specifically, to the liquidity problems that arose during sharp price swings and volume surges.[23] Circuit breakers are coordinated, cross-market trading halts that are designed to operate only during significant market declines and to substitute orderly, pre-planned halts for *ad hoc* trading halts that might be imposed when market liquidity declines precipitously.[24] Circuit breakers also provide opportunities for markets and market participants to assess market conditions and potential systemic stress during an historic market decline. Many

[20] For example, if the share price of Company X at the close of business on day 1 is $100, and it is subject to a price limit of 10%, this would mean that, on the next trading day, the share price could not trade below $90/share or above $110/share.

[21] For example, if a security in of Company X last sold for $100/share, and if it was subject to a "dynamic" or "price continuity" limit of 2%, this would mean that the next trade in the stock could not be for less than $98/share or more than $102/share. It should be noted that a stock may be subject to both a dynamic and a static price limit.

[22] For example, a market operator might accidentally input a request to buy the stock of Company X at $110, when the actual order was to buy at $101/share. If the stock was subject to a 2% dynamic price limit, and the previous trade was at $100/share, the system would not accept the order.

[23] In addition, the volatility caused by the Asian Crisis in October 1997 prompted the creation of circuit breaker rules by exchanges such the Sao Paulo Stock Exchange (BOVESPA).

[24] Dramatic market declines will often be accompanied by multiple trading halts in individual securities.

jurisdictions have automatic pre-determined circuit breakers that halt trading in the entire market when a reference index exceeds pre-set trigger levels or limits.[25]

Circuit breaker triggers are generally set forth in a market's rules,[26] and re-set each quarter. Typically, a jurisdiction has multi-level circuit breakers that close the market for a set period of time if the market falls a certain percentage, and then for a longer time if the market falls even further. The duration of the circuit breaker halt depends on the percentage the market falls, *i.e.,* the halt will last longer if the percentage of decline is greater. Another variable is the time of day the circuit breakers are triggered. When circuit breakers are triggered closer to the end of the trading day, trading will not resume that day.

III. Entities Authorized to Initiate a Trading Interruption

A. General

In most jurisdictions, more than one authority has the ability to impose (or request) a trading interruption. The authority to impose a trading halt may derive from statutory powers bestowed on a regulator (which may then be devolved to other authorities) or developed as part of a market operator's rules. There are normally clear delineations as to whether a regulatory authority or market operator has responsibility for imposing particular types of trading halts.[27]

In general, automatic trading halts are imposed in accordance with a market's rules. In contrast, discretionary trading halts may be imposed by markets, by securities regulators, or by the two acting in combination. Any potential conflicts that may arise from concurrent authority to impose a halt are normally resolved through pre-established understandings as to which party has responsibility in particular circumstances or through informal arrangements for the timely sharing of information.

B. Markets

In each TCSC-2 jurisdiction, markets have the authority to implement trading halts, even if they are not the primary market for a security (and in at least one jurisdiction, the market has the *exclusive* authority to impose a halt). This authority is usually derived either from statutes specifically granting markets powers to halt trading or, indirectly, as a consequence of statutes requiring the market to ensure a fair and orderly market or protect investors. The circumstances under which a trading halt can be imposed are generally described in the market's rules. Typically, a market's rules provide it with the authority to impose trading halts for disseminating information; dealing with issuer

[25] *See generally*, "Coordination Between Cash and Derivative Markets," IOSCO, October 1992, pp. 6-7.
[26] For example, the Bourse de Montreal, Toronto Stock Exchange, and New York Stock Exchange have circuit breakers that are based on a significant decline of the New York Stock Exchange's Dow Jones Industrial Average.
[27] For example, in the UK, the UK Listing Authority, part of the FSA, may temporarily suspend a listing. Exchanges then automatically halt trading.

failure to comply with the market's listing standards; correcting order imbalances; and responding to the crossing of price limit or circuit breaker thresholds, apparent or actual fraud and manipulation, and extraordinary events. (*See* section II.)

Even when exchanges are responsible for imposing trading halts, however, some have obligations to notify regulators of their actions. For example, they might be required to inform the regulator of the trading halt and the justification. Depending on the jurisdiction, this may need to be done immediately or on a periodic basis, such as monthly.

C. Regulators

Most regulators have statutory authority to halt all trading in a particular security to protect investors or in the interests of an orderly market or market integrity. Regulator-imposed trading halts often occur in situations where there is evidence that an issuer's securities are subject to fraud or manipulation or where there is inadequate disclosure. These types of trading halts, often described as trading suspensions,[28] are usually of longer duration (*e.g.*, 10 days) as compared to market-imposed trading halts (*e.g.*, a few hours for a company press release). In many jurisdictions, the regulator has authority to suspend all trading *in a market* if required for the public interest and the protection of investors. (*See* section II.A.4).

IV. Issues Related to Multi-Listed Securities and Derivative Products

A. Introduction

Although many securities are listed and/or traded on only one exchange, some are listed and/or traded on more than one market within a single jurisdiction, or are listed and/or traded on markets in different jurisdictions. In addition, derivatives on many securities are often traded on markets separate from the security's primary market. Thus, when a market halts trading in a multi-listed security, market participants may be able to trade the halted security or derivative in another trading venue. Continued trading of a multi-listed security in another market, during the imposition of a trading halt in the first market, could make the halt less effective. The question thus arises as to whether there is a serious possibility of regulatory arbitrage and the circumstances in which a regulator or market in a secondary jurisdiction should consider imposing a trading halt parallel to a halt imposed in another jurisdiction.

A key consideration in enabling a market to decide whether to impose a parallel trading halt is the degree of transparency of the rules and circumstances surrounding the initial decision to interrupt trading. With regard to discretionary trading interruptions,

[28] In Canada, when the securities regulatory authority initiates the interruptions, they are referred to as cease trade orders.

transparency depends in large part on effective cooperation arrangements and communication between markets and regulators.[29]

B. Multi-Listed Securities Within A Single Jurisdiction

1. General

Concerns about transparency and regulatory arbitrage are less pronounced with regard to a halt in the trading of a security that is listed on more than one market, but only within a single jurisdiction.

First, with regard to transparency, in most circumstances, a market will impose a trading halt and immediately notify all the other markets where the security trades within the jurisdiction. If a regulator imposes a trading halt based on fraud or manipulation, generally it will impose the halt on all markets within its jurisdiction. Where there is a trading interruption to permit the public disclosure of material news about an issuer, that news is intended to be disseminated to the markets where the issuer's securities are traded. The issuer may be required to notify all the markets simultaneously in accordance with the rules of the exchanges on which it is listed. Alternatively, the issuer may be required to notify only its primary market. In the latter instance, the primary market will frequently notify the other markets. After the relevant markets have received notification about the pending news, they communicate directly with each other and usually impose trading halts very close in time. They also communicate regarding the timing of the resumption of trading.

Jurisdictions also have varying practices and procedures for a market or regulator to notify other markets of an impending trading halt in a multi-listed security. Some jurisdictions have memoranda of understanding among the exchanges that set forth specific procedures. In at least one jurisdiction, the markets are linked by an electronic communication system that provides immediate notification of a trading halt. Communication among markets, however, is usually done by telephone, fax, or e-mail. Some markets may monitor public reports or financial news services for news about trading halts in other markets within the jurisdiction. Some jurisdictions have information systems that highlight quotations for publicly traded securities subject to trading halts. Exchanges also generally participate in real-time monitoring of relevant activity on other exchanges via the Internet, messaging systems, or media services.

Second, there is limited potential for regulatory arbitrage in a single jurisdiction. In many cases, statutes or rules require that, once a trading halt is imposed on an exchange in a particular security, the security cannot be traded on any other market within the jurisdiction (this is frequently the case where the primary market imposes a trading halt). In other jurisdictions, where there is a trading halt in a security listed on an exchange,

[29] In the case of automatic trading interruptions, there is a high degree of transparency because the maximum trigger levels or limits are part of the market operator's rules, which are generally known by market participants. As noted in the conclusion, markets rarely impose parallel trading halts based on automatic trading interruptions.

trading of the security in the over-the-counter market and on alternative trading systems may also be halted.30 Moreover, in most jurisdictions, when a regulator imposes a trading halt in a particular security, all trading is halted in that security, regardless of where it trades.

2. Derivatives

Jurisdictions have also taken steps to maintain fair and orderly markets and to enhance the effectiveness of trading halts where there are derivative products tied to equities. Specifically, many jurisdictions will halt trading in derivative products when trading in the underlying security is halted. In some cases, a trading halt in a security will lead to an automatic trading halt in the related derivative product; in other cases it is discretionary. In at least one jurisdiction, the rules of the options markets generally provide for halts in options trading when the underlying security is halted whenever "appropriate in the interests of a fair and orderly market and to protect investors." In addition, one jurisdiction recently adopted a requirement that the rules of markets that list or trade security futures products provide that trading of a future on a single security be halted at all times that a regulatory halt has been instituted for the underlying security.[31]

Some markets have hybrid rules that combine automatic halts with some discretion. For example, in a few jurisdictions, if a trading halt is imposed on an individual stock, all related derivatives are automatically suspended, unless the exchange where the derivative is traded determines that a halt is not appropriate in the interest of maintaining a fair and orderly market.

When a security forms a part of an index or a basket, and trading in that security is halted, jurisdictions generally will not halt trading of the basket or index. If trading in a substantial proportion of the securities underlying an index product is halted (or if the proportionate weight of the subject security(ies) is very high), however, trading in the derivative product also may be halted.

C. Cross-Border

With the increasing globalization of securities markets, the number of multi-listed securities traded on markets in different jurisdictions has grown. As noted earlier, in the context of trading interruptions, a key issue for the markets and regulators in each jurisdiction is to determine the circumstances under which they might impose a trading halt parallel to one imposed in another jurisdiction. Where possible, the market or regulator imposing the initial halt should share information with other jurisdictions

[30] In at least one jurisdiction (U.S.), the over-the-counter market authority may halt the over-the-counter trading of a security listed on a securities exchange during a trading halt imposed by that exchange to permit the dissemination of material news.
[31] *See* Cash Settlement and Regulatory Halts Regulations for Securities Futures Products, at http://www.sec.gov/rules/final/34-45956.htm.

regarding reasons for the halt. However, it should also be recognized that there may be circumstances where this is difficult, if not impossible.[32]

A market implementing (or intending to implement) a trading halt will typically notify foreign markets that list or trade the halted security or related securities, and will share with them the information underlying the trading halt. This notification could include providing the other markets with the issuer's press releases or company statements. After a foreign market receives the notice of the trading halt (or of the intention to implement a trading halt) and the supporting information, it may determine whether it can (or should) impose a trading halt under its own rules and regulations. In most jurisdictions, the main consideration for determining whether to impose a parallel trading halt is whether the market instituting the trading halt is the primary market for that security.[33] As a general rule, most markets follow the decision of the primary market to impose a trading halt. This deference is mainly attributable to an assumption that there is superior information about the issuer and price formation in its securities in the primary market. On the other hand, a market may decide not to follow a primary market trading halt if it is based on reasons it does not consider sufficient. In addition, many jurisdictions noted that a trading interruption for order imbalance, the triggering of price limits or circuit breakers, or systems problems may not justify a parallel trading interruption because it may not affect the price formation of the security trading on another market.

A few jurisdictions have formal agreements that govern their response to trading halt notifications. For example, two jurisdictions have entered into a pilot program that requires a market to impose an automatic trading suspension if one is imposed in the market where a security is primarily traded.

V. Literature Survey[34]

Following the October 1987 market break, securities market regulators have increasingly used trading halts, including circuit breakers, to protect markets during periods of extreme volatility. The resulting regulations have also provided financial economists the opportunity to construct and evaluate studies comparing the costs and benefits of various types of market restrictions. Several studies have attempted to understand the impact different types of market restrictions have on trading activity.[35]

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[32] For example, it may not be possible for the primary market that initiates a trading halt to inform all markets where the halted security (or related derivatives or warrants) is traded simply because it is frequently unaware of them. In particular, there is a growing number of financial instruments (equities, covered warrants, derivative products, etc.) that are traded on markets without the relevant issuer's (or its primary market's) knowledge or consent.

[33] This is often the initial listing market. *See* footnote 7 above.

[34] Appendix A is a list of references for the survey.

[35] *See* Harris (1998) for a detailed survey of the literature.

A. Theoretical Studies

Several authors have discussed the economics of trading halts and circuit breakers and their implied costs and benefits.[36] Harris (1998) discusses the economics of circuit breakers in particular, and several theoretical models of their impact.

1. Benefits of Trading Halts

An example (from Harris (1998)) illustrates the importance of the net effect of circuit breakers on the market. Circuit breakers work by attempting to reduce short-term volatility by slowing price changes. During extreme market movements, slowing price changes may be beneficial to most market participants.

For example, trading halts triggered by uninformed trading may be beneficial to the market. That is, if the halt is triggered because of an order imbalance caused by uninformed traders, it may benefit the market by allowing informed traders to enter the market and provide liquidity. Greenwald and Stein (1991) and Kodres and O'Brian (1994) model extreme price movements based on uninformed trading. In both frameworks, during extreme price movements, informed traders may withdraw from trading because of uncertainty about their execution prices. Both papers suggest that trading halts may improve market performance by providing investors an opportunity to become better informed before trading.

Trading halts in a limit order-driven market may increase liquidity when the market reopens because the market opens with a single price auction.[37] Opening with a single price auction protects traders who have standing limit orders. Because these traders tend to be the key providers of liquidity, they may be more willing to offer liquidity (during normal market conditions) knowing they are protected during market extremes.[38]

2. Costs of Trading Halts

Interruptions in trading activity are not without cost. If short-term volatility is related to information fundamental to the stock price, halting trading simply increases the amount of time before that information is incorporated into the price. In other words, if fundamental information arrives during the interruption, the price process is delayed by the interruption. The interruption does not prevent fundamental information from becoming incorporated into the price, even if that implies a substantial decrease in the price over a very short period of time. In addition, price uncertainty increases because no information is transmitted through trading and transitory volatility is higher when the trading resumes.

[36] *See* Kyle (1988), Harris (1989, 1998) and Moser (1990) for surveys of the theoretical literature. Harris (1989) distinguishes among different types of volatility: fundamental volatility, transaction-induced volatility and noise-induced volatility. Harris (1998) summarizes the fundamental findings of the economics of circuit breakers. Our discussion follows Harris (1998).

[37] In a single price auction, the specialist simply announces the price at which the asset trades. Transactions occur at a single price for all agents.

[38] *See* Harris (1998) for a more detailed discussion.

Trading halts (and price limits) may also increase transitory volatility. If market participants suspect a trading halt will occur before they can execute their trade, they will trade earlier to increase the probability of execution. Thus, when trading halts are likely to occur, rational traders will increase market volatility by altering their trading strategy to account for the probability of a trading halt. Subrahmanyam (1994) constructs a model of this effect on trader behavior.

3. Conclusions of the Theoretical Studies

The results of theoretical studies of the economics of trading halts and circuit breakers are mixed. Trading halts slow price changes associated with fundamental information. The impact that delayed price changes have on transitory (short-term) volatility is not clear. Transitory volatility is reduced if the restrictions apply to traders who contribute to transitory volatility. Otherwise, preventing trading by agents whose participation conveys information may increase transitory volatility. The net effect of these types of trading interruptions on transitory volatility is indeterminate.

B. Empirical Studies

Empirical studies of the impact of different types of trading interruptions (including trading halts, circuit breakers and price limits) on transitory volatility suffer from several statistical problems. In general, studies of the impact of trading halts compare market measures after a trading halt to what those measures would have been had the halt not been imposed. It is difficult to eliminate reasonable alternative explanations for price changes after trading halts without making very strong assumptions about transitory volatility in the *absence of market restrictions*. In addition, these fundamental statistical design issues are complicated by the difficulty in accurately decomposing market volatility into transitory and fundamental components.[39]

1. Statistical Issues:

Statisticians use large samples to improve the precision of their results. Samples used for empirical trading halt studies are limited by how often halts are imposed. If the trading halt is triggered frequently, reasonable inferences and tests can be constructed. The problem with this approach is that the set of alternative explanations is large, i.e., changes in price volatility can happen after trading halts for a number of reasons. In order to test accurately the impact of trading halts, the alternative explanation (for the change in price volatility) must be independent of the rule (that imposed the trading halt), but correlated with the conditions that triggered the rule.

2. Coordinated Trading Halts:

The literature examining the impact of coordinating trading halts on market volatility is limited; partially because data related to coordinated trading halts is rare. Moser

[39] The statistical design issues are more severe for empirical studies of circuit breakers.

(1990) describes possible effects of circuit breakers at the Chicago Mercantile Exchange (CME) on October 13, 1989. Moser attributes increased volume at the NYSE to the lack of explicit circuit breaker coordination among markets.[40] However, because Moser (1990) does not empirically test the impact of circuit breakers, the conclusions should be interpreted with caution.

3. Trading Halts for Individual Securities:

Lee, Ready and Seguin (1994) examine the effect on subsequent trading volume and volatility of trading halts for individual securities on the NYSE. Individual trading halts occur because of order imbalances, pending news and news dissemination. In their study, they match trading halts with "pseudo halts"—periods where the same stock had similar pricing characteristics with no trading halt. They find that volumes were significantly higher for three days after trading halts relative to pseudo halts. They also find that volatility is significantly higher for one day after the halt was imposed. Their evidence is inconsistent with the hypothesis that trading halts stabilize prices.

Christie, Corwin and Harris (2002) examine the effect of news-related trading halts on the Nasdaq on prices, transaction costs and trading volume. They find that the uncertainty associated with the trading halt is not resolved when trading resumes. When halts reopen with a five-minute quotation period prior to trading, trading resumes with a larger median inside spread and with much higher volatility. When halts reopen the following morning, accompanied by a ninety-minute quotation period, inside spreads are narrower than after the intraday trading halt (and the subsequent five-minute quotation period) and volatility increases are dampened.

4. Price Limits:

Lauterbach and Ben-Zion (1993) study the fixed price limits at the Tel Aviv Stock Exchange (TASE) during the week of October 19, 1987. The TASE traded, at the time, using a single price auction. Trading rules required that the clearing price be within ten percent of the previous day's close or all trading in the stock would halt. The excess demand and supply schedules based on the previous day's close were publicly known before the single price auction. Limit price schedules were also known at the limit price. Lauterbach and Ben-Zion use this information to examine how the previous day's order imbalance was processed after a trading halt. Their findings suggest that the halt eliminated a portion of the imbalance, but not all.

[40] For another statistical approach *see* Santoni and Lui (1993). That study attempted to determine the effect of coordinated trading halts on volatility on the NYSE, the CME and the regional and options exchanges (but *did not* seek to compare coordinated versus non-coordinated trading halts). They tested for changes in volatility using an ARCH (autoregressive conditional heteroskedasticity) model and data from May 1991. They found no significant effects on price volatility across trading structures.

C. Conclusion

Models of trading halts (and circuit breakers) suggest that under the right conditions, the benefits of trading interruptions may justify their use. Trade restrictions are most beneficial when regulators restrict price changes that are caused by uninformed trading. The potential benefits are, unfortunately, difficult to prove because, during periods of extreme market movements, identifying price changes that result from uninformed trading is impossible. Moreover, there are potential costs to trading halts. For example, they may delay the price development process (if fundamental information arrives during the interruption), and/or increase volatility.

The empirical evidence relating various types of trading restrictions to volatility is mixed. Alternative explanations for volatility are abundant. Empirical studies of trading halts (and circuit breakers) suffer from the inability to consistently identify any substantial effect on volatility. Most studies find that the impact of trading halts on subsequent volatility is short-lived and low. Because of statistical problems inherent in studies of extreme market movements, the empirical literature does not offer strong conclusions.

VI. Trading Halt Data

IOSCO's Consultative Committee provided data for this study concerning discretionary trading halts that took place in member markets.[41] Sixteen markets responded to the request.[42]

The data was provided in different formats, for example, a textual description or a data graph describing the duration or cause of the halts. These different formats make comparisons difficult. However, the analysis of the data revealed the following:

A) All jurisdictions have arrangements in place for implementing trading halts. Most of them also maintain data regarding trading halts imposed and publish trading halt information on their Web sites or disseminate the information to news service providers when the halt is implemented. They may also maintain publicly available

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[41] In some instances data may also include trading interruptions that are automatically imposed, such as price limits. Hong Kong, for example, reports that 2% of the trading halts in 2001 were caused by "unusual price movements of the company's shares," presumably price limits. In addition, in some circumstances a discretionary trading halt may lead to a number of automatic trading halts. For example, on the Swiss Exchange, when trading is halted on one share, all related derivatives (*e.g.*, warrants, options, and bonds) are also halted. A trading halt on share X could have the consequence of a trading halt in one or perhaps several dozen related warrants. As a result, there are a large number of trading halts on derivatives (The Swiss Exchange reports that there were 159 trading halts on stocks, 141 on bonds, and 6,486 on derivatives on the years 2000 and 2001).

[42] Australian Stock Exchange, Hong Kong Stock Exchange, Istanbul Stock Exchange, Italian Exchange, London Stock Exchange, Kuala Lumpur Stock Exchange, Madrid Exchange, Spanish Exchanges, Mexican Stock Exchange, Nasdaq Stock Market (USA), New York Stock Exchange (USA), Polish Exchange, Swiss Exchange, São Paulo Stock Exchange (Brazil), Taiwan Stock Exchange and Toronto Stock Exchange (Canada).

records of trading halt information, including the security halted, the reason for the halt, and the date.

B) Jurisdictions may differ in the way they implement trading halts. For example, the Australian Stock Exchange distinguishes between trading "halts," which are put in place for a maximum of two days (unless an announcement can be made to clear up the market earlier) and trading "suspensions," where the interruption lasts beyond two days. During trading "halts," brokers can continue to enter bids on their trading screens, while during "suspensions" the trading screen is frozen.

C) To facilitate a comparison of the number of trading halts on various markets, we created a ratio of the number of halts in a twelve-month period on a particular market divided by the number of issuers listed on that market.[43] Most of the jurisdictions show a low average yearly frequency of trading halts. The range is between 0.2 and 0.36 halts/year/listed company.[44] Three jurisdictions, however, have an above average yearly frequency of trading halts, *i.e.*, Brazil (0.71), Canada (0.66) and Hong Kong (0.56). This comparison may have limited value, however, because of the heterogenic nature of the definition of trading halt and triggering events in the sampled jurisdiction.

D) Although the rules adopted in the various jurisdictions seem to be heterogeneous and the categories of causes for halts are not the same, there is evidence that the rationale for the imposition of trading halts stems from the common objective of ensuring the smooth operation of the market in circumstances in which the market may not have sufficient information about the securities or the securities' issuer.[45] In particular, "News pending" and "price information" are the *primary* basis for halts in: London (33% of the trading halts), Istanbul (34%), Spain (56%), Mexico[46] (65%), and Toronto (74%). The same are still a significant basis for halts in Malaysia (13%, 2nd cause), Hong Kong (15%, 3rd cause), and Brazil (21%, 2nd cause), and Italy (22%, second cause). Other major causes for trading halts, which are common to most samples, are: delistings (one of the top three causes in 5 of the samples), merger/acquisitions, takeovers and earnings, and dividends/rights announcements (top three causes in 4 of the samples).

E) Most of the data provided also includes the duration of the trading halts. Three markets indicated that the duration of the halt is flexible depending on the triggering event. In general, the data shows that trading halts are short, with a typical median duration of less than three days. This is consistent with the Consultative Committee

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[43] *See* the last page of Appendix B for a summary comparison of trading halt frequency that shows how this ratio is calculated.

[44] One sample, Taiwan, exhibits a very low frequency of trading halts; they report only 27 halts for the period 2000/2001 (1.1 halts/month). The real frequency in this single case may be even lower: 5 of the halts were caused by mergers and took place in the last weeks of December 2001; the other 22 halts reported by Taiwan were all caused by delistings.

[45] *See* Section 2.A.1.

[46] The description provided by the exchange is "failure to disclose info", which may include news pending, price information and noncompliance to disclosure requirements.

members' views that trading interruptions should be used only in appropriate circumstances and lifted as soon as possible. As expected, trading halts that eventually lead to delisting appear to be much longer than those triggered by other events, such as those related to the dissemination of data, although there is not enough information to infer a general rule.

VII. Information Sharing and Contact Information

As noted previously, a key factor in enabling relevant parties to decide whether to impose a parallel trading halt in the cross-border context is the degree of transparency of the rules and facts underlying the decision to interrupt trading in the foreign jurisdiction. With regard to discretionary trading interruptions, the degree of transparency depends in large part on effective cooperation arrangements and communication between markets and regulators. Key information that may be considered includes the nature of the information that served as the basis of the halt, the duration of the halt, and the liquidity of the markets on which the instrument is traded.

Markets in most jurisdictions have informal arrangements to facilitate communication and the exchange of information with regard to trading halts in cross-border multi-listed securities. As part of these arrangements, many markets maintain a list of issuers that are also listed or traded in other jurisdictions, and a list of each market's contact information, including the name of key persons, addresses, and telephone and fax numbers. For example, the World Federation of Stock Exchanges has developed a list of contact persons.[47]

In addition, the Intermarket Surveillance Group ("ISG") allows members to coordinate industry-wide cooperative efforts for exchanging market data.[48] Members of the ISG have contact lists of all participating countries in an effort to make communication among the markets more efficient.

The International Information Sharing Memorandum of Understanding ("IISMOU") establishes a mechanism whereby the occurrence of one of several triggering events will allow a derivatives market or clearinghouse to request information from one or more of the participating markets or clearinghouses.[49] Regulators of the signatories to the IISMOU have signed a companion *Declaration on Cooperation and Supervision of International Futures Markets and Clearing Organizations* ("*Declaration*"). Under the

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[47] Countries whose stock exchanges are on the list published by the World Federation of Stock Exchanges include: Greece, Spain, Italy, Hungry, Portugal, Denmark, Cyprus, Germany, Finland, France, Iceland, Ireland, UK, Luxembourg, the Netherlands, Norway, Sweden, Slovenia, Switzerland, Poland, and Austria.

[48] ISG consists of the membership of twenty-three self-regulatory organizations from five countries. ISG's goal is to enhance intermarket surveillance to assure the integrity of trading in options and equities, and public protection.

[49] Examples of triggering events include: a large decrease in a member firm's core financial resources, large cash flows in either the proprietary or customer accounts of a member firm, or in both, or a concentration of positions in any futures or options contract. To date, sixty-six derivatives markets and clearinghouses have signed the IISMOU. *See* http://www.cftc.gov/opa/press98/opa4125-98.htm for a list of the signatories.

Declaration, the occurrence of agreed triggering events will prompt the sharing of information.

Although the ISG, IISMOU, and *Declaration* do not explicitly address trading halts, all of these arrangements provide general mechanisms for information exchange and communication, which could be used to share information about trading halts.

While most jurisdictions say that time zones do not affect the effectiveness of instituting trading halts, time zones do affect *communication* among the markets that trade the security. A few jurisdictions note that time zone differences can be significant because the lag time between the imposition of a halt in one market and the opening of trading in another market allows for the transfer of information between markets. At least one market noted the desirability of obtaining all information on trading halts globally, even if that exchange is not open when the trading halt in another country was implemented.

The importance of information sharing, and contact information, was highlighted by the events of September 11, 2001. When all U.S. markets closed as a result of the crisis, non-U.S. markets and regulators needed to decide whether they should (1) close their markets entirely, (2) halt trading in stocks that were also traded in the U.S., (3) halt trading in only those stocks for which the U.S. was the primary market, or (4) take no action. Most jurisdictions determined to keep their markets open, but halted trading in stocks for which the U.S. was the primary market. Both formal and informal communications between regulators and markets were an important part of this decision process. This experience also highlighted the need to have procedures in place to deal with a market closure in another jurisdiction in a timely manner, such as having appropriate contact names, and their respective telephone numbers and email addresses.

VIII. Conclusions and Recommendations

Trading interruptions are tools used to address both potential and actual market disorder. By creating a break in trading, they aim to avert the risk of a disorderly market or, where disorderly conditions are already emerging, to facilitate the restoration of orderly trading.

Trading interruptions are utilized in all jurisdictions, most commonly in one of two sets of circumstances. In the first, the trading interruption is designed (principally) to facilitate the orderly absorption by market users of new information material to the valuation placed on an issuer's securities. These halts are imposed primarily when issuers release new information, but they may also be imposed where an issuer is currently not in a position to release price-sensitive information and a leak becomes possible (or has started to occur). They may also be imposed where a market operator or regulator determines that an issuer is in breach of a disclosure (or other listing) requirement.

The second main set of circumstances in which trading interruptions are used occurs when there is order imbalance, excessive volatility or when there is some other indication of disorderly trading. In these cases, the trading halt generally provides time for supply and demand to rebalance at a new trading price.

The application of trading halts in circumstances in which a security (or derivative on that security) is traded in more than one venue raises a number of issues for market regulators, market operators and issuers. These include, in particular:

- The need to evaluate carefully the potential risks to investors and/or markets arising from different approaches to trading halts;

- The efficiency of the processes by which information relating to a trading halt imposed in one market centre/jurisdiction may be transmitted to, or accessed by, other relevant trading venues and their users.

These issues arise whether the multiple trading venues are located domestically or in more than one jurisdiction.

Communication between issuers, market centers, and regulators within one jurisdiction should be relatively straightforward. However, where the venues are located in different jurisdictions, the issues are of potentially greater complexity. Not only is there a greater likelihood of differences in the application of trading halts, but the processes involved in establishing and maintaining cross-border information flows are likely to be more demanding.

A. Evaluating the Risks of Differing Regulatory Approaches

Although all jurisdictions have trading interruption procedures of some kind, based on broadly similar objectives, the detail of these arrangements is tailored to local circumstances and often varies considerably. This raises the question of whether, and to what extent, these differences present significant risks to markets and/or investors.

There are three principal risks that could crystallize as a result of jurisdictions adopting different approaches to trading halts. One is that investors using parallel markets would be exposed to higher risk if, during a suspension in a primary market, they executed their orders by making use of a trading facility that remained operational in another market. A second, potentially of greater concern, is that the investors of the other jurisdictions may not even be aware that there has been a trading halt ahead of a significant announcement or in response to a breach in rules. A third is that the ability of some, but probably not all, investors and market participants to switch their trading to another jurisdiction might undermine the effectiveness of a measure introduced as a public good.

The potential significance of the three risks is greater in cases where the trading interruption has been called to allow market absorption of new material information in respect of an issuer or in case of fraud or breach of rules than when it flows from, for example, a short-term order imbalance. In the latter case, the purpose of the trading halt is normally to address technical circumstances in the particular trading venue to which it applies, not across the market-place as a whole. This trading halt protocol is designed specifically for the market microstructure in which it operates; the triggering of the halt is caused by, and addresses, the specific order/price trend in respect of that trading venue alone. For some investors, the opportunity to switch their orders to a parallel venue during a volatility halt may well be beneficial.

Where trading interruptions arise from 'issuer factors' – largely, though not exclusively, informational – the considerations are less straightforward. In particular, different jurisdictions have different approaches to the circumstances in which they consider it appropriate to halt trading to allow time for the dissemination of issuer news. This may reflect such factors as the amount of information issuers are customarily required to disclose between 'calendar' announcements, the normal (intra-day) timing of announcements and the normal speed of dissemination to a sufficiently wide audience.

However, there are a number of circumstances in which the case, on both investor protection and market integrity grounds, is likely to be much more strongly in favor of secondary markets following the lead of the primary market. Normally, they will do so when an issuer has requested a suspension ahead of a significant, non-routine announcement. They are also likely to do so in (the generally exceptional) circumstances in which the primary market authorities suspend trading on grounds that there has been (or appears to have been) a leak of significant price-sensitive information. Similarly, they will generally follow the lead of the initial listing market authorities when they have temporarily suspended a listing for legal/regulatory breaches, such as failure to comply with continuous disclosure requirements, or because the company's financial position is so uncertain that there may be no reasonable basis for an orderly market in an issuer's securities trading (at least on an exchange or organized market). ***The Technical Committee considers that in the circumstances set out above, market authorities in all jurisdictions where a security trades generally have strong domestic grounds for following the lead of the primary jurisdiction. In any event, regulators need to fully evaluate the risks that may arise from permitting a continuation in trading in securities where trading has been halted in the initial listing market.***

B. Efficient Communication Processes

Overall, possibly the greatest risk in cases of multiple listings is in fact to investors in jurisdictions other than the primary listing jurisdiction if, for some reason, they are not aware of a suspension, particularly of a suspension ahead of a significant announcement or in response to a breach of listing rules. The Technical Committee considers that there are a number of measures that may help to reduce this risk.

Most fundamentally, regulators, market operators and market users in 'secondary' jurisdictions need to have access to the rules and protocols governing trading interruptions in other jurisdictions. ***Regulators should ensure the public availability***

(whether by them or the markets) of relevant information relating to the basis for trading interruptions and the rules and protocols under which they are implemented.

In many circumstances, issuers themselves have a central role in communicating a request for a trading halt to secondary jurisdictions. Where the issuer has a formal listing relationship with listing or market authorities in secondary jurisdictions, it will normally[50] need to request a trading suspension in each jurisdiction (or on each trading venue) where it has entered into a listing agreement. ***Listing and market authorities should encourage issuers to communicate requests for a trading halt (and releases of material information) in an efficient manner, giving consideration to the best way of coordinating such requests (and announcements) so as to ensure that suspension (and information release) occurs in as orderly a manner as possible across all such trading venues.***

In other circumstances, the process of communicating information relating to trading interruptions becomes more complex. Where, for instance, the primary market decides to suspend the listing/trading on its own initiative (i.e. without a request from and without the agreement of the issuer), there is frequently no established mechanism for communicating that information to relevant authorities in other jurisdictions. While such suspensions represent a relatively small number of total suspensions in most jurisdictions, they normally occur only when there is an indication of a significant information deficiency or some more serious problem. In these cases, it is therefore particularly important that listing/market authorities in other jurisdictions become aware of the suspension as rapidly as possible***. In the view of the Technical Committee, it is good practice for the primary listing authority to be aware of the other markets on which a security is listed - especially those on which it is regularly traded - and for all markets where a security is listed or traded to be informed of discretionary trading halts. Listing and market authorities should encourage issuers to notify them of other markets on which they have their securities listed. Listing and market authorities should also have arrangements to communicate information relating to trading halts to those markets.***

Secondly, circumstances may arise – increasingly so with the emergence of new trading platforms - in which neither the issuer, the primary market, nor the listing market are aware of all the trading platforms on which an issuer's securities are traded. This occurs in cases where the securities are traded on markets where there is no listing agreement between the market operator and the issuer. Similarly, neither an issuer nor the primary market may be aware of all the venues on which derivatives on the securities are traded. ***The Technical Committee considers that regulators should normally require trading venues that provide trading in securities without any formal arrangements with the issuer - particularly exchanges and other organized market facilities - to require the operator to ensure that it, and users of the system, have timely access to***

[50] While an issuer will need to comply with the listing requirements of any market/listing authority with which it has entered into a listing agreement, that listing agreement may provide for a foreign issuer to be governed by its primary market disclosure and suspension requirements, where these are considered to be broadly equivalent to domestic requirements or otherwise acceptable.

information relating to trading halts imposed in the primary market(s). Similar requirements should apply to operators of derivative trading platforms. In both cases, the market operator should be able to demonstrate this capacity through, for example, its arrangements with listing authorities or through its arrangements for monitoring market/issuer notices.

C. Market Closure

In rare circumstances, a market operator may suspend trading in a segment of the market or even the whole market. This may occur when:

- There is exceptional turbulence in the market as a whole as the result of some external extreme event; or

- There are major operational difficulties as a result of infrastructure failures or other circumstances that make it impractical for the market to remain open.

When a primary market is closed because of an "extreme event" or an infrastructure failure, the reaction of other markets, and derivatives markets, will depend on their assessment of all the relevant facts.

The aim of a parallel market closure in these circumstances would be to provide opportunity for markets and market participants to assess the impact of the event on market conditions, including the impact on price formation. Moreover, it permits market operators and regulators to (a) collect and analyze information from the relevant markets, major market participants, clearing organizations, and self-regulatory organizations about prevailing conditions; (b) communicate information with foreign regulators concerning market events and conditions, and possible regulatory responses; and (c) disseminate information and regulatory responses to markets, market participants, regulatory and self-regulatory organizations, appropriate government bodies, and the public.

Issues to be considered may include the capacity of the secondary markets to accommodate higher volumes in the relevant securities, the likely quality of price formation, and the ability of transactions to settle. The likely length of the closure may be a further consideration. This may be determined by the severity of the disruption and the extent to which the primary market has been able to establish contingency measures. **In the context of market closures, market operators and regulators should have adequate arrangements so that they can communicate with each other effectively and can access sufficient information to take appropriate decisions in as timely a manner as possible.**

APPENDIX A - References to Literature Survey

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APPENDIX B - Statistics on number of listed companies and trading volume

Source of statistics on number of listed companies and trading volume: World Federation of Exchanges (Formerly FIBV)

Discretionary Trading Halt Statistics Reported by Exchanges

Australian Stock Exchange

Received:	Consolidated tables and graphs
Period:	2nd semester of 2001
No. of halts:	169 "halts" / 113 "suspensions"
Causes:	Not available
Duration:	Not available
Observations:	The ASX sent an explanatory note distinguishing between "halts" (brokers can continue to enter bids) and "suspensions" (trading screen is frozen; there can be negative implications in terms of financial covenants). Also sent: (1) a breakdown of trading halts on a state-by-state basis, and (2) description of significant trading halt cases.

Stock Exchange of Hong Kong

Received:	Consolidated tables
Period:	2001
No. of halts:	489
Causes:	Capital raising and fund raising – 27% Major/connected/discloseable transactions – 25% Price sensitive information – 15% Corporate restructuring/capital restructuring – 8% Merger and acquisition – 8% Legal proceedings against the company – 6% Unusual price movements of the company's shares – 2% Financial result and position – 2% Others – 7%
Duration:	Mean – 3.7 days Median – 1.5 day Mode - 1 day
Observations:	Markets covered – Main Board and the Growth Enterprise Market

Istanbul Stock Exchange

Received:	Database of individual halts + consolidated graphs
Period:	January 2000 / October 2001
No. of halts:	209

Causes:	News Pending - 34%
	Capital Increase & Dividend/Rights Announcement - 22%
	Regulator - 20%
	Fin Statements - 13%
	M&A - 11%
Duration:	Mean - 3.1 days
	Median - 0.3 day
	Mode - 1 day
Observations:	SRO also classified THs as "intraday", "daily" and "long term".

Italian Exchange

Received:	Database of individual halts
Period:	2001
No. of halts:	73
Causes:	M&A - 32%
(Adapted from description)	Price Information - 19%
	Capital Increase Announce - 16%
	Tender Offer - 15%
	Other - 5%
	Dividend Announcement - 3%
	News Pending - 3%
	Sequestration of shares - 3%
	Buyback - 1%
	Suspension on the home market - 1%
	Take Over Bid - 1%
Duration:	Mean - 1.1 day
	Median - 0.6 day
	Mode - 1 day
Observations:	SRO also provided originator of TH (Consob X SRO).

London Stock Exchange

Received:	Database of individual halts
Period:	February to October 2001
No. of halts:	72
Causes:	Delisting - 33%
(Adapted from description)	News Pending - 33%
	Pending Fin Statements - 14%
	Suspension on Home Exchange - 10%
	Pending Circular - 6%
	Pending Listing Particulars - 3%

Corporate Restructuring - 1%

Duration: Mean - 18.7 days
Median - 3 days
Mode - 1 day

Observations: Only 43% of the listed THs were restored.
31% are listed "DEAD"; 26%, "SUSPEND".

Spanish Exchanges

Received: Consolidated tables
Period: January 2001 / March 2002
No. of halts: 54
Causes: Price sensitive info - 56%
Takeover bid - 37%
Delisting - 7%
Duration: price sensitive info & takeover bids < 1 day; delistings 8.7 days avg.
Observations: The SRO also sent a table of "automatic volatility auctions".
Totals: 814 "static" auctions; 1,811 "dynamic" auctions.

Kuala Lumpur Stock Exchange

Received: Consolidated tables and graphs
Period: 01/01/1998 to 10/04/2002
No. of halts: 505
Causes: Corporate results – 25%
News pending – 13%
Financial distress – 11%
Merger/Acquisition – 11%
Other corporate announcements – 9%
Change in control – 8%
Corporate results pending – 8%
Regulatory action/query – 5%
Corporate restructuring – 5%
Dividend/rights issue – 2%
Capital reduction/increase – 1%
Tender offer – 1%
Duration: (days on average by category) Financial distress – 415 days on average
Tender offer – 114
Corporate restructuring – 87
Regulatory action/query – 41
Dividend/rights issue – 30
News pending – 25
Corporate results – 14
Merger/Acquisition – 12

	Other corporate announcements – 7
	Corporate results pending – 4
	Change in control – 2
	Capital reduction/increase – 2
Observations:	Also sent analysis of THs duration, etc.

Mexican Exchange

Received:	Consolidated table
Period:	2001
No. of halts:	51
Causes:	Failure to disclose info - 65%
	Financial solvency - 12%
	Min Trading Requirements - 12%
	Other - 12%
Duration:	Not available
Observations:	SRO also reports 626 volatility THs. Also provides observations on cross-border THs (NYSE x BMV).

NASDAQ (USA)

Received:	Consolidated Table
Period:	January 2001 – December 2001 / January 2002-June 2002
No. of halts:	1343 / 341
Causes:	Merger/Acquisition – 16.00% / 13.91%
	Earnings Announce – 51.38% / 40.29%
	Security Offering – 0.22% / 0.00%
	Other – 32.40% / 45.80%
Duration:	<30 min: 20.10% / 25.22%
(histogram)	31-60 min: 3% / 41.47%
	61-120 min: 11.10% / 9.28%
	121-240 min: 2.53% / 4.35%
	241-360 min: 0.82% / 1.16%
	>360 min: 17.13% / 18.25%
Observations:	Included in these NASDAQ statistics are trading halts that may have extended beyond the close of the market on one day, but were lifted prior to the market opening the next day. For example, a trade halt may have been initiated at 4:00 p.m. on Tuesday, but trading was resumed Wednesday morning at 8:00 a.m. The calculation considered the trading halt duration between 4:00 p.m. on Tuesday through 8:00 a.m. on Wednesday, which includes the time the market was closed (i.e., from 6:30 p.m. Tuesday until 8:00 a.m. Wednesday morning.)
	Also included in this category are extended trading halts that may be issued when Nasdaq requests information from a company (e.g., a listing qualifications issue) or the halt is issued in conjunction with

another regulatory authority.

New York Stock Exchange (USA)

Received: Consolidated Table
Period: 2001
No. of halts: 256
Causes:

Merger Acquisition-33/12.8% of total
Earnings Announcement-67/26.2% of total
Security Offering (*e.g.,* where there is a dilution of value of existing shares)-56/21.9% of total
Other-100/39.1% of total

Duration:	< 15 min	5	1.9%
	16-30 min	32	12.5%
	31-60 min	85	33.2%
	61-120 min	79	30.9%
	121-240 min	22	8.6%
	241-360 min	9	3.5%
	> 360 min	24	9.3%

Observations: None.

Period: 2002 (through June 24, 2002)
No. of halts: 120
Causes: Merger/Acquisition-12/10% of total
Earning Announcement-28/23.3%
Security Offering-27/22.5% of total
Other-53/44.2% of total

Duration:	< 15 min	2	1.6%
	16-30 min	20	16.6
	31-60 min	42	35
	61-120 min	26	21.6%
	121-240 min	13	10.8%
	241-360 min	8	6.6%
	> 360 min	9	7.5

Observations: None

Polish Exchange

Received: Database of individual halts + consolidated graphs
Period: November 17 2000 to March 21 2002

No. of halts:	72
Causes:	Take over bid - 72% Issuer report - 10% Delisting - 7% Bankruptcy - 4% Merger - 3% Split of company - 1% SEC decision - 1% Price sensitive information - 1%
Duration:	Mean - 2.5 days Median - 1 day Mode - 1 day
Observations:	SRO provided graph of average TH duration by cause.

São Paulo Stock Exchange (Brazil)

Received:	Database of individual halts
Period:	January 2000 / October 2001
No. of halts:	594
Causes:	Dividends/Rights Announcement – 47% News Pending – 21% Delisting – 17% Bankruptcy – 5% Merger/Acquisition – 3% Corporate Restructuring – 2% Regulator – 2% Other – 3%
Duration: (days on average by category)	Dividend/Rights Announcement - 0,4 day News Pending - 3,2 Delisting – 15.5 Bankruptcy – 4.1 Merger/Acquisition – 4.5 Corporate Restructuring – 0.7 Regulator – 1.4 Other – 1.1
Observations:	None.

Swiss Exchange

Received:	Consolidated graphs of no. of halts by month/security category.
Period:	2000 / 2001
No. of halts:	6,486 on derivatives; 159 on shares; 141 on bonds.
Causes:	Not available
Duration:	Not available

Observations: The number of trading halts related to derivatives is not a reflection of excessive volatility halts. When trading is halted on one share, all related warrants, options, and bonds are also halted. Dozens of derivatives could be halted as a consequence of a trading halt in one security. The result is a high number of trading halts in derivatives.

Taiwan Stock Exchange

Received:	Database of individual halts
Period:	2000 / 2001
No. of halts:	27
Causes:	Delistings 81% / Mergers 19%
Duration:	Not available
Observations:	The 5 THs prompted by mergers happened between Dec 19 and Dec 31 2001.

Toronto Stock Exchange (Canada)

Received:	Database of individual halts
Period:	January 2001/April 2002 No. of Companies Listed (2001): 1,299 Traded Volume (2001):US $ 460 Billion
Number of Halts:	1145
Causes:	Pending News – 74% Pending Delisting – 7% Dissemination of news – 6% Failure to met listing requirements – 3% US Exchanges Closed - 2% Other – 8%
Duration:	Pending News – 0.5
Days on average by category	Pending Delisting – 0.4
	Dissemination of news – 0.3 Failure to meet listing requirements – 9.6 US Exchanges closed – 3.0 Other – 1.2
Observations:	None.

Summary Comparison of Trading Halt Frequency

Exchange	No. of halts	No. of months	No. of years	No. of listed companies	Halts per year/company
Brazil	594	22	1.8	454	0.7137
Canada	1145	16	1.3	1299	0.6611
Hong Kong	489	12	1.0	867	0.5640
Istanbul	209	22	1.8	313.5	0.3636
Mexico	51	12	1.0	172	0.2965
Italy	73	12	1.0	294	0.2483
Australia	169	6	0.5	1410	0.2397
Poland	72	16	1.3	230	0.2348
Switzerland	159	24	2.0	414	0.1920
Malaysia	505	51	4.3	770	0.1543
NYSE	376	18	1.5	2400	0.1044
NASDAQ	714	16	1.3	5277.5	0.1015
England	72	9	0.8	2332	0.0412
Spain	54	15	1.3	1480	0.0292
Taiwan	27	24	2.0	559	0.0242
				Median =	0.2348
				Mean =	**0.2646**
				Standard Deviation =	0.2226

APPENDIX C - Compilation Of The Responses From TCSC-2 Members To The Initial Survey

1. List the circumstances that can be the basis for a trading halt[51] in your jurisdiction (*e.g.,* dissemination of news, requests from issuer, order imbalance, circuit breakers, price limits, suspension based on fraud, extraordinary events, other conditions (please specify)), and the provisions (laws, rules etc.) governing each type of trading halt.

Members' Responses:

TCSC-2 Member	Response:
Australian Securities and Investments Commission[52]	**Issuer Request – trading halt** A trading halt is defined in the ASX listing rules as an interruption to trading at the request of an entity that is not a suspension from quoting. Trading halts are designed to be a temporary interruption to trading rather than a suspension and their duration is limited to the commencement of normal trading on the second

[51] The term "trading halt" covers situations where a market operator or regulatory authority takes action to interrupt trading in a security, group of securities, or securities derivative on its market or within its jurisdiction. A trading halt generally is a temporary interruption in trading, often in anticipation of or in reaction to an unusual event or condition. In some jurisdictions, certain trading halts are referred to as trading suspensions. This survey is meant to cover trading interruptions, whether described as trading halts or trading suspensions.

[52] Australia currently has 3 securities exchanges and 1 futures exchange. At present, an entity cannot be listed on more than one securities exchange within this jurisdiction.
The Australian Stock Exchange (ASX) is the primary securities market in Australia. The ASX provides access to debt and equity securities of listed entities as well as derivative products such as warrants and options. An entity may be listed on ASX as well as other exchanges outside of this jurisdiction. The primary listing of an entity may be ASX or the foreign market. The ASX will be the main focus of this survey.
The other two securities exchanges in Australia are the Newcastle Stock Exchange (NSX) and the Bendigo Stock Exchange (BSX). Both of these exchanges are regional based facilities designed to meet the needs of small capitalization organizations. Both are start-up exchanges with NSX having only 2 listings and BSX yet to begin trading operations.
Trading halts in securities on the NSX market would be imposed where the exchange considers it necessary for the protection of investors or the maintenance of an orderly market. Specific reasons for such an imposition may be non-compliance with listing rules, limited spread of securities or an inadequate level of the listed entity's operations or assets.
The rules covering the imposition of trading halts on the BSX market are very similar to those of ASX, which will be discussed more fully throughout the survey.
SFE Corporation (SFE) is the new name of the Sydney Futures Exchange which offers futures and options contracts over commodities, currencies, interest rates and equities. In terms of equities SFE has Individual Share Futures (ISF) contracts covering several entities listed on ASX. It also offers products based on the ASX index of the top 200 stocks.

TCSC-2 Member	Response:
	trading day following the request. Normally a trading halt would be requested when the company is aware of price sensitive information that cannot be released immediately. The ASX listing rules govern the process of implementing a trading halt at the request of the issuer. The entity must provide the ASX with any information that it requires, particularly the reason for calling the trading halt and the event that the entity expects to occur to end the halt. The ASX is not required to act on the request. (Listing Rule 17.1) Statistically, around half of all trading halts requested by issuers are the result of active encouragement by the ASX. The ASX are also involved in the determination of the duration of a trading halt, especially if the ASX form the view that it may have been requested for some other business purpose apart from ensuring an informed market. **Issuer Request – suspension** If an entity is unable to satisfy the information release timeframe allowed under the trading halt rules, the entity might consider requesting the ASX to implement a suspension in trading. There may be other reasons why an entity might request that its securities be suspended and these are examined on a case by case basis by the relevant company adviser at ASX to determine if a suspension is appropriate. (Listing Rule 17.2) **Dissemination of news – Pre-open** The ASX listing rules require each listed entity to provide the exchange with information that is for release to the market and that the release will be made by the exchange. (Listing Rule 15.7) Information is provided to the company announcements office of the ASX. The company announcements office will make a decision as to whether the information to be released to the market is price sensitive. If it believes the information provided is price sensitive it may, at its discretion, take the action of putting the stock into Pre-open phase. The Pre-open phase is designed to be used as a short break

TCSC-2 Member	Response:
	during the course of normal day trading to allow information to be disseminated and interpreted by the market prior to any further trading occurring in the securities of a listed entity. Once SEATS Market Control section put the announcement on the market announcement screens, a timer is placed on the stock so it resumes trading 10 minutes later. *Takeover – Pre-open* Where a takeover offer is announced, the ASX places both the target company and the bidder into an adjustment phase for 50 minutes, then Pre-open phase for 10 minutes. Therefore each entity is halted for 1 hour to enable the market time to evaluate the consequences of the offer on the respective securities. **Dissemination of news – suspension** The ASX have the power under the listing rules to suspend quotation of an entity's securities, or a class of them, if in the opinion of the ASX, it is necessary to prevent a disorderly or uninformed market. (Listing Rule 17.3.2) This course of action would generally be initiated if the ASX felt that there was the potential for the marketplace not to be fully informed in relation to a security, but the entity concerned had not requested a trading halt. A recent example of such an event involved an entity going into its Annual General Meeting with a battle for effective management control being waged by two similar sized shareholder groups. The ASX deemed that depending on the result of that battle there could be a significant move in the market price of the company's securities. In order to ensure that trading took place on the basis of an informed market the ASX suspended the stock to enable the resultant information to be disseminated into the marketplace. *Other conditions – ASX imposed suspension* The ASX also has broad powers under the exchange listing rules to suspend the securities of an entity. The power includes but is not limited to a situation where the listed entity is unable or unwilling to comply with, or breaks, a listing rule. (Listing Rule 17.3.1)

TCSC-2 Member	Response:
	ASX may also suspend trading in any of its derivative markets under the power of the business rules of the exchange, if it considers that the suspension is appropriate in the interest of maintaining a fair and orderly market or underlying market. **SFE** The SFE also has broad powers under its business rules to take action to implement a trading halt where the underlying subject of one of its contracts is suspended or an undesirable situation occurs in the market. **ASIC** ASIC has the power under section 775 of the Corporations Law to notify a securities exchange in writing that it has formed the opinion that the exchange should prohibit trading in particular securities. ASIC can form this view in order to protect investors trading in the securities or in the interests of the public and must set out its reasons for the view. If the exchange fails to act on the notice, and ASIC still believes that the trading halt is necessary, it may give another notice to the exchange to prohibit trading in the stock for up to 21 days. Copies of the notice must be given to the issuer and the Minister together with a statement of ASIC's reasons for so acting. The exchange must act on the second ASIC notice and prevent trading in the securities. However the issuer can request that the matter be referred to the Minister who has the ability to direct ASIC to revoke the notice. The Corporations Law also contains a provision relating to ASIC's ability to give directions to a futures exchange to implement a trading halt. Section 1138 outlines that the basis for any such direction must be the opinion that the exchange has failed to provide a fair and orderly market, or it is necessary to protect the interests of investors or it is in the public interest. Prior to giving a direction to a futures market, ASIC will either consult with or provide written reasons for such a direction along with a time or date and time, before which it will not give the direction, to the exchange and each clearing house of the exchange. ASIC must provide a copy of

TCSC-2 Member	Response:
	the notice along with its reasons for the giving of the directions to the Minister. Each clearing house for that futures market must be given a copy of the direction given to the futures exchange as well as a notice prohibiting the clearing house from acting in a manner inconsistent with, and requiring it to do all that it is reasonably capable of doing to give effect to the direction. A notice given by ASIC may remain in force for up to 21 days or such period as may be determined by the Minister. The Financial Services Reform Bill 2001 is currently before the Australian Parliament. The government has announced its intention that the Bill will commence operation on 1 October 2001. If enacted this bill would replace the two provisions outlined above with one that relates to all financial product market licensees. ASIC could then under section 794D, direct a market licensee to suspend dealings in a financial product or class of products or give some other direction that it thought necessary, or in the public interest, to protect people dealing in a financial product. If the licensee fails to act on the notice, and ASIC still considers the direction is appropriate it may issue a second direction with a statement setting out its reasons for making the direction. The duration of a suspension implemented on the basis of an ASIC direction will be limited to 21 days. A copy of the direction along with a report setting out ASIC's reasons for the direction will be given to the Minister. ASIC must also give a copy of the notice to each clearing and settlement facility of the market. If a market licensee fails to comply with a direction, ASIC may apply to the Court for an order that the licensee comply with the direction. A licensee may request in writing that ASIC refer the matter to the Minister, and ASIC must do so immediately. The Minister may require ASIC not to make, or to revoke, the direction. If ASIC gives a direction to a licensee under s. 794D it may also give a written direction to the operator of each clearing and settlement facility with which the market licensee has clearing and settlement facilities. Such a direction would prohibit the operator from acting in a manner inconsistent with the direction given to the licensee and require it to do all that it is reasonably capable of to give effect to the direction

TCSC-2 Member	Response:
	given to the licensee.
Brazilian Securities Commission, CVM	The main regulation concerning trading halts in the Brazilian capital markets is CVM Instruction 31/84. It regulates the dissemination and usage of price information and also insider trading issues. The regulation defines as "relevant" any decision from the administration or general stockholders assembly of a public company, or any act or fact pertaining to its business, which may influence in a "ponderable" way (i) the price of securities issued by the company, (ii) the investment decision on these securities and (iii) the exercise decision on any rights embedded in the ownership of these securities. The Instruction specifies 14 types of "relevant facts or acts", ranging from changes in the control of the company and assets composition to new products and technological advances relevant to its business. According to CVM Instruction 31/84, whose wording follows article 157 of the Brazilian Public Companies Law 6.404/76 on this matter, the administration of the company must report all relevant acts or facts both to the CVM and to the stock exchange where its shares are traded, as well as bring it to the public attention through a formal press communiqué. Among other provisions, article 8 of Instruction 31/84 states that the exchanges and the CVM can suspend the trading in a security whenever there is any doubt on the disclosure of information about relevant facts or acts pertaining to the issuer. Frequently such suspensions are triggered by news published in the media which the CVM or the exchange deem relevant in the regulatory sense. In general the suspension is followed by an inquiry to the administration of the company, concerning the existence of any price information which was not properly disclosed. Sometimes the company itself requests to the exchange a trading suspension, to which the exchange generally complies. Apart from the trading suspension provisioned in the CVM Instruction 31/84, the Asian Crisis in October 1997, with unprecedented levels of volatility, prompted the creation of circuit breaker rules by the exchanges. The São Paulo Stock Exchange (BOVESPA), which centralizes all stock trading in Brazil today, has a two-tier circuit breaker which interrupts all trading (1) for 30 minutes whenever the BOVESPA Index falls 10% relative to the closing level of the previous day, and (2) for 1 hour if the fall reaches 15% after trading is reopened. The circuit breaker is not triggered during the last

TCSC-2 Member	Response:
	30 minutes of trading. Finally, CVM Instruction 168/91 establishes special auction procedures for individual securities in case of large price or volume swings, but it does not suspend trading in the securities.
Commission des valeurs mobilières du Québec, Québec, Canada	The Commission des valeurs mobilières du Québec imposes a **general cease trading order** (not a trading halt) when reporting issuers in Québec do not comply with the continuous disclosure requirements (Title III of the Québec *Securities Act*). Here is a list of the most common causes of non compliance: • Failure to file annual financial statements and auditors' report within 140 days from the end of the issuers' financial year. (s.75) • Failure to file the annual report within 140 days from the end of the issuers' financial year. (s.77) • Failure to file quarterly statements within 60 days from the end of each of the first three quarter of the issuers' financial year (s.76, s.78).
Bourse de Montreal, Canada	Generally speaking, a trading halt is for a short period of time and is related to timely disclosure. A suspension of trading normally remains effective for a much longer period and is related to the listing status of the listed company. **Trading Halt: Rules of Bourse de Montréal Inc.** ***Article 6204 of Rule Six: "Delayed, Halted and Suspended Trading"*** *a) When, in the opinion of the Bourse, material information concerning a listed security has not been made public, a material announcement is pending or in any situation which would render the market unfair to shareholders and investors, the Bourse may delay, halt or suspend trading in any Bourse listed security.* *b) Where a halt or delay in trading is rescinded during a trading session, notice of the rescission of the halt or delay and the time set for resumption of trading shall be displayed on the CDNX trading system.*

TCSC-2 Member	Response:
	Article 9456 of Rule Nine: "Trading Halts" *The Bourse may halt trading in the securities of a company. Trading may be halted pending a corporate announcement and to allow for the dissemination of material information. During the period when trading is halted on the Bourse, no approved participant of the Bourse may execute an order in the over-the-counter market. A listed company should only request a trading halt when an announcement is imminent. When a halt in trading is deemed necessary, trading is normally interrupted for a period of less than two (2) hours and shall not normally extend for a period longer than twenty-four (24) hours.* *Trading Halt: There are a few circumstances* 1) <u>At the request of the company, pending dissemination of news</u>: This is the most common circumstance (disclosure of material changes or facts). (Article 6204 of Rule Six and article 4.0 of Policy I-8) 2) <u>At the request of the Bourse, pending news, or statement by the company</u>. This is a circumstance where there is abnormal trading activity on the company's securities and the Bourse requires that the company comment rumors or confirm that there is no undisclosed material information that can explain the market activity. (Article 6204 of Rule Six and article 2.3 of Policy I-8) 3) <u>At the request of the Bourse, pending clarification of corporate disclosure</u>. This is a circumstance where after verification of corporate disclosure (press release, annual report, web site, etc.) the Bourse found inaccurate or misleading information and an update is required by the Bourse. (Article 6204 of Rule Six and article 4.0 of Policy I-8) 4) <u>At the request of the Bourse, pending contact with the company, or pending clarification of the company's phone number or pending clarification of the company's transfer agent</u>. This is a situation where we cannot contact the company or the Bourse has been advised by the transfer agent that he is no longer the agent of the company. (Article 6204 of Rule Six and article 4.0 of Policy I-8)

TCSC-2 Member	Response:
	Opening delayed: Rules of Bourse de Montréal Inc. ***Article 6007of Rule Six "Trading Delays and Halts"*** a) An official of the Bourse has the authority to take such decisions as may be required to delay the opening in any listed security or to interrupt trading in any such security for any period of less than two hours, to assist in the orderly opening or re-opening of such security. b) An official of the Bourse has the authority to extend a delayed opening or a halt of trading for any period of time in order to assist in re-establishing orderly trading. c) An official of the Bourse may halt trading in a listed security and determine the conditions and time of resumption of trading. *Trading delayed: There are a few circumstances* 1) The first one is when a listed company issued a press release (that requires a trading halt) just before the opening and the market did not have sufficient time to appreciate the news. In this case the opening will be delayed and the term delayed has the same meaning as a halt. (Article 6204 of Rule Six and article 4.0 of Policy I-8) 2) In the second case, there is an imbalance of orders. When that situation occurs, the Bourse extends the pre-opening period and a message is sent to traders asking for buy or sell orders in order to make sure that the opening will be as efficient as possible. (Article 6007 of Rule Six) When SAM (Montreal Automated System) is not capable of calculating a theoretical opening price it automatically leaves the product in a pre-opening mode – the market monitoring department has established a 15 minutes window to open the product if this situation were to arrive. So when one looks at it on a business perspective, the market is not actually halted, it is trying to find an opening price. **Trading suspension: Rules and Policies of Bourse de Montréal Inc.**

TCSC-2 Member	Response:
	Article 9076 of Rule Nine "Trading Suspension and Delisting" *The Bourse will consider suspending trading in or delisting securities when, in its opinion, continued trading in the securities is not appropriate, having regard to the objective of maintaining an orderly and effective auction market in the securities or that further trading in the securities on the Bourse may be prejudicial to the public interest.* *1. GUIDELINES* *The Bourse has established certain guidelines, outlined in this Section, which will be considered in evaluating if trading should be suspended in a particular security, or if the security should be delisted. However, these guidelines in no way limit or restrict the Bourse in its ability to review the circum-stances in each case and to determine that a security is unsuitable for continued trading and/or listing on the Bourse.* *a) Financial condition and/or operating results* *The Bourse will normally consider suspending trading in or delisting securities of a company when, in its opinion:* *i) the company has had a history of losses or has sustained losses which are so substantial in relation to its overall operations or its existing financial resources, or its financial condition has become so impaired that it appears questionable, in the opinion of the Bourse, as to whether the company will be able to continue operations and/or meet its obligations as they come due;* *ii) the company has sold or otherwise disposed of its principal operating assets, has ceased to be an operating company or has discontinued a substantial portion of its operations or business; or* *iii) (applies only to resource companies)* *1) the company has failed to carry out a total of at least $200,000 of exploration and/or development work, acceptable to the Bourse, during the last two years and has failed to generate $500,000 of revenue from the sale of resource-based Commodity in its*

TCSC-2 Member	Response:
	most recently completed fiscal year; or *2) the company has a working capital of less than \$100,000 and has failed to generate revenue of at least \$500,000 from the sale of resource-based Commodity in its most recently completed fiscal year.* *iv) (applies only to listed convertible debentures) the company has defaulted in the payment of any principal, interest or sinking fund installment on the listed debentures or has defaulted to the terms of the trust indenture.* *b) Public distribution* *The Bourse will normally consider suspending trading in or delisting securities of a company when, in its opinion, it appears that the public distribution of the securities has been so reduced as to make further trading in the securities on the Bourse inappropriate.* *The Bourse will normally consider the public distribution unsatisfactory when, in its opinion:* *i) the number of publicly held securities of that category, which are free of any trading restrictions, is less than 100,000;* *ii) the number of public holders of the securities, which are free of any trading restrictions, each holding one board lot or more, is less than 100; or* *iii) the market value of the publicly held securities of that category, which are free of any trading restrictions, is less than \$200,000.* *"Public holders" or "the public" excludes holders, which are insiders of the company as defined in the Securities Act of Québec.* *The Bourse will not generally apply paragraphs i) and ii) above to non-convertible, non-participating preferred shares.* *c) Timely disclosure* *The Bourse will normally consider suspending trading in or*

TCSC-2 Member	Response:
	delisting the securities of a company when, in its opinion, the company has failed to comply or is unable or unwilling to comply for any reason whatsoever with the Bourse's requirements as to timely disclosure. *The Bourse will normally consider that a company has failed to comply with its requirements as to timely disclosure when, in the opinion of the Bourse, the company is not complying with the Bourse's Policy on timely disclosure, or when there is not sufficient information available to the public concerning the company's affairs or the information available is not disclosed on a timely basis.* *d) Quality of management of listed companies* *The Bourse will normally consider suspending trading in or delisting the securities of a company, when in the opinion of the Bourse, the management of the company does not comply in any material respect with the Bourse's Policy concerning the quality of management of listed companies.* *e) Listing Agreement* *The Bourse will normally consider suspending trading in or delisting the securities of a company when, in its opinion, the company has failed to comply with its Listing Agreement or other agreements with the Bourse, or has failed to comply with the Bourse's Regulation.* *f) Fees or charges* *The Bourse may suspend trading in or delist the securities of a company that has failed or refuses to pay, when due, any fee or charge payable by the company to the Bourse.* *2. DELISTING ONE YEAR AFTER DATE OF SUSPENSION* *Securities which have been suspended from trading for a period of one year and which have not been approved for reinstatement by the Bourse will be automatically delisted at that time. It is the responsibility of the listed company to obtain the Bourse's approval for reinstatement of trading privileges within this period of time.*

TCSC-2 Member	Response:
	3. DURING SUSPENSION *a) As long as trading remains suspended in the securities of a company, the company must continue to comply with the Bourse's Regulation.* *b) Where trading has been suspended in a company's securities, the company will be required to remedy the condition which resulted in the suspension and will be required to meet the minimum listing requirements for original listing in order to be considered for reinstatement of trading privileges.* *If there occurred a change of control or a substantial change in operations during the trading suspension, the Bourse may require that the company file a completed Listing Statement and such other documentation, as it may consider necessary in the circumstances.* **Article 6203 of Rule Six " Suspension of Trading Sessions"** *a) When urgent circumstances warrant it, the Chairman, or the Vice-Chairman, or the President, or in the absence of all of them, the acting President, may suspend trading for one trading session or any part of a trading session and shall, if so directed by a resolution of the Board of Directors close the Bourse for such number of consecutive trading sessions not exceeding twenty-one (21) as may be specified in such resolutions.* *b) For the purpose of the application of Policy T-3 on "circuit breakers", the Director of Market Surveillance or the Vice-President, Floor Operations, may suspend trading, in conformity with the provisions of Policy T-3.* ***Policy T-3 "Circuit Breakers"*** *In conjunction with The Toronto Stock Exchange, which will act in coordination with the New York Stock Exchange ("NYSE") and following a significant decline in the Dow Jones Industrials Average («DJIA»), Bourse de Montréal Inc. will halt trading in all securities in the following circumstances:*

TCSC-2 Member	Response:
	a) 10% decline in the DJIA • *Before 2:00 p.m., will result in an hour long halt;* • *Between 2:00 p.m. and 2:30 p.m., will result in a 30 minute halt;* • *After 2:30 p.m., will not result in a halt. The market will remain open.* *b) 20% decline in the DJIA* • *Before 1:00 p.m., will result in a two hour long halt;* • *Between 1:00 p.m. and 2:00 p.m., will result in an hour long halt;* • *After 2:00 p.m., will result in a halt for the balance of the day.* *c) 30% decline in the DJIA* • *The halt will be maintained for the balance of the day.* *d) When required the reinstatement of trading shall be coordinated with The Toronto Stock Exchange, which will itself act in coordination with the NYSE.* *e) The thresholds applied for the trading halts are to be adjusted on a quarterly basis according to an average daily closing calculation of the DJIA for the previous month. This information will be communicated to the Bourse's approved participants by circular on a quarterly basis.* *f) Derivative Products* *This Policy will not apply to listed derivative products with the exception of equity options, index futures, Canadian and U.S. based share futures contracts, index options and options on index participation units.* **Policy I-6 "Material Change Notices – Non-Exempt Companies" - Article 5 c) "Trading halt or trading suspension"** *Where the Bourse is informed that a transaction, which may result in a backdoor listing, is in the advanced stages of negotiation, the Bourse may decide to halt trading in the securities of the company.* *The trading halt will be maintained until:*

TCSC-2 Member	Response:
	i) the Bourse has been provided with sufficient documentation and information so that it can determine if the company can comply with the listing requirements of the Bourse when the transaction is completed; and *ii) the Bourse is satisfied that the sufficient information has been provided to the public by way of press release to enable the public to appreciate the effect that the transaction will have on the value of the company's securities.* *If it becomes apparent to the Bourse that the time, which will elapse before the two conditions mentioned above can be satisfied, will extend beyond two weeks, it may decide to convert the trading halt to a trading suspension of longer duration. (Refer to article 9076 of the Rules regarding trading suspensions).* *Trading suspension: There are a few circumstances:* 1) The first one is when a company does not meet the listing requirements. 2) The second one is when a company is halted for a period of more than 2 weeks in the case of a reverse take-over bid or a change in business. 3) The third one is when the company failed to comply with the Bourse's Rule. 4) And finally, when a company is subject to a Cease Trading order from the Commission des valeurs mobilières du Québec.
Toronto Stock Exchange, Canada[53]	A large percentage of our trading halts are attributable to the dissemination of material news, however, there are other reasons for which Market Surveillance may choose to halt trading in a given security. The other reasons are as follows: • Stocks that trade in an abnormal manner and company officials cannot be reached for comment. These halts usually occur when a company has its head office in

[53] Name changed to TSX Inc. in July, 2002. Note that effective March 1, 2002, Market Regulation Services Inc., a corporation 50% owned by TSX Inc., was retained to provide certain regulation functions on behalf of the exchange, including the initiation of certain trading halts under the new Universal Market Integrity Rules which replaced the market integrity rules of the exchange.

TCSC-2 Member	Response:
	another province, (e.g. Vancouver or Alberta) where there is a significant time zone difference. While such action is rare, it is necessary for Market Surveillance to initiate such trading halts to protect the integrity of the marketplace and ensure no leakage of information has occurred. • Significant order imbalances – while this may create a trading system delay rather than a halt, such actions have a similar impact, i.e. the inability of shareholders to freely trade their securities. While the perception of such action may be negative, it is accepted as by far the lesser of two evils. A delay in trading due to a significant order imbalance allows time to attract offsetting orders which contributes to market efficiency and greatly reduces volatility. • Cease trade orders and suspensions – stocks are halted when the Ontario Securities Commission issues a cease trade order and also when the Exchange suspends or delists an issue. • In rare circumstances, the Exchange may halt trading when news that is not material is being issued by listed companies and there is concern that it may be misinterpreted by investors. An interruption in trading may be necessary to preserve an orderly market. Circuit Breakers (based on the Dow Jones Industrial Average). If the Dow Jones index falls intra-day to a specified level, all trading on the U.S. markets is halted. The TSE also halts all trading as well and co-ordinates these halts with all other Canadian exchanges. This is also a very rare situation; in fact it has occurred only once.
Canadian Venture Exchange Inc.,[54] Canada	The types of trading halts implemented by CDNX are: freezes, delays, halts and suspensions. The circumstances that can be the basis for these halts and the applicable rules and policies are outlined below:

[54] Name changed to TSX Venture Exchange Inc. in July, 2002. Note that effective March 1, 2002, Market Regulation Services Inc., a corporation 50% owned by TSX Inc., was retained to provide certain regulation functions on behalf of the exchange, including the initiation of certain trading halts under the new Universal Market Integrity Rules which replaced the market integrity rules of the exchange.

TCSC-2 Member	Response:
	• Freezes occur automatically as part of the trade control function when order price and volume parameters in the system are exceeded. A freeze prevents further orders from being entered. Freezes are generally in place for only a few minutes until the reason for the breach of parameters is explained. The freeze is either released or, if there is no satisfactory explanation, a delay or halt is implemented. (Rule: C.1.05) • Delays are initiated when there are unexplained changes in price or volume. Delays are implemented prior to the opening or within the trading session and may not be extended past the end of the current trading session. If the matter is not resolved, the Surveillance Department will impose a halt. (Rule: C.1.05) • Voluntary Halts- Requests by listed companies for trading halts are directed to the Surveillance Department. These are halts requested by a listed company pending dissemination of material information during a trading session. Trading will resume once there has been acceptable dissemination of the company's news release disclosing the material information. Halts may also be requested in order to comply with other Exchange policies that require halts pending the review and approval of certain types of transactions such as changes of business or reverse takeovers. (Policy 2.9) • Involuntary Halts- Halts are initiated by Surveillance if there is a concern that there is not a fair market and occur usually as a result of unusual, unexplained market activity detected by the Exchange's market monitoring system or a misleading, improperly disseminated news releases. (Rule C.1.05, Policy 2.9 and the Listing Agreement, section 5) The Exchange's practice is to limit these halts to 5 business days. If the circumstances are not resolved, for example by a satisfactory news release, a longer term trading suspension is imposed. • Suspensions are imposed once the Exchange has determined that the matters giving rise to a halt are not resolved. (Rule C.1.07, Policy 2.9 and the Listing Agreement) In certain extreme cases, the Exchange may suspend trading immediately. Suspensions are for a longer term than halts and will often be maintained for

TCSC-2 Member	Response:
	several months while a detailed review of company activities is conducted. Suspensions occur when the Exchange determines that there is not a fair market for the shares, for example as a result of market manipulation, collapsed distribution, involvement of individuals with criminal or other negative regulatory track record, serious disclosure deficiencies, and or corporate abuses such as shares issued without payment or misappropriation of funds. • The Exchange is not in a position to determine fraud but does refer concerns of this nature to the appropriate law enforcement bodies or securities regulators. If the breaches of policies and the listing agreement are serious enough the Exchange will delist the shares. A securities commission cease trade order in any jurisdiction will also result in a trading suspension. (see # 7 below) Other reasons for suspensions are the listed company's failure to carry out a qualifying transaction or major transaction a required for capital pool companies, meet maintenance requirements, failure to maintain adequate stock transfer facilities or pay annual sustaining fees by the deadline. • Suspension of the entire trading session- (Rule C.1.03 and C.1.04). For example, in coordination with the TSE and other US markets, 'circuit breakers" may be invoked and the entire market may be suspended for specified periods of time.
Ontario Securities Commission, Ontario, Canada	At least three sections of the Securities Act (Ontario) (the "Act") give the OSC the power to order that trading in securities cease. Each of these three are discussed below: **(a) Section 127 of the Act** *The OSC has the power, if in its opinion it is in the public interest, to make an order that trading in any securities by or of a person or company cease permanently or for such period as it is specified in the order (a "CTO").*
	<u>CTOs for Failure to file Financial Statements</u> OSC Policy 57-603, *Defaults by reporting issuers in complying with financial statement filing requirements*, states general principles relating to the issuance of CTOs for

TCSC-2 Member	Response:
	defaults in complying with financial statement filing requirements. That Policy states that the OSC will usually consider issuing one or both of the following CTOs, in response to failure to file financial statements: • Issuer Cease Trade Order – means an order under paragraph 2 of subsection 127(1) of the Act that all trading in securities of the reporting issuer cease, either permanently, or, for such period as is specified in the order. • Management and Insider Cease Trade Order – an order under paragraph 2 of subsection 127(1) of the Act that trading in securities of a reporting issuer by specific persons or companies identified in the order as Defaulting Management and Other Insiders cease, either permanently, or, for such period as is specified in the order. The Commission will, generally, respond to a default in complying with a financial statement filing requirement by issuing a Management and Insider Cease Trade Order. This will generally be the only cease trade order issued if the reporting issuer provides the information contemplated by the Alternative Information Guidelines,[55] the default is corrected within two months of the date of the default and no other default exists at the time of that correction. Where a Defaulting Reporting Issuer does not satisfy the Alternate Information Guidelines, or the default continues for more than two months, the Commission will normally consider the immediate imposition of an Issuer Cease Trade Order and may also consider whether Enforcement action against the directors and officers who failed to release the information is appropriate. The basis for the two months period is that the objective of maintaining liquidity in the secondary markets normally diminishes in importance as time passes, relative to the importance of furnishing the marketplace with financial information in the form and within the time frames that are statutorily prescribed.
	(b) Section 68 of the Act

55 Alternative Information Guidelines are disclosure guidelines set out in OSC Policy 57-603, consisting of a default announcement and periodic default status reports.

TCSC-2 Member	Response:
	Section 68 of the Securities Act (Ontario) (the "Act") provides that where it appears to the Director that a preliminary prospectus is defective in that it does not substantially comply with the requirements of Ontario securities law as to form and content, the Director may, without giving notice, order that the trading permitted by subsection 65(2) in the security to which the preliminary prospectus relates shall cease until a revised preliminary prospectus satisfactory to the Director is filed and forwarded to each recipient of the defective preliminary prospectus according to the record maintained under section 67.
	(c) Section 70 of the Act *Section 70 of the Act provides that where it appears to the Commission, after the filing of a prospectus and the issuance of a receipt therefor, that any of the circumstances set out in subsection 61(2)[56] exist, the Commission may order that the distribution of the securities under the prospectus shall cease.*

[56] Subsection 61(2) dealing with prospectus receipt refusal grounds states:

The Director shall not issue a receipt for a prospectus if it appears to the Director that,

(a) the prospectus or any document required to be filed therewith,

(i) fails to comply in any substantial respect with any of the requirements of this Part or the regulations,

(ii) contains any statement, promise, estimate or forecast that is misleading, false or deceptive, or

(iii) contains a misrepresentation;

(b) an unconscionable consideration has been paid or given or is intended to be paid or given for promotional purposes or for the acquisition of property;

(c) the proceeds from the sale of the securities to which the prospectus relates that are to be paid into the treasury of the issuer, together with other resources of the issuer, are insufficient to accomplish the purpose of the issue stated in the prospectus;

(d) having regard to the financial condition of the issuer or an officer, director, promoter, or a person or company or combination of persons or companies holding sufficient of the securities of the issuer to affect materially the control of the issuer, the issuer cannot reasonably be expected to be financially responsible in the conduct of its business;

(e) the past conduct of the issuer or an officer, director, promoter, or a person or company or combination of persons or companies holding sufficient of the securities of the issuer to affect materially the control of the issuer affords reasonable grounds for belief that the business of the issuer will not be conducted with integrity and in the best interests of its security holders;

(f) such escrow or pooling agreement as the Director considers necessary or advisable with respect to securities has not been entered into;

(g) such agreement as the Director considers necessary or advisable to accomplish the objects indicated in the prospectus for the holding in trust of the proceeds payable to the issuer from the sale of the securities pending the distribution of the securities has not been entered into;

(h) in the case of a prospectus filed by a finance company, as defined in the regulations,

(i) the plan of distribution of the securities offered is not acceptable,

TCSC-2 Member	Response:
Commission des Operations de Bourse, France	In France, two main categories of trading halts can be distinguished: trading suspension ("suspension") and automatic trading halts ("trading halts" or reservations") in a specific security. Trading suspension may be linked to dissemination of news, requests from the issuer, requests from the regulators typically based on inadequate or false information provided by the issuer or other fraud. It may also be linked to other extraordinary event (e.g. temporary impossibility to settle transactions in a foreign issuer's shares). Automatic trading halts/reservations result from order imbalance and crossing of price limits thresholds. *a) Trading suspension* Under the Financial Modernization Act of July 2, 1996, suspension of trading in a financial instrument on a regulated market can be requested by the chairman of the Commission des Opérations de Bourse (COB) in order to ensure the protection of savings. Suspension of trading can also be requested by the Chairman of the Conseil des Marchés Financiers (CMF) for a reason falling within the scope of competence of the CMF. The act also provides that after having the issuer, a regulated market may suspend trading in a security for a limited period of time, in accordance with the exchange's rules. The regulated market must inform the chairman. of the COB and the chairman of the CMF of such suspension. Under the exchange's rules, the exchange may suspend trading, including at the request of an issuer. *b) Trading halts* Trading halts are governed by the exchange's rules.

(ii) the securities offered are not secured in such manner, on such terms and by such means as are required by the regulations, or
(iii) such finance company does not meet such financial and other requirements and conditions as are specified in the regulations; or
(i) a person or company who has prepared or certified any part of the prospectus or is named as having prepared or certified a report or valuation used in or in connection with a prospectus is not acceptable to the Director.

TCSC-2 Member	Response:
	• On the cash market Euronext Paris temporary "reserves" trading in an equity if the buy and sell orders recorded in the trading platform would inevitably result in a price beyond a certain threshold referred to as a reservation threshold. The reservation threshold is set as a percentage fluctuation from a reference price. The passing of a threshold triggers a freeze of the market in the security until the intermediaries confirm the order, with a maximum of 1 minute. It is then followed by a reservation period of four minutes. There are currently two types of reservation threshold, a dynamic one (± 2% as compared to the last order) and a static one (± 10 % as compared to a reference price e.g. opening price). For bonds, Euronext sets a theoretical price and a fluctuation range for each bond, taking into account the bond characteristics. The fluctuation rangers then used to determine an upper and a lower reservation threshold, which is disseminated to the market. The passing of this threshold triggers a reservation. • On the derivatives markets On the option market, a suspension of the underlying security would trigger a suspension of the option. However the implementation of a reservation threshold in the underlying asset would not trigger a reservation of the option. The same applies to single stock future. On the option and future market, trading may also be halted when price variation exceeds a certain limit set by the clearing house (± 15 % as compared to the previous closing price).
Bundesaufsichtsamt für den Wertpapierhandel, Germany	The term "*Trading Halt"* is used in a different context in Germany than what is defined in footnote 1. Interruptions in trading within the meaning of footnote 1 are called "*Trading Suspensions"*. In order to provide a full picture of trading interruptions in Germany, the following answers refer to both, "*Trading Suspensions*" (with the legal consequence that unexecuted orders are cancelled) and "*Trading Halts*" (interruption of trading only in cases of significant price volatility without cancellation of orders). **Trading Suspension:** In accordance with Section 43 para. (1)

TCSC-2 Member	Response:
	of the German Exchange Act and Section 25 of the Exchange Rule, the Board of Management of the respective exchange can suspend the official quotation of admitted securities if orderly trading on the exchange is temporarily endangered or if the suspension is deemed necessary in the interest of the protection of the public. *The Board of Management can further interrupt all exchange trading or that of certain market segments, or interrupt price determination if such is necessary for technical reasons or to avoid any other threat to the functioning of exchange trading.* An interruption in trading may be imposed, upon the management's discretion, only if exchange trading is actually endangered by *concrete circumstances* (abstract fear of danger will not be a reason for interrupting trading). Actual danger to exchange trading exists if circumstances have occurred that will not be known to all interested parties when the trading session starts. Trading interruptions are designed to be temporary interruption to trading. The duration of suspension will be one hour on average. Possible circumstances underlying a trading suspension are: • disclosure of price sensitive information (ad hoc announcements, fraud); • dissemination of news; • requests from issuers; • volatility interruption; A Trading Suspension based on a *request from issuers* requires a detailed explanation by the issuers. The issuer has to explain in a comprehensible manner the reasons for his request, e.g. the issuer is unable to satisfy the information release timeframe. A Trading Suspension based on *other conditions* can be imposed for technical reasons. For instance, trading may be interrupted in the event of a computer failure, system bottleneck, failure of software, or similar system disruption which makes an orderly continuation of trading impossible. Whereas if trading is suspended for one of the above reasons all pending orders are cancelled, a trading suspension for

TCSC-2 Member	Response:
	technical reasons does not result in the cancellation of orders. Trading is suspended also for transactions in drawable securities, securities due in whole and early redeemable securities. The quotation of debt securities, for example, will be suspended two exchange days prior to the date of the drawing. Quotation will be resumed on the second exchange day following the date of the drawing. Trading is suspended in such cases in order to ensure that on these days, previous transactions which include the drawn lot will be delivered. ***Trading Halts*****:** The term *Trading Halt* refers to interruptions in trading in cases of significant price volatility. A Trading Halt can be carried out in electronic trading systems (for example electronic trading system of Deutsche Börse AG: XETRA, "volatility interruption") as well as in floor trading. In order to ensure price continuity in electronic trading systems, a volatility interruption occurs if the potential execution price is outside a predefined price range. In floor trading, the official exchange broker must announce expected (significant) price deviations by means of a price markup/markdown. The details concerning Trading Halts in electronic trading systems and in floor trading are set out in the respective Exchange Rules.[57]
Securities and Futures Commission, Hong-Kong	I. The Securities and Futures Commission ("Commission") can suspend the dealing of a stock when it appear to the Commission that: 1. Materially false, incomplete or misleading information has been included in any: (i) prospectus, circular, or equivalent document, including an introduction document and a document containing proposals for an arrangement or reconstruction of a company, issued in connection with a listing of securities on the Unified Exchange (which is the Stock Exchange of Hong Kong); or (ii) written announcement, statement or circular issued by or

[57] Strictly speaking, a Trading Halt due to significant price volatility is not exactly an interruption in trading but rather a particular type of auction. For example, if in the electronic trading system XETRA the potential execution price is outside one of the price ranges at the end of the announcement phase, price determination shall be interrupted due to volatility and the announcement phase extended for a limit period. In the event of considerable price volatility in floor trading the price is not allowed to be fixed - following a price markup/markdown - until a suitable period of time has elapsed.

TCSC-2 Member	Response:
	on behalf of an issuer in connection with its affairs; 2. It is necessary or expedient in the interests of maintaining an orderly and fair market on the Unified Exchange in securities traded through the facilities of the Exchange Company; 3. It is in the interest of the investing public or in the public interest, or it is appropriate for the protection of investors generally or for the protection of investors in specified securities listed on the Unified Exchange; or 4. There has been a failure by the company to comply with any condition imposed by the Commission under rule 10(3)(a) of the Securities (Stock Exchange Listing) Rules relating to the listing of, or dealings in, any securities, the Commission may, by notice to the Exchange Company, direct the Exchange Company to suspend all dealings in such securities as may be specified in the notice. II. The following circumstances of trading halts are governed by the "Listing Rules of the Stock Exchange of Hong Kong for the Main Board:" 1. When an issuer make a request to suspend its securities. An issuer could make a request to suspend its securities under the following circumstances: • where for a reason acceptable to the Exchange price-sensitive information cannot at that time be disclosed; • where an issuer is subject to an offer, but only where terms have been agreed in principle and require discussion with and agreement by one or more major shareholders. Suspensions will only normally be appropriate where no previous announcement has been made. In other cases, either the details of the offer should be announced, or if this is not yet possible, a "warning" announcement indicating that the issuer is in discussions which could lead to an offer, should be issued, without recourse to a suspension; • to maintain an orderly market;

TCSC-2 Member	Response:
	• certain levels of notifiable transaction, such as substantial changes in the nature, control or structure of an issuer, where publication of full details is necessary to permit a realistic valuation to be made of the securities concerned, or the approval of shareholders is required; • where an issuer is no longer suitable for listing, or becomes a "cash" company; • issuers going into receivership or liquidation. 2. At the discretion of the Stock Exchange of Hong Kong ("SEHK"). Under the listing rules, the Exchange may at any time suspend dealings in any securities or cancel the listing of any securities in such circumstances and subject to such conditions as it thinks fit, whether requested by the issuer or not. The Exchange may suspend the listing of a stock when: • an issuer fails, in a manner which the Exchange considers material, to comply with the Exchange Listing Rules or its Listing Agreement; or • the Exchange considers there are insufficient securities in the hands of the public (see rule 8.08(1)); or • the Exchange considers that the issuer does not have a sufficient level of operations or sufficient assets to warrant the continued listing of the issuer's securities (see clause 38 of the Listing Agreement set out in Parts A and B of Appendix 7); or • the Exchange considers that the issuer or its business is no longer suitable for listing. Practice Note 11 issued by the SEHK on Suspension and Restoration of Dealings (issued pursuant to rule 1.06 of the SEHK Listing Rules (Main Board)) lists out two additional conditions where the SEHK could suspend the securities of an issuers: • there are unexplained unusual movements in the price or trading volume of the issuer's listed securities where the issuer's authorized representative cannot immediately be

TCSC-2 Member	Response:
	contacted to confirm that the issuer is not aware of any matter or development that is or may be relevant to the unusual price movement or trading volume of its listed securities or where the issuer delays in issuing an announcement in the form required under the heading "GENERAL-Response to enquiries" in the Listing Agreement (paragraph 39 of Appendices 7-A, 7-B and 7-I, paragraph 24 of Appendix 7-C, paragraph 11 of Appendix 7-G and paragraph 26 of Appendix 7-H); • there is uneven dissemination or leakage of price sensitive information in the market giving rise to an unusual movement in the price or trading volume of the issuer's listed securities. III. The following circumstances of trading halts are governed by the "Listing Rules of the Stock Exchange of Hong Kong for the Growth Enterprises Market ("GEM"): 1. When an issuer make a request to suspend its securities. An issuer could make a request to suspend its securities under the following circumstances: • where, for a reason acceptable to the Exchange, price-sensitive information cannot at that time be disclosed; or • where an issuer is subject to an offer, but only where terms have been agreed in principle and require discussion with and agreement by one or more major shareholders. Suspensions will only normally be appropriate where no previous announcement has been made. In other cases, either the details of the offer should be announced, or if this is not yet possible, a "warning" announcement indicating that the issuer is in discussion which could lead to an offer, should be issued, without recourse to a suspension; or • where necessary to maintain an orderly market; or • in respect of certain levels of notifiable or connected transaction, for example, one involving substantial changes in the nature, control or structure of an issuer, where publication of full details is necessary to permit a realistic valuation to be made of the securities concerned.

TCSC-2 Member	Response:
	2. At the discretion of the SEHK. Under the listing rules, the Exchange may suspend dealings in an issuer's securities regardless of whether or not the issuer has requested the same and may do so in any circumstances, including: • where the issuer goes into receivership or liquidation; or • where the Exchange considers there are insufficient securities in the hands of the public (see rule 11.23); or • where the Exchange considers that the issuer does not have a sufficient level of operations to warrant the continued listing of the issuer's securities; or • where the Exchange considers that the issuer or its business is no longer suitable for listing; or • where there is a breach of the GEM Listing Rules, the severity of which, in the opinion of the Exchange, justifies suspension (and without prejudice to any other action which the Exchange may take under the GEM Listing Rules); or • where the integrity and reputation of the market has been or may be impaired by dealings in the issuer's securities; or • where there are unexplained unusual movements in the price or trading volume of the issuer's listed securities and the issuer's authorized representative cannot immediately be contacted to confirm that the issuer is not aware of any matter or development that is or may be relevant to the unusual price movement or trading volume of such securities or where the issuer delays in issuing an announcement in the form required pursuant to rule 17.11; or • where there is uneven dissemination or leakage of price sensitive information in the market giving rise to an unusual movement in the price or trading volume of the issuer's listed securities.

TCSC-2 Member	Response:
	IV. The following circumstances of trading halts only applicable to foreign securities admitted for trading under the NASDAQ / AMEX Pilot Program of the SEHK: In general, suspension and resumption of trading will follow that of the home market but the Commission and SEHK retain the right to suspend, halt trading and remove any security from trading. V. The following circumstances of trading halts are applicable to futures and options contracts traded on the Hong Kong Futures Exchange ("HKFE"). They are governed by the Rules of the HKFE: The Exchange may suspend trading in any Market if, but only if, (A) in its opinion, or (B) it is directed by the HKEx (holding company of the HKFE) Board to do so as a result of the HKEx Board being of the opinion that: 1. One or more of the events or the circumstances specified in the list (please see the following list) is imminent or threatened or has occurred or developed provided if the imminence or threat or occurrence or development of such event(s) is in respect of or affects HKEx only, HKFE may not suspend trading unless directed by the HKEx Board to do so; and in consequence no orderly trading in that Market can take place or there is a serious risk of personal injury or death if trading were to be permitted to begin or continue. The list of specified events or circumstances are: • a state of war (whether declared or not) or a state of hostilities (whether in Hong Kong or elsewhere); • a riot, civil commotion, political disturbance, a labor dispute or strike, insurrection, revolution or a state of emergency in Hong Kong; • a tropical cyclone, natural disaster or other Act of God in Hong Kong; • any other event or circumstances (such as fire, explosion, accident, flood, HKEx staff labor dispute or strike, disruption or breakdown of HKEx, Exchange or Clearing House equipment or utility supplies to HKEx, the

TCSC-2 Member	Response:
	Exchange or Clearing House) directly affecting HKEx, the Exchange or the Clearing House or the operation or availability of their respective facilities; and • trading in the underlying cash market has been suspended.
Commissione Nazionale per le Società e la Borsa, Italy	The provisions governing trading halts are included in the "Rules of the Markets Organized and Managed by *Borsa Italiana S.p.A."* (the Rules) approved by Consob with Resolutions 12687 of 26 July 2000 and 12744 of 5 October 2000. Article 4.10.2 of the above mentioned Rules provides that: "*the Italian Exchange shall establish - with reference to markets, market segments, categories of financial instruments or individual instruments - the trading hours and phases and their order, as well as any limits on variations in prices and other trading conditions needed to ensure orderly trading in the markets.*" Automatic trading halts may occur during the validation phase and continuous trading in which the market management company may prolong the duration or delay the start of one or more phases of trading, interrupt - where possible - continuous trading with the simultaneous reactivation of the auction[58] and modify the parameters.[59] The above mentioned measures are adopted by the market management company when price variation limits are exceeded.[60] In the following cases, the market management

[58] In the case of shares traded on the Electronic Share Market (MTA), article 4.1.2 of the Rules divides the trading on the Italian Exchange into three moments: a) opening auction(composed of three phases: pre-auction, validation and opening), b) continuous trading, (during which contracts are concluded, up to quantities available, through the automatic matching of the opposite sign orders present on the book and ranked according to the criteria referred to in Article 4.1.4, paragraph 3) and c) closing auction (divided in turn in three phases: pre-auction, validation, and closing).

[59] The parameters include trading hours and phases as well as any limits on variations in prices and trading conditions and are established on a general basis in the Instructions Accompanying the Rules amended on 2 April 2001 (Instructions).

[60] The price variation limits are established by Article IA.4.1. of the Instructions as follows:

a) maximum variation of the opening price in relation to the control price (defined below):
- ± 10% with respect to shares and units in closed end investment schemes;
- ± 30% with respect to warrants and pre-emptive rights;
- ± 5% with respect to convertible bonds;

b) maximum price variation between two consecutive contracts:
- ± 5% with respect to shares, warrants and units in open-end investment schemes;
- ± 15% with respect to pre-emptive rights;
± 2.5% with respect to convertible bonds.

TCSC-2 Member	Response:
	company may - with reference to specific markets, categories of financial instruments or specific instruments - adopt discretional trading halts: • anomalous trading conditions in terms of prices or volumes are observed; • to obtain information on particular market situations concerning a financial instrument are necessary; • technical reasons or other circumstances that do not guarantee the regular operation of the market arise; • detailed complaints are submitted by approved intermediaries that consider they have been damaged by irregular behavior on the part of other intermediaries, are submitted to the market management company; • exclusively with reference to trading in derivatives market, a reasoned request by the management body of the clearing and guarantee system is made; When considering adopting one of the above mentioned measures the market management company takes into account the following aspects: • the volumes, the price of the product recorded in the last three months, and their variations; • the liquidity and the significance of the trading in the products; • the diffusion (or lack of diffusion) of information available to the market; • the fact that the product is the underlying asset of one or more traded derivative instrument and the liquidity of the latter; • pre-emptive rights, warrants, traditional options or other

The "control price" is the price used for the automatic control of the regularity of trading. The daily control price of each financial instrument shall be a) the reference price in the opening auction; b) the opening-auction price during continuous trading (where an opening auction price is not determined, the control price shall be that referred in a) and c) the opening auction price in the closing auction (where an opening-auction price is not determined, the control price shall be that referred in a)).

TCSC-2 Member	Response:
	derivative instruments, the theoretical values of the underlying products, the exercise period as well as other links between the underlying and the derivative markets; • bonds and government securities, the price and yields of other listed instruments having similar features.
Financial Services Agency, Japan	*Regulator* (Art. 119, Securities and Exchange Law) If any issuer of a security listed on any securities exchange or on OTC market has violated Securities and Exchange Law, or any related regulation, and if the FSA deems it necessary and appropriate in the public interest or for the protection of investors, the FSA may order such securities exchange or JASD to suspend the trading of such security. *SRO* 1. Dissemination of uncertain and important information, such as merger, 2. Unusual situation regarding the sales and purchase of the security and the possibility of such situation, 3. In such case as the issuer requested the share holders to submit the share for the purpose of share consolidation or split-up, 4. Circuit breaker (only for futures products) (As for equities, TSE adopts price limits on each stock. The FSA does not consider these price limits to prompt a trading halt, since the "price limits" only require the participants not to send orders outside the price limits, and therefore there is no "trading halt.") Also see Appendix D.
Securities Commission, Malaysia	The circumstances are dissemination of news, requests from issuer, price limits and suspension based on fraud.

TCSC-2 Member	Response:
Comisión Nacional Bancaria y de Valores, México	Trading suspensions may be triggered by any of the following circumstances:[61] a. By Relevant Events;[62] b. By extraordinary fluctuations in price; c. By securities unusual movements; d. By events affecting securities in the International Quotation System (SIC);[63] and e. By order of the National Banking and Securities Commission or when it is requested by the issuer. **a) Relevant events[64]** The exchange may impose a trading suspension (TS) when it considers that information about a Relevant Event has not been publicly disclosed with the proper opportunity or when any information or clarification of it is pending. Issuers may request to the exchange a suspension on its own securities before they disclose information about a relevant event. A suspension may last until the issuer discloses the requested information. The exchange will terminate a suspension when it considers that investors already have the requested information or when the disclosure of information or clarification demanded by the exchange is accurately completed.
	b) By extraordinary fluctuations in price[65] The exchange is entitled to suspend the quotation of any security and is obliged to inform such determination when the bid or ask price goes beyond the limits of a maximum fluctuation. The limits of fluctuation (upper and lower limit) by type of security are the result of applying to the prices listed in table

[61] The Securities Market Law (SML) states that every exchange has to define in their regulation the situations where a trading halt may be triggered. The Mexican Stock Exchange (BMV) is nowadays the only stock exchange in the country therefore this section is based on the internal regulation of the BMV.

[62] The SML defines a "relevant event" as any event that may have influence on the price of securities.

[63] The SML authorize stock exchanges to establish a special listing of securities which is denominated "International Quotation System" where among others, foreign securities may be listed.

[64] BMV´s internal regulation. Title ten, dispositions 4 to 7.

[65] BMV´s internal regulation. Title ten, dispositions 8 to 11.

TCSC-2 Member	Response:
	1, the following percentages of variation: I. 15 per cent for equity; ordinary participation certificates over equity, or representative titles of two or more shares in one or more series from a single issuer; or II. 5 per cent for debt security and other participation certificates. If the resulting price is a number with decimals, and this does not adjust to the ticks, then the closest number to the corresponding tick determining new limits of maximum fluctuation will be taken. The exchange may temporarily modify the percentages of variation when considered convenient. This modification has to be previously notified to the National Banking and Securities Commission (CNBV).
	Table 1 **Prices that the exchange will utilize in order to determine the limit of maximum fluctuation by type of security** 1. The resulting from the operation of a public offer; 2. The closing price; 3. The price of the last sale when the maximum fluctuation limit is exceeded during a trading session; 4. The assignation price in case of auction; and 5. The adjusted price. If a suspension has taken place at the opening of any trading session or during the session the exchange, will let know the price that will be used in order to determine the maximum fluctuation limit. With this price, quotations by type of security, issuer and series should start. Additionally, once the exchange has determined a suspension, it will proceed to verify if there is information in the market that could explain price fluctuations. The exchange will also require the issuer or the respective member to inform immediately if they know the likely cause that originated the fluctuation. This kind of suspension can not last longer than the trading session.

TCSC-2 Member	Response:
	The exchange will lift the suspension when it considers that investors already have the requested information or when the demanded disclosure of information or clarification is accurately completed. Finally, when securities of an issuer are listed in another jurisdiction the exchange may consider the measures adopted in those jurisdictions in order to establish a suspension in its own market. **c) By securities unusual movements**[66] The exchange can suspend the quotation of a security, in one or more occasions during the trading session, when an unusual movement occurs in terms of the usually operated volume in a security. When a foreign market imposes a trading halt on a security listed in the BMV, the exchange may consider measures adopted in that jurisdiction in order to establish a suspension in its own market. Once the suspension has taken place, the exchange will proceed to verify if there is information in the market that could explain the unusual volume operated in the security. The exchange can also require from the issuer or a member to inform immediately if they know the forces driving the unusual movement. The suspension of a security may last until the issuer informs through the disclosure of a "relevant event" notice the causes of the movement. **d) By events affecting securities in the International Quotation System (SIC)**[67] The SML authorize stock exchanges to establish a special listing of securities which is denominated "International Quotation System" where, among others, foreign securities may be listed. A quoting suspension of a security listed in the SIC may be triggered by any of the following circumstances:

[66] BMV´s internal regulation. Title ten, dispositions 12 to 15.
[67] BMV´s internal regulation. Title ten, dispositions 16 and 17.

TCSC-2 Member	Response:
	• When the market of origin or the principal quoting market of a security has suspended its quotation or registry. • When the market of origin or the principal quoting market imposes a restriction on the conversion of currencies; or a restriction on the transfer of currencies among countries. The suspension will also apply if there is any risk in the process of custody, administration, transfer, clearance or settlement of securities. • When the exchange faces an impossibility to disclose information to the market regarding the security. This kind of suspension will last until the causes that motivated the suspension disappear. **e) By order of the National Banking and Securities Commission or when it is requested by the issuer** The CNBV can order a suspension or registry of securities when disorderly conditions prevail in the market or when the trading is not conformed by good market practices or in presence of market abuses. The Commission can also order trading suspensions when issuers violate any of the obligations imposed to them by the SML or legal requirements. Likewise issuers can request a trading suspension on its own securities. (*See also* Appendix B)
Securities Board of the Netherlands	If any order entered in the order book is bound to cause the price of any Security to cross a defined threshold, the Relevant Euronext Market Undertaking (Euronext Amsterdam) may in continuous trading temporarily suspend ("freeze") automated execution of such orders. The new Euronext Market Model words with static and dynamic trading halts: • Static thresholds correspond to a variation of + or – 10% in the share price compared to the last price quoted on the previous session, and after opening, compared to the opening price.

TCSC-2 Member	Response:
	• Dynamic thresholds correspond to a variation of 2% (up or down) caused by one single order between two consecutive prices in the same session. Other trading halts. Euronext Amsterdam may suspend trading in any Security in order to prevent or halt disorderly market conditions, either on its own initiative, and in its sole discretion, or at the motivated request of the relevant Issuer. In addition, Euronext Amsterdam shall suspend trading in any Security upon the request of the Securities Board of the Netherlands (STE). Trade or price cancellation. Euronext Amsterdam may cancel Transactions, even if already registered, which in its reasonable judgment do not comply with a Rule or applicable law or regulation or are the subject of a [manifest] material error. In certain (further to be specified) circumstances Euronext Amsterdam may also cancel a traded price, which shall have the effect of canceling all Transactions effected at such price in the specified time interval. Euronext Amsterdam shall inform Members as promptly as possible upon such a cancellation if made during the trading cycle and, for cancellations made after the close thereof, at the latest before the opening of the following trading session.
Monetary Authority of Singapore	Under the rules of the Singapore Exchange, Securities Trading (SGX-ST), the Board of SGX shall have the power to suspend trading in a security if circumstances exist or are about to exist that could result in other than a fair and orderly market. The SGX listing rules also prescribe certain circumstances. These include: a) Material information cannot be disclosed promptly. b) Material information is released during trading hours. c) Imbalance of material information in the market (e.g. price-sensitive information is leaked). d) Inadequate information in an announcement, where further details are necessary to permit a proper assessment to be made of the securities concerned. e) To maintain an orderly market (e.g. there is a suspected corner). f) Where an issuer is no longer suitable for listing (e.g. going into judicial management). g) Where an issuer refuses or fails to comply with the listing rules.

TCSC-2 Member	Response:
	h) Where a backdoor listing may not meet the SGX's admission requirements. i) Where an uncertain event is anticipated (e.g. shareholder approval for a merger). j) Where compulsory acquisition is to take place after a takeover. k) If there is less than 10% of the shares in public hands. In SGX's context, the term "suspension" covers situations for trading halts that last for one hour to a few days or indefinitely. Under Section 21 of the Securities and Futures Act (SFA), the Monetary Authority of Singapore (MAS) may issue directions to a securities exchange or futures exchange relating to the trading or termination of trading of securities quoted or futures contracts listed on that exchange if it is necessary: • for ensuring fair and orderly securities markets or futures markets; • for ensuring the integrity of, and proper management of systemic risks in, securities markets or futures markets; • in the interest of the public or section of the public or for the protection of investors. An extract of section 24 is at Appendix 1 (below). Further, Section 24 of the SFA empowers the MAS to exercise emergency powers, including trading halts, on a securities exchange or futures exchange (see Appendix 1). Where the MAS believes that an emergency exists or thinks it necessary or expedient in the interest of the public or for the protection of investors, MAS may take appropriate actions to restore orderly trading. "Emergency" is defined as threatened or actual market manipulations and corners, and includes: a) any act of government affecting a commodity or securities; b) any other major market disturbance which prevents the

TCSC-2 Member	Response:
	market from accurately reflecting the forces of supply and demand for such commodity or securities; or (c) any other undesirable situations or practices which in MAS' opinion constitutes an emergency. **Appendix 1** **Relevant Sections from the Securities and Futures Act** ***Relevant definitions under section 2*** "**futures contract**" means a contract the effect of which is that: (a) one party agrees to deliver a specified commodity, or a specified quantity of a specified commodity, to another party at a specified future time and at a specified price payable at that time pursuant to terms and conditions set out in the business rules or practices of a futures exchange, recognized trading system provider or futures market; or (b) the parties will discharge their obligations under the contract by settling the difference between the value of a specified quantity of a specified commodity agreed at the time of the making of the contract and at a specified future time, such difference being determined in accordance with the business rules or practices of a futures exchange, recognized trading system provider or futures market at which the contract is made, and includes a futures option transaction; "**securities**" means – (a) debentures or stocks issued or proposed to be issued by a government; (b) debentures, stocks or shares issued or proposed to be issued by a corporation or body unincorporate; (c) any right, option or derivative in respect of any such debentures, stocks or shares;

TCSC-2 Member	Response:
	(d) any right under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in: (i) the value or price of any such debentures, stocks or shares; (ii)the value or price of any group of any such debentures, stocks or shares; or (iii) an index of any such debentures, stocks or shares; or (e) any unit in a collective investment scheme, but does not include – (i) futures contracts; (ii) bills of exchange; (iii) promissory notes; or (iv) certificates of deposit issued by a bank or finance company whether situated in Singapore or outside Singapore; **Power of Authority to issue directions to securities exchange or futures exchange** 21. - (1) The Authority may, if it thinks it necessary or expedient - (a) for ensuring fair and orderly securities markets or futures markets; (b) for ensuring the integrity of, and proper management of systemic risks in, securities markets or futures markets; or (c) in the interest of the public or section of the public or for the protection of investors, issue directions by notice in writing either of a general or specific nature to a securities exchange or futures exchange. (2) Without prejudice to the generality of subsection (1), any direction issued under that subsection may relate to -

TCSC-2 Member	Response:
	(a) the trading or the termination of trading on or through the facilities of that securities exchange or futures exchange or with respect to any securities listed for quotation or quoted on that securities exchange, or futures contracts listed for trading on that futures exchange; (b) the manner in which a securities exchange or futures exchange carries on its business, including the manner of reporting off-market purchases; or (c) any other matter which the Authority considers necessary for the proper administration of this Act, and the securities exchange or futures exchange shall comply with any such direction. (3) A securities exchange or futures exchange which, without reasonable justification or excuse, contravenes a direction issued under subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part thereof during which the offence continues after conviction. (4) For the avoidance of doubt, a direction issued under subsection (1) shall be deemed not to be subsidiary legislation. **Emergency Powers of Authority** 24. - (1) Where the Authority has reason to believe that an emergency exists, or where the Authority thinks it necessary or expedient in the interest of the public or section of the public or for the protection of investors, the Authority may direct by notice in writing a securities exchange or futures exchange to take such action as it considers necessary to maintain or restore orderly trading in securities or futures contracts or any class of securities or futures contracts or liquidation of any position in respect of any securities or futures contract or any class of securities or futures contracts, including but not limited to - (a) terminating or suspending trading on a securities exchange or futures exchange;

TCSC-2 Member	Response:
	(b) confining trading to liquidation of securities or futures contracts positions; (c) ordering the liquidation of all positions or part thereof or the reduction in such positions; (d) limiting trading to a specific price range; (e) modifying trading days or hours; (f) altering conditions of delivery; (g) fixing the settlement price at which positions are to be liquidated; (h) requiring any person to act in a specified manner in relation to trading in securities or futures contracts or any class of securities or futures contracts; (i) requiring margins or additional margins for any securities or futures contracts; and (j) modifying or suspending any of the business rules of a securities exchange or futures exchange, and the securities exchange or futures exchange, as the case may be, shall comply with that direction. (2) Where a securities exchange or futures exchange fails to comply with the direction of the Authority under subsection (1), within such time as is specified by the Authority, the Authority may - (a) set emergency margin levels in any securities or futures contract or class of securities or futures contracts; (b) set limits that may apply to market positions acquired in good faith prior to the date of the Authority's action; or (c) take such other action as the Authority thinks fit to maintain or restore orderly trading in any securities or futures contracts or class of securities or futures contracts, or liquidation of any position in respect of securities or futures contract or class of securities or futures contracts.

TCSC-2 Member	Response:
	(3) In this section, "emergency" means threatened or actual market manipulations and corners, and includes - (a) any act of government affecting a commodity or securities; (b) any other major market disturbance which prevents the market from accurately reflecting the forces of supply and demand for such commodity or securities; or (c) any other undesirable situations or practices which in the opinion of the Authority constitutes an emergency. (4) Without prejudice to subsection (1), where a securities exchange or futures exchange takes emergency action under subsection (1), the Authority may modify such emergency action, including but not limited to the setting aside of that emergency action. (5) Any person who is aggrieved by any action taken by the Authority, a securities exchange or a futures exchange under this section may, within 30 days after it is notified of the action, appeal to the Minister whose decision shall be final. (6) Notwithstanding the lodging of an appeal under subsection (5), any emergency action taken by the Authority, a securities exchange or a futures exchange under this section shall continue to have effect pending the determination or withdrawal of the appeal. (7) The Minister may make such modification to any emergency action, taken by the Authority, a securities exchange or a futures exchange, that is the subject of an appeal and such modified emergency action shall have effect.
Comisión Nacional del Mercado de Valores, Spain	In Spain there are two kinds of trading halts: **a) Trading suspensions**, which are regulated in art. 33 Act 24/1988, of July 28th, on the Securities Market. This is a law with the maximum rank. "The Comisión Nacional del Mercado de Valores (CNMV) can suspend trading of a security on all official secondary markets on which said security is admitted when special circumstances are present which may distort the normal course of transactions relating thereto or which make the said measure advisable for the

TCSC-2 Member	Response:
	protection of investors. Such suspension may be resolved officially or at the request of the issuer or of the governing body of the relevant market and the duration of such suspension shall not exceed the maximum term to be laid down by regulation." Nevertheless, in cases of emergency and particular seriousness the governing body of the market can suspend for itself the trading of a security communicating such decision to the CNMV as soon as possible, according to the art. 12c) of the Royal Decree 726/1989. The trading suspensions take place when the CNMV considers that a market disorder has arisen and the markets overall integrity is threatened (for example when there has been a breach of confidence in relation to inside information, the market may have been materially mislead or there may have been some extreme manipulation such as a failure to put out information to the market) or this suspension is requested by the issuer or the governing body of the market. The main purpose of calling a trading suspension is to prevent false markets or to let the issuer disclose material information and provide investors with appropriate signal giving them the necessary time to absorb this sensitive information. A particular case of trading suspension takes lace when a public takeover bid is presented. Pursuant to Art. 13 of the Royal Decree 1197/1991, of July 26, on the regime of takeover bids, the CNMV will agree to suspend the listing of the security affected by the public bid once that the CNMV receives the authorization request. The suspension agreement will indicate that is due to the formation of the public takeover bid. This attempts to guarantee that the stock will not be subject to interested trading on the part of those holding insider information, and that trading will only be resumed when all stock owners have had the possibility to accede to the relevant information simultaneously and without discrimination. There are no other specific provisions in the Spanish legislation regarding trading suspensions. However, some circumstances and events that can be the basis for a trading halt could be obtained from the market practice. In such way, when a listed company submits to the CNMV some price sensitive information that could greatly affect the quotation of

TCSC-2 Member	Response:
	the company and the market integrity, the CNMV sometimes suspends temporarily the quotation of the given stock to allow all market participants to get that information and evaluate its impact on the market. As explained before, those kind of suspensions will only be carried out in those cases when the price sensitive information that is going to be publicly released could seriously affect the market integrity or the correct protection of the investors. In all trading suspensions, an adequate co-ordination with the issuers is very important and the CNMV always takes into consideration their opinion about the suspensions and provides them with all the relevant information about the process and the measures that are taken. **b) Mechanistic trading halts (circuit breakers)**. Those are measures implemented by the governing bodies of the markets. They occur due to the movement of prices or volumes beyond pre-set parameters, and can be applied to the trading of a specific financial instrument or to the market as a whole. In case of equity markets, they are regulated in the Circular 1/2001 of the Sociedad de Bolsas (the governing body of the Spanish electronic market), of May 10th. This is a set of rules elaborated by the governing body of the Spanish stock market. It does not have the rank of law. These trading rules introduce certain restrictions on the appropriate daily price variation. There are two daily fluctuation bands (static and dynamic ranges) for each security, according to the historical volatility of that security. The static price range is defined around the static price, that is the price fixed in the most recent auction. The dynamic price range is defined around the dynamic price, that is the most recent price of a security after each trades transaction. The system, in accordance with these bands, will automatically detect for every security when it is necessary at any point of the session to widen these, thus giving rise to a volatility-triggered auction. In this case, the new static and dynamic prices for the rest of the session will be determined in the auction. In the fixed-income markets, there is price variation limit of +/- 10% on closing price of the last session, regulated

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	Circular 6/1993 of the Madrid Stock Exchange Market. In the derivatives markets, there is no limit, however the governing body of these markets can demand additional collaterals to the market members and clients under exceptional market circumstances or on the basis of positions that the governing body considers of high risk.
Finansinspektionnen, Sweden	Trading may be halted when announcement regarding an instrument is to be made, in the event or irregular price movements, suspension of unequal information in the market or other events. The only examples above that is relevant in Sweden is dissemination of news and extraordinary events.
Swiss Federal Banking Commission, Switzerland	In the context of our markets (electronic markets) in our jurisdiction, differentiation must be made between suspensions, stop-trading situations, trading halts and system halts. Definitions: A *stop trading* is when trading is halted automatically, because the price movement of a security has exceeded the acceptable parameters set by an exchange. A *suspension* is when the exchange stops trading in one or more securities in circumstances where it is considered that the integrity of the market is in doubt. A *system halt* is when the exchange stops trading on its order book because of a system failure of or with its systems. It is well worth noting that stock exchanges in Switzerland are self-regulated organizations. The operation of all Swiss exchanges is subject to authorization by the SFBC (Swiss Federal Banking Commission). According to the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) an exchange shall ensure its own operational, administrative and supervisory organization appropriate to its activity. Therefore, an exchange has the right and duty to establish rules concerning trading activities, such as trading halts. Standardized derivatives are traded at Eurex which is owned in equal parts by SWX Swiss Exchange and Deutsche Börse. Eurex is jointly supervised by HüST (Handelsüberwachungsstelle in Frankfurt) and the

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	Surveillance and Enforcement Office of Eurex Zürich AG. However the SWX Swiss Exchange is the principal market for listed securities (shares, bonds, derivatives) in Switzerland. Therefore, we shall concentrate our answers on the rules and directives of the SWX Swiss Exchange. In this respect the SWX Swiss Exchange governs trading halts by its General Conditions (Section 4.31: Extraordinary situations) and by Directive 8: Exceptional situations. According to Section 4.31 of the General Conditions Extraordinary situations within the meaning of this provision may be, in particular a. large price fluctuations; b. decisions or information which are to be published shortly and which could have a significant influence on the market price (price-sensitive information); or c. other situations likely to hamper fair and orderly trading. In the event of extraordinary situations, SWX may take all the measures, which it deems necessary to maintain fair and orderly trading as far as possible. In addition, SWX may engage in trading interventions which it considers necessary, in particular by delaying the opening of trading in a security, interrupting or suspending continuous trading in a security. The next sections contain the provisions governing exceptional situations (Directive 8): *1. General remarks* *Upon the occurrence of exceptional situations within the meaning of Section 4.31 of the General Conditions, the SWX Swiss Exchange may, in principle, take any measures which it deems necessary t o maintain fair and orderly trading.* *The following trading interventions may be imposed by SWX in exceptional situations:* *2. Delayed opening and stop trading imposed on securities*

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	2.1 General *As a rule, opening of the security concerned is delayed (delayed opening) or continuous trading is temporarily interrupted (stop trading), in the case of large price swings.* *SWX shall fix the price change vis-à-vis the reference price which triggers a stop trading as well as the duration of the stop trading (waiting period).* *A delayed opening or stop trading is triggered automatically when predetermined maximum values are exceeded. The corresponding product- specific details can be found in the current SWX Guide.* *The reference price pursuant to Section 4.19 of the General Conditions serves as a comparative value for calculating the price changes which trigger a delayed opening or stop trading.* *Furthermore, SWX may refrain from imposing a delayed opening or stop trading if the information which may result in the price movement is generally known before the opening of trading. The automatic triggering of a delayed opening or stop trading in respect of a specific security will then be temporarily overridden. SWX shall notify its participants of such a decision prior to the opening of trading.* *For securities which are regularly subject to price swings close to or higher than the price change triggering a delayed opening or stop trading, the SWX may refrain from imposing a stop trading. It shall inform its participants of the securities affected.* *If trading in a security is interrupted, the system automatically interrupts trading in the dependent securities.* *2.2 Reopening of trading after a stop trading* *After a stop trading has been lifted, trading in securities is reopened in accordance with the principle of largest best execution.* *2.3 Stop trading shortly before closing* *If a stop trading is imposed less than 30 minutes before*

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	closing on securities which are not subject to the closing auction rule and the stop trading is of 15 minutes' duration, trading in these securities will be reopened for a maximum of 15 minutes after the stop trading has been lifted. If a further stop trading is imposed on these securities during extended trading, trading in said securities will not be reopened on that trading day. *If a stop trading is imposed less than 20 minutes before closing on securities which are not subject to the closing auction rule and the stop trading is of 5 minutes' duration, trading in these securities will be reopened for a maximum of 15 minutes after the stop trading has been lifted.* *2.4 Excursus: closing auction* *The trading time for securities in a closing auction may not be extended.* *SWX shall keep participants continuously informed of closing auction procedures and any amendments.* *2.5 Product-specific details* *Current product specifications (stop trading range, duration of stop trading, etc.) can be found in the publication "SWX Guide: Product Specifications and Trading Organization", which is regularly updated.* *3. Suspension of trading* *SWX may temporarily suspend trading in a security if extraordinary circumstances render this necessary. The duration of the suspension shall be determined by SWX on a case-by-case basis and, as a rule, should be kept as short as possible.* *When assessing the imposition and duration of a suspension, the interest in maintaining open, transparent markets and continuous pricing must be weighed against the interest in ensuring a uniform standard of information on price-sensitive facts for all investors.* *In the case of foreign securities and/or their derivatives, SWX shall take into account the decisions of the relevant home*

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	exchange. With regard to inter-nationally traded equity-linked securities, SWX shall moreover take into consideration the decisions of the most important international trading centers for the security concerned. *Requests for suspension by the introducing participant and/ or the issuer are to be submitted to SWX where possible 90 minutes prior to the opening of trading. By way of exception, a suspension may be imposed during permanent trading if this is in the above-defined interest. SWX shall where possible confer with the introducing participant and/ or the issuer.*
Commodity Futures Trading Commission, USA	Currently, trading halts related to futures or futures options products are based on changes in the price of the reference product and are set in advance as price limits or circuit breakers. Therefore, the direct basis for the halt would not ordinarily be dissemination of news, extraordinary events or fraud. However, each exchange[68] and the Commodity Futures Trading Commission (CFTC)[69] have the authority to intervene and address market disruptions. In addition, futures exchanges have the duty to maintain orderly markets.[70]

68 Section 5(d)(6) of the Commodity Exchange Act (CEA), as amended by the Commodity Futures Modernization Act of 2000 (CFMA), requires as a "core principle" that a contract market "adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission, where necessary and appropriate, including the authority to – (A) liquidate or transfer open positions in any contract; (B) suspend or curtail trading in any contract; and (C) require market participants in any contract to meet special margin requirements.

69 Sec 8a(9) of the CEA), as amended by the CFMA, authorizes the CFTC to direct a registered entity , whenever it has reason to believe that an emergency exists, to take such action as in the CFTC's judgment is necessary to maintain or restore orderly trading in or liquidation of any futures contract, including but not limited to , the setting of temporary emergency margin levels on any futures contract, and the fixing of limits that may apply to a market position acquired in good faith prior to the effective date of the Commission's action. "The term "emergency" [means], in addition to threatened or actual market manipulations and corners, any act of the United States or a foreign government affecting a commodity or any other major market disturbance which prevents the market from accurately reflecting the forces of supply and demand for such commodity."
In addition, CEA section 8a (7) authorizes the CFTC to alter or supplement the rules of a registered entity under certain circumstances. In order for the CFTC to take such action, the CFTC must first make the appropriate request to a registered entity in writing specifying the desired rule change and, after appropriate notice and hearing, determine that the contract market did not make the requested changes and that such changes are necessary or appropriate for the protection of persons producing, handling, processing or consuming any commodity traded for future delivery on such registered entity, or the product or by product thereof, or for the protection of traders or to ensure fair dealing in Commodity traded on such registered entity.

70 Section 5d(5) of the CEA, as modified by the CFMA, requires, as a "core principle" for registration as a "designated contract market" that "the board of trade shall monitor trading to prevent price manipulation, price distortion, and disruptions of the delivery or cash-settlement process."

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	As a general rule, there is coordination between the cash and derivative markets with respect to trading halts. Derivatives based on securities futures products (i.e., single equities or narrow based indexes) will be required to halt when the cash market for the underlying halts. Rules governing trading halts, among other things, in connection with securities futures products (including single stock futures) are under development by the CFTC and Securities and Exchange Commission. The CFTC has not adopted rules requiring that regulated futures exchanges adopt explicit trading halt rules such as circuit breakers. Rather, the decision whether to adopt such trading mechanisms has been left in the first instance to the discretion of the markets. Futures exchanges that trade stock index futures products have voluntarily adopted circuit breaker rules, which have been approved by the CFTC. The following exchanges have adopted circuit breakers in relation to their securities futures products (*see also* Appendix A): **Chicago Board of Trade** CBOT regulation 10008.01 provides that daily price limits and trading halts for CBOT Dow Jones Industrial, Transportation, Utilities and Composite Average Index Futures shall be coordinated with treading halts of the underlying stocks listed in the primary securities market. For purposes of this regulation, the primary futures contract shall be defined as the futures contract trading in the lead month configuration in the pit, or for those contracts only listed electronically, on the electronic trading system (ETS), and the Executive Committee or its designee shall have the responsibility of determining whether the primary futures contract is limit bid or offered. For the first day of trading in a newly listed contract, there will be an implied previous business day's settlement price, created by the Exchange for the sole purpose of establishing price limits. The implied settlement price will be created by extrapolating the annualized percentage carry between the two contract months immediately prior to the newly listed contract.

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	Price Limits: There shall be three successive price limits for each index, Level 1, Level 2, and Level 3, below the settlement price of the preceding regular trading session. Levels 1, 2, and 3 shall be calculated at the beginning of each calendar quarter, using the average daily closing value of each index for the calendar month prior to the beginning of the quarter. Level 1 shall be 10% of such average closing value calculation; Level 2 shall be 20% of such average closing value calculation; Level 3 shall be 30% of such average closing value calculation. For the Dow Jones Industrial Average, each Level shall be rounded to the nearest fifty points. For the Dow Jones Transportation Average and the Dow Jones Composite Average, each Level shall be rounded to the nearest ten points. For the Dow Jones Utilities Average, each Level shall be rounded to the nearest point. The values of Levels 1, 2 and 3 shall remain in effect until the next calculation. **Price Limits and Trading Halts When the U.S. Primary Securities Market is Open for Regular Trading Hours:** The following price limits and trading halts shall apply when the primary securities market in the United States underlying the DJIAs is open for regular trading hours. (a) Level 1: Except as provided below, the Level 1 price limit shall be in effect until a trading halt has been declared in the primary securities market, trading in the primary securities market has resumed, and fifty percent (50%) of the stocks underlying the DJIA (sm) Index (selected according to capitalization weights) have reopened. The Level 2 price limit shall apply to such reopening. Until 1:00 p.m. Chicago time (2:00 p.m. Eastern time), the trading halt shall be a one-hour trading halt. Between 1:00 p.m. and 1:30 p.m. Chicago time (2:00 p.m. and 2:30 p.m. Eastern time), the trading halt shall be a one-half hour trading halt. The Level 1 price limit shall not apply after 1:30 p.m. Chicago time (2:30 p.m. Eastern time). If the futures contract is limit offered at the Level 1 price limit and a trading halt has not been declared in the primary securities market, the Level

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	1 price limit shall be lifted and the Level 2 price limit shall apply thereafter. (b) Level 2: Except as provided below, the Level 2 price limit shall be in effect until a trading halt has been declared in the primary securities market, trading in the primary securities market has resumed, and fifty percent (50%) of the stocks underlying the DJIA (sm) Index (selected according to capitalization weights) have reopened. The Level 3 price limit shall apply to such reopening. Until 12:00 noon Chicago time (1:00 p.m. Eastern time), the trading halt shall be a two-hour trading halt. Between 12:00 noon and 1:00 p.m. Chicago time (1:00 p.m. and 2:00 p.m. Eastern time), the trading halt shall be a one-hour trading halt. After 1:00 p.m. Chicago time (2:00 p.m. Eastern time), the trading halt declared in the primary securities market will remain in place for the rest of the primary securities market trading day. (c) Level 3: The Level 3 price limit shall be in effect during the entire regular daytime trading session. Trading Halts: If the primary futures contract for the DJIA (sm) is limit offered at either the Level 1 or Level 2 price limit as described above and there is a trading halt declared in the primary securities market, trading shall be halted for all Dow Jones (sm) Index futures contracts that have reached their respective price limits. In the event that trading in the primary securities market resumes after a trading halt, trading in each of the Dow Jones Index futures contracts (that have halted) shall resume only after fifty percent (50%) of the stocks underlying the DJIA index (selected according to capitalization weights) have reopened. The next applicable price limit enumerated above shall apply to the reopening indexes and to those indexes that had not reached their previous respective price limits during the period of the halt. If after 1:00 p.m. Chicago time (2:00 p.m. Eastern time), the primary futures contract for the DJIA (sm) is limit offered at the Level 2 price limit, or if the primary futures contract for the DJIA7 is limit offered at the Level 3 price limit at any

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	time during the trading day, and the primary securities market declares a trading halt for the rest of its trading day, the Exchange will also declare a trading halt for the rest of its trading day for all Dow Jones" Index futures contracts that have reached their respective price limits. If the primary futures contract for the DJIA (sm) trades at the Level 1, 2, or 3 price limits described above during that portion of the e-cbot trading session when the primary securities market is open for regular trading hours, trading will be halted for all Dow Jones"" futures contracts that have reached their respective price limits. In the event that e-cbot trades occur through the price limits described above, any such trades may be busted with the approval of the Exchange. **Price Limits When the U.S. Primary Securities Market is Not Open for Regular Trading Hours:** When the primary securities market is not open for regular trading hours, there shall be a price limit of 10% of the average daily closing value of each index for the calendar month prior to the beginning of the quarter. The value of this limit shall remain in effect until the next calculation. This price limit shall apply above or below the previous trading day's settlement price. (09/01/00) **Chicago Mercantile Exchange:** Price limits were instituted at CME shortly after the market decline of 1987. Over the years, they have been revised numerous times to reflect current market conditions. The 10- and 20- percent "circuit breaker" limits are coordinated with trading halts in the underlying securities markets; the 5- and 15-percent "speed bump" limits apply to CME index futures only. The 2.5 percent limit has always applied to CME index futures only. Set at the beginning of each calendar quarter, the price limits apply to trading in CME futures and options on the S&P 500, E-mini S&P 500, S&P 500/BARRA Growth, S&P 500/BARRA Value, S&P MidCap 400, Russell 2000, Nasdaq-100, E-mini Nasdaq-100 and FORTUNE e-50™ indexes. See http://www.cme.com/news/01-62circuits.html

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	Kansas City Board of Trade *Value Line stock index:* There shall be Price Limits on the corresponding to a 2.5%, 5.0%, 10%, 15% and 20% decline below the previous day's settlement price calculated as provided below. The 2.5%, 5.0%, 10%, 15% and 20% Price Limits shall be determined each morning based on the previous day's settlement price. The previous day's settlement price shall be multiplied by the applicable Price Limit, then rounded to the nearest integral multiple of 1 index point. For example, if the previous settlement was 950.00, then the 2.5% Price Limit would be 24 index points, the 5% Price Limit would be 48, the 10% Price Limit would be 95, the 15% Price Limit would be 143.00 and the 20% Price Limit would be 190. Once either of the two nearest contract months is limit offered at the 2.5% or 5% Price Limit, a 10 minute period shall commence after which that limit shall not apply. These price limits shall cease to be in effect during the 45 minute period which precedes the close of trading. If either of the two nearest contract months is limit offered at the end of the 10 minute period, or 45 minutes before the close of trading, trading shall terminate for a period of two minutes, at which time the market shall reopen. The next applicable Price Limit shall apply to such reopening. Prior to 1:30 p.m. Central time, the 10% Price Limit shall be in effect until a trading halt has been declared at the primary securities market, trading has resumed at the primary securities market following such a trading halt, and trading has resumed in the S&P 500 stock index futures contract. The 15% Price Limit shall apply to such reopening. After 1:30 p.m. Central time, once either of the two nearest contract months is limit offered at the 10% Price Limit, a 10 minute period shall commence after which that limit shall not apply. If either of the two nearest contract months is limit offered at the end of the 10 minute period, trading shall terminate for a period of two minutes, at which time the market shall reopen. The next applicable Price Limit shall apply to such reopening.

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	Once either of the two nearest contract months is limit offered at the 15% Price Limit, a 10 minute period shall commence after which that limit shall not apply. If either of the two nearest contract months is limit offered at the end of the 10 minute period, trading shall terminate for a period of two minutes, at which time the market shall reopen. The 20% Price Limit shall apply to such reopening and represent the Total Daily Price Limit. If during the time the 10% Price Limit is in effect there is a trading halt declared in the primary securities market, trading shall be halted. Trading shall resume once trading has resumed at the primary securities market following such a trading halt, and trading has resumed in the S&P 500 stock index futures contract. The next applicable Price Limit shall apply to such reopening. If during the time the 20% Price Limit is in effect there is a trading halt declared in the primary securities market, trading shall be halted. Trading shall resume once trading has resumed at the primary securities market following such a trading halt, and trading has resumed in the S&P 500 stock index futures contract. The 20% Total Daily Price Limit shall continue to apply subsequent to such reopening. **Second Day Limits:** If either of the two nearest contract months are limit offered at the 20% Price Limit as of the close of trading, the Price Limits for the next subsequent business day shall be modified as follows: If either of the two nearest contract months is limit offered at the 2.5%, 5%, 10% or 15% Price Limit, a 10 minute period shall commence after which that limit shall not apply. These price limits shall cease to be in effect during the 45 minute period which precedes the close of trading. If either of the two nearest contract months is limit offered at the 2.5%, 5%, 10% or 15% Price Limit at the end of the 10 minute period, or 45 minutes before the close of trading, trading shall terminate for a period of two minutes, at which time the market shall reopen. The next applicable Price Limit shall apply to such reopening. If during the time the 10% Price Limit is in effect there is a trading halt declared in the primary securities market, trading shall be halted. Trading shall resume once trading has

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	resumed at the primary securities market following such a trading halt, and trading has resumed in the S&P 500 stock index futures contract. The 20% Price Limit shall apply to such reopening and shall represent the Total Daily Price Limit. If during the time the 20% Price Limit is in effect there is a trading halt declared in the primary securities market, trading shall be halted. Trading shall resume once trading has resumed at the primary securities market following such a trading halt, and trading has resumed in the S&P 500 stock index futures contract. The 20% Price Limit shall continue to apply subsequent to such reopening. http://www.kcbt.com/vllim.htm *Internet stock index* **Price Limits:** There shall be Price Limits corresponding to a 5.0%, 10%, 15% and 20% decline below the previous day's settlement price calculated as provided below. The 5.0%, 10%, 15% and 20% Price Limits shall be determined each morning based on the previous day's settlement price. The previous day's settlement price shall be multiplied by the applicable Price Limit, then rounded to the nearest integral multiple of 1 index point. Once either of the two nearest contract months is limit offered at the 5%, 10% or 15% Price Limit, a 10-minute period shall commence after which that limit shall not apply. These price limits shall cease to be in effect during the 45-minute period which precedes the close of trading. If either of the two nearest contract months is limit offered at the end of the 10-minute period, or 45 minutes before the close of trading, trading shall terminate for a period of two minutes, at which time the market shall reopen. The next applicable Price Limit shall apply to such reopening. If during the time the 5.0%, 10% or 15% Price Limit is in effect there is a trading halt declared in the NASDAQ securities market, trading shall be halted. Trading shall resume once trading has resumed at the NASDAQ market following such a trading halt. The next applicable Price Limit shall apply to such reopening.

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	If during the time the 20% Price Limit is in effect there is a trading halt declared in the NASDAQ securities market, trading shall be halted. Trading shall resume once trading has resumed at the NASDAQ securities market following such a trading halt. The 20% Total Daily Price Limit shall continue to apply subsequent to such reopening. http://www.kcbt.com/islim.htm **New York Board of Trade** The following changes have been made to the price limits for the NYSE Composite and Russell 1000® Index futures contracts. The new price limits will be effective April 15, 1998. See below for specific limits applicable from 4/02/01 to 06/29/01. Price limits are calculated each calendar quarter, based upon the average settlement price of the nearest primary futures contract, during the month prior to beginning of the quarter (denoted as Average Price). The price limits are set as follows: 1. The 10% Price Limit shall be 10% of the Average Price rounded down to the nearest integral multiple of 10 index points. 2. The 20% Price Limit shall be two times the 10% Price Limit 3. The 30% Price Limit shall be three times the 10% Price Limit The actual price levels corresponding to the above Price Limits are available daily with the Floor Reporters. The Price Limits and Trading Halts will work as follows: 1. When a general trading halt occurs in NYSE pursuant to NYSE Rule 80B, trading in NYSE Composite, and Russell 1000® Index contracts will cease, until trading resumes when 50% or more of the stock on NYSE, by capitalization, recommence trading following a trading halt.

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	2. When the Floor Committee determines that the primary futures contract would be limit offered at the 10% Price Limit below its previous day settlement price, an Announcement to that effect would me made. The 10% Price Limit will be effect for the remainder of the day unless: a. Level 1 trading halt has been declared on the NYSE, NYSE trading had resumed, and 50% or more of the stocks on NYSE, by capitalization, have reopened; or, b. The Announcement described above in paragraph 2 occurs at or after 2:30 p.m. New York time. If any of the above events occur, the 20% Price Limits shall be in effect. 3. The 20% Price Limit will be in effect for the remainder of the day unless: a. Level 2 trading halt has been declared on the NYSE, NYSE trading has resumed, and 50% or more of the stocks on NYSE, by capitalization, have reopened; or, b. There is an Announcement after 2:00 p.m. New York time by the Floor Committee that the primary futures contract has been limit offered at 20% Price Limit below the previous day's settlement price. If any of the above events occur, the 30% Price Limit shall be in effect. 4. No trade may occur at a Price Limit which is more that the 30% Price Limit below the previous day's settlement price. See http://www.nybot.com/special/nyfelimits.htm **New York Futures Exchange** Rule 1110(a) Daily Price Limits (1) Trading in the NYSE Composite Index futures contract will be subject to the following: (a) There shall be Price Limits corresponding to a 10.0%, 20.0% and 30.0% decline below the previous day's

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	settlement price. The 10.0%, 20.0% and 30.0% Price Limits shall be calculated at the beginning of each calendar quarter, based upon the average settlement price of the nearest primary futures contract, during the month prior to the beginning of the quarter (denoted as "AP"). . . . (b) On any business day when a general trading halt occurs in NYSE pursuant NYSE Rule 80B, trading in NYSE Composite Index futures contract shall cease until trading resumes when 50% or more of the stocks on NYSE, by capitalization, recommence trading following a trading halt. (c)(i) Subject to the qualifications set forth in clause (iii) of this paragraph (c), no NYSE Composite Index futures contract may be offered, and no trade in any such contract may occur at a price which is below the previous day settlement price by more than the 10.0% Price Limit. . . . * * * * (g) The price limit restriction set forth [above] shall be maintained at an approximate correspondence to the trigger values set forth in NYSE Rule 80B. Whenever a trigger value set forth in NYSE Rule 80B is changed, the Exchange shall, on notice to its members and member organizations, substitute a new price limit restriction in paragraphs (c),(d),(e),(f) above, which approximately corresponds to such changed trigger values.
Securities and Exchange Commission, USA	**I. Circumstances That Can Be the Basis for a Trading Halt** In the United States, trading halts may be imposed in particular securities for: A) news pending or requests from issuers, B) order imbalances, C) circuit breakers, D) suspensions based on fraud, E) system malfunctions, and F) extraordinary events. The Securities Exchange Act of 1934 ("Exchange Act")

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	authorizes both the United States Securities and Exchange Commission ("SEC"), national securities exchanges,[71] and Nasdaq to impose trading halts or suspensions. The SEC may suspend trading in a particular security or a group of securities pursuant to Section 12(k) of the Exchange Act. In addition, Rule 12d2-1 under the Exchange Act gives national securities exchanges the authority to halt trading in securities on their markets, provided they promptly notify the SEC of the suspension, the date, and the reasons for the suspension. Exchange Act Sections 15A(b)(6) and (b)(11) authorize Nasdaq[72] to impose trading halts in the over-the-counter markets. The national securities exchanges and Nasdaq have adopted rules to determine when it is appropriate to impose trading halts. Generally, the number of trading halts by national securities exchanges and Nasdaq significantly exceed the number of SEC trading suspensions. Trading halts can be imposed for one or more of the following events:
	A. News Pending and Requests from Issuers Trading halts in the United States are most often imposed in advance of the dissemination of news or as the result of a request by an issuer. A halt for news pending announces to the investing public that material news will be or is being disseminated, which may have an impact on the market for that security. In such a case, trading will be halted until such time as the news has been widely disseminated to the market. These types of trading halts are administered by the national securities exchanges or Nasdaq. In a typical case, issuers contact the exchange or Nasdaq to alert them that a news release is forthcoming and coordinate the trading halt with the dissemination of news. For example, the NYSE Listed Company Manual requires that a NYSE listed company is expected to release quickly to the public any news or information which might reasonably be expected to materially affect the market for its securities.[73]

[71] National securities exchanges must be registered as an exchange with the Commission. The national securities exchanges are the New York Stock Exchange, American Stock Exchange, Boston Stock Exchange, Chicago Stock Exchange, Cincinnati Stock Exchange, Chicago Board Options Exchange, Pacific Exchange, Philadelphia Stock Exchange, and International Stock Exchange.

[72] The markets under Nasdaq's jurisdiction include the Nasdaq Stock Market; the Nasdaq Intermarket ("third market"); and the OTC Bulletin Board.

[73] See NYSE Listed Company Manual Rule 202.05.

TCSC-2 Member	Response:
	An exchange representative is to be notified 10 minutes prior to the release of the announcement to the news media.[74] Whenever the Exchange determines that trading in a listed security should be halted or delayed pending the release of a material news announcement, implementation of the halt or delay will be announced and the reason for the halt or delay will be stated "news pending."[75] NYSE will monitor the situation and reopen trading once the material news has been disseminated. In addition, Nasdaq Rules require that, except in unusual circumstances, Nasdaq issuers disclose promptly to the public through the news media any material information which would reasonably be expected to affect the value of their securities or influence investors' decisions and that Nasdaq issuers notify Nasdaq of the release of any such information prior to its release to the public through the news media. Nasdaq recommends that Nasdaq issuers provide such notification at least ten minutes before such release. [76]
	B. Order Imbalances Trading halts are also imposed by the exchanges and Nasdaq when there is an order imbalance in an exchange-listed security. Halts in trading for sell or buy order imbalances provide the market with an opportunity for orderly discovery of a revised price level where buyers and sellers will meet. When sufficient input has been obtained from market participants, a new price level indication will be published and the market will then be reopened. Order imbalances may occur for many reasons such as takeover rumors, earnings forecasts, bankruptcies or any number of other items.
	C. Circuit Breakers The exchanges and Nasdaq have pre-set circuit breakers to halt trading in the event of a significant downward turn in the market. The NYSE has market-wide circuit breakers that are

[74] See NYSE Listed Company Manual Rule 202.06.
[75] See NYSE Listed Company Manual Rule 202.07.
[76] See NASD Rules 4310(c)(16) and 4320(e)(14).

TCSC-2 Member	Response:
	set each quarter depending on the value of the Dow Jones Industrial Average.[77]
	The NASD has stated that it prefers that markets remain open whenever possible and, most importantly, remain open at the end of the day. However, the Nasdaq recognizes that the risks imposed on any single market that remains open while all other U.S. markets have halted trading in response to extraordinary price movements. Therefore, the NASD Board of Governors has determined to halt, upon the SEC's initial

[77] The following trigger points will be in effect for NYSE securities until October 1, 2001:

Level One: 10% Circuit Breaker -1,100 points in DJIA

Prior to 2:00 p.m.:
If the Dow Jones Industrial Average declines 1,100 points from the previous day's closing value, the stock and options markets will halt for one hour. The halt will apply to the S&P 500 futures only if the futures are down 120 points.

From 2:00 to 2:29 p.m.:
If the Dow Jones Industrial Average declines 1,100 points from the previous day's closing value, the stock and options markets will halt for 30 minutes. The halt will apply to the S&P 500 futures only if the futures are down 120 points.

At or after 2:30 p.m.:
Even if the Dow Jones Industrial Average declines 1,100 points from the previous day's closing value, the 10% circuit breaker halt will NOT be implemented.

Level Two: 20% Circuit Breaker -2,150 points in DJIA

Prior to 1:00 p.m.:
If the Dow Jones Industrial Average declines 2,150 points from the previous day's closing value, the stock and options markets will halt for two hours. The halt will apply to the S&P 500 futures only if the futures are down 240 points.

From 1:00 to 1:59 p.m.:
If the Dow Jones Industrial Average declines 2,150 points from the previous day's closing value, the stock and options markets will halt for one hour. The halt will apply to the S&P 500 futures only if the futures are down 240 points.

At or after 2:00 p.m.:
If the Dow Jones Industrial Average declines 2,150 points from the previous day's closing value, the markets will close for the remainder of the day. The halt will apply to the S&P 500 futures only if the futures are down 240 points.

Level Three: 30% Circuit Breaker -3,250 points in DJIA

At any time:
If the Dow Jones Industrial Average declines 3,250 points from the previous day's closing value, the securities markets will close for the remainder of the day. The S&P 500 futures will not halt, but the 240 point price limit will remain in effect for the remainder of the regular trading session.

TCSC-2 Member	Response:
	request, all domestic trading in both the securities listed on The Nasdaq Stock Market and all equity and equity-related securities trading in the over-the-counter market should other major securities markets initiate market-wide trading halts in response to extraordinary market conditions.[78]
	The American Stock Exchange[79] and the Boston Stock Exchange[80] also have circuit breaker trading parameters. On October 27 and 28, 1997, The U.S. securities markets fell by a record absolute amount on then-record trading volume. On Monday, October 27, the Dow Jones Industrial Average ("DIJA") declined 554.26 points (7.18%). This represented the tenth largest percentage decline in the index since 1915. October 27 was also the first time that the cross-market trading halt circuit breaker procedures had been used since their adoption in 1988. At 2:36 p.m. the DIJA had declined 350 points, thereby triggering a 30-minute halt on the stock, options, and index futures markets. After trading resumed at 3:06 p.m., prices fell rapidly to reach the 550-point circuit breaker at 3:30p.m., thereby ending the trading session 30 minutes prior to the normal stock market close. On Tuesday, October 28, market prices initially resumed their decline before rallying sharply. The DJIA closed up 337.17 points (4.71%) at 7498.32 on then-record share volumes of over a billion shares each on the New York Stock Exchange ("NYSE") and the Nasdaq Stock Market ("Nasdaq.") The SEC's Division of Market Regulation published a trading analysis report on October 27 and 28, 1997. http://www.sec.gov/news/studies/tradrep.htm
	D. System Failures In the event of a system failure the exchanges, Nasdaq, or the

78 The current trigger points and trade halt durations for the third quarter of 2001 can be viewed at the following website: http://www.nasdaqtrader.com/trader/help/circuitbreaker.stm.

79 AMEX members and member organizations have been previously informed of revised procedures under AMEX Rule 117 relating to "circuit breaker" trading halts following a specified decline in the Dow Jones Industrial Average (DJIA), (See Information Circular #98-0431, April 14, 1998). Circuit breaker trigger levels are based on one-day declines in the DJIA of 10 percent, 20 percent and 30 percent. The specific 10-, 20- and 30-percent trigger values are calculated at the beginning of each calendar quarter, using the average DJIA closing value for the month prior to the beginning of the quarter. Each trigger is rounded to the nearest 50 points. For the period extending from July 2, 2001 to September 28, 2001, the 10, 20, and 30 percent trigger values are 1,100, 2,150 and 3,250 points, respectively.

80 See Boston Stock Exchange Rule 2039B.

TCSC-2 Member	Response:
	SEC pursuant to Section 12(k) of the Exchange Act, may impose a trading halt until the system malfunction is remedied. E. Suspensions Based on Fraud or Manipulation Both the SEC and the exchanges may suspend trading based on fraud or Manipulation. Section 12(k) of the Exchange Act authorizes the Commission to summarily suspend trading in a specific security (other than an exempted security) for up to 10 business days if the public interest and the protection of investors so require. Exchanges have their own rules that allow them to impose trading halts on securities listed or traded on the exchange. These trading suspensions may be temporary or of indefinite duration depending on the result of investigations. F. Extraordinary Events The SEC, pursuant to Section 12(k) of the Exchange Act, may impose a market-wide trading suspension for extraordinary events for up to 90 calendar days; however the SEC must first notify the President and the President must notify the SEC that the President does not disapprove of the decision. In addition, the SEC may react to a market emergency by altering, supplementing, suspending, or imposing requirements or restrictions (including SRO rules) for up to 10 business days in an effort to maintain or restore fair and orderly securities markets or ensure the prompt, accurate, and safe clearance and settlement of transactions in securities. [81] II. Selected Exchange and NASD Rules that Govern Trading Halts: <u>NYSE Rule 499</u>- Securities admitted to the list may be suspended from dealings or removed from the list at any time. <u>NASD Rule 4120</u>- Trading Halts a) Authority to Initiate Trading Halts

[81] A "market emergency" is defined as "sudden and excessive fluctuations of securities prices generally, or a substantial threat thereof, that threaten fair and orderly markets, or a substantial disruption of the safe or efficient operation of the national system for clearance and settlement of securities, or a substantial threat thereof."

TCSC-2 Member	Response:
	In circumstances in which Nasdaq deems it necessary to protect investors and the public interest, Nasdaq may, pursuant to the procedures set forth in paragraph (b): halt trading in the over-the-counter market of a security listed on Nasdaq to permit the dissemination of material news; or halt trading in the over-the-counter market of a security listed on a national securities exchange during a trading halt imposed by such exchange to permit the dissemination of material news; or halt trading by: Consolidated Quote System ("CQS") market makers in a CQS security when a national securities exchange imposes a trading halt in that CQS security because of an order imbalance or influx ("operational trading halt"); or Nasdaq market makers in a security listed on Nasdaq, when the security is a derivative or component of a CQS security and a national securities exchange imposes an operational trading halt in that CQS security. CQS and Nasdaq market makers may commence quotations and trading at any time following initiation of operational trading halts, without regard to procedures for resuming trading set forth in paragraph (b); or halt trading in an American Depositary Receipt ("ADR") or other security listed on Nasdaq, when the Nasdaq-listed security or the security underlying the ADR is listed on or registered with a national or foreign securities exchange or market, and the national or foreign securities exchange or market, or regulatory authority overseeing such exchange or market, halts trading in such security for regulatory reasons; or halt trading in a security listed on Nasdaq when Nasdaq requests from the issuer information relating to: material news; the issuer's ability to meet Nasdaq listing qualification requirements, as set forth in the Rule 4300, 4400, and 4800

TCSC-2 Member	Response:
	Series; or or any other information which is necessary to protect investors and the public interest. <u>NASD Rule 6545</u>- Trading and Quotation Halt in OTCBB-Eligible Securities (a) Authority for Initiating a Trading and Quotation Halt In circumstances in which it is necessary to protect investors and the public interest, Nasdaq may direct members, pursuant to the procedures set forth in paragraph (b), to halt trading and quotations in the over-the-counter ("OTC") market of a security or an American Depository Receipt ("ADR") that is included in the OTC Bulletin Board ("OTCBB") if: (1) the OTCBB security or the security underlying the OTCBB ADR is listed on or registered with a foreign securities exchange or market, and the foreign securities exchange, market, or regulatory authority overseeing such issuer, exchange, or market, halts trading in such security for regulatory reasons because of public interest concerns ("Foreign Regulatory Halt"); provided, however, that Nasdaq will not impose a trading and quotation halt if the Foreign Regulatory Halt was imposed solely for material news, a regulatory filing deficiency, or operational reasons; or (2) the OTCBB security or the security underlying the OTCBB ADR is a derivative or component of a security listed on or registered with a national securities exchange, The Nasdaq Stock Market, or foreign securities exchange or market ("listed security") and the national securities exchange, The Nasdaq Stock Market, or foreign securities exchange or market, imposes a trading halt in the listed security, (3) the issuer of the OTCBB security or the security underlying the OTCBB ADR fails to comply with the requirements of SEC Rule 10b-17 regarding Untimely Announcements of Record Dates.
Financial Services Authority, United Kingdom	Pending the announcement of significant price-sensitive information in circumstances in which an issuer was unable to make an immediate disclosure. This would occur on

TCSC-2 Member	Response:
	request of the issuer to the UK Listing Authority. (See UK Listing Rules.) When the UK Listing Authority has grounds for suspecting that price-sensitive information is leaking into the market from an issuer and the issuer is unwilling to address the situation by making an immediate announcement. (See UK Listing Rules.) In various circumstances in which the UK Listing Authority considers that the financial position of the issuer is too unclear for there to be a properly informed market ('proper market') in the issuer's securities. (See UK Listing Rules.) When the UK Listing Authority (or, in the case of a security without a secondary listing in the UK, a Recognized Investment Exchange) suspends listing (trading) in response to a suspension by the home market listing authority. When a Recognised Investment Exchange considers there to be a disorderly market in an individual security or derivative. (See Recognition Requirements for Exchanges which require them to have rules to ensure the orderly conduct of business and proper protection of investors. Also rulebooks of various exchanges.) As the result of an attempted matching of orders at more than a pre-determined percentage from the price of the last trade. Where such 'automatic' trading halts are used, the parameters are generally based on the normal volatility of the instrument traded. (See Recognition Requirements for Exchanges which require them to have rules to ensure the orderly conduct of business and proper protection of investors. Also rulebooks/regulatory guidance of various exchanges.) While UK exchanges have an over-riding obligation to ensure the orderly conduct of business, they do not have any formal or automatic circuit-breakers triggered by a broad market movement (as opposed to automatic trading halts in individual instruments).

2. What is the purpose or rationale for imposing trading halts?

TCSC-2 Member	Response:
Australian Securities and Investments Commission	There are several reasons why a trading halt may be implemented. **Market Efficiency** The efficiency of a market is to some extent determined by market participants having sufficient access to information on which to base their investment decisions. The listing rules of the ASX are designed to support the overall process of market efficiency by enabling a listed entity to request a trading halt where information likely to affect the price or value of securities cannot be released immediately. Alternatively, if the ASX determines that there is not sufficient access to information it may suspend trading in a security. **Orderly Market** The aim of any market operator is to guarantee its markets are orderly and fair. In Australia this aim is reinforced by the statutory obligation of a market operator to do all things necessary to ensure the ongoing provision of an orderly and fair market. (Corporations Law s.769 securities exchange s.1137 futures exchange). These sections will be replaced under the Financial Services Reform Bill 2001 with a provision that relates to market licensees generally. Section 792A will require a market licensee to do all things necessary to ensure that the market operates in a way that promotes the objectives of fairness, orderliness and transparency, to the extent reasonably practicable. **Investor Protection** ASIC can act to impose a trading halt in order to protect the interests of the public and must clearly set out the basis of its reasoning. In such circumstances, a trading halt can be imposed for a maximum period of 21 days subject to

TCSC-2 Member	Response:
	revocation by the Minister.
Brazilian Securities Commission, CVM	One of the main tenets of the Brazilian Public Companies Law 6.404/76 is the safekeeping of the investor's trust in the equity of the capital markets. One fundamental instrument guarding the equity and efficiency of the capital markets is the full disclosure of relevant information about the public companies business. With this end in mind, CVM Instruction 31/84 lists the rules and exceptions for full disclosure of "relevant facts and acts", and also forbids/restricts insider trading. If there is any published news or rumor in the market about a public company which may be affecting price or traded volume in its issued securities, this is interpreted as a threat of informational asymmetry, which is corrected by (1) the suspension of trading and (2) and inquiry to the administration of the company, asking it to confirm or refute the news through a press communiqué.
Commission des valeurs mobilières du Québec, Québec, Canada	Cease trading orders imposed by the Commission des valeurs mobilières du Québec aim at: • Ensuring investor protection; • Obtaining, on a timely basis, complete financial information; • Ensuring compliance with continuous disclosure requirements of the applicable securities regulation in Québec.
Bourse de Montreal, Canada	**Policy I-8 "Timely Disclosures by Listed Companies"** *The underlying principle of the Bourse's Policy on timely disclosure is that all persons investing in securities on the Bourse have equal access to information that may affect their investment decisions.* **- Article 4.1 "When is trading halted?"** *The Bourse's objective and its role are to provide a continuous auction market in listed securities. The guiding principle is therefore to reduce the frequency and length of trading halts as much as possible.* *Trading may be halted in the securities of a listed company upon the occurrence of a material change during normal trading hours, which requires immediate public*

TCSC-2 Member	Response:
	disclosure. The determination that trading should be halted is made by the Bourse. *It is neither the intention nor practice of the Market Surveillance Department to halt trading for all news releases from listed companies. A news release is discussed by Market Surveillance and the listed company prior to its release and determinations are made as to whether a trading halt is justified based upon the impact which the particular announcement is expected to have on the market for the company's securities.* *A halt in trading does not reflect upon the reputation of management of a company or upon the quality of its securities. Indeed, trading halts for material information announcements are usually made at the request of the listed company involved. The Bourse normally attempts to contact a company before imposing a halt in trading.* **- Article 4.2 "A trading halt should only be requested when an announcement is imminent"** *It is not appropriate for a listed company to request a trading halt in a security if a material announcement is not going to be made forthwith.* *When a listed company (or its advisors) requests a trading halt for an announcement, the company must provide assurance to the Bourse that an announcement is imminent. The nature of this announcement and the current status of events shall be disclosed to the Bourse, in order that the Bourse's staff can assess the need for and appropriate duration of a trading halt.* **- Article 4.3 "How long will a trading halt be maintained?"** *The Bourse determines the amount of time necessary for dissemination in any particular case, which determination is dependent upon the significance and complexity of the announcement. When a halt in trading is deemed necessary, trading is normally interrupted for a period of less than two (2) hours.* *In the normal course of business, the announcement*

TCSC-2 Member	Response:
	should be made immediately after the halt is imposed and trading will resume approximately one (1) hour following the dissemination of the announcement. *A trading halt in a security shall not normally extend for a period longer than 24 hours from the time the halt was imposed. This is a maximum time period intended to address usual situations. The only exception to the 24 hours time limit is where the Bourse determines that resumption of trading would have a significant negative impact on the integrity of the market.* **Policy T-3 "Circuit Breakers"** *Circuit breakers are coordinated, cross-market trading halts. They are one of several measures designed to protect the capital markets and investors in those markets in the event of a severe decline.* *Circuit breakers are meant to be triggered only in extraordinary circumstances -- i.e., a severe market decline when the prices drop so dramatically that liquidity and credit dry up, and when prices threaten to cascade in a panic-driven spiral.*
Ontario Securities Commission, Ontario, Canada	**Issuer CTOs** The rationale for imposing Issuer CTOs for defaults in filing financial statements is: (i) without statutorily prescribed interim and audited annual financial statements, there may not be adequate information in the securities marketplace to properly support informed trading decisions in respect of securities of the issuer; and (ii) the integrity and fairness, or confidence in the integrity and fairness, of the capital markets, may be compromised if trading in securities of the issuer is permitted to continue during the period of default (at a time when there is heightened potential that certain persons or companies may have access to information that would otherwise be reflected in the financial statements that the issuer is in default of filing). **Management and Insider CTOs**

TCSC-2 Member	Response:
	The rationale for imposing Management and Insider CTOs instead of Issuer CTOs for defaults in filing financial statements (if the issuer satisfies the conditions discussed under item 1 above) is: (i) despite the failure by a reporting issuer to file prescribed financial statements, there may still be adequate information in the securities marketplace to support reasonably informed trading; (ii) to prohibit all trading in securities of the issuer may result in hardship to existing security holders; and (iii) an Issuer Cease Trade Order may have the effect of insulating management of the issuer from being held accountable for fulfilling its responsibilities to security holders of the issuer.
Toronto Stock Exchange, Canada	The Exchange's Timely Disclosure Policy requires listed companies to disclose material information forthwith upon the information becoming known to management. Should such disclosure occur during trading hours, it may be necessary to halt trading for the purpose of dissemination of such news to provide investors with a level playing field. While the sophisticated investor may have the tools necessary to react to such news in a timely fashion, the retail investor is deemed not to be in a similar position. Investor confidence would be impaired if no such halts were imposed as professional traders would react to the news immediately to the disadvantage of client orders.
Canadian Venture Exchange Inc., Canada	CDNX's rationale for imposing halts is to protect the public and ensure market integrity. Halts occur when the Exchange has determined that there is an unfair market, i.e. an "uneven playing field", usually as a result of disclosure matters. The Exchange has an obligation to ensure market integrity and public protection with respect to individual stocks traded. The Exchange takes the position that public protection interests take precedence over the liquidity interests of existing shareholders. A secondary reason for imposing trading halts is as a means to enforce listing standards and general market quality. The Exchange is also required to halt as a result of securities commission cease trade orders action.
Commission des Opérations de	The rationale for imposing trading halts is to maintain a fair and orderly market and to ensure investors protection.

TCSC-2 Member	Response:
Bourse, France	With respect to suspension (i.e. trading is halted for a few hours, a few days or even for longer period of time), typically, the purpose of trading halts at the request of a company is to allow for the fair dissemination of price sensitive information to the public so that all investors benefit from the same information and that potentially equally informed market participants may then resume trading at the same time in the security involved. Typically, regulators ask for a trading suspension if they deem that investors are not provided with appropriate information on the issuer to form a judgment and that there is not a fair market in a financial instrument. Trading halts/reservation threshold are linked to market volatility and order imbalance. They aim at maintaining and orderly market. On Euronext Paris, one of the main purpose of dynamic threshold is to ensure that a single order that trigger a ± 2 % (± 5 % for less liquid stocks) does not result from an error made by the market participant. Static thresholds also plays an "alert function" when the market is moving sharply up or down. They provide market participants more time to react to such sharp market movements. On the derivatives markets, trading halts resulting from a trading imbalance may trigger an additional intra day margin call by the clearing house in order to limit the risk borne by the clearing house and raise the awareness of market participants on the increased risk profile which they may or may not be able to face. See also answer to 3.
Bundesaufsichtsamt fur den Wertpapierhandel, Germany	It is the purpose of imposing Trading Halts or Trading Suspensions: • to protect the public • to safeguard market transparency • to maintain a level playing field • to ensure price continuity • to inform the market about potential volatility

TCSC-2 Member	Response:
	An interruption in trading is intended to maintain an orderly trading environment, i.e. trading participants lacking the necessary information shall be protected from concluding transactions at prices which do not reflect the actual market value. On the other hand, investors shall be protected from transactions of such parties who by virtue of their relationship to the issuer have a head start over the general public in terms of information. This would violate the interests of investor protection. Furthermore, an interruption in trading is intended to signal that circumstances have occurred or must be expected that are material for the evaluation of the respective security.
Securities and Futures Commission, Hong-Kong	The purposes or rationale for imposing trading halts are as follows: • To maintain an orderly market; • To protect investors.
Commissione Nazionale per le Società e la Borsa, Italy	Trading halts aim to guarantee the orderly conduct of trading and investors' protection.
Japan	For the purpose of protecting investors and ensuring the fairness of the price formation, it is required to confirm whether the prevailed uncertain information is true or not and make it available to the public: • To help the issuing companies to define the shareholders • To prevent the effect of the futures market on the cash market when the volatility of the market increases
Securities Commission, Malaysia	To ensure fair and orderly trading.
Comisión Nacional Bancaria y de Valores, México	Trading suspensions are preventive measures that might be used by the exchange or the CNBV in order to procure a transparent and orderly price formation. Stock exchanges and the CNBV have the faculty to suspend the quotation of securities when disorderly conditions prevail in the market or when the trading is not conformed by good market practices or in presence of market abuses.
Securities Board of the Netherlands	Adequate functioning of the securities market and the protection of the investor. Trading halts are meant to prevent or halt disorderly market conditions.
Monetary Authority of Singapore	In exercising its powers to suspend trading, SGX aims to:

TCSC-2 Member	Response:
	1. allow full and even dissemination of price sensitive information. 2. ensure a fair and orderly market. 3. ensure compliance with the listing rules. The rationale and objectives for MAS to impose trading halts are set out in sections 21 and 24 of the SFA.
Comisión Nacional del Mercado de Valores, Spain	The main purpose of the trading suspensions is reaching an orderly fair market and adequate level of transparency. Trading suspension deals with the necessity of guaranteeing that all the participants in the market have simultaneous access to the information that can be relevant in order to take their investments decisions. Such information must be at the disposal of all the investors in the same conditions to avoid irregular market practices as the use of privileged information. Suspensions contribute, among other things, to: a) avoid a false market situation, b) let issuers disclose material information and c) help investor to be aware of the sensitive information. The objective of the mechanistic trading halts is reduce the volatility in the price of the financial instruments and eliminate the unbalances between supply and demand, this way more orders come to the market and the price reflects better the situation of the stock.
Finansinspektionnen, Sweden	The public does not have access to information on similar terms regarding an instrument or an issuer.
Swiss Federal Banking Commission, Switzerland	To maintain fair and orderly trading.
Commodity Futures Trading Commission, USA	The adoption by US futures exchanges of rules establishing circuit breakers was a response to calls for such mechanisms in the *Report of the Presidential Task Force on Market Mechanisms (January 1988)(Presidential Task Force Report),* which addressed the regulatory implications of the market break of 1987. The *Presidential Task Force Report* asserted that trading halts had three benefits: "First, they limit credit risks and loss of financial confidence by providing a "time-out" amid frenetic trading to settle up and ensure that everyone is solvent. Second, they facilitate price discovery by providing a "time-out" to pause, evaluate, inhibit panic,

TCSC-2 Member	Response:
	and publicize order imbalances to attract value traders to cushion violent movements in the market." "Finally, circuit breaker mechanisms counter the illusion of liquidity by formalizing the economic fact of life, so apparent in October, that markets have a limited capacity to absorb massive one-sided volume. Making circuit breakers part of the contractual landscape makes it far more difficult for some market participants – pension portfolio insurers, aggressive mutual funds – to mislead themselves into believing that it is possible to sell huge amounts in short time periods. This makes it les likely in the future that flaws trading strategies will be pursued to the point of disrupting markets and threatening the financial system. "Thus, circuit breakers cushion the impact of market movements, which otherwise damage market infrastructure. They protect markets and investors." *Presidential Task Force Report page 66.* The Commodity Futures Trading Commission has not adopted a rule explicitly requiring futures exchanges to adopt circuit breaker rules. Rather, the US futures exchanges determined to adopt such rules, which were submitted for CFTC approval.
Securities and Exchange Commission, USA	In the U.S. trading halts are imposed in the interest of fair and orderly markets and investor protection. The overarching goal of the trading halt is to maintain a level playing field for all investors. Trading halts relating to material corporate news and events allow time for proper dissemination of the material news and sufficient time for the market to react to that news in an effort to make sure that trading is based on publicly held facts. Halts that are a result of a trading imbalance again allow the investing public time for price discovery and time to react to whatever caused the imbalance. Circuit breakers serve to stop downward momentum of the markets.

<table>
<tr><th>TCSC-2 Member</th><th>Response:</th></tr>
<tr><td>Financial Services Authority, United Kingdom</td><td>The rationale for the imposition of trading halts flows from the objective of ensuring the smooth operation of the market and the protection of investors in circumstances in which:

• the market may not have sufficient information, or all currently disclosable information, to form a judgment as to a security’s (or related derivative’s) value;
• there appears to be a disorderly, false or abnormal market;
• to permit (in the case of automatic volatility halts) the market in a security to rebalance in circumstances in which the matching of orders would otherwise lead to a sharp movement in price from the previous trade.</td></tr>
</table>

3. What products may be the subject of a trading halt in your jurisdiction (*e.g.,* equity securities, debt securities, derivative securities, groups of securities)?

TCSC-2 Member	Response:
Australian Securities and Investments Commission	Exchanges have the power to call a halt in trading of the market generally or in a class of securities or a specific security. **Debt & Equities** The debt and equity securities of an entity can only be listed on one securities exchange within this jurisdiction. Any class of security listed on a securities exchange may be the subject of a trading halt, whether a debt or equity security or a hybrid of the two. A trading halt in an individual security may lead to a halt in an index that includes that security in its calculation. **Derivatives** The ASX offer derivative products like warrants and options, these may be the subject of a trading halt either because the underlying security has been halted or to maintain the integrity of the derivative market generally. The SFE may call a trading halt in its Individual Share Futures as well as the futures based on an ASX equity index.
Brazilian Securities Commission, CVM	Equity securities, debt securities issued by public companies, derivative securities.
Commission des valeurs mobilières du Québec, Québec, Canada	All issued securities of a Québec reporting issuer can be the subject of a general cease trading order imposed by the Commission des valeurs mobilières du Québec. Bourse de Montréal has the power to impose a halt in trading of all products traded on its markets e.g., equities, options and futures.
Bourse de Montreal, Canada	<u>Equities Division</u>: Common Shares, Preferred Shares, Warrants, Convertible Debentures, Installment Receipts (all listed securities on the Equities Division). <u>Options Market</u>: All options could be halted if the underlying shares are halted on the other Exchange (TSE, NYSE, etc.)

TCSC-2 Member	Response:
	<u>Futures Market</u>: All futures based on Equities Index or Share Futures are subject to trading halt if the underlying (index or stock) is halted or when a circuit breaker is triggered.
Ontario Securities Commission, Ontario, Canada	All securities of an issuer may be the subject of a cease trade order under the Act.
Toronto Stock Exchange, Canada	When a trading halt is enacted, the Exchange will usually, although not always, halt all issues of the respective company. Such issues would include preferreds, warrants, rights and convertible debentures. A call is made to the Montreal Exchange if options are traded on the underlying issue so they may be halted as well. Trading halts enable all investors to re-assess their investment decisions and provide for an orderly market.
Canadian Venture Exchange Inc., Canada	Any product traded may be the subject of a trading halt. This market is predominantly common shares of junior companies. Any related security such as a warrant would also be halted.
Commission des Operations de Bourse, France	The regulators and the exchange may suspend trading in any financial instruments admitted to trading on a regulated markets. Securities, Exchange Traded Funds and derivatives may be subject to trading halts/reservations due to order imbalance and price limits. A trading suspension in an equity would trigger a suspension in the related derivatives security (options or single stock future). When less that 25 % of the stocks comprising of the CAC40 may be calculated, trading in the related futures and option are suspended.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	All tradable securities such as shares, certificates representing shares, bonds, participation certificates, warrants, units issued by a investment company, derivatives and foreign exchange may be the subject of a Trading Suspension. If trading of a particular product is interrupted all connected products are also suspended from trading. If trading in an underlying security is suspended, the relevant futures trading

TCSC-2 Member	Response:
	must be suspended as well. For example, if an interruption in trading is imposed on a major DAX constituent, DAX futures trading shall be suspended, too.
Securities and Futures Commission, Hong-Kong	All securities listed or admitted for trading on the Stock Exchange of Hong Kong (equity securities, debt securities, warrants, Exchange Traded Funds, etc.) may be the subject of a trading halt in Hong Kong. Furthermore, all futures and options contracts traded on the Hong Kong Futures Exchange may be the subject of a trading halt in Hong Kong.
Commissione Nazionale per le Società e la Borsa, Italy	Shares, convertible bonds, pre-emptive rights, warrants and shares of closed-end securities and real-estate mutual funds, and covered warrants.
Financial Services Agency, Japan	All the listed products are subject to these categories of trading halt. When one product is suspended for trading, the related derivative products are also suspended. Only stock index futures and option products are subject to this category.
Securities Commission, Malaysia	The products are equity securities, debt securities, and derivative securities.
Comisión Nacional Bancaria y de Valores, Mexico	Suspensions decreed by the exchange or in response to the request of an issuer might cover all types of securities and series including the optional titles that have as underlying the respective securities.
Securities Board of the Netherlands	Equity and debt securities, see (1). With regard to derivative securities we can remark that trading halts in derivatives are imposed when trading in the underlying security is halted.
Monetary Authority of Singapore	SGX-ST may suspend trading in all securities listed on the SGX-ST, in order to achieve the objectives stated in response to question 2 above. Pursuant to the SFA, MAS may direct trading halt on any securities, futures contracts, any class of securities or futures contracts. The terms “securities” and “futures contract” are defined under section 2 of the SFA.
Comisión Nacional del Mercado de	The products which can be the subject of a trading halt are those which are traded on an official secondary market

TCSC-2 Member	Response:
Valores, Spain	(equity, public and private debt and derivative products).
Finansinspektionnen, Sweden	Equity securities and derivative products.
Swiss Federal Banking Commission, Switzerland	Equity Products: Swiss equities; investment funds; exchange traded funds: Stop trading during opening: Delay of 15 min.; Stop trading during continuous trading: Interruption of 15 min. *Foreign equities*: Stop trading during opening: No stop trading; Stop trading during continuous trading: Interruption of 5 min. *Rights*: Stop trading during opening: No stop trading; Stop trading during continuous trading: No stop trading. Warrants on equity securities and options on baskets and indices: Stop trading during opening: No stop trading; Stop trading during continuous trading: No stop trading. Interest Products: *Swiss federal bonds; other bonds:* Stop trading during opening: Delay of 15 min.; Stop trading during continuous trading: Interruption of 15 min. *Swiss and foreign convertible and "cum warrants" bonds; warrants on federal bonds; other interest rate options*: Stop trading during opening: No stop trading; Stop trading during continuous trading: No stop trading.
Commodity Futures Trading Commission, USA	The exchanges may adopt rules relating to any commodity traded on the exchange. To date, the futures exchanges have adopted rules only relating to stock index futures products.

TCSC-2 Member	Response:
Securities and Exchange Commission, USA	The products that can be the subject of a trading halt are equity securities, groups of securities (*e.g.,* baskets or indexes), derivatives (*e.g.,* options and index options products), convertible debt securities, narrow based indexes, and single stock futures. Trading in exempted securities is not within the SEC's trading suspension authority.[82]
Financial Services Authority, United Kingdom	Only 'officially listed' securities – essentially, the majority of UK equities and a wide range of bonds - can be subject to temporary suspensions imposed by the UK Listing Authority. However, since all Recognised Investment Exchanges are required to have rules to ensure the orderly conduct of business on their markets, any instrument traded on an exchange could potentially be subject to a trading halt. UK exchanges provide trading facilities in a wide range of securities (listed and unlisted), derivatives based on securities, other financial derivatives and commodity derivatives

[82] Exempted Securities are defined in Section 3(a)(12) of the Exchange Act to include government and municipal securities.

4. Who may initiate a trading halt in your jurisdiction (*e.g.*, regulatory body, exchange, *etc.*)?

<table>
<tr><th>TCSC-2 Member</th><th>Response:</th></tr>
<tr><td>Australian Securities and Investments Commission</td><td>As the trading platform is owned and operated by the market operator, being the exchange, halts are implemented by the market operator but may be initiated by any of the following:

A listed entity – The most common reason for a listed entity to request the exchange to impose a trading halt is that there is price sensitive information regarding the entity that cannot be released to the market immediately.

The listed entity would lodge the request in writing with the ASX, providing all information required by the ASX to make a decision on whether to impose the trading halt. Specifically, the ASX would require the reason for the halt, the anticipated duration and what event will take place to end the halt.

Trading halts are designed to be a temporary interruption to trading rather than a suspension and their duration is limited to the commencement of normal trading on the second trading day following the request.

A listed entity may follow a similar process to request a suspension in trading of its securities, which would generally last longer than the two day period of a trading halt.

The Exchange - The exchange has the ability to initiate a halt in trading for various reasons. The exchange is concerned that trading does not take place in an uninformed market. Therefore, where a company wishes to make an announcement during the normal course of trading that the exchange believes is price sensitive it will initiate a short trading break to allow the information to be disseminated and interpreted by the market. A takeover announcement would lead the exchange to halt trading in both the bidder and the target as a matter of course.

Under its listing rules, the ASX has the power to suspend quotation of an entity's securities if it believes it necessary to prevent a disorderly or uninformed market. The ASX
</td></tr>
</table>

TCSC-2 Member	Response:
	may also suspend trading if an entity is unwilling to comply with or breaks a listing rule or the ASX deem a suspension appropriate for some other reason. The SFE also has broad powers to impose a trading halt in the event of undesirable situations or practices, which may include a trading halt being implemented in the underlying security. • **ASIC** – Where it forms the opinion that it is necessary, to protect investors buying or selling securities or in the public interest, to prohibit trading in a security, ASIC may give written advice to an exchange of the opinion and the reasons for it. If after receiving ASIC's advice, the exchange does not take action to prevent trading and ASIC still considers the halt appropriate, it may direct the exchange to prohibit trading in the security for a period not exceeding 21 days. ASIC may provide a similar direction to a futures exchange and any clearing house that provides settlement services for that futures market. In both instances a copy of the direction along with a report outlining the reasons for such directions must be given to the Minister by ASIC. • **The Minister** – Where ASIC makes use of its powers to initiate a trading halt in the securities of an entity listed on a securities exchange, the issuer may request ASIC to refer the matter to the Minister. The Minister may, if he or she thinks fit, direct ASIC to revoke a notice to prohibit trading issued to the exchange. Where ASIC makes a direction to a futures exchange, the Minister must be informed of the reasons for such a direction and may determine the period in which a particular direction remains in force. Under the proposed Financial Services Reform Bill a licensee may request that ASIC, after having given advice to the licensee involving a halt in trading, refer the matter to the Minister. The Minister may, if he or she considers it appropriate, require ASIC not to make, or to revoke, a direction.

TCSC-2 Member	Response:
Brazilian Securities Commission, CVM	Article 8 of CVM Instruction 31/84 states that either the exchanges or the CVM can suspend the trading in a security whenever there is any doubt on the disclosure of information about relevant facts or acts pertaining to the issuer. Sometimes the company itself requests to the exchange a trading suspension, to which the exchange generally complies.
Commission des valeurs mobilières du Québec, Québec, Canada	The Commission des valeurs mobilières du Québec initiates general cease trading orders for non compliance with the continuous disclosure requirements by reporting issuers in Québec. Bourse de Montréal and issuers may also initiate a trading halt.
Bourse de Montreal, Canada	The halt may be initiated by the company, the Bourse or the Commission des valeurs mobilières du Québec.
Ontario Securities Commission, Ontario, Canada	• the OSC (by issuing cease trade orders) • the TSE, and • the CDNX
Toronto Stock Exchange, Canada	The TSE initiates most trading halts however, stocks are also halted when the Ontario Securities Commission issues a Cease Trade Order.
Canadian Venture Exchange Inc., Canada	The Exchange usually initiates trading halts, but the securities commissions also initiate in the form of a cease trade order.
Commission des Opérations de Bourse, France	The regulators COB CMF and the exchange may initiate a trading suspension, as well as the issuers for trading in its own shares. Trading halts due to price limits are provided for in the exchange's rules and are initiated by the exchange, in accordance with its rules.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	*Trading Suspensions* are initiated by the *Board of Management* of the respective *stock exchange*. The German regulatory framework provides for stock exchanges to act as quasi Self-Regulatory Organizations. Under the German Exchange Act the stock exchanges are responsible for the supervision of their trading participants, as well as for monitoring compliance with the statutes, regulations and conditions. Supervision is carried out by the relevant exchange bodies of the respective stock exchanges.

TCSC-2 Member	Response:
	Trading Halts (interruptions in trading based on price volatility) are initiated automatically where they concern electronic trading systems (i.e. by the electronic trading systems themselves) and where they concern floor trading, by the official exchange broker. Both in electronic trading and in floor trading, Trading Halts based on price volatility are carried out in accordance with pre-determined parameters set out by the Board of Management (no margin of discretion).
Securities and Futures Commission, Hong-Kong	The Securities and Futures Commission The Stock Exchange of Hong Kong The Hong Kong Futures Exchange
Commissione Nazionale per le Società e la Borsa, Italy	The market management company.
Financial Services Agency, Japan	A Regulator (FSA) and SROs (TSE and other exchanges and JASD)
Securities Commission, Malaysia	The Exchange or the listed issuer.
Comisión Nacional Bancaria y de Valores, México	Trading suspensions might be initiated by the exchange when it considers so, or due to a request from an issuer. Additionally the CNBV can order the suspension of securities.
Securities Board of the Netherlands	Euronext Amsterdam. And on initiative of the STE.
Monetary Authority of Singapore	Both the MAS and SGX may initiate trading halt as provided under the SFA and SGX's rules, respectively.
Comisión Nacional del Mercado de Valores, Spain	The trading suspension is a discretionary measure and the Comisión Nacional del Mercado de Valores is the only competent authority which can suspend: • officially on its behalf • at the request of the issuer • at the request of the governing body of the relevant market Mechanistic trading halts are resolved by the governing bodies of the stock markets.

TCSC-2 Member	Response:
Finansinspektionnen, Sweden	The exchange itself.
Swiss Federal Banking Commission, Switzerland	SWX Swiss Exchange.
Commodity Futures Trading Commission, USA	The futures exchanges ordinarily would be the entity to initiate a trading halt either under explicit "circuit breaker rules" or their general emergency authority. As noted previously, the CFTC has authority to take "emergency" actions, but this authority has been rarely used.
Securities and Exchange Commission, USA	The SEC, national securities exchanges, and Nasdaq may implement trading halts.
Financial Services Authority, United Kingdom	The UK Listing Authority (part of the FSA) may temporarily suspend the listing of any 'listed' security. (These are securities that meet EU and UK requirements for listing on a stock exchange). In this case, any UK exchange on which that security is admitted to trading would need to suspend trading in that security in order to remain in compliance with the statutory requirement to admit to trading only securities in which there is a proper market (i.e. a 'market' in which, inter alia, all disclosable information has been duly disclosed). Recognised Investment Exchanges may impose trading halts, either on a discretionary or automatic basis, as part of their obligations to allow trading only in instruments in which a proper market exists and to ensure the orderly conduct of business.

5. Could a trading halt be imposed based on events that occur outside of your jurisdiction?

TCSC-2 Member	Response:
Australian Securities and Investments Commission	A security that is listed in other jurisdictions as well as Australia may have a trading halt imposed in that other market for various reasons. The ASX would assess the significance of the stock being halted on another market in deciding whether to impose a similar halt here. Obviously, having a security tradable in one jurisdiction but not another would require consideration in terms of market integrity and efficiency. The Continuous disclosure provisions contained in the ASX Listing Rules, and given the force of statute within the Corporations Law, require that information likely to have a material effect on the price or value of securities must be immediately advised to the exchange once an entity becomes aware of it. The requirement applies regardless of the source of the information. As a listed entity may derive a significant amount of its value from activities undertaken in other jurisdictions, events that occur outside of Australia may have a material impact on the valuation of a security listed here. The timing of an information release based on events in another jurisdiction may not be precise, so the use of a trading halt would enable the information to be properly disseminated and therefore is supportive of a fully informed market.
Brazilian Securities Commission, CVM	Cf. question 7-b.
Commission des valeurs mobilières du Québec, Québec, Canada	A general cease trading order may be imposed by the Commission des valeurs mobilières du Québec based on events that occur outside of our jurisdiction if, as a result of these events, a reporting issuer in Québec is in default of its continuous disclosure obligations in Québec.
Bourse de Montreal, Canada	Yes. When a company is listed on Bourse de Montréal Inc., the company becomes automatically a reporting issuer under the Québec Securities Act. That means that the Company is subject to the Commission des valeurs mobilières du Québec's jurisdiction. However, if a foreign company announces a take-over on a listed company, the stock will be

TCSC-2 Member	Response:
	halted pending dissemination of the news. Also, any news (either local or foreign) that would have an impact on a listed security could trigger a trading halt.
Ontario Securities Commission, Ontario, Canada	A CTO could be imposed if events that occur outside Ontario give rise to one of the criteria discussed in our responses to other questions.
Toronto Stock Exchange, Canada	Halts may be enacted in a listed company's shares when the event that occurs is deemed to be material.
Canadian Venture Exchange Inc., Canada	Halts resulting from events outside our jurisdiction: Actions by regulators, which may not have jurisdiction over the Exchange, will still impact the market for the shares of the listed company. For example, if most of the shareholders are located in the jurisdiction where the cease trade order is issued, there will not be adequate liquidity for the company's shares. There is also a requirement under the listing agreement that the company be in compliance with all laws and regulations that apply to it. (Listing Agreement section 2.1) A significant breach such as the failure to file financial statements resulting in a cease trade order in any jurisdiction is therefore a breach of the listing agreement. Consequently, CDNX suspends trading if there is a cease trade order in any jurisdiction.
Commission des Opérations de Bourse, France	Yes. A foreign issuer listed on Euronext Paris could ask for a suspension. The COB or the CMF could also ask for the suspension of trading in a foreign issuer listed in Paris. The exchange may also suspend trading in a foreign issuer's securities where the primary market of the issuer has suspended trading in that shares and where Euronext Paris confirmed of that suspension. However the exchange would not halt trading in Paris because of a trading halt resulting form order imbalance in the primary market.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	Theoretically, the Board of Management is permitted to impose a Trading Suspension based on events that occur outside of the jurisdiction. In practice, however, the respective home exchange already have imposed an interruption in trading and informed the other exchanges accordingly.
Securities and Futures Commission, Hong-Kong	Yes (see answer to question 8).

TCSC-2 Member	Response:
Commissione Nazionale per le Società e la Borsa, Italy	As long as they are included among the circumstances listed in the answer to question 1.
Financial Services Agency, Japan	When the uncertain and significant information was disseminated outside our jurisdiction, the exchanges will impose trading halt on related securities. When one security simultaneously listed in overseas market is suspended for trading in that market, it will also be suspended in TSE as far as the overseas market is the security's primary market. This is because trading halt in the primary market will cause "the possibility of the unusual situation regarding the sales and purchase of the security."
Securities Commission, Malaysia	Only as far as the events or news which relates to issuers listed in the Kuala Lumpur Stock Exchange.
Comisión Nacional Bancaria y de Valores, México	Trading suspensions can be initiated by an event that occurred outside the country, only for securities listed in the SIC. Nevertheless, for all other securities, trading suspensions are based on Mexican regulations.
Securities Board of the Netherlands	Yes, if Euronext Amsterdam considers this event to cause disorderly market conditions.
Monetary Authority of Singapore	Yes. SGX-ST may suspend trading on a security traded on SGX-ST, if that security is listed on another exchange and is suspended from trading on its home exchange. SGX Derivative Trading (SGX-DT) Rules allow SGX to suspend any derivatives contract in the event that a company whose shares are the underlying security is de-listed, or if trading in the underlying shares is suspended or halted. In this regard, SGX-ST will inform SGX-DT on any trading halt imposed on securities listed on SGX-ST. The SFA provides a broad mandate to MAS in taking appropriate and necessary measures, including trading halt, to restore orderly trading or in the interest of the public. In this regard, there is no limit on MAS' authority in making the necessary directions. Thus, events occurring outside of Singapore may lead to appropriate regulatory action if MAS deems it necessary for discharging its statutory role

TCSC-2 Member	Response:
	effectively.
Comisión Nacional del Mercado de Valores, Spain	In Spain a trading suspension could be imposed based on events that occur outside as long as they could have a significant influence on the quotation of the securities listed in any official market. This is especially relevant in those companies that have economic interests in foreign countries as their quotation is more likely to be affected by events that occur outside our jurisdiction.
Finansinspektionnen, Sweden	Yes, if the event has impact on the value of listed shares.
Swiss Federal Banking Commission, Switzerland	Upon the occurrence of exceptional situations within the meaning of Section 4.31 of the General Conditions, the SWX Swiss Exchange may, in principle, take any measures which it deems necessary to maintain fair and orderly trading (Directive 8: Exceptional situations).
Commodity Futures Trading Commission, USA	The specific circuit breaker rules are triggered by pre-determined moves in the prices of futures contracts traded on a US market. In theory, offshore products that are similar to US products could affect pries in the related US product and thereby trigger a circuit breaker, but there is no direct relationship. The exchanges have broad discretion to determine that an emergency situation exits to warrant intervention in trading.
Securities and Exchange Commission, USA	Trading halts may be imposed based on events that occur outside of the United States. For example, Nasdaq will evaluate and implement trading halts in a multi-listed security or related security, (*e.g.* ADR), when the primary security is halted or suspended for regulatory reasons by the primary foreign market or a regulatory authority. However, neither the SEC, the exchanges, nor Nasdaq are obligated to halt trading based on an event that occurs outside of our jurisdiction.
Financial Services Authority, United Kingdom	The UK Listing Authority normally suspends listing in a security which has a secondary listing in the UK following any suspension of listing by the primary listing authority. Similarly, in the case of foreign shares traded but not listed on a UK exchange, the exchange normally suspends trading in those shares when it becomes aware of a suspension by the

TCSC-2 Member	Response:
	home listing authority. Where the Listing Authority suspends listing, or an exchange halts trading, it is possible that this could be in response to an overseas event if that event was likely to lead to disorderly trading on the UK market.

6. Is all quoting and trading activity prohibited during a trading halt? For example, if an exchange institutes a trading halt, can quoting and trading continue on another exchange or the over-the-counter market in your jurisdiction?

TCSC-2 Member	Response:
Australian Securities and Investments Commission	Securities listed on the ASX for quotation and trading may not be listed on any other securities exchange in this jurisdiction. Off exchange transactions, referred to in Australia as special crossings, are reportable to the exchange. Depending upon the type of trading halt imposed there are limitations placed upon the ability to enter into these types of transactions. **Pre-open** When a stock is placed into Pre-open phase, to allow the dissemination of material information, there is no automatic matching or execution of trades on-market until the security resumes normal trading. The ASX electronic trading system does however allow the entry of off-market trades for reporting purposes. During the Pre-open phase, bids and offers may be entered, amended or cancelled. Unless a bid or offer is amended or cancelled, the bids and offers that were in the system prior to the stock being placed into Pre-open, retain their priority determined in accordance with the trading priority procedures of the exchange. **Trading Halt** When a trading halt is implemented, a security is placed into Pre-open phase on SEATS for the duration of the trading halt. Securities subject to a trading halt must not be traded, including by way of crossings. When a trading halt ends, the securities will be placed in the phase applying to the market as a whole unless the ASX decides otherwise. If trading is to recommence during Normal trading the security will remain in Pre-open for a further 20 minutes before Normal trading resumes. **Suspension**

TCSC-2 Member	Response:
	Trading in suspended securities is not permitted without the prior approval of ASX and the trading system will not allow the entry of off-market trades. Whilst a security is suspended, orders may be cancelled but the entry of bids or offers or the amendment of existing orders is not permitted. At the end of the suspension period the securities will be placed into Pre-open phase for a minimum of 10 minutes prior to Normal trading recommencing. There is no automatic matching or execution of trades until the security resumes Normal trading. **ASX Derivatives** The imposition of any form of trading halt in the underlying security will normally result in trading of any derivatives over that security on the ASX market being suspended. No trading can take place during the suspension, however existing orders may be cancelled or amended to a lower volume. Under certain circumstances the ASX may remove all orders from the system prior to resuming normal trading. **SFE** All trades in SFE products must occur on exchange. Assuming a trading halt is called in a relevant contract on the SFE, at the discretion of the SFE the order queue at the time of the announcement of the halt may be cancelled or maintained. Market participants may amend or delete orders in the system during the halt but these are not matched and therefore no trading occurs. Depending upon the duration of the trading halt the SFE may introduce a pre-opening period prior to the resumption of normal trading in the contract.
Brazilian Securities Commission, CVM	Currently all stock trading in Brazil is concentrated in the BOVESPA, so that a trading halt there suspends all exchange trading in the specific security. There is no formal prohibition to bilateral quoting during a trading halt, but deals cannot be closed, so in practice quoting activity also is interrupted.
Commission des valeurs mobilières du Québec, Québec,	All quoting and trading activity in Québec are prohibited when a general cease trading order is issued by the Commission des valeurs mobilières du Québec. However,

TCSC-2 Member	Response:
Canada	quoting and trading activity can occur in other jurisdictions if the other regulatory authority did not impose a cease trading order.
Bourse de Montreal, Canada	In the case of a Canadian dual listed company, when a Canadian exchange institutes a trading halt, the other Canadian exchanges will halt the stock as well. The Canadian exchanges restructuring has almost eliminated dual listing amongst Canadian exchanges. In the case of a dual listing with a US exchange, the same procedures apply, but sometimes some US exchanges (like Nasdaq) do not agree with the decision to institute a trading halt and do not halt the stock. Based on the previous rule of the Bourse (before the Canadian Exchange restructuring), when a stock was halted, the over-the-counter trading by members was prohibited. When a stock was suspended, members could trade over-the-counter. Based on the current rule (same rule as CDNX), when a stock is halted or suspended, the over-the-counter trading by an approved participant is prohibited. Furthermore, if a trading suspension on the Bourse is based on a Cease Trading Order from the Commission des valeurs mobilières du Québec, over-the-counter trading is prohibited.
Ontario Securities Commission, Ontario, Canada	Will be dealt with in the TSE and CDNX responses. However, a cease trade order issued by the OSC applies to all trading within Ontario, not only trading on specified exchanges. A CTO issued by the OSC can also apply to activities outside of Ontario, depending on whether their connections to Ontario, or their effects or consequences in Ontario, mean that a "trade" (as defined in the Act) has occurred in Ontario. The definition of "trade" in the Act includes any act, conduct or negotiation directly or indirectly in furtherance of a trade, so this is a very broad definition.
Toronto Stock Exchange, Canada	During regular trading hours, when a trading halt is imposed on an interlisted stock, it is halted on all North American exchanges including NASDAQ by mutual agreement. In addition, dealers that are Participating Organizations of the TSE may not trade any halted stocks over the counter.
Canadian Venture	Yes, all quotes and trading are prohibited on the Exchange

TCSC-2 Member	Response:
Exchange Inc., Canada	and by Exchange member firms in any other market where the stock may trade. If CDNX imposes a halt, other exchanges usually follow. Interlisted halts are coordinated among exchanges. However the stock could still be quoted and traded on the over the counter market. Members of CDNX however are prohibited from trading the stock on these other markets except in certain circumstances.
Commission des Opérations de Bourse, France	Rules and regulations on suspension and trading halts apply to regulated markets. Suspension and trading halts/reservations in a financial instrument listed on Euronext Paris would not prevent an investor from trading in that security on another regulated market provided his broker informs him that trading is suspended on the French regulated market in this security. Where the investor is allowed to trade OTC under French rules, OTC trading would not be prohibited during suspension and trading halts/reservations. Under the exchange's rules, during trading halts/reservations, market members may enter orders in the order book but transactions cannot take place until trading resumes.
Bundesaufsichtsamt fur den Wertpapierhandel, Germany	When a *Trading Suspension or Trading Halt* has been imposed, all quoting and trading activity is prohibited during a trading interruption. However, the Board of Management cannot prohibit dealing in securities traded off the exchanges. A *Trading Suspension* results in the *cancellation of all orders*. A *Trading Halt does not* result in the cancellation of the orders (instead, the orders are accumulated during the Trading Halt).
Securities and Futures Commission, Hong-Kong	Yes, all quoting and trading activity will be prohibited during a trading halt. In Hong Kong, there is only one stock exchange and one futures exchange, and both exchanges are subsidiaries under one holding company - the Hong Kong Exchanges and Clearing Ltd. As a result, during a trading halt, all quoting and trading activities will be prohibited in Hong Kong.
Commissione Nazionale per le	The Rules stipulates that a trading suspension interrupts trading on all the markets managed by *Borsa Italiana S.p.A.*

TCSC-2 Member	Response:
Società e la Borsa, Italy	The Instructions specify that *Borsa Italiana* has to authorize each transaction on derivatives the underlying of which has not been readmitted to trading before the end of the trading day. Moreover, authorized intermediaries cannot trade over-the-counter instruments which have been suspended from trading.
Financial Services Agency, Japan	When an exchange institutes a trading halt, all the other exchanges will follow and other trading outside exchanges will be halt. All the activities including quoting are impossible. However, orders accepted before and during trading halt are effective as far as they are canceled explicitly.
Securities Commission, Malaysia	N/A. Currently issuers are listed in one exchange.
Comisión Nacional Bancaria y de Valores, México	When the BMV or the CNBV imposes a trading suspension over one security, all quoting and trading activities on that security are suspended with the exception of related derivatives traded in the MexDer. In the former case, its suspension will depend on the type of trading suspension declared on the security (see answer 7).
Securities Board of the Netherlands	First of all, at this moment, we have only one exchange in our jurisdiction. So, no quoting and trading is possible on another exchange in our jurisdiction. For the OTC-market it is important to make a distinction between the types of trading halts. Some trading halts are order book-connected, which leaves the possibility of OTC-trading open. Other trading halts (for example, the ones connected to suspensions, trading halts caused by unequal dissemination of news) forbid OTC-trading.
Monetary Authority of Singapore	Yes. SGX-ST may suspend trading on a security traded on SGX-ST, if that security is listed on another exchange and is suspended from trading on its home exchange. SGX Derivative Trading (SGX-DT) Rules allow SGX to suspend any derivatives contract in the event that a company whose shares are the underlying security is de-listed, or if trading in the underlying shares is suspended or halted. In this regard, SGX-ST will inform SGX-DT on any trading halt imposed on securities listed on SGX-ST. The SFA provides a broad mandate to MAS in taking appropriate and necessary measures, including trading halt, to

TCSC-2 Member	Response:
	restore orderly trading or in the interest of the public. In this regard, there is no limit on MAS' authority in making the necessary directions. Thus, events occurring outside of Singapore may lead to appropriate regulatory action if MAS deems it necessary for discharging its statutory role effectively.
Comisión Nacional del Mercado de Valores, Spain	When a trading suspension takes place, the Comisión Nacional del Mercado de Valores suspend the trading of a security and its associated securities (futures, options, warrants, convertible bonds, etc.) on all the official markets where they are listed. However, according to the art. 13, Chapter III, of Royal Decree 1416/1991 on off-hours, special authorized and declared operations, the transfers consisting of purchase or sale of securities, when their trading is suspended, are allowed as long as the transactions are communicated to the governing body of the stock market, on the same day of the transaction, under the conditions regarding timing and ways of communication established by the CNMV.
Finansinspektionnen, Sweden	It is prohibited in Sweden.
Swiss Federal Banking Commission, Switzerland	During the stop trading the exchange participants are allowed to delete, to update the current open orders and also to input new orders into the trading system (this is a prerequisite for an orderly reopening). Banks and brokers are free to trade on other exchanges or OTC during the trading stop. Banks and brokers are free to trade on other exchanges or OTC during the suspension.
Commodity Futures Trading Commission, USA	Generally, a futures contract is unique to the market on which it trades and the specific futures contract would not trade on another exchange. The CFTC would have no authority over OTC trading.
Securities and Exchange Commission, USA	All quoting and trading activity must cease upon the issuance of an SEC trading suspension. NYSE trading halt procedures apply only to the NYSE market. However, the Consolidated Tape Association Plan, in which all US equity markets are Participants, provides that during a regulatory halt (*e.g.,* one for news pending) called by the primary market in a security, no transaction reports will be printed on the consolidated

TCSC-2 Member	Response:
	tape. (*See* Section XI of the CTA Plan.). Pursuant to NASD Rule 3340, no member or person associated with a member shall, directly or indirectly, effect any transaction in a security as to which a trading halt is currently in effect. The SEC recently approved an amendment to NASD Rule 3340, which prohibits publication of quotations or indications of interest in a security during a trading halt. Pursuant to NASD Rule 3340, no member or person associated with a member shall, directly or indirectly, effect any transaction in a security as to which a trading halt is currently in effect. The SEC recently approved an amendment to NASD Rule 3340, which prohibits publication of quotations or indications of interest in a security during a trading halt. In addition, Nasdaq will notify members that they can begin entering quotations in anticipation of the end of the trading halt (the "grace period"). Quotations entered during this grace period are designated as closed by displaying a "g" symbol next to each quotation. The quotations remain closed until the trading halt has ended, at which time the "g" symbol is removed and quotations become firm. Nasdaq does not use this process for OTC Bulletin Board securities or securities traded over-the-counter through the InterMarket. In addition, if trading is halted on a stock, it is also halted on related options.
Financial Services Authority, United Kingdom	In the case of a suspension of listing, the exchange on which the security is listed suspends all trading on its exchange in that security. As set out in 4 above, any other exchange which had admitted the security, or related derivative, to trading would also need to suspend trading in the absence of there continuing to be a 'proper market.' If an exchange orders a trading halt for reasons of a disorderly market, this too would normally apply to all trading in that security conducted under the exchange's rules. While there is no formal obligation on another exchange trading that security to follow suit, the FSA would expect the other exchange(s), in practice, to consult with the exchange that initiated the trading halt and to suspend trading if there were reasons to suppose that continued trading would sustain

TCSC-2 Member	Response:
	or increase the disorderliness. In the case of an 'automatic' trading halt for an order-book security, UK exchanges do not currently extend the halt to trading away from the order-book. Nor does the FSA require exchanges trading the same security to operate a linked or parallel trading halt process.

7. a. Describe any practices and procedures that apply when one market in your jurisdiction imposes a trading halt on a security and another market in your jurisdiction trades the same security (multi-listed security) or a related derivative product.

TCSC-2 Member	Response:
Australian Securities and Investments Commission	**ASX derivative products** The ASX systems interface so that a link is created between the underlying security and any derivative that is based upon that security (warrants & options). If a trading halt is called in an individual stock all the related derivatives will be automatically flagged and trading suspended, unless the exchange considers that suspension is not appropriate in the interest of maintaining a fair and orderly market. However where a security forms part of an index, the system for monitoring of derivatives becomes more manual. The significance of a trading halt in any particular stock is determined with regard to its Aggregate Market Value (AMV) in relation to the total AMV of the index. If the value of a halted security is greater than 20% of the total index, the exchange may suspend trading in the index and any related derivatives. The exchange would also take account of feedback from the market as to the fairness and efficiency of the market in index derivatives in making a decision to suspend. *SFE derivative products* The SFE has several Individual Share Futures listed on the exchange as well as index products. The Business Rules of the SFE state that: In the event that the ASX suspends trading in the securities of a listed company which are the underlying subject of an Deliverable Individual Share Futures Contract then the Board may determine a course of action in relation to the Deliverable Individual Share Futures Contract, including, but not limited to, the cessation or suspension in the trading of the Contract. The SFE also has broad powers under its business rules to

TCSC-2 Member	Response:
	suspend or make other directions in relation to Futures Contracts or Options Contracts in which an "undesirable situation" is developing or has developed. An undesirable situation means any situation, which, in the opinion of the exchange, threatens or may threaten fair, orderly or proper trading in or liquidation, settlement, exercise or delivery. SFE monitor the ASX market and particularly market announcements via information vendors Reuters and Bloomberg. The monitoring of real time information supplied is targeted to highlight the securities over which the SFE offers futures contracts.
Brazilian Securities Commission, CVM	BOVESPA Index futures contracts are actively traded at the Brazilian Futures Exchange (BM&F) Whenever the BOVESPA circuit breaker (cf. question 1) is activated, trading is BOVESPA Index futures is also suspended at the BM&F.
Commission des valeurs mobilières du Québec, Québec, Canada	There is only one exchange that carries on business in Québec.
Bourse de Montreal, Canada	**Policy I-8 "Timely Disclosure by Listed Companies"** **Article 4.5 "Coordination with other Exchanges"** The Market Surveillance Department coordinates halts and reinstatements of trading with other Exchanges on which the company's securities are traded. However, the company is responsible for advising all Exchanges on which its securities are listed of any disclosure which it proposes to make. Procedures: • The company's officers call all Equities exchanges (announcement of news). • The surveillance department of each Equities exchange communicate together. • The Equities exchange who has the main market (generally the TSE) call all Derivatives exchanges of which a product based on the company's securities is

TCSC-2 Member	Response:
	posted for trading. • The trading halt is coordinated by all exchanges (halt and resume time).
Ontario Securities Commission, Ontario, Canada	See response to 6.
Toronto Stock Exchange, Canada	One Exchange will orchestrate the timing and length of the trading halt with the other Exchanges to ensure a fair and orderly market in the issues. The co-ordinating Exchange is usually the market with the greatest market share. Once agreements are received from all relevant Exchanges or NASDAQ to halt, the stock is halted simultaneously. All approvals from the various jurisdictions must be in place prior to the halt to prevent trading to occur in one market when it is not permitted in others.
Canadian Venture Exchange Inc., Canada	If another market imposes a trading halt on an interlisted security, (usually the TSE, but also AMEX, NASD), CDNX will also halt. The other market telephones Surveillance and/or faxes a notice. If CDNX halts an interlisted stock, we will also notify the other market by telephone.
Commission des Opérations de Bourse, France	Cf. Answers to 1 and 3.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	There are 8 regional exchanges, the electronic trading platform XETRA, 1 future exchange (Eurex) and 2 energy exchanges in Germany. The practices and procedures applied when one regulated market in Germany imposes a *Trading Suspension* on a security which is also traded on another regulated market in Germany are based on common trading usage. They are as follows: Once the Board of Management has suspended a security from trading it immediately notifies the other exchanges listing the security. This is usually done on the phone or by fax. The decision to impose a Trading Suspension will be done by the home exchange, so-called Heimatborsenprinzip ("home-exchange-principle") Although the other exchanges are entitled to check the circumstances themselves, in practice they tend to follow the example of the exchange originally concerned (home exchange), suspending the security from

TCSC-2 Member	Response:
	trading. The Boards of Management of other exchanges are not informed if a *Trading Halt* is imposed (which is mainly because a Trading Halt is introduced automatically and lasts only for a short period). A Trading Halt introduced in an electronic trading system such as XETRA is made public in the system and is thus immediately obvious to all trading participants. In floor trading, the trading participants are informed about a Trading Halt by means of the official exchange broker's markup/markdown.
Securities and Futures Commission, Hong-Kong	When a stock is suspended in Hong Kong, its derivatives including individual equity warrants, stock options and stock futures contracts will be suspended as well. However, for the Tracker Fund (an Exchange Traded Fund tracking the stock market index), basket warrants, stock index futures and stock index options, even when one or more of their constituent securities are suspended, their trading may continue as usual.
Commissione Nazionale per le Società e la Borsa, Italy	Suspensions involve all the markets managed by the same management company in which the same product is traded.[83]
Financial Services Agency, Japan	When one market imposes a trading halt on a security, the related information will be reported to other markets based on mutual agreements. Receiving the information, the markets might impose a trading halt on the same security and the related derivative products based on their own rule.
Securities Commission, Malaysia	N/A. Currently issuers are listed only in one exchange.
Comisión Nacional Bancaria y de Valores, México	If a trading suspension is imposed on a security traded at the stock exchange and a related derivative product is negotiated in the MexDer (Mexican Derivatives Market), then any of the following procedures will apply depending on the characteristics of the suspension:

[83] Up to now, Consob has authorized only one company to manage markets in which the products listed in the answer to question 3 are traded.

TCSC-2 Member	Response:
	• If the trading suspension is temporal (i.e. due to a delay in the delivery of information by the issuer), then MexDer will not impose any suspension for the related derivative; • If the BMV decrees a permanent suspension of a security, then the MexDer has the faculty to close the outstanding positions. In this case, a liquidation price is calculated and the differentials of the closed positions are liquidated at that price in cash.
Securities Board of the Netherlands	Within our jurisdiction we only have one market. Of course, we do have multiple listings spread over more jurisdictions. If trading in the underlying security is halted, also trading in the related options or futures is halted.
Monetary Authority of Singapore	Our comments for question 6 apply. However, following a takeover, if compulsory acquisition is to proceed, the shares are suspended but buying in may be permitted. SGX Derivative Trading (SGX-DT) Rules allow SGX to suspend any derivatives contract in the event that a company whose shares are the underlying security is de-listed, or if trading in the underlying shares is suspended or halted. SGX-ST will inform SGX-DT on any trading halt imposed on securities listed on SGX-ST.
Comisión Nacional del Mercado de Valores, Spain	In the event of a trading suspension, the CNMV have established procedures for ensuring that any suspension is communicated without delay to all markets where the instruments are listed or traded. The decision of suspension is immediately communicated on an official statement to the governing bodies of the exchanges where the stocks are traded and also to the governing bodies of the markets where the related securities are traded and to some public organisms. At the same time, such decision is disclosed to the market as price sensitive information. Nevertheless, it must be noted that in Spain there are no instruments quoted simultaneously in different domestic markets (domestic multi-listed securities). Therefore the procedures explained above are only referred to any given stock and their associated securities (futures, options, warrants, convertible bonds, etc.)

TCSC-2 Member	Response:
Finansinspektionnen, Sweden	We have no multi-listed securities in Sweden.
Swiss Federal Banking Commission, Switzerland	• Stop trading: trading in derivatives continues. • Trading suspension: trading in derivatives is suspended as well.
Commodity Futures Trading Commission, USA	As a general rule, there is coordination between the cash and derivative markets with respect to trading halts. Derivatives based on securities futures products (*i.e.,* single equities or narrow based indexes) will be required to halt when the cash market for the underlying halts. Coordination is fostered through the use of a dedicated phone line among the futures and securities markets, the SEC and CFTC.
Securities and Exchange Commission, USA	When Nasdaq implements a trading halt in a Nasdaq issue, part of the normal procedure is to determine if any related equity or derivative is also publicly traded. If so, Nasdaq immediately advises the appropriate exchange or marketplace that it has halted trading in the security and provides the reason for the halt (*e.g.,* news pending). For example, if Nasdaq implements a trading halt in an issue with options traded on the CBOE, Nasdaq will contact the CBOE directly and broadcast the trading halt over the Inter-Exchange Communication Network. This network in an open telephone facility to which all major equity and derivative market centers in the U.S., and the SEC and CFTC are connected. In addition, the U.S. markets use an electronic messaging system to communicate with each other on a real time basis. When the SEC issues a trading suspension pursuant to Section 12k, the SEC will notify the U.S. exchanges to suspend trading. If that security is also traded on a foreign exchange, the U.S. exchanges' is expected to notify the foreign market for possible coordination of halting or suspending trading.
Financial Services Authority, United Kingdom	Where the UKLA temporarily suspends the listing of a security, the FSA expects all exchanges providing trading facilities in that security, or derivatives on that security, to suspend trading (in order to remain in compliance with their obligation to provide trading only in securities in which there is a 'proper market'). In respect of trading halts to address sharp price movements or other manifestations of a disorderly market, the FSA does not mandate that exchanges admitting to trading the same

TCSC-2 Member	Response:
	security should have identical arrangements in respect of that security. In practice, the criteria on which different exchanges implement trading halts are very similar.

7. b. Describe any agreements, understandings, or information sharing arrangements between markets or regulators in your jurisdiction regarding trading halts.

TCSC-2 Member	Response:
Australian Securities and Investments Commission	ASIC has in place an information sharing memorandum of understanding with each of the ASX and SFE to assist in efficient market regulation. ASX and SFE have in place a memorandum of understanding concerning the provision of information for the purpose of regulation and enforcement.
Brazilian Securities Commission, CVM	CVM Instruction 317/99 regulates depositary receipts (DR) on securities issued by public Brazilian companies. Article 2 states that the registration of a DR program will be conditioned on the set up of an agreement between the local exchange (where the original securities are traded) and the foreign exchange (where the DRs will be traded). The agreement must include provisions for the suspension of trading in the DRs at the foreign market in case trading in the corresponding securities is suspended in the local market. This is valid for Level II and III Brazilian DRs listed at the New York Stock Exchange, for instance. In 1999, CVM and the American SEC put in place the following information sharing rules concerning trading halts in one of the two markets: (i) For Level II and III DRs whose underlying shares are listed locally, the trading halt is communicated to the foreign exchange by the local exchange, directly. (ii) For companies listed in only one exchange (DRs Level I, or DRs Levels II and III without local listing of corresponding securities), the local regulator will inform the foreign regulator in case the trading halt lasts for more than 48 hours. Independently of (i) and (ii), the regulators will directly inform one another whenever the suspension is determined by the regulator or an exchange-determined suspension involves fraud, price manipulation or any other grave violation.
Commission des valeurs mobilières du	The Commission des valeurs mobilières du Québec communicates with the Toronto Stock Exchange and the

TCSC-2 Member	Response:
Québec, Québec, Canada	Canadian Venture Exchange prior to issuing a general cease trading order to ensure trading is halted on a timely basis with the issuance of the order.
Bourse de Montreal, Canada	Policy T-3, which is entitled "Circuit Breaker," of Bourse de Montréal Inc. stipulates that, in conjunction with The Toronto Stock Exchange, which will act in coordination with the New York Stock Exchange and following a significant decline in the Dow Jones Industrials Average, Bourse de Montréal Inc. will halt trading in all securities in some circumstances. (See answer to question 1, under Policy T-3) Bourse de Montréal Inc. has an understanding with The Toronto Stock Exchange whereby the staff of the TSE informs the staff of the Bourse of any trading halt regarding any securities traded on the TSE on which the Bourse has listed equity options.
Ontario Securities Commission, Ontario, Canada	The OSC liaises with the TSE and CDNX prior to issuing an issuer cease trade order to ensure that trading is halted on the exchanges conterminously with the issuance of the order.
Toronto Stock Exchange, Canada	The co-operation level with the exchanges has been excellent, with all exchanges demonstrating a common goal – the need for a fair and orderly market. There are however, no formal or written agreements in place to co-ordinate halts.
Canadian Venture Exchange Inc., Canada	CDNX is party to information sharing agreements and MOU with a number of different regulators, exchanges and markets around the world. For example, CDNX is an associate member of the Intermarket Surveillance Group (ISG) of which the TSE is also a member. The ISG agreement provides for sharing of information on regulatory matters including halt notification. The agreement to coordinate halts is not specifically covered in these agreements although it is a generally understood and accepted practice among the various market surveillance departments. US markets will generally follow the lead of CDNX in a halt where CDNX is the primary market, however they will only halt for a specific period of time, usually a maximum of a few day until news is disseminated. There is a different philosophy regarding halts in those markets. *CDNX is required to suspend trading when the BCSC or ASC issues a cease trade order however CDNX also halts trading if other regulators impose cease trade orders. (see 5 above).*

TCSC-2 Member	Response:
Commission des Opérations de Bourse, France	The cash markets, the option market and the futures markets, although being four legal entities are operated by the same market operator, Euronext Paris. Therefore, there are no formal agreements or arrangements between markets regarding trading halts.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	See 7a.
Securities and Futures Commission, Hong-Kong	**Between Markets** There are no agreements, understandings, or information sharing arrangements between markets in Hong Kong regarding trading halts as there is only one stock market and one futures market in Hong Kong and both of them are subsidiaries of one holding company – the Hong Kong Exchanges and Clearing Ltd. **Between Regulators** The Securities and Futures Commission is the primary regulator of the stock exchange and futures exchange. However, if the trading halts will seriously affect the stability of the financial markets as a whole, the Commission may inform the Hong Kong Monetary Authority and related Government departments.
Commissione Nazionale per le Società e la Borsa, Italy	There are no specific agreements, understandings, or information sharing agreements between markets or regulators regarding trading suspension.
Financial Services Agency, Japan	See 7(a).
Securities Commission, Malaysia	N/A
Comisión Nacional Bancaria y de Valores, México	The BMV has to inform to the CNBV of any trading suspension in the same day that the suspension took place. When the suspension involves a related derivative product, there are no official understandings or information sharing agreements between the BMV and MexDer.

TCSC-2 Member	Response:
	If the BMV modifies the percentage variation described in answer 1 b), it has to previously inform the CNBV.
Securities Board of the Netherlands	Euronext Amsterdam reports regularly (once a month) about "normal" trading halts and as soon as possible about significant trading halts.
Monetary Authority of Singapore	See answer to 7a.
Comisión Nacional del Mercado de Valores, Spain	The CNMV is the only competent authority which can suspend the trading of a security.
Finansinspektionnen, Sweden	No, see point 7a.
Swiss Federal Banking Commission, Switzerland	Some markets have a formal agreement re suspension and others have just an understanding re trading halts.
Commodity Futures Trading Commission, USA	The US futures exchanges are members of the Intermarket Surveillance Group, which provides a mechanism for information exchange among domestic and foreign securities and derivatives exchanges. The US futures exchanges also are signatories to the International Information Sharing MOU, which establishes a mechanism whereby the occurrence of one of several triggering events will allow an exchange/clearinghouse to request information from one or more of the participating exchanges/clearinghouses. Examples of triggering events include: a large decrease in a member firm's core financial resources, large cash flows in either the proprietary or customer accounts of a member firm, or in both, a concentration of positions in any futures or options contract. To date, 66 US and-non-US derivatives exchanges and clearinghouses have signed the MOU. The regulators of the exchanges that have signed the above international MOU have signed companion *Declaration on Cooperation and Supervision of International Futures Markets and Clearing Organizations (Declaration)*. The Under the *Declaration*, the occurrence of agreed triggering events affecting an exchange member's[84] financial resources,

[84] Inquiries by regulators under the Declaration are triggered by events described in sections 2.2and 2.3 with respect to members of those exchanges that are signatories to the companion Memorandum of

TCSC-2 Member	Response:
	positions, price movements or price relationships or suggesting manipulation or other abusive conduct will prompt the sharing of information. *See Declaration* paragraphs 2.2 and 2.3. Although the *Declaration* is a multilateral arrangement, the specific implementation of any request pursuant to the *Declaration* will be on a bilateral basis and remain subject to any existing (or negotiated) bilateral arrangements. Although the ISG, International Information Sharing MOU and Declaration do not explicitly address trading halts, all of these arrangements provide general mechanisms for information exchange and communication.
Securities and Exchange Commission, USA	All the U.S. national securities exchanges and Nasdaq participate in general voluntary cooperative efforts between U.S. markets.[85]
Financial Services Authority, United Kingdom	When the UKLA suspends the listing of a security, it informs the London Stock Exchange and a joint LSE/UKLA dealing notice is published over the Regulatory News Service advising the market of the status of the securities. (Details can also be viewed on the LSE's web-site, www.londonstockexchange.com) Where an exchange suspends trading, on grounds of a disorderly market, in a security traded on another exchange, or to which derivatives traded on another exchange attach, it will be in its interests to inform the other exchange(s) as quickly as possible. In any event, real-time exchange monitoring of relevant activity on other exchanges should ensure immediate awareness of any suspensions.

Understanding and Agreement (MOU) that was developed by the FIA Global Task Force and executed among international derivatives exchanges in March 1996 (i.e., Parties to the MOU).

[85] In addition, the Intermarket Surveillance Group ("ISG") consists of the membership of twenty-three self-regulatory organizations from five countries. ISG allows members to coordinate industry-wide cooperative efforts for exchanging market data. ISG's goal is to enhance intermarket surveillance to assure the integrity of trading in options and equities, and public protection. While ISG does not directly address trading halts, members of ISG have contact lists of all participating countries in an effort to make communication among the markets more efficient.

8. a. Describe any practices and procedures that apply when a foreign market imposes a trading halt on a security and a market in your jurisdiction trades the same security or a related derivative product.

TCSC-2 Member	Response:
Australian Securities and Investments Commission	The ASX have had practices in place for several years designed to advise exchanges outside of this jurisdiction of the imposition of trading halts in dual or multi listed securities. The arrangement between exchanges is that a similar protocol would be followed when a halt occurs on the overseas market in a security that also trades in Australia. The procedure in Australia is: i. ASX maintains an "overseas list" that shows all the locally listed entities that are also listed on an exchange in another jurisdiction. This list notes, amongst other things, which exchange has the primary listing. ii. ASX also maintains a guide for each exchange with a contact in the company announcements or listing department. Information includes the name of an individual, an address, a telephone and fax number. iii. Where ASX initiates a trading halt in a security that is also listed on a foreign market, ASX will fax details to the overseas exchange(s) including any market release or company statement. iv. Where the foreign market is located in the same time-zone, (NZ, PNG, Singapore, HK) ASX will also telephone the nominated individual at the overseas exchange to ensure receipt of the information. An advice provided by the ASX to a foreign market under the process described above covers the initiation or lifting of a trading halt or suspension but does not cover a stock being temporarily placed into Pre-open phase on the basis of a price sensitive or takeover announcement.
Brazilian Securities Commission, CVM	Cf. question 7-b.
Commission des valeurs mobilières du Québec, Québec,	N/A

TCSC-2 Member	Response:
Canada	
Bourse de Montreal, Canada	Same procedures.
Ontario Securities Commission, Ontario, Canada	OSC Policy 1.4 deals with cease trade orders and similar sanctions imposed in another jurisdiction for failure to comply with the disclosure requirements of that other jurisdictions. Policy 1.4 states that if the OSC is advised that a cease trading order or similar sanction has been issued in another jurisdiction against an issuer for failure of the issuer to comply with the reporting or other disclosure requirements of that other jurisdiction, a cease trading order will be issued against the issuer in Ontario. In the absence of unusual circumstances the Ontario cease trading order will normally be lifted when the cease trading order in the other jurisdiction has been lifted. Since Canada does not have a single national regulator, this principle applies to orders issued by regulators in other Canadian provinces and may also apply to foreign regulators.
Toronto Stock Exchange, Canada	To best illustrate the TSE's procedures and practices when a foreign market imposes a trading halt on a stock also listed on the TSE, a typical scenario follows. In this case we can assume the foreign market to be the New York Stock Exchange (NYSE). 1) The TSE Market Surveillance Department receives a call from a Surveillance Officer at the NYSE describing the nature of a material news release from an interlisted company and expressing their wish to halt trading pending the release of the news by the company. 2) A TSE Surveillance Officer assesses the information with the NYSE and agrees that a trading halt is in order. If he or she disagrees a request is made to reconsider. If no agreement is reached, the decision to halt or not is made by the exchange with the greater market share. Disagreements are very uncommon and are resolved amicably. 3) The respective issue(s), is then halted simultaneously between the markets. 4) Once the news has been carried on the various news wire services, i.e. Dow Jones, Reuters, Bloomberg, Star Data, and

TCSC-2 Member	Response:
	it is agreed that sufficient dissemination has been achieved, a time of resumption in trading is agreed upon between the exchanges and announced. 5) The stock will then enter into a pre-opening state on the TSE when Participating Organizations can enter orders prior to the re-opening time. 6) All affected exchanges will then resume trading of the security simultaneously at the agreed upon time with arbitrage traders, registered traders and NYSE specialists helping to facilitate a fair and equitable opening by supplying any imbalances which may occur between the markets.
Canadian Venture Exchange Inc., Canada	CDNX is faxed a copy of the other market's halt notice. A halt is then initiated and a bulletin is issued stating the reason for the halt, i.e. that it is in conjunction with the other exchange.
Commission des Opérations de Bourse, France	Trading halts based on order imbalance and price limits on a foreign market would have no consequence on Euronext Paris. In case of trading suspension at the request of the issuer or decided by a foreign market, Euronext Paris would suspend trading if it is asked to do so by the foreign issuer or it is informed of that suspension by the primary market of that issuer.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	As a rule, the initial interruption in trading shall be imposed by the home exchange, i.e. the exchange in whose region an internationally listed issuer is domiciled. If a German exchange is notified by a foreign exchange about a suspension from trading of a security, it will likewise interrupt trading in the security concerned. In most cases, the reasons behind the interruption in trading are not verified, given the fact that in order to achieve its purpose as effectively as possible, it is usually necessary for the German exchange to react quickly to a trading halt notified to it. If, in turn, a German exchange suspends an internationally listed security from trading it will immediately notify foreign exchanges either by fax or by phone. The European exchanges have signed an *Agreement of Understanding* that contains first of all a list of all contact

TCSC-2 Member	Response:
	persons. This is to ensure that the persons or entities concerned can be contacted without delay.
Securities and Futures Commission, Hong-Kong	For the Nasdaq stocks and shares traded on the NASDAQ/AMEX Pilot Program of the SEHK, if their trading are suspended in the home market, they will be suspended in Hong Kong as well.
Commissione Nazionale per le Società e la Borsa, Italy	There are no specific procedures concerning cross-border multi-listed securities suspended in a foreign market. On 11 March 1997 Consob signed an agreement implementing a notification mechanism about regulatory actions involving issuers whose securities are registered with the Securities and Exchange Commission (Sec) and Consob. The agreement also concerns the case of suspension of a security of a dually registered issuer, in which case Consob will notify the Sec as promptly as possible the decision (even if the decision is taken by *Borsa Italiana)* to suspend the dually listed security. On 27 March 2000 and 4 April 2000, Consob and CFTC exchanged letters agreeing an operational procedure under the Memorandum of Understanding on Consultation and Mutual Assistance for the Exchange of Information dated 22 June 1995, to permit the CFTC to transmit to Commodity Exchange, Inc. (COMEX) information on the trading of the products underlying derivatives traded on the COMEX obtained by the CFTC from Consob.
Financial Services Agency, Japan	When the uncertain and significant information was disseminated outside our jurisdiction, the exchanges will impose trading halt on related securities. When one security simultaneously listed in overseas market is suspended for trading in that market, it will also be suspended in TSE as far as the overseas market is the security's primary market. This is because trading halt in the primary market will cause "the possibility of the unusual situation regarding the sales and purchase of the security."
Securities Commission, Malaysia	We will consider suspending the trading on the same security/related derivative product if the listed issue seeks a request for the trading halt.
Comisión Nacional Bancaria y de	When Mexican securities are listed in foreign markets, the exchange may consider the measures taken in those markets

TCSC-2 Member	Response:
Valores, México	in order to decide if it is pertinent to impose a trading suspension in the domestic market. In any case, it should be subject to our regulations. See also answer 1, section d).
Securities Board of the Netherlands	At this moment when Euronext Amsterdam receives a request from the foreign market or the issuer a trading halt is imposed. The presented rules of Euronext do not regulate or arrange these double listings. We are not aware of any formal arrangements between Euronext and other exchanges at this moment.
Monetary Authority of Singapore	Listed companies are requested to inform the SGX to effect similar trading halts if their shares are suspended on their home exchanges. Contact between the two exchanges/markets may occur directly. The SGX will decide on the need to impose trading halt, impose limits etc and advise the MAS accordingly. MAS may intervene and take further actions if it is assessed that additional measures are necessary. The broad scope of sections 24 and 21 of the SFA empowers the MAS to take all necessary action to ensure fair and orderly market as well as to protect the interests of investors. MAS may issue a direction pursuant to these powers in respect of securities or futures contracts traded in Singapore, regardless of whether these securities or futures contracts are also traded on one or more foreign markets. Such decisions will be conveyed to the relevant market regulator pursuant to the MOUs or informal understanding reach with them.
Comisión Nacional del Mercado de Valores, Spain	When a foreign market imposes a trading halt, based on special circumstances that can distort the normal course of transactions, on a security which is also listed in the Spanish stock markets, the CNMV will normally suspend its trading, as soon as it learns of the trading halt.
Finansinspektionnen, Sweden	There is a practice saying that the exchanges shall inform each other.
Swiss Federal Banking Commission, Switzerland	If another market institutes a stop trading on a listed security, it will have no impact on our market. When the security is suspended at the other market, we send a message to our participants and they have to decide, if trading in this security will continue or not.

TCSC-2 Member	Response:
Commodity Futures Trading Commission, USA	There are no express rules governing this situation. Both the exchanges and CFTC would respond based on the specific facts and circumstances. The presumption, however, is that the markets are best placed to respond initially.
Securities and Exchange Commission, USA	Standard business procedures are in place to determine if a trading halt for a Nasdaq issue is appropriate when a foreign market imposes a regulatory trading halt on a security, and that security or its derivative is also traded on Nasdaq. This involves communication with the foreign market or regulator and a Nasdaq evaluation of the reason for the halt and/or the regulatory issues of concern. Nasdaq is notified of the trading halt by a foreign regulator or exchange, a market participant, or the broadcast media, depending on Nasdaq's relationship with the foreign regulator or exchange. Typically, Nasdaq communicates with other securities exchanges, but in some circumstances foreign regulators are involved. Nasdaq will then implement a trading halt in its security if doing so is consistent with Nasdaq's trading halt authority. Pursuant to NASD Rule 4120, Nasdaq may halt trading in the OTC market of a security listed on a national securities exchange during a trading halt imposed by that exchange to permit the dissemination of material news. If Nasdaq implements a trading halt in a security, it is Nasdaq's standard procedure to notify foreign markets or regulators where that security trades. The NYSE does not have a provision governing deference to trading halts imposed by other markets.
Financial Services Authority, United Kingdom	In the case of a security that has a secondary listing in the UK, the UK Listing Authority generally suspends that listing in response to a suspension of listing by the listing authorities in the primary market (having first confirmed the suspension with the home authority). It does not normally do this, however, in response to routine suspensions of short duration imposed by some home listing authorities ahead of corporate announcements. Where a foreign security without a secondary listing in the UK is admitted to trading on a UK exchange, the UK exchange also needs to suspend trading following a suspension by the home market listing authority. Otherwise, it would be trading a security in which a proper market had temporarily ceased to exist. Exchanges will normally suspend

TCSC-2 Member	Response:
	trading on receipt of suspension information from a home market listing authority, from their own routine monitoring of news services or from information provided by the member firm that requested the dealing facility in the security. Where information relating to the suspension overseas does not come direct from the home market authorities, exchanges confirm with those authorities the fact of, and the reasons, for the suspension. UK exchanges are not required to replicate or align their automatic trading halt arrangements with a foreign exchanges that trade the same security. Exchanges trading a derivative of a foreign security need, as part of their obligation to maintain a proper market, to have procedures that enable them to suspend trading when the primary market for the underlying suspends trading (other than by way of an automated trading halt).

8. b. Describe any agreements, understandings, or information sharing arrangements between foreign markets or foreign regulators regarding trading halts in cross-border multi-listed securities or related derivatives.

TCSC-2 Member	Response:
Australian Securities and Investments Commission	The SFE adheres to the principles set out in the Memorandum of Understanding executed at Boca Raton involving the cooperation and supervision of futures markets. The declaration that accompanied the MOU states that it is an effective measure to facilitate and strengthen the sharing of relevant information between parties in order to improve their cooperation, particularly in respect of potential hazards to the stability, safety and soundness of the international financial markets. The ASX information sharing process established with other exchanges is described in part (a) of this question.
Brazilian Securities Commission, CVM	No Response.
Commission des valeurs mobilières du Québec, Québec, Canada	N/A
Ontario Securities Commission, Ontario, Canada	The OSC liaises with regulators in other Canadian provinces to ensure that orders issued under the principle described in 8(a) are imposed conterminously by all the provinces.
Toronto Stock Exchange, Canada	see 7 above.
Canadian Venture Exchange Inc., Canada	See 7 above.
Bourse de Montreal, Canada	Policy T-3 “Circuit Breaker”.
Commission des Opérations de Bourse, France	N/A
Bundesaufsichtsamt für den Wertpapierhandel, Germany	See 8a.
Securities and	The HKEx has MOUs and information sharing agreements

TCSC-2 Member	Response:
Futures Commission, Hong-Kong	with certain overseas exchanges. These MOUs and information sharing agreements are usually in general terms. The examples of information sharing agreements which include trading halts information are as follows: 1. Information sharing agreement between HKEx and NASDAQ / AMEX (Related to the Nasdaq stocks traded under the NASDAQ / AMEX Pilot Program) 2. Information forwarding agreement between HKEx and Barclays Global Fund Advisor (related to shares traded under the NASDAQ / AMEX Pilot Program) The Securities and Futures Commission has 34 formal and 10 informal (at the end of March 2001) agreements with overseas regulatory bodies on cross-border co-operation. The contents of these agreements are usually designed based on IOSCO's principles for memoranda of understanding. They are general in nature and are not focused specifically on sharing of information related to trading halts.
Commissione Nazionale per le Società e la Borsa, Italy	See 8 a.
Financial Services Agency, Japan	TSE has several MOUs with foreign markets. FIBV agreed on the recommendation regarding cooperation on trading halt in 1989.
Securities Commission, Malaysia	N/A
Comisión Nacional Bancaria y de Valores, México	There are no official agreements, understandings, or information sharing arrangements with foreign markets or regulators. Nevertheless, informal notice takes place between the BMV and other exchanges.
Securities Board of the Netherlands	See 8a.
Monetary Authority of Singapore	See answer to 8a.
Comisión Nacional del Mercado de Valores, Spain	It is common practice that when the CNMV suspends a security which is traded on foreign markets, it contacts with the foreign regulators for co-ordination purposes. The

TCSC-2 Member	Response:
	objective is suspend the trading on all the markets at the same time, if possible. For example, the CNMV has in place a mechanism for notification of regulatory actions involving issuers whose securities are registered in the US SEC and the CNMV (agreed on May 7, 1996). Accordingly, the CNMV informs immediately the SEC of the suspension of the stocks that are also listed in any market regulated by the SEC and request the support of the US SEC to make possible the suspension of the relevant stock in the market under the surveillance of the SEC where they are listed as soon as possible and in the most efficient way. The CNMV also dispatches to the US SEC the pertinent notification as soon as the suspension is lifted.
Finansinspektionnen, Sweden	See point 8a.
Swiss Federal Banking Commission, Switzerland	See a) above. In a case of virt-x (securities listed at SWX and traded at virt-x): the related derivatives are manually stopped as soon as the trading of the underlying security is halted or suspended.
Commodity Futures Trading Commission, USA	Same as answer to 7.
Securities and Exchange Commission, USA	See response to question 7a. Additionally, Nasdaq has understandings with Nasdaq Europe and Nasdaq Financial Services Agency, Japan to advise each other of trading halts of cross-listed securities.
Financial Services Authority, United Kingdom	Neither the UKLA or the exchanges have formal arrangements to inform, or receive information, with any foreign listing authority but they have contact points and good working relations with a number of foreign listing authorities/exchanges. UK exchanges trading foreign-listed shares, or derivatives on those shares, generally have no formal arrangements to obtain information relating specifically to trading suspensions imposed by foreign listing authorities. They generally rely on their own information-gathering arrangements. In some cases, foreign exchanges have either declined to enter into notification arrangements, or would do so only on condition that the UK exchanges pay a fee to subscribe to proprietary information services.

9. Is the fact that a trading halt was imposed in the primary market relevant in determining whether to impose a parallel trading halt for multi-listed securities, or securities with related derivatives?

TCSC-2 Member	Response:
Australian Securities and Investments Commission	**Multi-listed securities** Equity securities can only be listed on one exchange within this jurisdiction. Therefore a multi listed security is one that is listed in Australia as well as other jurisdictions. The imposition of a trading halt in the primary market for a security would be a very relevant factor in determining if a parallel trading halt was warranted. **ASX Derivatives** Where the ASX has derivative products based upon an equity security listed on the exchange, the derivative will automatically be halted on the basis of a halt in the underlying unless this is not appropriate in terms of maintenance of a fair and orderly market. **SFE products** Where the SFE offers products that are a derivative of an ASX listed security, if the ASX suspends trading in the security, the SFE may cease or suspend trading in the contract.
Brazilian Securities Commission, CVM	Cf. question 7-a.
Commission des valeurs mobilières du Québec, Québec, Canada	Yes, if it contravenes the Québec legislation.
Bourse de Montreal, Canada	Yes.
Ontario Securities Commission, Ontario, Canada	See response to question 8 a.
Toronto Stock	See 3 and 8a.

TCSC-2 Member	Response:
Exchange, Canada	
Canadian Venture Exchange Inc., Canada	The primary market initiates the halt for an interlisted security and CDNX follows.
Commission des Opérations de Bourse, France	This would be relevant for trading suspension linked to new announcement by the issuer, or required by the regulatory authorities. It would not be relevant for trading halts based on price limits.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	Yes, a Trading Suspension imposed in the primary market is relevant in determining whether or not to impose a parallel trading suspension for multi-listed securities. This is mainly because the primary market has all the information which has led to the interruption in trading and has already analyzed the matter. Therefore, a Trading Suspension or Halt imposed in the primary market provides at least a basis for considering whether or not to impose a parallel interruption.
Securities and Futures Commission, Hong-Kong	Yes.
Commissione Nazionale per le Società e la Borsa, Italy	See above answers provided under 6, 7 (a) and 8 (a).
Financial Services Agency, Japan	Trading halt conducted in the primary market will automatically cause the trading halt in Financial Services Agency, Japanese market directly. On the contrary, the one in the non-primary market will not necessary incur the trading halt in Japanese market. For example, trading halt caused by the system trouble in the primary market will cause the trading halt in Japanese markets, while not in the case in the non-primary market.
Securities Commission, Malaysia	N/A Currently, issuers are only listed in one exchange.
Comisión Nacional Bancaria y de	See answer 7.

TCSC-2 Member	Response:
Valores, México	
Securities Board of the Netherlands	Yes, for example in the segment 'traded-but-not-listed' (foreign shares) a request from the primary market where the company is listed will lead to a trading halt in this segment.
Monetary Authority of Singapore	Yes, it is a relevant consideration. This is also envisaged under section 21 and 24 of the SFA
Comisión Nacional del Mercado de Valores, Spain	The trading suspension of a security affects all the official markets where it is traded on. Once again, it must be noted that there are no domestic multi-listed securities in our jurisdiction. Once again, it must be noted that there are no domestic multi-listed securities in our jurisdiction.
Finansinspektionnen, Sweden	Yes.
Finansinspektionnen, Sweden	No.
Swiss Federal Banking Commission, Switzerland	Yes, as it is generally defined in the directive 5: dependencies of the SWX Swiss Exchange: All derivatives which are based upon securities traded on the SWX Swiss Exchange may only be traded, if the underlying securities have commenced trading and are marketable. Furthermore, said dependencies do not apply during the closing auction for warrants, the underlying securities of which cannot be traded at that time. Derivatives within the meaning of this directive are: • covered and other warrants, with the exception of basket and index warrants; • warrants from bonds with warrants; • bonds cum warrants (dependent on the underlying security) • convertible bonds.
Commodity Futures Trading Commission, USA	Yes (with respect to derivatives side), since there generally is coordination among cash and derivative markets.
Securities and Exchange	The NYSE is typically the primary market for its listed domestic equities. In the case of a non-US equity for which

TCSC-2 Member	Response:
Commission, USA	the NYSE is not the primary market, the NYSE reserves the right to continue to trade a security even if it is halted on its primary market. The NYSE makes its own determination on a case-by-case basis. If the NYSE is satisfied that all material news is available to the public and that a fair and orderly market can be maintained, the security will continue to trade on the NYSE. Nasdaq considers a trading halt imposed in the primary market for regulatory reasons (as opposed to an order imbalance not related to material news) relevant in determining whether to impose a parallel trading halt for multi-listed securities or securities with related derivatives. Price discovery can be very difficult, for example, of a Nasdaq-listed ADR, when the underlying common stock, upon which the pricing of the ADR is based, is halted on its primary market abroad. In order to evaluate if a trading halt is also appropriate for the Nasdaq security, Nasdaq must first know a foreign halt or suspension has been implemented and the reasons for the halt. Nasdaq is notified of the trading halt by a foreign regulator or exchange, a market participant, or the broadcast media, depending on Nasdaq's relationship with the foreign regulator or exchange. The primary market for a security is also important to regional exchanges, such as the Boston Stock Exchange, for multi-listed securities because price determination is a factor.
Financial Services Authority, United Kingdom	Yes, in respect to suspensions imposed as a result of any temporary public deficiency in disclosable efficiency on the part of an issuer. A UK exchange's obligation to trade only securities in which there is a proper market means that investors must have available to them all disclosable information, since this is likely to influence their ability to form a judgment as to the current value of the securities. Investors in derivatives also rely on a proper market existing in the underlying securities. On the other hand, a UK exchange's obligation to ensure orderly trading in the securities it admits to trading refers primarily to the trading taking place on its own facilities. This might be considered orderly, even if trading on markets in other jurisdictions had been deemed by their market operators/authorities to be disorderly in their jurisdictions.

10. Do time zones differences play a role in instituting or in the effectiveness of trading halts?

TCSC-2 Member	Response:
Australian Securities and Investments Commission	The basis of multi-listing a security in different jurisdictions is to gain access to other capital markets. The fact that there are time zone differences between markets can actually assist the effectiveness of trading halts as the lag between the imposition of a halt in one market and the opening of trading in another market allows for the transfer of information between exchanges. The effectiveness of a trading halt may be limited where the time zones of different markets overlap. This creates a situation where a trading halt could be implemented in one market whilst trading continues in the same securities in another market. The current system of advice between exchanges in relation to trading halts is designed to ensure that at any time during the Australian trading day a trading halt should have contemporaneous effect with all exchanges in our time zone. There are basically 3 broad time zones of trading around the World being Asia, Europe and USA. The only market in the world that opens prior to Australia is New Zealand so we are well placed to accommodate the imposition of trading halts in other jurisdictions. Currently none of the European markets open before the Australian market has closed so the calling of a trading halt here can be advised in plenty of time. The markets in the United States close prior to the next day's opening in Australia allowing time for appropriate information transfer. The possible extension of the opening hours of exchanges could create greater overlap of time zones, complicating the process of advising trading halts.
Brazilian Securities Commission, CVM	N/A
Commission des valeurs mobilières du Québec, Québec, Canada	Time zones differences do not play a role in instituting the effectiveness of trading halts.
Bourse de Montreal,	Not for the Canadian market. The Equities Market in

TCSC-2 Member	Response:
Canada	Montréal and Toronto open at 9:30 a.m. and close at 4:00 p.m. (regular market). The CDNX opens at 6:30 a.m. (Western Time) and closes at 1:30 p.m. (Western Time). With a time zone differences of 3 hours between Vancouver and Montréal, the trading sessions open at the same time across Canada and close practically at the same time.
Ontario Securities Commission, Ontario, Canada	Time zones are a factor taken into account when the OSC liaises with regulators in other Canadian provinces as described above.
Toronto Stock Exchange, Canada	As mentioned, there are occasions when a stock may be trading in an abnormal manner and because of the difference in time zones across Canada, the USA or overseas, it may be necessary to initiate a trading halt, pending contact with the company, to protect the integrity of the marketplace. These halts are quite rare. If a stock is halted on the TSE but is also interlisted on a foreign exchange whose trading sessions may be closed, the respective representatives of such company, or their counsel, are responsible for advising the foreign market of the material news. If the halt is for regulatory purposes, i.e. a Cease Trade Order or Suspension, it is also the responsibility of the company to notify the foreign markets accordingly. It must be noted that aside from interlistings with the North American exchanges including NASDAQ, there are but a small number of overseas issues which are interlisted with the TSE and they trade very infrequently on overseas markets.
Canadian Venture Exchange Inc., Canada	Time zones are generally not an issue except for the very few listings that are interlisted outside North America. CDNX market hours coincide with TSE and with other North American markets.
Commission des Opérations de Bourse, France	Time zones differences do more time play a role in instituting trading halts. They may provide for more time for coordination and information sharing between market operators in administering trading halts in multi-listed securities.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	Time zone differences may help to add further information about the underlying situation. For instance, a fact from within the issuer's sphere of activity which was initially not known to the general public may as a result of time zone

TCSC-2 Member	Response:
	differences have become public knowledge. Where the reasons underlying a suspension of trading in the primary market continue to exist when exchange trading starts, trading will be suspended.
Securities and Futures Commission, Hong-Kong	No, as electronic communication is fast and convenient, time zone difference is no longer an issue.
Commissione Nazionale per le Società e la Borsa, Italy	No.
Financial Services Agency, Japan	Yes, they do in the future.
Securities Commission, Malaysia	N/A
Comisión Nacional Bancaria y de Valores, México	There are no official agreements between the BMV and other countries' exchanges to impose a simultaneous trading halt on multi-listed securities. Additionally, Mexican securities listed abroad, are fundamentally traded in US markets, therefore time zones differences do not play a major role as the BMV operates during the same hours than most American exchanges.
Securities Board of the Netherlands	No.
Monetary Authority of Singapore	Time zones differences may have an impact on the effectiveness of trading halts if the securities, on which a halt is instituted, is listed on more than one markets in different jurisdictions. For example, a listed company may need to co-ordinate the timing of the release of the information on both exchanges so there is even dissemination of material information.
Comisión Nacional del Mercado de Valores, Spain	Time zone differences play a relevant role in instituting of trading halts, especially regarding those securities which are traded in the USA and Latin America stock markets. In the case explained in the 3rd paragraph of question 1 a) (i.e. when the disclosure of some price sensitive information could greatly affect the market integrity and thus causes the suspension by the CNMV) taking into account the time zones differences is very important because price sensitive

TCSC-2 Member	Response:
	information should be available simultaneously to all investors all around the world and suspension should take place in all markets before it is publicly released anywhere.
Finansinspektionnen, Sweden	No.
Swiss Federal Banking Commission, Switzerland	Time zone differences have no impact on our trading system (see reply to 8a above).
Commodity Futures Trading Commission, USA	In 1987 some countries questioned whether when trading halted in the US markets trading would spill over and overwhelm their markets. In 1987, trading in stock indexes continued in London when suspended in the United States.
Securities and Exchange Commission, USA	Time zone differences may determine when the U.S. market personnel are able to speak with representatives of a listed company, which may in turn affect the time when a trading halt can be imposed or lifted. This applies to domestic companies located on the West Coast as well as companies located outside the United States. While time zone differences exist, information regarding trading halts may be important even for markets that are closed. Take, for example, a security that is dually listed on Nasdaq and the London Stock Exchange (LSE), in which the LSE halts trading in the morning and resumes trading following dissemination of material news, all before the markets open in the U.S. It is still critical that Nasdaq know about the regulatory halt in London in order to be sure the same information is also thoroughly disseminated in the U.S. Nasdaq typically receives notice of the trading halt either by communication from the LSE, a market participant, or the broadcast media. If the trading halt is the result of pending news, the Nasdaq issuer would be required to notify Nasdaq of such disclosure. Again, the focus is maintaining a level playing field for all investors, both nationally and internationally.
Financial Services Authority, United Kingdom	Some UK companies with securities or Depositary Receipts traded in other time zones will sometimes time announcements to occur (where possible) when both markets are open. Time zone differences are most likely to have significance in instances where a listing authority in another time-zone holds

TCSC-2 Member	Response:
	a price-sensitive announcement overnight, or a disclosable event occurs out of hours in another time zone, and listing authorities/exchanges in other time zones are not made/cannot become aware that trading in a security should be halted. Similarly, failure to advertise the intended lifting of a suspension the following morning might unnecessarily prevent overnight trading in another time zone.

11. What data is readily available about trading halts in your jurisdiction?

TCSC-2 Member	Response:
Australian Securities and Investments Commission	When a security has a trading halt imposed an announcement is made by the exchange and disseminated by several news service providers. In this way data regarding the reason for a trading halt, the expected duration etc. of current halts is readily available. However, historical information regarding trading halts whilst stored by the ASX is not aggregated or readily available to the marketplace.
Brazilian Securities Commission, CVM	Date and time of all trading suspensions in the terms of CVM Instruction 31/84 is preserved in the exchange archives.
Commission des valeurs mobilières du Québec, Québec, Canada	All general cease trading orders are published in the weekly Bulletin de la Commission des valeurs mobilières du Québec.
Bourse de Montreal, Canada	With respect to the Equities Division, please find enclosed a copy of the Trading halt for 2000 and 2001.
Ontario Securities Commission, Ontario, Canada	The OSC's list of defaulting reporting issuers is available to the public and will shortly be made available on the OSC website – the list indicates those companies on which a cease trade order has been issued.
Toronto Stock Exchange, Canada	The number of trading halts and the duration of each is monitored on a quarterly basis by the TSE to ensure that the majority of such halts are kept within a 30-60 minute time frame, and in almost all cases do not last more than 60 minutes following complete dissemination of news. All TSE trading halts are entered into a database which can be readily accessed. The information retained includes date, time of day and reasons for the halt.
Canadian Venture Exchange Inc., Canada	Bulletins are issued with detailed information regarding the reasons for the halt and suspensions. These bulletins are widely available through news disseminators. The CDNX website has complete historical information.
Commission des Opérations de Bourse, France	Trading suspensions are made public by the exchange on its web sites. The COB would also make public its decisions to require a suspension in trading in a given financial instrument.

TCSC-2 Member	Response:
	When a financial instrument is suspended or reserved (i.e. subject to a trading halt), a specific symbol appears on the trading data disseminated by the exchange. Data on past suspensions and trading halts can be made available by the exchange.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	The market participants are notified of Trading Suspensions or Halts by the Board of Management. They shall be informed about the duration of the interruption in trading and receive knowledge about which securities are concerned. Further data are not available.
Securities and Futures Commission, Hong-Kong	Two reports on trading halts are available on the website of the Hong Kong Exchanges and Clearing Ltd.: • Temporary Suspension Status Report • Prolonged Suspension Status Report
Commissione Nazionale per le Società e la Borsa, Italy	Data readily available to the market is differentiated according to the type of trading halt involved. One information which is common to all types of trading halts refers therefore to the type of trading halt itself. With regard to trading halts not caused by excessive price variations, information provided to the market refers essentially to the causes of the trading halt. As regards automatic trading halts that occur in the **continuous trading phase**, information given to the market consists of: • the security involved; • the time in which trading has been halted and the time in which trading is to be started again; • the theoretical price which incorporates the excessive price variations; • the progressive number of orders that have given rise to the trading halts; • the intermediaries that have inserted the orders; • whether the price variation limit has been exceeded with respect to the control price or to last contract; • the excessive price variation. In the event of automatic trading halts that occur in the **validation trading phase**, information given to the market consists of the first three bullet points above. In the case of discretional trading halts, information given to the market consists of the first two bullet points above.
Financial Services Agency, Japan	Each SRO has detailed data regarding the past trading halts including the name of the issuer, halt hours, and cause of the

TCSC-2 Member	Response:
	halt
Securities Commission, Malaysia	The Exchange maintains data such as time, date and reasons for trading suspensions. The Exchange's monthly publication, Investors Digest, publishes information on stocks whish are still suspended.
Comisión Nacional Bancaria y de Valores, México	*See* Appendix B.
Securities Board of the Netherlands	We record the reports of Euronext Amsterdam. Detailed information can be collected from Euronext Amsterdam.
Monetary Authority of Singapore	The subsidiary regulations to be issued pursuant to the SFA would require securities exchanges and futures exchanges to notify MAS of all trading halts imposed as soon as practicable. Exchanges would also need to follow up with MAS of the circumstances relating to the trading halts and if appropriate, the remedial action taken.
Comisión Nacional del Mercado de Valores, Spain	As soon as the CNMV takes the decision of the trading suspension, the agreement is immediately communicated to the market participants and investors as price sensitive information.
Finansinspektionnen, Sweden	The name of the company, starting time and what will happen next.
Swiss Federal Banking Commission, Switzerland	SWX publishes trading suspensions in the news board and in Swiss Market Feed.
Commodity Futures Trading Commission, USA	The exchange web-sites disclose their trading halt rules and any news releases announcing the effectiveness of any such trading halts.
Securities and Exchange Commission, USA	The SEC publishes notices of each trading suspensions that the SEC orders. In addition, all trading suspensions in the last 5 years can be found on the SEC's website, www.sec.gov. All trading suspensions are kept in by the SEC's Office of Filing and Information Services in File 500-1. The total number of trading suspensions during each fiscal year is published in the SEC's Annual Report. NYSE regulatory halts are noted on the Consolidated Tape as they occur. Daily information regarding Nasdaq trading halts is immediately accessible on the Nasdaqtrader.com website. Trading halt information is archived on this same website for thirty days. Nasdaq's MarketWatch group keeps statistics of the number of trading halts that are administered, which are available to regulators upon request. Nasdaq also promptly communicates all trading halts and resumptions on its Nasdaq Workstation (NWII), and through

TCSC-2 Member	Response:
	the major newswires.
Financial Services Authority, United Kingdom	The UK Listing Authority collates information on listing suspensions on a regular basis. Over the past two years, these have totaled just over 100 annually. UK exchanges rarely impose trading halts except in consequence of a temporary suspension of listing by the UK Listing Authority.

12. Are there specific instances of trading halts in multi-listed securities or related derivative products that illustrate issues that the Standing Committee should consider?

TCSC-2 Member	Response:
Australian Securities and Investments Commission	Where a security is listed on more than one exchange within the same time zone, instances can arise whereby price sensitive information is released, or a trading halt imposed in only one market. Such a situation may lead to trading in an uninformed market or potentially could allow for arbitrage between the two markets. To illustrate this point let us assume that an equity security is dual listed on two exchanges in different jurisdictions but within the same time zone such that the normal trading hours of the exchanges overlap. The manual process involved in the transfer of information between exchanges regarding the imposition of trading halts could cause a delay in the implementation of a parallel halt in the other jurisdiction. This could result in a security being unable to be traded on market in one jurisdiction, but able to be traded on market elsewhere. Such a situation creates the potential for trading to occur in an uninformed market or jurisdictional arbitrage. Another issue for consideration is that exchanges in different jurisdictions may have different procedures in place to initiate trading halts or different attitudes on the appropriateness of trading halts in given circumstances. Differences in interpretation between exchanges may undermine the effectiveness of trading halts in multi-listed securities.
Brazilian Securities Commission, CVM	N/A
Commission des valeurs mobilières du Québec, Québec, Canada	There is no specific issue.
Bourse de Montreal, Canada	Yes. • The difference of trading halts procedure between Nasdaq and the other exchanges. • The fact that there is no trading halt based on corporate

TCSC-2 Member	Response:
	announcement on Nasdaq OTC.
Ontario Securities Commission, Ontario, Canada	No.
Toronto Stock Exchange, Canada	Consideration should be given to the circumstances where commissions should impose CTO's or temporary CTO's on the basis of similar orders initiated in another jurisdiction, and to how the process can be designed to facilitate the orderly trading (and conversely, halting of trading) by the exchanges. Consideration should also be given to making the requirement to halt trading for material news a requirement in all IOSCO jurisdictions.
Canadian Venture Exchange Inc., Canada	The different practices regarding cease trading of defaulting issuers among Canadian Securities Commissions is increasingly an issue. In one recent case, the CVMQ was the only commission to cease trade a company that was listed only on CDNX. The company was also a reporting issuer in Ontario and British Columbia. The OSC only cease traded the insiders and the BCSC did not cease trade. As a result of the CVMQ cease trade order, CDNX suspended trading however there was a delay because the CVMQ did not send a timely notice to CDNX and the individual that received it could not read French. We would suggest that the CSA coordinate cease trade order practices and communication of cease trade orders.
Commission des Opérations de Bourse, France	No response.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	No.
Securities and Futures Commission, Hong-Kong	To provide investors a basis for derivatives trading, when the underlying stock is suspended, related derivatives products should be suspended. However, some argue that derivatives products are hedging instruments which allow investors to hedge their risk when the underlying stock is suspended. In fact, many exchanges are trading derivatives whose underlying stocks are listed in another country. For

TCSC-2 Member	Response:
	example, a European exchange may have stock futures contracts based on US stocks. When the stock futures contract are traded in Europe, the trading of the underlying stocks may be closed in the US. The Standing Committee may want to evaluate whether trading halts in securities should be extended to their related derivatives products.
Commissione Nazionale per le Società e la Borsa, Italy	No.
Financial Services Agency, Japan	At least in Japan, the information can become "public" only in day time. As a result, certain information can be both public in the other side of the globe and not public in Japan. In the near future, when the midnight trading, through the global alliance (such as GEM), is not unusual, we have to consider how to facilitate this problem.
Securities Commission, Malaysia	N/A
Comisión Nacional Bancaria y de Valores, México	In the case of Mexico, there have been situations where a trading halt may not be imposed when a suspension is declared for a Mexican security listed in a foreign exchange and vice versa. On this regard, harmonization between the circumstances that might trigger a trading halt such as listing and maintenance requirements might provide a clearer legal framework for multi-listed securities.
Securities Board of the Netherlands	No.
Monetary Authority of Singapore	The SGX keeps close contact with the primary markets of multi-listed securities or related derivative products. This has worked well in co-ordinating trading halts or other regulatory actions between the relevant markets. Similarly, SGX informs and/or consults the MAS of such incidents to ensure appropriate and adequate measures are in place. One possible issue that the Committee may wish to consider is the timing question e.g. how practical is it to effect simultaneous suspensions and what are the more effective mechanisms to achieve this objective.
Comisión Nacional del Mercado de Valores, Spain	As explained before, there are no domestic multi-listed securities in our jurisdiction. However, some Instances of trading halts in cross-border multi-listed securities are:

TCSC-2 Member	Response:
	a) On the 4th October 1999, the CNMV suspended the trading of the securities of the Spanish tobacco company Tabacalera, due to the agreement of merger with the French tobacco company Seita. The suspension took place in co-ordination with the French authority. b) On the 16th February 2001, the CNMV took the decision of suspending the trading of the securities of Aceralia in co-ordination with the French and Luxembourg authorities as a result of the announcement of merger between Aceralia, Usinor and Arbed.
Finansinspektionnen, Sweden	We have nothing to add here.
Swiss Federal Banking Commission, Switzerland	N/A
Commodity Futures Trading Commission, USA	N/A
Securities and Exchange Commission, USA	No.
Financial Services Authority, United Kingdom	No specific instances that illustrate issues. However, as noted in 8b several exchanges providing trading in foreign securities – in particular where the securities are admitted to trading rather than formally listed – have experienced difficulty in establishing bilateral arrangements under which the UK exchange could be made aware of trading halts implemented in the home market. In some cases, the home market has declined to enter into such arrangements, or would so only on payment of a fee for the information. The SC may wish to consider a related issue of the appropriateness of trading halts in covered warrants, or similar instrument, based on a basket of/ including a number of foreign securities, one of which might be suspended.

13. Are there particular cooperation and information sharing practices that would assist market operators and regulators in administering trading halts in cross-border multi-listed securities and securities with related derivatives?

TCSC-2 Member	Response:
Australian Securities and Investments Commission	The ASX listing rules require that information releases be made by a listed entity directly to the exchange for dissemination, and not released to anyone else until the ASX confirms release to the market. Strict compliance with this rule would tend to work against the ideal of information sharing by an entity with all exchanges on which it is listed. Where an entity has a cross-border listing, regardless of where the primary listing is held, the ASX do not necessarily provide relief from this rule. However, the ASX do acknowledge that information may be required to be released to a foreign market outside of ASX hours of operation. This is allowed provided the entity faxes the information to the company announcements office at the same time, together with advice that it has released it. Where a company has cross-border multi-listed securities, a practice that may assist in administering trading halts would be to release major price sensitive information on a Sunday. In these circumstances, all markets would be closed at the time of the release and therefore there could be no trading in an uninformed market. Such a practice needs to be considered in relation to the continuous disclosure requirements of the Australian market.
Brazilian Securities Commission, CVM	N/A
Commission des valeurs mobilières du Québec, Québec, Canada	No.
Bourse de Montreal, Canada	No.
Ontario Securities Commission, Ontario, Canada	No.
Toronto Stock Exchange, Canada	Over the years, the North American exchanges have built an excellent relationship with one another, one which operates in complete co-operation and the united goal to foster good quality markets in which all investors trade on equal

TCSC-2 Member	Response:
	information or “a level playing field”. All North American exchanges including NASDAQ and some overseas exchanges, belong to the “Intermarket Surveillance Group” (ISG) providing for the exchange of information and co-operation among the respective exchanges including halt notification. Greater co-operation between IOSCO members (as mentioned in 12) would also assist market operators and regulators in maintaining fair and orderly markets.
Canadian Venture Exchange Inc., Canada	Not applicable for this market.
Commission des Opérations de Bourse, France	Improved flow of information/communication between market operators implementing trading suspension would be much assistance in an issue which is very time sensitive.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	According to Section 15 of the German Securities Trading Act, an issuer of securities admitted to trading on a German stock exchange must immediately publish any information which comes within his sphere of activity and which is not publicly known if such information is likely because of the effect on the assets and financial position or the general trading position of the issuer to exert significant influence on the stock exchange price of the admitted securities or, in the case of listed bonds, might impair the issuer’s ability to meet his liabilities. Before publishing the information the issuer must notify – inter alia - the Board of Management of the stock exchanges on which the securities are admitted to trading; or the Board of Management of the stock exchange on which only derivatives are traded, in so far as the securities are the subject of such derivatives. With this regulation, the stock exchanges should be able to decide whether or not to suspend the determination of stock exchange prices. As a result of this obligation the Board of Management receives all necessary information at a very early stage which if they result in the suspension of trading of the security, can be passed on to the other exchanges in time. A major issue with regard to cooperation and information sharing practices might be to enable the bodies responsible

TCSC-2 Member	Response:
	for the Trading Suspension or Halt • to obtain the necessary information concerning the issuer's area of activity and, • once they have been informed in time, to react accordingly, for instance by imposing an interruption in trading.
Securities and Futures Commission, Hong-Kong	It may be helpful if the relevant parties could create an electronic bulletin board to post trading halts information of multi-listed securities and securities with related derivatives.
Commissione Nazionale per le Società e la Borsa, Italy	The market management company, which decides trading halts, cooperates with Consob in order to ensure the regularity and orderly conduct of trading.
Securities Commission, Malaysia	N/A
Comisión Nacional Bancaria y de Valores, México	No response.
Securities Board of the Netherlands	No.
Monetary Authority of Singapore	SGX's rules require a listed company to give notice on trading halt if its security is suspended on another exchange. MAS currently share information actively with foreign regulators either under the MOUs concluded or through informal arrangements.
Comisión Nacional del Mercado de Valores, Spain	Before taking the decision of suspension, the CNMV usually contacts with the issuer, the governing body of the market on which the security is traded and, in case of a cross-border multi-listed securities, with the foreign regulator. With the aim of reacting quickly to the market, sometimes the CNMV skips this formal aspect. As explained before, the CNMV has in place a specific mechanism of co-operation with the US SEC to co-ordinate trading halts in cross-border multi-listed securities. As said in Question 8 b), the CNMV provides the SEC with all the relevant information, including copies of the official communications of the companies to be suspended to the CNMV as well as the CNMV communications to the market authorities and market participants). The CNMV also dispatches to the US SEC the pertinent notification as soon as the suspension is lifted.

TCSC-2 Member	Response:
Finansinspektionnen, Sweden	No.
Swiss Federal Banking Commission, Switzerland	N/A
Commodity Futures Trading Commission, USA	See answer 7 above.
Securities and Exchange Commission, USA	The SEC often acts as a resource for cross-border coordination, especially when the halt or suspension is initiated by an international regulatory authority for reasons in addition to the dissemination of material news. If the foreign regulator or exchange notifies the SEC of a trading halt, the SEC's MarketWatch group forwards the information along to the appropriate exchange or Nasdaq. However, there are no SEC formalized procedures for coordination among markets in the event of a trading halt. It is the experience of the Nasdaq MarketWatch Department that establishing key contacts with market centers and regulators abroad is an effort of mutual benefit. This is achieved by direct contact with many markets to establish appropriate trading halt contact names, telephone numbers and/or e-mail addresses. Nasdaq believes that it would be helpful for this working group to consider establishing an on-line directory of all appropriate contact names and numbers for the many market centers, exchanges and regulators throughout the globe. This could enhance the ability for all markets to communicate promptly on regulatory matters, especially those as time sensitive as trading halts. If possible, consideration should be given to establishing an international website that displays all daily trading halt information from all markets.
Financial Services Authority, United Kingdom	In general, better communication and more frequent contact between listing authorities and exchanges in other jurisdictions to ensure that the relevant authority is given/ can access information in sufficient time to enable it to implement a suspension, if considered necessary. A more organized distribution of information and organization of contacts if it can be achieved in a cost-effective manner (e.g. web-site, e-mails) Greater willingness of listing authorities/exchanges to notify

TCSC-2 Member	Response:
	suspensions automatically on basis of standing request from a foreign listing authority/exchange.

Schedule A

CFTC July 2001

Circuit Breaker Price Limits and Trading Halts

Time / Percent Fall	Before 1:00	At or after 1:00 p.m. but before 2:00 p.m.	At or after 2:00 p.m. but Before 2:30 p.m.	At or after 2:30 p.m.
10 %	NYSE Halts One Hour		NYSE Halts Half Hour	No Halt
	CME and CBT will halt trading when the relevant futures contract is limit offered and a trading halt is declared on the NYSE. KCBT and NYFE will halt trading if NYSE declares a trading halt.			CME and KCBT will treat 10% price limit as a speed bump.
20 %	NYSE Halt Two Hours	NYSE Halts One Hour	Trading halts for the remainder of the day.	
	CME and CBT will halt trading when the primary futures contract is limit offered and a trading halt is declared on the NYSE. KCBT and NYFE will halt trading if NYSE declares a trading halt.		All futures trading halts for the remainder of the day.	
30 %	Equity and futures trading halts for the remainder of the day if Dow declines by 30% at any time during the day.			

Speed Bumps

The CME, KCBT also employ intermediate price decline limits at levels below the circuit breaker levels. The CME speed bumps are set at levels equivalent to 5.0%, and 15% of the average of the closing prices of the primary futures contract during the month prior to the quarterly reset of price decline limits. The NYFE deleted its speed bump price decline limits.

Once the futures is offered at a speed bump price decline limit, that limit remains in effect for 10 minutes. For CME contracts only, if the futures contract is limit offered at the end of that 10-minute period, then there is a two-minute trading halt after which the next price decline limit (speed bump or circuit breaker) is in effect. The 5.0% speed bump is not in effect after 3:30 p.m. Eastern time.

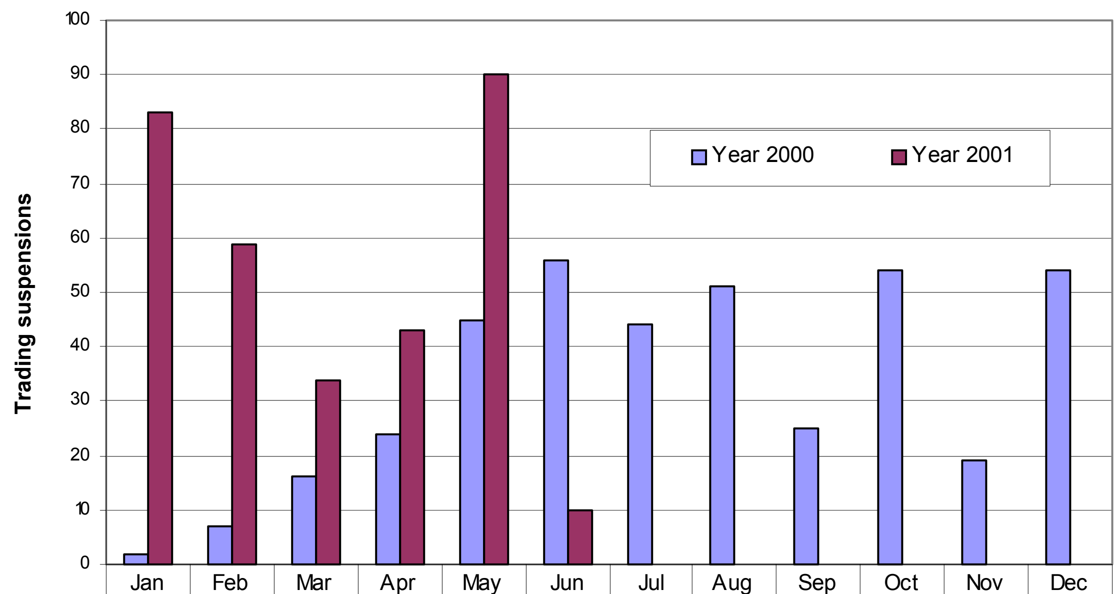
The CME and KCBT will maintain a total daily price decline limit at the 20% level.

Schedule B

It is important to take notice that the total number of trading suspensions in year 2000 was 397, while in the first five months of this year 309 trading suspensions were decreed. This dramatic increase can be explained by two modifications in the regulation regarding trading halts.

In the first place, in October of 2000 the National Banking and Securities Commission issued the 11-33 rule, where additional requirements of disclosure of information were implemented. In the second place, the internal regulation of the BMV reduced the limits of price fluctuation (see answer 1b) during the second semester of 2000.

Trading suspensions by month (January 2000 – June 8th, 2001)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Year 2000	2	7	16	24	45	56	44	51	25	54	19	54
Year 2001	83	59	34	43	90	10						

Source: BMV.

Regarding the causes that motivated a trading suspension, the following table describes the reasons that triggered a suspension.

Causes determining a trading suspension as a percentage of total suspensions

	YEAR	
	2000	2001
By extraordinary fluctuations in price	97.5	86.2
By Relevant Events	2.0	9.7
Other reasons	0.5	4.1

Source: BMV.

Schedule C

INTERNATIONAL MARKET HOURS

During periods of extreme market instability, an outline of international market hours may be useful to track possible disruptions. Please note the following: All times are converted to U.S. Eastern Time. In most instances, trading hours are provided only for the nation's leading exchange and indicate times when equities are traded. Please keep in mind that market hours change frequently and planned consolidations among the European exchanges may require revisions to this outline over the coming months. In addition, some leading stock indexes in these markets may be available for only part of the trading sessions identified below (indexes are priced only once per day using closing prices in some smaller markets). Trading hours are based on Bloomberg and Reuters reports.

Summary of Leading Equity Markets (a more detailed listing appears on the following pages)

NEW ZEALAND	*New Zealand Stock Exchange* **5:30 p.m. to 11:30 p.m.**
AUSTRALIA	*Australian Stock Exchange* **8:00 p.m. to 2:00 a.m.**
JAPAN	*Tokyo Stock Exchange* **8:00 p.m. to 10:00 p.m. & 11:30 p.m. to 2:00 a.m.**
SOUTH KOREA	*Korea Stock Exchange* **8:00 p.m. to 2:00 a.m.**
HONG KONG	*The Stock Exchange of Hong Kong* **10:00 p.m. to 12:30 a.m. & 2:30 a.m. to 4:00 a.m.**
UNITED KINGDOM	*SEAQ International* **2:00 a.m. to 3:00 p.m.** *London Stock Exchange* **3:00 a.m. to 11:30 a.m.**
ISRAEL	*The Tel Aviv Stock Exchange* **2:45 a.m. to 9:45 a.m.** - Sunday-Thursday
FRANCE	*Paris Exchange* **3:00 a.m. to 11:30 a.m.**
GERMANY	XETRA Automated Trading **3:00 a.m. to 2:00 p.m.**
NETHERLANDS	*Amsterdam Stock Exchange* **3:00 a.m. to 11:00 a.m.** Stocks with ADRs in U.S. can trade **11:00 a.m. to 4:00 p.m.**
SWITZERLAND	*The Swiss Exchange* **3:00 a.m. to 11:00 a.m.**
ITALY	*Italian Stock Exchange* **3:30 a.m. to 11:30 a.m.**

SWEDEN *Stockholm Stock Exchange* **3:30 a.m. to 1:30 p.m.**

SPAIN *Spanish Continuous Market* **3:00 a.m. to 11:30 a.m.**

CHILE *Santiago Stock Exchange* **9:30 a.m. to 4:30 p.m.**

BRAZIL *Sao Paulo Stock Exchange* **9:00 a.m. to 4:00 p.m.**

ARGENTINA *Buenos Aires Stock Exchange* **9:00 a.m. to 4:00 p.m.**

VENEZUELA *Caracas Stock Exchange* **9:30 a.m. to 1:45 p.m.**

MEXICO *Mexican Stock Exchange* **9:30 a.m. to 4:00 p.m.**

CANADA *Toronto Stock Exchange* **9:30 a.m. to 4:00 p.m.**

Detailed Listing of World Equity Markets

NEW ZEALAND

New Zealand Stock Exchange
Pre-Trading **5:00 p.m. to 5:30 p.m.**
Regular Session **5:30 p.m. to 11:30 p.m.**

AUSTRALIA

Australian Stock Exchange
Pre-Trading **5:00 p.m. to 8:00 p.m.**
Regular Session **8:00 p.m. to 2:00 a.m.**

JAPAN

Tokyo Stock Exchange
Morning Session **8:00 p.m. to 10:00 p.m.**
Afternoon Session **11:30 p.m. to 2:00 a.m.**
Institutions continue to trade **2:00 a.m. to 2:15 a.m.**

SOUTH KOREA

Korea Stock Exchange
8:00 p.m. to 2:00 a.m.

MALAYSIA

Kuala Lumpur Stock Exchange
Direct Entry by Dealers **8:30 p.m. to 9:00 p.m.**
Morning Session **9:00 p.m. to 12:30 a.m.**
Afternoon Session **2:30 a.m. to 5:00 a.m.**

TAIWAN

Taiwan Stock Exchange
9:00 p.m. to 1:30 a.m.

SINGAPORE

Singapore Stock Exchange
Morning session **9:00 p.m. to 12:30 a.m.**
Afternoon session **2:00 a.m. to 5:00 a.m.**

PHILIPPINES

Philippines Stock Exchange
9:30 p.m. to 12:00 a.m.

CHINA

Shanghai Securities Exchange
Morning Session **9:30 p.m. to 11:30 p.m.**
Afternoon Session **1:00 a.m. to 3:00 a.m.**

Shenzhen Stock Exchange
Morning Session **9:30 p.m. to 11:30 p.m.**
Afternoon Session **1:00 a.m. to 3:00 a.m.**

HONG KONG

The Stock Exchange of Hong Kong
Morning Session **10:00 p.m. to 12:30 a.m.**
Afternoon Session **2:30 a.m. to 4:00 a.m.**

INDONESIA

Jakarta Stock Exchange
Morning Session **10:30 p.m. to 1:00 a.m.**
Afternoon Session **2:30 a.m. to 5:00 a.m.**

THAILAND

Stock Exchange of Thailand
Pre-Opening **10:30 p.m. to 11:00 p.m.**
Morning Session **11:00 p.m. to 1:30 a.m.**
Afternoon Session **3:30 a.m. to 5:30 a.m.**

INDIA

The Stock Exchange Mumbai (Bombay)
11:30 p.m. to 5:30 a.m.

SOUTH AFRICA

The Johannesburg Stock Exchange
3:00 a.m. to 10:00 a.m.

AUSTRIA

Vienna Stock Exchange
Opening **2:00 a.m. to 3:15 a.m.**
Continuous Trading **3:15 a.m. to 11:30 a.m.**

ITALY

Italian Stock Exchange
Open Auction **2:00 a.m. to 3:30 a.m.**
Continuous Trading **3:30 a.m. to 11:30 a.m.**

UNITED KINGDOM

SEAQ International
2:00 a.m. to 3:00 p.m.

London Stock Exchange
3:00 a.m. to 11:30 a.m.

SPAIN

Spanish Continuous Market
Pre-Opening **2:30 a.m. to 3:00 a.m.**
Trading **3:00 a.m. to 11:30 a.m.**

<u>ISRAEL</u>

The Tel Aviv Stock Exchange
2:45 a.m. to 9:45 a.m. - Sunday-Thursday

<u>GREECE</u>

Athens Stock Exchange
3:00 a.m. to 7:15 a.m.

<u>FINLAND</u>

Helsinki Stock Exchange
3:00 a.m. to 11:00 a.m.

<u>NETHERLANDS</u>

Amsterdam Stock Exchange
3:00 a.m. to 11:00 a.m.
Stocks with ADRs in U.S. can trade **11:00 a.m. to 4:00 p.m.**

<u>BELGIUM</u>

Brussels Stock Exchange
3:00 a.m. to 11:30 a.m.

<u>DENMARK</u>
Copenhagen Stock Exchange
3:00 a.m. to 11:00 a.m.

<u>SWITZERLAND</u>

The Swiss Exchange
3:00 a.m. to 11:00 a.m.

<u>FRANCE</u>

Paris Exchange
3:00 a.m. to 11:30 a.m.

<u>IRELAND</u>

Irish Stock Exchange
3:00 a.m. to 12:30 p.m.

<u>GERMANY</u>

XETRA Automated Trading
3:00 a.m. to 2:00 p.m.

<u>TURKEY</u>

Istanbul Stock Exchange
Wholesale Trading **3:15 a.m. to 3:45 a.m.**
Morning Session **4:00 a.m. to 6:00 a.m.**
Afternoon Session **8:00 a.m. to 10:00 a.m.**

<u>CZECH REPUBLIC</u>

Prague Stock Exchange
3:30 a.m. to 9:30 a.m.

<u>HUNGARY</u>

Budapest Stock Exchange
3:30 a.m. to 11:00 a.m.

<u>SWEDEN</u>

Stockholm Stock Exchange
3:30 a.m. to 1:30 p.m.

<u>RUSSIA</u>

Russian Trading System
4:00 a.m. to 10:00 a.m.

<u>UKRAINE</u>

PFTS (OTC Trading System)
4:00 a.m. to 10:00 a.m.

<u>NORWAY</u>

Oslo Stock Exchange
4:00 a.m. to 10:00 a.m.

<u>POLAND</u>

Warsaw Stock Exchange
4:00 a.m. to 10:00 a.m.

<u>LUXEMBOURG</u>
Luxembourg Stock Exchange
4:15 a.m. to 10:15 a.m.

<u>PORTUGAL</u>

Lisbon Stock Exchange
4:30 a.m. to 11:30 a.m.

<u>EGYPT</u>

Cairo Stock Exchange
4:30 a.m. to 8:30 a.m. - Sunday-Thursday

<u>GHANA</u>

Ghana Stock Exchange
5:00 a.m. to 7:00 a.m. - Monday, Wednesday & Friday

<u>BERMUDA</u>

Bermuda Stock Exchange
8:00 a.m. to 2:30 p.m.

<u>BRAZIL</u>

Sao Paulo Stock Exchange
9:00 a.m. to 4:00 p.m.

<u>ARGENTINA</u>

Buenos Aires Stock Exchange
9:00 a.m. to 4:00 p.m.

<u>VENEZUELA</u>

Caracas Stock Exchange
9:30 a.m. to 1:45 p.m.

<u>MEXICO</u>

Mexican Stock Exchange
9:30 a.m. to 4:00 p.m.

CANADA

Toronto Stock Exchange
Regular Session **9:30 a.m. to 4:00 p.m.**
Crossing Session **4:05 p.m. to 5:00 p.m.**

Montreal Stock Exchange (primarily trades derivatives)
9:30 a.m. to 4:00 p.m.

Canadian Venture Exchange
9:30 a.m. to 4:30 p.m.

CHILE

Santiago Stock Exchange
9:30 a.m. to 4:30 p.m.

PERU

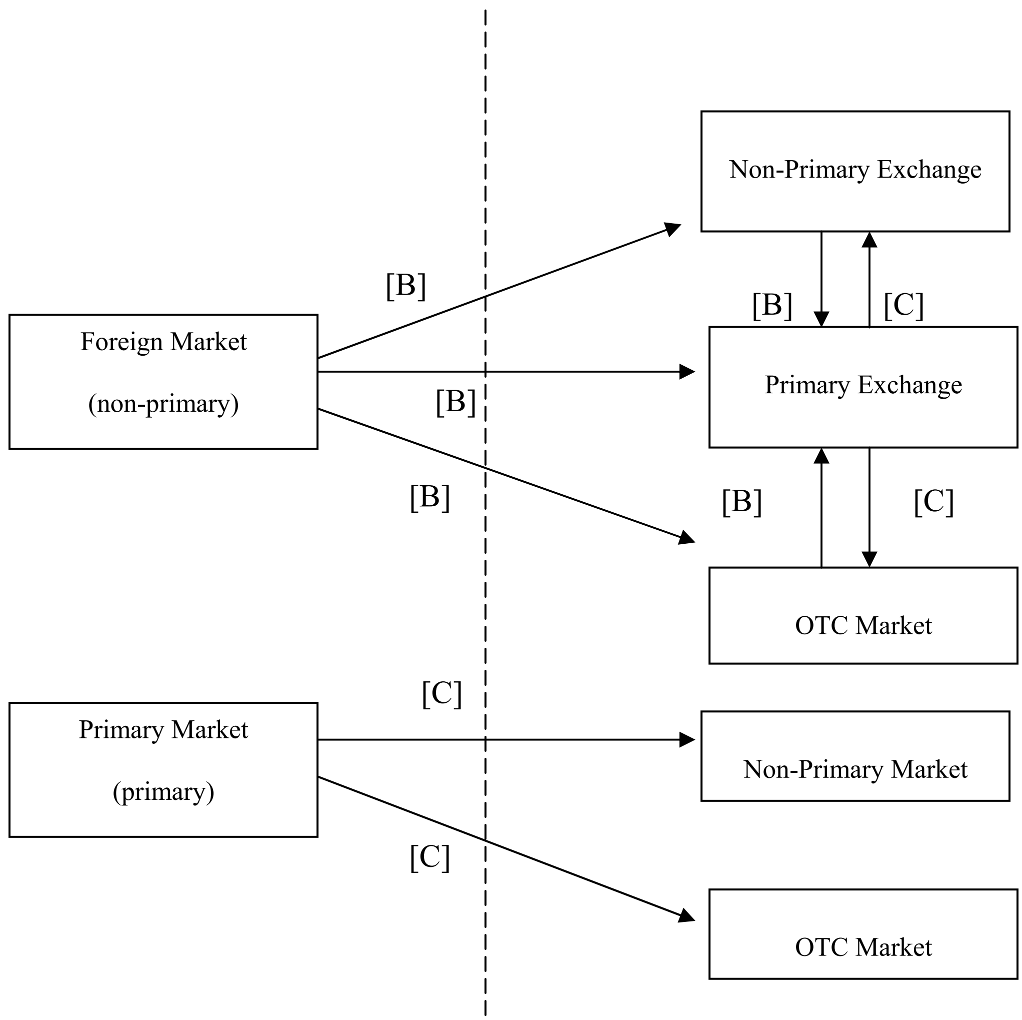
Lima Stock Exchange
10:00 a.m. to 2:30 p.m.

COLOMBIA

Bogota Stock Exchange
11:00 a.m. to 12:30 p.m.

(a) Schedule D - Japan

Attachment 2 - Linkage among Markets

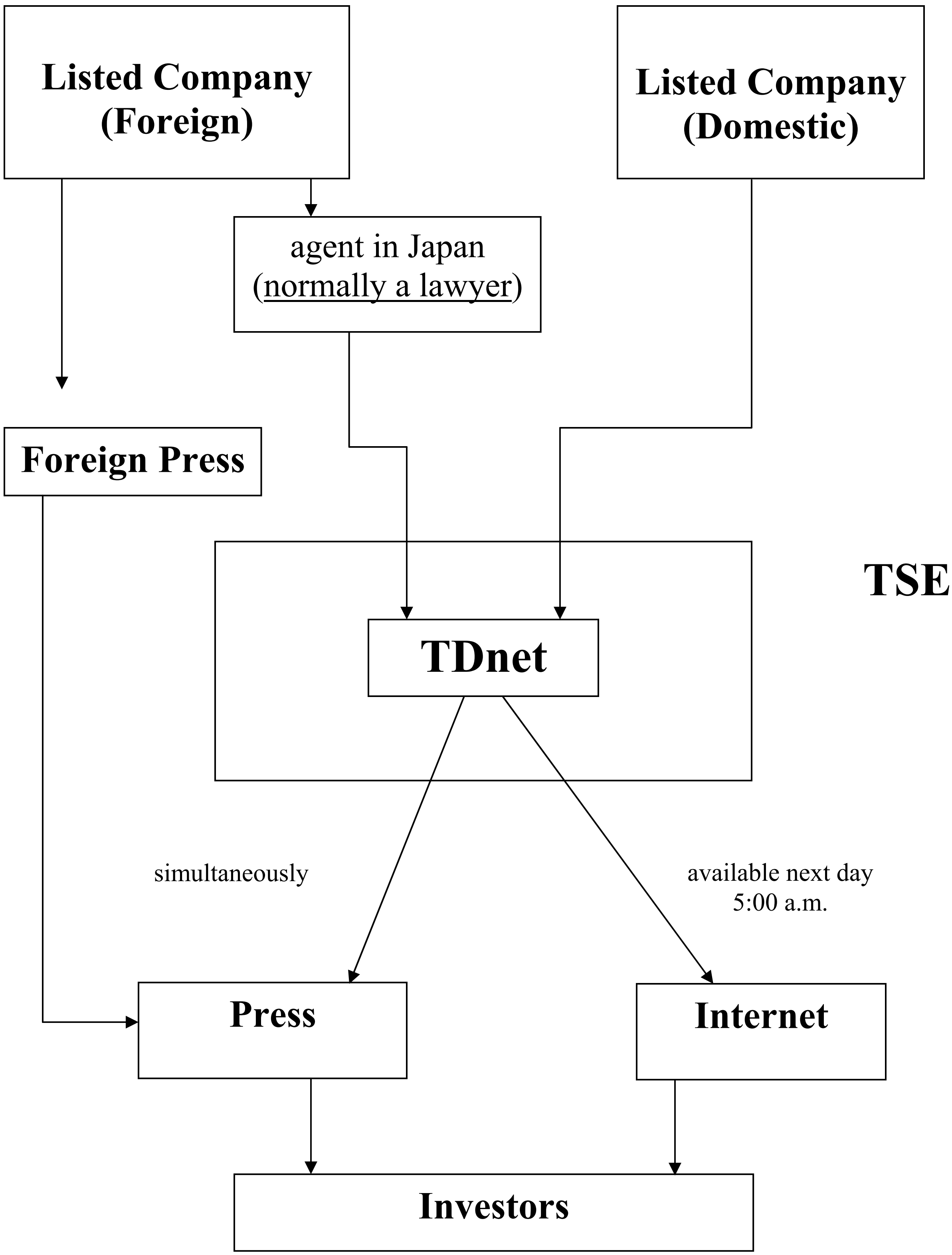


Trading halt in a non-primary market itself does not necessarily lead to the trading halt in other markets. However, if the halt is caused by the dissemination of uncertain and price sensitive information (categorized as [B] in table), this original halt might trigger the process of the trading halt for the same reason.

Trading halt in a primary market whatever reason will automatically lead to the trading halt in other markets assuming that the trading halt in a primary market may lead to the unusual situation indicated in category [C] in table.

Although JASD (operator of the OTC market) obtains information regarding foreign primary market through the domestic exchange, it halts its market (OTC market) because of the trading halt carried out in the foreign primary market

Attachment 3 - Timely Disclosure Scheme



APPENDIX D - Compilation of the Responses from TCSC-2 Members to the Supplemental Survey

14. a. Does any authority in your jurisdiction have the authority to close securities markets (i.e., in addition to circuit breakers)? If so, please identify that authority.

TCSC-2 Member	Response:
Australian Securities and Investments Commission	In addition to giving directions to a licensed market operator to suspend dealings in securities, ASIC has a general directions power in relation to securities dealings. While ASIC does not have express authority to close a licensed securities market, the Minister may suspend or cancel a market license at the request of the licensee, or, on his or her own initiative, impose or vary conditions of the license under which the licensee operates the market.
Brazilian Securities Commission, CVM	The Brazilian Securities Commission – CVM does.
Commission des valeurs mobilières du Québec, Québec, Canada	Yes, the Commission des valeurs mobilières du Québec has the authority to close securities markets as well as any other market recognized in Québec.
Ontario Securities Commission, Ontario, Canada	Yes. The OSC has the authority to close securities markets in Ontario.
Commission des Opérations de Bourse, France	Yes, the Conseil des Marchés Financiers and the Minister of Finance
Bundesaufsichtsamt für den Wertpapierhandel, Germany	There is no regulation in Germany that empowers explicitly an authority to close securities markets. However, the Federal Ministry of Finance may (in accordance with Section 2c of the Exchange Act) with the consent of the Federal Ministry of Economics and after consultation with the German Central Bank, issue individual orders prohibiting temporarily the official price determination for foreign currencies if there is a danger of a significant market disruption which may seriously endanger the economy as a whole or the public. In general, the Bundesaufsichtsamt für den Wertpapierhandel, as part of the functions assigned to it, counteracts undesirable developments in securities trading

TCSC-2 Member	Response:
	which may adversely affect the orderly conduct of securities trading or provision of investment services or non-core investment services or which may result in serious disadvantages for the securities market. The BAWe may issue orders designed and necessary to eliminate or to prevent such undesirable developments.
Securities and Futures Commission, Hong Kong	
Commissione Nazionale per le Società e la Borsa, Italy	Each market management company is endowed with the authority to close the markets it manages. In fact, pursuant to Article 62, paragraph 2, of Legislative Decree 58/1998, market management companies have to adopt the rules that establish the conditions and procedures for the admission, exclusion and suspension of financial instruments to and from trading; the same rules have to provide for and the conditions and procedures for the conduct of trading. However, market management companies are subject to the supervisory responsibilities of Consob, which in cases of necessity and as a matter of urgency, can adopt the measures required in order to ensure transparency of the market, orderly conduct of trading and protection of investors, including its acting in the place of the management company.
Financial Services Agency, Japan	The Prime Minister can exercise the authority to close securities market in accordance with the Securities and Exchange Law. (The Prime Minister delegates the authority to the Director General of Financial Services Agency excluding the case of revocation of license to a securities exchange or the case of suspension, in whole or in part, of business subject to a decision of a Cabinet meeting.)
Securities Commission, Malaysia	The Minister of Finance, on the advice of the relevant market authorities.
Comisión Nacional Bancaria y de Valores, México	
Securities Board of the Netherlands	
Monetary Authority	SGX may decide to close securities market if it deems it

TCSC-2 Member	Response:
of Singapore	necessary to meet the objectives of a fair and transparent market.
Comisión Nacional del Mercado de Valores, Spain	
Finansinspektionnen, Sweden	
Swiss Federal Banking Commission, Switzerland	
Commodity Futures Trading Commission, USA	
Securities and Exchange Commission, USA	Yes. The United States Securities and Exchange Commission has the authority to suspend all trading on any exchange or otherwise if it is required by the public interest and for the protection of investors. In addition, the NYSE recently amended NYSE Rule 51 to define extraordinary circumstances under which would grant the Chairman of the Board of Directors to suspend trading in some or all securities traded on the Exchange, to close some or all Exchange facilities, and to determine the duration of any such halt. Examples of possible extraordinary circumstances include action or threatened physical danger, severe climatic conditions, civil unrest, terrorism, and act or war, or loss or interruption of facilities utilized by the exchange. The rule also provides the authority to close the market at the request of a governmental agency or official.
Financial Services Authority, United Kingdom	UK exchanges are required to maintain orderly markets. They may therefore decide to close their markets if they consider that they are unable to sustain orderly trading. In practice, they would be unlikely to do so without consulting the FSA. The FSA has no specific power to order the closure of markets, though it does have a power to direct an exchange to come into compliance with its recognition requirements.

14. b. Where is such authority derived? Describe the circumstances under which such authority may be exercised, including any procedures that must be followed. For what length of time may the authority close the securities markets? Also, describe any examples of when such authority has been exercised.

TCSC-2 Member	Response:
Australian Securities and Investments Commission	The powers referred to derive from amendments made to the Corporations Law by the Financial Services Reform Act 2001 which is to commence on 11 March 2002. ASIC may give a direction in relation to dealings in securities to a market licensee under section 794D, if it is of the opinion that it is necessary or in the public interest to protect people dealing in the securities. ASIC must first give the market operator notice of its intention to give a direction and the reasons for it. If the licensee does not take adequate action to address the situation, ASIC may give the licensee the written direction and a statement of reasons. The direction may take effect for up to 21 days. A copy of the direction and statement of reasons must be given to the Minister and each clearing and settlement facility of the market. If the licensee fails to comply with a direction, ASIC may apply to the court for an order that it does so. The licensee may ask ASIC to refer the matter to the Minister, who may require ASIC not to make or to revoke the direction. The Minister may immediately cancel a market license or suspend it for a specified period at the request of the licensee under section 797B. The Minister may impose or vary conditions of a market license on his or her own initiative under section 796A if he or she considers it appropriate having regard to the statutory obligations of the licensee and any change in market operations or the conditions in which the market is operating; and the licensee is given notice of the proposed action and an opportunity to make a submission before the conditions take effect.
Brazilian Securities Commission, CVM	In the Securities Markets Law no. 6385/76 (amended by Laws no. 10303/01 and 10411/02), articles 9 to 12 define the jurisdiction and powers of the CVM. Article 9, paragraph 1, states that “in order to prevent or correct abnormal situations in the market, the Commission can: I – suspend trading with

TCSC-2 Member	Response:
	a particular security or ordain a recess of the exchange; ...” Another relevant piece of regulation is the National Monetary Council Resolution no. 2690/00 which regulates the constitution, organization and functioning of the Brazilian exchanges. Its article 68 almost repeat Law 6385/76, stating that the CVM can, among other things, “IV – ordain the recess of the exchange in order to prevent or correct abnormal situations in the market, as defined under the current regulations…” Abnormal situations would include severe market stress and/or general price decline due to institutional crisis, contagion from foreign markets, natural catastrophes and so on. There is no explicit maximum length of time. In recent history, the CVM authority to close markets has been exercised only once, during the peak of the Asian Crisis on the end of October 1997. The Commission acted in conjunction with the São Paulo Stock Exchange to close the market and establish for the first time a 2-tier circuit breaker, which has been in place since then. During the Russian Crisis (October/September 1998) and the devaluation of the Real (January/99), the circuit breaker was triggered with no intervention by the CVM. And on September 11th 2001, the exchange board closed the market before the circuit breaker was triggered.
Commission des valeurs mobilières du Québec, Québec, Canada	Under the Québec *Securities Act*, to carry on business in Québec, a stock exchange must be recognized by the Commission as a self-regulatory organization and, section 181 of the Act provides that: “The Commission may prescribe a course of action to a recognized organization if it considers it necessary for the proper operation of the organization or the protection of investors.” Therefore, the Commission des valeurs mobilières du Québec has the authority to close markets that are recognized in Québec if necessary. However, this power would be used only under exceptional circumstances if the market management refused to close the market by itself. We are not aware of any instance in which the Commission des valeurs mobilières du Québec exercised its authority to close markets.

TCSC-2 Member	Response:
Ontario Securities Commission, Ontario, Canada	The authority is found in several places in our Securities Act: • subsection 127(1) allows the Commission to make an order that "trading in any securities by or of a person or company cease permanently or for such period as is specified in the order" if in the Commission's opinion it is in the public interest to do so • subsection 21(5) sets out the Commission's powers to "make any decision with respect to,...(b) the trading of securities on or through the facilities of a recognized stock exchange", (c) any security listed or posted for trading on a recognized stock exchange..." if it appears in the public interest to do so • general rule-making powers are found in section 143, including making rules regarding: "Regulating trading... in securities to prevent trading...that is fraudulent, manipulative, deceptive or unfairly detrimental to investors." The Commission would not normally consider exercising this authority to close a marketplace other than in exceptional circumstances. Following the Sept. 11 attacks, it was left to the marketplaces to make the decision whether or not to close. However, we discussed alternatives at the time, including (a) taking a broad interpretation of s. 127 which provides for the issuance of a temporary order or (b) an emergency rule under section 143. Such an order would take effect immediately but would expire within 15 days unless extended by the Commission, and such a rule would take effect on the day it is published but would require prior Ministerial approval. If we did not want to rely on those sections, the broader authority of subs. 21(5) could be relied upon. The procedure in that case would be for the Commission to issue a decision of whatever duration was appropriate in the circumstances, but it would be more difficult to do so on an expedited basis. We are not aware of any instance in which the OSC used the authority in any of these sections to close the markets.
Commission des Opérations de Bourse, France	Under article L421-5 of the Financial and Monetary Code (July 1996), where an exceptional event disrupts the regular functioning of a regulated market, the chairman of the Conseil des Marchés Financiers may suspend part of or all

TCSC-2 Member	Response:
	negotiations for no more than two days running. Beyond that period of time, the suspension is decided by the Minister of Finance, upon proposal made by the chairman of the Conseil des Marchés Financiers. Such authority has never been exercised.
Bundesaufsichtsamt für den Wertpapierhandel, Germany	N/A
Securities and Futures Commission, Hong Kong	
Commissione Nazionale per le Società e la Borsa, Italy	The "Rules of the Markets Organized and Managed by Borsa Italiana Spa" – approved by Consol – stipulates that the market management company may, with reference to specific markets, categories of financial instruments or specific instruments, adopt discretional trading halts in cases in which anomalous trading conditions are observed for a financial instrument in terms of prices or volumes or where there are technical reasons or other circumstances that do not guarantee the regular operation of the market. The rules do not provide for the length of time during which the market can remain closed. This is specified on a case by case basis depending on the reason for which the market has to be closed. Neither are there specific provisions relating to the closure of a market in the event of exceptional events, such those occurred on September 11, 2001. Up to now, this authority has never been exercised by the market management company or by Consob. However, the issue has been discussed in depth by the Stock Exchange and Consob after the events of September 11, 2001.
Financial Services Agency, Japan	Prime Minister may, in case where a securities exchange falls within the purview of any of items set forth below and if the Minister deems it necessary and appropriate in the public interest and for the protection of investors, take action set forth in each such item:

TCSC-2 Member	Response:
	(1) In case where a securities exchange acted in violation of laws or regulations; Revocation of license, issuance of an order to suspend its business, in whole or in part, for a period of one year or such shorter time as may be fixed by the Minister, to change its business or prohibit part of its business, etc. pursuant to Item (1), Paragraph 1 of Article 155 of the Law. (2) In case where the Minister deems that an act of the securities exchange or the state of sales or purchase, etc. of securities in the exchange securities market provided by itself is detrimental to the public interest or for the protection of investors; Issuance of an order to suspend the sales or purchase, etc. of securities in the exchange securities market, in whole or in part, for a period of ten days or shorter period, or to suspend its business, in whole or in part, for a period of three months or such shorter period as may be fixed by the Minister subject to a decision of a Cabinet meeting pursuant to Item(2), Paragraph 1 of Article 155 of the Law. These administrative actions have never been taken so far, therefore, the JFSA does not provide any example on this question. • The Prime Minister may, in case where an issuer of a security listed by a securities exchange has violated the provisions of the Law, an order issued under the Law, or rules of the securities exchange and if the Minister deems it necessary and appropriate in the public interest or for the protection of investors, order the securities exchange to suspend the sale or purchase of the security in the exchange securities market or delist the security pursuant to Paragraph 1 of Article 119 of the Law. • The Prime Minister shall, in case where the administrative actions pursuant to Paragraph 1 of Article 119 or Item (1), Paragraph 1 of Article 155 of the Law are taken, held a hearing. The Prime Minister shall also, in case where the administrative actions pursuant to Item(2), Paragraph 1 of Article 155 of the Law are taken, held a hearing or provide the opportunity for expressing opinion. (This process may be exempted in case of emergency to

TCSC-2 Member	Response:
	protect public interest.)
Securities Commission, Malaysia	Closure of the stock exchange in an emergency is dealt with by section 9C of Malaysia's Securities Industry Act 1983. It reads, in full, as follows.[86] (Please note that "Minister" here is defined as the Minister of Finance.) **9C Closure of stock exchange in emergency** (1) The Minister may direct a stock exchange to close a stock market of the stock exchange for a period not exceeding five business days if the Minister is of the opinion that an orderly and fair market for trading in securities on the stock market is being or is likely to be prevented because - (a) an emergency or natural disaster has occurred in Malaysia; or (b) there exists an economic or financial crisis or any other circumstances in Malaysia or elsewhere. (2) The Minister may extend the closure of the stock market under subsection (1) for any further periods each not exceeding five business days. (3) The Minister shall specify the grounds for the closure in the direction given under subsection (1) and the grounds for any extension of closure under subsection (2). (4) The Minister shall, as soon as may be practicable, give a copy of the direction under subsection (1) or extension under subsection (2) to a recognized clearing house and direct the recognized clearing house to do all that it is reasonably capable of doing to give effect to the direction under subsection (1) or extension under subsection (2) while the direction or extension remains in force. (5) In this section - "business day" means any day on which there is official trading on the stock exchange but for the closure;

[86] The Act is also available from the Securities Commission's website (www.sc.com.my).

TCSC-2 Member	Response:
	"fair market" includes but is not limited to a market that reflects the forces of supply and demand.
Comisión Nacional Bancaria y de Valores, México	
Securities Board of the Netherlands	
Monetary Authority of Singapore	Section 21 of the SFA empowers the MAS to issue directions to terminate trading on any futures or securities exchange to ensure fair and orderly market, management of systemic risks or for the protection of public interests. Further, pursuant to section 12 of the SFA, MAS may revoke the approval granted to a securities exchange or futures exchange on various grounds. These grounds include contravention of any direction issued by MAS or the exchange operating in a manner that is contrary to the public interest. The revocation is to be made in writing. The exchange will be given an opportunity to be heard and appeal to the Minister.
Comisión Nacional del Mercado de Valores, Spain	
Finansinspektionnen, Sweden	
Swiss Federal Banking Commission, Switzerland	
Commodity Futures Trading Commission, USA	
Securities and Exchange Commission, USA	Section 12(k)(1)(B) authorizes the Commission summarily to suspend all trading on any exchange or otherwise, other than exempted securities, for up to ninety calendar days when such suspension is required by the public interest and for the protection of investors. Under circumstances where exercising this authority is appropriate, the Commission publishes an order that includes a brief statement of the specific facts supporting a finding that the suspension is

TCSC-2 Member	Response:
	required by the public interest and for the protection of investors. A market-wide trading suspension takes effect only after the Commission notifies the President of its decision and the President notifies the Commission that he does not disapprove of such decision. The Commission has never invoked this suspension. In the infrequent situations where there has been a suspension of trading, the exchanges have suspended all trading of their own accord in response to extraordinary circumstances. NASDAQ and the exchanges suspended all trading in response to September 11, 2001 terrorist attacks. The New York Stock Exchange ("NYSE") briefly suspended trading in the Intermarket Trading System during the market break of October 9, 1987. The NYSE and other exchanges suspended all trading on November 22, 1963, shortly after President Kennedy's assassination. Before the SEC was created, the NYSE suspended trading due to volume activity for four months in 1914, and for several days in 1928 and November 1929. In addition, the NYSE closed for eleven days during the bank moratorium of March 1933. The Commission also has the authority to issue emergency order to "alter, supplement, suspend, or impose requirements or restrictions with respect to any matter or action" within its own jurisdiction under the Exchange Act or of a self-regulatory organization. The Commission did issue emergency orders in response to the closure of the markets after the terrorist attacks of September 11, 2001. The Commission broadened the safe-harbor for company buy-back programs, loosened the several requirements under the Investment Company Act of 1940, and accommodate the American Stock Exchange who suffered damage to their trading floor as a result of the terrorist attacks.
Financial Services Authority, United Kingdom	The FSA's power to direct an exchange to take steps to come into compliance with its recognition requirements, e.g. to maintain an orderly market, derives from the Financial Services and Markets Act 2000. The power has not been used and the legislation envisages formal processes for its use (which suggests that it may not be useful tool in any situation requiring immediate action).