



Europe must foster transparent markets to remain competitive

Fragmentation & opacity are detrimental to issuers and investors

Brussels, 1st June 2021

Shedding light on the reality of capital markets in Europe, today's virtual Convention of the Federation of European Securities Exchanges (FESE) comes at a vital moment for decision makers. In a year in which important regulatory decisions have to be made, the Convention is set around efficient public capital markets and their core role in driving European economic growth, investment and competitiveness - to the benefit of investors and issuers.

ESMA's data¹ shows it clearly: Europe is the darkest jurisdiction for equity trading in the world². Only 52% of equity trading is conducted on-venue, much lower than in the US and Asia, where lit trading accounts for approximately 65% and 88%.

Beginning with an address from Commissioner Mairead McGuinness, discussions will put special emphasis on the importance of developing a more strategic approach towards the development of European public capital markets to support the recovery of the economy, to empower investors, and to deliver sustainable and long-term economic growth in the EU.

Exchanges, as EU Financial Market Infrastructures (FMIs), play a central role in serving the real economy and providing capital to companies, by delivering neutrality, transparency, reliable price formation and risk management. On the day of its annual Convention, FESE wants to highlight the extraordinary value of the price formation process delivered by exchanges to the benefit of all market participants. This is why exchanges dedicate substantial resources on maintaining the highest possible standards for accuracy and reliability, with data coming from a fair, transparent and multilateral pool of liquidity, open to all market participants under the same rules putting trust and integrity first.

Petr Kobic, FESE President and CEO of the Prague Stock Exchange, said:

A CMU and a sustainable recovery from the COVID-19 crisis cannot happen without well-functioning secondary capital markets. If we want companies and investors to (re-)enter capital markets, we also need to restore trust in the efficiency, stability and transparency of the markets.

It is important to adopt a comprehensive approach to EU equity market structure and recognise that poor data quality in SI and OTC trade reporting prevents market participants and regulators from understanding where, and under what specific conditions, executions can and should take place on these venues. Calls for a potentially generalised exclusion of "non-addressable" liquidity from the data appear premature at this stage, given the ongoing issues with data quality and the fact that the concept is not clearly defined in MiFID II. Instead, we suggest that regulators conduct a thorough assessment of the topic, focusing on SI and OTC trading eligibility, to provide a basis for potential amendments to the legislative

¹ Source: ESMA statistical report on EU securities markets (2020)

² FESE Blueprint "Capital Markets Union by 2024 - A Vision for Europe" (2019)

framework. In assessing the impact of MiFID II and potential amendments it is important not to see this debate as ‘exchanges’ versus ‘investment firms’. This debate is about:

- Delivering on end-investor needs: as markets are becoming more complex to navigate, it is time to go back to a simpler and more transparent market structure.
- The overall public interest of ensuring an efficient price formation process underpinned by the resilience lit markets have demonstrated in the recent crisis.

While SIs are regulated under MiFID II as execution venues providing bilateral trading, they provide less transparency than on-exchange trading. This is problematic as the distinction between purely bilateral and hybrid multilateral trading is blurred in the current market structure. A deeper analysis is provided in the [Annex](#).

Rainer Riess, FESE Director General, also remarked:

It is critical that EU policy makers, with ESMA at the lead, take control of the metrics for the upcoming MiFIR Review and implement a simplified set of clear rules for equity market structure and data reporting.

Decision-making must be based on robust data. Without this, the EU will perpetuate the confusing debate over trading volumes to the detriment of EU competitiveness.

This topic requires careful consideration and, given the various contradicting data sources, it would be premature to speculate about any conclusion which does not come from ESMA.

FESE members remain committed to a safe, transparent and fair market space in Europe to bring the Capital Markets Union to the next level, where trust and integrity for investors and issuers are ensured.

Notes to editors:

The Federation of European Securities Exchanges (FESE) represents 35 exchanges in equities, bonds, derivatives and commodities through 18 Full Members from 30 countries, as well as 1 Affiliate Member and 1 Observer Member.

At the end of April 2021, FESE members had 9,112 companies listed on their markets, of which 14% are foreign companies contributing towards European integration and providing broad and liquid access to Europe's capital markets. Many of our members also organise specialised markets that allow small and medium sized companies across Europe to access capital markets; 1,263 companies were listed in these specialised markets/segments in equity, increasing choice for investors and issuers. Through their RM and MTF operations, FESE members are keen to support the European Commission's objective of creating a Capital Markets Union.

FESE is registered in the European Union Transparency Register: 71488206456-23.

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