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**AFME research finds true size of European ‘OTC’ equity market is nearer 16% than 40%**

The proportion of European share trading that takes place ‘over-the-counter’ (OTC), rather than on stock exchanges, is closer to 16% than the widely reported estimate of 40%, according to new research published today by the Association for Financial Markets in Europe (AFME).

The AFME study, ‘The Nature and Scale of OTC Equity Trading in Europe’, reveals that 60% of all OTC equity trades reported between 2008 and 2010, were duplicate trades already reported elsewhere. Over the period surveyed, these duplicates represented an increasingly larger share of the reported OTC data.

The discrepancy is due to the failure of MiFID reporting rules to differentiate between genuine and technical trade reporting. AFME believes that more granular and standardised reporting requirements would address this issue and provide much needed clarity on European market liquidity.

To establish these findings, AFME collated and analysed data from the largest brokers in the European market on all OTC equity trades. This information has not previously been available.

Commenting on the research findings, Christian Krohn, a managing director of Equities at the Association for Financial Markets in Europe said:

“MiFID has transformed the European equity market landscape but the current reporting requirements cause confusion and can result in misleading claims, as our research shows. This is of concern as it suggests that policy decisions are driven by misinformation or misunderstanding.

“In light of the ongoing MiFID Review and regulatory proposals around OTC trading, it is critical that policy makers have a full and accurate understanding of the nature and scale of the OTC market.

“The AFME analysis of the composition of OTC equity trading and conclusions on its true size as a proportion of the European market will help provide this much needed clarity.”

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Notes:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association through the GFMA (Global Financial Markets Association). For more information please visit the AFME website, www.afme.eu

2. AFME OTC Market Analysis examines data from the largest brokers in the European markets covering equity trades reported as OTC under MiFID during the period Q1 2008 and Q3 2010. The full report can be found at http://www.afme.eu/document.aspx?id=4998