

SCREEN DEALING BULLETIN NO. 08/00



Disruption to SYCOM trading

The purpose of this Bulletin is to inform Members of the system problems encountered on 1 March 2000, the actions taken by the Exchange during this disruption, an interim analysis of the problem, as well as the steps being taken by the Exchange to rectify the problems and avoid any recurrences.

The SYCOM® market was halted at 3.55 pm due to a system failure related to the capacity of its databases.

When it became apparent the market would not be able to re-open before the scheduled close, the Exchange elected, pursuant to TR5.2(ii), to extend trading hours following the resumption of the market to allow for a trade out period and final settlement.

Accordingly, when the system became available, the market was pre-opened at 4.45 pm and re-opened at 4.55 pm. At that time, a majority of Members' screens were simultaneously disconnected from the system, leading to the Exchange immediately re-halting the market.

Owing to the confusion arising from 2 halts to the market, the lateness of the trading day and the likelihood that it would take some time to re-open the SYCOM® market, the decision was taken to conclude trading for the day and settle the market via the established Contract Committees.

Following consultation with members of the Screen Dealing Committee and representations from market participants, the Exchange elected not to activate telephone trading.

When the system became available, the evening market was pre-opened at 6.55 pm and re-opened at 7.05 pm.

Analysis of this incident by the Exchange and its developers show that the SYCOM® system's transactional databases are being overloaded by traffic far in excess of the Exchange's expectations. By way of clarification, this does not mean that the actual

market activity is in excess of the system's capacity, merely the recording of all transactions, that is orders, modifications and cancellations to the system's database. This is increasingly apparent in the high ratio of transactions to deals being generated through some Members' order entry interfaces, particularly options market makers. A review of this activity is being conducted by the Exchange.

To rectify this problem, the Exchange is increasing the sizes of the transactional databases. In tandem with this, the Exchange's software developers have released executables which increase the buffer sizes of the applications which write to the transactional databases.

These changes will be tested over the next 2 days with a view to implementation this weekend.

The Exchange is confident that this action will rectify the problems experienced over the past fortnight.

Frank Coyne
General Manager; Trading Operations

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