
Press release

Report confirms overwhelming majority of equity trading in Europe takes place on venues – AFME warns that further concentration could undermine liquidity, investor choice and increase the overall cost of trading

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A new report published today by Oxera and commissioned by the Association for Financial Markets in Europe (AFME), provides evidence that the majority of equity trading in Europe (83%) takes place on venuesⁱ. A much smaller share (17%) takes place off-venue on alternative trading mechanisms known as systematic internalisersⁱⁱ (SIs) and over the counter (OTC).

This in-depth analysis counters claims that SIs and OTC transactions are disproportionately dominating the European equities landscape. These misperceptions have been based on raw trading data compiled by ESMA from national authorities and is not granular enough to distinguish between different trading modalities. As such, it does not provide an accurate picture of the equities trading landscape in the EU.

Adam Farkas, Chief Executive of AFME, said: *“This latest analysis from Oxera highlights how existing raw equity trading data reported to ESMA can inaccurately represent the trading landscape and to influence policymaking with the risk of perpetuating the dominance of exchanges in equity trading. This is cause for concern because an overly concentrated trading landscape hampers competition, investor choice and keeps costs of trading high. Ensuring sufficient diversity of trading is to the benefit of individuals’ pensions and savings, whether it is via their direct participation in markets, or via the institutional investors which represent them. A lack of competition in trading on the EU’s secondary markets may also be holding back the growth of primary markets which are underdeveloped compared to the size of the EU economy.”*

“AFME is therefore calling for improvements to regulatory data definitions and collection processes to be prioritised in the upcoming MiFIR Review so that policymakers have an accurate picture of EU market developments and can compare them internationally. The Review should not privilege any particular trading mechanism - otherwise we risk running counter to its objectives of improving market liquidity and investor outcomes.”

Reinder Van Dijk, Partner at Oxera, said *“When considering the European equity trading and liquidity landscape, policymakers and market practitioners may have different questions depending on their perspectives of interest. A significant volume of OTC and SI reported transactions are technical in nature. While technical trades may be relevant from a supervisory and/or post-trading perspective, it is not informative to include them in an analysis of the trading and liquidity landscape. Oxera’s analysis of the trading and liquidity landscape in this report applies filters to the full universe of reported equity transactions to distinguish true economic trading activity from the reporting of technical transactions. Although Oxera’s report provides more clarity, further work is required to obtain a precise view of the equity trading and liquidity landscape in Europe.”*

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About AFME

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 (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu. Follow us on Twitter [@AFME_EU](https://twitter.com/AFME_EU)

About Oxera

Oxera is an economics consultancy that advises companies, policymakers, regulators and lawyers on any economic issue connected with competition, finance or regulation. We have been doing this for more than 35 years, gathering deep and wide-ranging knowledge in the sectors we specialise in, such as Aviation. We have a reputation for credibility and integrity among those we advise, and among key decision-makers, such as policymakers, regulators and courts.

ⁱ Trading venues are Regulated Markets and Multilateral Trading Facilities (MTFs). Trading mechanisms that take place under the rules of a trading venue can be broken down into the categories: lit order book, auctions, dark venues, and off-book on-exchange.

ⁱⁱ Systemic Internalisers are investment firms using their balance sheets to trade with clients at their own risk. By doing so, they play an important role allowing trading to still take place when other market participants are unable or unwilling to trade. Their trades are made visible to the rest of the market after execution to avoid market prices moving before the trade takes place, which would otherwise amplify the risk they take.