

# Market-Wide Circuit Breakers

## Frequently Asked Questions

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### **Q: What are Market Wide Circuit Breakers “MWCB”?**

**A:** The U.S. equity, options and futures exchanges have established procedures for coordinated cross-market trading halts in the event of a severe market price decline. These procedures, known as market wide circuit breakers, may halt trading temporarily or, under extreme circumstances, close the markets before the normal close of the trading session. The circuit breakers are calculated daily based upon the prior days value of the S&P 500 index and can be found here: <https://www.nasdaqtrader.com/trader.aspx?id=CircuitBreaker>

### **Q: What stocks will halt when a Market-Wide Circuit Breaker threshold is breached?**

**A:** All NMS securities will be halted in the event a MWCB threshold is breached.

### **Q: What are the circuit breakers thresholds and time durations?**

#### **Level 1 halt (7% decline in S&P 500 index)**

- Trading will halt for 15 minutes if drop occurs before 3:25 p.m.
- At or after 3:25 p.m.—trading will continue, unless there is a Level 3 halt.

#### **Level 2 halt (13% decline in S&P 500 index)**

- Trading will halt for 15 minutes if drop occurs before 3:25 p.m.
- At or after 3:25 p.m.—trading will continue, unless there is a Level 3 halt.

#### **Level 3 halt (20% decline in S&P 500 index)**

- At any time during the trading day—trading will halt for the remainder of the trading day.

### **Q: Who is responsible for monitoring and triggering the MWCB?**

**A:** During regular trading hours, if the S&P 500 Index declines equal to or greater than the threshold levels (either 7%, 13% or 20%) a market-wide circuit breaker halt will be declared by the SIPs. Messages will be published by the SIP's informing market participants of the event. The Primary Listing venues are responsible for both monitoring and triggering the halts in each of their listed securities.

### **Q: If a level 3 halt is triggered and markets are closed for the day, what will be the Nasdaq official closing price?**

**A:** In the event of a level 3 halt (i.e., the market is closed for remainder of the day), the NOCP will be the last Nasdaq sale price in each security. In the event that there were no trades in a given security, the NOCP will not be disseminated.

### **Q: Can there be either a Level 1 or Level 2 halt more than once per day?**

**A:** No. Trading Halts based on a Level 1 or Level 2 market decline may only occur once per day. For example, if a Level 1 market decline were to occur and trading was halted following the reopening of trading, the Exchange would not halt the market again unless a Level 2 decline were to occur.

### **Q: Do orders remain on the Nasdaq, BX and PSX books during a halt?**

**A:** Yes, resting orders in both Nasdaq and other Exchanges' listed securities will remain on the Nasdaq, BX or PSX books unless cancelled by the customer.

**Q: Does Nasdaq, BX and PSX accept new orders in non-Nasdaq listed securities during an MWCB halt?**

**A:** No, generally new orders are not able to be entered until the security re-opens on the primary market. Nasdaq will continue to accept orders in non-Nasdaq stocks that have specific routing strategies such as "LIST" to route to non-Nasdaq destinations. Descriptions of Nasdaq routing strategies can be found [clicking here](#)

**Q : When does Nasdaq accept Nasdaq listed orders after a halt is triggered?**

**A:** Nasdaq will accept orders at all times during the halt period.

**Q: How does Nasdaq re-open stocks after the halt?**

**A:** According to Nasdaq Rules 4120 and 4121, Nasdaq resumes trading via the Halt Cross set forth in Nasdaq Rule 4753, described in detail below.

**Q: What orders are accepted by Nasdaq during the quote resumption period?**

**A:** The following order types are accepted:

- Regular market and limit orders
- All time in force types are eligible IOC, DAY, EXT

**Q: Are there Imbalance-Only orders or other special orders types for a Halt Cross?**

**A:** No.

**Q: Will Nasdaq disseminate order imbalance information during the halt period?**

**A:** Nasdaq will disseminate order imbalance information for the full 15 minutes duration of the 15 minute halt period.

**Q: How does the UTP data feeds show the trading halt?**

**A:** The UTP Quotation Data Feed (UQDF) and UTP Trade Data Feed (UTDF) utilize the existing Trading Action messages to relay the start and end of the trading pause for Nasdaq-listed securities. At the time that the trading halt is initiated, the Nasdaq SIP disseminates a Trading Action message with the Action value of "H" (Halted) and the Reason Code of MWCx (x will be replaced depending on level with either 1, 2 or 3). Following the first trading action message, the Nasdaq SIP will zero out the UTP participant quotations.

## Trade Resumption

**Q: What is the process for resuming trading on Nasdaq after a trading halt?**

**A:** If a trading pause is triggered in a Nasdaq-listed security, Nasdaq reopens the security using the Nasdaq Halt process set forth in Nasdaq Rule 4753. Additionally, Nasdaq calculates Auction Collars by taking 5% of the Nasdaq last sale price and adding and subtracting the calculated value from the Nasdaq last sale price to determine the upper and lower collar prices, respectively. An MWCB Level 1 or Level 2 halt period will be extended by an additional 5 minutes if at least one of the following two conditions exists:

- The auction price at which the most shares would be traded is outside the range of the pre-defined Auction Collars; or
- There is a market order share imbalance.

At the start of each 5 minute halt extension, the Auction Collars will be widened by an additional 5%, but only in the direction of the expected auction price or in the direction of the imbalance. Opposite side Auction Collars will remain unchanged.

**Q: How will the UTP/SIPs communicate during the halt resumption process?**

**A:** If a Level 1 or Level 2 MWCB halt is declared with 35 minutes or more remaining in regular trading hours (i.e., 15:25:00 or earlier on a normal trading day), Nasdaq will re-open trading in each Nasdaq-listed security using the standard halt cross process after a 15 minute halt. Nasdaq informs the UTP SIP to resume trading in each security upon completion of the security's halt cross (Trading Action message with the Action code of "T" (Trading Resumption)).

**Q: Following a Level 3 halt how will Nasdaq open for trading the next day?**

**A:** Nasdaq will reopen for trading following a level 3 breach the same as a regular trading day. However, certain messaging processes, along with a new reason code from UTP, will be published to ensure that the market-wide circuit breaker halts will be cleared out and are ready to trade in the pre-session.

Pre-session trading on Nasdaq begins at 4:00 a.m. Eastern Time (ET). Messaging will be disseminated in the following order: after 3:58 a.m. ET, Nasdaq will send to the UTP SIP the trading action “H” (Halt) and Reason Code “MWCO” in all Nasdaq listed names. This reason code will only occur on T+1 after a Level 3 Market-Wide Circuit Breaker. The ‘MWCO’ code indicates that the stocks are still halted, but denotes that it is not due to another Level 3 event that day and instead is a carryover from the previous day. This will be immediately followed by trading action message with the action code of “Q” (Quote Only) followed by a “T” (Trade Resumption) message. Following these messages and beginning at 4:00 a.m. premarket-session trading will be permitted on Nasdaq following normal procedures.

**Q What circuit breakers thresholds will be in effect on the day after a level 3 halt?**

**A:** Normal circuit breaker thresholds of 7, 13, and 20% will be in effect

**Q: What happens when a Market-Wide Circuit Breaker is breached and a regulatory halt is in place?**

**A:** If a regulatory halt is in place before a Level 1, 2 or 3 Market Wide Halt, the halt will remain in effect during the Market Wide Halts, including over the next trading day if still in effect. If for whatever reason a regulatory halt is lifted during a market wide halt, it will remain halted until the market wide halt is lifted.

**Q: Does Nasdaq halt all options trading when the primary exchange of an underlying security has initiated an MWCB halt?**

**A:** Yes. Nasdaq options markets will halt trading in options when an MWCB trading halt has been initiated.

**Q: When do Nasdaq Options markets resume trading for options on underlying securities subject to a halt?**

**A:** Nasdaq will resume trading in options when a trading resumption (Trading Action = T) message is received over the UTP data feeds.

**Q: During a halt, will Nasdaq options markets keep open orders on their book?**

**A:** Yes. All 6 Nasdaq options markets will keep all open orders during the halt. Firms have the ability to cancel open orders.

**Q: Will Nasdaq options markets accept new orders during the halt?**

**A:** When a halt in the underlying is triggered, causing the options to halt on Nasdaq options markets we will purge any standing market maker quotes on the system. During the pauses, all 6 Nasdaq options markets will accept new orders, quotes and cancel/replaces.

**Additional resources:**

Nasdaq Rules 4120, 4121, and 4753 can be viewed by [clicking here](#)

UTP plan SIP specs review section 2.4.1.7 for MWCB messaging details:

<http://utpplan.com/DOC/UtpBinaryOutputSpec.pdf>

Nasdaq total view spec review section 4.2.5 for MWCB messaging details:

<https://www.nasdaqtrader.com/content/technicalsupport/specifications/dataproducts/NQTVITCH Specification.pdf>

CME group S&P 500 Futures Limits FAQ:

<https://www.cmegroup.com/trading/equity-index/faq-sp-500-price-limits.html>