Specialist Working Group for Recurrence Prevention Measures
Summary of 1st Meeting

1. Date and Time: November 6, 2020    15:30 - 16:42

2. Venue: Online

3. Agenda
(1) Major topics for consideration going forward
(2) Schedule and draft agenda for future meetings

4. Summary of discussion
 (1) General discussion

- As long as there are rules to follow, systems should be able to respond to emergency situations by themselves. If we can establish trading resumption procedures through the Council and the Specialist Working Group, this will enable each firm to respond accordingly in terms of operations and IT systems.

- The agenda of this Working Group should include what the issues were at TSE with regards to this incident and what kind of recurrence prevention measures we can set up to improve stability.

- I would also like TSE to explain to this Working Group what has been improved regarding the TSE system response as a result of this failure, and things like what other actions would be possible in the future apart from a reboot.

- It will be necessary to prepare procedures for trading resumptions. I request that TSE considers what rules and procedures would be desirable also for investors from a fiduciary duty perspective, including for information provision.


 (2) Comments on specific issues
  (On rules for trading suspensions and resumptions)

- I think we need to look in more detail about how to handle similar failures if they occur after market open. In particular, the most important point for our discussion is which orders are treated as executed, including how to handle partial executions, in the event of a failure during trading hours.

- If TSE needs to cancel even transactions whose execution notices have been sent, it would affect subsequent trading since the execution notices would have already been notified to customers.

- If order acceptance had been cancelled before 8:00, we could have had more

flexibility over the subsequent response.

- While system-based responses are made possible by establishing trade handling rules in advance, we will need to discuss exceptional cases as well, since trading suspensions are not always completely successful, as we saw with the recent failure at Euronext.

- While we should consider various cases when establishing new rules, we cannot cover everything, so the rule needs to be uncomplicated to an extent.

- In Taiwan and Hong Kong, if a huge typhoon, etc. is coming, trading is suspended in accordance with set standards. I would like for you to consider the rules in the context that there are reasons for trade stoppages other than system failures.

- This situation would surely not have been the same if order acceptance had been cancelled before 8:00.

- In the survey sent to trading participants, two possible scenarios were included, but surely we should break down these situations to some extent. I would like for the rules to be established after finding easy to understand and practical areas of common ground.

- It should be clarified that the purpose of interviews carried out by TSE on the day of the failure was to obtain reference information to help TSE decide about a trading resumption, not asking trading participants whether a trading resumption was possible. In addition, we should consider a framework for the scope of interviews which allows interviewees to respond on behalf of a firm.

- Going forward, I would especially like to discuss cases where a failure occurs after market open. I would also like you to bear in mind the need for time in between making the decision on resumption and the actual resumption.

- I would like to discuss how we should handle orders under each failure scenario and whether securities companies are under an obligation to make efforts to notify their customers.

- I think it necessary to consider scenarios based on the principle of fiduciary duty. As it would be questionable, without customer consent, to resend orders and/or cancel transactions whose execution was already notified, I would like to establish recurrence prevention measures after discussion of the Working Group and under the consensus of all trading participants.

- From a mid- to long-term perspective, it might be a good idea to consider how back-up sites can be utilized going forward.

(On information provision)

- Information disclosure about the situation on the day was insufficient. Information about the cause of failure was conflicting, so we did not know whether it was a failure on our side, on the TSE side or with the network. I would like to conduct

two-way information exchange in the future.

- In the recent incident, information provision from JPX was slow and there was a lack of information for decision making. Although the failure had occurred in FLEX around 7:10, we received pre-opening quotations from 8:00 and were not able to judge whether this information was correct. I request that TSE provides information at an earlier stage.

- The most important thing is information. Information was insufficient in the recent incident. TSE needs to make sure that this is done properly in future.

- Regarding information provision, while it is perhaps not necessary to share all the technical information with everyone, even a prior notice that information is coming soon can be reassuring.

- TSE should enhance information provision and conduct communication with system vendors properly.

- Information provision in English should be enhanced since 70% of the trading on the TSE 1st section originates from overseas investors.


(On opinion gathering)

- I request that procedures for gathering opinions from trading participants and communication between TSE and securities companies should be put in order.

- I can imagine that those on the front line will be in a state of commotion in the event of a failure, so we should establish a recovery method which would enable TSE to resume trading without gathering opinions from trading participants.


(The TSE Equity Department is responsible for the wording of the meeting summary. This English translation is for reference purposes only.)