EPTA response to the ESMA Call for Evidence on the market structure of European equity markets

30 June 2026

We welcome ESMA's data-driven approach, while noting the limitations of the data used. EPTA's reading of ESMA's data shows stability rather than decline, and a market that is broadly working well. EPTA considers that equity market quality is most reliably judged by the outcomes end-investors experience, including spreads, depth, market impact, certainty of execution and resilience. Order-book depth and spreads over recent years do not show deterioration in these outcomes.

In our view, safeguarding end-investor choice will be the key prerequisite for maintaining well-functioning EU equity markets. End-investors depend on having genuine choice between the execution mechanisms and market models best suited to their specific requirements, enabling them to execute at the size they need, at the moment they choose, and without absorbing undue cost. Regulation should remain neutral and not mandate where execution takes place. Measures that seek to do so merely displace activity to alternative mechanisms rather than returning it to the central lit order book.

EPTA views the Systematic Internaliser (SI) regime as a positive construct offering more formalised, democratic access to bilateral, principal on-risk liquidity provision. Because SIs commit their own capital and face price exposure on every trade, their liquidity provision is genuinely price-forming. They perform a fundamentally different role from multilateral venues, which match trades without bearing risk. Ignoring these differences would harm market liquidity and be the wrong policy direction. End-investor demand for bilateral risk transfer is genuine and durable: constraining it in the EU would not remove that demand but relocate it to other jurisdictions, leaving EU markets shallower and less attractive.

EPTA's key recommendation is, therefore, to improve post-trade flagging so that reported data genuinely reflects the activity it seeks to capture. This will solve the existing problem that aggregate SI data currently encompasses genuine principal-on risk liquidity provision alongside riskless and technical activity, all reported under the same label. Consistency between the EU and UK regimes needs to be ensured too: the same activity should not be reported or flagged twice or differently as this undermines the reliability of any proper analysis of EU equity market structure.

Alongside improved post-trade flagging, a comprehensive pre-trade consolidated tape, with venue attribution and five levels of pre-trade data, would give the market a genuine, verifiable view of where liquidity resides. EPTA considers these two data sets the foundation on which any future policy assessment of the functioning of EU market structure should be based.

About EPTA

The European Principal Traders Association (EPTA) represents the leading Principal Trading Firms in the EU and UK. Our members are independent market makers and providers of liquidity and risk transfer across all asset classes — including shares, bonds, derivatives, ETFs and digital assets — serving markets and end-investors throughout Europe.

EPTA advocates for European capital markets that are transparent, efficient and resilient, enabling them to deliver for the wider economy and drive growth. We unite our members around common priorities, turning shared perspectives into collective action. We engage constructively with policymakers, regulators and market stakeholders, bringing an informed industry perspective to the issues that matter for well-functioning, liquid and attractive capital markets in Europe.

Question 1: 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?

EPTA members broadly agree with the categorisation in Figure 1 of where trading takes place and we welcome ESMA's data driven approach, and the broader recognition that investors benefit from a diversity of execution methods. We do not, however, agree that MiFIR transaction reporting data alone provides a sufficient basis for structural conclusions drawn in Sections 3 and 4.

MiFIR transaction reporting data is an incomplete basis for this analysis. It records executed trades only and so it cannot observe order-book spreads, depth, quoted and unexecuted liquidity, venue attribution or liquidity fragmentation across execution channels. This is most acute for the analysis's central concept of "addressable liquidity", which ESMA has defined in this CFE as liquidity another party could have traded against, which is overwhelmingly liquidity that was "available" rather than executed, and as a consequence precisely what the transaction reporting data set cannot observe.

Measuring addressable liquidity from reported transactions, importantly, understates the liquidity that Electronic Liquidity Providers continuously provide across multiple execution channels. We also note that ESMA reconstructs the addressable and non-addressable split in the trading landscape from MiFIR transaction-reporting fields rather than the RTS 1 transparency flags, acknowledging the two are not fully aligned. Critically, ESMA then allocates transactions not contributing to price discovery by assumption rather than by direct identification (i.e., considering transactions addressable when executed on an SI and non-addressable when traded OTC, even though not all SI reported transactions can actually be considered addressable, as we set out in our response). The study also excludes UK-based trading in EEA listed shares, which constitutes a significant part of the execution environment in which investors in those shares operate. Figure 1, therefore, captures the composition of EEA reported transactions only and does not on its own describe the wider landscape in which European shares are traded.

EPTA members consider no structural conclusions should be drawn and no recalibration of the transparency regime undertaken until a consolidated tape provides market-wide, sufficiently granular data. An effective Consolidated Tape, i.e., one with venue attribution and five levels of pre-trade data, would let investors see where the best price lies and provide an independently verifiable, market-wide view against which the structure of trading

can properly be assessed. Until this is provided, the addressable / non-addressable conclusions should be presented as assumption-based ranges, not measurements capable of supporting regulatory calibration.

Potential policy intervention based on this incomplete data would risk damaging a market that, on ESMA's own figures, is functioning well. In EPTA's reading, the data shows stability rather than decline. Addressable liquidity is constant at 85-90%, on-book trading stable at 75-80%, dark trading flat at 4-5% and OTC constant at 7-8%. The movement within "on book" trading (lit continuous falling while auctions, FBAs), importantly reflects end-investor choice and best execution via mechanisms that still form or reference robust prices. It cannot credibly be construed as an erosion of price formation.

Relevant in this regard is the finding by New Financial (October 2025) that the on-venue / off-venue balance has remained unchanged since 2019, concluding they have "not seen any evidence that existing price formation in Europe has been undermined". Equally, the Oliver Wyman study (July 2025) concludes Europe's "core challenge is on the demand side, not the supply side".

Tellingly, the three analyses report very different headline splits for the same market (ESMA: on-book 75–80%; Oliver Wyman: primary lit around 30%; New Financial: on-venue 54%), which underscores that the description depends on the data source used and taxonomy applied.

We therefore would urge ESMA,

- to assess market quality by outcomes (spreads, depth, market impact, fill rates and resilience);
- to defer structural conclusions until the Consolidated Tape is delivering coherent data; and
- treating Figure 1 as a clearly caveated description of transacted activity in EEA reported shares only.

Question 2: Do you have any insights on the XOFF transactions reported by investment firms who also act as an SI (SI-OTC trades)?

The presence of XOFF transactions reported by firms that also operate as systematic internalisers (SIs) ("SI-OTC transactions") appears to reflect inconsistencies in how bilateral execution is flagged, rather than a distinct category of economic activity or a structural feature of the market that warrants concern. Bilateral principal transactions undertaken by firms that operate as SIs may currently be reported either as SINT or XOFF depending on how individual firms interpret whether a particular transaction was executed in their capacity as an SI. Reading SI-OTC transactions as a coherent category, therefore, risks attributing significance to what may largely be an artefact of inconsistent classification and flagging.

This inconsistency raises a more fundamental question regarding the intended boundary of the SI regime. As the defining characteristic of an SI is genuine bilateral principal-risk facilitation, EPTA believes further clarification is required as to when an investment firm should be regarded as acting in its capacity as an SI. In particular, ESMA should clarify whether execution models that do not involve genuine principal risk should be regarded as SI activity for the purposes of MiFIR and the Share Trading Obligation.

The current reporting framework does not provide sufficient transparency to answer this question. Transactions executed by firms operating as SIs may be reported inconsistently as either SINT or XOFF, whilst those reported as SINT do not distinguish between genuine bilateral principal-risk facilitation, riskless principal transactions and transactions that are purely technical in nature. This limits the ability of regulators and market participants to understand reported SI activity and to draw meaningful conclusions regarding the provision of bilateral liquidity.

EPTA therefore believes that the priority should be a harmonised interpretation across the Union of when an investment firm is acting in its capacity as an SI, together with greater transparency regarding the nature of SI executions. If ESMA concludes that execution models which do not involve genuine bilateral principal risk fall outside the intended scope of SI activity, consideration should be given to whether such transactions should instead be submitted subject to the rules of a trading venue, with the applicable pre-trade transparency waiver. Alternatively, if such transactions remain within the SI regime, the reporting framework should distinguish between genuine bilateral risk facilitation, riskless principal activity and purely technical transactions through additional flags or sub-flags. The SINT flag should be reserved for genuine bilateral principal-risk facilitation, with riskless principal activity and purely technical transactions separately flagged rather than reported under SINT.

A more consistent reporting framework would also improve the reliability of the addressable liquidity analysis undertaken in this consultation. At present, SI executions are generally treated as addressable liquidity, whereas XOFF transactions are typically regarded as non-addressable. Inconsistent classification of economically similar transactions therefore risks distorting assessments of addressable liquidity, market structure and the relative contribution of different execution models.

Until these issues are addressed, EPTA cautions against drawing structural conclusions from reported SI-OTC volumes transactions volumes. while the underlying classification remains inconsistent. The priority should be consistent classification and accurate flagging across all participants, so that the data distinguishes genuine bilateral principal-risk facilitation from riskless principal and technical activity before any inference is drawn from the relative size of these categories.

It is also worth noting that this inconsistency may stem from the lack of equivalence between EU and UK APAs. For a UK branch of an EU-regulated investment firm, some EU NCAs have opined that a trade executed under the firm's UK SI must also be reported under the firm's EU SI MIC. This treatment does not appear to be applied consistently across Member States, however, and there may also be UK SI transactions seen designated as OTC, i.e., falling under the SI-OTC category. Because a UK APA report is not currently recognised on the EU side, the same trade is reported twice. Such duplicative trade porting is misleading to both the industry and regulators. Granting UK APA equivalence would allow a single trade report to satisfy both regimes, and we would therefore call for such equivalence to be granted.

Question 3: 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?

EPTA broadly recognises the trends ESMA identifies, i.e., relative decline in lit continuous trading, with corresponding growth in closing auctions, frequent batch auctions and systematic internaliser activity. While this decline in lit order book trading warrants carefully monitoring, there does not appear to be any meaningful evidence of harm to market quality. We would caution, therefore, against equating the growth of off-book execution with harm.

These shifts reflect end-investor choices and their pursuit of best execution across a diverse and competitive ecosystem of execution mechanisms. Liquidity provision is venue-agnostic: the same firms providing liquidity on lit order books also provide it bilaterally and in auctions. Effective competition between these mechanisms benefits end-investors through tighter spreads, reduced market impact and lower execution costs.

From a policy perspective, EPTA supports establishing a clear distinction between addressable and non-addressable liquidity and sees clear value in ESMA developing it. Any market structure policy measures should be grounded in clean, accurate data. Part of this focus should be to ensure that genuinely addressable liquidity is reported, accessible and readily identifiable. Alongside delivery of a comprehensive pre-trade consolidated tape with venue attribution, this would give a fuller and more accurate picture of European liquidity that supplements the transaction reporting data on which ESMA's current analysis relies.

Regarding competitive pressures, EPTA would reiterate the central point that competition between execution venues and mechanisms is a feature of a well-functioning market, not a problem to be corrected. The diversity of execution methods exists because end-investors have different needs, for example in terms of size, urgency, and certainty of execution and their tolerance of market impact. The ability to choose between venues and mechanisms is what allows them to achieve best execution.

Competition between these mechanisms drives innovation in execution quality, to the benefit of end-investors. The policy objective should therefore be to preserve and support this choice through an open, competitive framework, rather than to privilege any single execution model or steer flow toward particular venues or market models. Measures that curtail such choice would weaken the very competitive dynamic that delivers good outcomes for investors in EU equity markets.

Question 4: 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 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?

The evolution of European equity market structure, including the relative decline in the share of trading conducted on central limit order books, has largely been a response to increased sophistication of institutional end-investors, their improved access to data, and the growing demand for variety and choice in how they access liquidity and what type of liquidity they access.

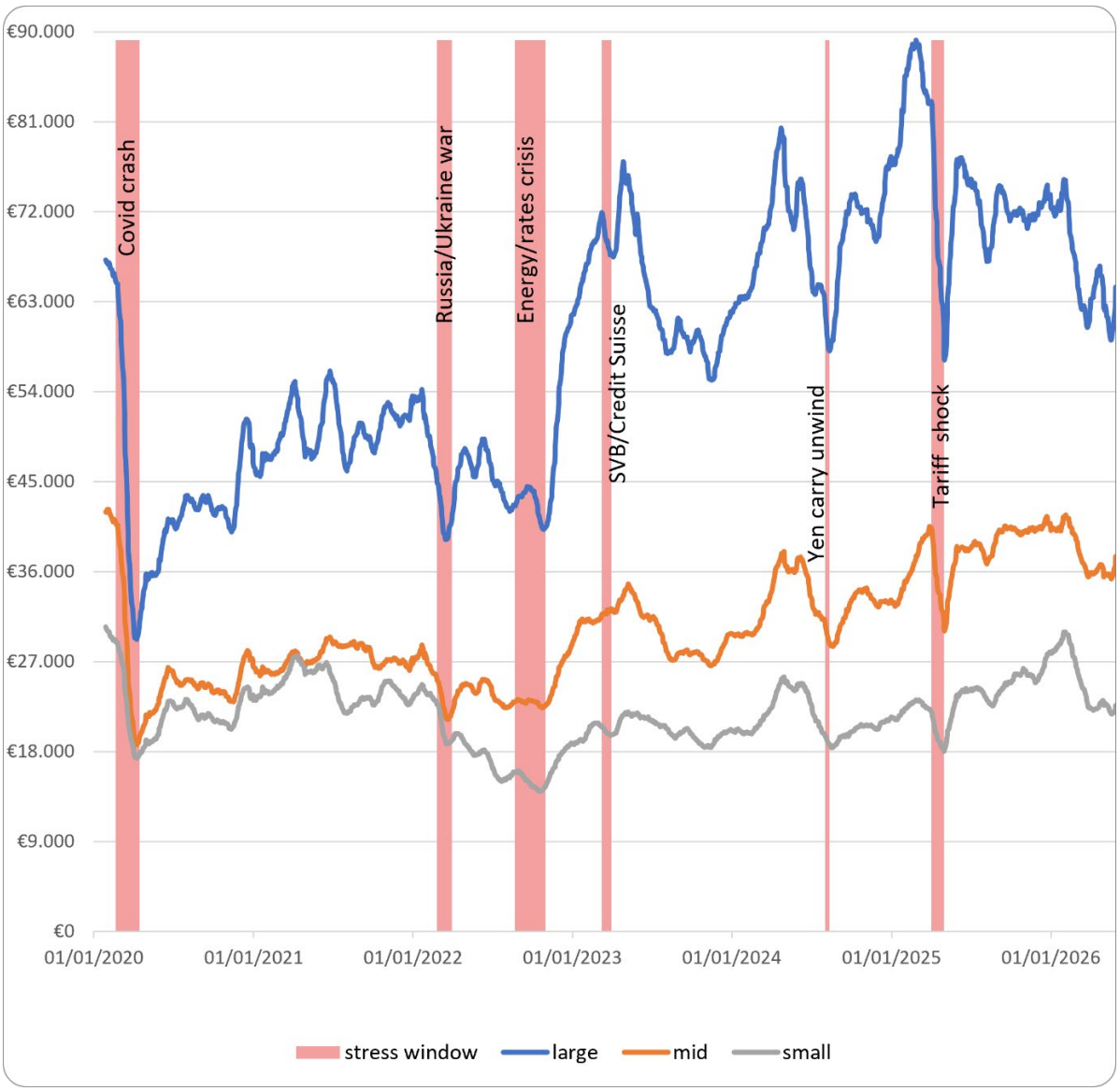
In assessing the implications of these trends, it is important that nuance be applied. Not all activity taking place away from a central lit order book is "dark," and the contribution of post-trade transparency to sound price formation and price discovery should not be undervalued. The relevant consideration is whether price formation across the market as a whole remains efficient and well-supported, rather than the share of trading done on central limit order books.

The charts below offer a view of how liquidity on central limit order books has evolved between 2020 and 2025 in the STOXX Europe 600 Index, which covers approximately 90% of the free-float market capitalisation of European large, mid and small cap stocks.

The first chart (Top of book depth) shows the average amount of notional volume available at the first price level of a stock's primary listing venue. The second chart (Spreads) shows the average spread of index constituents.

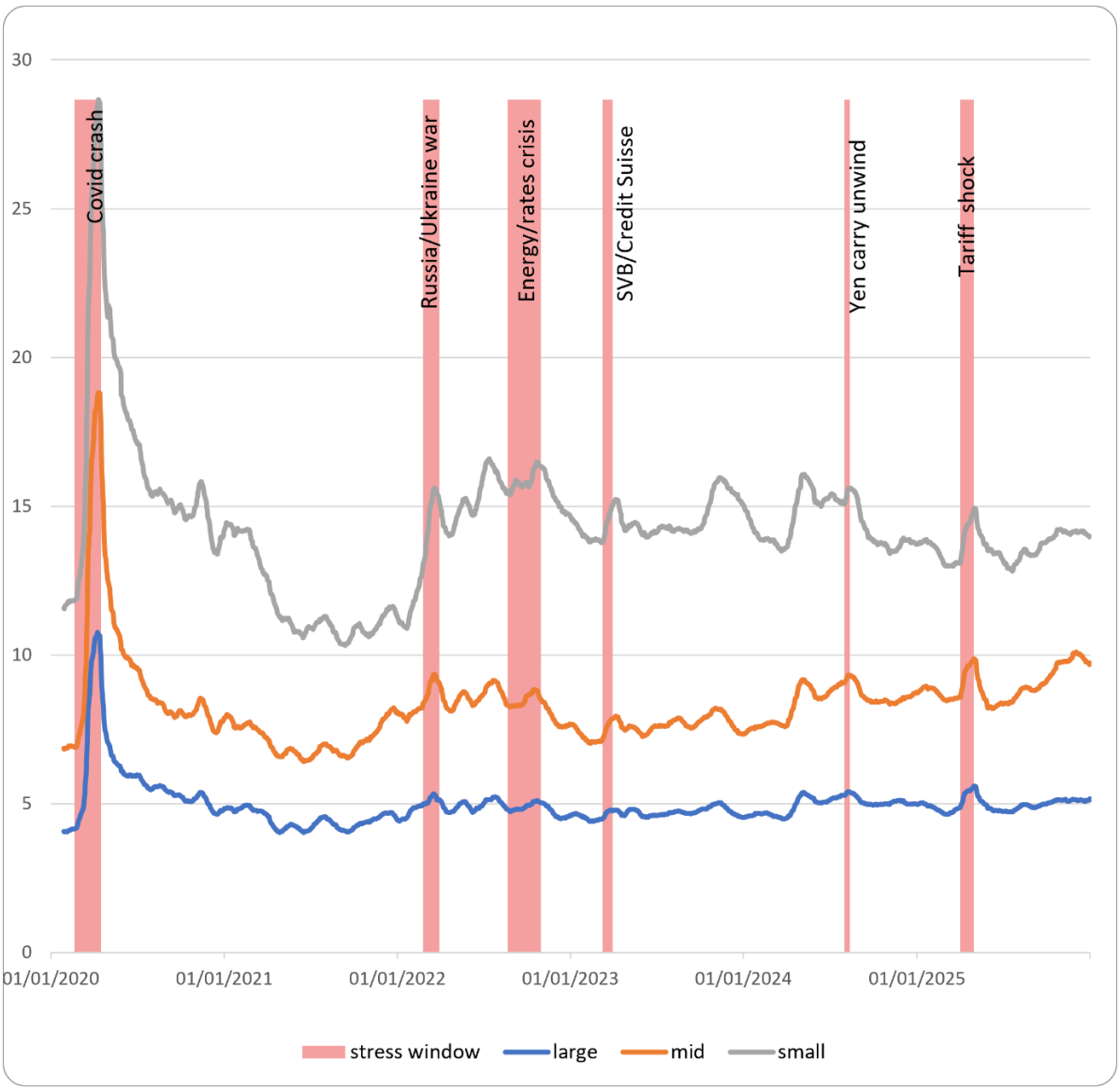
The top of book depth chart shows that the amount of liquidity available at the best exchange price decreases during periods of volatility but has remained steady or increased during the five-year period from 2020.

Chart 1: STOXX Europe 600 Index, depth at touch (20-day moving average, 2020-25). Source: BMLL Technologies



Similarly, the spreads chart shows that while spreads widen during episodes of market stress, there has not been any deterioration of price quality over time between 2020 and 2025.

Chart 2: STOXX Europe 600 Index spreads (20-day moving average, 2020-25). Source: BMLL Technologies



In combination, these two charts suggest that the reduction in lit trading has not had a detrimental effect on the quality of order book liquidity.

While the level of participation in the central limit order book cannot per se be taken as an indicator of market quality, as also evidenced by these two charts, the CLOB offers an important reference price – though not necessarily the only reference price – and acts as an anchor for the surrounding market structure.

While, as demonstrated above, there is no evidence that the growth of execution mechanisms or market models away from the CLOB has had a detrimental impact on the quality of order-book liquidity or the price discovery process, this should nevertheless continue to be monitored over time. Robust post-trade transparency remains essential to minimise information asymmetries between displayed and non-displayed markets, with post-trade deferrals reserved for genuinely large transactions. Where the order book can absorb larger orders without exposing the investor to undue market impact, the CLOB should remain the preferred execution venue; consistent with this, regulation should remain neutral and avoid steering order flow towards particular venues or execution methods

Efficient price formation depends on an appropriately calibrated transparency framework, supported by post-trade transparency, carefully designed pre-trade transparency waivers and data quality and reporting requirements and is thus inherently grounded in, and should be supported by, an effective regulatory framework.

The existing regulatory framework in Europe reflects an appropriate understanding of best execution that has multiple dimensions, which different execution mechanisms are designed to serve. Accordingly, any measures that seek to curtail particular execution mechanisms or mandate where trading takes place are more likely to displace activity to alternative execution mechanisms than to return it to continuous order books.

In conclusion, the assessment of the evolution of the trends identified in ESMA's Call for Evidence, should look beyond the share of trading done on central limit order books. This may include, for example, a deeper assessment of order book spreads, depth and liquidity during volatile periods.

Consistent with the objectives of the Savings and Investment Union, the most effective response will be to pursue measures that make EU markets inherently more attractive, liquid, deeper and more transparent, rather than impose arbitrary limits or caps. Measures that would constrain execution choice risk redistributing liquidity to other jurisdictions, including to UK based execution mechanisms, rather than reinforcing price formation in EU equity markets.

Question 5: 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 choice of execution venue and execution method should be driven by the objective of achieving best execution for end-investors. Market participants require access to a range of complementary liquidity sources, including both displayed liquidity in central limit order books (CLOBs) and displayed/non-displayed liquidity offered through other trading mechanisms. Different execution methods serve different trading needs, with some providing passive liquidity and others facilitating risk transfer for larger or more sensitive orders.

EPTA does not view different execution mechanisms as direct competitors. Rather, they are complementary components of a well-functioning market structure that enables market participants to access the liquidity most suited to their execution objectives. Achieving best execution requires order-routing decisions to be tailored to the characteristics of the individual order, including its size, urgency, liquidity profile and potential market impact.

Investors should therefore have the flexibility to access the execution mechanism best suited to each trade rather than relying on a single execution channel or liquidity provider. In many cases, this may be the CLOB, particularly where displayed liquidity is sufficient to absorb the order efficiently and contribute to transparent price formation. In other cases, alternative liquidity sources may provide a better outcome by reducing slippage costs and market impact. Regulation should therefore remain neutral and avoid prescribing or steering order routing towards particular venues or execution methods.

At present, there is no evidence that the growth of alternative execution mechanisms has had a detrimental impact on the quality of order-book liquidity or the price discovery process. Nevertheless, this should continue to be monitored over time. Robust post-trade transparency remains essential to minimise information asymmetries between displayed and non-displayed markets, with post-trade deferrals reserved for genuinely large transactions.

The CLOB continues to play a critical role in price formation and should remain the preferred execution venue where it can absorb an order without exposing the investor to undue market impact. For orders that can be

efficiently executed in the openly competitive order book, trading in the CLOB promotes transparency, competition and price discovery. For larger or more sensitive orders, however, alternative execution mechanisms can provide access to liquidity while reducing slippage costs and market impact.

To support venue selection and best-execution assessments, EPTA supports the development of a comprehensive pre-trade consolidated tape with venue attribution. Improved transparency would enable market participants to better compare liquidity available across execution venues and make more informed routing decisions.

With respect to any retail mandatory-routing proposals, EPTA would support greater transparency regarding the execution venue and method used, including appropriate flagging where relevant. However, routing decisions should remain subject to best-execution obligations and should not be mandated by regulation.

Evidence from the buy side supports this approach. A majority of major European asset managers identify transparency regarding execution protocols and routing logic as an important factor in counterparty selection, while increasing engagement with electronic liquidity providers is primarily driven by the pursuit of better pricing, lower execution costs and access to specialised liquidity, rather than by any regulatory considerations.

Question 7: If you are an issuer, how do you see these market developments? Do you consider this an attractive environment for listing? If not, why?

While EPTA does not represent issuers directly, our members are key participants in EU secondary markets, the liquidity of which is a relevant consideration influencing companies' IPO decisions. A company's choice of listing location reflects a broad set of considerations specific to that issuer and its strategic objectives. Secondary-market liquidity is one among others including, for example. access to an issuer's core investor base, index inclusion, listing rules and governance, listing costs, corporate law regimes, branding and analyst coverage.

From the perspective of EPTA members' role as liquidity providers to markets and end-investors across the EU, we consider that when assessing the attractiveness of listing on a European regulated market, issuers should consider the full spectrum of available liquidity, including both liquidity displayed in central limit order books and liquidity executed through other trading mechanisms including Systematic Internalisers.

Considering only on-book activity risks understating the depth of investor interest available in European markets. Deep and diverse secondary-market liquidity, which enable execution choice to the end-investors on whom a healthy listing market depends, is an important factor in listing decisions and supports the overall attractiveness and competitiveness of EU capital markets.

Question 8: 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?

EPTA members consider that the distribution data in Figures 9 to 11 is an incomplete basis for drawing structural conclusions on relative liquidity pools and therefore no policy changes or structural reform follow from this dataset before the data can be more precisely interpreted, by making use of the consolidated tape and improved post-trade flagging. It rests on MiFIR transaction-reporting data, which lacks order-book depth and venue attribution.

It also, understandably, lacks the qualitative insight into liquidity that might have been provided had there been greater investor interest in trading these individual country ISINs.

We note that ESMA itself acknowledges that the addressable and non-addressable split underpinning Sections 3 and 4 relies on transaction-reporting fields not aligned with the RTS 1 flags. The result is that the same activity could be categorised as addressable on a systematic internaliser (SI) and/or non-addressable OTC. Any resulting assumption that the majority of OTC activity is non-addressable therefore cannot be confirmed by the data.

Regarding differing share of OTC activity across jurisdictions, it is difficult to reach firm conclusions, however this does point to both varying degrees of international institutional investor activity in some of Europe's smaller marketplaces and the possibility of inconsistent enforcement of the regulatory framework between member states. Genuine bilateral risk facilitation can be provided as OTC, SI, off-book but on-exchange trades or even via MTF RFQ-to-one mechanisms.

We believe that the home of bilateral principal risk liquidity provision should be within the SI regime. Furthermore, we note that SI activity undertaken in the UK by a subsidiary of an EU Investment Firm is required, at least by some EU NCAs, to be reported again within the Union as an OTC trade and believe that this is misleading. We also recommend a comprehensive pre-trade consolidated tape with venue attribution, so that addressable liquidity is reported, accessible and readily identifiable.

When looking at the trading landscape and the different sources of liquidity within it, EPTA members recognise the important role that lit venues play in price formation and play a leading role in providing liquidity to these markets EPTA members support genuine multilateral competition on trading venues with multiple competing liquidity providers, and we consider that single market maker arrangements which blur the distinction between multilateral and bilateral liquidity, create inconsistencies and inefficiencies in the framework.

We also recognise that lit venues are not the sole source of price formation and strongly support competition between trading mechanisms whilst recognising the nuances of each trading style. We would like to again emphasise that SIs and Trading Venues, for example, are fundamentally different mechanisms and defined differently under MiFID II. Multilateral trading venues operate as neutral, non-principal platforms, while bilateral liquidity providers in Sis commit capital on a risk-principal basis. Treating them identically in all cases risks undermining liquidity provision and reducing market efficiency.

Ignoring the difference between risk-taking SIs and riskless order matching platforms by mandating identical transparency requirements would harm market liquidity, increase the risk taken by bilateral liquidity providers and be the wrong policy direction. In our view, the objective should be that multilateral venues genuinely support competitive price formation while bilateral risk facilitation is recognised for the distinct function it performs.

Question 9: 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?

In EPTA's view, the evolution of dark trading on EU trading venues reflects the increasing sophistication of the buy-side, its access to data, and its demand for variety and choice in how it accesses liquidity. EPTA welcomes the specificity ESMA applies in defining dark trading as trading under the Large-in scale (LIS) and Reference Price (RPW) waivers. We note that activity taking place outside central limit order books should not be broadly characterised as dark, since many of these execution methods incorporate elements of transparency.

EPTA members recognise the need to balance the application of pre-trade transparency as a mechanism to support efficient price formation with necessary flexibility for end-investors. When analysing the evolution of dark trading on trading venues, and indeed European equity market structure more broadly, it is therefore necessary to examine the various use cases for different trading mechanisms.

The LIS waiver and RPW provide legitimate protection for investors who wish to manage the market impact which would otherwise occur if executing on a CLOB. The LIS waiver serves the bona fide interests of end-investors and liquidity providers by offering protection for larger orders which would have significant price impact if executed on a lit order book. The RPW also provides the opportunity for investors to execute at mid-point. Midpoint execution is widely recognised by investors as a reliable proxy for fair value, and EPTA members support allowing mid-point execution on CLOBs as a targeted means of improving execution outcomes and market attractiveness.

Dark trading also provides necessary flexibility for achieving best execution for end-investors with clear, well-understood post-trade flagging which contributes to the price discovery process. It is also important to consider how the MiFID II best execution framework informs choice of execution mechanisms.

A structural element that warrants further assessment is the Single Volume Cap, in force since October 2025. Its effect on the distribution of trading is not yet fully established, and the relevant question is the degree to which its application migrates activity toward Frequent Batch Auctions (as the former Double Volume Cap also did). ESMA's early data indeed points to movement of this kind, though ESMA acknowledges the observation period is short and a longer run of data will be needed. EPTA cautions against contemplating further intervention until that evidence is available.

EPTA's reservations about the Single Volume Cap are, however, more fundamental: in common with the Double Volume Cap before it, the SVC was designed based on the premise that restricting a specific market model will return activity to lit continuous trading. This is an objective that volume caps have not achieved and, in EPTA's view, cannot achieve, since the predictable effect is to displace activity to substitute mechanisms rather than to return it to the lit book. Consistent with this, our broader view is that any changes to the transparency framework should be assessed holistically, with close attention to the risk that constraining one execution mechanism simply displaces activity to another rather than returning it to lit continuous trading.

Question 10: 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)?

EPTA does not consider that the evidence supports specific regulatory intervention on dark trading at this stage. As ESMA's own analysis shows, the dark-trading footprint has remained limited and is not detrimental to market quality.

EPTA members are strongly opposed to prescriptive regulation mandating where trading should take place. Hard restrictions on any particular execution mechanism would not return activity to the lit continuous book but would instead result in poorer execution outcomes and less flexibility for end-investors. As evidenced through the failed experiment with volume caps under MiFIR, using regulation in an attempt to force trading onto lit markets is ineffective.

As a more general matter, we would caution against framing the issue around the volume of "dark" trading as such. Activity taking place outside central limit order books should not be broadly characterised as dark, since many of these execution methods incorporate elements of transparency.

Prescriptive measures, including expanded restrictions on dark or off-exchange trading or measures that seek to mandate where trading takes place, are unlikely to improve market quality and risk limiting innovation and investor choice; the more probable effect is to displace activity to substitute mechanisms rather than to return it to lit continuous trading. A more constructive approach would be to strengthen the quality and usability of trade data, such as through consistent post-trade flagging and the delivery of a comprehensive consolidated tape, and to ensure that addressable liquidity is reported, accessible and readily identifiable.

Furthermore, creating an environment where trading venues compete and innovate is more likely to result in efficient and healthy lit markets. EPTA would support a proposal to permit mid-price dark orders to be placed within a lit order book. This would ensure that SIs do not have any structural advantage over multilateral venues. However, before permitting any functionality of this type, it would be essential that appropriate post-trade flags are applied so that the resulting trades can be clearly separately identified and the integrity and readability of post-trade data preserved. This reflects our broader position that the right response to developments in execution functionality lies in transparency and accurate flagging, rather than restricting execution choice.

Question 11: 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?

The growth and increasing significance of closing auction trading in EU equity markets is a structural development EPTA recognises and considers relevant. The drivers typically cited - the growth of passive and index-tracking investment, the use of the closing price as the reference for NAV calculation, ETF valuation, derivatives settlement and index rebalancing - are real and broadly accepted. Demand for a reference price is structurally present, asset managers and index providers require a benchmark regardless of how or when markets are organised, and the closing auction has become the primary mechanism through which that benchmark is produced. To that extent, a greater degree of concentration of trading at the close is an expected feature of modern equity market structure.

We consider, however, that ESMA's rationale, while not incorrect, is incomplete. The evidence points to two additional drivers of closing auction concentration that are not adequately captured by the common narrative, and which are, in our view, at least as significant in explaining the trend:

The first driver is the role of the closing auction as the most transparent and visible pricing event of the trading day. While price formation occurs continuously throughout the session, the closing auction aggregates liquidity at a single, broadly accessible and publicly observable point, producing a price that is recognised across the market as the authoritative daily reference. It is this visibility and recognition – rather than any single downstream use case –that draws a concentration of participants and flow.

A market in which the closing auction was weakened, fragmented or made less accessible would not simply redistribute that flow to equivalent intraday price formation; it would reduce the overall transparency and resilience of the pricing landscape, removing the one moment in the trading day at which a genuinely consolidated, multilateral and observable price is formed. The growth of closing auction activity should therefore be understood not merely as a reflection of specific downstream demands such as index replication or fund valuation, but as a rational response to the closing auction being the most structurally sound and verifiable pricing mechanism available. This

is an important qualification on how the growth data should be interpreted: to the extent that intraday price formation across a multi-venue market remains less visible and consolidated than the closing auction, participants will naturally continue to gravitate towards the close as the most reliable benchmark, and competent authorities should consider this dynamic when assessing the structural significance of this trend.

The second driver is the management of information leakage during intraday trading. We observe a general trend of firms increasingly looking to limit the information leakage associated with working larger orders during the continuous session. Given the depth of liquidity available in the closing auction, a given order represents a smaller relative footprint at the close than it would intraday, and firms may accordingly prefer to skew more of their trading towards the closing auction. This contributes to closing-auction concentration alongside the index- and NAV-related drivers ESMA identifies.

Question 12: What is your view on the effects of alternative closing mechanisms offered by MTFs and SIs?

EPTA members consider that any assessment of alternative closing mechanisms must begin with a clear statement of what the closing auction is fundamentally required to deliver: a reference price that is transparent, directly tradable, and resistant to manipulation. These are not separate but co-equal and mutually reinforcing requirements. A mechanism that satisfies transparency but creates structural conditions under which a bad actor could influence price formation does not meet the bar. Equally, a mechanism that is formally accessible but produces a price that market participants cannot realistically trade at or replicate is not genuinely tradable in any meaningful sense. Both attributes must be present in full for a closing price to serve its purpose as the authoritative daily input for fund valuation, index replication and derivatives settlement.

Where MTF closing mechanisms are multilateral, auction-based and broadly accessible, and where they operate in a manner that affords no material opportunity for price formation to be distorted by a single participant or a small group of participants, they can contribute positively to closing-phase liquidity and support the overall resilience of the closing process.

It is in the longer-term interest of EU market structure to ensure that reliable and credible backup mechanisms exist for the closing auction of critical instruments, so that a single, robust and recognised reference price can be produced even where the primary closing process is disrupted or unavailable, and without prejudice to the principle that only one such price can serve as the authoritative daily reference for fund valuation, index replication and derivatives settlement. However, that development is constrained by the practical difficulty of achieving a meaningful concentration of liquidity across multiple venues simultaneously - a constraint that is itself relevant to the manipulation-resistance test: thin or fragmented liquidity at close is precisely the condition that can make price formation more susceptible to distortion.

A volume-weighted closing price derived from multiple venue auctions would not satisfy the requirements set out above. Such a price would not be directly tradable: participants cannot realistically replicate the weighting at which it is calculated across different venues. Beyond the operational complexity this creates, the opacity of that weighting and the fragmentation of the underlying price discovery process would also weaken the integrity safeguards that a robust closing mechanism must provide. A price derived from a process that participants cannot fully observe or replicate in aggregate creates structural vulnerabilities that, in addition to introducing basis risk and persistent tracking error for benchmarked investors, also increase the scope for its formation to be influenced by concentrated or coordinated activity across venues. These concerns are compounded by the absence of any corresponding benefit that could not be achieved by alternative means.

Question 13: What will be in your view the effects of 24h/ extended trading ours on closing auctions?

EPTA members fundamentally observe that the demand for a reference price is structurally durable: asset managers require a benchmark, and indices must be calculated and rebalanced, and derivates settled, against one. These needs do not diminish with an extension of trading hours, whether incremental or towards a continuous 24/7 model. The practical implication is that a robust closing mechanism is not an artefact of the current session design. Rather it is a structural requirement of global equity markets that will persist regardless of when or for how long those markets are open.

The extension of equity trading hours nonetheless raises structural questions for the closing auction that warrant early regulatory attention. A transparent, tradable closing mechanism producing a robust reference price is a requirement of EU equity market structure in the current session design; it remains so in a market with extended trading hours. The critical issue is not whether a reference price will continue to be needed but whether the closing auction, as currently designed, can continue to produce one that meets the requirements of market participants who rely on it.

The function of the closing auction depends on three conditions: a defined and broadly accessible point at which liquidity concentrates; transparent multilateral price discovery at that point; and recognition of the resulting price by fund administrators, index providers and derivatives clearing houses as the authoritative daily price. Extended trading hours create a risk of eroding each of these conditions, particularly where the auction becomes ambiguously positioned within a longer session, or where significant activity continues after it has taken place. A reference price set at a point that is no longer the effective end of the trading session would progressively lose its utility as the basis for net asset value calculations, index rebalancing and tracking, and derivatives settlement, all of which currently calibrate to a fixed end-of-day point and depend on the closing price being both recognised and final.

Should extended hours become a feature of EU equity markets, the timing, accessibility and recognition of the closing auction would therefore need to be addressed with regulatory specificity. That specificity should take account of the settlement, margining and fund valuation arrangements that currently depend on a fixed end-of-day reference and should consider whether the position of the closing auction within the trading session should be defined by regulation independently of any extension to continuous trading hours.

Question 14: 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)?

EPTA recognises the decline in the share of price formation on primary listing markets, from approximately 72% in 2022 to around 64% in 2025 and considers that it merits monitoring. In considering what is driving this shift, EPTA notes that market participants have raised concerns about rising trading costs on primary listing exchanges - including increases in market data fees and clearing service fees - as a structural factor that may be contributing to the migration of order flow. Where best execution obligations and low or zero-fee execution models lead brokers and asset managers to weight post-trade and data costs heavily in their routing decisions, the conditions are present for cost considerations to exert a pull-on activity away from primary venues independently of price and liquidity outcomes.

EPTA considers the relationship between primary listing exchange fee structures and routing behaviour warrants investigation by ESMA and National Competent Authorities as a possible driver of the structural shift observed in the data and invites ESMA to consider whether existing reporting frameworks provide sufficient visibility into the cost components that inform routing decisions.

EPTA would caution, however, that the share of trading on a given mechanism is not in itself a reliable indicator of the quality of price formation, which is more appropriately assessed by reference to price discovery, spreads, depth and execution quality. EPTA also notes that, as the Call for Evidence acknowledges, transaction-reporting data does not permit trade-at-close (which does not contribute to price formation), to be separated from the closing auction (which does). The reporting granularity required to distinguish these should be a priority to enable proper monitoring. More broadly, EPTA considers a comprehensive Consolidated Tape, with five levels of pre-trade data and venue attribution, to be a precondition for effective monitoring of market structure change and urges that no structural reform be undertaken on incomplete, pre-Consolidated-Tape evidence.

EPTA's principal concern is the resilience of the closing auction. As it produces the reference price relied upon for fund and ETF valuation, derivatives settlement and index replication, and as there is at present no viable alternative to the primary listing market's auction, listing markets should be held to a high standard to ensure it’s integrity. While outage protocols have advanced, their usefulness depends on their being accurately followed during an incident, which has not consistently been the case.

EPTA does not see a need for intervention directed at the change in the distribution of trading. In relation to resilience, EPTA recommends that listing markets prioritise the closing auction over resumption of the continuous trading session, that the methodology for determining an alternative closing price be deterministic and disclosed ex-ante, and that a closing price be provided by the regulated market to the market and to data vendors even where the auction cannot be held. EPTA further considers that ESMA and National Competent Authorities should remain open to requiring a designated, likely pan-European, back-up venue for the closing auction, or a common failsafe facility, should agree good practices prove insufficient.

Question 19: 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)?

As discussed also elsewhere in EPTA’s response, European equities market structure has evolved to offer a diverse range of execution mechanisms for end-investors, serving different needs and purposes. Periodic auction models are now an established part of the equities ecosystem and represent an innovation developed by trading venues to serve end-investor demand.

The policy approach should reflect recognition of the different functions served by various execution mechanisms whilst allowing trading venues to innovate and compete. Again, prescriptive regulation seeking to preference one mechanism over another should be avoided.

There should be clear recognition of the different purpose served by multilateral venues and SIs: SI’s provide bilateral on-risk liquidity and face price exposure on every trade. On the other hand, multilateral venues match trades anonymously without ever being exposed to market or counterparty risk. Extension of the tick size regime should be assessed in light of its original purpose and not merely extended to create a perception of a supposed level playing field across execution mechanisms serving fundamentally different functions.

Question 20: What is your view on the evolution of trading of SIs on the EEA markets? What are the main drivers of their growth?

The growth of systematic internaliser (SI) activity in EEA equity markets reflects a number of distinct drivers, and EPTA is strongly of the view that any assessment of it needs to begin with clarity about what the SI regime is and what it was designed to achieve. The SI framework did not create a new category of trading activity: it formalised and brought regulatory recognition to bilateral risk-principal execution that had long been a structural feature of equity markets. The regime subjected that activity to transparency and conduct-of-business obligations, requiring SIs to publish quotes, to apply pre-trade transparency rules within defined parameters, and to report transactions. A meaningful part of observed growth in SI activity is therefore a transparency effect: execution that previously occurred without regulatory identification is now reported and attributed. This reflects a framework broadly working as intended.

The essential attribute of Electronic Liquidity Provider (ELP) SI activity is the provision of bilateral liquidity on a genuine principal-risk basis. ELP SIs commit their own capital, take on inventory, manage risk positions across multiple instruments and time horizons, and provide continuous, executable pricing to clients and counterparties.

When an ELP SI executes a client or counterparty order, it does so against its own capital and immediately assumes the market risk of the resulting position. At the moment of execution, the firm holds a directional, unhedged exposure to the instrument and bears the full risk of adverse price movement until that exposure is mitigated. The price the SI quotes therefore embeds the firm's own assessment of fair value, the cost of the risk it is taking on, prevailing volatility and liquidity conditions, and the anticipated cost of hedging; It is a genuine, capital-at-risk price, not a pass-through of a price formed elsewhere.

Having taken on the position, the ELP SI manages the resulting inventory dynamically, typically by offsetting or reducing exposure across correlated instruments, related indices and hedging instruments, and over varying time horizons, in continuous interaction with the wider execution environment including trading venues. Because each quote reflects the firm's own pricing and risk-bearing decision rather than a mechanical reference to an external print, and because the act of pricing, committing capital and subsequently hedging contributes buying and selling interest back into the wider market, ELP SI execution is genuinely price-forming. It is precisely this commitment of risk capital that distinguishes genuine bilateral liquidity provision from riskless or technical activity, and that underpins the immediacy and certainty of execution that clients and counterparties value.

This is the activity that the SI regime was designed to bring within the transparency framework, and it is the activity that helps support best execution outcomes for the clients and counterparties that engage with ELP SIs.

The growth of this model reflects a market-driven response to demand from clients and counterparties for bilateral, principal-risk execution as a complement to on-venue liquidity. Clients and counterparties value ELP SI execution because it allows them to transfer risk immediately and with certainty of execution, to access liquidity at sizes larger than might be available on-venue at a given price, and to do so at competitive pricing, reducing the market impact and slippage costs that working a large order through the visible order book would impose on the end-investor. The evolution of SI trading reflects these execution benefits rather than any feature of the regulatory framework that would favour one execution channel over another.

Any regulatory assessment of SI growth should recognise that aggregate SI data currently encompasses a range of activity whose risk profile and market function differ. Improved flagging of the kind EPTA recommends in this response would make it possible to identify, within aggregate SI reporting, the volume of genuine principal-risk execution. EPTA suggests that ESMA's analytical priority should be, therefore, to refine the data so that this dis-

tinction can be drawn clearly, rather than to potentially constrain SI activity on the basis of aggregate figures that do not support substantive policy conclusions.

Question 21: 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?

The data picture broadly reflects the trends EPTA members observe, and SIs do offer execution across both large and small sizes. The consultation's presentation is factually accurate as a description of reported trade sizes, but EPTA's members consider that it requires important interpretive correction before it can support sound policy conclusions.

The most significant risk in the analysis is the inference that small SI trade sizes reflect retail execution. EPTA cautions against this reading. Small prints in equity execution frequently result from algorithmic order management, i.e., the systematic fragmentation of larger parent orders into smaller child orders designed to reduce market impact, manage timing risk, and avoid signaling in the order book. This is standard execution practice for institutional investors trading in modern equity markets, noting that the average execution size on lit order books is ~EUR 4,500 (Rosenblatt, April 2026).

A significant proportion of the small transactions shown in the consultation data are likely to reflect child orders of this kind rather than retail flow. Fragmentation is driven by execution strategy, tick-size conventions, and the depth of available liquidity at any given moment, so trade size is an unreliable proxy for client type. ESMA's data – showing a large share of SI transactions below EUR 5,000 – does not, of itself, indicate that those transactions originate from retail investors. EPTA member analysis shows institutional execution sizes with an average in the range of approximately EUR 8,900 to EUR 12,300 and a median of approximately EUR 2,700 to EUR 3,200.

ELP SI activity is predominantly institutional in its client and counterparty base. The presence of small prints in SI execution data is consistent with this: it reflects the execution strategies deployed by asset managers and other institutional clients and counterparties, with minimal retail order flow. EPTA would also note that ELP SI activity regularly provides clients and counterparties access to executable liquidity at larger order sizes than are executable on-venue at a given price, allowing them to transact in size without incurring the slippage costs that working a large order through the lit order book would impose on the end-investor.

Beyond client type, the current SI reporting framework does not enable clean differentiation between the full range of activity reported under the SI label. The existing flagging structure does not distinguish, within SI reporting, between executions that differ in their risk profile and market function. To the extent that different trade sizes do correspond to different client types and SI business models - for example, institutional risk-facilitation in larger sizes alongside the systematic execution of fragmented institutional orders in smaller sizes - this cannot currently be inferred reliably from the data. Without that granularity, size-based analysis of SI trading produces aggregate figures that do not correspond to any single coherent execution model. EPTA's flagging recommendations, set out in our response to Question 23, would address this.

Question 22: 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?

EPTA does not consider that SI activity should be characterised as taking liquidity away from trading venues or as reallocating a fixed pool of liquidity between different execution models.

Such a characterisation does not reflect how end-investor demand for execution operates in practice. Market participants, in particular on the buy side, require the ability to interact with liquidity in different ways depending on the nature of the trade, including considerations such as information disclosure, execution certainty and risk transfer. The availability of different execution mechanisms is therefore driven by demand for choice in how trading is conducted, rather than by a reallocation of a fixed volume of liquidity between venues.

In this context, SIs provide an additional execution channel that responds to these distinct use cases. They coexist with trading venues and other execution mechanisms, allowing market participants to access and interact with liquidity in a manner that is better aligned with their specific needs in a given situation. This should not be understood as a substitute for venue-based trading, but as a complementary mechanism alongside it.

EPTA members typically provide liquidity across all major execution channels, including trading venues and SIs, applying the same pricing, risk management and technological capabilities. Liquidity provision is therefore managed across these channels on an integrated basis, rather than being confined to or transferred between them. As a result, activity observed in one channel cannot be assessed in isolation from the broader framework in which liquidity is generated, accessed and managed.

Against this background, it is not appropriate to view SI activity through a zero-sum lens. The availability of multiple execution mechanisms allows a wider set of trading needs to be met and enables participation in situations where interactions may otherwise not occur in the same way. In that sense, the role of SIs is best understood as contributing to the depth and breadth of liquidity interaction in the market, rather than redistributing liquidity away from trading venues.

EPTA therefore considers SIs to form part of a set of complementary execution mechanisms that support efficient market functioning by providing end-investors with meaningful choice in how they access liquidity, without diminishing the role or importance of trading venues.

EPTA members consider that price improvement, taken as a single metric, is an incomplete measure of the value delivered by SIs to their clients and counterparties. The relevant measure of execution quality is the holistic outcome for the end-investor, encompassing market impact, certainty of execution, speed of response and total transaction cost — not whether a price improvement flag was applied to any individual trade. A trade executed by an SI at the prevailing mid-point may represent superior execution quality relative to an alternative routed order that moved the market or incurred delay.

On the second question, EPTA members agree there are data-quality issues in the flagging of transactions subject to price improvement, and that the RPRI figures do not accurately reflect the reality of SI execution.

The low share of RPRI-flagged turnover is therefore not a reliable basis for conclusions about how frequently SIs price improve. In EPTA's view, however, the more important point for ESMA is not the calibration of this individual flag but the underlying cause of such inconsistencies: the growing divergence between the EU and UK post-trade transparency regimes. As the two frameworks evolve separately, the same economic activity is increasingly liable to be reported, flagged or treated differently depending on jurisdiction, creating data inconsistency and operational complexity for firms that operate across both markets. This would undermine the comparability of the very data on which this analysis relies.

EPTA's clear priorities are therefore alignment, simplicity and data quality. Maintaining consistency between the EU and UK regimes, and resisting unnecessary divergence, would do more to improve the reliability of price-improvement and other SI data than the recalibration of any individual flag. Rather than pursuing a detailed flag-by-flag debate, EPTA encourages ESMA to prioritise a simple, consistent and internationally aligned post-trade transparency framework, and to assess the contribution of SIs to market quality by reference to overall execution quality and end-investor outcomes rather than any single reported metric.

Question 23: Which flags do you consider important to identify certain trade related to SI trading?

EPTA members consider that the current flagging framework requires both greater consistency of application and targeted additional granularity to enable meaningful analysis of SI activity. This presupposes a consistent understanding across the Union of when an investment firm is acting in its capacity as an SI — the defining characteristic of which is genuine bilateral principal-risk facilitation — which the flagging framework should give effect to in the reporting layer. Two flags are central to identifying SI trading accurately: the SINT flag and a new execution-method indicator.

The SINT (systematic internaliser) flag is currently the primary identifier for SI trading and is an important post-trade transparency tool. EPTA suggests that SINT should be applied when an SI executes a transaction on a genuine principal on-risk basis against a client or counterparty — that is, when the SI commits its own capital and assumes the resulting market risk. This is the activity the SI regime was designed to bring within the transparency framework. Riskless principal and technical transactions should not carry the SINT flag; including them produces aggregate SI reporting data that overstates the volume of genuine principal-risk activity and reduces the analytical value of the flag. EPTA recommends that ESMA issue guidance clarifying the scope of SINT application to support consistent market-wide use in line with this principle.

To support identification of addressable liquidity and to distinguish automated from non-automated SI execution, EPTA recommends that the flagging framework be supplemented with an indicator equivalent to FIX tag 2405 — specifying how the transaction was executed — potentially in conjunction with the MMT (Market Model Typology) off-book automated indicator. This would enable competent authorities and market participants to identify automatically executed, interactable SI activity. That capability is central to any meaningful operationalisation of the addressable-liquidity concept, and it would allow such activity to be distinguished from trades conducted through other bilateral channels. Requiring this flag wherever applicable would substantially improve both the informational value of SI trade data and the reliability of the Consolidated Tape as a representation of the addressable liquidity universe.

Consistent application across all market participants is the prerequisite for any of these flags to be analytically useful. Where the same execution scenario is reported as OTC, SI, or MTF RFQ-to-one depending on the firm, aggregate data cannot support meaningful market-wide analysis. EPTA recommends that ESMA guidance on the consistent application of post-trade flags to each distinct execution scenario (see also our response to Q22) would be a proportionate and high-value step that would materially improve the quality of the data foundation on which policy is being built.

Question 24: 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?

EPTA's view is that the principal feature warranting further monitoring is the gap between the growth in SI activity and the capacity of current reporting data to identify the genuine principal-risk liquidity provision within it. ELP SI risk-principal activity operates as a genuine provider of bilateral liquidity at risk: EPTA members acting as ELPs commit capital, take on inventory, manage risk positions across multiple instruments and time horizons, and provide continuous, executable pricing to clients and counterparties. This activity supports best execution and provides access to executable liquidity at larger sizes than are available on-venue at a given price, reducing slippage costs for end-investors.

The extent to which this activity can be identified within aggregate SI reporting — as distinct from riskless and technical activity reported under the same label — is limited by the current flagging framework. EPTA would urge that improving that identification should be the central monitoring and analytical priority for ESMA. Our recommendations in this response for improving the flagging logic are provided with this key priority in mind.

A further development warranting monitoring is the potential for restrictive regulatory measures on SI activity in the EU to redistribute rather than reduce the overall volume of bilateral execution, with activity migrating to jurisdictions with less prescriptive regimes — in particular the UK, where the SI framework is calibrated differently. The EU's international competitiveness and its ability to retain principal trading activity are material considerations in any further regulatory discussion about the SI regime, and should be explicitly weighed when assessing the likely effects of proposed interventions.

Question 25: 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)?

EPTA supports the SI regime as a positive construct that brings transparency and more formalised, democratic access to bilateral principal-risk liquidity provision, and urges that it be made more effective rather than more burdensome. The SI framework recognised an existing execution model, brought it within a transparency and conduct-of-business framework, and gave clients and counterparties a regulated and identifiable provider for bilateral execution.

EPTA's main concern is the risk of regulatory action being taken on the basis of data that has not yet been adequately refined. Current aggregate SI metrics combine genuine principal-risk liquidity provision with riskless, technical and intragroup activity that the existing flagging framework does not cleanly separate. ESMA's analysis already tries to isolate intragroup and TNCP activity; the remaining gap is that riskless-principal and purely technical execution cannot currently be distinguished from genuine principal-risk activity within the SINT label.

Because these categories are not separated in the data, headline figures on SI market share and trade size do not isolate the activity that is relevant to any market structure concern. Once non-price-forming and intragroup activity is identified and reported cleanly and separately, and the genuine principal-risk character of SI execution is accurately reflected, this would give ESMA a sound basis on which to monitor the role of SIs in European equity market structure, in support of a healthy and competitive market that offers end-investors choice of execution while ensuring the SI regime is used for the genuine principal on-risk liquidity provision it is intended to enable.

The priority corrective action is improving the flagging regime so that SI reporting data accurately and consistently captures genuine bilateral principal-risk execution. This means applying the SINT flag only to transactions where an SI commits capital and assumes market risk; separately flagging riskless and technical activity; mandating automated-trade indicators to enable identification of addressable liquidity; and clearly excluding intragroup and

non-price-forming transactions from addressable-liquidity calculations (developed in more detail in our responses to Q23 and Q44). Consistent with ESMA's stated approach, these flagging improvements are medium-term measures to be aligned with the RTS 22 transaction-reporting framework. They are targeted, proportionate steps that carry direct informational benefit and do not require structural changes to the SI regime.

EPTA further urges that any regulatory assessment in regard to the SI regime be conditional on the equity Consolidated Tape providing a complete, sufficiently granular, market-wide view of execution across all channels. Without that foundation, analysis necessarily rests on incomplete data that is not sufficient to inform policy decisions. Restrictive measures risk merely redistributing bilateral execution rather than reducing it, with flow moving to jurisdictions that take a more pragmatic view of the buy-side's need for choice. This reinforces the need for such caution (see our response to Q24). . Structural changes to the SI regime ahead of a fully operational and comprehensive consolidated tape would be premature.

Question 35: 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.

Yes. EPTA members would raise ESMA's attention to two practices.

First, a particular concern is the use of single-market-maker venues, which blur the distinction between multilateral trading and bilateral execution by facilitating bilateral liquidity provision, similar to SI activity, but in a formally multilateral trading venue environment. This practice is prevalent in one Member State where certain MTFs and regulated markets operate with a single firm acting as the exclusive liquidity provider for retail order flow. In some cases this exclusivity is embedded in the venue's rulebook, which may designate a single specialist per instrument and require that firm to hold a private contractual arrangement with the venue operator, so that other firms are unable to offer competing prices in that instrument.

The result is a venue that is multilateral in its regulatory classification but operates with discriminatory access rules that prevent competition for order flow. National competent authorities have also indicated that arrangements of this kind may not be consistent with best execution for retail investors. Competition between liquidity providers narrows spreads and supports better execution, whereas a sole liquidity provider is under no equivalent pressure to improve the prices it offers. In our view, retail investors should have access to competitive pricing rather than being routed to a single counterparty within a venue presented as multilateral.

This is not in keeping with the spirit of the framework and underscores the importance of preserving clear multilateral models. EPTA would therefore urge ESMA to ensure that venues classified as multilateral are genuinely open to competition between liquidity providers, so that end-investors obtain the competitive pricing that a multilateral venue is intended to deliver.

Second, EPTA considers ESMA should also consider the impact of pre-hedging in competitive RFQ environments. In a competitive RFQ process, it is either impossible or highly unlikely for a liquidity provider to be sufficiently certain that they will win the trade and therefore whether it has a risk position to manage. This is because when a number of liquidity providers are in competition with each other the actions of the other liquidity providers are unknown. There is no certainty as to the pricing offered by competitors and therefore no information on which to assess the competitiveness of their own quote or to base a realistic assumption or expectation that a given liquidity provider's quote will result in a trade.

In these circumstances, unless such risk position can be evidenced, and the intention to pre-hedge disclosed and consented to, on a trade-by-trade basis, pre-hedging cannot be justified as risk management of an assumed exposure. Where it nonetheless occurs in the absence of a genuine risk exposure, such pre-hedging has a distorting effect, because the resulting pricing reflects something other than the true cost to the liquidity provider of providing risk.

Such pre-hedging activity can influence market prices before competing liquidity providers have had an opportunity to respond, potentially causing competitors to quote less competitively as the market moves against them, thereby reducing the quality of competition within the RFQ process. This may result in worse execution outcomes for end-investors and undermine the objective of obtaining the benefits of competitive pricing.

The same concerns apply irrespective of whether the competitive process takes place through an electronic RFQ platform or through bilateral requests (also known as the 'call around' market) for pricing sent to multiple liquidity providers. Where multiple liquidity providers are competing for an order, market conduct rules should ensure that competition occurs on a level playing field.

EPTA therefore believes that ESMA should consider pre-hedging in competitive RFQ environments as practices that have the potential to restrict effective competition and reduce the benefits of competition for end-investors

Question 36: Do you agree with the above three approaches?

EPTA broadly agrees with ESMA's proposed clarification of the three concepts and endorse the underlying policy goal of making addressable liquidity reported, accessible and identifiable. In supporting the accessibility objective, we would note that it is properly understood as making addressable liquidity transparent and identifiable, not as a requirement that providers of bilateral liquidity transact with all counterparties. As principals providing on-risk bilateral liquidity, SIs have and need to retain discretion over the clients and counterparties they on-board. We also agree with the approach of not integrating these definitions into the relevant regulatory technical standards: conceptual clarification at guidance level, adaptable as market practice evolves, is preferable to binding definitions that may prove difficult to revise.

With respect to addressable liquidity, EPTA members agree it is a useful analytical tool for assessing the effective reach of transparency and best execution obligations. Its operational utility for monitoring purposes is, however, contingent on sufficiently granular and attributed data. As we note in our response to the structural monitoring question, a comprehensive consolidated tape with pre-trade data and venue attribution is a precondition for translating this concept into a reliable analytical input. We would however emphasize that the definition must be applied with care to ensure that genuine bilateral liquidity is not misclassified as non-addressable. In particular, ELP SI transactions — where a SI acts as principal, assumes market risk and provides genuine bilateral liquidity — are addressable and should be recognized as such within this framework. A definition that inadvertently excludes such activity from the addressable liquidity perimeter would distort both the monitoring data and any regulatory conclusions drawn from it.

The distinction between price-forming and non-price-forming transactions is the most practically important of the three concepts. The correct identification of transactions that do not contribute to price discovery is a precondition for meaningful analysis of where genuine price formation occurs. As we note elsewhere in this response, current transaction-reporting data does not permit trade-at-close activity to be separated from closing auction activity, and ESMA's clarification of this concept would directly address that discrepancy.

We agree that transactions subject to conditions other than the current market price — including portfolio trades and certain benchmark trades — may constitute addressable liquidity while not being straightforwardly price-forming. We would note, however, that the integrity of this category is directly dependent on the robustness of the reference prices against which benchmark trades are executed. A benchmark trade references the closing price; if that price does not meet the standard of transparent, genuine and manipulation-resistant price discovery, the downstream transaction is correspondingly compromised. The conceptual framework should therefore be read alongside the quality requirements that apply to the reference prices this category depends upon.

Question 37: Do you agree with this first part of the table on addressable liquidity and price forming?

EPTA agrees with the first part of the table, and we support the underlying policy goal of making addressable liquidity reported, accessible and identifiable. The classification of all thirteen transaction types as neither addressable liquidity nor price-forming is consistent with their nature as Article 2(5) RTS 22 exclusions, and the underlying logic is sound: these are transactions whose prices are determined by factors other than the live interaction of buying and selling interests, and in which no other investment firm or client could realistically have been an alternative counterparty providing liquidity to the market.

We would however draw attention to what we consider the most analytically significant feature of this first part of the table, namely the combination of a post-trade transparency obligation when executed on a trading venue with a non-price-forming, non-addressable classification. This confirms a point we raise elsewhere in our response: the existence of a reporting obligation does not imply that a transaction contributes to price formation, and aggregate on-venue trading data that captures these transactions cannot therefore be used as a reliable proxy for the quality or volume of genuine price discovery.

This further reinforces our view that improving reporting granularity — so that non-price-forming transactions can be systematically separated from price-forming ones in the data — is a monitoring priority, and that a comprehensive consolidated tape with pre-trade data and venue attribution remains a precondition for drawing meaningful structural conclusions from post-trade data.

While we agree with the classifications in Part 1, we consider it essential that the definitional framework established here is applied consistently and with precision as it extends to subsequent parts of the table. Specifically, genuine ELP SI trades — where an SI acts as principal, assumes market risk and provides genuine bilateral liquidity — are both addressable and price-forming and must be classified as such. The transactions covered in Part 1 are correctly excluded from both categories by virtue of their nature as Article 2(5) RTS 22 exclusions; that logic does not and should not extend to genuine bilateral SI liquidity provision, which is of an entirely different character. A framework that misclassifies such activity as non-addressable or non-price-forming would produce a distorted picture of where genuine price formation occurs and undermine the monitoring purpose the table is designed to serve.

Question 44: 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?

EPTA considers that the objective that should guide the treatment of any transaction type in the addressable-liquidity framework is the interest of the market and the end-investor in a transparency regime where addressable

liquidity is reported, accessible and readily identifiable. Measured against that objective, intragroup transactions executed by SIs should not constitute addressable liquidity. They serve internal purposes — such as risk management transfers, accounting adjustments, or balance-sheet-related activity — rather than providing liquidity that a third-party client or counterparty could have accessed. Including them in addressable-liquidity metrics overstates the volume of addressable liquidity available to the market and gives investors and policymakers a less accurate picture of where genuine liquidity resides.

EPTA supports introducing a dedicated flag to identify intragroup SI transactions and exclude them from addressable-liquidity calculations. We consider this consistent with the broader objective of closing gaps in the post-trade transparency picture. Intra-group movements that do not transfer ultimate beneficial ownership are not trades the transparency regime is designed to capture, and both the UK and the US place such transfers outside the reporting or dissemination perimeter.

EPTA sees no reason for the EU to treat them differently, provided that genuinely market-relevant volume is retained and flagged as non-addressable rather than removed from view. In fact, there is an argument to be made that they should not be reported to the public at all since intra-group movements do not constitute a change of beneficial ownership. ESMA's own analysis already separates intragroup SI activity (roughly 2% of SI-related turnover) on an assumption basis; a dedicated RTS 1 flag would place that distinction on a firm, consistently applied footing rather than relying on inference. Improving the precision with which addressable liquidity is identified — by excluding genuinely non-addressable intragroup activity, and by bringing genuinely addressable but currently unreported activity into scope — serves the same public-policy goal: a transparency regime that gives the market an accurate and complete view of available liquidity.

For this to deliver its intended benefit, a dedicated intragroup flag should be designed alongside the broader flagging improvements EPTA recommends elsewhere in this response — including the separate identification of riskless and technical SI activity and the introduction of an automated-trade indicator (see our response to Q23). Considered together, these measures would allow the full scope of non-price-forming and non-addressable activity to be distinguished from genuine principal-risk bilateral execution, improving the integrity of the addressable-liquidity concept as a whole. Consistent with ESMA's intention not to amend RTS 1 in the short term, such a flag should be introduced as a medium-term measure aligned with the RTS 22 transaction-reporting framework.

On the classification of intragroup SI transactions as non-price-forming: EPTA considers this consistent with their nature. These transactions do not reflect genuine interaction between independent buying and selling interests and do not contribute to the price discovery process. This treatment also aligns intragroup SI transactions with the technical, non-price-forming transactions already listed in Table 1 of the Call for Evidence. Classifying them as non-price-forming and reporting them under a dedicated flag is therefore a proportionate and technically sound approach.