MISP debate on EU Equity Market Structure: focusing on what matters

- ***Regulatory stability is essential for achieving the core SIU objective of simplification. The last MiFIR reform has only recently been implemented, and constant disruption deters investment. Any future changes to market structure rules should be targeted and evidence-based.***
- ***Proposed new rules that would push trading towards particular venues solve a problem that does not exist, and would make EU capital markets not more efficient, but less.***
- ***End-investor choice must come first. Investors should be able to choose where and how they trade. Restricting that choice raises costs and makes Europe less attractive to domestic and global investors.***
- ***The Consolidated Tape is key to further invigorate EU equity markets. Ensuring it is of high quality, with venue attribution and five levels of order book depth, should be the regulatory priority.***
- ***MISP should fix the real barriers to efficient competition: excessive market data costs and the lack of choice in clearing and settlement are key areas to address.***

Healthy and liquid equity markets are more strategically important to Europe than ever. They channel investment capital into businesses across the Union, support growth and innovation, give companies access to capital and enable investors to share in Europe's success. The Market Integration and Supervision Package (MISP) has the right ambition, and one which we strongly support: a more integrated, efficient, and competitive financial system delivered through a clear commitment to simplification and better regulation.

In this context, the undersigned associations[1], representing European investors, intermediaries and liquidity providers, call on policymakers not to lose sight of the MISP's core objectives. The current debate has become disproportionately focused on mandating how and where investors may execute, despite an absence of evidence that the growth of bilateral and off-exchange execution has impaired market quality. Highly prescriptive rules aimed at directing where investors should trade are fundamentally misaligned with the MISP's goal of making EU capital markets more attractive. Such interventions risk undermining the competition, innovation and end-investor choice on which strong equity markets depend – at a time when Europe's equity market is one of the better performing global markets.

As Co-legislators work to finalise MISP in the coming months, we jointly urge them to be guided by five fundamental considerations:

[1] **ASSOCIATION FOR FINANCIAL MARKETS IN EUROPE (AFME), EUROPEAN BANKING FEDERATION (EBF), EUROPEAN FUND AND ASSET MANAGEMENT ASSOCIATION (EFAMA), EUROPEAN PRINCIPAL TRADERS ASSOCIATION (EPTA), MANAGED FUNDS ASSOCIATION (MFA)**

1: End-investor choice should be prioritised.

The success of EU capital markets is not measured by the share of activity captured by any one venue or trading model. Rather, it is measured by outcomes: can investors and companies access the liquidity, execution mechanisms and services that best meet their needs?

Rules that restrict how and where investors can execute will unnecessarily raise costs and make EU shares less attractive to them. This matters for listings too. Companies choose where to list partly on the basis of secondary market liquidity. Constraining end-investor choice would lead to thinner and less efficient secondary markets, diverting investment away from EU shares and venues, ultimately weakening the ability of European capital markets to attract capital to support growth. This would make EU companies and EU listings less attractive-exactly the opposite of what the Savings and Investments Union is seeking to achieve.

2: Competition between trading models is a strength, not a weakness for EU equity markets.

Exchanges, MTFs and bilateral liquidity providers (such as SIs) each serve real and distinct needs. Competition between these models has reduced direct and indirect costs for investors, encouraged innovation and improved execution outcomes.

The existence of multiple venues and execution mechanisms does not, by itself, demonstrate impaired liquidity or failing markets. Market structure should instead be assessed by the things that actually matter to investors: such as price, execution quality (e.g. market impact and information leakage), information accessibility and investors' ability to identify and access liquidity.

Changes in the relative market share of different mechanisms are an expression of investor preferences, rather than a problem requiring regulatory reform. Spreads and the available liquidity in EU equity markets indicate healthy price formation within a competitive and diverse trading landscape. This same trend is also evident in other developed equity markets, such as the US and UK. Nevertheless, we would welcome regular monitoring and reporting by ESMA on key market structure indicators, following the conclusion of its recent Call for Evidence[2], so that future debate is grounded in evidence rather than assertion.

3: Policy focus should be on the areas where competition remains constrained.

European market functioning can be improved. But the main issues are not related to the trading market structure.

Market data: MTFs and SIs provide valuable alternative liquidity mechanisms while bearing significant data costs. Although EU rules require market data to be provided on a reasonable commercial basis, the framework has not been implemented or enforced effectively. Rising costs continue to constrain competition, stifle innovation and disadvantage newer or smaller participants. We therefore call for the following MISP amendments:

- Reform of MiFIR Article 13 as part of the MISP, making clear that market data is a byproduct of trading and not a separate product to be commercialised by market operators.
- A regular ESMA report on the functioning of the rules in day-to-day market practice, to ascertain the legislation is properly implemented and fully complied with.

Post-trade infrastructure: Whilst some elements of the MISP are a welcome step forward, further progress is necessary to enable meaningful choice across the post-trade value chain and facilitate innovation that responds to genuine market demand:

- Mandatory interoperability for significant equity CCPs, subject to robust risk-management safeguards, allowing market participants to choose where trades are cleared, rather than having that choice determined by the execution venue.

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[2] https://www.esma.europa.eu/sites/default/files/2026-04/ESMA74-1119406008-1578_Call_for_Evidence_on_on_the_market_structure_of_European_equity_markets_0.pdf

- Expanding TARGET2-Securities (T2S), while preserving the well-functioning of national markets to further integrate post-trade markets.
- Improving transparency and scrutiny of central securities depository (CSD) fees to promote effective competition between providers.

4: The Consolidated Tape is key for the attractiveness of EU equity markets and needs further strengthening.

A truly high-quality tape would provide a single view of trading and liquidity across EU markets, showing where trading has occurred, how much has traded and the European Best Bid and Offer ("EBBO") across EU stocks. By making dispersed liquidity more visible, it, supports informed execution decisions and will make European markets more accessible and attractive to global investors.

We therefore urge Co-legislators to support the Commission's proposal to introduce venue attribution for the EBBO and five layers of bid-and-offer depth for continuous order books, rather than a single best quote. Publishing an EBBO without also identifying the venue that provides the quote limits the usefulness of the tape. Investors should also be able to see successive layers of liquidity: whether the next-best price is close to the EBBO and how many shares are available at each level.

ESMA has acknowledged the limitations in the dataset underpinning its Call for Evidence. These are due to inconsistent use of post-trade reporting flags. We therefore support clearer definitions, effective implementation, and alignment of terminology and definitions across reporting regimes. Targeted changes to post-trade reporting should improve the accuracy and informational value of the post-trade tape and support the EU's simplification agenda.

5. Simplification of rules is a core aim of MISP and the SIU. It must be delivered.

The latest MiFIR reforms have just been implemented, and firms need regulatory stability to support investment and engagement with global investors. The MISP should not reopen fundamental aspects of equity market structure without a clear assessment of impacts and unintended consequences. Regulatory uncertainty diverts resources away from investment in technology, liquidity provision and client service. Regulatory stability is not an absence of ambition – it can be a competitive advantage. Targeted improvements to a framework that is stable and functioning well are preferable to fundamental redesign.

Let's be clear: Europe's equity markets are highly liquid, competitive and attractive. The task at hand now is to highlight this liquidity to attract new listings and encourage long-term investment. A targeted MISP focused on end-investor choice, an enhanced consolidated tape, improved post-trade transparency, effective market-data regulation and genuine interoperability in clearing and settlement can deliver a more integrated, innovative and globally attractive market while preserving the competition that makes European equities markets stronger.