

MYTH

Companies have to list outside of Europe, because Europe has low secondary market liquidity.

REALITY

Analysis of European liquidity often considers only liquidity on the primary listing exchanges.

However, there is a thriving ecosystem of additional liquidity away from exchanges that often gets missed.

European equity markets are actually three times larger than often perceived.

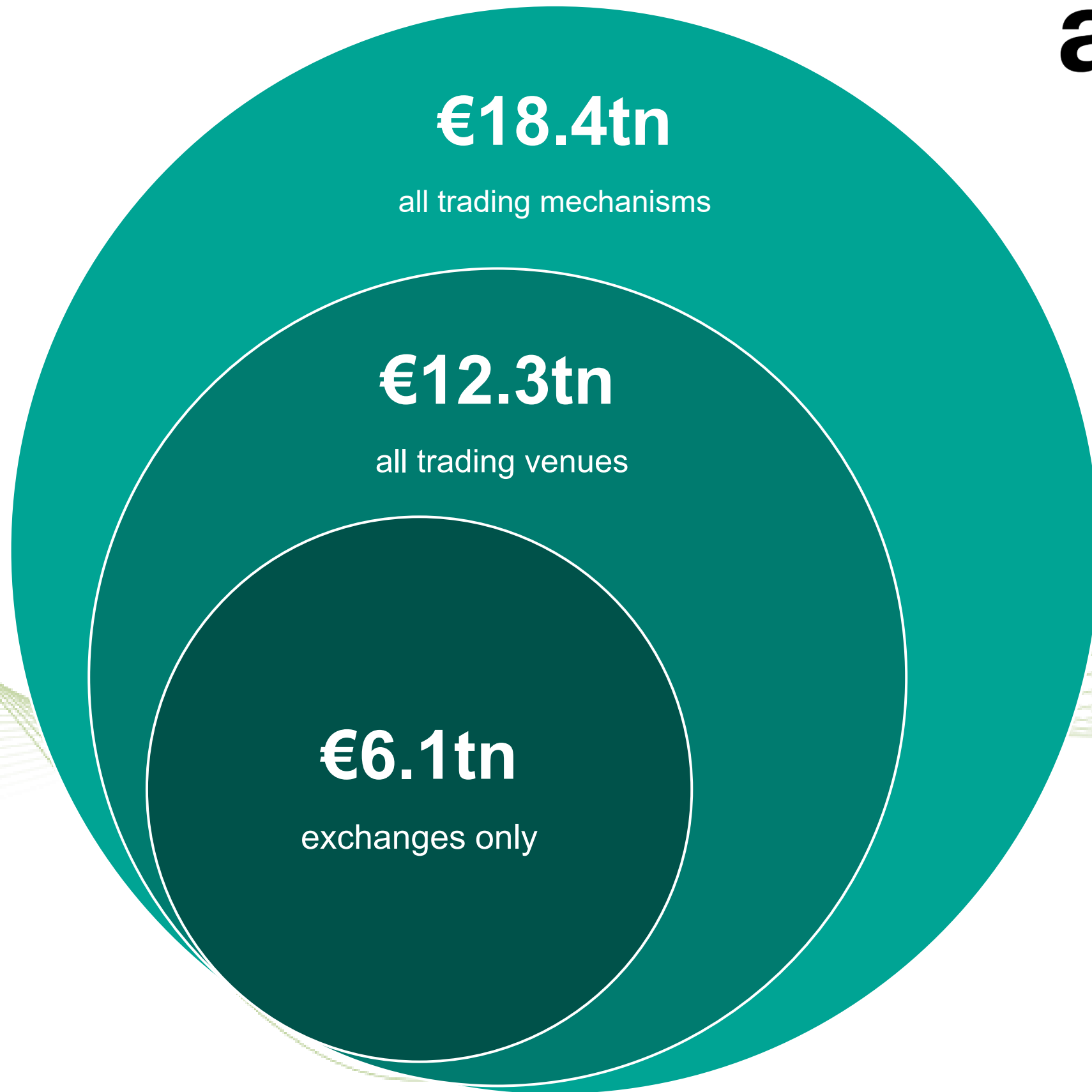
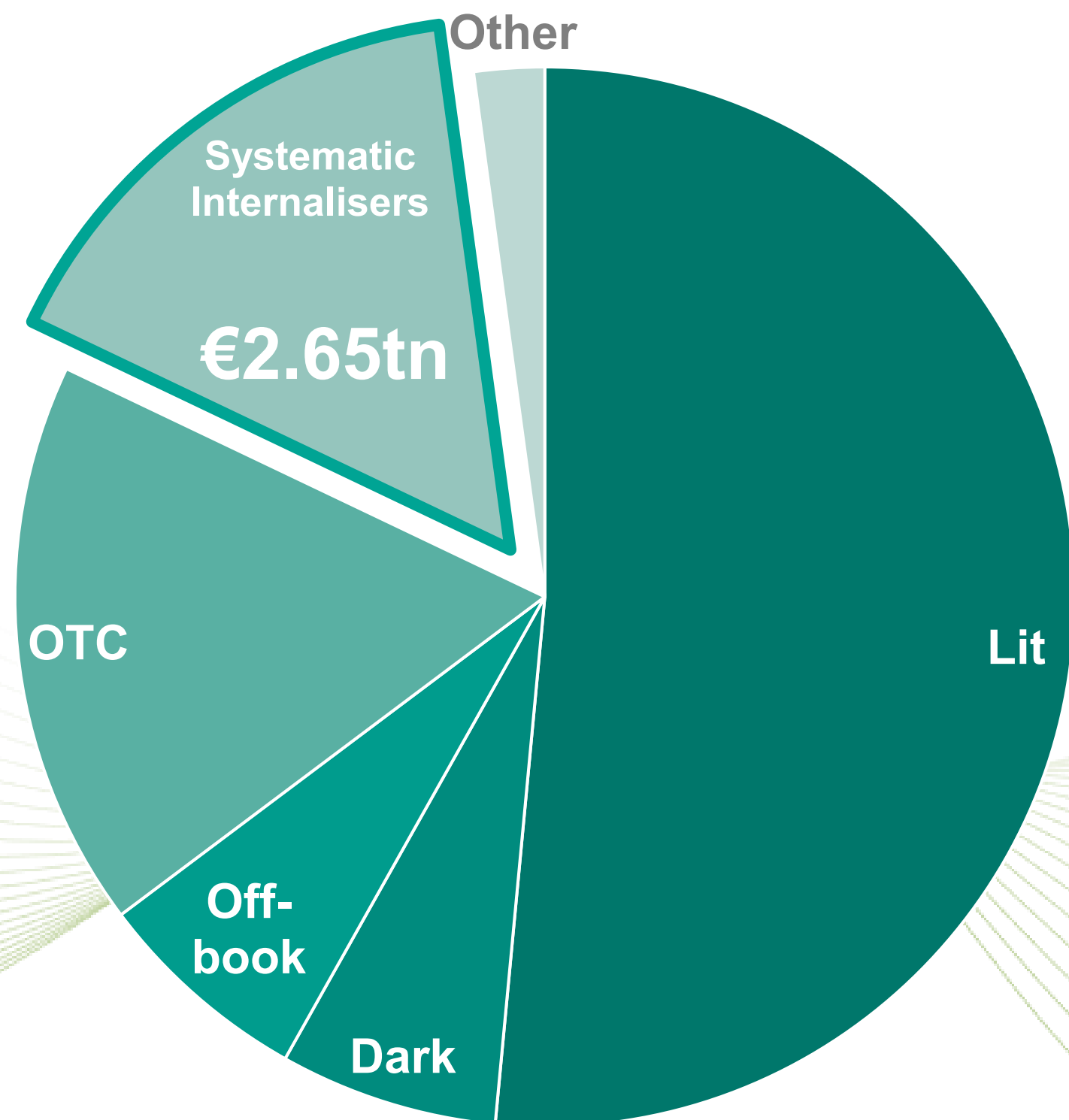


EXHIBIT 1: Total adjusted trading volumes 2025 YTD
Source: xyt, AFME analysis



*In 2025 so far, bilateral trading, predominantly offered by banks, has injected an additional **2.65tn EUR** of liquidity to European equity markets, with banks putting up their own risk capital to facilitate this.*

EXHIBIT 2: Total adjusted trading volumes by execution mechanism 2025 YTD
 Source: xyt, AFME analysis

Europe must urgently implement consolidated tapes for shares and ETFs, to highlight the true scale of available liquidity.

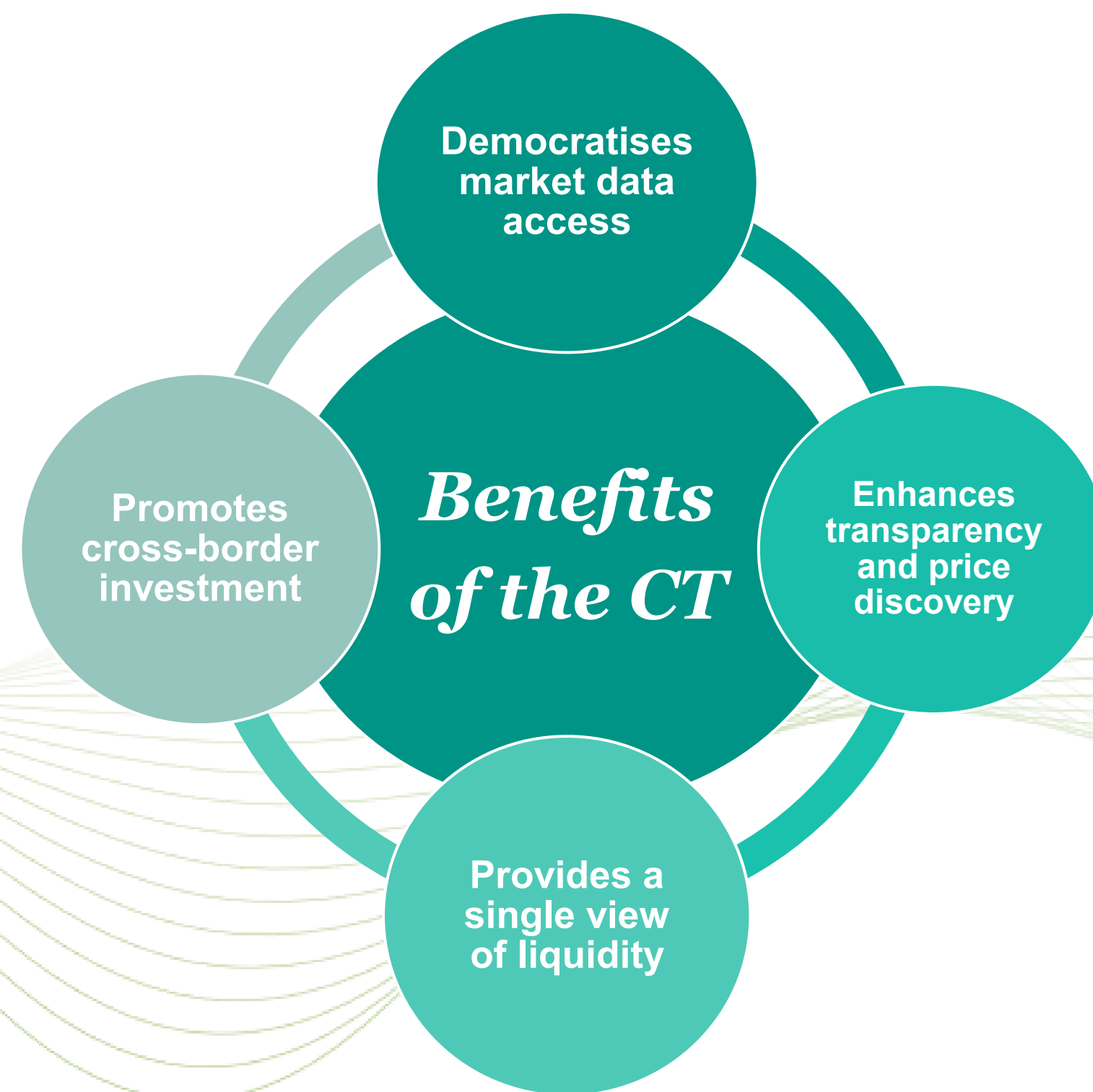


EXHIBIT 3: Benefits of Consolidated Tapes
Source: AFME

- *Delivery of consolidated tapes, showing the true liquidity landscape in Europe, is crucial to helping issuers and investors make informed decisions.*
- *This will empower global investors to increase their investments in Europe, in turn facilitating further capital formation and liquidity.*
- *AFME members play a vital role in helping investors access all available liquidity, as well as injecting additional liquidity into the market.*
- *Risk liquidity provided by banks is unique and, if curtailed, it is unlikely to migrate to other mechanisms.*

MYTH

***Concentration of liquidity on exchanges
is necessary to grow equity markets.***

REALITY

***Data shows markets with less concentrated trading
activity tend to be larger and more liquid.***

***Access to diverse trading mechanisms supports
engagement from a broader range of participants.***

Markets where trading is less concentrated are typically more liquid.

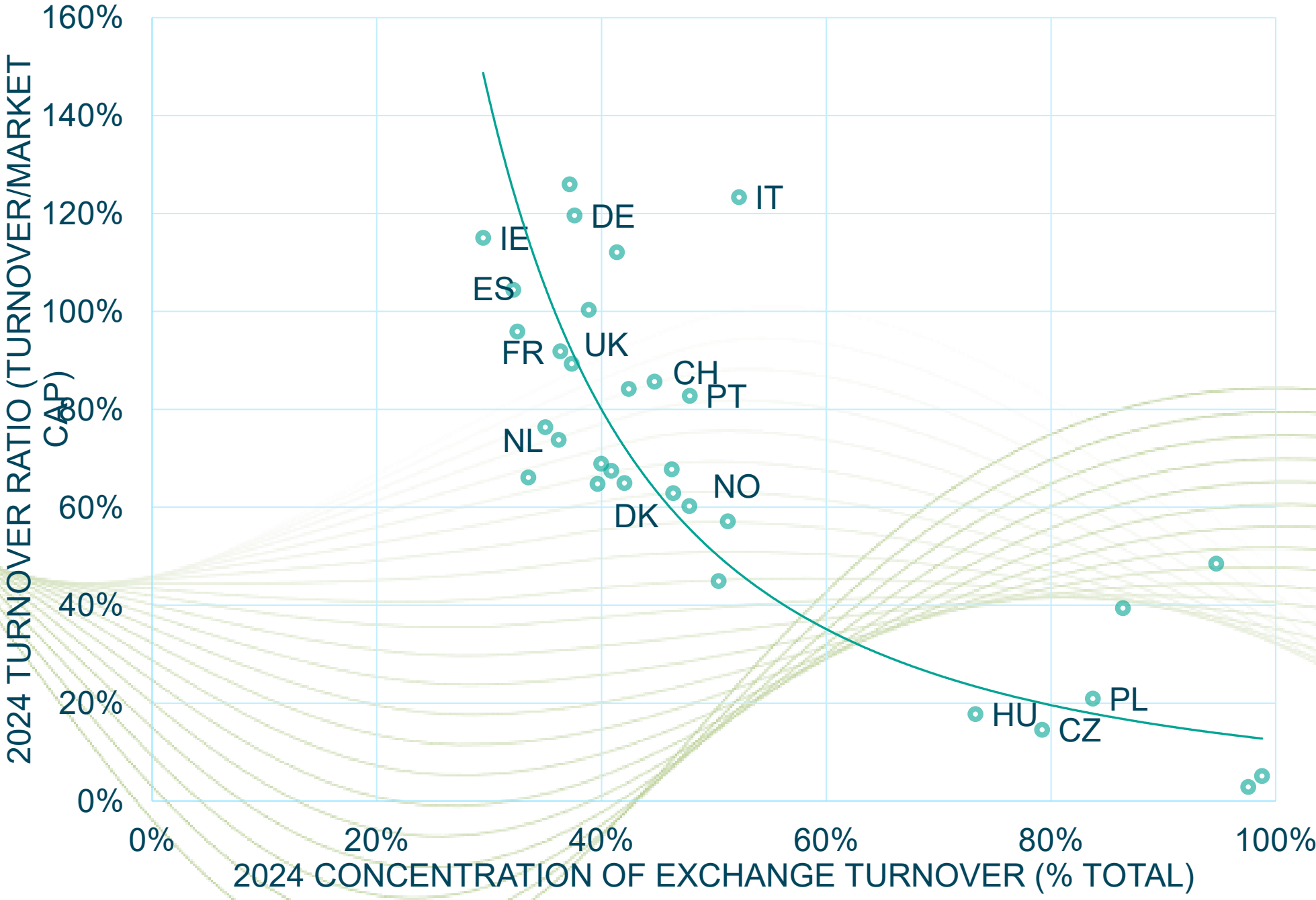


EXHIBIT 1: Turnover concentration vs turnover ratio, major European indices
Source: xyt, AFME analysis



Lower concentration on exchanges also correlates with larger overall market size.

EXHIBIT 2: Turnover concentration vs market capitalisation/GDP, major European indices

Source: xyt, AFME analysis

Case study: Swedish equity markets have increased in size and liquidity in recent years.

Yet, this is not driven by an increase in concentration on the primary exchange.

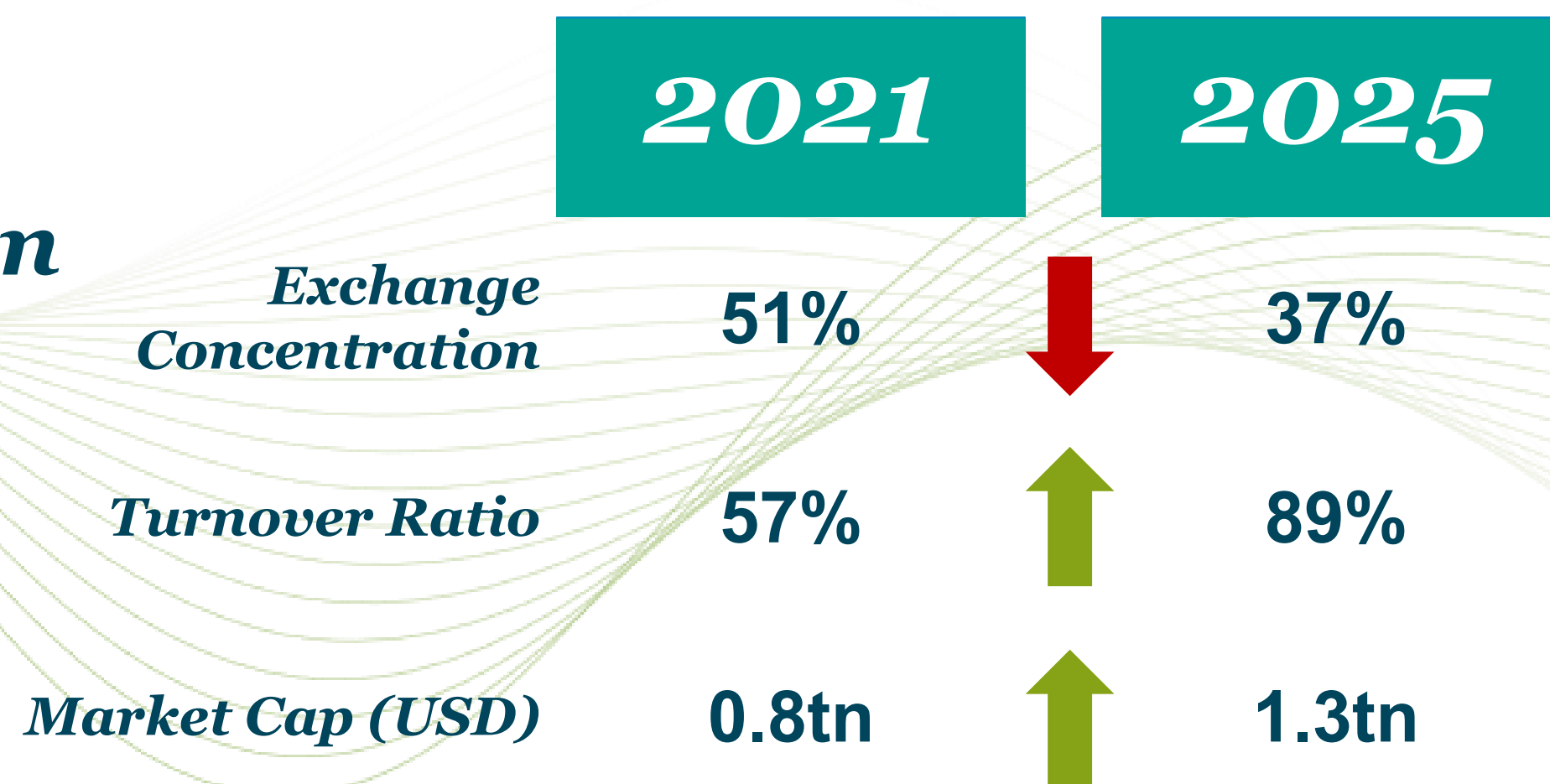


EXHIBIT 3: Key performance indicators, Swedish equity markets

Source: xyt, CEIC, AFME analysis

- *Investors of all kinds benefit from the widest possible access to liquidity, and free choice of where to trade.*
- *Less user choice and less competition is not a credible strategy for growth.*
- *The growth of European equity markets is best supported by stimulating investor demand.*
- *Mandating activity to be directed towards exchanges might benefit those exchanges, but investors will lose out.*

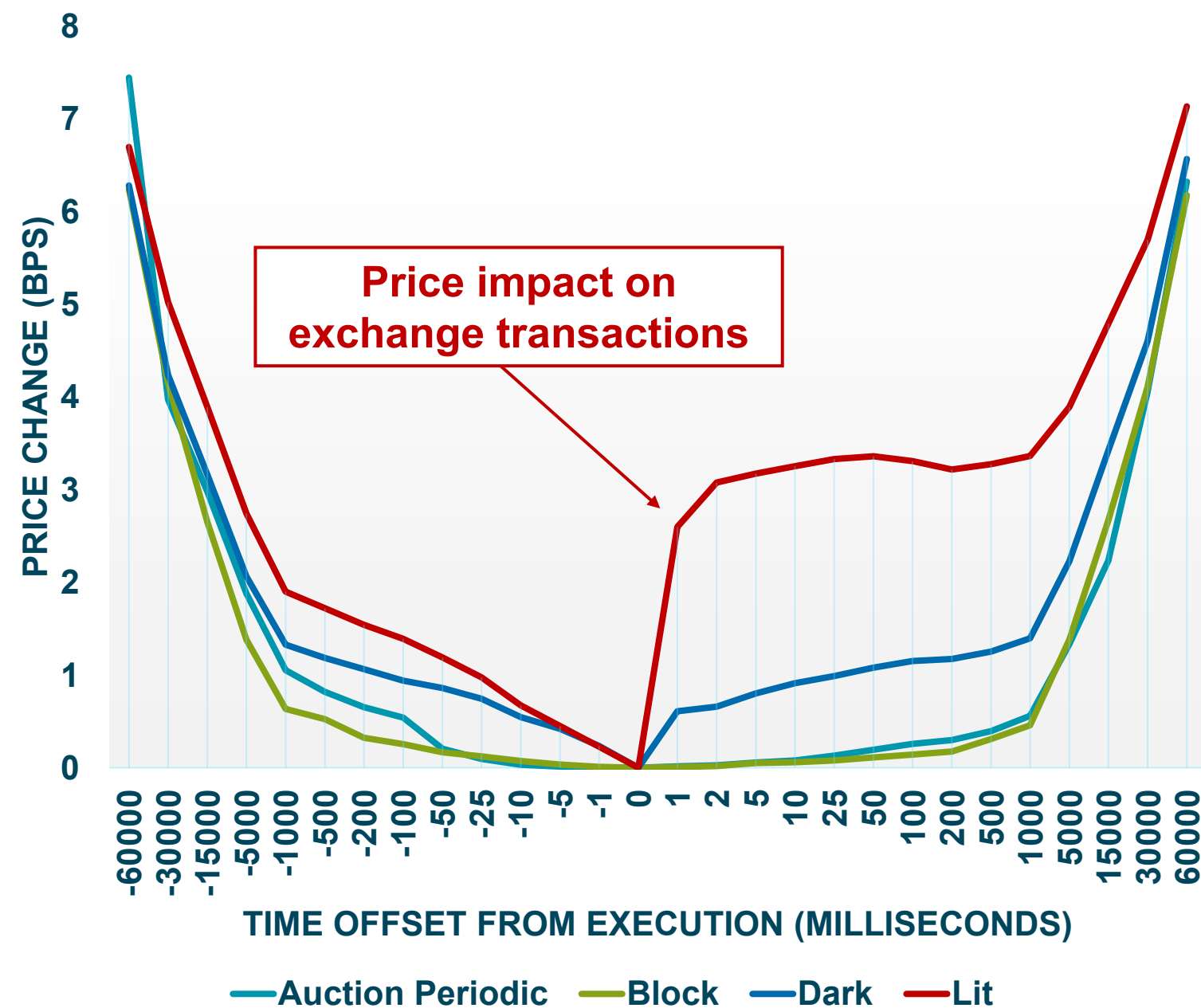
MYTH

Trading on exchanges results in better outcomes for investors.

REALITY

Access to a range of trading mechanisms is essential.

Different trading mechanisms serve different purposes and should be viewed as complementary to one another.



For certain types of trades, such as large block transactions, exchanges are not suitable execution methods.

This is because of information leakage, which will result in poor outcomes for investors.

EXHIBIT 1: Actual price moves before/after execution across different execution mechanisms

Source: xyt

ESMA analysis also demonstrates that stocks with higher levels of ‘fragmentation’ (i.e. where trading activity is more dispersed across different trading mechanisms) exhibit tighter spreads, a key indicator of liquidity.

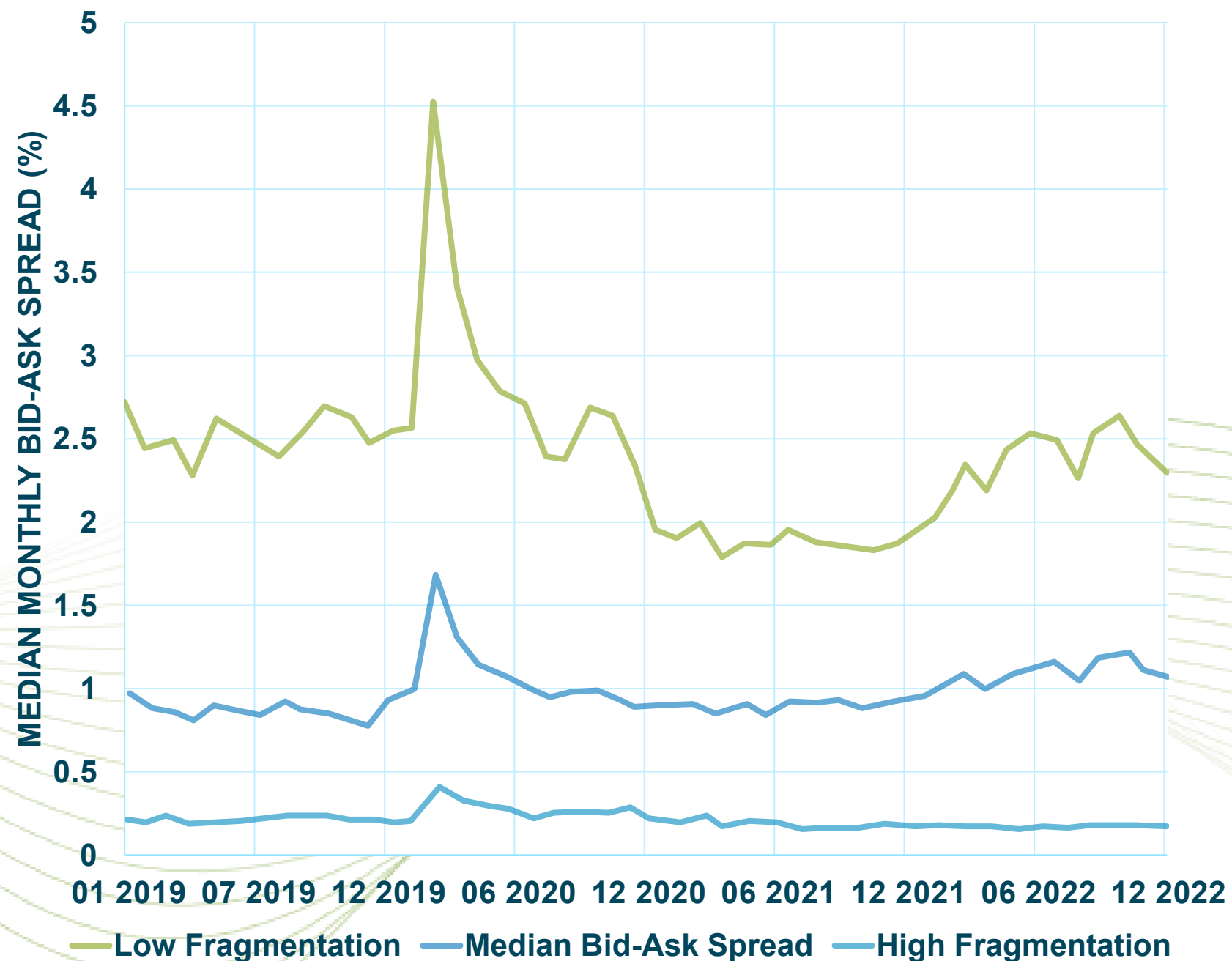


EXHIBIT 2: Median monthly bid-ask spreads by “fragmentation index”
Source: ESMA

- *Europe's holistic best execution framework recognises that there are multiple factors, beyond execution price, which may be important to investors.*
- *Access to a range of trading mechanisms helps provide investors with lower transaction costs, better execution prices, and lower market impact, depending on their execution needs.*
- *Policymakers should continue to support competition and user choice, rather than intervening to artificially prop-up the already dominant position of traditional exchanges.*

MYTH

Only exchanges contribute to price formation.

REALITY

***Multiple factors, including post-trade
transparency, influence price formation.***

Price formation is the result of various inputs beyond pre-trade transparency. These include company news, broader economic factors, and post-trade reporting of executed transactions across all trading mechanisms.

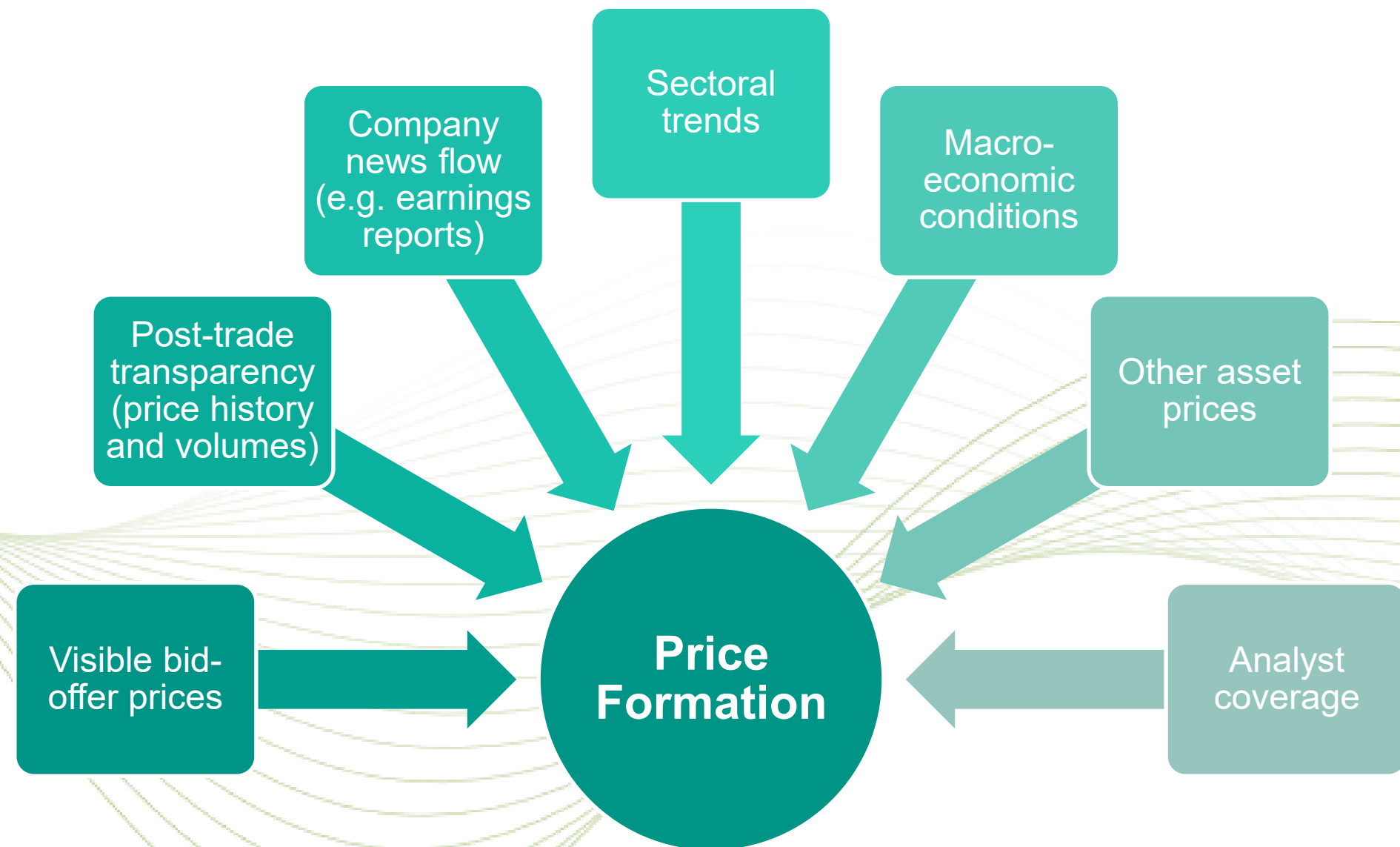
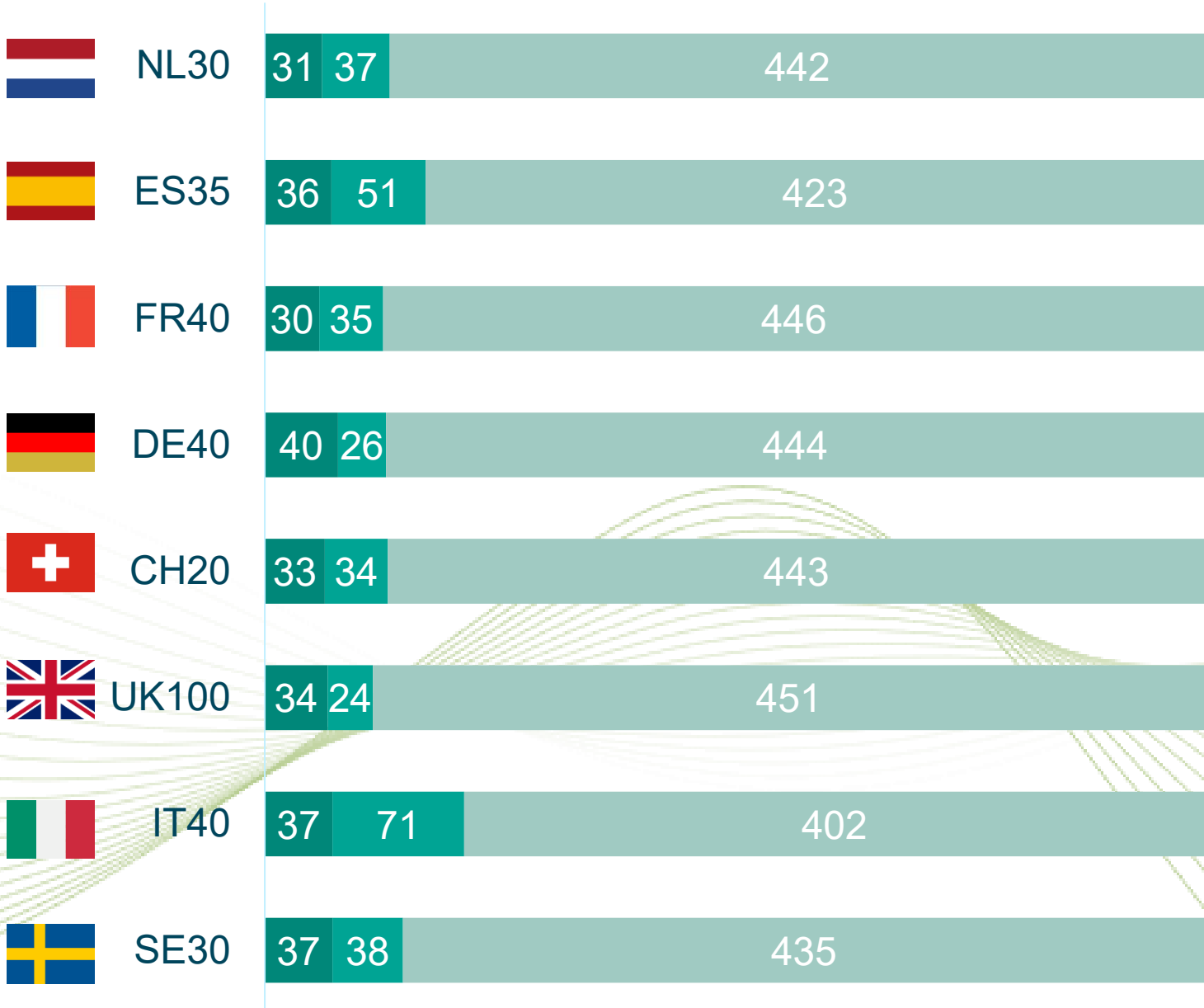


EXHIBIT 1: Factors contributing to price formation
Source: AFME

**Where can the best price be found?
(minutes per trading day)**

■ On an MTF ■ On an Exchange ■ Multiple Venues



For most of the trading day, the same best price can be accessed on more than one venue.

Unique best prices are available on MTFs (alternative trading venues) with a comparable frequency to exchanges.

EXHIBIT 2: Comparison of aggregate two-way European Best Bid Offer Exclusive Presence, September 2025
Source: xyt, AFME analysis

- *Exchanges play an important role in price formation but other execution mechanisms still make an important contribution to price formation, through post-trade transparency requirements.*
- *The publishing of trade data post-execution allows investors to adjust their valuations based on observed transaction prices, leading to more accurate and efficient price formation.*
- *Overall, the existing regulatory framework appropriately balances market quality with the needs of investors. Claims the current composition of trading activity happening via different execution mechanisms impairs price formation are unfounded.*
- *Consolidated tapes will be instrumental in supporting price formation, by providing a single source of prices across all venues.*