

Outlook 2016: The Year of Outages

Have no fear - The men and women on the trading desks found other venues and called up other sources of data and trading tools to execute deals.

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By Phil Albinus

What if a major stock exchange suffers an outage—and the markets keep trading? Or one of the leading trading tools stops working for a few hours and traders find another option?

Both once-unthinkable events occurred last year when the New York Stock Exchange suffered an outage lasting nearly half of an entire trading day in July, and Bloomberg Terminal, the mainstay of traders' desktops, ceased working in April. While the loss of the leading stock exchange in the nation and the trading tool that launches deals worth billions sent immediate shock waves through the financial community, traders by and large went back to work. The men and women on the trading desks found other venues and called up other sources of data and trading tools to execute deals.

Thanks to Regulation National Market System, the rule implemented in 2005 that mandates posting the best price among trading venues, the US. has more than 14 stock exchanges and three dozen trading venues in which to execute stock deals.

Some were not so quick to praise Reg NMS after the NYSE came back on board. As Terrence Duffy of the CME said on Bloomberg, the NYSE's outage and the continuation of trading should not be considered a vote for fragmentation. "We shouldn't look at this as a continuation of fragmentation just because markets continue," he said. **Joe Saluzzi of Themis Trading said, "Having two or three exchanges is a good thing, but that doesn't mean we need 11."**

In fact, the only real panic on the July 8 NYSE outage could be seen on the screen of CNBC, which broadcasts a portion of its day from the floor of the New York bourse. Spencer Mindlin, a technology and markets analyst for Aite Group, noted that the outage took place inside the NYSE and not at NYSE Arca, its options exchange based in Chicago. "NYSE itself represents less than 15 percent of overall volume in the U.S." he told *Traders*. "So markets are continuing to trade, traders are still sending their orders to other markets, and the markets are working. Smart order routers are routing around NYSE, and the markets continue."

Bloomberg's April 17 outage appeared to have a broader impact than the NYSE outage, thanks to the role the near-ubiquitous terminal plays in the workday of most traders. When a reporter from *The New York Times* asked a trader to describe the problem caused by the outage, the response was succinct: "Problems? Simple: No prices. Nothing. So you can't do anything at all."

NYSE and Bloomberg's were not the only outages in 2015. In January, Goldman Sachs' European dark pool Sigma X could not handle trades due to a severed connection to its technology provider Euronext NV. In February, a technical glitch postponed the start of trading in all futures and options contracts on Eurex, Europe's largest derivatives market.

Ironically, the day after its outage, NYSE officials blamed a faulty software upgrade—the same excuse given by Goldman Sachs for its own trading outage in August 2013. You would think that software upgrades would be done after-hours and not during the trading day. Live and learn.