MEDIA RELEASE

International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

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IOSCO consults on recommendations to help trading venues manage extreme volatility

The Board of the International Organization of Securities Commissions (IOSCO) is seeking feedback on its proposed recommendations to assist trading venues and regulatory authorities in the implementation of mechanisms to manage extreme volatility.

Extreme volatility in securities markets can undermine IOSCO's objective of ensuring that markets are fair, efficient and transparent, weaken market integrity and reduce investor confidence. Following recent extreme volatility events, regulatory authorities and trading venues have been reviewing their approaches to managing extreme volatility; volatility control mechanisms seek to minimize market disruption triggered by events such as erroneous orders, by halting or temporarily constraining trading.

In a consultation report published today on *Mechanisms Used by Trading Venues to Manage Extreme Volatility and Preserve Orderly Trading*, IOSCO explores the measures that trading venues use to address the risks posed by extreme volatility. The report finds that these mechanisms can be an effective way for trading venues to mitigate the effects of extreme volatility and preserve orderly trading.

In the report, IOSCO proposes eight recommendations to assist trading venues and regulatory authorities when considering the implementation, operation, and monitoring of volatility control mechanisms. Specifically, the report recommends that:

- trading venues should have mechanisms to manage extreme volatility and these mechanisms should be appropriately calibrated and monitored;

- regulatory authorities should consider what information they require to effectively monitor the overall volatility control mechanism framework in their jurisdiction, and ensure that trading venues maintain relevant records;
- information about volatility control mechanisms and when they are triggered should be made available to regulatory authorities, market participants and, if appropriate, the public; and
- communication amongst trading venues should be considered where the same or related securities are traded on multiple trading venues in a particular jurisdiction. In addition, where the same or related instruments are traded in different jurisdictions and the mechanism is triggered, communication may be appropriate.

The report also highlights the issues that arise where this information sharing and communication between trading venues occurs across jurisdictions.

The report is part of IOSCO's ongoing work on how technology is changing how markets operate and how regulators and markets should respond to these changes. Specifically, the report builds on the recommendations in IOSCO´s 2011 report *Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency*, which addressed the broad technological changes impacting markets, including high frequency trading and measures used to address volatility, including trading halts, circuit breakers and price limits.

Public comments on this consultation paper should be **submitted on or before 6 May 2018**

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 34 securities regulators. Mr. Ashley Alder,

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the Chief Executive Officer of the Securities and Futures Commission (SFC) of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Jamaica, Japan, Kenya, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Panama, Quebec, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America.

3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 11 of the G20 members. Mr. Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia and Vice Chair of the IOSCO Board, is the Chair of the GEM Committee. The Committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.

4. IOSCO aims through its permanent structures:

- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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