

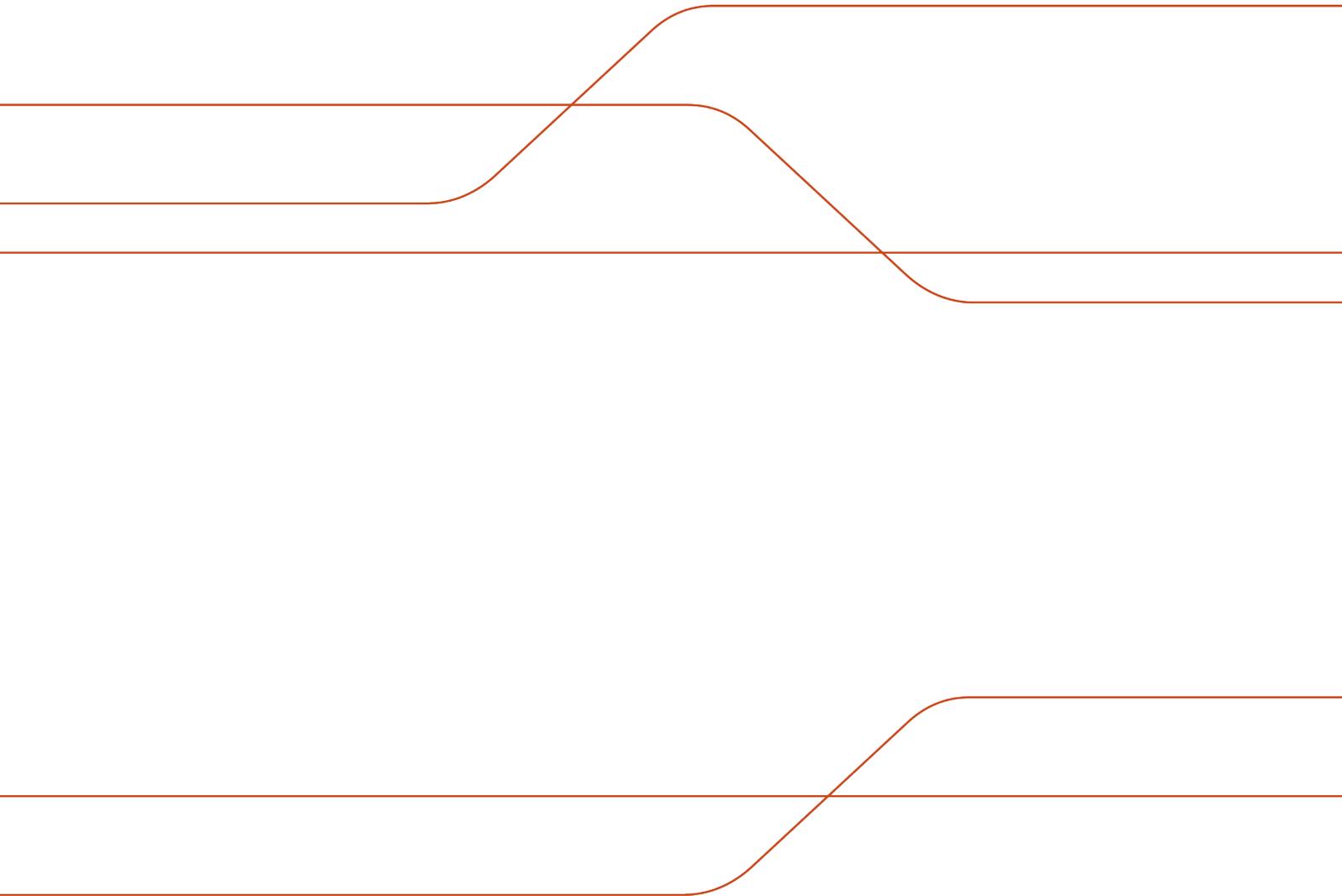


SIX Swiss Exchange Ltd

# Directive 4: Market Control

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## 1. Purpose and principle

This Directive contains provisions for market control and is based on Clauses 10.5 and 10.10 Rule Book.

## 2. Market control duties

<sup>1</sup> The market control of the Exchange ("Market Control") shall ensure trading that is as fair, efficient and orderly as possible, with the objective of treating investors and participants equally and protecting investors.

<sup>2</sup> Market Control shall, in particular, assume the following tasks:

- a) it shall regulate trading periods on the basis of defined parameters and interrupt trading entirely or in part if fair, efficient and orderly pricing is not ensured;
- b) it shall monitor and verify every trade as soon as possible for market compliance and, in certain instances, declare trades already conducted to be null and void, and cancel them (see Clause 6);
- c) it may also adjust trading parameters at short notice in certain situations;
- d) it shall inform participants of any adjustment to trading parameters, trade restrictions and mistrades;
- e) it shall issue instructions to participants in special situations; and
- f) it shall suspend trading entirely or in part in special situations.

## 3. Communication

<sup>1</sup> Market Control informs participants and the market via the Newsboard.

<sup>2</sup> Market Control is available to participants by e-mail and telephone.

<sup>3</sup> The Exchange may record telephone communication with Market Control.

## 4. Market Control in extraordinary situations

### 4.1 Measures in extraordinary situations

<sup>1</sup> Should an extraordinary situation as per Clause 10.10.1 Rule Book arise, Market Control may institute all measures which it deems necessary to maintain trading that is as fair, efficient and orderly as possible or, if this is not possible, to suspend trading entirely or in part.

<sup>2</sup> In particular, Market Control may

- a) delay the opening of trading in a security;
- b) restrict or suspend continuous trading in a security;
- c) instruct the participants involved to adjust or delete orders;
- d) reject orders or delete them in the name of the participants involved;
- e) declare trades null and void and cancel them according to Clause 6;
- f) adjust trading parameters at short notice; or
- g) suspend trading in a given security or on the market as a whole.

## 4.2 Information

Market Control shall inform participants via the Newsboard in the event of an extraordinary situation, the measures taken and their duration.

# 5. Market Control in emergency situations

## 5.1 Measures in emergency situations

<sup>1</sup> Should an emergency situation as per Clause 10.10.2 Rule Book arise, Market Control may institute all measures which it deems necessary to maintain trading that is as fair, efficient and orderly as possible or, if this is not possible, to suspend trading entirely or in part.

<sup>2</sup> In particular, Market Control may:

- a) rescind directives in full or in part, including the Rule Book, and replace them temporarily with new regulations;
- b) instruct participants to transmit clearing and settlement instructions to a recognised clearing and settlement organisation directly; or
- c) temporarily suspend trading in full or in part.
- d) in the event of the non-availability of a central counterparty, suspend participants from trading until the admission requirements under Clause 3.2 Rule Book are fulfilled, and declare the provisions of Clause 15 Rule Book applicable to the conclusion of trades.

## 5.2 Participants' measures in emergency situations

<sup>1</sup> In emergency situations the participant must agree on arrangements with the other participants so that it:

- a) can continue to trade with the other participants even if its own access system fails;
- b) can trade with a participant whose access system has failed; and
- c) can properly settle trades even if the reporting functionalities of the exchange are not available.

<sup>2</sup> Should a central counterparty no longer be available, participants shall take appropriate organisational precautions to ensure that the admission requirements continue to be fulfilled. In particular, the participant shall take preventive action to ensure that it is able to engage in bilateral trading with other participants. As part of its contingency planning, the participant must secure access to an alternative clearing organisation that is recognised by the Exchange, or must have access to such via a general clearing member.

## 5.3 Information

<sup>1</sup> The participant shall immediately inform Market Control if it no longer has or has only limited access to the exchange system, or if for other reasons in its opinion there is an emergency situation.

<sup>2</sup> Market Control shall inform the participants via Newsboard in the event of an emergency situation, the measures taken and their duration.

## 5.4 Provision for the failure of a participant's access system

<sup>1</sup> On the (partial) failure of a participant's access system, the participant shall immediately inform Market Control of the failure or a more serious fault of its access system.

<sup>2</sup> The participant shall simultaneously apply for permission for provisional trading. The Exchange shall grant this within a reasonable period of time and adjust individual provisions for the participant affected.

<sup>3</sup> In such instances, the participant may also request Market Control to delete its orders. Market Control can make the following deletions:

- a) deletion of all orders of a certain participant or trader;
- b) deletion of all orders regarding a certain security; or
- c) deletion of a specific order (in exceptions only).

<sup>4</sup> The request must be made by telephone. A written confirmation of the deletion of an order and of the access system's (partial) failure must be e-mailed to Market Control as soon as possible, but no later than before the end of the current trading day.

<sup>5</sup> Market Control may reject the deletion of orders at its own discretion.

## 5.5 Reports following emergency situations

<sup>1</sup> Emergency situations do not, as a rule, release participants from their reporting obligations. Participants must subsequently report to the Exchange transactions which have come about during emergency situations.

<sup>2</sup> Transactions following emergency situations must be reported stating the time of execution using the functions described under Clause 12.1.3 Rule Book. These reports must also be flagged using the "Special Price" trade type.

<sup>3</sup> Trades coming about during emergency situations must be reported as soon as possible after the situation has been resolved, but no later than the opening of trading on the next trading day.

## 6. Market Control in the event of mistrades

### 6.1 Principle

Market Control monitors the integrity of the market on an ongoing basis. If it detects a violation of market integrity, either independently or owing to a tip-off from a participant, it will open proceedings in respect of the invalidity

- a) of an on-order-book trade, or
- b) the reporting of an on-exchange, off-order-book trade.

### 6.2 Requirements

<sup>1</sup> Market Control may declare a on-exchange, on-order-book trade null and void or refuse to accept a Trade Report of an off-order-book trade as a "trade on the Exchange" if

- a) a trade's price deviates considerably from the market price; or
- b) fair, efficient and orderly market conditions are not ensured.

<sup>2</sup> The establishment of the market price and the decision on the existence of a significant deviation are at the discretion of Market Control.

<sup>3</sup> Trades at market prices resulting from wrongful order submissions shall not be declared null and void.

### 6.3 Procedure

<sup>1</sup> Market Control may declare a trade null and void on its own accord or on a participant's application.

<sup>2</sup> Market Control shall, as a rule, decide on the invalidity of a trade within 30 minutes of its execution, with the exception of

- a) bonds: up to 30 minutes after close of trading;
- b) Structured Products: up to 30 minutes after close of trading, if at least one of the participants involved has designated the order as a client transaction.

<sup>3</sup> In exceptional cases, Market Control may extend these periods after prior announcement via the Newsboard.

### 6.4 Effects of an annulment

<sup>1</sup> If Market Control declares a trade null and void, it shall

- a) publish an annulment via Newsboard;
- b) reverse the trades in question by no later than the end of the clearing day; and
- c) announce the annulment of the trade in the market data.

<sup>2</sup> In exceptional cases, Market Control may make countertrades on behalf of the parties concerned, or instruct these parties to make the corresponding countertrades.

### 6.5 Costs

<sup>1</sup> The costs of the proceedings shall be borne by the participant who caused the trade to be declared null and void or who caused an investigation to be instituted.

<sup>2</sup> The details are laid down in the "List of Trading Charges".

Resolution of the Participants & Surveillance Committee of the Regulatory Board of 8 June 2017; in effect since 23 October 2017.