

**WFE Response to FCA CP26/30: Supporting equity market
transparency and considering market structure developments**
15th October 2026

Question 1: Do you agree with our assessment that current evidence does not justify prescriptive intervention to steer trading towards particular execution mechanisms, but that continued monitoring is warranted? If not, why not?

The evidence presented in the report is accurate, but it does not paint the full picture.

While the FCA highlights growth in overall trading activity and notes that trading patterns are broadly consistent with those observed in other European markets, a closer examination suggests a less positive picture. In real terms, UK equity trading has been largely stagnant, while trading activity has continued to migrate away from transparent multilateral venues towards bilateral execution mechanisms. This shift has coincided with declining CLOB activity, increasing concentration of liquidity in closing auctions, and signs of wider bid-ask spreads, raising important questions about the long-term health of price discovery and market quality. More fundamentally, the consultation does not adequately consider the impact of these developments on capital formation and primary issuance.

We therefore believe the key policy question is not whether current trends mirror those seen elsewhere, but whether the existing framework is delivering the best outcomes for investors, issuers and the broader UK economy.

Real Terms Trading is Stable and Not Growing

Part of the FCA's argument for a lack of intervention is that there has been a growth in the trading of equities across the board. However, this does not take into account the effect of inflation. Once the effect of inflation is taken into account there is almost no increase in the overall value of trading.

The comparison with other European markets is also unpersuasive. While the FCA is correct that trading patterns in the UK appear broadly consistent with those observed in several major European jurisdictions, it is not clear that this should be regarded as evidence of a satisfactory outcome. The relevant policy question is not whether the UK is performing similarly to its peers, but whether the current market structure is delivering the best possible outcomes for investors and issuers something we are sceptical of in the EU too.¹ If similar trends across Europe are associated with reduced levels of on-venue trading or weaker market quality, their prevalence elsewhere does not, in itself, justify the status quo. The FCA should therefore assess whether the current framework is achieving its objectives, rather than taking comfort from the fact that comparable markets are experiencing similar developments.

Increase in Bilateral Trading Since MiFID II

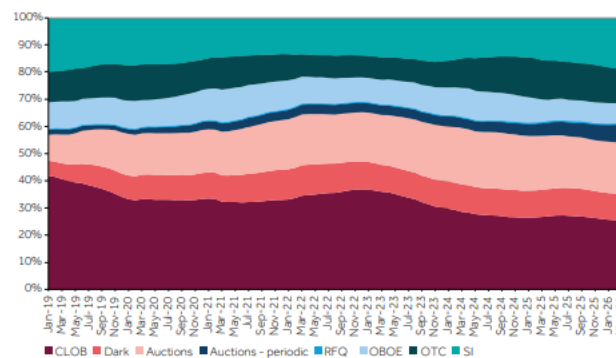
In the FCA's CP25/20², we were presented with evidence that there was an absolute decline in trading of all UK equities of 10% on multilateral venues and a subsequent absolute rise in bilateral trading of 10% between January 2018 (when MiFID II came into force) and May 2025.

¹ <https://www.world-exchanges.org/our-work/articles/response-esma-call-evidence-structure-european-equity-markets>

² <https://www.fca.org.uk/publication/consultation/cp25-20.pdf>

Execution Mechanism	Jan 2018	May 2025	Absolute change
Multilateral	69%	60%	-10%
CLOB	47%	29%	-19%
Regular Auctions	13%	17%	+4%
Dark	8%	9%	+1%
Periodic Auctions	0.5%	5%	+5%
Bilateral	31%	40%	+10%
Off-Book (On-Exchange)	12%	11%	-1%
Off-Exchange/SI	15%	19%	+4%
Off-Exchange/OTC	4%	10%	+6%

In this CP (26/30), we are presented with a smaller subset of equities (FTSE 350) that begins a year after MiFID II has entered into force.



Whilst both sets of figures show that the direction of travel is away from multilateral venues and towards bilateral ones, the evidence in 25/20 shows more clearly that this is a result of MiFID II changes. The evidence in 26/30 suggests that smaller changes in market share have occurred but misses the crucial year after MiFID II entered into force.

This is important because MiFID II has already influenced market structure by steering a significant proportion of trading towards bilateral execution mechanisms. Rather than focusing on whether trading should be directed towards a particular execution model, the FCA should consider whether the original shift towards bilateral trading was justified and whether it has created an unintended imbalance in market structure. If so, the appropriate policy question is whether measures are needed to address that imbalance.

The Closing Auction

We agree with the FCA's assessment that closing auctions are growing, both nationally and globally.³ There are several 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.

³ https://wfe-live.lon1.cdn.digitaloceanspaces.com/org_focus/storage/media/IOSCO_Intraday%20260819_text%20as%20submitted.pdf

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

Where fragmentation of trading takes activity away from multilateral venues it can hollow out onvenue 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. 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.

Widening Bid-Ask Spreads

We are also concerned with widening bid-ask spreads and are concerned that there is a causal relationship to the relative decline of CLOB trading. The strength of a CLOB lies in its ability to concentrate liquidity, aggregate diverse trading interests and generate robust price discovery through transparent competition among market participants. When order flow is increasingly diverted away from that environment, displayed liquidity is reduced and the depth available at the best prices deteriorates. This fragmentation can contribute directly to wider quoted spreads, higher execution costs and reduced certainty of execution for investors.

Effect on Capital Formation and Primary Issuance

The FCA's evidence does not consider the effect on capital formation or primary issuance.

Our research shows that market liquidity is consistently linked with IPO frequency.⁴ A strong secondary market reduces the liquidity premium investors demand – if investors know they can easily resell a security at a fair, transparent price, they require less compensation for liquidity risk. This translates into improved equity valuations and lower financing costs on debt issuance. As a result, companies in the real economy can finance expansion in productive capacity and promote economic growth as a direct result of effective price discovery.

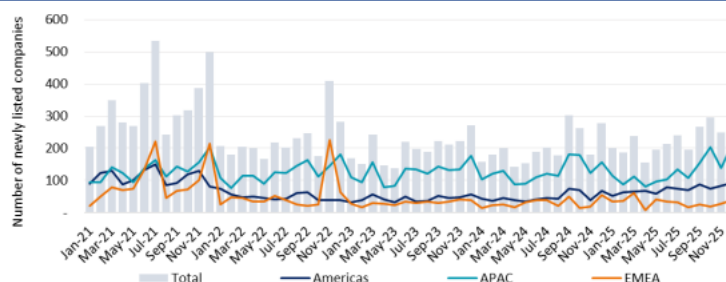
For the past five years the number of new listings across the APAC region has consistently outperformed the number of new listings in EMEA and the Americas.⁵ Taking one jurisdiction as an example, in 2025, Hong Kong ranked as the world's top IPO venue, with record-setting average daily trading volumes and fundraising levels rising sharply from a year earlier.⁶ Markets across APAC, including Hong Kong, have less or no bilateral trading in comparison to the US, UK and EU.

⁴ <https://www.world-exchanges.org/our-work/articles/attracting-new-listings-what-shapes-ipo-activity-across-markets>

⁵ https://wfe-live.lon1.cdn.digitaloceanspaces.com/org_focus/storage/media/FY%202025%20Market%20Highlights%20Report_final3.pdf

⁶ https://www.hkex.com.hk/News/News-Release/2025/251222news?sc_lang=en

Chart 10: New listings (IPO and non-IPO)



A common counterargument is that the United States continues to experience comparatively strong listings activity despite exhibiting many of the same broad market structure characteristics.

However, this comparison risks overlooking a critical distinction: the US is an outlier rather than a representative benchmark. The scale and depth of US capital markets are unparalleled.

UK, European and US markets may appear similar when assessed solely through measures such as the market share of different execution mechanisms, but such comparisons do not adequately account for the significant differences in scale, liquidity and investor participation. The fact that a particular market structure may function effectively in the United States does not necessarily imply that it will produce the same outcomes in smaller and less liquid markets. Regulatory assessments should therefore take account of the specific characteristics of UK and European capital markets, rather than assuming that outcomes observed in the United States can be directly replicated elsewhere.

Not The Only Two Choices

Overall, we agree that the evidence does not justify prescriptive intervention to steer trading towards any particular execution mechanism. However, we do not consider that the alternative to such intervention is necessarily limited to simply monitoring the situation.

The relevant distinction is between regulation that seeks to determine *where or how* market participants should execute, and regulation that ensures that different execution mechanisms compete on a level playing field.

We do not advocate forcing order flow back onto CLOBs, nor do we consider CLOBs to be the only appropriate model of execution. Indeed, exchanges themselves increasingly operate a range of different execution mechanisms as they seek to respond to differing user needs and compete for order flow. The appropriate regulatory objective should therefore be to preserve genuine competition between execution mechanisms, rather than to favour any particular mechanism and, in our view, bilateral trading already operates under favourable conditions. Addressing this would not amount to prescriptively steering order flow.

What Are Execution Mechanisms For?

More fundamentally, we believe the regulatory framework should take a strategic view of the role that different execution mechanisms are intended to perform within the market structure.

Different execution mechanisms exist to address different trading needs. The SI regime, for example, has an important role in facilitating bilateral risk transfer, particularly where an investment firm is willing to deploy its own capital to facilitate a trade that might otherwise have an undue market impact. That economic function provides an important part of the rationale for treating such activity differently from trading conducted through multilateral, order-driven markets.

That rationale is less obviously applicable where an execution mechanism is used systematically to internalise large volumes of small retail orders. In those circumstances, individual transactions may involve very limited inventory risk, particularly where positions can be rapidly offset, matched against other order flow or otherwise managed at low cost. The activity may therefore be economically quite different from the risk-facilitation function for which bilateral dealer execution is principally intended.

There is also a broader market-structure consideration. Small retail orders that are internalised by an SI do not interact with the wider pool of buying and selling interest on a multilateral order book and therefore do not contribute to price formation in the same way as orders exposed to the market. At the same time, the prices at which those orders are executed will typically be informed by, or benchmarked against, prices formed on those markets. This creates an important question for policymakers: whether a market structure in which an increasing proportion of order flow is internalised away from the mechanisms responsible for price formation remains sustainable and desirable over the longer term.

In particular, where an execution mechanism is competing systematically for the same order flow as multilateral venues, while being subject to different requirements and relying on prices formed through those venues, policymakers should consider whether those differences remain justified by the function being performed. Otherwise, there is a risk that competition between execution mechanisms is driven by differences in regulatory treatment rather than by execution quality, innovation or efficiency.

We broadly agree with respondents who argued that, where SIs internalise retail order flow, they should be expected to demonstrate meaningful price improvement for investors. However, the current level of transparency surrounding SI activity makes it difficult for market participants to assess whether such outcomes are being consistently delivered, or to compare the relative performance of different SIs in this regard.

This lack of transparency may also weaken competitive dynamics. If the policy objective is to promote open and effective competition, market participants should be able to evaluate execution quality and price improvement outcomes across SIs and SIs should welcome this transparency to evidence their performance. Greater transparency would enable competition to take place on the basis of demonstrable performance and investor outcomes, rather than on factors that are largely opaque to the wider market.

The relevant question is therefore broader than whether regulators should actively steer order flow towards a particular execution mechanism. The more strategic question is whether the market structure framework creates the right incentives for different execution mechanisms to perform their intended functions, preserves robust price formation, and ensures that mechanisms competing for the same order flow do so on a level playing field.

Question 2: Do you agree with the proposed elements of a framework for monitoring equity market quality and price formation, including the metrics set out in Table 3.2? Are there any additional indicators, data sources or emerging risks we should consider?

We broadly agree that the metrics set out in Table 3.2 are useful indicators of market quality. However, it is important to recognise that these metrics are a means of assessing market performance, rather than objectives in their own right. The ultimate goals of market structure are effective capital formation, robust price discovery, efficient risk transfer and positive outcomes for end investors.

We would therefore encourage the FCA to look beyond measures of secondary market functioning in isolation and consider how different market structures contribute to these broader objectives. This should include the impact on issuers' ability to raise capital on attractive terms, as well as investor outcomes, particularly for retail investors, not only in terms of formal best execution requirements but also whether execution outside multilateral venues delivers demonstrable and consistent price improvement.

These broader questions are not fully illuminated by the current dataset. So, framing future analysis around these underlying objectives would help ensure that market quality metrics are treated as indicators of success rather than ends in themselves.

Question 3: If future monitoring were to show material harm to market integrity, are there any regulatory options that you consider could be a viable and proportionate response, including any of the options discussed above? Please explain your reasoning, including the circumstances in which such options might or might not be appropriate.

We consider that there is a range of regulatory options available should future monitoring demonstrate material harm to market integrity. Those options need not involve prescribing a particular execution mechanism or seeking to restore a particular historic market structure. The objective should instead be to address the source of any identified harm in a targeted and proportionate manner, while preserving competition and innovation in execution.

The appropriate intervention would therefore depend on the nature of the harm identified. As a first step, the FCA could strengthen data and disclosure requirements to provide greater transparency over bilateral and SI execution, including sufficiently granular and comparable information on execution quality, price improvement and the treatment of retail order flow. This would allow both regulators and investors to assess whether claimed execution benefits are being delivered in practice.

Where monitoring identified concerns regarding investor outcomes, the FCA could consider strengthening best-execution requirements. In particular, where retail orders are systematically internalised rather than exposed to competing liquidity, firms could be required to demonstrate that this produces a materially better outcome for the investor. The FCA could also consider whether price improvement should be meaningful rather than merely nominal where an execution mechanism relies upon a reference price established on a price-forming market.

Where the identified harm instead arose from regulatory asymmetries between execution mechanisms, the appropriate response should be to address those asymmetries. This could include greater alignment of transparency, tick-size, quoting, reporting or other requirements where bilateral and multilateral mechanisms are competing for the same types of order flow. Such measures would not amount to steering trading towards a particular execution mechanism; rather, they would seek to ensure that competition between mechanisms takes place on a level playing field and is determined by execution quality and innovation rather than regulatory advantage.

If, however, the evidence were ultimately to demonstrate that the scale of bilateral internalisation was materially impairing price formation, more structural measures could be justified. These might include requiring certain categories of order flow, particularly small, standardised retail orders, to be exposed to multilateral competition before they can be internalised, or limiting bilateral execution below an appropriately calibrated size threshold.

We would regard such measures as interventions further along the spectrum and therefore appropriate only where the evidence demonstrated a material and persistent impairment of price formation that could not adequately be addressed through transparency, best execution or the removal of regulatory asymmetries. The purpose should not be to protect CLOBs or any other particular execution model. It should be to preserve the conditions necessary for effective price formation while allowing different execution mechanisms to compete where they provide genuine benefits to investors.

This is particularly important because bilateral execution mechanisms generally rely on prices established on transparent multilateral markets. As we have previously highlighted, we are concerned that long-term we will have problems if an increasing proportion of trading relies upon publicly formed prices without itself contributing directly to the price-formation process.

Question 9: Do you consider there to be a case for extending public reporting to tokenised forms of equity exposure and, if so, how should a technology-neutral approach apply across natively issued tokenised shares, digital receipt models and other forms of synthetic or fractionalised exposure?

Yes, there is a case for extending public reporting requirements to tokenised forms of equity exposure.

Where a token represents a natively issued share, it should be subject to the same reporting obligations as any other share, as the underlying economic instrument is unchanged and only the method of issuance differs.

For what the FCA calls equity exposure tokens, or what the WFE calls mimicked tokenised equities, those equities tokenised issued by third parties, we understand that many firms currently treat these products as derivatives under MiFID.

Where such products are designed primarily to replicate equity exposure, rather than to serve as traditional derivative instruments such as futures or options, there is a strong case for aligning transparency and reporting requirements with those applicable to the underlying equity. Failing to do so risks creating transparency gaps and opportunities for regulatory arbitrage, whereby

economically equivalent exposures are subject to different disclosure standards solely because of their legal structure.

A technology-neutral regulatory framework should therefore focus on the economic exposure being provided rather than the wrapper through which it is delivered, ensuring that different tokenisation models do not produce inconsistent transparency outcomes.

Question 11: Do you agree with our proposal to revoke UK MiFID RTS 8 in its entirety for algorithmic trading firms? If not, what element of the requirements should be retained or amended, and why?

Yes, we agree with removing this requirement.

Question 12: Do you agree that we should consider developing further guidance for consolidated tape providers on how they should prepare for and respond to outages? If so, what issues should such guidance cover, and how should it differ from the proposed guidance for trading venues?

The WFE supports the FCA considering tailored guidance for consolidated tape providers (CTPs) on outage preparedness and response.

An outage of the consolidated tape is an inevitability that the CT provider should be prepared to manage and that trading venues, SIs and market participants should have plans for. As owners and operators of market infrastructure with strict requirements, both regulatory and commercially, to continue operating, our members understand that outages are an inevitability that can only be minimised in occurrence and managed when they do occur. The CT provider can take similar lessons to our members from the FCAs review, ESMA's review and IOSCO's review of market outages in recent years.

Any guidance should, however, recognise the different role and operating model of a CTP compared with a trading venue. It should focus on timely communication, the availability and integrity of data, arrangements for addressing data gaps following an outage, and communication with market participants and the FCA.

Question 13: Do you agree with the guidance for trading venues to publish an outage playbook on their website that sets out what and how the venue would communicate in the event of an outage?

WFE supports the publication of an outage playbook, provided that it remains sufficiently flexible and does not become a prescriptive checklist of actions that must be followed irrespective of the circumstances.

Publicly available outage arrangements can reduce uncertainty and allow market participants to prepare their own contingency arrangements. This is consistent with WFE's previous support for clear communication and predictable procedures.

However, an outage playbook should not constrain the venue's ability to respond dynamically to an incident. The precise response may depend on the cause, severity, duration and scope of the outage, as well as the asset class, trading mechanism and point in the trading day at which the incident occurs.⁷

We therefore support the FCA's proposed approach of allowing venues to tailor their playbooks to their individual markets.

Question 14: Do you agree with the proposed content of the outage playbook? If not, why not?

WFE broadly supports the proposed content of the playbook, including arrangements concerning communication, reopening, order handling and closing auctions and prices.

We would emphasise that these should be treated as framework rather than prescriptive procedures. Trading venues should retain discretion to determine the detailed arrangements that are appropriate for their particular markets.

We would also encourage the FCA to recognise that not all information concerning an outage should necessarily be made public. Detailed technical information, root-cause analysis or information concerning vulnerabilities could expose venues to additional operational or cybersecurity risks. WFE made this point in its IOSCO response, noting that disclosure of detailed analyses could expose systems to security risks or commercially sensitive information.⁸

Any guidance on Playbook outage should remain flexible given the significant differences between markets, asset classes, trading models and the timing and nature of outages, etc.

Question 15: Do you agree with the above additional guidance in relation to communication plans? If not, why not?

WFE supports the proposed additional guidance on communication plans. Prompt, accurate and simultaneous communication to market participants is essential to reducing uncertainty during an outage and enabling market participants to manage their exposures and consider alternative trading arrangements. We support FCA's proposal that updates should be made available through a website, and/or other communication channels the trading venue considers appropriate, including commonly used technical messaging protocols, as well as the publication of market-wide updates, because the impact of an outage can extend beyond direct venue participants. We would also emphasise that the effectiveness of outage management depends on coordination across the wider market ecosystem, including CCPs, market participants, data providers and regulators, rather than solely on the actions of the affected trading venue.

⁷ WFE response to ESMA Consultation on Market Outages, December 2022 <https://www.world-exchanges.org/our-work/articles/wfe-response-esma-consultation-paper-market-outages?>

⁸ WFE response to IOSCO Market Outages Consultation, March 2024, https://wfe-live.lon1.cdn.digitaloceanspaces.com/org_focus/storage/media/RegAffairs_2023/FINAL%20WFE%20Response%20to%20IOSCO%20Market%20Outages.pdf

We particularly support the FCA's recognition that they do not consider it necessary to define the frequency of updates to participants, but expect trading venues to provide an initial notification as soon as practicable after identifying an outage and give regular updates thereafter, at intervals appropriate to the nature, scope and expected duration of the outage.

WFE would encourage the FCA to retain this flexibility and avoid specifying overly detailed communication templates or mandatory intervals. This is consistent with WFE's previous view that guidance should remain sufficiently high-level to allow venues to respond appropriately to different incidents and asset classes.

Question 16: Do you agree with the additional guidance in relation to order handling? If not, why not?

WFE supports the objective of providing market participants with greater certainty regarding the status of outstanding orders and the last good trade.

Venues should have clear policies for the treatment of orders during an outage and communicate any decisions promptly. However, the decision to cancel orders should remain with the venue, based on the circumstances of the outage and the potential impact on orderly trading.

In particular, regulatory guidance should not create an expectation that orders will be cancelled whenever their status cannot be confirmed within a particular timeframe. Cancellation itself may create risks, including duplicated or unintended execution when trading resumes.

Question 20: Do you agree that venues should establish and disclose the arrangements that would apply where an outage may affect the determination of an official closing price, including the use of alternative arrangements and any pre-determined fallback arrangements? If not, why not?

WFE supports venues establishing and disclosing arrangements for determining the official closing price where an outage affects the normal closing process. Pre-defined arrangements can reduce uncertainty and allow market participants to prepare for the consequences of an outage.

Such arrangements should remain proportionate and tailored to the characteristics of the relevant market.

Question 21: Where the official closing price would normally be determined through a closing auction, do you agree that venues should have clearly defined alternative arrangements to support the continuation of an auction-based price formation process during an outage? If not, why not?

WFE supports venues having clearly defined alternative arrangements for closing auctions. However, venues should retain discretion to determine whether and when an alternative or delayed auction is appropriate, taking account of the circumstances of the outage.

Question 22: Do you agree that venues should have a pre-determined fallback methodology for establishing the official closing price where the closing auction cannot proceed or would not be appropriate? If not, why not?

WFE supports a pre-determined and transparent fallback methodology for establishing the official closing price where the closing auction cannot proceed. However, the FCA should not prescribe a single methodology across venues, as the appropriate approach will depend on the characteristics of the relevant market and the circumstances of the outage.

Question 23: Do you consider there to be any issues with the structure and recent trend in the market for retail trading in UK equities? If so, please explain.

Yes.

As retail trades are predominantly not placed on-exchange, competition for execution of trades is reduced. The FCA previously noted in CP22/12, 20% of retail trades do not achieve execution prices at least as good as the prevailing best price available on all UK trading venues. This meant that one in five trades is not receiving best execution. The new evidence presented suggests that this problem has lessened in recent years but we note that the comparison in CP26/30 is solely with CLOBs.

Keeping retail order flow away from trading venues order books diminishes the overall quality of the market by limiting the opportunities for that flow to interact with other sources of liquidity including institutional long-only funds. This reduces the effectiveness of the price formation process.

Question 24: What are your views as to potentially introducing a retail flag? Please give reasons as to why you would support or are against its introduction.

There may be merit in a retail order flag to show where retail order flow is going and to assess whether retail investors are really getting a good deal.

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