

Liquidity Landscape: EMEA Mid-Point Update

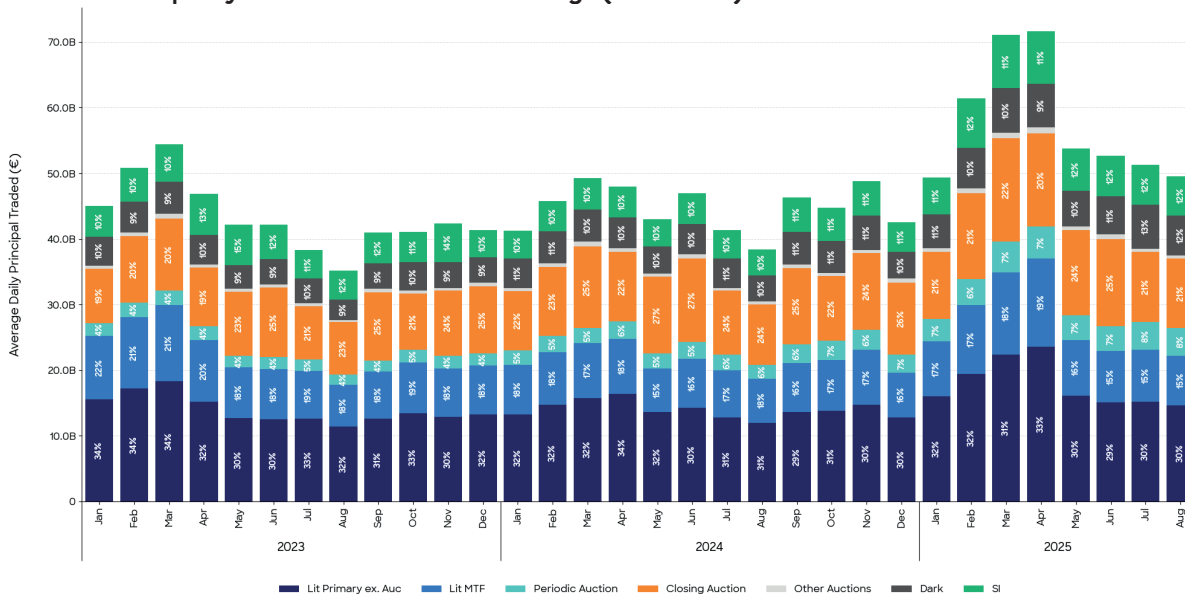
September 2025

Year-to-date, the Europe 600 and US 500 indices have delivered comparable performance. After trailing its European counterpart by nearly 10% at the end of Q1, the US index has regained significant ground as Trump's trade deals have taken shape and the Magnificent 7 has continued to set new highs. Consequently, both indices have closely aligned, mirroring gains of 8% to 11% observed in key Asian markets such as the CSI 300 and Nikkei 225.

Among notable standouts, Germany's DAX surged 21% thanks to a €500Bn stimulus package set to span the next 12 years, boosting defence, industrials, chemicals, and construction sectors. Poland's WIG20 soared 34%, supported by strong domestic growth and its role as a gateway for European stimulus. In Asia, Hong Kong's HSI gained 28%, while India's NIFTY lagged, rising just 3.5%.

Exhibit 1

Addressable liquidity ex OTC/Off-Book On-Exchange (all markets)



Source: BMLL and Liquidnet internal—January 2023 – August 15, 2025

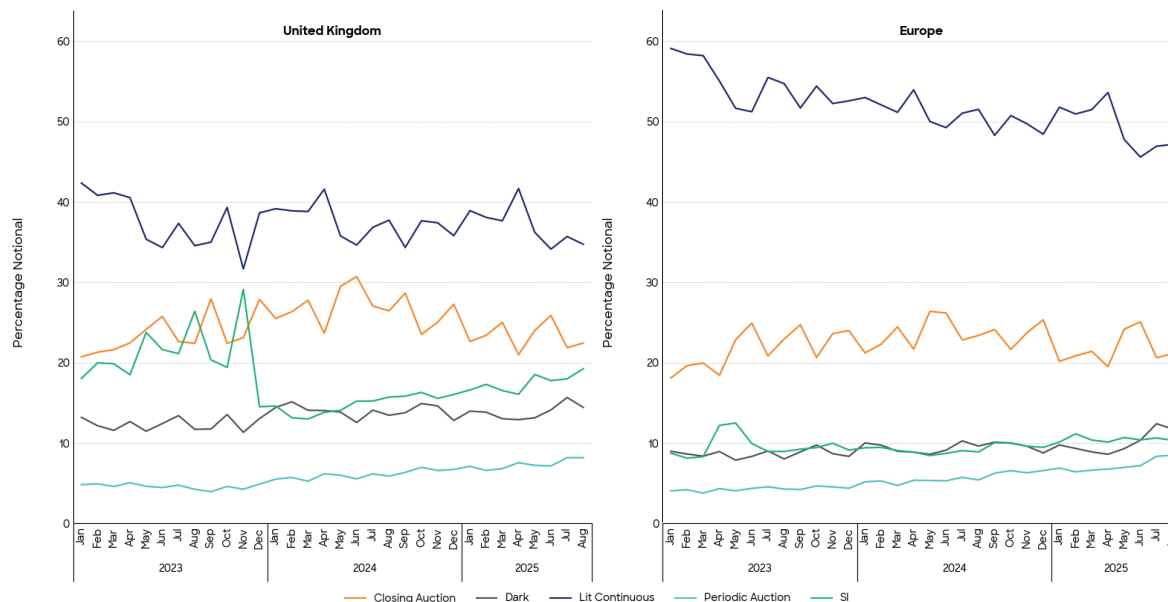
Following the record trading volumes earlier this year, European equity activity has eased slightly, though it continues to outpace 2024 levels. In fact, average daily trading volumes of €49.6Bn in the first half of August, the quietest month so far this year, still surpassed any single month in 2024.

- **Trade uncertainty and US isolationist policies have prompted investors to diversify into Europe,** boosting volumes by 29% in the first seven months compared to last year.
- **Favourable macro factors have amplified this trend:** Eight consecutive European Central Bank (ECB) rate cuts put borrowing costs at their lowest since 2022, fuelling growth in European stocks especially small caps. Inflation reaching the ECB's 2% target created a "goldilocks" scenario of easing price pressures without recession fears.
- **Early-year market volatility increased trading activity and shifted market composition toward faster execution.** Exhibit 1 shows a move from the close to the continuous lit session at the start of 2025, with the close comprising only 21% of trading in the first four months. In May, this rose to 24% only to fall again in July and August as tariffs took effect and traders evaluated their impact.¹

¹ https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html

Exhibit 2

Addressable liquidity ex OTC/Off-Book On-Exchange (all markets)

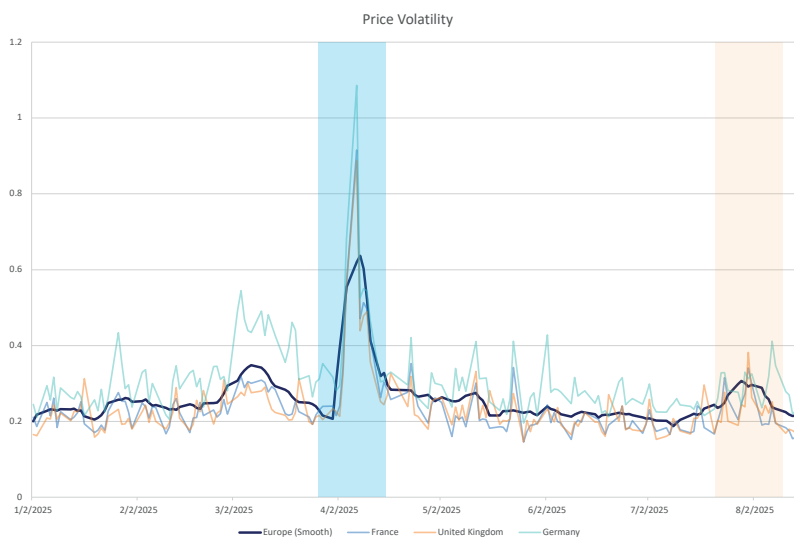


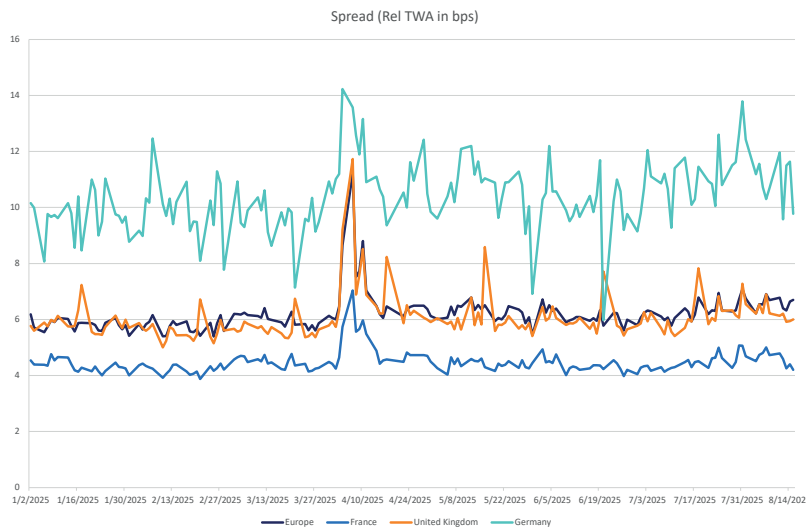
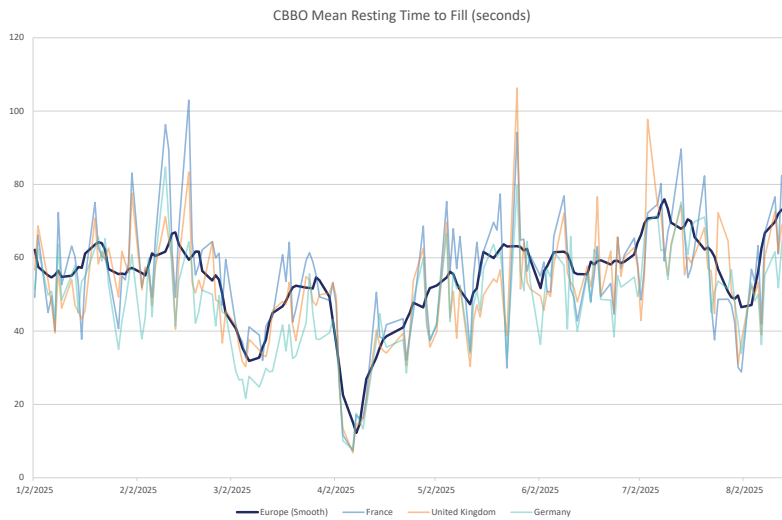
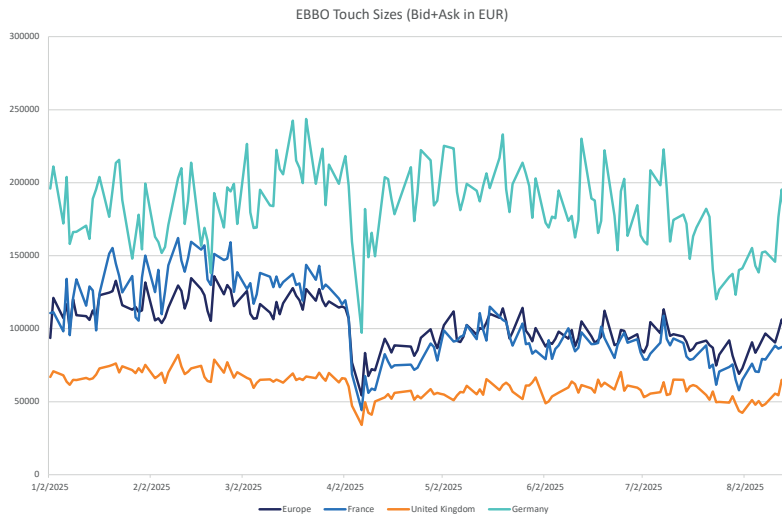
Source: BMLL and Liquidnet internal—January 2023 – August 15, 2025

While differences in market composition between the UK and Europe persist, sentiment influences the composition across both regions in a proportional manner. A notable trend, particularly in the UK, is the steady rise of the Systematic Internaliser (SI) market share, with SIs accounting for 19% of UK equity volumes in both May and August, compared to the European average of 11% for the year. Period Auction volume also continues its steady growth across both regions. In the UK, the 2025 annual percentage of volume has risen to 7.3%, up from 6.1% in 2024. Similarly, in Europe, volumes have increased from 5.7% to 7.1%.

Exhibit 3

Lit book liquidity metrics





Source: BMLL and Liquidnet internal—January 2025 – August 15, 2025

- **April 2, 2025:** Trump declared 'Liberation Day' -10% baseline + country-specific tariffs.
- **April 5, 2025:** Universal 10% baseline tariff took effect.
- **April 9, 2025:** Original date for country-specific tariffs (20% for EU) – delayed.

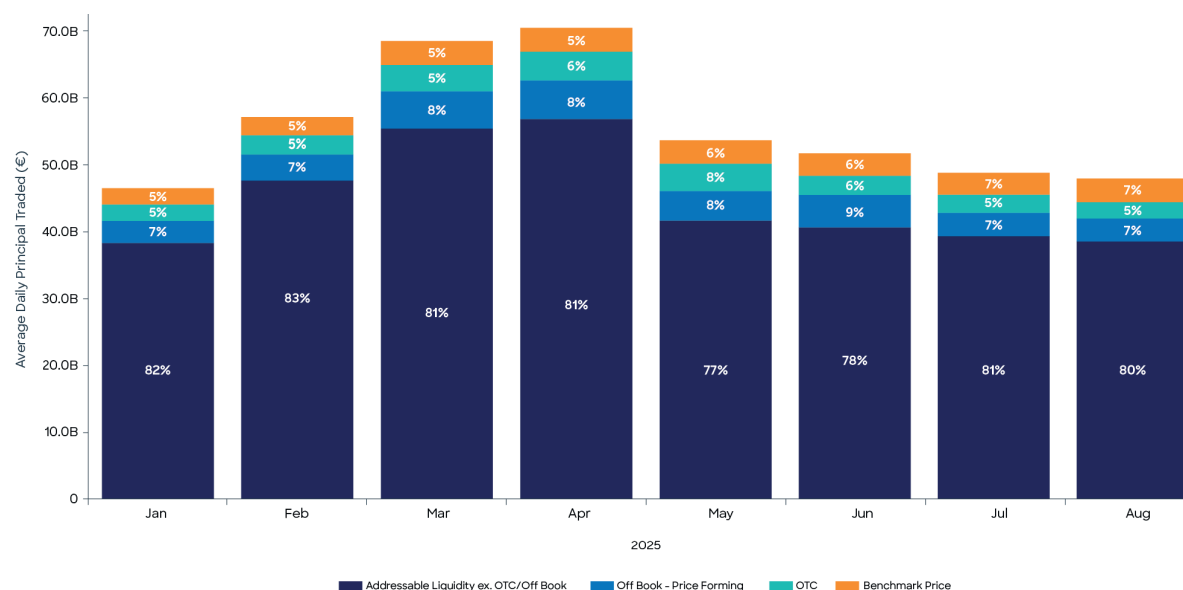
- **August 1, 2025:** Originally rescheduled date for reciprocal tariffs – delayed again.
- **August 7, 2025:** Country-specific reciprocal tariffs finally implemented.

On a market microstructure level, there are several standout periods of trading activity. The first and most dramatic occurs around March and April, coinciding with Trump's proposal and implementation of his 'Liberation Day' tariffs. Later, toward the end of July and into early August, similar though less pronounced patterns emerge. In both instances, these lead to a fundamental increase in trading costs.

- **Increase in price volatility:** For the week starting 28th July volatility was up 29% relative to the rest of the preceding month.
- **Wider bid ask spreads:** European spreads widen towards the end of July, this is particularly pronounced in Germany.
- **Touch sizes fall:** Touch sizes fall as investors approach the market with caution, probing liquidity with smaller trade sizes. UK touch sizes saw the smallest percentage change in July, in part due to the early agreement of the bilateral Economic Prosperity Deal (May 8th) - the EU deal came on the 27th of July.
- **Mean resting time shortens:** Traders reduce clip sizes, placing more emphasis on immediacy of execution.

Exhibit 4

Addressable liquidity including OTC/Off-book On- exchange



Source: BEPACP Index, BMLL and Liquidnet internal—January 2025 – August 15, 2025

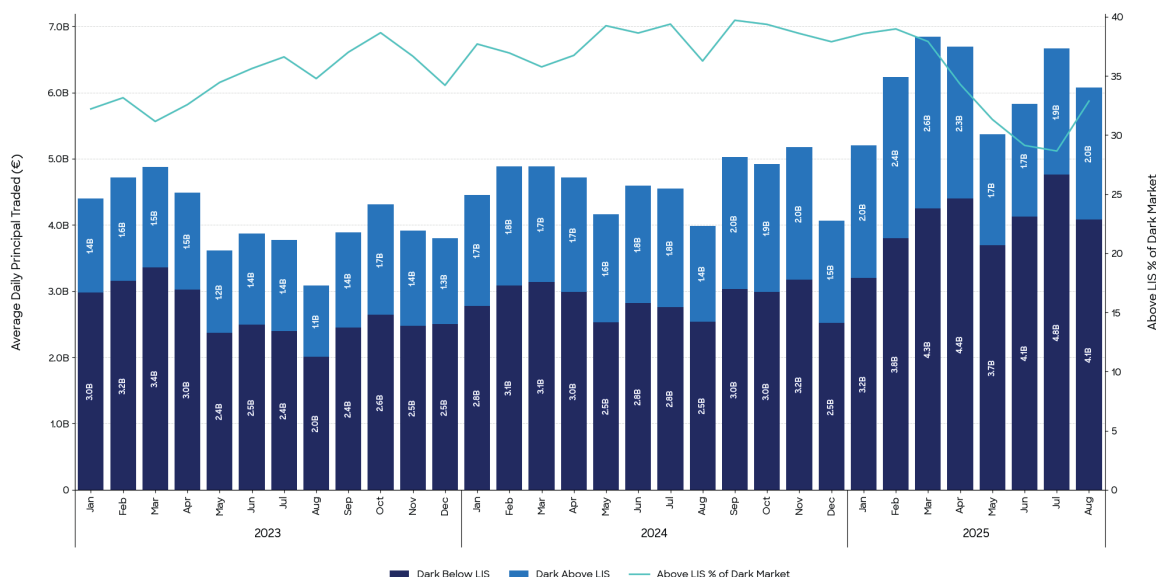
Amidst ongoing discussions on the true size of the addressable market, *Exhibit 5* aims to show the additional liquidity found in the Off-Book On-Exchange, OTC and Benchmark Price markets. This utilizes the price formation indicator, Market Model Typology (MMT) Level 3.8, for each reported trade, excluding those identified with the Non-Price Forming Trade (NPFT) or Trade Not Contributing to the Price Discovery Process (TNCP) flags. It is important to make this distinction as a large portion of the Off-Book On-Exchange liquidity is not addressable by the wider market. The broader category consists of all OTC trades executed away from the order book but reported on the exchange and traded under exchange rules.²

Including these categories reveals a 15-22% increase in addressable daily notional for 2025. The share attributed to price forming On-Exchange Off-Book activity remains steady from month-on-month, accounting for 7-9% of the market.

² <https://www.bmlitech.com/news/market-insight/how-accessible-is-off-book-on-exchange-trading>

Exhibit 5

Dark market LIS split (all markets)



Source: BMLL and Liquidnet internal—January 2023 – August 15, 2025

Exhibit 5 provides an overview of the dark notional traded and notably, throughout 2025 there is a decline in the proportion of trades classified as Large in Scale (LIS), followed by a recovery in the first half of August. Although the overall LIS notional is higher than in 2024, the increase in sub-LIS trading has been more pronounced. It is important to highlight that the decline comes after this LIS proportion reached an all-time high in 2024. The reason for this change is again increased market impact and timing risk as a result of market volatility.

Key regulatory dates

Q4 2025 represents the implementation and operationalization of MiFID II/MiFIR amendments, which includes further steps towards the consolidated tape, more on research unbundling, updates to transparency rules and reporting regimes for fixed income and derivatives, as well as underlying continued moves towards capital markets digitization and enhanced resiliency.

EU timeline

- **29 September 2025**
 - **MiFID II/MiFIR Review implementation:** MiFID II/MiFIR and MiFID III transposition must be complete across the EU; Level 2 RTS/ITS (which includes best-execution, SI regime, and transparency standards) and rules on Reasonable Commercial Basis (RCB) for market data provision with ESMA to finalise RTS/ITS on RCB cost methodologies and templates which are expected to become operational late 2025/2026.
 - **Single Volume Cap (SVC) goes live:** ESMA switches from the DVC to a **7% RPW dark trading cap** and monitoring begins.
 - **Circuit breakers regime (RTS 7a):** New calibration and disclosure standards for RMs/MTFs apply.
 - **Transaction reporting RTS/ITS (RTS 22 etc.):** ESMA delivers final standards to the Commission (submission milestone, not go-live).

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- **9 October 2025**

- **First SVC results published:** ESMA issues initial quarterly volume-cap calculations. Instruments breaching 7% face a **three-month RPW suspension**. The existing DVC reporting framework will be **phased out**, with ESMA planning to **decommission the DVC mechanism in January 2026**.

- **2 November 2025**

- **CSDR mandatory buy-in** regime scheduled to apply postponed from previous implementation date of 1 February 2022 (pending Commission delegated act on scope/exemptions).

- **December 2025**

- **Consolidated Tape (CTP) decision:** ESMA/EC expected to designate providers for shares/ETFs CT
- **Research unbundling reforms:** ESMA final reports due, including technical standards on issuer-sponsored research and code of conduct.
- **Securitisation regulation:** Commission expected to propose adjustments to investor due diligence and capital treatment.
- **Capital-markets digitisation consultation:** Potential legislative proposals on liquidity-pool integration and digital market infrastructure.
- **25 December:** ESMA to deliver **EMIR 3 clearing-threshold RTS** (future go-live dates will follow after adoption).
- **End-Q4:** ESMA to submit **derivatives transparency RTS 2 final report** to the Commission (application once adopted).

UK timeline

- **10 September 2025**

- **Closing of FCA's SI regime consultation (CP25/20)** with a policy statement expected sometime in **Q4 2025**, alongside consultation on potential new or amended rules for the UK equity market in 2026. Key decision: scope of SI transparency (including automated vs. manual flow, CFD hedge reporting). Outcome could redefine OTC equity transparency, RFMD calibrations, and SI obligations.

- **Q4 2025**

- **Capital Markets Modernisation:** FCA reforms to the prospectus regime, bond and derivatives transparency, and reporting rules.
- **Consolidated Tape:** The bond CT final procurement stage is underway ahead of CTP selection, with a go live anticipated in 2026. The FCA has still not finalised timelines for an equities/equity-like instruments CT – go live is expected in 2028.
- **Operational data reforms:** FCA consultation on data quality and cost reduction ongoing (finalisation in 2026).

Cross-market themes

- **Settlement cycle (T+1):**

- Both **EU and UK anchored to 11 October 2027** for cash equities and ETFs.
- **UK scope/approach:** Blueprint sets 12 “critical” and 26 “highly recommended” actions; ([GOV.UK, acceleratedsettlement.co.uk](https://gov.uk/acceleratedsettlement.co.uk))
- Currently awaiting output from EU T+1 industry committee **consultation which closed September 1st 2025** (<https://www.esma.europa.eu/form/eu-t-1-industry-committee-high-l>)
- Overall **2025–26 focus:** Budgeted change programmes, affirmation/confirmation processes, FX cut-offs, and securities-lending recall flows.
- **ETF markets:** APs and issuers face redesign of FX and basket-hedging flows, but harmonisation of T+1 likely benefits cross-listed UCITS ETFs.

- **Operational resilience and third-party risk:** Supervisors intensify scrutiny of AI adoption and digital dependencies, including governance frameworks and operational resiliency. One to watch is possible future discussions on Trading Venue Perimeter (TVP).