SECURITIES TRADING: TRENDS AND MISP IMPACTS

VASILIKI LAZARAKOU

Chair of the Management Board – Hellenic Capital Market Commission (HCMC)

Liquidity, fragmentation and price formation in European equity markets

Liquidity, Fragmentation and Price Formation in European Equity Markets

European equity markets are undergoing a profound transformation in how liquidity is created, accessed and executed. This evolution reflects not a decline in market activity, but a structural reallocation of trading across an increasingly diverse ecosystem of execution venues and mechanisms. As technology, competition and regulatory reforms reshape market structure, the central policy challenge is no longer simply the quantity of liquidity, but whether its organization continues to support efficient, transparent and resilient price discovery. Achieving the right balance between innovation, competition and market integrity will be critical to the long-term competitiveness of Europe's capital markets.

Recent ESMA analysis confirms that European equity trading is becoming more diversified across execution mechanisms. Between 2022 and 2025, the share of turnover executed through continuous lit order books on regulated markets declined from 35% to 27%, while trading on multilateral trading facilities (MTFs) fell from 19.4% to 17.7%. At the same time, activity increased in closing and intraday auctions, frequent batch auctions and systematic internalisers (SIs), demonstrating that liquidity is becoming distributed across a wider range of execution mechanisms. This should not be viewed solely as harmful fragmentation. Greater execution diversity can enhance competition, improve execution quality and broaden investor choice. However, as trading migrates away from continuous lit markets, displayed liquidity and market depth may decline, making price discovery increasingly reliant on a smaller share of transparent trading. Since continuous lit order books continue to generate the reference prices used by many alternative execution mechanisms, preserving sufficiently deep and visible order books remains essential to ensuring that competition strengthens, rather than weakens, the efficiency and credibility of price formation.

Trading fragmentation should also be considered alongside post-trade frictions and the broader underdevelopment of EU capital markets. The implications of market fragmentation cannot, however, be assessed in isolation. The efficiency of European equity markets also depends on the ability of investors to access liquidity seamlessly across borders. As highlighted by the Draghi Report, fragmented post-trade arrangements remain a structural barrier to market integration. Although post-trade processes do not directly determine prices, operational barriers and higher post-trade costs hinder the efficient allocation of liquidity across the Union, discourage cross-border participation and limit the integration of liquidity pools. At the same time, relatively small domestic markets, fewer listed companies, limited investor participation and the continued reliance of European businesses on bank financing constrain the depth of EU capital markets. Consequently, while market-structure reforms can improve the efficiency with which liquidity is allocated, achieving materially deeper and more liquid markets ultimately depends on broader progress in developing Europe's capital markets.

Looking ahead, the expansion of passive investing, the growing use of periodic auctions, the possible extension of trading hours and the transition to T+1 settlement will continue to reshape European market structure. Together, these developments point to a more diversified market structure while reinforcing the need to preserve transparent liquidity and robust price discovery.

Integrated markets need robust price formation to sustain liquidity.

Against this backdrop, the Market Integration and Supervision Package (MISP), together with the MiFIR Review, seeks to remove regulatory, supervisory and infrastructure barriers that continue to impede a fully integrated European market. The two initiatives address different, but closely related, dimensions of market integration. MiFIR focuses on improving the transparency and execution of trading, whereas MISP seeks to reduce supervisory, operational and post-trade barriers that continue to fragment European markets. Consolidated tapes will improve the visibility of liquidity across trading venues, facilitating liquidity discovery, reducing information asymmetries and strengthening price formation. Combined with measures to reduce operational and post-trade barriers, these reforms can support more integrated and competitive European capital markets. Their benefits, however, will only be fully realized if they are underpinned by high-quality market data, interoperable trading and post-trading infrastructures, and consistent implementation across Member States.

CARLO COMPORTI
Commissioner – Commissione Nazionale per le Società e la Borsa (CONSOB)

Competition, fragmentation and the future of market structure

With MiFID I the evolution of European equity markets has been transitioning from a model based on concentration rules to one based on competition among trading venues. MiFID II further opened the door to competition not only among multilateral venues, but also between multilateral venues and bilateral execution mechanisms, such as systematic internalisers (SIs).

Increased competition generated benefits: it contributed to a significant reduction in trading costs, facilitating broader investor participation. Yet, while lower trading costs is clearly positive, these policy choices had an impact on the structure of European capital markets.

As competition on execution fees intensified, the scope for further price-based differentiation diminished. Today, trading costs are increasingly influenced by post-trading expenses, rather than by execution charges themselves. As a result, competitive dynamics shifted toward the provision of trading solutions capable of minimising market impact and reducing exposure to risks associated with the growing presence of high-frequency trading strategies.

This evolution strengthened the role of dark trading and led to an increasingly complex system of transparency waivers. At the same time, systematic internalisers gained increasing importance. Parallel developments have favoured a growing concentration of volumes in periodic auctions and closing auctions, also due to the expansion of passive investment strategies. Collectively, these developments have fragmented liquidity across an increasing number of liquidity pools while reducing activity during ordinary continuous central limit order books (CLOBs). The risk that fragmentation could reach a point where it materially impairs price formation is now more evident than ever.

Such changes exacerbate supervisory challenges, particularly on market integrity, as thinner liquidity pools could facilitate opportunistic behaviour, allowing prices to be influenced with lower capital commitments than would be required in deeper markets. It is no coincidence that during episodes of heightened volatility, liquidity tends to migrate back toward traditional lit markets, which continue to perform a "safe harbour" function.

Preserving robust and reliable price discovery should remain at the centre of any future reforms.

Looking forward, technological and market developments could further accentuate the trends described above. Extending trading hours and reducing settlement cycles beyond T+1, potentially toward atomic settlement enabled by tokenised assets, could generate important benefits. Investors operating world-wide would enjoy greater flexibility, while faster settlement could improve liquidity management and reduce counterparty risk. However, these innovations may also further dilute liquidity across venues and time periods, weakening trading concentration at any given moment.

In this context, assessing the overall impact of the Market Integration and Supervision Package (MISP) is not straightforward. Measures in the post-trading area, particularly stronger connections among central securities depositories (CSDs) and enhanced open-access arrangements, could better link liquidity pools across Europe and reduce post-trading costs.

The effects of trading-related initiatives are less predictable. The enhancement of the consolidated tape could improve visibility over European liquidity, enabling market participants to route orders more efficiently while potentially reducing market data costs. Furthermore, initiatives such as the Pan-European Market Operator (PEMO) may generate lower operating costs enhancing the competitiveness of pan-European platforms. But greater efficiency may not necessarily lead to greater liquidity concentration.

Similarly, current proposals concerning systematic internalisers are targeted and aimed at enhancing transparency on quotes for retail orders. At the same time, there is a noticeable absence of measures aimed at simplifying the increasingly complex waiver regime.

Against this backdrop, ESMA's Call for Evidence is particularly valuable, bringing evidence of trading data at EU level. Before designing more ambitious reforms of trading microstructure, policymakers require a clear picture of how liquidity is distributed and how different execution mechanisms interact.

More fundamentally, it may be time to reconsider the respective roles of the various execution venues within Europe's evolving market ecosystem. A simpler and more coherent framework could help ensure that innovation, competition and investor choice continue to flourish without undermining the effectiveness of the price formation process. **Preserving robust and reliable price discovery should remain at the centre of any future reforms** to European market structure.

BIRGIT PUCK
Managing Director of Securities Supervision – Austrian Financial Market Authority

Key trends shaping the European equity market and their lessons

ESMA's Call for Evidence on the structure of European equity markets provides the first data-driven assessment based on transaction reporting data of how EU equity trading has evolved in recent years. Its central conclusion is reassuring: European equity markets continue to function well overall. The share of addressable liquidity has remained broadly stable (85-90% of trading volume over the period 2022-25) and on-book trading continues to account for most trading activity (75-80% over the period 2022-25). At the same time, the analysis highlights significant changes in the composition of liquidity that deserve continued attention from policymakers.

The most important development is the gradual shift away from lit continuous order-book trading towards other execution mechanisms, notably closing auctions, frequent batch auctions and systematic internalisers ("SIs"). This trend does not necessarily indicate a deterioration of market quality. Rather, this evolving market structure reflects how investors are using different mechanisms to achieve their respective and various goals, such as cost or speed of execution. However, the trend raises important questions regarding the adequate level of transparency for certain types of execution venues, liquidity formation and the long-term resilience of price discovery.

A key lesson from ESMA's analysis is that market fragmentation should not be assessed solely by the number of venues or execution mechanisms. A large proportion of liquidity remains addressable and therefore accessible to market participants. Nevertheless, an increasing share of trading relies on prices generated elsewhere. Reference-price trading, benchmark transactions and parts of SI activity all depend directly or indirectly on prices established in lit continuous order-book trading and closing auctions. This highlights the continued importance of robust reference prices and effective price formation as public goods underpinning the entire market ecosystem.

The growing role of auctions is particularly significant. They have become a central component of European equity markets, reflecting investors' increasing demand for benchmark-based execution. Their importance is reinforced by the rapid growth of passive investment strategies and index-tracking funds, often requiring execution at official closing prices. Unlike some execution mechanisms that primarily rely on existing prices, closing auctions also contribute directly to price discovery by concentrating liquidity and generating widely accepted reference prices, but lead to thin liquidity during the day and higher operational risks (e.g. in case of an outage during the auction). Their expanding role therefore merits continued monitoring.

Ensure innovation, competition, market integration for efficient trading and a level playing field.

Several ongoing market developments are likely to reinforce these trends. The continued expansion of passive investing can be expected to increase demand for benchmark executions and auction liquidity. Extended trading hours may provide greater flexibility for global investors but could also disperse liquidity over longer trading periods, potentially affecting liquidity concentration during core market hours. Similarly, shorter settlement cycles should improve efficiency and reduce risk while further encouraging automation and innovation in execution models. The cumulative effects of these developments on transparency, liquidity distribution and price formation require close observation.

Against this backdrop, the trading-related proposals under the Market Integration and Supervision Package (MISP), together with the implementation of the last MiFIR review, can contribute to more efficient and integrated EU capital markets. Their objective should not be to favour specific trading models, but rather to ensure a level playing field, improve transparency and strengthen market integration. Improvements in market data, reporting quality and supervisory visibility can help both regulators and market participants better assess market developments and allocate capital efficiently.

Importantly, ESMA's findings support a measured and evidence-based approach and provide a strong basis for future policy decisions. The analysis should be further developed by looking into price formation and better understanding the activities of SIs. The successful implementation of the consolidated tape, further improvements in trade transparency and in the tick-size regime and its application as well as a continued assessment of recent MiFIR reforms will contribute to strengthening capital markets in the Union.

Ultimately, the debate is not about favouring one venue or execution model over another. **It is about ensuring that innovation, competition and market integration continue to support efficient trading while preserving robust price formation and a level playing field for all market participants.** Maintaining that balance will be essential if the Savings and Investments Union is to achieve deeper, more integrated and globally competitive European capital markets.

NIKOLAJ KOSAKEWITSCH
President of European Market Services – Nasdaq

Strengthening EU market structure for competitive and integrated capital markets

European securities markets are evolving rapidly under the combined influence of technological innovation, new trading models and regulatory reform. While the MiFID framework has increased competition and investor choice, it has also contributed to a more fragmented trading landscape where liquidity is increasingly dispersed across trading venues, systematic internalisers and other bilateral execution channels. The challenge for policymakers is no longer simply to increase market activity, but to ensure European capital markets remain efficient in financing companies, allocating capital and supporting economic growth.

Competition among trading venues has delivered benefits, including lower execution costs and greater innovation. However, fragmentation can also reduce transparency and weaken the visibility of available liquidity. Public price discovery remains reliant on transparent multilateral trading venues where buyers and sellers interact to establish market prices. As a growing share of trading takes place through bilateral or less transparent mechanisms, there is a risk that fewer transactions contribute directly to the price formation process. Over time, this can weaken transparency, reduce investor confidence and diminish the attractiveness of European public markets.

The implications extend beyond trading itself. Deep, liquid secondary markets are essential for vibrant primary markets. Companies are more likely to list when investors can benefit from efficient trading, transparent valuations and reliable liquidity. Strong secondary markets support capital raising, lower the cost of capital and improve access to long-term financing. As Europe seeks to strengthen competitiveness, finance innovation and encourage companies to scale within the Single Market, market structure quality becomes a strategic economic issue.

Several trends are expected to shape the next phase of market development. The move towards shorter settlement cycles, including T+1 settlement, should improve capital efficiency, reduce counterparty risk and enhance the competitiveness of European markets. Successful implementation will nevertheless require close coordination across trading, clearing and settlement infrastructures.

> **EU competitiveness will depend on its ability to combine innovation, integration and transparency.**

Algorithmic trading is also likely to continue growing. Automated execution can improve liquidity provision, reduce transaction costs and accelerate the incorporation of information into prices. At the same time, it reinforces the need for resilient and transparent market structures capable of maintaining orderly price formation during periods of market stress. Similarly, the continued growth of passive investing increases the importance of transparent markets. As fewer investors engage directly in fundamental price discovery, maintaining deep and visible liquidity pools becomes even more important for the efficient functioning of capital markets.

Alongside these developments, digitalisation and tokenisation are opening new possibilities for European capital markets. Distributed ledger technology has the potential to improve issuance, trading and settlement processes, reduce operational costs and support new forms of capital formation – including for new asset classes. Tokenised securities may also broaden investor access and increase market efficiency. To realise these benefits, innovation must develop within robust regulatory frameworks that preserve investor protection, legal certainty, transparency and market integrity. Tokenisation should strengthen market integration rather than create new forms of fragmentation.

Against this background, the Markets Integration and Supervision Package (MISP) is an opportunity to deepen the integration of European capital markets. Measures to centralise supervision, improve post-trade efficiency and support the digitalisation of financial markets are welcome. But the package should go further in strengthening transparent, lit trading by addressing structural imbalances that favour bilateral and opaque execution models. While Nasdaq supports the Consolidated Tape, any expansion of the framework should be evidence-based and carefully assessed. Reforms should maximise the public disclosure of transactions while safeguarding liquidity on transparent Union trading venues and preserving robust price formation. A pan-European consolidated pre-trade tape risks incentivising more internalisation and bilateral execution rather than displayed liquidity. This would increase information asymmetries, weaken market depth and reduce the attractiveness and competitiveness of EU capital markets, contrary to the objectives of the Savings & Investment Union (SIU).

Ultimately, EU competitiveness will depend on its ability to combine innovation, integration and transparency. Deep liquidity, effective price formation and modern market infrastructures are mutually reinforcing objectives. By pursuing reforms that strengthen these foundations, the EU can build more attractive, resilient and globally competitive capital markets.

NIELS BRAB
Chief of Staff/Head of Group Corporate and Regulatory Strategy – Deutsche Börse Group

Switch on the light: A successful MISP depends on strong primary markets & IPOs

The European Union's global competitive standing and economic sovereignty are directly tied to the depth of its capital markets, yet its public markets are falling behind. Listed companies are the backbone of European growth and social cohesion – accounting for 60 million jobs (over 30% of EU employment) and contributing more than 50% of total corporate tax revenues.

Despite this vital role, less than 8% of global IPOs now occur in the EU, with European listings shrinking consistently – a trend that dangerously accelerates. Meanwhile, the US and Asia pull ahead: In 2025, US IPOs rose to 220 transactions – over 60% of which originated from abroad, including European innovators looking across the Atlantic to scale. This is not merely a financial metric – it represents a profound loss of corporate tax base, employment, and strategic leverage in an era of uncertain growth and intensifying systemic rivalry, underscored by the fact that no EU company ranks among the world's twelve trillion-euro giants.

Amid shifting geopolitical and macroeconomic realities, the negotiation on the EU's Market Integration & Supervision Package (MISP) offers a critical opportunity to aggregate the true depth of European equity markets. This reform is desperately needed to correct the cumulative impact of two decades of MiFID-driven market structure regulation, which has fragmented European liquidity across more than 500 execution venues, leading to weak valuation realities by draining liquidity from primary markets, raising implicit societal costs, and degrading price formation.

A prime driver of this fragmentation is the Systematic Internalizer (SI) regime and associated dark trading. Though introduced primarily for large-in-scale trades, a 2022 AMF study exposed a stark regulatory paradox: Median trade sizes on SIs (€5,200 to €5,900) fell below those on regulated markets, with execution sizes declining further in recent years. By performing functionally equivalent execution services without equivalent rules – such as the tick-size regime – SIs bypass public markets and obscure true market depth.

Reviving the EU's IPO ecosystem is impossible without fixing the underlying equity market framework.

Next to the drastic implications for the EU's primary markets ecosystem, this regulatory imbalance also erodes public price formation and spirals into a damaging cycle where companies risk falling below index inclusion thresholds because the transparent liquidity which is used to measure eligibility is eroded. This drops their index eligibility, which in turn reduces passive investment, weakens free-float liquidity, and further undermines valuation. At the same time, listed companies lose visibility over where and how their shares are traded, limiting their ability to monitor their shareholder base and engage with investors. Maintaining deep and visible lit liquidity is therefore essential not only for market transparency, but also for preserving the attractiveness of EU capital markets and supporting listed company valuations.

At Deutsche Börse Group, we welcome the recent E6 (France, Germany, Italy, the Netherlands, Poland, Spain) consensus and the European Parliament's MISP Master Regulation Draft Report. We fully share the E6's rationale that migrating activity away from transparent lit order books deteriorates pre-trade transparency and fuels informational asymmetries. As the E6 rightly concludes, the combination of fragmentation and declining transparency weakens the anchoring role traditionally played by transparent multilateral venues, ultimately eroding market efficiency and integrity. We therefore strongly support the E6's objective to enhance transparency in equity capital markets and to ensure a level playing field between banks and trading venues.

Ultimately, reviving the EU's IPO ecosystem is impossible without fixing the underlying equity market framework – prioritizing liquidity at transparent lit venues, enforcing a genuine level playing field, requiring SIs to disclose their operational rules, and reforming liquidity classifications to boost pre-trade transparency across European markets.

In light of the Irish Council Presidency's agenda focusing on competitiveness, values, and security, fundamental reforms under MISP should be guided by a single strategic objective: Strengthening public markets to secure the EU's international competitiveness, retaining vital liquidity, and safeguarding Europe's economic power and security. After all, tangible strategic autonomy cannot simply be decreed by policy papers – it must be funded by the very public markets we now have the historic opportunity to repair.

Plato once said, "we can easily forgive a child who is afraid of the dark; the real tragedy of life is when men are afraid of the light." Let's jointly work towards a credible reform agenda that switches on the light across secondary markets – fostering transparency, integrity, and a fair level playing field – but, most importantly, addressing the EU's most fundamental growth problem: a structural lack of IPOs.

NICK DUTTON
Chief Regulatory Officer
– Cboe Europe

Venue competition works - Europe's real fragmentation problem is in clearing

Competition between trading venues in Europe has done exactly what competition is meant to do: given investors more ways to achieve better outcomes. MISP's challenge is to build on Europe's recent market successes by reinforcing healthy venue diversity, while tackling the kind of fragmentation that genuinely damages liquidity, market efficiency and execution outcomes.

On trading, the evidence supports diversity. The EU market includes continuous limit order books, frequent batch auctions, closing auctions, large-in-scale venues and systematic internalisers, each meeting a different need: price certainty, reduced-impact price formation, close benchmark pricing, minimal impact for large patient orders, or bespoke capital commitment. Each serves a different part of the same investor's execution needs, while remaining regulated and post-trade transparent.

Within that range of alternatives, frequent batch auctions have been a recent success story because they deliver precisely what MiFID/MiFIR's architects intended. The framework sought to promote genuine, multilateral price formation while mitigating the risks created by the growth of algorithmic, high-frequency trading; periodic auctions achieve both, on-venue and under full regulatory oversight. Cboe's own data bears this out: broker preferencing has fallen to a record low of 5.4%, down from 22.1% in 2021, and off-midpoint pricing has more than doubled over the same period, evidence of auctions forming prices, not merely referencing them. Venue competition is not producing fragmentation; it is producing investor choice, and brokers, discharging a legal duty of best execution, are using that choice exactly as intended.

That said, a discrepancy between on- and off-venue trading still limits choice: multilateral venues lack the explicit right to execute at the true midpoint that systematic internalisers gained under the 2024 MiFID review. That asymmetry, not venue diversity, is what quietly pushes liquidity off-exchange and offshore, and MISP should address this directly by granting venues that same right, rather than seeking to constrain venues that are already competing on transparent, regulated terms. It is worth remembering that previous attempts to force flow into a single model have consistently failed: the 2019 dark-trading caps, tightened again in 2025, did not increase limit order-book activity, instead pushing volume onto alternative platforms — roughly two-thirds of SI activity in EU shares now takes place outside the Union.

Venue competition is not producing fragmentation; it is producing investor choice.

The genuine fragmentation problem sits in post-trade, not trading. Without mandated interoperability among large CCPs, firms trading across member states must maintain multiple clearing relationships to access what should be a single market. Open access provisions already exist in MiFIR but have not delivered on their own; voluntary interoperability leaves gaps, because incumbent CCPs have no commercial incentive to open access themselves. MISP should mandate interoperability among large CCPs as the default outcome, strengthening Articles 35 and 36 of MiFIR and reviewing Article 51 of EMIR so it does not frustrate them. That single change would do more for genuine market integration than anything else in MISP, far more than any adjustment to trading-venue rules.

On market data, one of MISP's proposed enhancements to the consolidated tape in particular is overdue and necessary: venue attribution. Unattributed prices tell investors what happened but not where, undermining the transparency the tape exists to deliver. Scope should stay disciplined too; public SI quotes add noise without adding information and should be excluded. A properly designed tape, combined with clearer, simpler trade reporting that strips out non-price-forming technical trades, would give investors and issuers a genuinely trustworthy view of EU liquidity.

Taken together, these features of MISP can improve the functioning and competitiveness of EU securities markets, but only if negotiators avoid conflating two different problems. Venue competition in trading is delivering real benefits for investors and issuers and should be reinforced, not constrained, including through an explicit midpoint-execution right for multilateral venues. The fragmentation that actually damages EU capital markets sits in post-trade, where mandatory CCP interoperability is the single reform that would do the most good, and in the data landscape, where an attributed, appropriately scoped consolidated tape would finally give investors one trustworthy reference for EU liquidity. Deeper, more visible liquidity also makes EU listing venues more attractive to issuers. Get the distinction between diversity and fragmentation right, and MISP delivers exactly what it promises: a genuinely integrated market, more attractive to global capital and issuers alike than the sum of its national parts.

EMMA LOKKO
Head of Market Structure, Europe – Susquehanna International Group (SIG)

Strengthening liquidity provision in European securities markets

Deep and liquid securities markets underpin Europe's competitiveness by lowering the cost of capital, improving investment outcomes and supporting economic growth. As the EU advances the Savings and Investments Union, the challenge is no longer simply how trading should be organised, but how to sustain liquidity across European securities markets.

European securities markets have evolved significantly over the past decade. Trading is increasingly distributed across complementary execution mechanisms, reflecting changing investor needs, innovation and more sophisticated execution strategies. While today's debate often focuses on fragmentation and the balance between lit and non-lit trading and alternative execution models, the more important question is how Europe sustains deep, competitive and resilient liquidity.

The starting point is simple: liquidity follows investor demand. Markets work best when investors determine where liquidity is needed and liquidity providers compete to meet that demand. Regulation should support that competitive process rather than prescribe where trading should occur.

The central limit order book remains the foundation of European securities markets. It anchors transparent price formation and should remain the preferred execution mechanism wherever it can efficiently meet investors' needs. However, not every order can be executed efficiently in the lit market. Larger, benchmark-driven or information-sensitive trades require different execution solutions. The market has evolved to support complementary execution mechanisms that meet different execution needs. This is not liquidity migrating away from the lit market, but liquidity providers deploying capital differently in response to changing investor demand while continuing to support robust price formation through the lit market.

The policy objective should therefore not be to favour one execution mechanism over another, but to preserve competition so investors continue to choose the execution method that best meets their objectives. Complementary execution mechanisms should reinforce, not replace, the role of the lit market. Market quality should be judged by outcomes including spreads, market depth, resilience and execution quality rather than by trading volumes on any individual execution mechanism. Competition between execution mechanisms has driven innovation in execution quality, technology and investor choice.

> **Regulation should support that competitive process rather than prescribe where trading should occur.**

This is particularly important in less liquid securities, where there is greater execution uncertainty, thinner markets and frequently higher transaction costs. Achieving those outcomes depends on maintaining a competitive liquidity ecosystem in which firms can deploy balance sheet capacity where it is most needed.

If investor demand determines where liquidity is needed, regulation determines the conditions under which liquidity is provided. Every regulatory proposal should therefore be assessed against one question: does it strengthen or weaken the market's capacity to support competitive liquidity provision and deliver better outcomes for investors?

Effective transparency is central to that framework. High-quality pre- and post-trade transparency supports robust price formation and investor confidence while promoting competition between liquidity providers. Future reforms should focus on improving market data and be grounded in better evidence, with the Consolidated Tape providing a more comprehensive picture of addressable liquidity and trading activity across European securities markets.

The same principle applies beyond execution. While competition between execution mechanisms has strengthened European securities markets, there remains scope to improve the efficiency of the post-trade chain. The EU Market Integration Package (MISP) provides an opportunity to reduce unnecessary operational friction and create a more efficient clearing and settlement landscape. The Banking Competitiveness Review also offers an opportunity to ensure prudential requirements remain proportionate to firms' business models and risk profiles, so that regulation continues to support competitive and resilient securities markets without unnecessarily constraining liquidity provision.

The debate on market structure should ultimately be about more than where trading takes place. It should be about ensuring investors receive the best possible execution outcomes, promoting effective competition in liquidity provision and strengthening the competitiveness of European securities markets. Strong lit markets, complementary execution mechanisms, effective transparency, efficient post-trade infrastructure and proportionate prudential regulation are all essential to that objective. If Europe gets that balance right, it will strengthen liquidity provision, reinforce investor confidence and enhance the long-term competitiveness of its capital markets.