
EVIA Response to the ESMA Call for Evidence on European Equities Market Structure

[ESMA74-1119406008-1578 of 30 April 2026](#)

General Comments

This response should be read in conjunction with the equity relevant section of the [EVIA Response to FCA CP25_20: SI regime for bonds & derivatives including Discussion Paper on equity markets.pdf](#).

Evidently multilateral trading remains robust across Europe and is being reflecting user choice to adopt an increasingly diverse and competitive mix of execution venue types, trading phases, Systematic Internalisers [“SIs”] and execution protocols. This should be the target model, both in terms of commercial competitiveness and the health of operational resilience. We hold concerns that ESMA has couched this call for evidence in the context of reverting to rigidity and historical normalcy rather than asking where Europe can go further and faster to realise the stated objectives of SIU and MSIP.

The particular aspect of concern that we would flag is the increase in in negotiated bilateral flow into the trading model wherein market-makers will be conducting ‘SI activity,’ but where classified and reporting in a recast manner as either “Off-book but On-Exchange” [xBoEx/“OBOE”]; or even to a small degree as OTC *Benchmark Crossing* or *Broker Preferencing* in periodic auctions. This confers both trading mechanism flexibility and reporting obligation advantages over formalised “dark order books” which still face significant constraints under the Large in Scale Waiver [“LIS”] or to a much lesser extent, the Reference Price Waiver [“RPW”].

We would strongly urge ESMA not to use the terms “dark” and “lit” since these do not convey the compliant use of available waivers and the obligations for both transparency and transaction reporting. Indeed, xBoEx/OBOE trades on “lit” exchanges are less transparent and arranged with greater flexibility than “dark” trades made under MTF rulebooks. In this regard we note that the gap between “what is dark” and “what is regulated as dark” has widened¹.

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ESMA understands “dark trading” as trading executed without pre-trade transparency (primarily via MiFIR waivers), with LIS included but separately treated, and with regulatory caps (DVC/SVC) applying only to a specific subset—now mainly RPW trades.

The SVC: (does NOT redefine dark trading, it only simplifies and refocuses how part of dark trading is capped)

- Narrows the regulatory focus to the most price-sensitive segment (RPW)
- Simplifies enforcement (single EU-wide threshold)
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The CfE is revisiting:

- whether current definitions still capture meaningful risks
- and whether periodic auctions / SI activity are becoming “de facto dark substitutes

Volume caps target only a subset of dark trading

In seeking to endorse the “Same Activity, Same Regulation” outcomes, we note that the costs of operating a trading venue such as an MTF are very high relative to those pertaining either to SIs or to any entirely unregulated system holding out as a technology provider, to an EMS, or to those OMS systems acting as collated order management or reception facilities. Our essential advocacy therefore is to level the playing field within the multilateral perimeter to foster diversity, competition and innovation; whilst effectively setting-out the recast practices without. This should require an analysis of the on-venue restrictions under LIS and RPW as compared to the requirements for xBoEx/OBOE trade flows. It should also mean that MIC codes and waiver thresholds are also applicable to SIs such that the RTS1 landscape within the multilateral perimeter across RM - MTF.- SI are the same. The better application of trade flags can then appropriately inform around these multilateral activities which should all be considered as “price forming.”

Furthermore, we would urge ESMA to consider reframing the equity market structure discussion around “Bilateral versus Multilateral” facilities, systems and protocols, so away from “Dark versus Lit” categorisation. Notably as for non-equities markets the role for pre-arranged trades to be subsequently registered onto trading venues has been extensive and largely supplanted the Systematic Internaliser activity by dint of outsourcing regulatory and reporting compliance.

Other factors, such as the restrictions on OTF activities, cross-border restrictions on trading and those pertaining to common and published fixed transaction fees and rate cards also contribute material factors in decisions to execute trades bilaterally.

That said, it’s also clear that ESMA’s thorough analysis demonstrates that the European equity markets are each stable, competitive and resilient; albeit that the market participants are growing increasingly weary of decades of constant regulatory change which cannot keep up with the technological and latency advances. In this respect we would urge ESMA to consider further fundamental regulatory reforms only in close tandem with the ongoing data and reporting thematic changes to RTS 22 and RTS 24, even if these are several years away.

- Previously: RPW + NTW (DVC)
- Now: primarily RPW (SVC)

Considering the policy distinction; ESMA differentiates:

- “Good/necessary dark” → LIS (block trading)
- “Potentially harmful dark” → RPW/NTW (price formation concerns)
- Regulatory “dark trading” (for cap purposes) = subset of dark trading (only RPW/NTW, excluding LIS)
- LIS is designed to protect block liquidity & LIS is not subject to volume caps
- All LIS is dark, but not all dark is LIS—and regulators treat LIS as “acceptable dark.”

Type of trading	In scope of SVC?
RPW (midpoint dark pools)	✔ Yes (core target)
NTW	✘ Largely de-emphasised / no longer central to cap
LIS	✘ Excluded
Other dark mechanisms	✘ Outside cap

Q1: Do you agree with the description of the market structure summarised in Figure 1 for the purpose of the study in sections 3 and 4 based on transaction reporting data? If not, could you provide an alternative description that you consider more adapted to the reality of the European trading landscape for shares?

We broadly agree with the characterization of the market structure summarised in Figure 1. In particular the mapping of a large part of <Off-book-on-exchange> [OBOE] across to “Addressable Liquidity”. It’s just as likely here that NT2 should be grouped with NT1 when trade arrangement methods other than the order-book are considered. We also agree that those segments characterised as “Dark” are indeed “Addressable Liquidity”².

One aspect of figure we would note would be the aggregation of <Closing Auction> and <Trading at Close> which in fact are both substantially different mechanisms and more

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importantly involve a contrasting set of market participants and motivations, more-so as “passive investing” grows in both absolute and relative termsⁱ.

- In absolute terms, passive investing has grown from a niche segment to >\$20 trillion AUM, with trillions in cumulative inflows; and in relative terms, Market share has risen from ~25% (early 2010s) to ~40–45% globally today, and >50% in the US.
- Passive investing has become one of the dominant structural forces in global equity markets, transitioning from a minority allocation strategy to a near-parity (or majority) position, and continuing to gain share through persistent inflows and cost-driven substitution away from active management. ⁱⁱ

Considering concise comments, we concur with the FIX Org comments in respect of trade flags and liquidity indicators, and the industry agreed revised *Figure 1* as below which adds in an organization of the liquidity depending on the trading phase in addition to the regulatory classifications, and also aligns with the FIX addressable liquidity document [FixOrg: Addressable Liquidity v3; 05Dec2025.pdf](#). Liquidity operated by broker Investment Firms, including MTFs, block arranging and OTC markets are distinguished by not holding out these prescribed trading phases. Indeed, markets operated by EVIA members may currently be categorized as long-since offering 24/5.5 trading hours, when considering the ongoing debate in the US and elsewhere about extending the on-exchange retail access windows.

	Where	When	What	Who
ON BOOK	Open		Auction	RMs, MTFs
			Lit Continuous (CLOB)	RMs, MTFs
	Intraday		Frequent Batch Auctions	RMs, MTFs
			Intraday/Volatility Auctions	RMs, MTFs
		Dark	LIS	RMs, MTFs
			RFPT	RMs, MTFs
	Close		Auction	RMs, MTFs
	Out of hours		After hours CLOB	RMs, MTFs
			Trading at last	RMs, MTFs
	OFF BOOK	Open		Vanilla
			STO exemptions*	SI, OTC
			Intragroup & double reports	SI, OTC
			NT 1 & 2 waivers	OBOE
			NT 3 (BENC, TNCP**)	OBOE
			NT3 (NPFT)	OBOE
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Not all liquidity is addressable to all, regardless if the liquidity is on or off exchange. For instance, some books or exchange will be dedicated to a certain type of market participants (market makers, retail, buy side only, etc...). The level of liquidity accessibility is a function of who can access the pool and how orders are being managed. Not all trading venues and/or off venue liquidity provision are fit for all market participants.

The operative questions here are: whether the pre-existing trading flags are suitable, appropriate and sufficient to characterize the actuality; and whether the availability and application of trading flags between RTS1 and RTS22 should be homogenized.

In this was we would urge ESMA to qualify the nature of the execution mechanisms instead of applying a broad, bland and inappropriate "Dark Pool" language for on-venue trading methodologies that are operating under the available waivers. To reiterate prior points, this is because these truly multilateral activities which require the LIS waiver should be distinguished from those utilising the RPW/NTW waivers.

This segment operates in contrast to those trades under the OBOE segment for which rulebook are not directly applicable and much less transparency is available. These would benefit from the better and more appropriate delineation of properly technical trades from those seeking to benefit from the transparency evasion even though the vast majority of the OBOE NPFT trades on EEA shares are reported in the UK. Clearly properly non-price forming trades such as duplicate and solely technical trades should be granted exemptions from post trade transparency per the Fig 1 and its amended version.

As introduced in the UK, and as a direct consequence of the role of passive investing described in the endnotes herewith, it appears logical to us that a closing flag ["CLSE"] is necessary as both an RTS 1 and an RTS 22 reporting flag. This may be more relevant to transparency under the scenario of longer exchange opening hours. We further concur with the further comments in the FIX Org response concerning the role and understanding of TNCP, SLOTC, and NT3 flags.

Q2: Do you have any insights on the XOFF transactions reported by investment firms who also act as an SI (SI-OTC trades)?

Given that EVIA member firms do not operate SIs, we defer here to comments by AFME and FIX Org. In particular we would flag the unnecessary duplication of trade reports for cross-border transactions, especially where branches are involved. This could and should be dealt with in a straightforward manner under both the UK-EU MOU and the adoption of standardised reporting protocols. To this end, where EU and UK authorities each consider on-venue transaction transparency equivalent; so the relevant EU and UK authorities should work together to ensure there is no double reporting of transactions, which undermines both the absolute market size and confidence in liquidity figures.

Q3: Do you agree with the general trends identified regarding on-book vs. off-book trading, and addressable vs. non-addressable liquidity? What other trends do you consider relevant, also in terms of competitive pressures?

EVIA agrees with the general trends identified, which amply demonstrate the health of EU equity markets with the increased use of different execution venues, phases, protocols and mechanisms evidencing the diversity of liquidity provision. Whilst the trends identified are directly consequent to the data set presented, by excluding not the UK data, which is as a minimum at least equally relevant the European market structure, ESMA has cemented data flaws at the most fundamental level in its analysis and rendered the outcomes of the study to offer minimal relevance to market participants.

The particular aspect of concern that we would flag is the increase in in negotiated bilateral flow into the trading model wherein market-makers will be conducting 'SI activity,' but where classified and reporting in a recast manner as either "Off-book but On-Exchange" [xBoEx/OBOE]; or even to a small degree as OTC *Benchmark Crossing* or *Broker Preferencing* in periodic auctions. This confers both trading mechanism flexibility and reporting obligation advantages over formalised "dark order books" which still face significant constraints under the Large in Scale Waiver ["LIS"] or to a much lesser extent, the Reference Price Waiver ["RPW"].

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Looking ahead, it’s evident that emerging developments such as tokenisation – including any implications this may have for the scope of the MiFID perimeter – and the growing use of artificial intelligence, self-learning algorithms and autonomous agents across trading and execution are rapidly becoming the issues of today. As a minimum, ESMA should seek to properly differentiate and separately address those matters involving AI and algorithms from those concerned with latency and co-location in a manner that MiFID II / MiFIR and RTS 6 has failed to do so far.

Q4: Do you have any concerns on the impact of the identified trends on the general functioning of the EEA markets for shares? In your view, what are the implications of the relative decreasing

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trend in trading on CLOB for the effective price formation in the EEA markets for shares? What are the implications on price formation should this trend persist or even accelerate?

No, we have zero concerns concerning the migration of wholesale equity markets to a multi-model and a heterogeneous trading methodology approach. Whilst this outcome is clearly observable across all global equity markets, the contributing factors wide and complex and can only be as described as multi-factor and inter-related with new or currently still emerging technologies.

Whilst it's clear that many of the periodic auctions and other methodologies draw on a requirement either for reference prices or opening prices, and therefore draw some reliance on the CLOBs for this supply, the emergence of a pan European CT can act as a fallback or enhancement to that requirement. Furthermore, the segregation of fast and reactive trading in smaller sizes onto lit markets, versus the accommodation of slower and block trading into auctions and waived markets appears both appropriate and symbiotic. Indeed the FCA have published research to the effect that such segmentation avoids the front running of insitutional liquidity.

Overall, increasing the amount of trading on lit market doesn't necessarily lead to better price formation. Where institutional markets are referencing prices on a CT or a lit venue, this likely reinforces the validity of prices from lit venues whilst decreasing the noise on these from block trades.

That said, one fundament remains the case set out in Micheal Lewis' "Flash Boys"⁴ back in 2014. This supposes that monopoly CLOBs had evolved to extract the maximum economic value from the market participants for the low latency intermediates and so to the operators of the market-place. Under such an analysis, choice and competition between multiple CLOBs, different trading phases and most importantly different market places with evolving trading methodologies as an anecdote is precisely the optimal and sought-after outcome. It remains apparent that the super-normal returns and/or share prices accruing to both agents of low-latency arbitrage and to the exchange operators is a likely flag that this process remains immature even 12 years after the book was published.

Nevertheless, this does not mean that European equity markets are currently inefficient nor failing in their market structure in comparison to those in the US. Indeed, were wider and thus better data-sets to have been added to the call for evidence by ESMA, not only the inclusion of UK and Swiss markets, but the wider trading of shares as set out by recent AFME papers, then the entire pre-text of Question 4 would be called into question. AFME's argument here is that EU equity markets are "*hiddenly deep but poorly observed*" – with fragmentation and data opacity masking a much larger and more functional liquidity pool than headline metrics suggest. To recap this set of points, EU markets are deeper than they appear because:⁵

- i. Liquidity is fragmented across many venues (not centrally visible)
- ii. Off-exchange trading is substantial and economically meaningful
- iii. Raw data can misrepresent real liquidity (technical trades vs addressable liquidity)
- iv. US comparisons are skewed by mega-cap concentration

⁴ [Flash Boys - Wikipedia](#)

⁵ [AFME and EFAMA set out priorities to scale up EU Equity Markets](#)

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v. Lack of a consolidated tape obscures the full picture

In this context, it would be helpful to observe the ESMA production of an equivalent chart focused specifically on addressable and/or accessible liquidity across all of Europe beyond the EU.

To this end, the delivery of a comprehensive consolidated tape (CT) shall likely provide just such a comprehensive view of the addressable and/or accessible liquidity across different execution methods. In this respect, it is important that any ongoing assessments draw on the CT actual data.

Q5: As the choice of trading facility has increased, it is important for ESMA to understand why market participants are choosing the execution facilities that they do. What are the drivers that you consider most relevant when choosing on which execution venue and with which execution method to trade?

The underlying drivers concerning the choice of which execution venue and with which execution method to arrange and conclude trades have not fundamentally changed since the MiFID 2 framework, although evidently the technological tools and connectivity have evolved in the intervening decade.

For the avoidance of doubt these remain as the following factors:

1. **Price**
 - The price at which the financial instrument is executed.
 - Typically the most important factor for retail clients.
2. **Costs**
 - Includes all expenses directly related to execution:
 - Execution venue fees
 - Clearing and settlement costs
 - Taxes
 - Broker commissions
3. **Speed**
 - How quickly the order can be executed.
 - Particularly relevant in volatile or fast-moving markets.
4. **Likelihood of Execution**
 - The probability that the order will actually be filled.
 - Important for illiquid instruments or large orders.
5. **Likelihood of Settlement**
 - The probability that the transaction will successfully settle after execution.
6. **Size**
 - The volume of the order.
 - Large orders may impact market price or execution strategy.

Evidently changes in both technology, the relative costs and in the market dynamics have led these same factors to elicit different outcomes. Principally, as made clear in the evidence paper, the provision of choice has enabled a levelling up, or a plurality of the various execution

venues and methods in order to suit the needs of the market participants. Clearly at the heart of this move is the growth of wholesale trade arrangements in a manner that avoids latency and semantic arbitrage or front-running by high frequency and algorithmic speculative accounts in a manner that often amounts to an execution friction or cost.

Q6: What are your experiences with regard to gaining access to liquidity? To what extent are you, either directly or via a broker, able to access liquidity on relevant trading venues or relevant systematic internalisers? If not, please explain what stands in the way of gaining such access.

As operators of trading venues and wholesale intermediaries we note that there are no material technical barriers for institutional customers to access liquidity, but clearly there are a number of commercial and regulatory barriers to member firms acting as arrangers.

First and foremost is the MiFIR exclusion for OTFs to admit equities on a rationale spuriously based on "Broker Crossing Networks" that existed in a different part of the industry some two decades ago.

Second are the related MiFID2 rules which prohibit direct venue-to-venue interaction, which results in the required interposition of Investment Firms in a such a way increases complexity and costs and decreases choice.

The third notable barrier is access to post-trade infrastructures within exchange vertical siloes, this is most evident in relation to equity derivatives where both fee and technology barriers have been progressively overlaid and increased at the tier-one venues for the arrangers of block-trades and packages. So for the structural factors which do remain, these are centred on exchange soloes, open access and to clearing house interoperability.

Recent moves related to both the MiFIR Review and the policies towards strategic autonomy have hindered access to third country venues for EU market participants. We note this recent letter to ESMA on the topic: [EVIA Letter to ESMA: Concerns and Unintended Consequences from the ESMA rewrite of the Guidance around the Multilateral Perimeter, 25June2026.pdf](#)

Clearly both equity derivatives and ETFs have been pillars of growth over the past decade of MiFID 2. Therefore we also flag the absence of any capability or capacity for either the posting of cleared open-interest in equity derivatives, nor any moves towards interoperability beyond that small amount offered for cash equities back at the outset of MiFID 2 in 2017.

Q7: If you are an issuer, how do you see these market developments? Do you consider this an attractive environment for listing? If not, why?

We are not issuers.

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Q8: What conclusions would you draw from the distribution of liquidity across EEA ISINs? Do you identify any policy recommendations in this context, with a view to enhancing price formation while ensuring a level playing field across different types of venues? Do you have explanations for the high share of OTC trading observed in the ISIN's of some jurisdictions?

We draw very few conclusions from the distribution of liquidity across EEA ISINs as set out in chapter 3.3 because the reporting has likely been developed differently between larger trading regimes and the others in a manner that reflects particular national issues and casts doubt on the efficacy of the data quality. For instance the prevalence of fund administrators in Luxembourg and Ireland is a clear facet behind the higher share of OTC trading and the likely widespread duplication of reporting along the horizontal trading chain.

Q9: What is your view on the evolution of dark trading on EU trading venues? Are there any structural shifts that you noticed, which you believe should be further monitored?

We understand "dark trading" to be on-venue executions made predominantly under the LIS waiver deferrals and otherwise regulatory compliant and transparent. This is the common mode for member firms to arrange and execute wholesale business, whether on their own MTFs or through third-party exchange block trading facilities.

Dark trading is a limited share of overall market volume and the total footprint remains small compared to other execution venues and methods. It offers regulated competition to exchange markets, reducing the cost of trading, minimizing market impacts from large orders or in illiquid instruments, and offering substantial innovation which better tailors execution of the market participants requirements. The single volume cap constrains the amount of dark trading feasible across the EU equity markets. Any further regulatory move to force more dark trading onto CLOBs would harm outcomes for market participants, rather coerce into FBAs, encourage trading to migrate to third countries and lower overall levels of liquidity.

Whilst we have witness few structural shifts across this particular execution method over the last decade, clearly the cost and availability of execution tools have been welcomed by institutional firms.

Rather, as set out earlier the three predominant structural shifts over this period, other than Brexit, have been: the increase in the use of FBAs; the increase in OBoEx executions; and the increase in the role, size and scale of ETFs together with equity derivatives.

Negotiated Transactions under Article 4(1)(b) MiFIR enable the mid-price matching of block-trades. We note that "NT3" can be used together with LIS, but LIS alone already gives a waiver, so NT3 may still combined and used because it governs how the trade is executed (i.e. negotiated off-book), not just whether it is transparent. For LIS trades, NT3 relaxes price constraints from current quotes in a manner that enables spreads, packages and blocks to be outside current quotes.

Q10: What concerns/issues do you highlight at this stage? Do you see a need for specific regulatory interventions also in consideration of evidence available regarding practices related to dark trading functionalities (please provide details)?

Clearly no need to add further regulatory interventions regarding practices related to dark trading functionalities because these trades have to comply with all the trading venue rule-book requirements including transparency deferrals. However we do again add that the same trades executed as xBoEx/ "OBOE" do not require the same, nor a near equivalent treatment.

OBOE negotiated trades (NT3) that are LIS are not constrained by current market price bounds, whereas on-venue LIS trades (e.g. dark or order-book executions) remain constrained by venue pricing mechanisms (e.g. reference price / midpoint rules). Rather, institutions tend to negotiate: Risk transfer prices; Inventory costs; Hedging complexity.

Q11: What is your view on the evolution and effects of trading in closing auctions on the EU markets? Do you agree with the presented rationale for trading in closing auctions or do you consider other drivers more important for explaining the growth and increasing significance of closing auctions trading?

Given the increasing prevalence of passive trading strategies and instruments over the last decade we remain surprised that the disclosed volumes in closing auctions have remained so constant at slightly under 20% [see [Vanguard I Acquired](#) for a very detailed case study looking into Blackrock and Vanguard & [Stay the Course: The Story of Vanguard and the Index Revolution by John C. Bogle](#)].

In this respect we fail to understand the context or logic behind this ESMA question in seeking to explain the growth rather than its very absence as explicitly set out on paragraph 63 and Figure 17.

Th ESMA analysis most likely underestimates the total amount of trading on closing auctions because broker-dealers usually internalise and net out their order flow ahead of the auction subject to the outcome execution reference price in that closing auction. So a very meaningful proportion of activity which is linked to the closing price is not directly reflected in auction prints on the tape.

Clearly in almost all cases, the closing auction sets the exchange closing price, even where subsequent evening or 24-hour trading then re-opens under different settlement conditions. Consistent with the revised market structure proposed in our response to Question 1, we emphasize the timing dimension in understanding the role of the closing session. To accurately evaluate the impact of these mechanisms, it is essential to move beyond broad "periodic auction" buckets and distinguish between three distinct categories of activity:

1. **Price-Forming Auction Participation:** Orders that interact directly within the primary closing auction and contribute to the determination of the final reference price,.
2. **Concurrent Non-Price-Forming Activity:** Transactions that occur during the closing auction phase but execute at the established price without contributing to price discovery (e.g., specific "trading at close" segments),.

3. **Post-Auction Reference Price Usage:** Activity that utilizes the primary market's closing price for execution but takes place after the auction has officially uncrossed.

Consequently, a dedicated ["CLSE"] Closing Price flag for off-venue and alternative closing activity, aligning with the standard already established in the UK. Current reporting frameworks often require regulators to rely on execution timestamps to infer closing-price usage, which is an imprecise methodology that fails to provide a definitive view of addressable volume. A standardised identifier for all executions referencing the closing price—regardless of whether they occur on-venue, and formalised as such or through OTC and SI mechanisms is necessary to achieve the data granularity required to fully understand market depth and liquidity concentration at the end of the trading day.

Q12: What is your view on the effects of alternative closing mechanisms offered by MTFs and SIs?

Alternative closing mechanisms don't exert meaningful competitive pressure on primary exchanges. Market participants demonstrably concentrate their activity in primary closing auctions for several reasons, including the concentration of liquidity in primary auctions won't influence the primary auction price and constrains their role in price formation absent an expanded role for a consolidated tape to create any such. Any such alternative closing mechanisms offered by MTFs and SIs need to provide some explicit mitigation for best execution requirements, but their continued operation does reflect the overwhelming importance of passive investing vehicles as previously set out.

In this respect we would urge ESMA to draft implementation regulations to more explicitly grant open access to settlement and clearing mechanisms operated by the primary exchanges for all such alternative closing mechanisms in order to avoid fragmentation.

The combination of MIC code and a CLSE flag will provide for the necessary clear identification of such trades.

Q13: What will be in your view the effects of 24h/ extended trading hours on closing auctions?

Given that the trading facilities and mechanisms offered by MTFs and SIs have long since offered continuous trading outside exchange hours without any identifiable effect on closing auctions, it is hard to suppose any major impact from longer exchange hours. Rather, subsequent to the closing auction, sessions will likely undertake different settlement instructions under the forthcoming T+1 deadlines. We would suggest that ESMA consider both the harmonisation of pre-trade flags with post-trading ones to provide tools for this delineation. This could be achieved with the more formal requirements to deploy the existing the FIX MMT delineation.

Q14: Are there any structural shifts that you noticed, which you believe the competent authorities should monitor? Would you like to highlight any concerns/issues at this stage? Do you see a need for specific regulatory interventions (please provide details relating them possibly to the data and observations available)?

We agree with the comments in paragraph 62 noting the concentration of volumes and concomitant reliance on the closing auction as the primary mechanism for executing trades at the official closing price, and the growing importance of this market structure in the EU equity markets. This is also reflected in the BMLL insight piece "[Sounding the bell: understanding the closing auction](#)"⁶ back in November 2023 which concluded that losing auctions are now the single largest liquidity event in a trading day with the share of volume as c. 15–20% of daily volume in Europe and Japan. BMLL followed this up with, "[Plotting at the Triple Witching Hour: how the Closing Auction has changed](#)"⁷ which evidenced the continued growth in auction share across US and Europe. [Euronext has a similar body of quantitative evidence](#)⁸.

Academic literature has also increasingly focused on this shift with the same results, noting the Plato Partnership / academic collaboration in 2023 and the paper, "[Shifting Volumes to the Close: Consequences for Price Discovery and Market Quality](#)"⁹ by Bender, Clapham, and Schwemmlin.

Clearly these papers and the facts they record and collate are immutable and explainable. A market structure that could not evolve with the needs of its users would be concerning, but this is not that case. We therefore emphasise that these do not prompt concerns/issues at this stage and they do not prompt a need for specific regulatory interventions beyond the doubling down of open-access provisions and creation of a flagging set as discussed above.

On account of the market power available to primary exchanges, they tend to be able to implement fee structures which this incentivises liquidity moving or splitting their trading activity away from alternative closing auctions. Should ESMA deem it desirable to foster competition, the equity consolidated tape can be a key tool to support this by establishing a stable and universal crossing price. Instead of the primary auction collecting bids and offers over a predefined window, the CT could, by consuming all the market-on-close and the limit-on-close orders submitted across the trading venue ecosystem, then determine the "*Uncrossing price*". And this is all data which is included in the pre-trade data, and transmitted to the CT including baskets of shares and ETFs.

Q15: What is your view on the evolution of trading in FBAs on EU markets? Why are those mechanisms gaining traction in your view? Which are the benefits and shortcomings they offer? (please elaborate)

⁶ [Sounding the bell: understanding the closing auction for... | BMLL](#)

⁷ [Plotting at the Triple Witching Hour: how the Closing Auction... | BMLL](#)

⁸ [Better trading at the close thanks to market impact models](#)

⁹ [Shifting Volumes to the Close: Consequences for Price Discovery and Market Quality](#)

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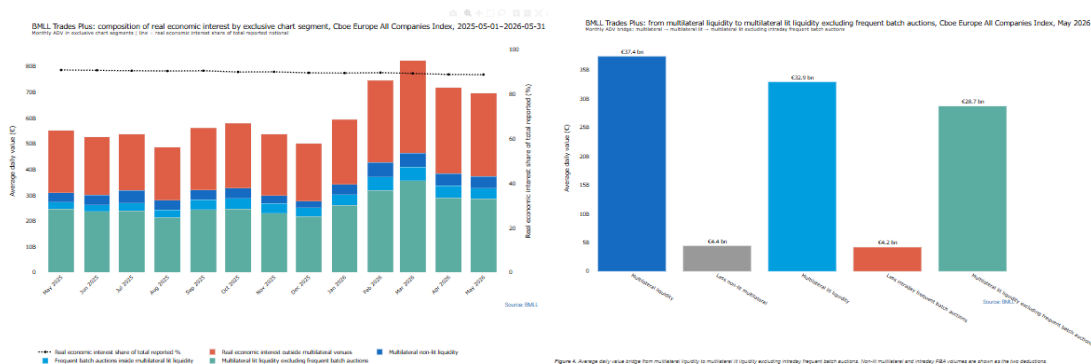
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Frequent Batch Auctions (FBAs) are periodic auction systems that match orders throughout the day, distinguishing themselves from conventional scheduled auctions by their millisecond duration and their "on-demand" nature, triggered by order submission or a potential match. FBAs offer the benefits of dark trading and off-bug trading without being subjected to the same rules which apply to MTFs. Rather, they don't operate under any waiver regime, nor under the SVC, whilst market participants can execute trades often and away from the mid-price constraints, off-tick and subject to other flexibilities.

We agree with the evidence set out in the call for evidence illustration the growth and evolution of Frequent Batch Auctions, notably in the period since the June 2019 ESMA first report. In particular we note the BMLL report of 16th June 2026 entitled, "[Only four in every ten euros of European equity trading representing real economic interest happens on a displayed central limit order book](#)"¹⁰. This illustrates FBAs inside multilateral liquidity to account for about 5% of the total market. Other reporting, without the "Addressable Liquidity" filters have supposed the doubling their relative share of trading volume from 3.1% in 2022 to 6.2% in 2025 across EU equity markets as a whole.



Benefits of FBAs

- **Reduced Latency Race:** FBAs benefit market participants by de-emphasising speed, thereby reducing the "latency race" prevalent in continuous lit trading.
- **Lower Price Slippage:** They are viewed as an effective alternative to Central Limit Order Books (CLOBs) for executing larger orders while limiting the risk of price slippage.
- **Larger Execution Sizes:** Data shows that the average trade size for FBAs is higher than in lit continuous trading; for example, most FBA trades fall in the EUR 5,000 – 10,000 bucket, whereas lit trading is dominated by the EUR 0 – 5,000 bucket.
- **Off-Tick Execution:** FBAs are noted for their success in executing orders off-tick (e.g., at midpoint), with data indicating that all FBAs execute at least 40% of their transactions off-tick.
- **Alternative to Dark Trading:** Following the implementation of the Single Volume Cap (SVC), there are indications that some dark order flow may be relocating to FBAs, particularly on venues like Cboe Europe - DXE Periodic (BEUP).

Shortcomings and Challenges

¹⁰ [BMLL Market Lens: European Liquidity Maps | BMLL](#)

- **Limited Transparency:** Some stakeholders argue that FBA mechanisms entail limited pre-trade transparency compared to continuous lit order books.
- **Contribution to Price Formation:** There is ongoing industry debate regarding whether these auctions genuinely contribute to price formation, as they often rely on reference prices (pegged to EBBO or PBBO) rather than independent price discovery.
- **Small Transaction Sizes relative to Closing Auctions:** While larger than lit trading, FBA transaction sizes are roughly six times smaller than those executed in closing auctions.
- **Lack of Standardization:** Some persistent and inconsistent flagging of FBAs across different venues. Not all venues clearly flag the start and finish of an FBA, making it difficult to normalize the data.
- **"Bucket" Classification Problem:** We concur that ongoing regulatory or supervisory tendencies to group FBAs into the same "periodic auction" bucket as opening and closing auctions creates poor data. We agree with the widespread views that these mechanisms occur at different times and serve entirely different economic purposes.

Recommendations

- **Mandatory MMT Usage:** There is a push for more rigorous and consistent use of **Market Model Typology (MMT)** flags—specifically the **ODAU (On Demand Auction)** flag—to ensure FBAs are clearly distinguishable from primary limit order books and other auction types.
- **Granular Identifiers:** We urge the adoptions of clear and consistent identifiers to remove confusion and allow market participants to make informed decisions based on clean data.

Q16: Do you have any particular observations as regards the impact of SVC on FBAs?

The implementation of the Single Volume Cap (SVC), which replaced the Double Volume Cap (DVC) in October 2025, has had a notable and measurable impact on the activity of Frequent Batch Auctions (FBAs) in the European equity market.

Relocation of Dark Liquidity to FBAs; Recalling that the data already analysed by ESMA indicates a trend where volumes previously executed under the Reference Price (RP) waiver are relocating to FBAs following SVC suspensions. There was an "evident" increase in trading for instruments that were suspended under the first SVC calculations in October 2025 which we understand to be the "Sweep Effect." In other words, that dark orders outside the LIS and MTF rules have been recharacterised from RP waiver systems into FBA trading systems to bypass the cap, a move first seen in 2018 when the DVC was first implemented.

The increase in FBA activity following SVC enforcement has been largely driven by a single venue: Cboe Europe - DXE Periodic (BEUP). This venue is part of the same corporate group as the leader in RP waiver trading suggesting that participants are simply shifting their execution strategy within the same provider's ecosystem.

The test here would be to observe any UK vs. EU Divergence because of the removal of volume caps in the UK. We understand that the UK, which is set to issue a parallel

consultation over the summer months, has indeed not experienced the same shift of dark liquidity into periodic auctions.

We urge ESMA to remain cautious about drawing final conclusions due to the short observation period available.

Q17: Are there any emerging structural shifts which you believe would warrant closer monitoring? (please elaborate)

No. We consider any observed structural shifts to be logical and presenting a transition towards a more diverse and robust market ecosystem consequent to user choice.

Q18: What is your view regarding the contribution of FBAs to price formation and transparency? Should those mechanisms be generally considered as price forming/ non price forming or this assessment should be done on a case-by-case basis depending on the specific design of the auction? (please elaborate, supplementing your views with data evidence when available)

Referring to the diagram above and as supported by FIX, it is clear that Frequent Batch Auctions (FBAs) should be considered as price forming in the European equity market.

Where and when the SVC is activated, further dark orders on exchange are swept by smart order routers away from the RPW mechanism and into that for FBAs. So typically LIS/ RPW MTFs and FBAs offer similar levels of pre-trade transparency, but the effect of the SVC is to reroute to the FBA as an expression of the "last venue standing".

The unintended consequence in this scenario is to distort the relative execution performance metrics which then reinforces the movement of liquidity to FBAs away from MTF trading under waivers. In this context, any FBA should be assessed on the contributions to price formation and transparency on a case-by-case basis, depending on the design of the auction. The accepted use of mid-market or mid-point orders on FBA frequently import the execution price from the prevailing EBBO outside of the FBA mechanism. Given that there are often very few other customer orders, the mismatches commonly comprise substantial member preferencing.

Q19: Please highlight any concerns/issues you may have at this stage. Do you see a need for specific regulatory interventions, particularly regarding the tick size regime and its application to transactions and periodic auctions (please provide details)?

No. We do not see the need for any specific regulatory interventions at this stage regarding the tick size regime and its application to transactions and periodic auctions. We refer to prior comments above as to the need to level the playing field with respect to on venue trades under LIS verses the increase in xBoEx/ "OBOE" together with a removal of the unwarranted

restrictions for OTFs in respect of cash equities. These would require changes to Level 1 MiFIR.

In this respect it would be appropriate for ESMA to consider interventions to provide a level playing field between venues within the MiFIR multilateral perimeter where growth that the FBA segment has demonstrated is driven solely due to regulatory arbitrage. In order to create a level playing field, ESMA should look at reforming the LIS and RPW segment such that trade transparency and the capability to trade mid-price or execute off-tick are the same.

We note a general “fatigue” with the frequency and intent of regulatory interventions following the MiFID rewrite and would commend any such proposals to be gathered but deferred until the RTS 22 and RTS 24 transaction reporting and related reference data, derivatives reporting and funding/ borrowing data architectures have been finalised.

Q20: What is your view on the evolution of trading of SIs on the EEA markets? What are the main drivers of their growth?

As brokers and trading venues, EVIA member firms do not operate Systematic Internalisers [“SIs”] and offer no comments herewith save to ostensibly agree with ESMA’s analysis as set out.

Q21: Does this picture reflect the trends you observe in SI trading? Do SI offer trading for both large and small sizes? Do these different trade size reflect different types of clients / SI businesses?

As brokers and trading venues, EVIA member firms do not operate Systematic Internalisers [“SIs”] and offer no comments herewith.

Q22: What is your perception of the application of price improvement by SIs? Does the data analysis reflect the reality, or do you believe that there are some data quality issues in the flagging of transactions subject to price improvement?

As brokers and trading venues, EVIA member firms do not operate Systematic Internalisers [“SIs”] and offer no comments herewith.

In respect of benefits from harmonisation between the post-trade transparency and transaction reporting regimes, as well as for better data quality and incorporation into consolidated tapes, we would suppose that SI trading is included in wider protocols for the capabilities to identify closing price activity from auctions, to distinguish between manual and electronic executions, together with the proper flagging of both addressable liquidity and cross-border activity.

Q23: Which flags do you consider important to identify certain trade related to SI trading?

As brokers and trading venues, EVIA member firms do not operate Systematic Internalisers ["SIs"] and offer no comments herewith.

In respect of benefits from harmonisation between the post-trade transparency and transaction reporting regimes, as well as for better data quality and incorporation into consolidated tapes, we would suppose that SI trading is included in wider protocols for the capabilities to identify closing price activity from auctions, to distinguish between manual and electronic executions, together with the proper flagging of both addressable liquidity and cross-border activity.

Q24: What is your view on the evolution of SI trading on the EU markets? Are there any structural shifts that you noticed, or envisage, which you believe should be further monitored?

As brokers and trading venues, EVIA member firms do not operate Systematic Internalisers ["SIs"] and offer no comments herewith.

We do however refer to prior comments above as to the need to level the playing field with respect to on venue trades under LIS verses the increase in xBoEx/ "OBOE" together with a removal of the unwarranted restrictions for OTFs in respect of cash equities. These would require changes to Level 1 MiFIR.

Q25: Please highlight any concerns/issues you may have at this stage? Do you see a need for specific for regulatory interventions (please provide details possibly relating to the information and data available or observed)?

As brokers and trading venues, EVIA member firms do not operate Systematic Internalisers ["SIs"] and offer no direct comments related to their operation. We evidently welcome diversity in execution methods and suggest that the capability for SIs to trade below SMS should be harmonised, together with post-deferral transparency obligations and MIC disclosure which are not currently the case.

Recalling the extended debate in the origins of MiFID2 and MiFIR concerning "Broker Crossing Networks" which have never been observed after the initial MiFID, policy considerations still need to ensure that SIs are taking principal risk and not otherwise simply recreating multilateral risk offset systems.

We again refer to prior comments above as to the need to level the playing field with respect to on venue trades under LIS verses the increase in xBoEx/ "OBOE" together with a removal of the unwarranted restrictions for OTFs in respect of cash equities. These would require changes to Level 1 MiFIR.

In respect of benefits from harmonisation between the post-trade transparency and transaction reporting regimes, as well as for better data quality and incorporation into

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consolidated tapes, we would suppose that SI trading is included in wider protocols for the capabilities to identify closing price activity from auctions, to distinguish between manual and electronic executions, together with the proper flagging of both addressable liquidity and cross-border activity. We reiterate that the UK removed the double volume cap with no impact on market quality.

Q26: Have you witnessed an increase in the use of benchmark trades? If so, what are the drivers of such increase on venue and on SI?

No. We have not witnessed an increase in the use of benchmark trades, and note that the evidence presented supposes this to be an SI phenomena rather than an on-venue one.

Q27: Should the use of transactions from multiple trading venues be allowed when calculating the benchmark?

Yes. We refer to the BMR to note that the use of transactions from multiple trading venues would be considered normal.

Q28: When performing benchmark trades, on how many transactions is the calculation of the benchmark trade based (on average, min, max, liquid vs. illiquid instruments)?

No comment. As brokers and trading venues, EVIA member firms do not operate Systematic Internalisers ["SIs"] and offer no comments herewith.

Q29: To what extent SI take advantage of the provision in Article 15(3) of MiFIR? Please share any data you may be informative in this context to understand the extent to which SIs use this provision.

No comment. As brokers and trading venues, EVIA member firms do not operate Systematic Internalisers ["SIs"] and offer no comments herewith.

Q30: Would you be supportive of ESMA issuing guidance on benchmark trades? If yes, should it encompass quantifying the minimum requirements (e.g. minimum number of transactions to be included when calculating a benchmark price, minimum time period to cover).

No comment. As brokers and trading venues, EVIA member firms do not operate Systematic Internalisers ["SIs"] and offer no comments herewith.

We do however support the FIX Org analysis¹¹ as set out at: <https://fixtrading.org/packages/fix-trade-flag-scenarios-european-equities/> which considers the use of the BENC flag, either alone or in combination with other flags, and the sufficiency of this information.

Q31: Does member preferencing lead to unfair outcomes for end-investors, other members or the markets? Please explain, if possible on the basis of data.

As brokers and trading venues, EVIA member firms do not admit “members”, but rather have market participants who interact subject to the MTF rulebook. Evidently the rules are “fair and non-discriminatory,” so against this playing field we do not see advantages for the continuation of “*member preferencing*” if not clearly a part of the rules set out and agreed by market participants. However, mindful of the approach to market-making, tic sizes and latency which are all tantamount to the same outcomes, the core issues here remain disclosure and choice (competition) as opposed to regulatory intervention.

Q32: To what extent do you see evidence that member preferencing extends in practice beyond jumping the queue and may also violate price priority principles?

Same as Q31.

As brokers and trading venues, EVIA member firms do not admit “members”, but rather have market participants who interact subject to the MTF rulebook. Evidently the rules are “fair and non-discriminatory,” so against this playing field we do not see advantages for the continuation of “*member preferencing*” if not clearly a part of the rules set out and agreed by market participants. However, mindful of the approach to market-making, tic sizes and latency which are all tantamount to the same outcomes, the core issues here remain disclosure and choice (competition) as opposed to regulatory intervention.

Q33: Should member preferencing be (a) prohibited, (b) should there be rules restricting the practice, or (c) should nothing be done? If you suggest there should be rules (b), which rules would you suggest? Please explain.

Mindful of the need for innovation and a competitive landscape we would caution against regulatory intervention unless strictly necessary. *Member Preferencing* can be a valuable tool for MTFs but it could also be achieved in a many different ways and with alternative labelling. Members note a valid use-case in sifting valuable block liquidity from the layering of minimum size as algorithmic techniques, We again refer to our prior comments around OTFs and the role of discretion in this regard.

¹¹ <https://fixtrading.org/packages/fix-trade-flag-scenarios-european-equities/>

Indeed, restricted liquidity pools for certain wholesale activities appears reasonable under relevant circumstances. So the approach to market-making, tic-sizes and latency which are all tantamount to the same outcomes, the core issues here remain disclosure and choice (competition) as opposed to regulatory intervention.

Q34: What would be the consequence of prohibiting certain forms of member preferencing? Please explain, if possible on the basis of data.

Same as Q31 and Q33.

Mindful of the need for innovation and a competitive landscape we would caution against regulatory intervention unless strictly necessary. *Member Preferencing* can be achieved in a many different ways and with alternative labelling. Indeed, restricted liquidity pools for certain wholesale activities appears reasonable under relevant circumstances. So the approach to market-making, tic-sizes and latency which are all tantamount to the same outcomes, the core issues here remain disclosure and choice (competition) as opposed to regulatory intervention.

Q35: Are you aware of other similar and common practices, for example on RFQs, where on venue competition is limited to the detriment of other investors or members? Please explain, if possible with data.

No.

Q36: Do you agree with the above three approaches?

Yes. Overall we agree with proposed concept of addressability and the three approaches set out in paragraph 111. We note the comments concerning negotiated transactions of third type (NT3), and the preferred approach of the FIX Org such that the two distinct concepts of price formation and accessibility are treated independently. We suppose that could be done within the broader ESMA framework and again cross-refer the schematic diagram above.

Our pressing concern with where off-book transactions are made as economic trades that are price forming under the oBoEx/"OBOE" approach and should not accrue under the NPFT waiver. This is in accordance with the advocacy for a level playing approach between LIS trades on MTF and these trade registrations. This does not negate the role and classification for technical transactions where they do not meet the definition of price-forming activity and which should then be excluded from post-trade transparency requirements while remaining subject to transaction reporting obligations

It is clear that many types of addressable liquidity have limited accessibility. This does not and should not remove them from being classified as "price forming." Furthermore, transactions subject to conditions other than the current market price also remain price-forming. Rather,

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this is the role of the consistent and accurate application of flags and the FIX Org framework. Together, they ought to provide all information necessary for investors to assess how relevant a particular price-forming transaction is to them under the market context at any point in time.

Q37: Do you agree with this first part of the table on addressable liquidity and price forming?

Yes we agree with the table as presented in Figure 36.

Q38: Do you agree with this second part of the table on addressable liquidity and price forming?

Yes we largely agree with the table as presented in Figure 36 with the exception that "Addressable Portfolio Trades" are also price forming because they comprise a real economic interest.

Our pressing concern with where off-book transactions are made as economic trades that are price forming under the oBoEx/"OBOE" approach and should not accrue under the NPFT waiver or should be correctly flagged. This is in accordance with the advocacy for a level playing approach between LIS trades on MTF and these trade registrations. This does not negate the role and classification for technical transactions where they do not meet the definition of price-forming activity and which should then be excluded from post-trade transparency requirements while remaining subject to transaction reporting obligations

Q39: Would you consider that some benchmark transactions should be classified as non-addressable and non-price forming? If so, provide a clear description of the case and rationale.

No. We consider that all benchmark trades have real economic interest, and are therefore addressable, and that they are price forming.

Q40: Do you agree with this third part of the table on addressable liquidity and price forming?

Yes, it follows that transactions without any flag should be all considered addressable liquidity and price forming. We also agree with the conclusions for transactions are only flagged with SDIV or ALGO. Indeed, even the addition of the LRGS, the NLIQ, or the RFPT flag would not then indicate whether any such trade was either addressable or non-addressable

Q41: Do you agree that all transactions without a flag should be considered addressable liquidity and price forming?

Same answer as Q40.

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Yes, it follows that transactions without any flag should be all considered addressable liquidity and price forming. We also agree with the conclusions for transactions are only flagged with SDIV or ALGO. Indeed, even the addition of the LRGS, the NLIQ, or the RFPT flag would not then indicate whether any such trade was either addressable or non-addressable

Q42: Do you agree with this fourth and last part of the table on addressable liquidity and price forming?

Same answer as Q40.

Yes, it follows that transactions without any flag should be all considered addressable liquidity and price forming. We also agree with the conclusions for transactions are only flagged with SDIV or ALGO. Indeed, even the addition of the LRGS, the NLIQ, or the RFPT flag would not then indicate whether any such trade was either addressable or non-addressable

Q43: Do you agree with the approach on the combination of flags in the case of addressable liquidity?

We do not consider that it is terribly relevant whether any sub-group of market participants agrees or not with protocol aspects such as the approach on the combination of flags; rather what is important here is the accepted industry standard by all market participants in order to provide for the standardisation and the data quality outcomes sought after.

We therefore reprise and endorse the FIX Org comments here:

To disagree that trades flagged as CONT are not addressable given their real economic interest and that any combination of CONT and other flags should default to being addressable.

To endorse that any combination comprising PORT or CONT with NPFT should not be possible, although the use and role of NPFT should be better clarified and checked.

To reiterate the impartiality of the LRGS and SDIV flags in the context of whether the trade is either addressable or non-addressable.

Q44: Do you agree that intragroup transactions executed by SIs should not constitute addressable liquidity and therefore, could be flagged (i.e. a new flag in RTS 1 could be added to disentangle those transactions)? Do you agree that intragroup transactions executed by SIs should be classified as non-price forming?

As brokers and trading venues, EVIA member firms do not operate Systematic Internalisers ["SIs"] and offer no comments herewith.

Q45: Do you believe that other transactions should be flagged and excluded from the calculation of addressable liquidity (i.e. a new flag in RTS 1 should be added to disentangle those transactions)?

We support moves towards close alignment with revised FCA practices, including the incorporation of FIX Trading Community industry-led trade flags into regulation to ensure standardised methodology for RTS 1 transparency, in particular ["CLSE"] & ["ExecMethod"].

ⁱ Absolute growth (AUM and flows), a massive increase in assets; This is one of the fastest structural shifts in modern asset management. (see [Vanguard | Acquired](#) deep-dive podcast)

- Global passive assets (ETFs + index funds) now exceed \$20–22 trillion [\[citywire.com\]](#)
- Over the past decade, passive funds have attracted ~\$9–9.5 trillion of net inflows globally [\[pwlcapital.com\]](#)
- Passive AUM has expanded roughly 4x over the last 10–15 years in key markets like the US [\[dspim.com\]](#)


Strong and persistent inflows

- 2024 alone saw ~\$1.4 trillion of net inflows into passive funds globally [\[citywire.com\]](#)
- Over recent periods, passive funds consistently:
 - receive large positive inflows, while
 - active funds often experience net outflows [\[ftportfolios.com\]](#)

Equity dominance

- A large majority of passive assets are equity-focused
 - e.g. ~57% of passive AUM tracks global and US equity indices [\[citywire.com\]](#)
- This means the rise of passive is fundamentally a global equities phenomenon, not a fixed-income story.

2) Relative growth (market share vs active)

- **Global level;**  A dramatic increase from: ~23–25% a decade ago [\[pwlcapital.com\]](#),
 - Passive share of global fund assets has risen to roughly ~43–44% of global mutual fund + ETF AUM (2024–2025) [\[pwlcapital.com\]](#),
 - Passive now accounts for ~39% of total global AUM (including institutional assets)

us United States (most advanced market); *The US is the clearest example of structural dominance.*

- Passive has overtaken active in AUM ~53–55% market share by 2025 [\[pwlcapital.com\]](#)
- Passive now constitutes >50% of US equity fund assets and roughly one-third of the underlying US equity market itself [\[pwlcapital.com\]](#)

EU Europe (lagging but converging); *Growth continues via strong net inflows into passive products.*

- Passive share has grown from ~14% (2015) → ~30% (2024) in non-North American markets [\[pwlcapital.com\]](#)
- In Europe specifically ~30% of fund assets are passive but active still dominates AUM [\[morningstar.com\]](#)

 Other regions; *The shift is now clearly global, not US-specific.*

- Similar trends are visible globally:
 - China: passive AUM has overtaken active (2024) [\[cafemutual.com\]](#)
 - Canada: passive ~20%+ and rising [\[pwlcapital.com\]](#)

3) Equity market penetration (deeper perspective); Beyond fund AUM:

- Passive strategies now account for:

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- ≈50% of equity fund investing globally [\[apolloacademy.com\]](https://www.apolloacademy.com)
- ETFs alone represent:
 - ~26–30% of daily US equity trading volume [\[investopedia.com\]](https://www.investopedia.com)
- This shows passive is not just large—it is structurally embedded in market functioning.

Key drivers of growth; The expansion is driven by structural forces:

- **Cost advantage;** Passive fees are far lower than active → strong investor migration
- **Persistent underperformance of active;** Only ~20–30% of active managers outperform over long horizons [\[morningstar.com\]](https://www.morningstar.com)
- **Product innovation;** Explosion of ETFs (now 12,000+ globally) [\[investopedia.com\]](https://www.investopedia.com)
- **Institutional adoption;** Pension funds and DC schemes have increasingly shifted to: *index-based allocation frameworks*

ii Absolute growth (AUM and flows)

Massive increase in assets

- Global passive assets (ETFs + index funds) now exceed **\$20–22 trillion** [\[citywire.com\]](https://www.citywire.com)
- Over the past decade, passive funds have attracted **~\$9–9.5 trillion of net inflows globally** [\[pwlcapital.com\]](https://www.pwlcapital.com)
- Passive AUM has expanded **roughly 4x over the last 10–15 years** in key markets like the US [\[dspim.com\]](https://www.dspim.com)

 This is one of the fastest structural shifts in modern asset management.

Strong and persistent inflows

- 2024 alone saw **~\$1.4 trillion of net inflows into passive funds globally** [\[citywire.com\]](https://www.citywire.com)
- Over recent periods, passive funds consistently:
 - receive **large positive inflows**, while
 - active funds often experience **net outflows** [\[ftportfolios.com\]](https://www.ftportfolios.com)

Equity dominance


- A large majority of passive assets are **equity-focused**
 - e.g. ~57% of passive AUM tracks global and US equity indices [\[citywire.com\]](https://www.citywire.com)

 This means the rise of passive is fundamentally a **global equities phenomenon**, not a fixed-income story.

2) Relative growth (market share vs active)

Global level


- Passive share of global fund assets has risen to roughly:
 - **~43–44% of global mutual fund + ETF AUM (2024–2025)** [\[pwlcapital.com\]](https://www.pwlcapital.com),
- Passive now accounts for **~39% of total global AUM (including institutional assets)**

 A dramatic increase from:

- ~23–25% a decade ago [\[pwlcapital.com\]](https://www.pwlcapital.com),


us United States (most advanced market)

- Passive has **overtaken active in AUM**
 - **~53–55% market share by 2025** [\[pwlcapital.com\]](https://www.pwlcapital.com)
- Passive now constitutes:
 - **>50% of US equity fund assets**
 - and roughly **one-third of the underlying US equity market itself** [\[pwlcapital.com\]](https://www.pwlcapital.com)

 The US is the clearest example of structural dominance.

EU Europe (lagging but converging)

- Passive share has grown from:
 - **~14% (2015) → ~30% (2024) in non-North American markets** [\[pwlcapital.com\]](https://www.pwlcapital.com)
- In Europe specifically:
 - **~30% of fund assets are passive**
 - but **active still dominates AUM** [\[morningstar.com\]](https://www.morningstar.com)

 Growth continues via **strong net inflows into passive products**.

Other regions

- Similar trends are visible globally:
 - China: passive AUM has **overtaken active (2024)** [[cafemutual.com](https://www.cafemutual.com)]
 - Canada: passive **~20%+ and rising** [[pwlcapital.com](https://www.pwlcapital.com)]

👉 The shift is now clearly **global, not US-specific**.

3) Equity market penetration (deeper perspective); Beyond fund AUM:

- Passive strategies now account for:
 - **≈50% of equity fund investing globally** [[apolloacademy.com](https://www.apolloacademy.com)]
- ETFs alone represent:
 - **~26–30% of daily US equity trading volume** [[investopedia.com](https://www.investopedia.com)]

👉 This shows passive is not just large—it is **structurally embedded in market functioning**.

Key drivers of growth; The expansion is driven by structural forces:

✓ Cost advantage

- Passive fees are **far lower** than active → strong investor migration

✓ Persistent underperformance of active

- Only **~20–30% of active managers outperform** over long horizons [[morningstar.com](https://www.morningstar.com)]

✓ Product innovation

- Explosion of ETFs (now **12,000+ globally**) [[investopedia.com](https://www.investopedia.com)]

✓ Institutional adoption

- Pension funds and DC schemes have increasingly shifted to:
 - **index-based allocation frameworks**