30 April 2026
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Reply Form
Call for evidence on the market structure of European equity markets.


ESMA
European Securities and Markets Authority

1 General information about respondent

Name of the company / organisation	European Banking Federation
Activity	Trade association
Are you representing an association?	☒
Country / Region	Europe

2 Questions

Q1 **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?**

<ESMA_QUESTION_MSEM_1>

EBF members broadly agree that the framework presented in Figure 1 provides a useful analytical basis for describing the European equity market structure. The EBF finds the use of transaction reporting data as analytical dataset an appropriate methodological approach.

Overall, the proposed taxonomy, including on-book vs off-book trading, and addressable vs non-addressable liquidity, represents a helpful approach for analysing trading activity and understanding where liquidity is accessible to market participants across different venues.

Concerning the definition of addressable liquidity as defined in point 12, EBF Members note:

(i) The distinction between addressable and non-addressable liquidity should be regarded as an assumption-based analytical estimate until the Consolidated Tape becomes available.

(ii) The definitino is unclear and very broad. Hence, we question whether the present wording is interpreted in a similar way by all stakeholders. For instance, we are not sure we understand how e.g. SI TNCP can be characterised as addressable.

Against this background, EBF suggests that targeted methodological refinements could further improve the analytical value of the framework and better reflect certain features of the European equity trading landscape.

1) First, ESMA may wish to consider a more granular treatment of periodic auctions, distinguishing between: (i) closing auctions, (ii) intraday auctions and (iii) frequent batch auctions, given their different characteristics and functions within the market.

2) Second, the treatment of SI-OTC activity may warrant further review. The current category may be affected by differing reporting practices, including potential duplicative reporting linked to parallel EU and UK reporting regimes. In addition, market participants may apply different reporting classifications to economically similar transactions, which can further affect the consistency of the data. In this respect, the category may not always represent a distinct source of liquidity and may instead reflect the outcome of parallel reporting obligations and divergent reporting approaches. As a result, caution should be exercised when drawing conclusions from this category.

3) Third, transaction reporting data collected over a longer period may help to better cater for underlying market conditions and volatility, the evolution of trading venue fee structures, and market access costs.

Having said that, it is worth observing that broader market developments should be assessed against a broader range of market quality indicators, including spreads, market depth, execution certainty, market impact and resilience, rather than solely by changes in the relative share of individual execution mechanisms.

<ESMA_QUESTION_MSEM_1>

Q2 Do you have any insights on the XOFF transactions reported by investment firms who also act as an SI (SI-OTC trades)?

<ESMA_QUESTION_MSEM_2>

EBF members note that XOFF transactions reported by firms acting as SIs remain difficult to interpret within the current framework and do not necessarily constitute a clearly identifiable liquidity segment.

While ESMA rightly acknowledges the ambiguity surrounding this category, current transaction reporting fields do not always allow a clear distinction between SI-driven internalisation and purely bilateral OTC activity.
In addition, SI-OTC data may also reflect differences in the application of post-trade flags rather than a distinct category of liquidity. In particular, a clearer differentiation between principal-risk SI execution, riskless principal activity, technical transactions and other forms of OTC bilateral execution would improve the robustness and interpretability of the analysis. As a result, the analysis necessarily

relies on simplifying assumptions which may affect the robustness of the conclusions drawn from the data.

Several members emphasised that, from an execution perspective, such transactions are often associated with broker-facilitated activity, including principal risk trades, negotiated transactions or portfolio-related executions.. These transactions are typically conducted on a bilateral basis. While SI liquidity is generally made available on a non-discriminatory basis, it is not generally addressable by all market participants in the same way as liquidity displayed on multilateral trading venues. Consequently, caution should be exercised when interpreting SI-OTC activity as indicative of broadly accessible or competitive liquidity.
More generally, members highlighted that the current reporting framework does not always allow for a sufficiently clear assessment of the economic nature of these transactions. Improved flagging and greater consistency in transaction reporting would therefore enhance the reliability of market structure analysis and facilitate a more accurate understanding of the role played by SIs and OTC activity within the European equity market.

Some members further noted that part of the observed SI-OTC activity may be influenced by duplicative reporting arising from parallel EU and UK reporting requirements, as well as differing reporting practices across jurisdictions. In this context, ESMA may wish to further investigate the underlying drivers of this category and consider whether additional guidance and greater convergence in reporting practices would be beneficial.

<ESMA_QUESTION_MSEM_2>

Q3 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?

<ESMA_QUESTION_MSEM_3>

EBF members broadly agree with the trends identified by ESMA: (i) growing volumes of on-book activity migrating from lit continuous order books to closing auction ad frequent batch auctions; and (ii) growing importance of SI trading.

Having said that, it is worth noting that the redistribution of trading activity across venues can reflect adaptation to market trends. It can also signal increased competition among venues, rather than a deterioration in market quality, liquidity provision or execution outcomes per se.

In general, Members are of the view that diversity of trading mechanisms supports investor choice and allows market participants flexibility in accessing liquidity and executing trades. In this context, mechanisms such as systematic internalisation contribute to market functioning by enabling investment firms and credit institutions to provide liquidity bilaterally, using their own balance sheet and risk capacity to serve client needs.

<ESMA_QUESTION_MSEM_3>

Q4 **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?**

<ESMA_QUESTION_MSEM_4>

Impact of the identified trends on the general functioning of the EEA markets for shares.

First, it is essential that SIs are genuinely risk takers and not acting systematically as brokers nor replicating trading venues and rules are consistent and equally enforced across member states to ensure a level playing field. Cases where SI activity replicates oder-book handling (i.e., internalised crossmatching, riskless trading) should be analysed, and -if any- treated as enforcement issues, rather than warrant legislative action.

Second, smaller firms may face greater challenges in accessing or connecting to liquidity efficiently across increasingly fragmented markets.. In fact, members consider important to recall that reducing structural costs in intermediation models can facilitate broader access to markets and support effective competition. Excessive fragmentation, coupled with extensive best execution requirements, may lead to additional operational and connectivity costs, especially for smaller intermediaries who, acting on behalf of clients must access multiple venues.

Third, the incumbent exchanges' monopoly in the closing auction as well as the monopoly in market data prevent both genuine competition and a level playing field to the detriment of the EU capital markets. As highlighted by ESMA in i.e. point 29-31, page 20-21, point 39 and 40 on page 25 and point 59 on page 38, the market share from Closing Auctions on the incumbent exchanges is significant and increasing.

Hence, the incumbent exchanges hold an effective monopoly over closing auctions for their listed prices for several reasons:

- The incumbent exchanges' closing prices are tradeable and considered to be the official prices used for reporting etc. and considered important in price formation
- It is an important KPI for many to obtain the closing price
- The increase in index investment/passive investment
- The concentration of volume increases the likelihood of executing larger volumes with minimal market impact
- Growing use of quantitative investment strategies benchmarked to the close
- Protection from HFTs.

Hence, an effective solution to handle the monopoly in the closing auction require that the incumbent exchanges open the closing auctions for access from other trading venues either as participants or as trading venues in order for them to participate in the auction and where the contributing trading venues should be credited with the market share, they provide to the closing auction. This should be associated with a firm ban of claiming IP rights for market data generated on trading venues, cf. for example Exchange Data International (EDI, 2025)), Stock Exchange Data | Exchange Data International.

Implications of the relative decreasing trend in trading on CLOB for the effective price formation in the EEA markets

Lit venues displaying unique European Best Bid-Offers (EBBO) are a core component of transparent price formation in EEA equity markets, with CLOB depth serving as a particularly important reference layer displaying continuous and actionable liquidity. It is therefore important that their role and robustness be maintained. However, it is essential to underline that price formation is not only about pre-trade information. Transactions across different execution mechanisms contribute to the price formation process through different channels and at different speeds, notably through post-trade transparency, alongside company-specific information, macroeconomic developments and geopolitical events.

Against this background, EBF Members note that recent developments appear to reflect a redistribution of trading activity across different venues and execution mechanisms, including auctions and other venue-based execution models, as market participants adapt to evolving market conditions, including volatility, technological developments and best execution requirements. In this respect, while recognizing its importance, members do not see the relative decline in trading on central limit order books (CLOBs) - observed in ESMA's analysis period- to be conclusive evidence of a deterioration

in market quality or price formation. In fact, an ESMA study of September 2025[1] observed higher bid-ask spreads in EEA equity markets to be linked to less fragmentation (e.g., "flight-to-transparency"). Accordingly, the quality and resilience of the price formation process should be assessed using a broader set of market quality indicators, such as bid-ask spreads, the speed of information integration and other measures of market quality, rather than being inferred solely from changes in the market shares of different execution mechanisms.

Having said that, EBF considers important that the discussion around the potential effects of a more pronounced and prolonged decreased in CLOB activity is deepened, before any additional regulatory action (e.g., concentration limits) is taken.

Here EBF reiterates the structural problems linked to the Capital Market Infrastructure companies (trading venue, CCPs and CSDs), solving which will lead to genuine competition and derived incentives to offer attractive terms and conditions also for trading on venue[2].

Finally, beyond handling the structural problems, the forthcoming Consolidated Tape could play a role in improving market transparency, by providing market participants with a more comprehensive view of trading activity across European equity markets.

<ESMA_QUESTION_MSEM_4>

Q5 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?

<ESMA_QUESTION_MSEM_5>
EBF members generally consider that the choice of execution venue and execution method is primarily driven by the objective of achieving best execution for investors. Key factors include execution price, available liquidity, execution certainty, market impact, information leakage, order size, speed of execution, transaction costs and, where relevant, settlement certainty.

[1] https://www.esma.europa.eu/sites/default/files/2025-09/ESMA50-524821-3352_Working_Paper_Fragmentation_in_European_Equity_Markets_since_2019.pdf

[2] See for example "Tapping into the full potential of EU Capital Markets" (Implement, 2025), "There is not Market in Market Data" (Market Structure Partners, 2025), "Analysis of CSD Fees in Major European Markets" (AFME, 2025), "Cash Equities Clearing in Europe: Building af More Competitive and Integrated Market" (AFME, 2025)

The relative importance of these factors depends on the characteristics of the order, the investment strategy and the type of investor, as well as market conditions. For example, retail investors may place greater emphasis on execution price and transaction costs, while institutional investors may focus more heavily on market impact, information leakage and execution certainty, particularly when executing larger orders.

In practice, venue selection often reflects a trade-off between execution certainty, liquidity access and market impact. Continuous lit order books provide firm and immediately accessible liquidity, while alternative execution mechanisms, including systematic internalisers and auction-based models, may offer advantages for certain orders by reducing market impact and information leakage. As a result, market participants typically access liquidity through a combination of execution venues and methods rather than relying on a single execution channel.

Members also note that other factors may influence venue selection (although to a lesser extent), including: the availability and accessibility of liquidity, latency and matching quality, the effectiveness of smart order routing systems, regulatory requirements and the pricing models offered by different trading venues.

Importantly, relative high cost of accessing different execution venues, including trading and membership fees, has become an increasingly relevant factor in venue selection and may have contributed to the growing use of certain alternative execution channels. Cost is also an increasingly important factor in driving smaller and medium-sized players out of the market.

At the same time, the increasing sophistication and electronification of alternative execution models have expanded the range of execution options available to market participants. Market fragmentation can increase operational complexity and the need to access multiple liquidity sources, although competition between venues has also contributed to innovation, execution quality and lower trading costs.

Overall, execution decisions are driven by the objective of achieving the best possible outcome for investors, taking into account both the characteristics of the order and prevailing market conditions.

<ESMA_QUESTION_MSEM_5>

Q6 **What are your experiences with regard to gaining access to liquidity? To what extent are you, either directly or via a broker, able to access liquidity on relevant trading venues or relevant systematic internalisers? If not, please explain what stands in the way of gaining such access.**

<ESMA_QUESTION_MSEM_6>

EBF members generally consider that liquidity remains available across a broad range of venues and trading mechanisms in European equity markets. Through direct connectivity or the use of brokers and smart order routing systems, market participants are generally able to access multiple sources of liquidity across the European market.

Having said that, as highlighted in Q4, the cost element is important. Costs and resources associated with accessing liquidity from a broad range of suppliers is high and increasing e.g. due to costs to connectivity, market data, trading, monitoring, compliance etc. The costs are increasing - connectivity and market data – due to the structural problems.

The consequence is that effective accessibility of liquidity may vary depending on the size, resources and business model of the market participant, as well as on the characteristics of the order and the execution channel used. This may pose heavier operational and connectivity challenges, and high costs, to smaller and medium-sized market participants seeking access to multiple venues, connectivity arrangements and liquidity providers to access a broad range of addressable liquidity and meet best execution obligations. This element should therefore be taken into account when assessing the functioning of the European equity market.

<ESMA_QUESTION_MSEM_6>

Q7 If you are an issuer, how do you see these market developments? Do you consider this an attractive environment for listing? If not, why?

<ESMA_QUESTION_MSEM_7>

Deep and liquid secondary markets remain an important factor in supporting capital raising and maintaining the attractiveness of public markets to issuers.

While listing decisions are influenced by a broad range of factors, including macroeconomic conditions, investor demand, access to capital and investment research, valuation considerations and the regulatory and listing framework, the structure of secondary market trading is an important element within this broader set of considerations.
From an issuer perspective, however, the depth of available capital pools in the EU and the efficiency of the post-trading landscape are likely to be as important as the structure of secondary market trading when assessing the attractiveness of European public markets.

For instance, if CLOB liquidity were to decline significantly, this could become an additional consideration over time for some EU issuers when assessing listing venues.

Having said that, additional evidence linking fragmentation of trading across various execution venues to reduced attractiveness of European markets for listing or capital raising needs to be produced. Nevertheless, initiatives aimed at enhancing market transparency and improving the visibility of liquidity across trading venues, including the implementation of the Consolidated Tape, could further support market confidence and contribute to a more integrated and attractive European capital market.

<ESMA_QUESTION_MSEM_7>

Q8 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?

<ESMA_QUESTION_MSEM_8>

Members note that liquidity distribution across EEA ISINs remains highly heterogeneous, reflecting differences in market capitalisation, liquidity profiles and local market structures. In particular, less liquid instruments appear to rely more heavily on block trading, broker-facilitated execution and auction-based mechanisms, including closing auctions, while more liquid instruments benefit from deeper and more continuous interaction on lit markets.

Members also observe that the relatively high share of OTC trading in certain jurisdictions may, at least in part, reflect limitations in available lit liquidity and the need to execute larger transactions efficiently, rather than a simple preference for off-venue execution. However, members caution against drawing firm conclusions from cross-country comparisons without sufficiently harmonised data and consistent market classifications.

From a market structure perspective, these observations suggest that liquidity differs not only in quantity but also in quality. Less liquid instruments appear more reliant on conditional, episodic or negotiated execution mechanisms, whereas more liquid instruments benefit from stronger continuous price formation. In addition, a greater reliance on closing auctions may imply that a larger share of price discovery is concentrated in specific time windows rather than distributed continuously throughout the trading day.

Members consider that policy efforts should continue to support robust price formation, maintain a level playing field across venues and improve market transparency. In this context, enhanced data

consolidation and improved visibility of available liquidity may help market participants better assess execution opportunities and market quality. At the same time, policy measures affecting the competitive position of EU execution venues should carefully take into account the international nature of equity trading. Restricting the ability of certain EU execution venues to provide services may not necessarily result in activity shifting to other EU venues, but could instead benefit competing execution venues outside the Union.

<ESMA_QUESTION_MSEM_8>

Q9 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?

<ESMA_QUESTION_MSEM_9>

EBF Members generally agree that the overall footprint of dark trading has remained relatively stable in recent years and does not appear to raise material concerns for market quality.

At the same time, members observe that the characteristics of dark trading activity may be evolving. Some members note a gradual reduction in average transaction sizes executed under dark trading waivers, alongside an expansion in the range of dark trading services offered by trading venues. These developments may warrant continued monitoring to better understand how dark trading evolves over time and how liquidity is distributed across execution mechanisms.

Some members also observe a gradual shift away from traditional dark pool interaction towards SI-based, bilateral and other execution mechanisms offering similar execution characteristics. In this respect, the evolution of dark trading appears less a change in demand for low-impact execution and more a change in how such execution is achieved. Please also see our responses to e.g. Q1, Q4 and Q6.

<ESMA_QUESTION_MSEM_9>

Q10 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)?

<ESMA_QUESTION_MSEM_10>

Yes. The structural problem prevents the ability for EU Capital Markets to deliver the growth potential as also addressed in Q4. This should be handled.

<ESMA_QUESTION_MSEM_10>

Q11 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?

<ESMA_QUESTION_MSEM_11>

Closing auctions have become an increasingly important component of EU equity markets, reflecting their role in concentrating liquidity, facilitating the execution of large orders and establishing widely used benchmark and reference prices. EBF Members broadly agree with the rationale presented by ESMA, particularly the growing importance of benchmark-driven investment strategies and the demand for low-impact execution. In particular, the rise of passive investment and leveraged products is a key driver: such instruments seek to trade at the official closing price, which gives them zero slippage and no risk for the issuer, so their rebalancing volumes execute almost exclusively in the closing auction.

EBF Members also note other contributing factors, including execution certainty, the concentration of liquidity at a single point in time, the desire to reduce exposure to intraday volatility and the ability of auctions to provide depth where continuous markets may be thinner..

In addition, EBF Members observe that this trend may be partly self-reinforcing, as the close gains market share, even ordinary orders are increasingly executed in the auction to achieve a better average price at lower risk, while the benchmarks increasingly attract algorithmic execution strategies, which in turn may further reinforce participation in closing auctions.

While EBF members generally view closing auctions as a valuable and well-functioning component of market structure, the corresponding effect is reduced liquidity in continuous intraday trading. A continuation of this shift risks making intraday trading materially more difficult through poor liquidity.

Please see our response to Q4 in relation to possible measures for handling the problems.

<ESMA_QUESTION_MSEM_11>

Q12 What is your view on the effects of alternative closing mechanisms offered by MTFs and SIs?

<ESMA_QUESTION_MSEM_12>

The official closing price determined by incumbent exchanges remains an essential market reference for valuation, benchmarking and risk management. As such, no alternative currently provides a substitute for the official closing price itself.

Having said that, MTFs and SIs offer alternative execution mechanisms that are worth mentioning:

(i) They allow investors to execute transactions at the official closing price, even shortly after the primary market auction, thus facilitating participation in the auction process.

(ii) They help providing balanced orders, i.e., accepting orders during the auction accumulation period and until a few seconds before the end of it, then sending back the imbalance between buying and selling orders to the participants. It is then for the participants to determine whether they want to send this share of their orders to the primary market auction. Balanced orders are then executed at the closing price determined by the primary market auction. This service makes it possible for investors to execute their orders at the close while benefiting from lower fees, reducing the possibility for the primary market to enhoy a monopoly.

These mechanisms may provide operational efficiencies and lower execution costs while preserving the official closing price as the common market reference.

By contrast, members remain sceptical towards proposals introducing alternative closing prices, such as volume-weighted closing benchmarks, as these could weaken the role of the official closing price as a common reference for valuation, benchmarking and risk management.
Further measures to facilitate competition around the closing auction could be explored. For instance, incumbent exchanges could open the closing auctions for access from other trading venues either as participants or as trading venues in order for them to participate in the auction and where the contributing trading venues should be credited with the market share, they provide to the closing auction.

incumbent exchanges should open the closing auctions for access from other trading venues either as participants or as trading venues in order for them to participate in the auction and where the

contributing trading venues should be credited with the market share, they provide to the closing auction.

<ESMA_QUESTION_MSEM_12>

Q13 What will be in your view the effects of 24h/ extended trading ours on closing auctions?

<ESMA_QUESTION_MSEM_13>

Extended trading hours will most likely contribute to increase use of auctions in all aspects. As 24/7 trading may most likely contribute to increased fragmentation, in order to ensure some liquidity concentration to minimise market impact, market participants may increasingly seek to trade at the auctions – including the closing auctions..

Any assessment of extended trading hours should take into account both their potential impact on market structure and liquidity concentration, as well as the operational costs associated with their implementation, including system resilience, monitoring, supervision and resource requirements.

<ESMA_QUESTION_MSEM_13>

Q14 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)?

<ESMA_QUESTION_MSEM_14>

Please see our response to Q4.

Overall, members favour a proportionate and evidence-based approach focused on monitoring, data analysis and, where necessary, targeted supervisory action. Any future policy response should be based on clear evidence of market deficiencies and should carefully balance market efficiency, competition, transparency and investor outcomes.

<ESMA_QUESTION_MSEM_14>

Q15 What is your view on the evolution of trading in FBAs on EU markets? Why are those mechanisms gaining traction in your view? Which are the benefits and shortcomings they offer? (please elaborate)

<ESMA_QUESTION_MSEM_15>

Members observe a growing use of FBAs across European markets. This development appears to be driven by investor demand for execution mechanisms that reduce market impact and information leakage while providing high execution quality. Members note that FBAs can offer benefits such as reduced exposure to latency-driven strategies, additional opportunities for liquidity interaction, and efficient execution outcomes for certain order types.

In this respect, members view FBAs as offering execution characteristics that respond to specific trading needs and complement, rather than simply replicate, other available execution mechanisms.

At the same time, some members consider that the continued growth of FBAs should be monitored from a market structure perspective, particularly with regard to transparency, liquidity fragmentation and the role of continuous trading in the price formation process. Overall, however, members view the increasing use of FBAs as reflecting evolving execution preferences and technological innovation rather than a fundamental change in investor objectives.

<ESMA_QUESTION_MSEM_15>

Q16 Do you have any particular observations as regards the impact of SVC on FBAs?

<ESMA_QUESTION_MSEM_16>

EBF Members generally consider that the Single Volume Cap (SVC) may have contributed to a reallocation of trading activity across execution mechanisms by encouraging market participants to seek alternative ways of achieving low-impact execution. In this respect, FBAs may have benefited from restrictions on certain forms of dark trading, as they can offer execution characteristics that are attractive to investors seeking to minimise market impact and information leakage.

Members also note that the relatively short period since the implementation of the MiFIR review makes it difficult to draw definitive conclusions regarding the magnitude of any SVC-related effects. Further data and analysis may therefore be required to assess the extent to which observed changes in FBA activity reflect regulatory changes as opposed to broader market developments.

Against this background, members consider that the growth of FBAs cannot necessarily be attributed solely to the application of the SVC. Evidence from market participants suggests that FBA activity has increased across different categories of instruments, including in jurisdictions where the SVC does not apply, indicating that broader factors, including execution quality, technological developments and evolving trading preferences, may also have contributed to their growth.

Overall, members view the impact of the SVC on FBAs as part of a broader reallocation of order flow across execution models, reflecting continued demand for efficient execution rather than a fundamental change in underlying trading behaviour.

<ESMA_QUESTION_MSEM_16>

Q17 Are there any emerging structural shifts which you believe would warrant closer monitoring? (please elaborate)

<ESMA_QUESTION_MSEM_17>

Please see our response to previous questions, e.g. Q4.

Developments in European equity market structure, including the growing role of bilateral and internalised trading models, systematic internalisers and the continued evolution of auction-based execution mechanisms, reflect in no small part the consequences of the structural problems leading to, among others, changing investor preferences, technological innovation and the increasing diversification of execution models

<ESMA_QUESTION_MSEM_17>

Q18 What is your view regarding the contribution of FBAs to price formation and transparency? Should those mechanisms be generally considered as price forming/ non price forming or this assessment should be done on a case-by-case basis depending on the specific design of the auction? (please elaborate, supplementing your views with data evidence when available)

<ESMA_QUESTION_MSEM_18>

EBF members consider that FBAs can contribute to price formation and transparency, although their contribution differs from that of continuous lit order books. Unlike continuous trading venues, FBAs

generate prices at discrete intervals through the aggregation of order flow, resulting in a more episodic form of price discovery.

Members generally view FBAs as a distinct trading mechanism whose contribution to price discovery differs from that of both continuous lit markets and non-price-forming execution mechanisms. While they do not provide the same continuous price discovery process as CLOBs, they can generate meaningful price signals and facilitate the interaction of liquidity under specific market conditions.

Evidence from market participants suggests that prices established through FBAs may influence trading activity on other venues, indicating that these mechanisms can contribute to the broader price formation process. At the same time, the extent of this contribution is likely to depend on the specific design of the auction, including factors such as auction frequency, participant diversity, the nature of the order flow and the degree to which prices are formed independently rather than anchored to external references.

For this reason, members consider that the contribution of FBAs to price formation should be assessed in light of their specific design and operating characteristics, rather than relying solely on a binary classification as either price-forming or non-price-forming mechanisms.

ESMA_QUESTION_MSEM_18>

Q19 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)?

<ESMA_QUESTION_MSEM_19>

EBF Members consider that consistency of treatment across execution mechanisms, ensuring a level-playing-field, would be beneficial for the market. The same rules for off-tick matching should apply to all venues and execution methods, including the possibility to match at midpoint off-tick. Midpoint execution is a long-established, beneficial strategy that lets both sides save half the spread with minimal market impact, and the 2024 MiFIR Review rightly recognised that allowing it off tick does not undermine the purpose of the tick size regime.

Members would therefore caution against reversing this change so soon after its introduction and absent clear evidence of harm, as that would run counter to the regulatory simplification objective. Where a genuine asymmetry between venue types is identified, the appropriate response is to extend comparable midpoint flexibility to all execution mechanisms.

<ESMA_QUESTION_MSEM_19>

Q20 What is your view on the evolution of trading of SIs on the EEA markets? What are the main drivers of their growth?

<ESMA_QUESTION_MSEM_20>

SIs, providing access to liquidity on a purely bilateral basis against their own balance sheets, provide important services to clients seeking to limit price impact on their orders. Also, market fragmentation and the difficulties faced by small and medium-sized intermediaries in dealing with it help explain the success of Sis.

Overall, members view the growth of SIs as a response to structural problems, including investor and execution needs. Their increasing role within the European equity market landscape reflects the continued diversification of execution models available to market participants and the demand for greater choice in how liquidity is accessed and traded.

SIs can offer greater execution certainty, reduced market impact and access to tailored liquidity solutions, making them an attractive option for investors seeking to minimise information leakage and efficiently execute orders. Bilateral execution also allows investors to interact with liquidity providers in a more flexible manner, particularly when executing larger or more sensitive transactions. Also, Technological developments, improvements in connectivity and the ability to access multiple liquidity providers through brokers and electronic trading tools have facilitated the integration of SI liquidity into execution strategies.

However, uniform enforcement of the rules across the member states remains crucial, as also stressed in our response to Q3.

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<ESMA_QUESTION_MSEM_20>

Q21 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?

<ESMA_QUESTION_MSEM_21>

EBF members broadly agree that the picture presented by ESMA reflects the trends observed in SI trading. Systematic Internalisers are active across a wide range of instruments and transaction sizes and provide execution services for both smaller and larger trades.

Members note that execution characteristics may vary depending on the size and nature of the transaction. Larger trades may involve more tailored interaction and a greater willingness by liquidity providers to internalise risk, while smaller trades are often executed through more standardised processes. This reflects the diversity of execution needs served by SIs and their ability to provide liquidity across different trading scenarios.

At the same time, members caution against using transaction size alone as a proxy for client type. While certain trade size patterns may be associated with particular categories of investors, smaller transactions do not necessarily originate from retail clients. In many cases, they may represent the execution of larger parent orders that have been fragmented through algorithmic trading strategies and executed over time. As a result, transaction size should not be regarded as a reliable indicator of the underlying client base or SI business model.

Overall, members consider that the distribution of SI activity across different trade sizes reflects a combination of client preferences, execution strategies, order handling practices and liquidity provision models, rather than a clear distinction between specific categories of investors.

<ESMA_QUESTION_MSEM_21>

Q22 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?

<ESMA_QUESTION_MSEM_22>

Price improvement is a relevant feature of SI execution and represents one of the ways in which SIs compete for and internalise order flow. However, any assessment of execution quality should not rely on price improvement reporting alone but should instead consider a broader range of execution quality indicators, including execution certainty, market impact, speed, available liquidity, information leakage and total transaction cost.

The extent of price improvement may vary depending on the size and characteristics of the transaction, with smaller trades often benefiting from modest but systematic improvements and larger transactions potentially receiving more tailored pricing, reflecting the bilateral nature of the interaction and the willingness of the SI to take on risk. Members consider that price improvement, where applied in accordance with the rules and on a level playing field across all venues, is beneficial for clients.

Available data may not fully capture the reality of SI execution. Under the MiFIR SI framework, firms are generally required to deal at their published quotes for transactions within the relevant size parameters, subject to specific exceptions. The RPRI flag is therefore relevant only in a relatively narrow set of circumstances where an SI executes at a better price than its quoted price in accordance with the applicable MiFIR conditions. It is not designed to capture every instance in which the client receives a strong or favourable execution outcome.

Also, the identification and measurement of price improvement may be affected by the reference price used, the timing of the assessment and inconsistencies in transaction flagging and reporting practices. Some members noted that the voluntary or non-harmonised application of certain reporting fields may further complicate the interpretation of the available data.

Members caution against drawing policy conclusions from RPRI data alone.

<ESMA_QUESTION_MSEM_22>

Q23 Which flags do you consider important to identify certain trade related to SI trading?
<ESMA_QUESTION_MSEM_23>

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<ESMA_QUESTION_MSEM_23>

Q24 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?

<ESMA_QUESTION_MSEM_24>

Please see our answers to Q. 3 and 4.

<ESMA_QUESTION_MSEM_24>

Q1 **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)?**

<ESMA_QUESTION_MSEM_25>

EBF Members observe a number of ongoing developments in European equity market structure, including the growing role of internalised trading, the increasing importance of systematic internalisers and changes in the distribution of liquidity across execution channels, reflect not at least the consequences of the structural problems leading to e.g. changing investor preferences, mitigating technological innovation and the increasing diversification of execution models .

Against this background, Members underline the importance of ensuring the consistent application and enforcement of the existing MiFIR framework across different trading models and preserve client choises

Finally, members note that the EU equity market framework has undergone significant regulatory reforms in recent years, including the MiFID II Review, the MiFID Quick Fix, the MiFIR Review and ongoing Level 2 implementation work. In this context, further regulatory intervention should be evidence-based, and focusing on solving the structural problems enabling a framework for genuine competition to flourish to the benefit of the issuers, investors hence fulfilling the growth potential of EU Capital Markets. ,

<ESMA_QUESTION_MSEM_25>

Q2 **Have you witnessed an increase in the use of benchmark trades? If so, what are the drivers of such increase on venue and on SI?**

<ESMA_QUESTION_MSEM_26>

Yes, EBF Members have observed an increase in the use of benchmark trades in recent years.
This trend appears to be driven primarily by the growing importance of passive investment strategies and benchmark-based performance measurement. As an increasing share of assets is managed against indices or benchmark targets, market participants are placing greater emphasis on executing transactions at reference prices such as the closing price or VWAP in order to minimise tracking error and align execution outcomes with portfolio valuation and performance objectives. As a result, benchmark execution has become an increasingly important component of trading strategies across a wide range of market participants.
From an execution perspective, benchmark trades can also provide greater certainty and clarity of outcome, particularly in more volatile market environments. Investors are increasingly seeking to execute around known reference points rather than assume intraday execution risk.
On trading venues, this trend is reflected in the growing importance of closing auctions and other benchmark-related execution mechanisms, which concentrate liquidity around key reference points. On SIs and certain trading venues, benchmark trades have also increased due to their ability to facilitate the matching of benchmark-driven order flow, including opposing orders seeking execution at a future benchmark price such as VWAP. These execution arrangements allow participants to achieve benchmark outcomes with greater certainty while managing market impact and execution risk. The ability to match opposite benchmark-driven orders can improve execution quality for end-investors by reducing market impact, capturing a portion of the spread and limiting adverse selection compared with execution through other trading mechanisms. Such arrangements therefore provide an efficient means of accessing liquidity while supporting benchmark-related execution objectives.
While benchmark trades may not always contribute directly to price formation, they remain addressable and contribute to market transparency through post-trade reporting.

That said, members consider it necessary to monitor the development of so-called trajectory crossing closely, to ensure it does not amount to de-facto trading-venue-like activity, is not used to circumvent the trading obligation, and does not enable SIs to act systematically as brokers.

<ESMA_QUESTION_MSEM_26>

Q3 Should the use of transactions from multiple trading venues be allowed when calculating the benchmark?

<ESMA_QUESTION_MSEM_27>

EBF Members consider that transactions from multiple trading venues may be used in benchmark calculations, provided that the methodology ensures the integrity, robustness and representativeness of the resulting benchmark.

Members note that different execution mechanisms contribute to price formation in different ways. While transactions executed on primary venues, including continuous order books and closing auctions, often play a particularly important role in the price discovery process, transactions executed through other trading mechanisms may also provide relevant information depending on their characteristics and the design of the benchmark.

For this reason, members consider that the key consideration should not necessarily be the venue on which a transaction takes place, but rather whether the transactions included in the benchmark contribute meaningfully to the objective of the benchmark and support the production of a reliable and representative reference price.

At the same time, benchmark methodologies should seek to avoid potential circularity effects and should ensure that the inclusion of price-referencing transactions does not undermine the integrity or robustness of the benchmark calculation. Any approach should therefore be based on transparent and clearly defined criteria that appropriately reflect the characteristics of the underlying transactions.

<ESMA_QUESTION_MSEM_27>

Q4 When performing benchmark trades, on how many transactions is the calculation of the benchmark trade based (on average, min, max, liquid vs. illiquid instruments)?

<ESMA_QUESTION_MSEM_28>

EBF Members note that the number of transactions underlying benchmark trades can vary significantly depending on the liquidity characteristics of the instrument, the benchmark methodology used and prevailing market conditions.

For liquid instruments, benchmark calculations are often supported by a relatively large number of transactions and substantial trading volumes, which can contribute to the robustness and representativeness of the resulting benchmark. For less liquid instruments, however, benchmark calculations may be based on a more limited number of transactions and may therefore be more sensitive to individual executions.

Members therefore consider that the robustness of a benchmark should not be assessed solely by reference to the number of underlying transactions. Other factors, including the liquidity of the instrument, the duration of the observation period, the characteristics of the contributing transactions and the benchmark methodology itself, are also relevant considerations.

While transparent and clearly defined methodologies are important, members consider that sufficient flexibility should be retained to accommodate differences across instruments and market conditions. Any assessment of benchmark robustness should therefore take a holistic approach rather than relying on a single quantitative threshold.

<ESMA_QUESTION_MSEM_28>

Q5 To what extent SI take advantage of the provision in Article 15(3) of MiFIR? Please share any data you may be informative in this context to understand the extent to which SIs use this provision.

<ESMA_QUESTION_MSEM_29>

From members' experience, SIs use the flexibility provided under Article 15(3) of MiFIR to support differentiated pricing and tailored interaction with counterparties.In practice, pricing offered by SIs varies depending on the characteristics of the transaction, including the size of the order, the liquidity of the instrument and the execution strategy pursued. Smaller trades tend to receive more standardised pricing, while larger or more complex transactions are assessed more selectively and may benefit from more tailored pricing conditions. Similarly, SIs are generally able to provide tighter pricing in more liquid instruments, whereas pricing in less liquid instruments tends to reflect the additional risks and hedging constraints associated with such transactions.

Members consider that this flexibility plays an important role in facilitating efficient execution and accommodating different trading needs. In particular, it may support the matching of offsetting client interests, including benchmark-related trading strategies, which may improve execution outcomes for end-investors by reducing market impact and limiting adverse selection on lit order books.

While such transactions may not always contribute directly to price formation, they remain addressable and form part of the broader liquidity ecosystem available to market participants. Through post-trade transparency, they may also contribute indirectly to the overall price discovery process.

However, it should also be recognised that SI liquidity is bilateral in nature and that the practical accessibility of such liquidity may differ across execution models and market participants. As SI activity continues to evolve, its availability, accessibility and role within the broader market structure should continue to be monitored.

<ESMA_QUESTION_MSEM_29>

Q6 Would you be supportive of ESMA issuing guidance on benchmark trades? If yes, should it encompass quantifying the minimum requirements (e.g. minimum number of transactions to be included when calculating a benchmark price, minimum time period to cover).

<ESMA_QUESTION_MSEM_30>

EBF Members recognise the importance of robust, transparent and clearly defined benchmark methodologies, given the increasing role of benchmark-driven trading strategies and benchmark-based performance measurement.

Members consider that any guidance, if deemed necessary, should focus on high-level principles relating to transparency, robustness and methodological integrity rather than imposing detailed quantitative requirements.

Any future assessment should therefore take a proportionate and flexible approach that recognises the diversity of benchmark methodologies and trading environments while ensuring that benchmark prices remain reliable and representative.

<ESMA_QUESTION_MSEM_30>

Q7 Does member preferencing lead to unfair outcomes for end-investors, other members or the markets? Please explain, if possible on the basis of data.

<ESMA_QUESTION_MSEM_31>
From EBF Members' perspective, member preferencing does not automatically result in unfair outcomes and can, in certain circumstances, support efficient execution by facilitating matching opportunities, reducing market impact and improving execution outcomes for end-investors on an individual trade basis.

Members note that member preferencing is one of several mechanisms through which execution venues and liquidity providers organise access to liquidity. In some cases, it may help retain order flow within transparent trading environments that might otherwise migrate to alternative execution channels, thereby supporting on-venue displayed liquidity. In several markets it has functioned well over a long period precisely because it keeps member and retail flow on the lit order book rather than

internalised, thereby contributing to on-exchange liquidity. Some members note that concerns about the practice are most often raised by participants focused on capturing the spread rather than on providing liquidity.

At the same time, member preferencing can result in differentiated access conditions across market participants, which may lead to differences in execution outcomes depending on the structure of access arrangements and the characteristics of the execution model.

Overall, members do not consider that member preferencing inherently leads to unfair outcomes for end-investors or markets.
<ESMA_QUESTION_MSEM_31>

Q8 To what extent do you see evidence that member preferencing extends in practice beyond jumping the queue and may also violate price priority principles?

<ESMA_QUESTION_MSEM_32>

From EBF's perspective, there is no clear evidence that member preferencing systematically extends beyond queue priority to directly violate price priority principles. Execution frameworks continue to operate within the constraints of best execution and prevailing market rules.

<ESMA_QUESTION_MSEM_32>

Q9 Should member preferencing be (a) prohibited, (b) should there be rules restricting the practice, or (c) should nothing be done? If you suggest there should be rules (b), which rules would you suggest? Please explain.

<ESMA_QUESTION_MSEM_33>

EBF Members consider that nothing should be done (option (c)) and do not consider that member preferencing should be prohibited. Member preferencing can support efficient execution by facilitating matching opportunities, reducing market impact and improving execution certainty and execution outcomes for investors.

Members recognise that member preferencing may result in differentiated access conditions across market participants. However, they do not currently identify evidence that these differences have resulted in adverse market outcomes or warrant specific regulatory restrictions.

At this stage, members therefore do not see a clear need for additional rules specifically targeting member preferencing.

More broadly, members consider that any future assessment should be evidence-based and proportionate, taking into account the role that member preferencing plays within the wider market structure and its contribution to execution efficiency and liquidity provision.

<ESMA_QUESTION_MSEM_33>

Q10 What would be the consequence of prohibiting certain forms of member preferencing? Please explain, if possible on the basis of data.
<ESMA_QUESTION_MSEM_34>

Restricting or prohibiting certain forms of member preferencing would have several material consequences for market functioning.
Member preferencing plays an important role in facilitating efficient matching and reducing market impact by allowing interaction within defined counterparties. Limiting this flexibility would increase the exposure of orders to the market, potentially leading to reduced execution certainty and less favourable pricing, particularly for larger or more sensitive trades.
In addition, liquidity providers may become more cautious in their pricing and willingness to commit capital if they are not able to control how their liquidity is accessed and interacted with. This could result in wider spreads and reduced depth, offsetting some of the potential benefits of increased transparency.
It is also important to consider potential substitution effects. Restricting preferencing in one context may lead to a reallocation of activity toward other execution models or channels where similar outcomes can be achieved, without necessarily increasing the share of fully price forming interaction.

<ESMA_QUESTION_MSEM_34>

Q11 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.

<ESMA_QUESTION_MSEM_35>
Members consider that attention should be given to whether certain single-market-maker, RFQ and bilateral trading arrangements reduce effective competition between liquidity providers or limit the benefits of competitive pricing for end-investors. In particular, arrangements whereby order flow is consistently directed to a single liquidity provider rather than exposed to competition among multiple providers may merit further assessment, particularly where they are presented as venue-based or competitive execution mechanisms.

Following the prohibition of certain payment-for-order-flow arrangements, new models have developed that replicate similar economic incentives through preferential access, exclusive liquidity arrangements and closer commercial relationships between brokers, venues and market makers. Where these models result in order flow being channelled to one provider on preferential terms, they limit competitive pricing and risk producing suboptimal execution outcomes for end-investors.

Members also note that, in competitive RFQ environments, practices relating to pre-hedging should continue to be assessed in light of their potential implications for market integrity, execution quality and competition between liquidity providers. Any such assessment should take into account the diversity of execution models and be supported by appropriate evidence.

Overall, members consider that continued monitoring of these practices may contribute to a better understanding of their impact on market functioning, competition and execution quality, while any future policy assessment should remain evidence-based and proportionate.

<ESMA_QUESTION_MSEM_35>

Q12 Do you agree with the above three approaches?

<ESMA_QUESTION_MSEM_36>

EBF Members broadly agree with the three concepts outlined as it establishes a clear distinction between them and consider that they provide a useful framework to analyse the nature of liquidity and trading activity across different execution models. However, the concept of addressable liquidity, as referred to in Q1, may be interpreted too broadly and may not be understood consistently across the market.In particular, the distinction between addressable liquidity and transactions that do not contribute to price formation is relevant in understanding how trading activity supports market interaction and price discovery. Similarly, identifying transactions executed under conditions other than the prevailing market price allows for a clearer assessment of execution models that are not directly driven by immediate supply and demand.

At the same time, in practice, the boundaries between these categories are not always clearly defined. Transactions that are technically addressable may, in reality, be subject to various conditions, such as access limitations or bilateral interaction, which reduce the extent to which they contribute to open competition. Likewise, some nonprice forming or condition based transactions still rely on prices formed elsewhere and therefore remain indirectly linked to the broader price formation process.
The practical usefulness of this distinction depends also on the consistency and quality of transaction reporting, particularly the correct flagging of transactions, including negotiated transactions of the third type (NT3).
For these reasons, while the proposed classification is a useful analytical tool, it would be important to ensure that its application reflects the practical characteristics of trading activity, including the degree of effective market accessibility and interaction underlying each type of transaction.

<ESMA_QUESTION_MSEM_36>

Q13 Do you agree with this first part of the table on addressable liquidity and price forming?
<ESMA_QUESTION_MSEM_37>

EBF Members broadly agree with the classification of transactions executed under the NT3 waiver and flagged as NPFT as nonprice forming, as long clear application criteria is established. These transactions are, by design, not the result of continuous interaction between supply and demand and therefore do not directly contribute to price discovery.

<ESMA_QUESTION_MSEM_37>

Q14 Do you agree with this second part of the table on addressable liquidity and price forming?
<ESMA_QUESTION_MSEM_38>

EBF Members broadly agree with the classification of these transactions as nonprice forming. Benchmark, portfolio and contingent trades are not the result of continuous and competitive interaction in the market and therefore do not directly contribute to price discovery.

<ESMA_QUESTION_MSEM_38>

Q15 Would you consider that some benchmark transactions should be classified as non-addressable and non-price forming? If so, provide a clear description of the case and rationale.

<ESMA_QUESTION_MSEM_39>

Yes. While benchmark transactions are generally considered addressable but non-price-forming, there may be circumstances where their practical accessibility is more limited than their formal classification would suggest.

In particular, this occurs where benchmark trades are pre-arranged with a specific counterparty or executed within a limited set of counterparties. In such situations, the transaction may be theoretically contestable, but the degree of effective competition surrounding the execution may be more limited than in fully open trading environments. Conversely, the same benchmark trade may be addressable and price-forming where it is executed within a transparent mechanism such as the closing auction, but not where it is matched outside the market. So, the classification depends on how the trade is executed.

Members therefore consider that, when assessing addressability, it may be useful to take into account not only the formal execution framework but also the practical characteristics of how liquidity is accessed and interacted with across different trading models.

<ESMA_QUESTION_MSEM_39>

Q16 Do you agree with this third part of the table on addressable liquidity and price forming?
<ESMA_QUESTION_MSEM_40>

EBF Members broadly agree with the approach taken in this part of the table with the comments in Q1 and Q39 taken into account.

<ESMA_QUESTION_MSEM_40>

Q17 Do you agree that all transactions without a flag should be considered addressable liquidity and price forming?
<ESMA_QUESTION_MSEM_41>

EBF members broadly agree that transactions without a specific flag can, as a general rule, be considered as addressable liquidity and price forming. In most cases, such transactions occur in trading environments where prices are determined through interaction between participants and where, in principle, liquidity is accessible to a broad set of market actors. However, the absence of a flag does not necessarily guarantee that the transaction reflects fully open and competitive interaction, as the degree of effective accessibility and price discovery may vary in practice.

<ESMA_QUESTION_MSEM_41>

Q18 Do you agree with this fourth and last part of the table on addressable liquidity and price forming?
<ESMA_QUESTION_MSEM_42>

EBF members broadly agree with the approach taken in this part of the table, because it provides a more robust synthesis than previous approaches and enhances the ability to analyse market structure. However, careful attention should be paid to data quality.

<ESMA_QUESTION_MSEM_42>

Q19 Do you agree with the approach on the combination of flags in the case of addressable liquidity?
<ESMA_QUESTION_MSEM_43>

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<ESMA_QUESTION_MSEM_43>

Q20 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?
<ESMA_QUESTION_MSEM_44>

Our Members agree that intragroup transactions executed by SIs should not be considered addressable liquidity and non-price-forming. Such transactions typically occur within the same group and do not involve genuine interaction with external market participants. As a result, they do not provide an opportunity for other investment firms or clients to participate or compete in the transaction. Classifying them as addressable liquidity would therefore overstate the extent to which they contribute to accessible market liquidity.

<ESMA_QUESTION_MSEM_44>

Q21 Do you believe that other transactions should be flagged and excluded from the calculation of addressable liquidity (i.e. a new flag in RTS 1 should be added to disentangle those transactions)?

<ESMA_QUESTION_MSEM_45>

Our Members considers that additional flagging could improve the robustness of the classification of addressable liquidity, particularly in cases where transactions are formally treated as addressable but are not effectively exposed to competitive interaction in practice. However, their implementation should be aimed at improving data quality without compromising practical usability.

Transactions that are prearranged or negotiated bilaterally in advance may warrant further differentiation. In such cases, although the trade may follow standard reporting conventions, the counterparty is effectively predetermined, and the transaction is not meaningfully exposed to broader market participation. Including such trades within addressable liquidity may therefore overstate the extent of accessible liquidity.

Similarly, certain forms of internal matching or internal crossing, where transactions are executed within a restricted execution framework or without exposure to external counterparties, may also limit effective access. While these transactions may not fall under existing categories that explicitly capture restricted interaction, they do not reflect genuinely addressable liquidity from a marketwide perspective.

<ESMA_QUESTION_MSEM_45>