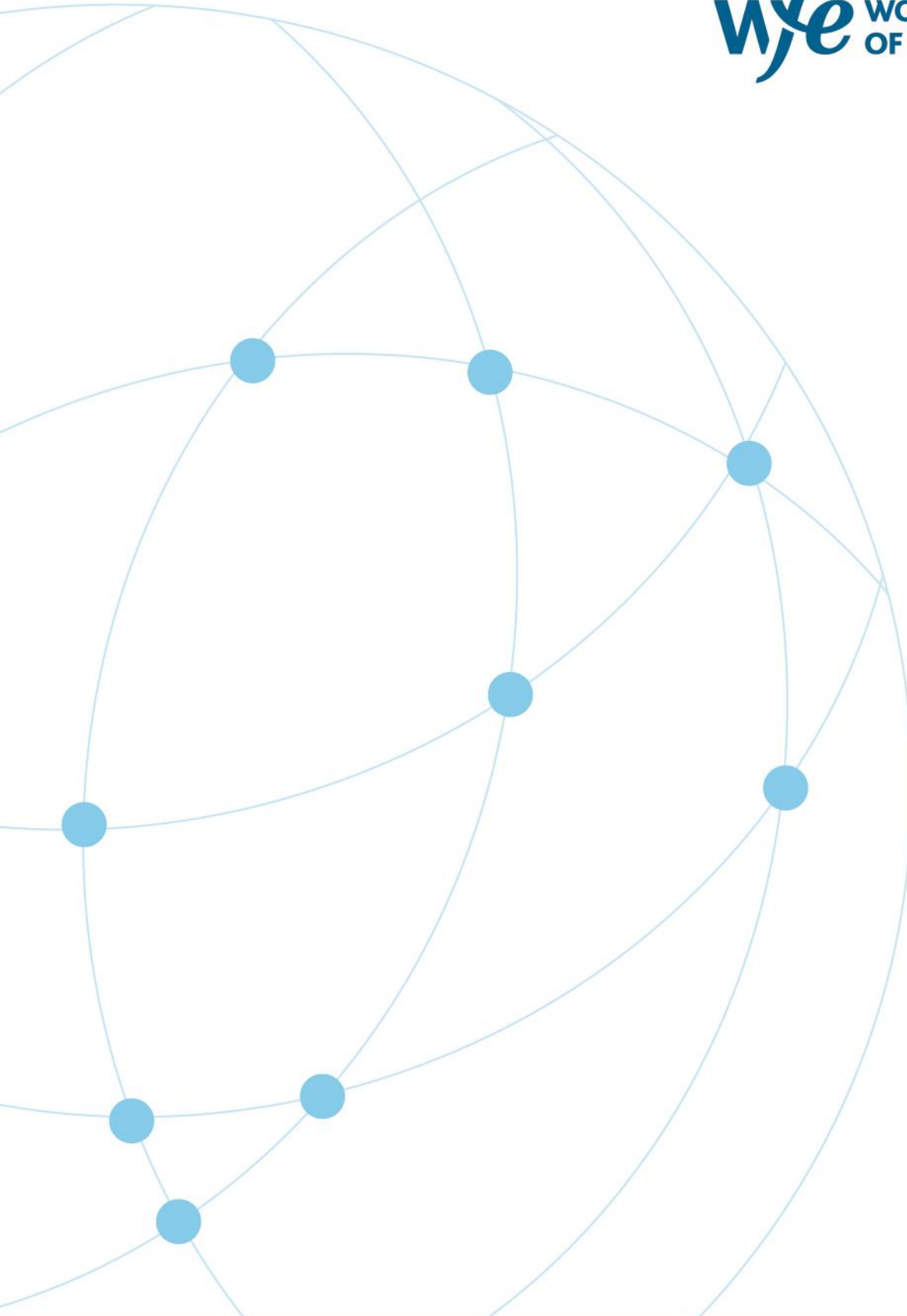




Response to IOSCO consultation on intraday liquidity

August 19th, 2026

Summary

The WFE welcomes the opportunity to respond to IOSCO's Consultation Report entitled 'Regulatory Considerations and Good Practices on the Evolution of Market Liquidity during the Trading Day' ([Consultation Report](#)). *The responses below have been submitted via the online form, as requested in the consultation.*

Questions and WFE responses

Question 1: Do you agree with the observed trends outlined in Chapter 2?

Yes

Question 2: Do you think that there are additional aspects or trends regarding end-of-day auction mechanisms and post-close sessions, that have not been captured? If so, please explain.

Yes. While the report documents the trend of increasing closing auction volumes, it would benefit from recognising the positive factors driving this evolution, such as:

- **Cross-Asset Benchmark Importance:** Closing prices serve as official references for ETF NAVs, derivatives valuation, and corporate actions—a role meriting explicit acknowledgment.
- **Fair & Non-Discriminatory Access:** Closing auctions provide transparent execution mechanisms for all market participants, supporting efficiency and investor protection.

Market Efficiency Signal: The observable growth reflects genuine market demand for this mechanism, indicating market efficiency rather than market pathology.

Question 3: Have you observed any positive effects arising from liquidity variation throughout the trading day? If so, please elaborate on these.

NIL RESPONSE

Question 4: Have you observed any impact on competition arising from liquidity variation throughout the trading day? If so, please provide further information on this.

Where fragmentation of trading takes activity away from multilateral venues it can hollow out on-venue trading, making it hard for market makers to capture spread, thereby intensifying the trend towards concentration of business at the end of the day and diminishing multilateral liquidity during the day. (As an extreme example of issues that can arise, in the US there have been consolidated-tape-related incentives for venues to provide quotes without necessarily intending to honour them, which can lead to 'ghost liquidity'.) In markets where the incentive to trade multilaterally is undermined, liquidity can be highly episodic, occurring in brief (sub-millisecond) clusters, reflecting inter-venue latency factors rather than depth.

Question 5: Where a closing price cannot be determined in the closing auction, what fallback options exist in your jurisdiction, and how frequently have they been applied?

Such events are rare (and typically well publicised). As responsible core entities within financial markets, exchanges provide guidance on alternative closing price mechanisms, consistent with their business proposition and with the way their market is configured. They take account of the asset class(es) in question and the microstructure of their marketplace, including breadth of participation.

In some countries, the same financial instrument may already be available to trade on more than one exchange, and it may be relatively easy to switch to an alternative auction. But, absent a situation where the same instrument is already traded on multiple venues, we would add that the exchange-specific factors referred to above make it difficult if not impossible in practice to designate a fallback venue. As with so many issues relating to operational resilience, it is not so much about the market infrastructure operator per se as the preparedness of the broader ecosystem.

In any case, the need to designate is moot, given how rare such events are. As such, we do not believe exchanges should be required to run or designate a fallback venue, relying instead on well established business continuity measures combined with the flexibility to deal with each situation as it arises.

To clarify: fallback scenarios differ. Auction mechanism failure (technical disruption of the auction system) warrants different responses than systemic outage (broader infrastructure disruption). This distinction underscores why prescriptive regulatory mandates for fallback venues are inappropriate – the rarity and venue-specific nature of such events require flexible, tailored responses.

Question 6: Have you observed an increase in the prevalence of mechanisms by which investors are guaranteed execution at the closing price, without routing trades through a trading venue's closing auction? If so, please provide details on this and any impact on: (i) market efficiency; (ii) price discovery, (iii) liquidity, (iv) investor protection and (v) market resilience.

The phenomenon does not appear to be increasing. As such, it is not an immediate concern but should be watched closely. While matching the closing price is not in itself a bad practice and may even be hedged by an on-venue transaction, there may be cases where it weakens an auction by diverting transactions to a bilateral environment. This reduces potentially useful information flow about market-price formation and requires vigilance to ensure that, at the extreme, it does not create a toxic residue during the auction. Research¹ suggests that removing 20% of orders from the auction and putting them into internalisation engines can affect the quoted price of blue-chip stocks by 8-12 basis points.

¹ See page 7 of Frauendorfer and Müller [Liquidity-related Price Sensitivities of Closing Auctions in Equity Markets](#), December 2020 Working Paper, University of St Gallen School of Finance

Question 7: Does increased concentration of equity trading in the end-of-day auction pose additional risks that have not been identified in this Consultation Report? If so, please provide details on these risks and how you mitigate these.

No

Question 8: Do trading venues' cybersecurity programs consider possible increased cyber risk implications related to changes in liquidity profile, such as concentrated liquidity periods? Are trading venues considering their operational resilience frameworks, BCP and recovery plans, in light of changes in liquidity profiles and concentrated trading periods? Do you have any additional element relevant to enhance the operational resilience during periods of increased concentration of liquidity?

No. While increased volumes may present a more attractive target for attackers, cyber and operational resilience policies are independent of trading volume and predominantly consist of fundamental hygiene and containment techniques. Technology capacity can be calibrated to accommodate volume spikes (whether the related technology be on-premises or outsourced to dedicated cloud service providers). The mere fact that there is more volume at time t1 than at time t2 does not increase operational risk. It increases the amount at stake if an event occurs. but does not increase the probability of a breach occurring in the first place. (Similarly, a venue with higher volumes is not axiomatically more risky than one with lower volumes.)

Operational risk differs from market risk and credit risk, which are exogenous factors, whereas the management of operational risk is more in the control of the entity that is exposed to it. The more experience one has of defending against cyber attacks, the better prepared one can in principle be for the next one. Accordingly, the incidence of attacks does not necessarily map to incidence of failure.

Question 9: Are there additional measures that mitigate risks stemming from operational risks due to peak volumes or due to changes in liquidity profiles and concentrated trading periods that IOSCO should take into account?

No

Question 10: What operational challenges arise when integrating liquidity-based parameters into surveillance and compliance systems?

The challenges are ones of judgement, rather than of the technology per se.

Question 11: How can trading venues and regulators effectively leverage on technological developments and data-driven frameworks and tools while maintaining transparency and accountability in surveillance processes?

The challenges are ones of judgement, rather than of the technology per se.

Question 12: What protocols could strengthen cooperation between trading venues to detect and prevent cross-market manipulation?

Direct co-ordination and liaison with supervisors will be helpful.

Question 13: Are there additional measures that could help mitigate risks of market manipulation in the context of increasingly complex microstructural features of trading venues?

No. Cross-market (asset) and OTC (bilateral) trading remain the danger areas.

Question 14: Do you agree that the changing liquidity dynamics and the existence of differentiated trading phases could be considered in the calibration and review of volatility control mechanisms (VCMs)? Please elaborate on whether the growing complexity of secondary markets' microstructural features shall be considered in the context of VCMs' review.

If markets are thinner other than during the closing auction, then there is clearly greater potential for volatility. (The same would apply to trading outside of traditional hours, eg, overnight.) Whether this merits changes to VCMs is, however, a matter of judgement, as is any question around fair and orderly trading.

Question 15: Should other principles and/or metrics play a role in informing VCM design and recalibration?

No

Question 16: Are VCMs applied differently during auction phases and continuous trading sessions? If yes, please provide details on the risks and considerations taken into account.

NIL RESPONSE

Question 17: How do you define a 'stressed market condition' and how do you deal with VCMs during stressed market conditions?

NIL RESPONSE

Question 18: Do you believe that the concentration of trading activity during closing auctions may raise risks for price formation and benchmark integrity, and if so, how could these risks be monitored or addressed?

Liquidity and volume do not per se pose a risk, provided sensible precautions of the sort described in the report are in place to minimise the risk of market manipulation.

Question 19: Do you agree that growing concentration of trading activity in closing auctions may increase liquidity or settlement risks for CCPs and participants, and that these risks warrant closer monitoring?

Settlement risks tend to arise because of poor processes in the participant community, including a lack of automation. These problems will naturally tend to intensify when settlement cycles are shortened.

Question 20: Have you observed any other risk stemming from changes in liquidity patterns? In addition to the closing auctions, have you noted a rise of other alternative trading protocols? If so, have you noted that these new trading protocols may have an impact on market liquidity?

No

Question 21: Do you agree with the supervisory and regulatory approaches identified and/or do you think there are additional aspects that have not been captured?

NIL RESPONSE

Question 22: How does your supervisory framework incorporate intra-day liquidity analytics into a risk-based supervisory engagement with trading venues?

NIL RESPONSE

Question 23: Do you agree with the good practices that IOSCO suggests for trading venues and regulators to consider? If not, please explain why and provide further information.

Yes, subject to the caveat around operational resilience being a matter of good practices that is not volume-sensitive.

Question 24: Are there any other good practices that could be considered?

NIL RESPONSE

About the World Federation of Exchanges (WFE):

Established in 1961, the WFE is the global industry association for exchanges and clearing houses. Headquartered in London, it represents the providers of over 250 pieces of market infrastructure, including standalone CCPs that are not part of exchange groups. Of our members, 39% are in Asia Pacific, 42% in EMEA and 19% in the Americas region. The WFE's 74 member CCPs and clearing services collectively ensure that risk takers post some \$1.4 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. WFE exchanges are home to over 40,000 listed companies, and the market capitalization of these entities is over \$135 trillion; around \$200 trillion in trading annually passes through WFE members (as of end-2025).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back 50 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policymakers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system. If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal.

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