Evaluating volatility controls during extended trading hours

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CIRO should publish an assessment plan before its extended-hours volatility controls take effect. The plan should test whether the controls prevent disorderly executions while allowing prices to adjust to new information. I support the proposed phased approach, provided that the initial period has a defined review date, usable evidence and a clear process for deciding whether changes are needed.

These comments address Questions 1 and 2 of Bulletin 26-0210. They concern assessment design and accountability; I do not provide marketplace implementation estimates or proprietary trading data.

Question 1 Implementation readiness and the assessment period

I support a minimum preparation period of 120 days after publication of the final guidance, as proposed. Its adequacy should be confirmed through readiness evidence from the affected marketplaces. Before the start date, CIRO should ask each marketplace to confirm completion of the relevant testing, identify unresolved dependencies and explain how any material exceptions will be handled. CIRO should use the results to identify dependencies that could prevent consistent operation across venues. [1]

Readiness testing should include the first trade of the day, long gaps without a trade, the transition to the listing exchange's opening trade, and the treatment of orders that cannot execute within the permitted bands. The results need not disclose proprietary systems. A common summary of completed tests and unresolved issues would give CIRO a clearer basis for deciding whether implementation can proceed.

For the assessment itself, I recommend planning for six months, with a review at three months. These are proposed governance intervals, not estimates of the time required to establish a statistically reliable result. The interim review should identify missing records, inconsistent definitions and operational problems while they can still be corrected. At the final review, CIRO should explain whether the evidence supports retaining or changing the controls, or extending observation.

An extension should be justified by what is missing. For example, insufficient observations in less active securities may call for longer monitoring rather than an early conclusion that the parameters are suitable. Conversely, a serious implementation defect should be addressed when identified; the assessment timetable should not delay corrective action.

The published plan should also distinguish implementation problems from questions about the price parameters. A missing reference-price update, inconsistent order handling and an appropriately functioning control that warrants recalibration are different findings. Recording them separately would make the eventual policy decision easier to assess.

Question 2 Data that make the review informative

The proposed record of orders that breach a threshold is a useful starting point. To interpret it, CIRO should adopt a common data dictionary before collection begins. Definitions should cover the observation unit, timestamps, order outcomes and treatment of partial executions. Otherwise, differences in reporting practice could be mistaken for differences in the effects of the controls. [1]

The reporting protocol should distinguish an incoming order message from an underlying order. Where a marketplace can identify revisions or resubmissions within its own records, it should explain how they are counted. A cluster of rejected messages from one repeatedly submitted order should not automatically be read as the same number of separate trading intentions. No assumption should be made that marketplace identifiers allow the same order to be followed across venues.

Counts of affected orders also need a denominator. I suggest reporting aggregate totals of eligible incoming orders and their volume for the same securities and time intervals, using existing records where possible. The review could then compare the frequency of interventions without confusing a busy session with a high intervention rate. Aggregate context would complement the proposed event records without necessarily requiring a new detailed submission for every unaffected order.

Reference-price information should describe the age of the underlying transaction, where it can be identified from existing data. Appendix A explains that, in quiet periods, the national last sale price and the One-Minute Reference Price can have the same value. A recently calculated snapshot can therefore still reflect an older trade. Recording that distinction would help CIRO assess when a control is responding to a fresh price signal and when it is operating during limited price discovery. It would not replace the proposed reference prices. [2]

Order outcomes should remain separate throughout the assessment. Rejection, repricing and booking an order that cannot yet trade have different implications for the customer and the marketplace. Where proportionate and technically feasible, a limited sample could examine what subsequently happened to affected orders within the same venue. Such analysis should be reported as evidence about observed outcomes, without assuming what execution would have occurred in the absence of the control.

For eligible securities during the hours when SSCBs operate, the absence of a circuit-breaker halt should not, by itself, be treated as proof that a session was well protected. Appendix C provides that no breaker is triggered when there is no reference trade in the preceding five minutes; the next trade establishes a new starting reference. The assessment should distinguish these circumstances from periods in which a usable reference existed and the trigger was not reached. [3]

Results should be separated by relevant session windows and security characteristics. Pooling the early morning, the period near the opening auction and the evening could conceal operational differences. The proposed 3:30-4:15 p.m. ET interval in which SSCBs would not operate should be identified separately. [3] Any comparisons with core hours should acknowledge differences in trading activity and information arrival; they would be descriptive evidence, not an estimate of the causal effect of extending trading hours.

CIRO should publish an aggregate assessment explaining the evidence, limitations and reasons for its next decision. Detailed supervisory records can remain confidential. Public reporting should allow participants and investors to understand whether the initial phase produced enough evidence to retain the parameters, revise them or continue observation.

References

[1] CIRO Bulletin 26-0210 Proposed Guidance on Marketplace Thresholds and Single-Stock Circuit Breakers. Sections 2 to 4, in particular Questions 1 and 2

[2] Appendix A Draft Guidance on Marketplace Thresholds. Sections 4.5 to 4.8, pages 8 to 12; section 4.14, page 14

[3] Appendix C Draft Guidance on Single-Stock Circuit Breakers. Section 4.1, page 8; section 6, page 9