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

IOSCO/MR/20/2018

Madrid 1 August 2018

IOSCO issues recommendations to help trading venues manage extreme volatility

The Board of the International Organization of Securities Commissions (IOSCO) today published eight recommendations to assist trading venues and regulatory authorities in the implementation of mechanisms to manage extreme volatility and preserve orderly trading.

Following recent extreme volatility events, regulatory authorities and trading venues have been reviewing their approaches to managing extreme volatility, particularly through the use of volatility control mechanisms. Volatility control mechanisms seek to minimize market disruption triggered by events such as erroneous orders, by halting or temporarily constraining trading. IOSCO believes that these mechanisms support the goal of ensuring that markets are fair, efficient and transparent, thereby increasing market integrity and investor confidence.

Today´s final report, *Mechanisms Used by Trading Venues to Manage Extreme Volatility and Preserve Orderly Trading*, therefore recommends that trading venues should have volatility control mechanisms to manage extreme volatility and these mechanisms should be appropriately calibrated and monitored.

The report assists trading venues and regulatory authorities in implementing, operating and monitoring volatility control mechanisms by making recommendations that trading venues should, among other things, regularly monitor volatility control mechanisms to ensure they are working as designed and identify circumstances that would require the mechanisms to be re-calibrated. Trading venues also should make information available about volatility control mechanisms and when they are triggered to regulatory authorities, market participants and, if appropriate, the public.

Because of the importance of information sharing and communication among trading venues, the report recommends that where the same or related instruments are traded on multiple trading venues in the same jurisdiction, trading venues should communicate with one another when volatility mechanisms are triggered, as appropriate. Communication among trading venues may also be appropriate where the same or related instruments are traded in different jurisdictions and a volatility control mechanism is triggered.

The report also identifies the more recent development and use of price constraint mechanisms that, rather than simply halting trading, reject or constrain certain orders to allow trading and price formation to continue.

The report is part of IOSCO's ongoing work on how technology is changing the way markets operate and how regulators and markets are responding 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.

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, 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, Japan, Kenya, Korea, Kuwait, Malaysia, Mexico, the Netherlands (observer), Ontario, Pakistan, Panama, Portugal, Quebec, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, and the United States of America. The Chair of the European Securities and Markets Authority (ESMA) and the Chair of IOSCO´s Affiliate Members Consultative Committee are also observers.

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.

MEDIA ENQUIRIES
Carlta Vitzthum + 34 91 787 0419
Outside office hours + 34 697 449 639
Email: carlta@iosco.org
Website: www.iosco.org
Follow IOSCO on Twitter here