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Market Structure

Liquidity Landscape

Q2 2026

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Macro summary

European equities' relative outperformance versus the US, which defined the first two months of the year, reversed through Q2. Having led by over 500 basis points through February, the peak of the "de-Americanisation" trade, Europe gave back its relative advantage as the March sell-off cleared and risk appetite returned.

From the March-end low, the recovery favoured the US and Asia-Pacific. The S&P 500 rallied over 16 percentage points from its trough, while APAC surged nearly 26 percentage points. Europe's recovery was steadier but more muted. By the end of June, the STOXX 600 had returned +6.7% year-to-date versus +8.5% for the US and +18.0% for APAC, leaving Europe as the relative underperformer despite being the consensus overweight entering the year.

Exhibit 1

Relative returns - H1 2026

Source: Bloomberg, data from January - June 2026

The primary beneficiaries of the recovery were higher-beta, growth-oriented markets: US tech reasserted itself, and Asia-Pacific, more directly exposed to the semiconductor supply chain and energy cost relief, rallied sharply. Europe's value-tilted, defensive composition, a strength during Q1's de-risking, limited its participation in the rebound. First quarter STOXX 600 earnings reinforced this dynamic, beating expectations at 11.8% (+7.1% excluding energy), but driven by cost discipline rather than revenue growth, with top-line figures yet to accelerate in line.

The European Central Bank (ECB) raised rates in Q2 in response to persistent inflation driven by the war, while the Bank of England held, though forward guidance increasingly acknowledged the possibility of further hikes. With the peace deal now expected to ease inflationary pressures over time, a more accommodative rate trajectory may yet provide a tailwind for European equities in the second half. Analysts have since upgraded their growth forecasts for European earnings in 2026, supported by the resilience observed across the broader index and the removal of a key tail risk

Beyond the cyclical outlook, the structural case for European equity markets advanced materially through Q2. On 24 April, the European Parliament, Council, and Commission signed the "One Europe, One Market" joint roadmap[1], a binding commitment to agree all capital markets initiatives by end-2027. The Market Integration and Supervision Package (MISP), proposed in December 2025 to de-fragment European capital markets and harmonise supervisory frameworks, progressed through its first Parliamentary committee readings in June[2]. Most tangibly, the EU's first consolidated tape for equities is scheduled to go live in 14 September 2026, delivering for the first time a single, real-time view of pre- and post-trade activity across all EU venues. These reforms collectively offer a structural foundation for sustained volume growth.

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[1] European Commission (2026): https://commission.europa.eu/topics/competitiveness/one-europe-one-market-roadmap_en
[2] European Parliament ECON Committee (2026): https://www.regulationtomorrow.com/2026/06/european-parliament-econ-committee-publishes-draft-reports-on-misp-package/

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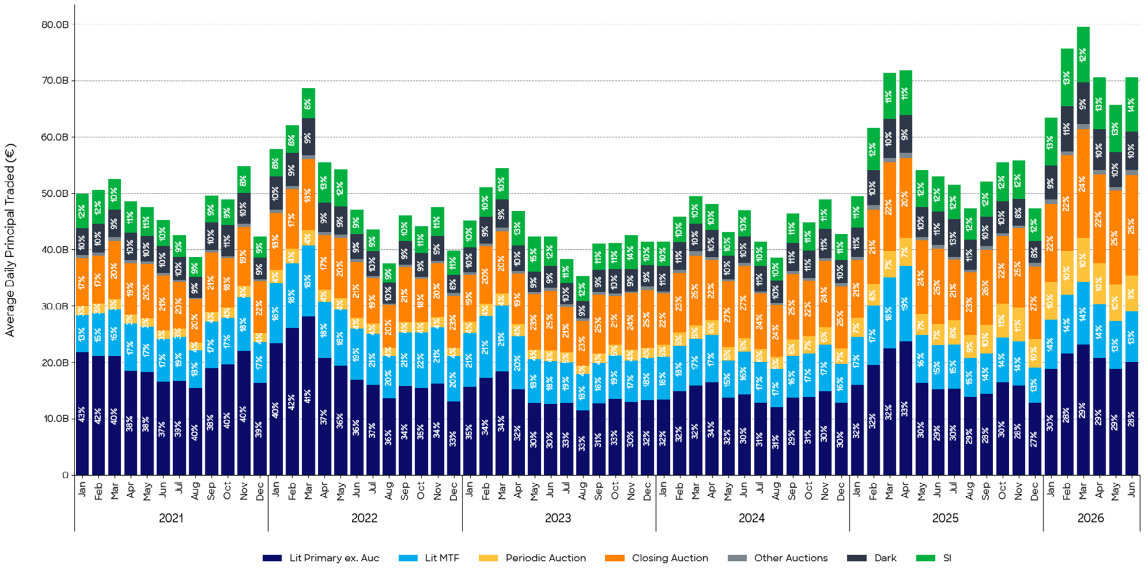
EMEA flow overview

Trading activity in Q2 2026 eased from Q1's record levels but remained firmly above historical norms. Average daily notional reached €69.0 billion, down 5.3% from Q1's €72.8 billion, but still 15.7% above Q2 2025 and the second-highest quarterly reading in over five years. The pattern within the quarter was uneven: April maintained the elevated pace of Q1 at €70.5 billion, before a dip in May to €65.7 billion, likely reflecting a pause as the peace deal's complications were absorbed, followed by a recovery of €70.7 billion in June as conviction returned.

Exhibit 2

Addressable liquidity ex OTC/Off-Book On-Exchange

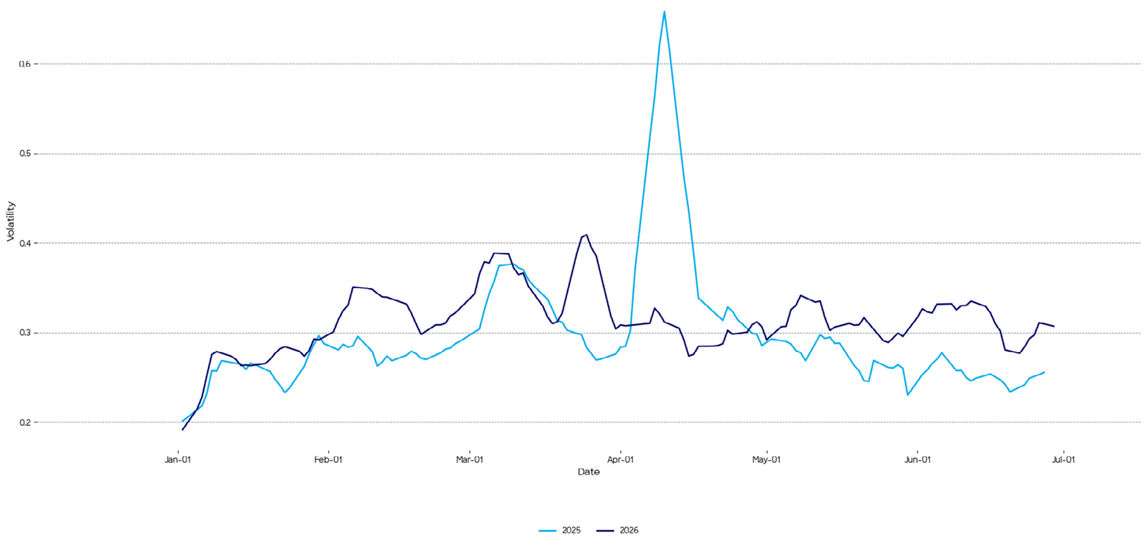


Source: BMLL and Liquidnet Internal, data from January 2021 – June 2026

The relative underperformance in European price returns did not correspond to a reversal in fund flows. ETF data shows Europe attracting +4.4% in net inflows year-to-date, not far behind North America's +5.9%, suggesting that the allocation thesis remains intact even as price momentum shifted elsewhere. Volumes continue to be sustained by a combination of structural inflows, elevated volatility, and the increasingly systematic nature of execution.

Exhibit 3

European volatility comparison – H1 2025 vs H1 2026



Source: Bloomberg, data from January – June 2026

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The heightened volatility regime identified in Q1 persisted through Q2, albeit with a changed character. Where Q1's volatility was driven by geopolitical shock and forced de-risking, Q2's reflected a market recalibrating expectations around growth, rates, and the durability of the peace dividend. This persistent elevation continues to support higher turnover relative to pre-2025 levels.

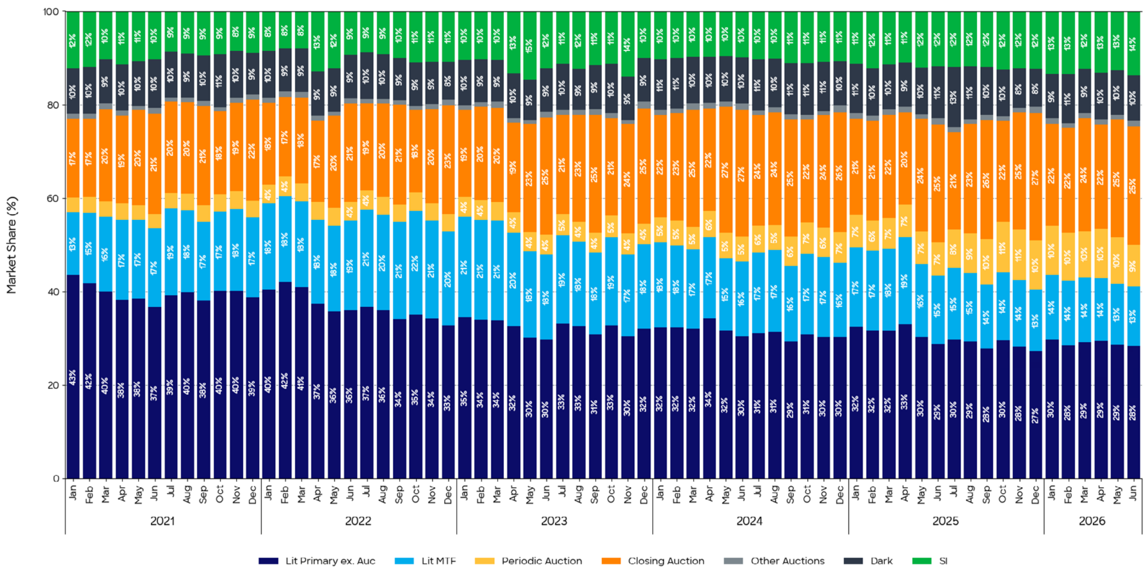
What this means for European market structure

A reduction in urgency

The quarter's venue-level dynamics reflected a market transitioning from Q1's urgency-driven regime to a more normalised but still elevated state of activity.

Exhibit 4

Addressable liquidity excluding OTC/Off-Book On-Exchange



Source: BMLL and Liquidnet Internal, data from January 2021 – June 2026

Lit continuous

Lit continuous trading averaged 42.1% of addressable volume in Q2, marginally below Q1's 43.0% and continuing the structural decline observed over recent years. Within this, Lit MTFs bore the larger share of the reduction (-0.7pp QoQ to 13.2%), while primary market continuous trading was broadly flat (-0.1pp to 28.9%). The year-on-year comparison is more stark: lit continuous has fallen nearly 5 percentage points since Q2 2025, ceding share to periodic auctions, SIs, and the closing auction.

Closing auction

The closing auction rebounded to 24.3% of addressable volume in Q2, up 1.5 percentage points from Q1's 22.8%. This reversal, driven by the easing of intraday urgency through May and June, is explored in detail in the Closing Auction section, including a breakdown by market capitalisation and country.

Periodic auctions

Periodic auctions averaged 9.7% of addressable volume in Q2, down from 10.2% in Q1 but still nearly 3 percentage points above year-ago levels. The intra-quarter trend was notably downward, from 10.4% in April to 9.0% in June. The drivers of this moderation and why it does not signal a reversal of the mechanism's structural growth are discussed in the periodic auctions section below.

Dark

Dark trading held steady at 9.7% (-0.1pp QoQ, -0.4pp YoY), remaining within the narrow band it has occupied over the last few years. The stability is notable given Q2's changing volatility profile: dark venues neither gained share during April's residual stress nor lost it as conditions normalised. This equilibrium reflects the specific and complementary role dark trading plays within the execution toolkit, offering larger fill sizes and reduced market impact for less urgent flow, without the signalling cost of displaying size on lit venues. Its share is bounded not by a lack of demand, but by the nature of the use case it serves.

Systematic internalisers

SI market share was effectively flat at 13.0% (-0.1pp QoQ), consolidating the gains made over the past year (+1.3pp YoY). SIs continue to benefit from the structural shift toward systematic, low-touch execution that embeds multiple venue types into default routing. Their steady share across varying volatility conditions, elevated in Q1, moderating in Q2, suggests they are now a baseline component of execution rather than a tactical response to market stress.

Addressable liquidity including OTC/Off-Book On-Exchange

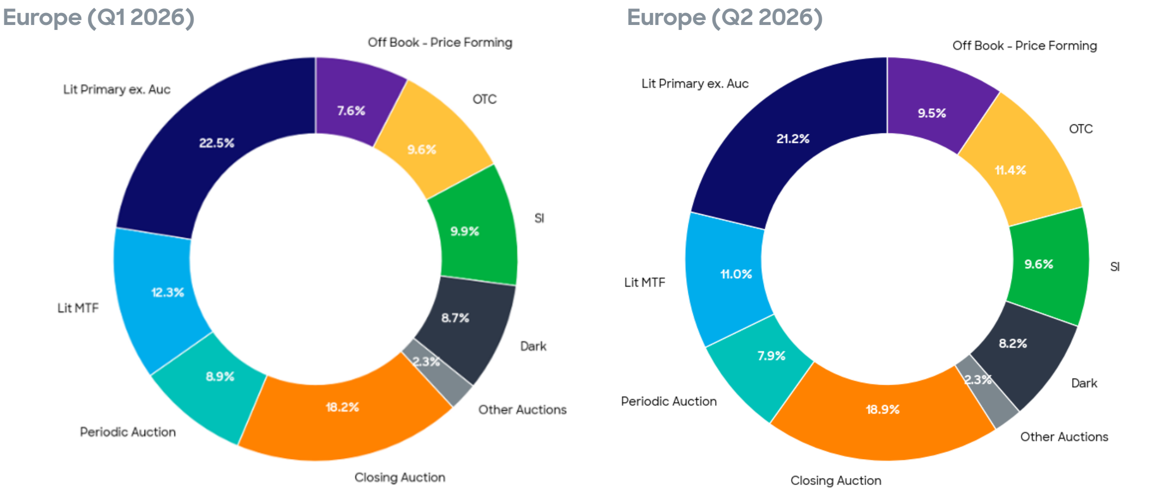
ESMA's call for evidence, published in April, seeks feedback on the structural evolution of European equity liquidity. It proposes a definition of addressable liquidity as "transactions where another investment firm or client could have been a party to the transaction and provided liquidity to the market," arguing that this provides "a clearer picture of how much trading is genuinely available for investors and how it contributes to price discovery." Under this framework, OTC activity is classified as non-addressable.

The consultation closed on 30 June, with ESMA's feedback statement expected in H2 2026. Until then, we continue to present the full landscape inclusive of OTC. Our view remains that OTC flow represents genuine demand for a security. It is accessible to participants in much the same way as systematic internaliser liquidity, and that negotiated prices between willing buyers and sellers still contribute meaningfully to price formation. Whether OTC sits inside or outside the perimeter of "addressable" liquidity is ultimately a definitional choice, but it does not diminish its role within the broader execution ecosystem.

Europe - Q1 2026 vs Q2 2026

Exhibit 5

LHS - Q1 2026, RHS - Q2 2026. Addressable liquidity including OTC/Off-Book On-Exchange



Source: Cboe Europe All Companies Index (BEPACP), BMLL and Liquidnet Internal

Exhibit 5 illustrates the shift in liquidity composition from Q1 2026 to Q2 2026. In contrast to the prior quarter's rotation away from OTC and Off-Book On-Exchange, Q2 saw a clear reversal, with both categories gaining meaningful market share. OTC trading rose from 9.6% to 11.4%, while Off-Book On-Exchange increased from 7.6% to 9.5%, a combined gain of nearly 4 percentage points. This reallocation came primarily at the expense of lit continuous venues: Lit Primary ex Auction declined from 22.5% to 21.2%, Lit MTF fell from 12.3% to 11.0%, and periodic auctions retreated from 8.9% to 7.9%.

The shift is consistent with a normalising volatility environment in which investors are increasingly willing to commit to larger, negotiated trades and work orders over the course of the day, rather than seeking immediacy through frequent smaller executions on-venue.

Country view: UK, Germany and France - Q1 2026 vs Q2 2026

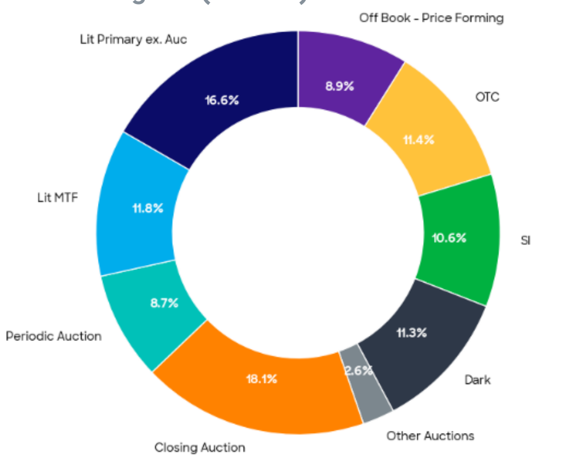
The three largest European markets by average daily notional - UK, France, and Germany - exhibited directionally similar trends in OTC and Off-Book On-Exchange activity, though with varying magnitudes.

In France, the rotation was most pronounced. OTC market share rose from 8.8% to 12.0% (+3.2pp) and Off-Book On-Exchange surged from 5.1% to 9.2% (+4.1pp), the largest single-category shift across all three jurisdictions. This came at the expense of Lit MTF (down 2.6pp to 11.6%) and, to a lesser extent, Dark and SI activity, both of which declined by approximately 1pp. The closing auction remained dominant at 22.0%, broadly unchanged from Q1.

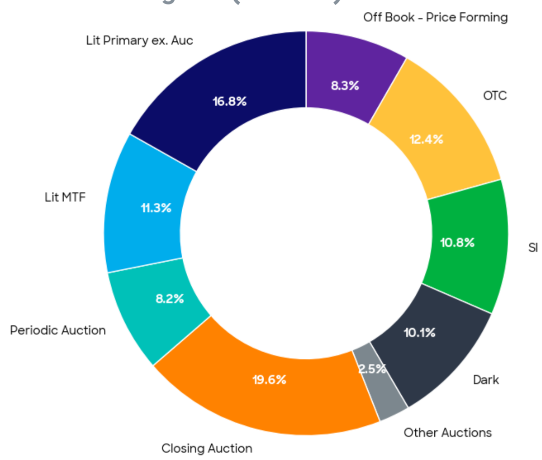
Exhibit 6

LHS – Q1 2026, RHS – Q2 2026.
Country breakdown of addressable liquidity including OTC/Off-Book On-Exchange

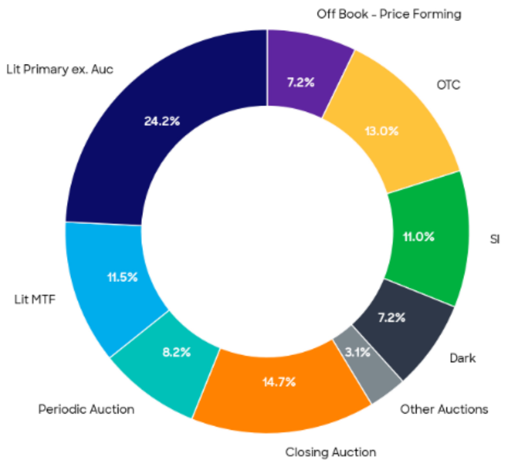
United Kingdom (Q1 2026)



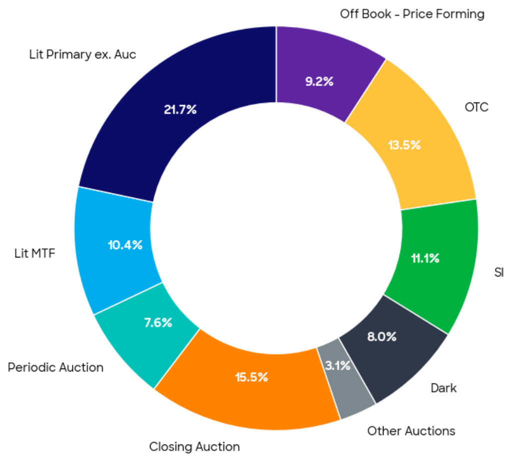
United Kingdom (Q2 2026)



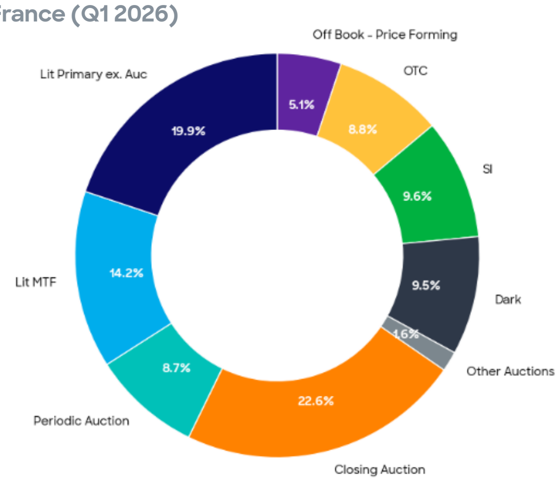
Germany (Q1 2026)



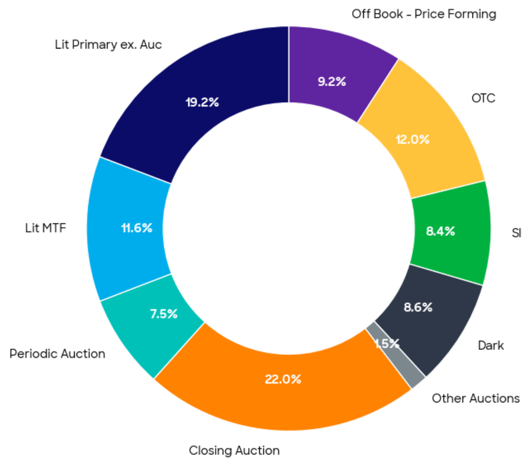
Germany (Q2 2026)



France (Q1 2026)



France (Q2 2026)



Source: Cboe Europe All Companies Index (BEPACP), BMLL and Liquidnet Internal.

In Germany, a notable decline in Lit Primary ex Auction (down 2.5pp to 21.7%) was the defining feature of the quarter, with Off-Book On-Exchange the primary beneficiary, rising 2.0pp to 9.2%. Dark trading also edged higher, gaining 0.8pp, while OTC and SI remained broadly stable. The closing auction gained modestly, rising from 14.7% to 15.5%.

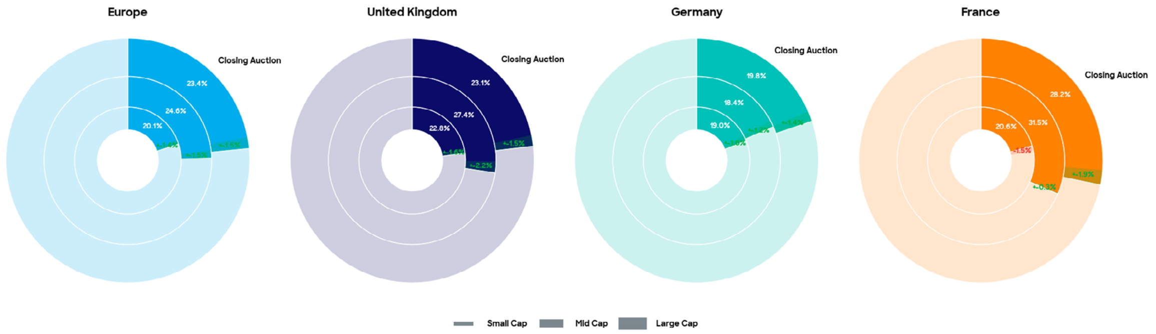
In the UK, OTC trading rose from 11.4% to 12.4%, continuing its steady quarter-on-quarter increase, while the closing auction strengthened further, gaining 1.5pp to reach 19.6% – the highest reading among the three markets. Dark trading experienced the most notable decline, falling 1.2pp to 10.1%, potentially reflecting reduced appetite for passive dark liquidity in an environment where closing auction concentration continues to grow. Lit Primary and SI activity were broadly unchanged.

While the pan-European trend of increased OTC and Off-Book On-Exchange activity was evident across all three markets, the country-level divergences – particularly France's outsized shift and the UK's continued closing auction strength – reinforce the importance of tailoring execution strategies at both a regional and market-specific level.

The closing auction

Exhibit 7

Addressable liquidity ex. OTC and Off-Book On-Exchange



Source: BMLL and Liquidnet Internal – Q1 2026 vs Q2 2026

Exhibit 7 compares Q1 2026 with Q2 2026 and shows that the closing auction's share of addressable liquidity rebounded across Europe, reversing the compression observed in Q1.

Large-cap closing auction share rose from 21.9% to 23.4% (+1.5pp), mid-cap from 23.0% to 24.6% (+1.5pp), and small-cap from 18.6% to 20.1% (+1.4pp). This brings large- and mid-cap readings back toward the levels recorded in Q4 2025, before Q1's volatility-driven urgency pulled flow forward into the continuous session, confirming the prior quarter's decline was transient rather than structural. This remains true even after removing rebalance dates, which contribute significantly to closing auction overall market share.

The intra-quarter pattern reinforces this interpretation. April remained subdued, with closing auction shares broadly in line with Q1 averages, as residual volatility and uncertainty from the March sell-off continued to favour intraday execution. From May onward, however, a clear inflection emerged: as volatility normalised and the pace of macro catalysts slowed, investors rotated back toward end-of-day concentration. By June, European large-cap closing auction share had reached 24.6% – its highest monthly reading since Q4 2025.

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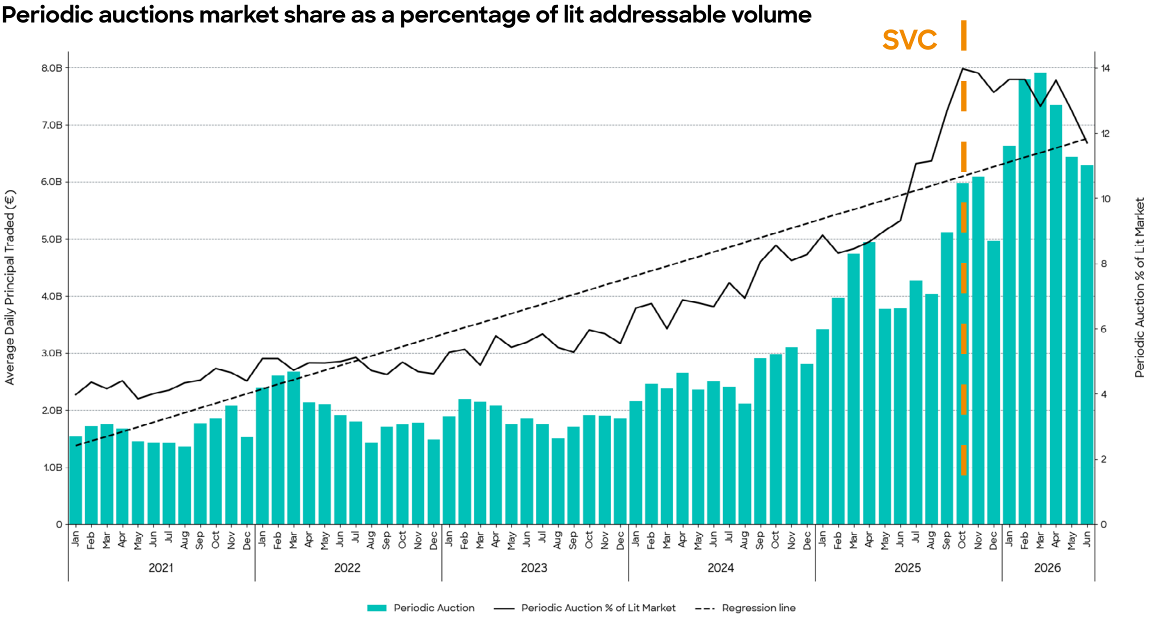
Periodic auctions

Exhibit 8

Periodic auctions market share as a percentage of lit addressable volume



Source: BMLL and Liquidnet Internal

Periodic auctions moderated further in Q2, averaging 12.6% of lit addressable volume (excluding Dark and SI), down from 13.3% in Q1 and the 13.7% peak recorded in Q4 2025. The intra-quarter trajectory was notably downward: from 13.6% in April to 12.7% in May and 11.7% in June, the lowest monthly reading since September 2025.

Despite this moderation, periodic auctions remain firmly above year-ago levels. Market share is up nearly 4 percentage points from Q2 2025's 9.0%, and structurally embedded at more than double their 2024 share.

The pullback from peak should be understood in context: Q4 2025 and Q1 2026 represented an elevated regime driven by two reinforcing forces: acute intraday urgency favouring short-duration execution, and the first SVC suspension wave which diverted flow from dark venues onto periodic mechanisms. As both of these forces have eased through Q2, some reversion was expected.

Trade counts, notably, continued to grow rising 10% quarter-on-quarter to 76.4 million, the highest quarterly total on record. This divergence between declining market share and rising participation suggests that periodic auctions are attracting a broader base of users executing at smaller sizes, rather than losing relevance. Average trade size fell 18% from €6,742 to €5,504. This is consistent with the mechanism increasingly functioning as a low-signalling-risk alternative to lit continuous for routine flow, not solely as a block or high-conviction execution channel.

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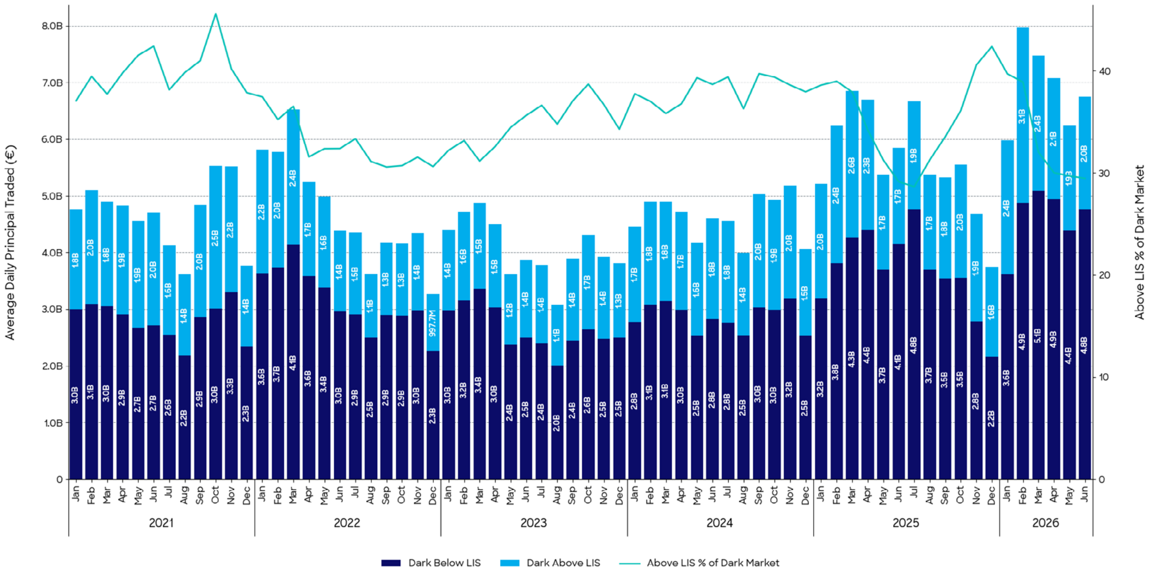
Dark trading

Exhibit 9

Dark trading volume split into above and below LIS



Source: BMLL and Liquidnet Internal

The composition of dark trading shifted materially in Q2 2026, with above-LIS activity declining to its lowest quarterly proportion on record. Above-LIS volume accounted for just 29.7% of total dark notional, down from 36.6% in Q1 2026 and well below its Q4 2025 reading of 39.1%. The monthly trajectory was consistent: from 30.0% in April to 29.7% in May and 29.4% in June, marking the most sustained period of below-LIS dominance since the series began.

Crucially, however, the rate of decline has decelerated. From January to March, above-LIS share fell nearly 8 percentage points (39.7% to 32.0%). By contrast, the Q2 decline from April to June was just 0.6 percentage points, a clear stabilisation, albeit at a lower level. This pattern is consistent with the broader volatility backdrop: while 2026 as a whole operates at a higher base level of volatility relative to 2025, Q2's volatility was more stable than Q1's. By early April, market participants had visibility that a resolution to the conflict was on the horizon, and while the timing remained uncertain, the removal of the most extreme tail risk allowed a degree of recalibration.

The decline in above-LIS share through this period reflects not a structural abandonment of block trading, but a temporary withdrawal of the participants who typically provide it. Long-only institutional investors, those with longer-term conviction horizons that regularly participate and rest liquidity in crossing networks, largely stepped aside during Q1 and into Q2, unwilling to commit size while geopolitical uncertainty remained acute. This absence, rather than a change in execution preference, may explain why above-LIS share compressed even as urgency eased.

We observed this dynamic begin to reverse only at the end of June, with early signs of these participants re-engaging with dark block liquidity. If this normalisation continues, supported by a more stable geopolitical outlook and the peace dividend translating through into reduced volatility, Q3 should see a recovery in above-LIS market share toward levels more consistent with the lower-urgency environment that now prevails.

Market structure at an inflection point: Beyond dark vs lit

For years, the defining question of European market structure was the binary debate of dark versus lit, hidden versus visible. That debate has now moved onto the rise of Frequent Batch Auctions, and the level playing field between Systematic Internalisers, Electronic Liquidity Providers and on-exchange trading. But a third, more urgent theme is now emerging alongside them - the question isn't just how much of the market trades in the open anymore, it's who or what is doing the trading. With the LSE announcing the launch of LSE24, creating the potential of a 24/7 network of autonomous agents which never sleep and don't require a human to authorise the next order, regulatory concerns are shifting from how much is traded on lit venues to who is accountable when trading goes wrong - and the answer, for now, is a patchwork of flags, principles and reviews racing to catch up with a market heading toward round-the-clock trading.

In the short term, four regulatory papers now dominate the agenda: the results of ESMA's Call for Evidence on the structure of European equity markets, which closed on 30 June 2026, the Securities and Markets Stakeholder Group's (SMSG) formal advice to ESMA on that same Call for Evidence, adopted 16 July 2026 and published 22 July 2026, and the continued review of equity market transparency in the UK with the publication of the CP26/30 and CP26/31. Both UK Consultations are open until 16th of October. All EU and UK papers focus on the same three areas - FBA growth, the SI/Exchange transparency gap and the data-quality foundations that underpin all equity trading.

1. FBA growth

Periodic auctions offer genuine advantages: reducing latency-arms-race incentives and protecting information leakage on mid-sized orders. But their growth has surfaced three structural concerns now on ESMA's Call for Evidence agenda:

- **Off-tick execution:** Over 40% of FBA transactions execute off-tick, per ESMA's own analysis of MiFIR transaction reporting data (H1 2025) - evidence ESMA cites as the basis for its decision to repeal Q+A guidance confirming tick-size applicability to periodic auctions, a repeal ESMA has confirmed took effect immediately alongside the CfE launch (full data in Figure 21 of the CfE). ESMA has referred the broader tick-size/FBA question to co-legislators under the Market Integration Package (MISP) rather than committing to reinstated guidance. Absent resolution through MISP, one possible regulatory response could be extending Single Volume Cap-style mechanisms to sub-tick FBA activity - one to watch. It is worth noting that the SMSG's advice pushes back on tying FBA growth to the dark-trading cap changes: FBAs and dark pools sit on opposite transparency models, the CfE's dataset is too short a window to be conclusive, and FBAs have grown just as fast in the UK despite its cap being withdrawn.
- **Mandatory flagging for greater transparency:** Periodic auction activity is currently identifiable only through voluntary MIC-code segmentation, not a regulator-mandated identifier. Industry submissions to the CfE call for a dedicated, regulation-prescribed FBA flag - already supported under the MMT standard - to replace this voluntary convention which is also supported in the FCA CP26/30. The SMSG's advice also calls for a full review of RTS 1 and RTS 22 flags to avoid over duplication while still capturing what actually matters for market monitoring.
- **Flagging gaps beyond FBAs:** Separately, industry has pushed for a CLSE-style flag modelled on the UK/FCA precedent, to distinguish genuine closing-auction price formation from other benchmark and at-the-close trades - a similar mandatory-vs-voluntary gap in a different part of the market.

2. SIs vs exchanges: closing the gap, not just measuring it

Any assessment of SI growth depends on the consistency and granularity of the underlying flags, and drawing firm conclusions from current data is difficult and potentially misleading. The same post-trade print can mask fundamentally different activity depending on how it's flagged, making market sizing and trend analysis on SIs unreliable in current form.

The level of debate in both the EU and the UK is evidenced by the letter recently sent by a group of six countries to the Council, which recommends to further regulate SI activity and on the use of transparency waiver regime - the FCA has now published its own proposals in CP26/30 (30 July 2026), which consults on requiring equity SIs to publish quotes indicating the price and volume at which they are generally prepared to buy and sell up to and including SMS, replacing the current fixed minimum quote size.

One of the core issues is a transparency gap centred on the SI-OTC bucket, distorted by cross-border duplication from UK-branch dual reporting, and by divergent XOFF interpretation in counterparty chains. The concern isn't necessarily SI growth itself - it's that the data can't currently distinguish genuine SI activity from technical or duplicative reporting artefacts, meaning any headline SI market-share figure risks being materially overstated. The SMSG response also notes that most SI transactions carry no specific flag at all - creating a gap between perceived, observable and flagged price improvement as evidence that the flagging regime needs rebuilding and recommends reinstating a proper price-improvement flag for SIs rather than relying on inconsistent interpretation across firms.

Only regulatory prescription of standardised identifiers - including an execution-method indicator (FIX Tag 2405) - will produce the harmonised data needed. This would close the gaps that currently let structurally different execution pathways sit inside one regulatory category, rather than penalising SIs as a class.

[3] ESMA24-229244789-5708 SMSG advice on its Call for Evidence on the market structure of European equity markets: https://www.esma.europa.eu/sites/default/files/2026-07/ESMA24-229244789-5708_SMSG_Advice_CfE_Market_Equity_Structure.pdf

3. Improving data transparency

SMSG's advice also highlights continuing industry debate on data challenges that remain unresolved post-Brexit. If ESMA's transaction-reporting data only captures activity on EEA venues, but 30-40% of EU shares are estimated to be held by non-residents who aren't bound by the Share Trading Obligation, meaning liquidity can move to non-EU venues when conditions favour it - the SMSG cites cross-Channel SI volume running roughly double the EU's own SI volume as one illustration. The advice recommends extending the analysis window and incorporating non-EU (particularly UK) execution data, ideally in coordination with third-country regulators. Even where reporting infrastructure exists, methodology choices made in adjacent regimes and unresolved flagging inconsistencies (RPRI, off-tick identification) mean the underlying data itself often can't answer basic questions about what's actually happening in the market - particularly where some firms' views remain open to interpretation.

The UK's response is CP26/30 covering equity market transparency together with final rules for the UK equity consolidated tape CP26/31. While the UK rejected intervention to steer trading towards particular execution mechanisms, it proposes a monitoring framework spanning spreads, depth, turnover, intraday volatility and execution mechanism shares. While not perceiving the need to act today, the FCA outlined two options it would consider if monitoring ever showed material harm:

1. steer order flow back towards CLOBs, or
2. re-examine the framework within which bilateral execution channels operate - connectivity, access, transparency, if non-CLOB venues are becoming the principal reference point for UK equity pricing.

On flags, the FCA proposes extending the existing Article 13 RTS 1 exclusion for non-price-forming OTC trades to off-book on-exchange trades, retiring the NPFT flag, and removing the TNCP flag entirely. Those two flags covered approximately 24% of total FTSE 350 activity - so UK headline volumes are likely to drop significantly, for anyone running UK-versus-EU market share comparisons this will have an impact.

On SIs - and against the SMSG's direction of travel, the FCA declined both to narrow the SINT flag and to introduce a new SI execution-quality disclosure regime instead - acknowledging the cross-border duplication without proposing a remedy but committing to continued work with overseas regulators.

The UK equity tape takes shape: CP26/31 and MARS

The CP26/31 finalises the framework for the UK equity consolidated tape and consults on the two pieces still open. The tape will carry post-trade data plus an attributed pre-trade best bid and offer - top of book only - for the first five-year contract period, with a post-implementation review after two years considering whether to deepen it. Scope is all equity instruments as defined under UK RTS 1; ETNs and ETCs are excluded, and tokenised equities are in scope if they meet the RTS 1 definition. Procurement begins early 2027 and the FCA intends the tape to start operating in 2027 or early 2028.

The FCA proposes that the CTP publish an attributed SI best bid and offer - named, not anonymised - displayed separately from venue pre-trade data. The FCA rejects the argument that greater visibility of SI quotes would accelerate the decline of CLOB trading, reasoning that it would simply make visible a bilateral mechanism that already carries public quoting obligations: the FCA wants SIs competing publicly on quote quality.

The FCA will require the CTP to share a portion of its income with data contributors, with distribution mechanics to be consulted on in autumn 2026. APAs won their case for a processing window of 100ms rather than 50ms, RFQ and voice systems get up to a minute, and post-trade data will not be re-sequenced in the real-time feed, contributors face no co-location obligation and stay free to sell faster direct feeds, and there is no round-lot concept - rejected partly because it would make the BBO less accurate for retail. Pre-trade data will reach users with up to 200ms of latency,

In the meantime, the FCA has started publishing consolidated data itself. The Market Activity Reporter for Shares went live on 30 July 2026: end-of-day post-trade data on a T+1 basis - number, volume and value of transactions per share per trading day - for shares on the FCA's Official List. It is deliberately narrower than the tape will be, covering Official List shares rather than all instruments traded on a trading venue, with no trade-level detail and no pre-trade data, a one-year lookback and a 7,500-record export limit, supplied on a best-efforts basis. The FCA will switch it off once the tape is live.

MARS reports adjusted market activity by stripping out trades flagged NPFT and TNCP - precisely the two flags CP26/30 proposes to abolish. The FCA is alive to the sequencing and has said it will take the tape into account when setting an implementation date for the flag changes, but anyone building a time series off MARS from this week should expect the adjusted series to be reset.

Agentic AI: Moving MiFID upstream

This increasingly matters as traditional equity regulatory debates are now being overtaken by growing regulatory concerns on the rise of agentic workflows and use of Frontier AI models. The clearest signal of future direction is the FCA's Mills Review (6 July 2026), which sets out how "agentic finance" reshapes retail services by 2030 - flagging in particular model-provider/hyperscaler concentration and financial-crime/cyber risk scaling with reduced human oversight. Add in venue-led moves toward extended hours - the FCA confirmed in CP26/30 that trading hours remain a decision for venues themselves, not the regulator - and European market structure appears to be changing faster than the reporting framework built to observe it.

Rather than narrow new rules, the FCA plans to apply existing duties to autonomous systems while extending its perimeter to firms currently outside it - model providers and agent orchestration layers - with the Senior Managers and Certification Regime still binding leadership even where model behaviour is only partly controllable.

This is not an isolated move. The same week saw HM Treasury designate major cloud and technology providers as Critical Third Parties, DSIT publish a thematic review and gap analysis on AI security, the ESRB issue a formal warning on systemic cyber risks from frontier AI models, the Bank of England's Financial Policy Committee flags rapid advances in frontier AI as a growing financial stability risk in its July 2026 Financial Stability Report. Separately, the UN's inaugural Global Dialogue on AI Governance convened in Geneva, and ASIC flags AI governance and cyber resilience as a key 2026 supervisory priority - all signalling a converging global regulatory posture on frontier AI and third-party/cyber risk. IOSCO's May 2026 Supervisory Toolkit, surveying 21 authorities including ESMA, supplies the shared vocabulary likely to underpin future rules: Principle 5 on provider concentration, a four-level human-oversight taxonomy, and a transparency/explainability/interpretability distinction. ESMA have also now published a joint statement with EBA and EIOPA calling for enhanced governance and consistent supervision to mitigate ICT risks from frontier AI models in the EU financial sector: noting firms should move away from baseline expectations. Risk Appetite Frameworks need to be updated to consider not just firms' use of frontier models but their rising indirect exposure to them. The bottom line - defenders must raise their speed and sophistication to match AI-assisted attackers, which in practice means adopting comparable technology while still remaining bound by quality-assured protocols that adversaries are not.

The common thread emerging

Periodic-auction opacity, SI-exchange asymmetry, and agentic/cyber risk share the same underlying gap: execution infrastructure has outpaced the reporting and governance infrastructure needed to observe it. Whether the question is "*was this trade genuinely price-forming*," "*was this SI transaction actually reportable*," or "*was this decision made by a human, an automated system, or a fully autonomous agent*" - current data cannot answer it so the regulators are now addressing what needs to change. The proposed fixes converge on the same logic: mandatory rather than voluntary flagging, explicit concentration monitoring under a Principle 5-style framework, and extending regulatory reach to the AI infrastructure providers sitting upstream of trades and advice decisions - before autonomous execution scales, rather than after.

In the meantime - this is latest we can expect from regulation in EMEA region:

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EU 2026 regulatory timeline

Theme	Owner	Action/Deliverable	Effective/ Milestone date	Details	Current status
Markets Integration Package	ESMA/EU Commission	Introduction of the Market Integration and Supervisory Package which aims to simplify and unify EU capital markets. This aims to improve and deepen EU capital markets vis-a-vis competitor jurisdictions (finance.ec.europa.eu)	EC Proposals to be ratified by European Parliament and Council before entry into Official Journal. Phased implementation 2026-2031 depending on Level 2 finalisation	New PEMO licence; improved passporting for UCITS/AIFMs; harmonised rules for trading venues, CSDs, settlement (T2S); enhanced use of DLT/tokenisation; ESMA control over all CASPs	Trilogue negotiations still underway on SI obligations, level playing field between trading/execution venues, retail/PFOF/best execution reforms, tick size and auction dynamics. The transitional PFOF exemption under the already-adopted MiFIR Review formally expired on 30 June 2026 - meaning under Article 39a no investment firm acting for retail or opt-in professional clients may receive any fee, commission, or non-monetary benefit for routing those orders to a particular execution venue a firm deadline that has now passed and closed. SMSG published its advice to ESMA on the equity market structure Call for Evidence (adopted 16 July, published 22 July 2026), recommending a longer analysis window, inclusion of non-EU execution data, and caution against attributing FBA growth to the SVC.
MiFID II/MiFIR Review	ESMA	Call for Evidence issued (esma.europa.eu) and closed 30 June 2026. Transaction Reporting Final Report published in July 2026. ESMA and the European Commission will introduce RTS in the coming years to unify transaction reporting across MiFIR, EMIR, SFTR as well as introduce smaller changes in the medium term.	Call for Evidence issued (esma.europa.eu) and closed 30 June 2026. Transaction Reporting Final Report published in July 2026. ESMA and the European Commission will introduce RTS in the coming years to unify transaction reporting across MiFIR, EMIR, SFTR as well as introduce smaller changes in the medium term.	Call for Evidence issued (esma.europa.eu) and closed 30 June 2026. Transaction Reporting Final Report published in July 2026. ESMA and the European Commission will introduce RTS in the coming years to unify transaction reporting across MiFIR, EMIR, SFTR as well as introduce smaller changes in the medium term.	Call for Evidence issued (esma.europa.eu) and closed 30 June 2026. Transaction Reporting Final Report published in July 2026. ESMA and the European Commission will introduce RTS in the coming years to unify transaction reporting across MiFIR, EMIR, SFTR as well as introduce smaller changes in the medium term.
Transparency Regime Reset (RTS 1)	ESMA/EU Commission	New equity transparency regime (ec.europa.eu)	Took effect 2 March 2026	New liquidity thresholds (SMS/LIS), SI quoting obligations, deferrals recalibrated; new deferral regime, DPE model, enhanced reporting, CTP alignment	Live
Systematic Internaliser (SI) Regime	ESMA/EU Commission	Updated SI framework and quoting obligations via MiFIR Review + RTS 1	Core provisions apply from 2 March 2026; quoting obligations 20 days after OJ publication of RTS 1	Refined SI scope; SMS recalibration; conditions for public quoting	In progress - further changes anticipated from ongoing EU trilogue negotiations and as a response to findings in ESMA Call for Evidence. SMSG advice suggests SI estimates may be unreliable due to cross-border dual reporting and inconsistent XOFF interpretation, and recommends clearer standardised disclosure of SI execution arrangements
Single Volume Cap (SVC)	ESMA	Single volume cap mechanism (SVCM) replaces double volume cap (DVCM) under Article 5 (esma.europa.eu/volume-cap-mechanism)	Live and fully operational since Oct 2025	Single EU-wide 7% cap on reference-price-waiver trading; 3-month EU-wide suspension on breach; quarterly ESMA publication	SVC live. From 14 April 2026, ESMA began publishing SVC results in XML (SVCRES) alongside Excel suspension files on ESMA registers
Algo and AI Guidance	ESMA	Supervisory Briefing on Algorithmic Trading in the EU	Published February 2026	Governance, testing, outsourcing, key definitions, pre-trade controls post-2022 Nordic Flash Crash; extends to AI use in compliance	Live but with active discussions on AI and Agentic Trading and specific concerns on use of Frontier AI models
Derivatives Transparency (RTS 2)	ESMA/EU Commission	MiFIR Review Final Report on derivatives/package order transparency and CTP input/output data	ESMA report submitted 11 Dec 2025; RTS was adopted in July 26 and will go-live 1 March 2027	UPI framework; standalone MiFIR framework with static liquidity; narrower CLOB/auction pre-trade scope; fixed LIS/post-trade thresholds; single-name CDS deemed illiquid	In progress - go-live for new regime remains targeted 1 March 2027, subject to Commission endorsement/publication
Market Data - Reasonable Commercial Basis (RCB)	ESMA/EU Commission	Draft RTS published Jun 2025 - cost templates and methodology	RTS in force 23 Nov 2025; transition ends 22 Aug 2026	Cost attribution rules, reasonable margin constraints, client categorisation, non-discriminatory access	In progress - transition window closes 22 Aug 2026

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Theme	Owner	Action/Deliverable	Effective/ Milestone date	Details	Current status
Bond Consolidated Tape (CTP)	ESMA	Ediphy (fairCT) selected; authorisation pending	Go-live is expected in Q1 2027	Contingent on RTS finalisation covering data contribution rules, commercial framework, data quality, clock synchronisation	fairCT secured institutional backing from Barclays, Citadel Securities, Deutsche Bank, TP ICAP and UBS (3 June 2026); launched "Ediphy Connect" utility-priced bond tape aggregation (23 June 2026). Authorisation with ESMA still underway - no confirmed go-live date. Pricing to be published at/ before authorisation.
Equity Consolidated Tape (CTP)	ESMA/EU Commission	EuroCTP selected as sole provider	Go-live 14 Sept 2026	EuroCTP single-provider model (5-year mandate); post-trade data initially; shares + ETFs; Exegy as technology partner	UAT opened 7 May 2026; onboarding described as "advanced" through May, with venues and APAs connecting to the test environment. As of 9 July 2026, no source confirms an actual go-live date - "July 2026" remains the latest stated target, not a confirmed live event.
Derivatives Consolidated Tape (CTP)	ESMA/EU Commission	Selection procedure	Launched 5 January 2026; closed 11 February 2026	Requires RTS 2 derivatives transparency regime (targeted 1 March 2027) to be implemented first	ESMA selected Etrading Software (Netherlands) B.V. - operating via non-profit vehicle Transparent Markets Europe (TME) - as the OTC derivatives CTP on 6 July 2026. Cost-recovery/utility model. Go-live expected around late June 2027, aligned with the RTS 2 regime. All three CTP mandates (bonds, equities, derivatives) are now awarded.
Payment for Research	ESMA/EU Commission	ESMA Technical Advice to EC on research provisions in the MiFID II Delegated Directive (Listing Act)	Report published April 2025; go-live 6 June 2026 (following 5 June 2026 Member State transposition deadline)	Choice-based regime: unbundled (P&L/RPA) or bundled/joint (CSA-style) payments; applies across all issuers (removal of €1bn threshold); annual research quality/value assessments required	Now live, not "expected." Took effect EU-wide 6 June 2026. Industry commentary (June 2026) treats this as an active operational shift requiring firms to build/ rebuild commission-management, valuation and governance infrastructure but many firms are waiting for Member States to transpose to avoid gold-plating. So far only a handful of Member States have done so despite the deadline - Denmark, Germany, Austria and Luxembourg at time of writing.
Issuer-Sponsored Research	ESMA/EU Commission	Final RTS and EU Code of Conduct on Issuer Sponsored Research	Published 22 Oct 2025; **21 May 2026** - EU Commission adopted its Delegated Regulation implementing the RTS.	Framework for issuer-sponsored research with independence/disclosure safeguards, aimed at improving SME research coverage	The Commission made some amendments, but overall, the RTS and code of conduct remain in line with that proposed in ESMA's final report. The Level 1 MiFID II provisions on issuer-sponsored research **apply from 6 June 2026** - but the Commission's Delegated Regulation establishing the actual code of conduct **had not yet been published in the Official Journal.**
EMIR 3 - Active Account Requirement (AAR)	ESMA	Reporting templates and instructions published 13 April 2026	RTS (CDR 2026/305) published in OJEU 6 Feb 2026, entered into force 26 Feb 2026	Shifts clearing activity structurally toward EU CCPs; four CSV reporting templates (counterparty info, activities/risk exposures, representativeness, operational conditions)	First AAR reporting submission confirmed precisely as 31 July 2026, covering 25 June 2025–30 June 2026; thereafter semi-annual (31 Jan / 31 Jul), 12-month rolling reference periods, assessed on annual-average basis. New: ESMA published its Interim Report on AAR Effectiveness alongside the first Annual Report of the Joint Monitoring Mechanism (early July 2026). As of Feb 2026, ~500 entities had notified as in-scope (>90% of relevant EU notional), concentrated in France, Germany, Netherlands, with banks ~half of notifiers. This is preliminary only - the full comprehensive assessment is deferred to 2027. No scope/ threshold changes triggered yet.
EMIR 3 - Clearing Thresholds	ESMA	ESMA to review and recalibrate clearing thresholds	Final Report published 25 February 2026; formal adoption expected mid-late 2026; application likely early 2027	New methodology based on uncleared OTC positions (cleared trades excluded); five threshold categories retained; hedging exemption retained but not broadened	Draft RTS submitted to EC for endorsement. Current (pre-EMIR 3) thresholds continue to apply until adopted RTS is published. Firms may apply new methodology at usual annual calculation window (typically June) or earlier if early adoption is desired

Theme	Owner	Action/Deliverable	Effective/ Milestone date	Details	Current status
T+1	EU Commission/ ESMA	Amendments to RTS on Settlement Discipline (https://www.esma.europa.eu/sites/default/files/2026-07/ESMA74-2119945926-3773_T_1_statement.pdf) https://www.esma.europa.eu/document/eu-t1-coordination-committee-summary-conclusions-july-2026	ESMA published RTS 13 October 2025; T+1 amendments adopted by EC with a phased go-live with changes coming into force on 7 December 26 and 11 Oct 27.	Same-day trade allocations/ settlement instructions; machine-readable formats; hold/release, auto-partial settlement, auto-collateralisation; updated fails monitoring	In progress
Refit CSDR Buy-In Regime	EU Commission/ ESMA	Mandatory Buy-Ins (MBI) conditional on future EU Implementing Act	On hold	MBI never entered into application; formally postponed/effectively suspended; focus now on T+1 transition and settlement efficiency via cash penalties; EC retains option to reintroduce via Implementing Act	On hold

UK 2026 Regulatory Timeline

Theme	Owner	Action/Deliverable	Effective/ Milestone Date	Details	Current Status
Bond Consolidated Tape	FCA	ETS Connect UK (Etrading Software) appointed as UK bond CTP	Selected Sept 2025; contract signed Jan 2026; live 22 June 2026	Collates on-venue and OTC bond trade data across UK markets; tiered pricing (free for firms <£50m revenue, up to £300/month for largest)	Live. Launched with 98% contributor coverage by notional value
Equity Consolidated Tape	FCA	CP25/31 - framework for a UK equity CT	Consultation closed 13 Feb 2026 (extended from an originally proposed 30 Jan 2026 deadline); final rules published 30 July 2026 alongside CP26/30; procurement to commence early 2027; go-live intended 2027 or early 2028	Covers all equity instruments as defined under UK RTS 1 (shares, ETFs, depositary receipts and similar); ETNs and ETCs excluded; scope now confirmed to include pre-trade data - an attributed BBO, top of book only, for the first five-year contract period, reviewed after two years of operation; expressions of interest invited from prospective providers	Final rules published 30 July 2026 as CP26/31, which also consults (Ch.10) on including an attributed SI BBO in the tape and issues a Call for Input (Ch.11) on income-sharing mechanics and operating hours. Consultation closes 16 October 2026; Call for Input closes 18 September 2026. Contrary to CP25/31, the CTP will be required to share a portion of its income with data contributors; distribution mechanics consult autumn 2026
PISCES (Private Intermittent Securities and Capital Exchange System)	FCA/HM Treasury	New sandbox regime for trading private company shares	Final rules published June 2025 (PS25/6); sandbox runs to June 2030	World's first regulated private stock market; intermittent auction-based trading. JP Jenkins Private Market hosted the first actual PISCES trade (QPlay Ltd, order window opened 18 March 2026); LSE's Private Securities Market held its first auction a day later (25 March 2026), followed by additional approved operators including Asset Match	Live and operating. First issuer (QPlay) traded March 2026. HMT must report to Parliament on effectiveness by June 2030
Payment Optionality for Investment Research (MiFID firms)	FCA	PS24/9 - new joint-payment option for research	Live from 1 August 2024	Allows bundled ("joint") payments for research + execution alongside existing options (P&L or RPA); guardrails on budgeting, disclosure, price/value assessment	Live and operational - UK's answer to the EU's issuer-sponsored research reforms, though structured as payment optionality rather than a standalone code of conduct
Investment Research Payment Optionality - Fund Managers	FCA	PS25/4 - extends joint payment option to UCITS/AIFM managers	Published May 2025; live	Applies same joint-payment logic to fund managers (UCITS, full-scope AIFMs, small AIFMs); fund-by-fund price/value assessment required	Live
UK Short Selling Regime	FCA/HM Treasury	Short Selling Regulations 2025 (SSR 2025) + FCA Policy Statement PS26/5	Phase 1: 13 July 2026 (main commencement); Phase 2: 30 Nov 2026; market-maker transitional period ends 29 Jan 2027	Replaces assimilated EU Short Selling Regulation; introduces Reportable Shares List, anonymised aggregate net short position (ANSP) disclosure, removes UK sovereign debt/CDS from scope	Phase 1 took effect 13 July 2026. FCA has begun publishing the Reportable Shares List and daily ANSPs. Phase 2 (bulk submission) due 30 Nov 2026
MiFID Organisational Regulation Revocation	FCA/HM Treasury	PS25/13 - MiFID Org Reg firm-facing rules moved into FCA Handbook	In force 23 October 2025	Part of "Smarter Regulatory Framework" (SRF) Tranche 1; revokes/restates assimilated EU regulation via HMT's Markets in Financial Instruments (Miscellaneous Amendments) Regulations 2025	Done and live
Systematic Internaliser (SI) Regime Reform	FCA	Removal/streamlining of SI regime obligations	Policy statement and final rules published Q4 2025 (28 Nov 2025)	Part of Wholesale Markets Review; removes SI regime for bonds, derivatives, structured finance products and emission allowances; FCA also issued a Discussion Paper on the SI regime for equities	Live, with further consultation after publication of CP26/30, which consults on equity SI pre-trade transparency and quoting obligations
Equity Market Structure Reforms	FCA	PS25/17 - equity transparency/ market structure changes	Live 30 March 2026	Recalibrated reference price waiver conditions and related equity trading reforms under the Wholesale Markets Review	Live. Further consultation published 30 July 2026 as CP26/30, covering post-trade transparency, the equity SI regime, market outages and retail/RSP execution. Responses due 16 October 2026; Policy Statement targeted H1 2027
Market Outages and Venue Resilience	FCA	CP26/30 - proposed new MAR 16 guidance on trading venue outages	Consultation closes 16 Oct 2026; Policy Statement targeted H1 2027	Venues to publish an outage playbook covering communication means and frequency, reopening mechanism and notice period, treatment of unexecuted orders, closing auction alternatives and a pre-determined fallback methodology for the official closing price; UK MiFID RTS 7 lifted into MAR 16 as rules and then revoked. Applies to all asset classes. FCA also asks whether equivalent guidance should apply to CTPs	Consultation open

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Theme	Owner	Action/Deliverable	Effective/ Milestone Date	Details	Current Status
Market Making Agreements (RTS 8)	FCA	CP26/30 - proposed revocation of UK MiFID RTS 8 in full	Consultation closes 16 Oct 2026; Policy Statement targeted H1 2027	Removes both the obligation on algorithmic trading firms pursuing market making strategies to enter into market making agreements with venues, and the related obligation on venues to operate market making schemes. FCA view is that commercial incentives and venue-level liquidity provider schemes already do this work	Consultation open
Market Activity Reporter for Shares (MARS)	FCA	Interim FCA publication of consolidated end-of-day equity data	Live 30 July 2026; ceases when the equity CT goes live	End-of-day post-trade data on a T+1 basis for shares on the FCA Official List: number, volume and value of transactions per share per trading day. Narrower than the CT - Official List shares only, no trade-level or pre-trade data; one-year lookback; 7,500-record CSV export limit; best-efforts basis. Adjusted market activity is calculated by excluding trades flagged NPFT and TNCP, both of which CP26/30 proposes to remove	Live
Commodity Derivatives Framework	FCA	PS25/1 - reformed commodity derivatives regime	Live 6 July 2026	Gives FCA fuller powers of direction over OTC position reporting (post-2022 Nickel market episode); streamlined position management	Live as of 6 July 2026
T+1 Settlement	HM Treasury/ FCA/Bank of England	Accelerated Settlement Taskforce (AST) - move to T+1	Confirmed date: 11 October 2027; draft SI published Nov 2025; industry testing window Q1 2027	Aligned with EU and Swiss T+1 dates; joint UK/EU/Swiss testing framework published March 2026	In progress. Q2 2026 survey: 83% of firms actively engaged (up from 66% in Q3 2025), but 17% had not yet started
Transaction Reporting Reform	FCA/HM Treasury	HMT to revoke firm-facing MiFIR transaction reporting rules; FCA to design new regime	Policy statement expected H2 2026; ~18-month implementation period thereafter	Long-term review coordinated with a joint FCA/Bank of England Transaction and Post-trade Reporting Taskforce covering MiFIR, EMIR and SFTR; working group established Q1 2026	Policy statement expected in H2 2026
Transatlantic Taskforce for Markets of the Future (TTMF)	FCA/HM Treasury /BoE/ SEC/CFTC	10-point roadmap of recommendations on cross-border capital markets and digital assets	Taskforce established Sept 2025; recommendations published jointly 14 July 2026	Covers cross-border capital raising, a review of derivatives market supervision, longer-term compliance arrangements for UK swap execution facilities, improved cross-border market data transparency, an industry-led working group on cross-border tokenisation, and common regulatory approaches to settlement finality for tokenised securities. Accompanied by a joint UK-US statement on stablecoins	Recommendations published, not binding rules - sets a coordination framework while both jurisdictions complete their own rulemaking. Reports back to both finance ministries via the UK-US Financial Regulatory Working Group. No implementation dates yet attached to individual recommendations - but one to watch on Tokenisation concerns in particular

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