FINANCIAL CONDUCT AUTHORITY

Consultation Paper

CP26/30***

Supporting equity market transparency and considering market structure developments

July 2026

How to respond

We are asking for comments on this Consultation Paper (CP) by **16 October 2026**.

You can send them to us using the form on our website.

Or in writing to:

Priya Kotadia
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Telephone:
+44 (0)20 7066 1317

Email:
cp26-30@fca.org.uk

Disclaimer

When we make rules, we are required to publish:

- a list of the names of respondents who made representations where those respondents consented to the publication of their names,
- an account of the representations we receive, and
- an account of how we have responded to the representations.

In your response, please indicate:

- if you consent to the publication of your name. If you are replying from an organisation, we will assume that the respondent is the organisation and will publish that name, unless you indicate that you are responding in an individual capacity (in which case, we will publish your name),
- if you wish your response to be treated as confidential. We will have regard to this indication, but may not be able to maintain confidentiality where we are subject to a legal duty to publish or disclose the information in question.

By responding to this publication, you are providing personal data to the FCA, including your name, contact details (including, if provided, details of the organisation you work for), and any opinions expressed in your response. This data will be used by the FCA to inform regulatory policy and rulemaking, in the public interest and in the exercise of official authority under FSMA and other applicable legislation. The FCA may share personal data where necessary to perform their public tasks and to support regulatory cooperation and joint policy development.

The FCA is working together with the Treasury given that legislative change will be needed to facilitate some of the proposals in this consultation. To help Treasury in its work on potential legislative changes we will be sharing responses to this consultation with it.

Please note that we will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Irrespective of whether you indicate that your response should be treated as confidential, we are obliged to publish an account of all the representations we receive when we make the rules.

Further information on the FCA's use of personal data can be found on the FCA website at: https://www.fca.org.uk/privacy.

Contents

Chapter 1

Summary

1.1 Equity markets play a central role in the UK economy by supporting capital allocation, economic growth and risk transfer. Ensuring that secondary market trading remains efficient, transparent and orderly is an essential part of our market integrity objective. Our approach is grounded in the principle that regulation should support markets in working well for their users, including investors, intermediaries and issuers. We therefore place significant weight on evidence that tells us whether the way markets operate supports orderly markets, effective capital raising and investment in the UK economy.

1.2 This Consultation Paper (CP) builds on Chapter 4 of CP25/20, where we discussed the structure and transparency of UK equity market trading and sought views on whether reforms may be warranted. In this CP, we propose targeted changes to reinforce transparency and market functioning, recognising the growth of bilateral trading and supporting the establishment of a consolidated tape. Alongside this CP, we are also publishing final rules today in the accompanying Policy Statement on the framework for a UK equity consolidated tape and the next steps for its delivery (CP26/31). We also seek views on our proposed approach to monitoring future changes in market structure, to ensure these markets remain efficient and resilient. Together, these proposals are intended to optimise the transparency framework, enhance the value of the consolidated tape and ensure the systematic internaliser (SI) regime remains appropriately calibrated, while maintaining stability and continuity in the wider regime.

1.3 As set out in CP25/20, UK equity markets have evolved significantly over the past decade, driven primarily by technological and product innovation and changes in the way investors access liquidity. In particular, whilst overall secondary market trading activity has increased it has also become more dispersed across different execution mechanisms, with a smaller proportion of trading now conducted on central limit order books (CLOBs) operated by exchanges.

1.4 Fragmentation of liquidity has long been a characteristic of UK and other major equity markets. Innovation and increased competition have expanded the range of trading functionalities available to market participants. These include multilateral transparent order books, periodic auctions and bilateral systems provided by SIs. Market participants now have greater choice over where to source and provide liquidity, and which execution mechanisms best suit their needs. This has contributed to a more diverse market landscape, supporting competition between execution venues. At the same time, it has made equity markets more complex to navigate. The relevant question is therefore whether the changed market structure continues to support effective price formation, resilient liquidity, efficient execution and confidence in UK markets.

1.5 The available evidence (as outlined in Chapter 3) suggests that UK equity markets remain liquid, resilient and efficient. The evolution of UK markets has similarities with other developed markets, which are also characterised by fragmentation and a shift in relative liquidity away from CLOBs towards other systems. However, it is important to ensure that price formation remains effective as market structure evolves. We consider that trading on lit, multilateral venues continues to play a fundamental role in supporting efficient price discovery, market transparency, and capital allocation across the wider market.

1.6 Notwithstanding the evolution of equity markets over the last decade and the changes brought by MiFID II, the core design of the UK regulatory framework continues to reflect the approach introduced by MiFID I: promoting greater competition and choice in secondary markets, supported by transparency. As part of the Wholesale Markets Review, Treasury and the FCA implemented reforms aimed at reducing unnecessary costs for firms while maintaining market integrity. These reforms further strengthened that approach by preserving the role of competition, transparency and choice.

1.7 Against this backdrop, the regulatory approach that underpins this CP is grounded in stability and continuity, while allowing space for innovation and effective competition within a proportionate regulatory framework. This includes recognising the distinct role and risk profile of SIs, where firms commit capital and assume trading risk in bilateral markets, while ensuring that bilateral and multilateral systems remain sufficiently distinct to justify differential regulatory treatment. We also want to support retail participation in equity markets.

1.8 In previous work on equity markets, we focused on post-trade transparency. This CP builds on that work through targeted measures to further strengthen our trade reporting rules. In a market structure where liquidity is fragmented across multiple execution mechanisms, it is important that our framework enables a clear and comprehensive view of the market activity that drives price formation.

1.9 The targeted changes in this CP, alongside our work to establish an equity consolidated tape, will support transparency and market functioning. However, we will also be vigilant in monitoring future changes in market structure to ensure equity markets remain efficient and resilient. Our current assessment is that the market is effective, resilient and serves the needs of participants well. However, we recognise that equity market structure will continue to evolve. As part of this CP, we set out how we intend to monitor future changes in UK equity markets through a framework of quantitative and qualitative indicators. We also explain that this framework will be developed further once we have considered industry feedback in response to this CP.

1.10 The proportion of trading executed on CLOBs will form part of our monitoring because CLOBs remain central to price formation and provide important reference prices for other execution mechanisms. However, we do not think that CLOBs market share is of itself a conclusive indicator of the market's health and should not be considered in isolation. The key outcomes are that price formation remains effective, execution quality is strong, users can access liquidity effectively and markets serve the needs of issuers. We will therefore consider CLOB share alongside a broader set of indicators, including spreads, depth, volatility, trading volumes, execution quality, activity at the close and qualitative intelligence from market participants. We are seeking views on our proposed monitoring approach.

1.11 It is also our role to be prepared to act if our monitoring indicates undue challenges to market integrity. We do not consider that there is a current need for action on the evidence available. We recognise that the introduction of an equity consolidated tape already represents a substantial intervention which we believe will improve the functioning of the market and that the justification for additional intervention would need to be strong. This CP should be read alongside CP26/31.

1.12 However, we do wish to continue a discussion of potential intervention options in parallel with our work on an enhanced monitoring framework. Respondents to CP25/20 set out the case for additional measures that could steer trading towards particular execution mechanisms, including CLOBs, and we discuss potential options in Chapter 3. While we see a scenario in which we need to use such options as unlikely, we have a responsibility to prepare. Accordingly, in this CP, we invite feedback on the potential avenues which we could in principle pursue, in the event market structure evolves in a way that serves its participants less well. This includes setting out some of the options presented to us to mandate greater use of CLOBs, but we also seek views on other avenues, such as a review of the framework within which bilateral systems operate (regarding questions such as connectivity, access and transparency).

1.13 We are also introducing guidance on market outages to clarify our expectations on the protocols trading venues operate when an outage occurs. This builds on the initial work done under CP22/12, Improving Equity Secondary Markets, and by our advisory committee on secondary markets. Greater clarity and predictability about the actions trading venues take during an outage should support greater resilience of UK markets.

1.14 In addition, this CP includes a chapter on the Retail Service Provider (RSP) system, reflecting renewed stakeholder feedback and our further engagement and analysis of execution outcomes.

Why we are consulting

1.15 In July 2025 we published CP25/20. Chapter 4 of that paper included a discussion of the structure and transparency of UK equity markets, exploring developments such as the growth of bilateral trading and the reduced use of CLOBs. We sought initial views on whether these trends raise concerns and whether reforms may be warranted. We committed to consulting further in 2026, subject to feedback received. This CP delivers on that commitment.

1.16 The proposals serve three related purposes. First, they introduce targeted rule changes to optimise the transparency framework, support the value of the consolidated tape (CT) and ensure the SI regime remains aligned with the scale and nature of this bilateral trading activity, while maintaining stability and continuity in the wider regime. Second, they underscore, without changing the rules, important existing expectations that support fair competition and good outcomes, including that SIs should trade on risk, that firms should continue to meet their best execution obligations, and that on-venue trades executed through the RSP system are subject to the tick size regime. Third, they strengthen our preparedness to respond effectively to future change by improving our ability to identify potential stresses to market integrity and by seeking early views on the policy options that could be available if further action were needed.

1.17 This work stems from the Wholesale Markets Review (WMR), which aims to ensure that the regulation of secondary markets is fair, outcomes-based and supports competitiveness, while maintaining high regulatory standards.

Who this applies to

1.18 This consultation will primarily be of interest to:

- Trading venues
- Investment firms, including SIs
- UK branches of overseas firms undertaking investment services and activities

1.19 Our proposed changes will also be of interest to Approved Publication Arrangements (APA), law firms, market data and analytics firms, consultancies, retail investors and trade associations.

What we want to change

1.20 Our proposals aim to enhance transparency in UK equity markets, support the development and effectiveness of the equity CT, and improve the quality and usefulness of transparency data.

1.21 We propose to extend the current exclusion from post-trade transparency for non-price forming over-the-counter (OTC) transactions to equivalent transactions reported to trading venues, and to clarify and strengthen the rules on back-reporting. We also propose to reformulate the reference price waiver to support wider use by enabling trading venues to integrate midpoint dark orders within transparent limit order books.

1.22 We also propose changes to the transparency framework for equity SIs by requiring them to publish quotes showing the price and volume at which they are prepared to buy and sell up to and including standard market size. We believe these changes will simplify the regime and improve the value of pre-trade SI data by making it more representative of an SI's trading intentions, while also continuing to support an SI's ability to take risk and serve client interests by price improving in justified cases.

1.23 In addition, we propose guidance on market outages to clarify our expectations of trading venues and support the resilience of UK markets in the event of a market outage.

1.24 Taken together, these interventions are intended to improve the functioning of the transparency framework by addressing gaps in market data and supporting more effective price formation.

Outcomes we are seeking

1.25 The UK's programme of wholesale market reform is aimed at promoting effective competition, supporting innovation and informed risk-taking, and fostering growth. That approach continues to guide our policymaking. In applying it to these proposals, our aim is to support the conditions for UK equity markets to remain deep, liquid and resilient, support effective price formation, and grow over time.

1.26 We are seeking to improve the quality and usability of information available to market participants in UK equity markets, so that trading decisions are based on a more complete and accurate picture of liquidity and pricing. This should help market participants make better-informed trading decisions, support more effective and efficient execution and strengthen price discovery across the market. We also want to support a suitably level playing field across different trading models, while recognising that differences in regulatory requirements may be justified where these reflect differences in firms' business models, functions and risk profiles.

1.27 We are also seeking to support greater resilience in UK markets by improving the clarity and predictability of the actions that trading venues undertake during an outage. This will help market participants operate with greater confidence in periods of disruption.

Measuring success

1.28 We will monitor whether these proposals are achieving their intended outcomes using a combination of quantitative market data and qualitative intelligence. Key indicators will include liquidity, depth, spreads, trading volumes, execution quality and resilience during stressed conditions. We will also consider feedback from market participants about whether the exclusion of non-price forming transactions has improved the quality and usability of post-trade information.

1.29 In relation to the reformulation of the use of the reference price waiver (RPW) we will monitor whether lit trading venues will integrate such dark orders in their order books and if trading firms are able to distinguish trades executed under those systems from transactions executed on dark pools.

1.30 We will also monitor how market outages are handled and communicated, and how markets function during periods of stress or disruption, to assess whether our guidance supports orderly market operation in those circumstances.

1.31 We expect to monitor these indicators over a multi-year period to understand the immediate and longer-term effects of the changes.

1.32 Much of this analysis will use existing regulatory data sources, including transaction reporting data, trading venue data, and supervisory intelligence. We do not propose to introduce new routine reporting requirements but will keep this under review if evidence suggests it would be necessary in a proportionate way.

1.33 Consistent with CP26/31, we will undertake a post-implementation review of the CT once it has been in operation for a sufficient period, including an assessment of its effects on market functioning.

Next steps

1.34 We are seeking views on our proposals by 16 October 2026.

1.35 Please send your comments to us by using the options in the 'How to respond' section above. Unless you indicate that your response is confidential, we will not treat it as such.

1.36 We will consider feedback and aim to publish a Policy Statement finalising any changes in the first half of 2027.

Chapter 2

The wider context

Background and discussion with industry

2.1 This chapter sets out the wider context for our proposals, including stakeholder feedback to CP25/20, our previous consultation, our assessment of market functioning, and our approach to future monitoring and potential intervention.

2.2 Feedback to CP25/20 was, by and large, positive; named respondents are listed in Annex 1 of PS25/17. Stakeholders generally considered that UK markets are functioning well. However, they did note that market participants would benefit from greater clarity and consistency in how liquidity and trading information is made available across the market. Following that feedback, we held further discussions with market participants, including firms, trade associations and trading venues. These discussions highlighted the importance of transparency and data quality in supporting effective market functioning. This feedback has informed the development of our proposals.

2.3 This work also builds on earlier reforms to post-trade transparency, including PS23/4 Improving Equity Secondary Markets, which improved the quality, consistency and timeliness of reporting for equity and bond trades.

Assessing market functioning

2.4 In assessing UK equity secondary market structure, we have also considered relevant international developments. In particular, recent work in the European Union (EU) and the United States (US) reflects similar questions about market structure, transparency and trading outcomes, and provides useful context for our analysis of UK market functioning.

2.5 When assessing the state of UK equity market structure, it is important to consider a range of complementary perspectives. In particular:

- the current status of UK equity markets;
- cross-market comparisons (ie against other similar non-UK markets); and
- evolution over time (to understand underlying trends).

2.6 Taken together, these provide a more complete basis for assessing market functioning than any single perspective in isolation. Further detail on our ongoing analysis is set out in Chapter 3.

2.7 Our analysis draws on detailed trading data, third party research, as well as wider market feedback. Over the past two years, trading in FTSE 350 instruments has increased. Even when excluding technical and non-price-forming trades, underlying activity appears to have increased, suggesting continued investor engagement with UK equity markets.

2.8 Data also shows that the composition of execution mechanisms used for trading UK shares has continued to evolve, both by trade count and value traded. Auctions and SIs now account for a larger share of overall trading, alongside growth in activity across execution mechanisms. While CLOBs have accounted for a relatively smaller share of total value traded, both the number of trades and value traded on CLOBs has increased over the last 2 years. CLOBs continue to play a foundational role in price formation, while other execution mechanisms have broadened execution options and supported a wider range of trading needs.

2.9 While total trade figures are only one dimension of market health, we also consider the pricing conditions and quality of execution, including how effectively trades are executed within prevailing market conditions. No single metric provides a complete picture of market quality. However, the measures we consider point to continued resilience in underlying market activity and overall market functioning.

2.10 Over a longer time horizon, the evidence on liquidity is mixed, which is important in interpreting more recent trends. Spreads have widened on average, which may in some cases point to somewhat higher trading costs. However, this has not been accompanied by a decline in notional activity. Market depth on CLOBs has increased, and other available metrics do not point to broader market stress. Some of these trends may also reflect changes in market conditions, including higher volatility, which makes it harder to isolate the extent to which spreads have changed for structural reasons alone.

2.11 Taken together, the evidence suggests that UK equity markets have remained stable and resilient in recent years, maintaining a good overall level of liquidity even as market structure has evolved significantly. This is broadly consistent with wider analysis, which suggests that UK and US listed markets may be more comparable in terms of liquidity than is often assumed once structural differences are taken into account.

2.12 Overall, the evidence points to a market structure in which CLOBs remain central to price formation, while competition across execution mechanisms has supported innovation, investor choice and a wider range of trading needs, such as speed of execution and the minimisation of market impact. Any measures we propose should therefore seek to preserve these strengths while responding proportionately to areas where market structure can be improved.

Policy approach and related initiatives

2.13 Given this assessment, we do not see a case for significant intervention aimed at changing the relative use of any particular execution mechanism. We also acknowledge the benefits of stability in the regulatory framework while other market-enhancing reforms, particularly the equity CT, are implemented.

2.14 We do, however, see scope for targeted and proportionate improvements to the transparency framework. Our approach is incremental and focused on addressing specific gaps in the framework, while maintaining stability and continuity in the wider regime.

2.15 The main areas of focus include:

- Strengthening and simplifying pre-trade transparency in relation to SIs by improving the visibility and usefulness of public quotes, ensuring that SIs make an appropriate contribution to overall market transparency, while recognising differences in business models compared with trading venues;
- improving post-trade transparency; and
- measures to enhance operational resilience in the event of a market outage.

2.16 Taken together, these proposals are intended to provide a clearer view of addressable liquidity and support effective price formation and the delivery of best execution, while complementing the development of the equity CT. They will be pursued within the existing regulatory framework, including the current perimeter, in a way that supports a suitably level playing field across execution mechanisms while recognising relevant differences in their roles and risk profiles.

Monitoring and forward-looking approach

2.17 The evidence does not indicate a current need for structural intervention. However, there remains uncertainty over how market structure may evolve over time, driven by a range of factors including changes in trading behaviour, technological development, and the introduction of the CT.

2.18 Against that backdrop, we consider it important to monitor UK equity markets closely, consistent with our objective to protect and enhance market integrity. In particular, we will monitor developments that could affect price formation, retail participation and execution models. If risks to price formation were to emerge, we would expect these to develop over time rather than crystallise abruptly.

2.19 We are setting out in this CP the indicators we propose to use to monitor market developments and assess market integrity over time. This will draw on various indicators of market quality, including spreads, volatility and order book depth. The framework will support quantitative assessment of emerging trends, taking account of the level, persistence and breadth of any changes, alongside qualitative intelligence, to provide early warning of developing stress indicators.

2.20 We are also seeking views on the potential policy options that could be available if evidence of harm to market integrity emerged, including those raised by stakeholders. Any measures would only be considered where there is strong evidence of harm or a clear and developing risk to market integrity, and where we are confident that such measures would achieve their intended aims. Any intervention that would restrict or steer firms' execution choices would require a high evidential bar, given the potential implications for competition, innovation, execution quality and costs. In our view, an approach that combines ongoing market monitoring with early consideration of viable policy options offers an effective means of mitigation, particularly where any material and sustained deterioration in price formation would be expected to become evident over time.

2.21 We will therefore monitor for potential indicators of emerging risk and consider what measures may be available if those risks become more pronounced. This reflects our view that targeted and proportionate refinements remain the right approach at this stage, and does not signal that significant intervention is currently needed. Any future consideration of deeper policy intervention would remain evidence-led and proportionate to the nature, scale and persistence of observed developments, and consistent with our overall approach to market-based competition and choice.

2.22 In parallel, we will continue to support innovation across wholesale and retail markets, and to work constructively with industry initiatives. This includes those led by relevant trading venues where these support market access, greater participation and competition. We also recognise the continued influence of algorithmic and high-frequency trading on market structure and CLOB usage. We will continue to consider whether there is scope to support more diverse and effective use of lit trading venues over time through ongoing discussion with industry.

How it links to our objectives

Market integrity

2.23 Our proposals are intended to enhance the integrity of UK equity markets by improving the quality and reliability of trading information that underpins price formation. In particular, measures to align SI quotes more closely with their actual trading activity, alongside enhancements to pre- and post-trade transparency, are designed to provide market participants with more meaningful and comparable pricing information. This will enable a more accurate assessment of liquidity and price quality.

2.24 We also recognise that changes in trading behaviour can have implications for price formation over time. While the evolution of execution models in itself is not problematic, a material decline in price formation on execution mechanisms like CLOBs or closing auctions could raise market integrity concerns if it were to weaken the robustness of reference prices. We will continue monitoring developments in trading patterns and stand ready to consider further policy responses should evidence emerge of deteriorating price formation.

2.25 Taken together, these proposals are intended to support fair and orderly market functioning by strengthening the quality and reliability of the information on which prices are formed. This supports both effective price formation and the efficient allocation of capital while preserving the flexibility for different execution models to operate effectively.

2.26 In addition, our work on market outages is intended to improve the timely communication of disruptions and the clarity of information provided to market participants, supporting more effective coordination and contributing to the resilience of UK equity markets.

Competition

2.27 Our proposals are designed to promote effective competition in the interests of investors and market participants.

2.28 Enhancements to SI transparency are intended to improve the comparability and reliability of publicly available pricing information, supporting a more level playing field between SIs and trading venues. In parallel, changes to the RPW framework that facilitate midpoint activity within lit order books enable similar forms of liquidity provision to take place in those order books as currently occurs in reference price systems.

2.29 Together, alongside our clarification of expectations in relation to the SI perimeter, these changes are intended to refine the balance of regulatory treatment between execution models where necessary, while continuing to reflect the distinct characteristics and risk profiles of SIs and trading venues.

2.30 Overall, the proposals take a targeted and proportionate approach to strengthening transparency and market structure, supporting competition without restricting innovation or limiting firms' ability to provide liquidity in different ways.

Secondary international competitiveness and growth objective

2.31 The proposals support our secondary objective to facilitate the international competitiveness and growth of the UK economy by improving the informational efficiency and usability of equity market data. By improving UK equity market data, investors can make more informed decisions about capital allocation in the UK.

2.32 Similarly, enhancements to transparency are intended to improve the reliability and comparability of trading information, enabling firms and investors to better assess liquidity and execution quality. In addition, our proposal on back-reporting is intended to reduce unnecessary operational burden and compliance costs for reporting firms, while preserving the effectiveness of the transparency regime.

2.33 By strengthening the underlying data environment, these changes also support the development of the CT and contribute to a more transparent and internationally credible market structure, while preserving flexibility and choice.

2.34 Taken together, the proposals are intended to support a competitive and well-functioning market that attracts investment and reinforces the UK's position as a leading global financial centre.

Wider effects of this consultation

2.35 The proposals in this consultation may also have wider effects beyond those set out above. In particular, they are expected to support the establishment of the CT by strengthening the quality, consistency and usability of the underlying market data.

Environmental, social & governance considerations

2.36 In developing this CP, we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under ss. 1B(5) and s.3B(1)(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under s. 5 of the Environment Act 2021.

2.37 Overall, we do not consider that the proposals are relevant to contributing to those targets. We would welcome stakeholders' views on this and will keep this issue under review during the consultation period and when considering the final rules.

Equality and diversity considerations

2.38 We have considered the equality and diversity issues that may arise from the proposals in this CP.

2.39 Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies). But we will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules. In the meantime, we welcome your input on this.

Chapter 3

Market structure trends and the evolution of central limit order book trading

Introduction

3.1 The structure of the UK equity market has changed significantly in the past 2 decades, reflecting both regulatory changes, such as the introduction of MIFID I in 2007, and sustained innovation in trading practices. Market participants now make use of various execution mechanisms, including multilateral venues (lit and dark), SIs, periodic auctions and other mechanisms. The growth of these mechanisms reflects advances in trading technology, increased automation, and the development of execution strategies designed to manage market impact and information leakage.

3.2 Industry initiatives have also contributed to this evolution. For example, trading venues pioneered periodic auction books in the UK (which have subsequently been offered across European markets following Brexit) and have more recently expanded retail-focused execution services. UK trading venues have continued to develop alternative auction and execution models, broadening the range of available trading and liquidity options. Innovation has also occurred in bilateral trading, including through more diverse SI offerings and the development of aggregator models, which have increased competition between execution venues and expanded the range of ways in which market participants can access liquidity.

3.3 The emergence of competing trading mechanisms has also contributed to a broader evolution in how liquidity is provided. One important aspect of this has been a relative decline in the contribution of lit consolidated order books to overall activity.

3.4 In this chapter, we look at the liquidity landscape in the UK and provide an initial assessment on how well UK markets are functioning.

3.5 This distinction is important for interpreting changes in market structure and assessing whether evolving trading patterns raise risks to price formation or market integrity.

Addressable liquidity

3.6 Our analysis focuses on so-called "addressable liquidity", acknowledging that market participants define this in different ways. Unless otherwise stated, the data presented excludes technical trades and other non-addressable volume, so that we focus on trading activity that is available for interaction by market participants.

3.7 This provides a clearer basis for assessing liquidity and for interpreting changes in market structure.

3.8 Respondents to CP25/20 asked for a definition of addressable liquidity. We use the term to refer to trading activity that is available for interaction by market participants and that contributes, or is sufficiently connected, to price formation in the market. However, we recognise that what is addressable to one market participant may not be equally addressable to all.

3.9 Certain transactions are clearly not addressable. These include transactions flagged as non-price forming transactions (NPFT) or transactions not contributing to the price discovery process (TNCP). Such transactions do not reflect liquidity available for interaction and do not provide a meaningful basis for assessing executable market depth.

3.10 Other transactions may not be available for interaction at a single point in time but may still reflect genuine underlying trading activity and the provision of risk capital. This may include certain benchmark transactions (BENC), such as executions at volume-weighted average price (VWAP).

3.11 Focusing on addressable liquidity helps ensure that policy assessments and liquidity benchmarks are based on liquidity that is genuinely available to at least a significant subset of market participants.

3.12 Given that the treatment of some transactions may depend on the execution scenario and surrounding characteristics, we do not consider it appropriate to set a prescriptive or exhaustive definition of addressable liquidity in Handbook rules. The FCA Market Activity Reporter for Shares reports adjusted market activity by excluding trades currently flagged as NPFT and TNCP under the existing post-trade reporting framework. In 2025, transactions flagged as NPFT and TNCP accounted for more than £835bn of notional traded in FTSE 350 shares, representing around 24% of total notional traded in these instruments. Excluding these trades therefore helps ensure that liquidity metrics and analysis are better focused on trading activity that is meaningfully available for interaction and relevant to price formation.

3.13 As discussed in Chapter 4, we are consulting on the use of those flags in post-trade reporting and, if changes are taken forward, will take the CT into account when determining the implementation date of those changes. Once the equity CT is live, it will become the primary source of market-wide liquidity metrics for UK shares, alongside its wider role in publishing trade-level data. We are also considering whether further clarification, for example through Q&As, would be helpful.

3.14 We note that European Securities and Markets Authority (ESMA), in its recent Call for Evidence on the market structure of European equity markets, similarly does not intend to integrate definitions in rules, but sought views on developing a common framework.

Patterns of liquidity and execution in UK equity markets

3.15 This section examines how trading activity has evolved over time and is distributed across different execution mechanisms. It focuses on measures of trading activity that reflect liquidity available for interaction by market participants, to provide a consistent view of how liquidity is accessed across the market.

3.16 In doing so, we consider both absolute measures, such as total traded volume and number of trades; and relative measures, such as the distribution of trading across execution mechanisms and comparisons with other jurisdictions.

3.17 Considering both perspectives is important. Absolute measures provide an indication of overall market activity, while relative measures help to assess how liquidity is distributed, including how the UK market compares with peers.

Mapping trading activity

3.18 As shown in figure 3A, the total notional traded (in GBP), and number of trades executed each month in FTSE 350 equities has increased since MiFID II took effect in 2018. Liquidity was broadly stable from the start of 2018 to the third quarter of 2023, before increasing from the end of 2023 onwards. This period has been characterised by significant geopolitical events – including coronavirus (Covid-19) lockdowns and Russia's invasion of Ukraine – that have affected volatility and trading in equity markets.

3.19 As suggested by figure 3B, trading tends to rise when markets become volatile around such events, albeit the relationship is not linear. Consequently, more pronounced peaks in trading often coincide with periods of heightened uncertainty.

Figure 3A: Total trading in FTSE 350 instruments

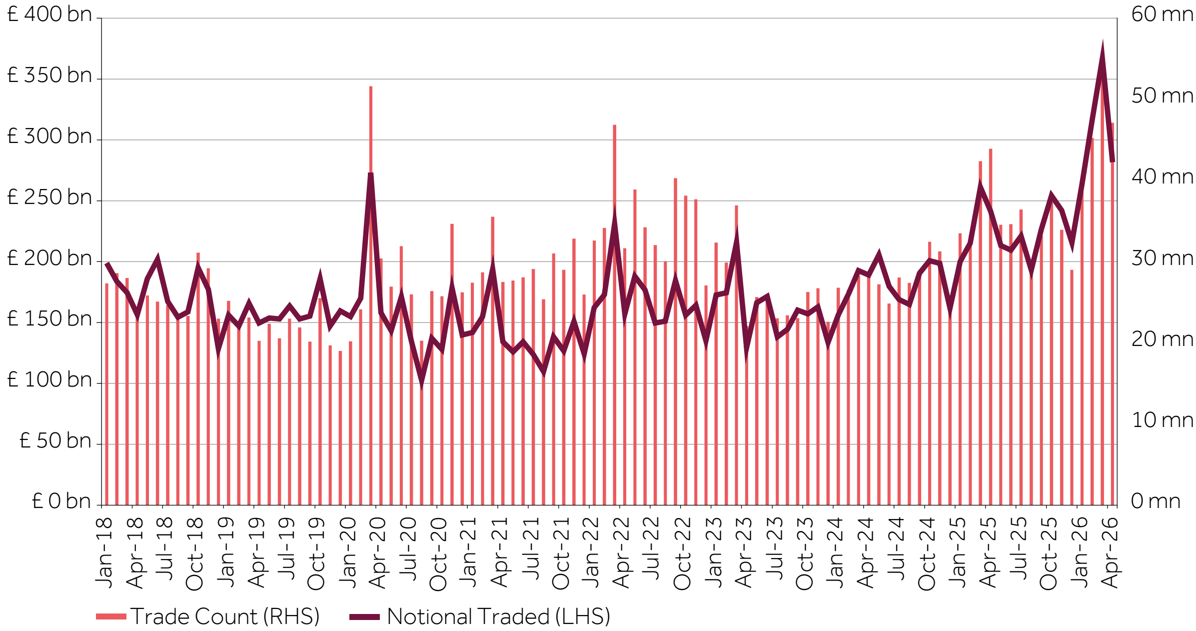


Figure 3B: Implied volatility in UK equities, monthly average

Source: BMLL Technologies, Bloomberg, FCA analysis

Data for trade counts and notional traded are all monthly sums across European trading venues and APAs from January 2018 to April 2026, for FTSE 350 instruments. The volatility index is a monthly average of the FTSE 100 Implied Volatility (30 day) index, rebased to January 2018 = 1

3.20 A comparison with other European equity markets suggests total UK trading closely resembles trends in other European equity markets, as shown in figures 3C and 3D below.

Figure 3C: Growth in notional traded for selected markets

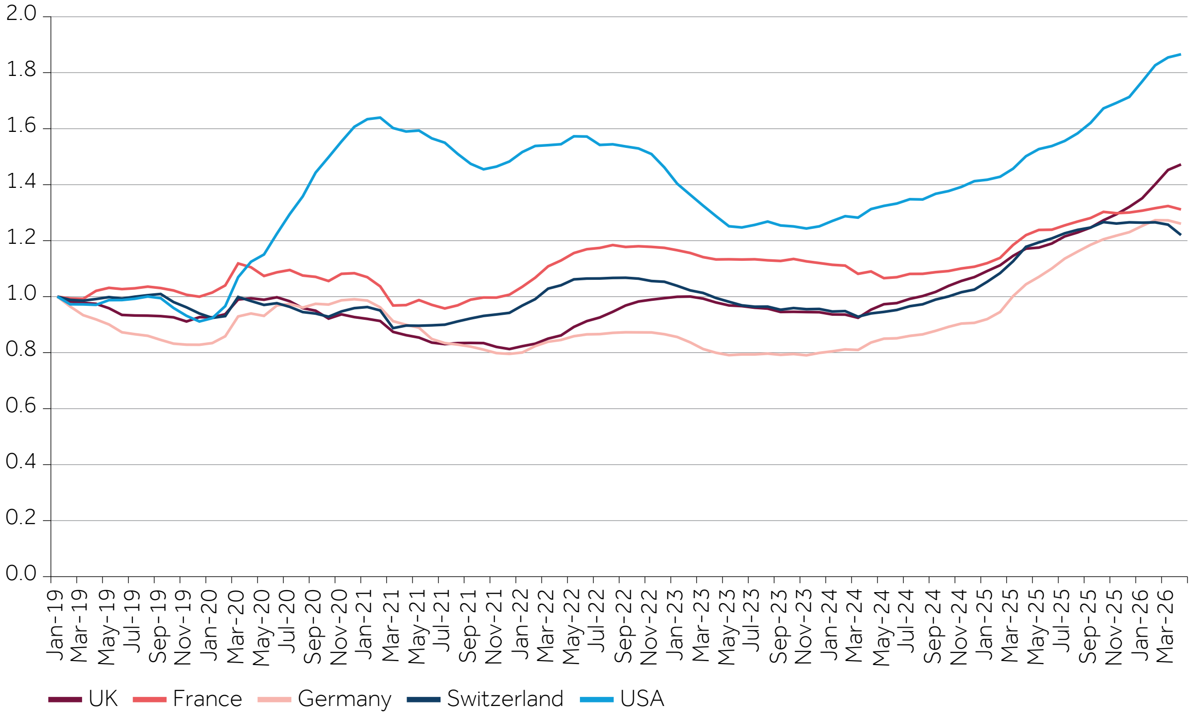
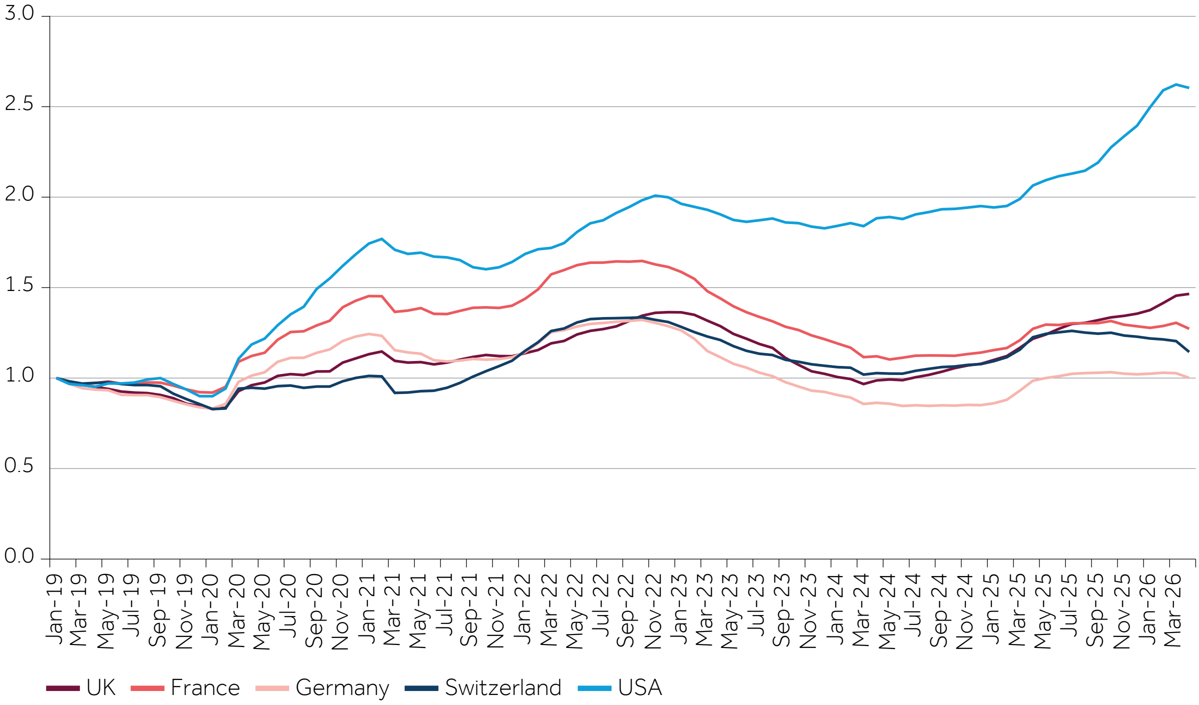


Figure 3D: Growth in trade counts for selected markets

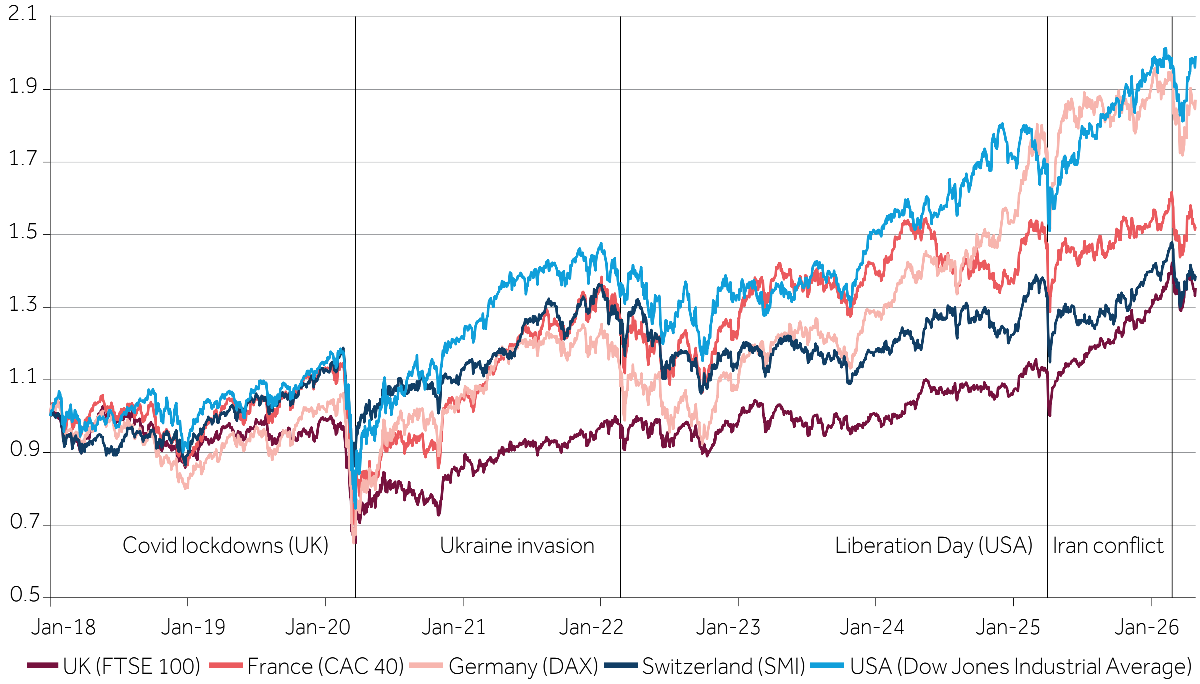


Source: BMLL Technologies, FCA analysis

Data for trade counts and notional traded (in local currencies) are presented as rolling 12-month sums for FTSE 350 instruments (UK), CAC 40 (France), DAX (Germany), SMI (Switzerland) and the Dow Jones Industrial Average (US). All series normalised to 1 in January 2019. Trades flagged as NPFT and TNCP are removed for the UK, France, and Germany.

3.21 Equity price indices in other European countries have been similarly volatile and susceptible to international events, as shown in figure 3E. Despite UK equity prices recovering less quickly from Covid-19 lockdowns, total trading in UK equities has grown very similarly to its European peers.

Figure 3E: Equity price movements in selected markets



Source: Bloomberg, FCA analysis

Index data are daily values for FTSE 100 (UK), CAC 40 (France), DAX (Germany), the SMI (Switzerland) and the Dow Jones Industrial Average (US) rebased to 3 January 2018 = 1

3.22 Taken together the charts above suggest that UK equity trading has continued to show strong and sustained levels of activity since the implementation of MiFID II. We use this as the starting point for monitoring because it provides a consistent post-reform baseline. This period includes the UK's withdrawal from the EU. While activity has fluctuated over time, with more pronounced peaks corresponding to periods of heightened volatility and major international events, the overall evolution of both notional traded and trade counts has been comparable to that seen in other major European markets.

3.23 Since 2018, the total notional traded in FTSE 350 instruments increased from £2.1tn to £2.7tn in 2025 (+29% in nominal terms but broadly unchanged in Consumer Price Inflation-adjusted terms) and the number of trades rose from 313mn to 421mn (+35%). This compares with increases between 2018 and 2025 in other major markets:

- France – notional traded in CAC 40 equities rose 30% in nominal terms from approximately €1.8tn to €2.4tn
- Germany – trading in DAX shares rose 20% from approximately €2.1tn to €2.6tn

- Switzerland – trading in SMI shares rose 27% from approximately CHF 1tn to CHF 1.3tn
- US – trading in Dow Jones Industrial Average constituents rose more than 70% from approximately $10tn to more than $17tn

3.24 Although UK equity prices recovered more slowly than some peers following Covid-19, the evidence does not suggest that the UK has become an outlier in the post-Brexit period. Rather, it indicates that changes in trading activity have largely reflected broader market conditions, which provides important context for our analysis of liquidity mapping.

3.25 In the last 2 years, there has been a notable rise in the value of trading across execution mechanisms, as seen in figure 3F. The same is true when we look at the number of trades in figure 3G. Figures 3F and 3G present activity by execution mechanism on a stacked basis, with CLOBs accounting for the largest share of trading over the period.

3.26 The effects of significant geopolitical events can be seen in the data even after allowing for short-term market fluctuations. In particular, CLOB activity tends to increase during periods of heightened market stress and volatility, including Covid-19 in early 2020, following Russian's invasion of Ukraine in early 2022, and around episodes of tariff- and election-related volatility in 2025.

Figure 3F: Notional traded in FTSE 350 instruments by execution mechanism

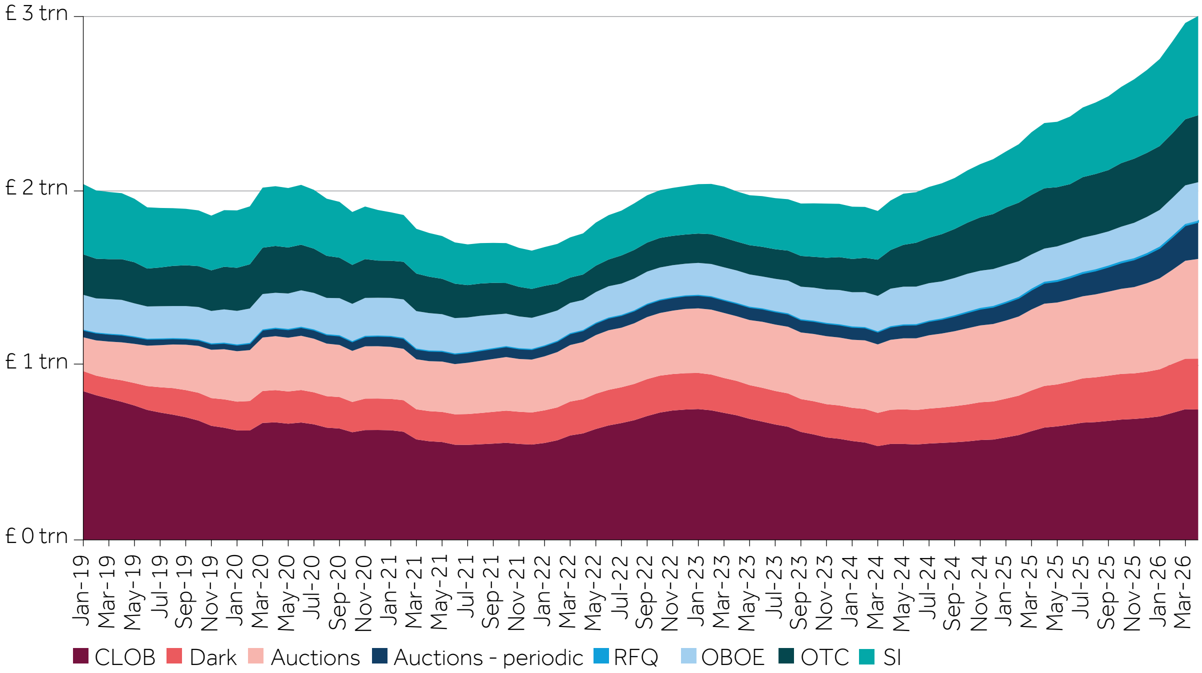
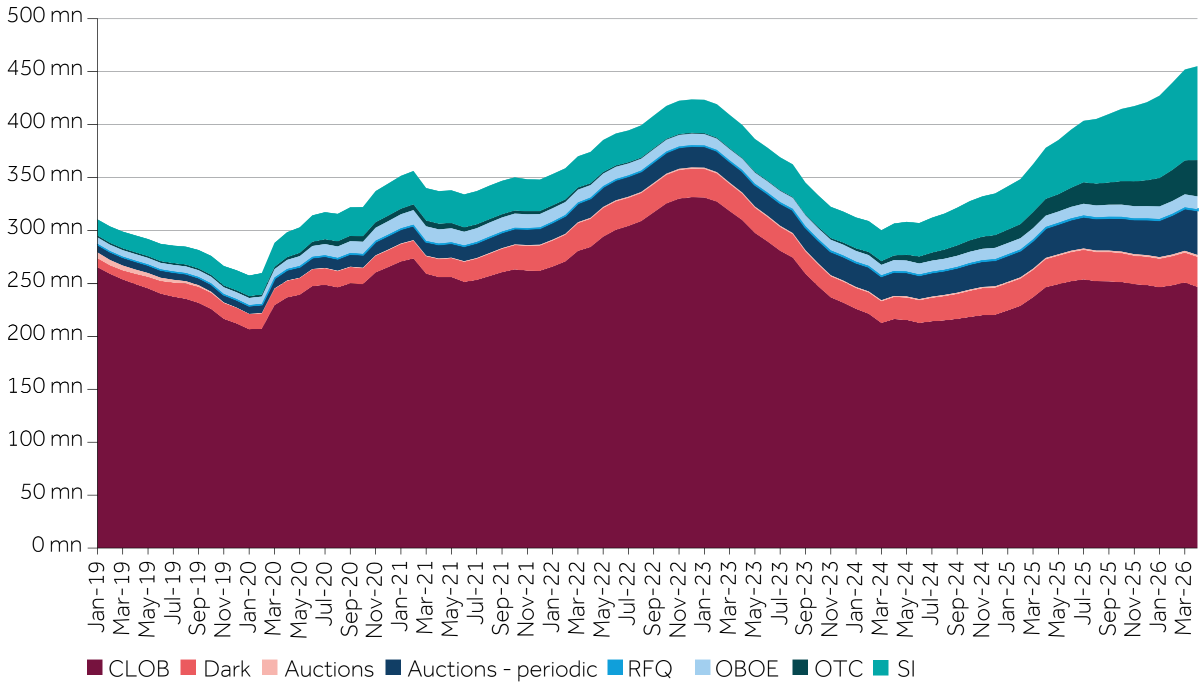


Figure 3G: Number of trades in FTSE 350 instruments by execution mechanism



Source: BMLL Technologies

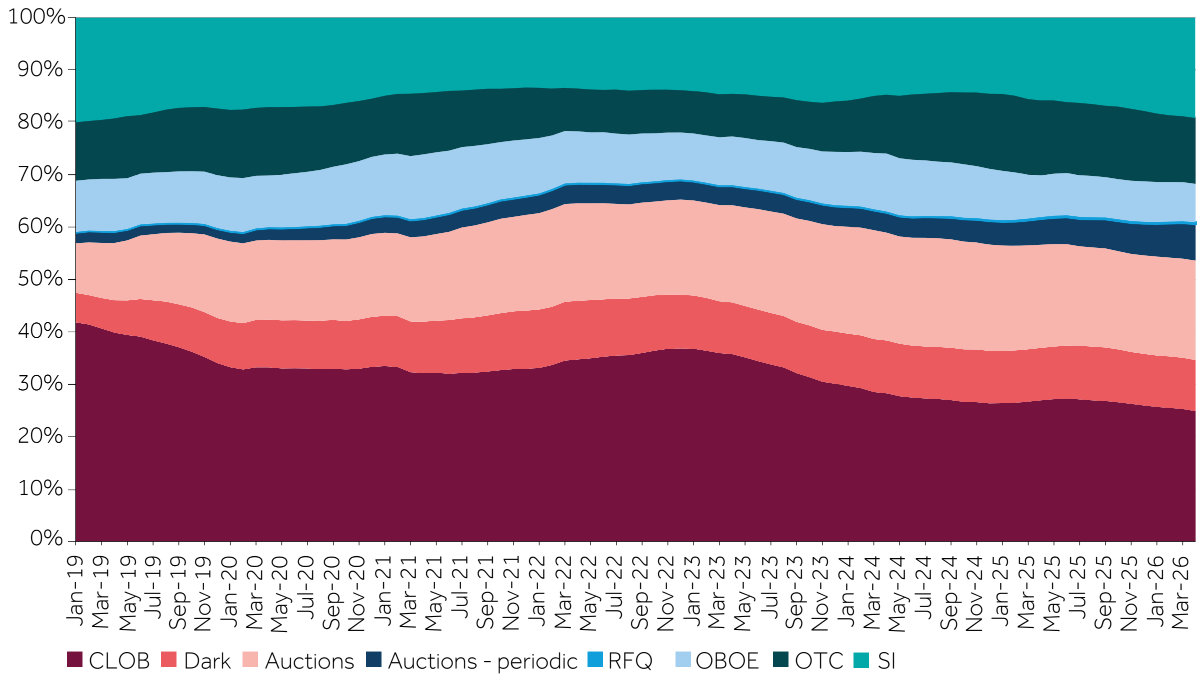
Data are rolling 12-month sums of trades in FTSE 350 instruments not flagged as NPFT or TNCP

3.27 Figure 3H below shows the proportion of notional traded through different types of execution mechanism from January 2019 to April 2026. Figure 3H shows that CLOBs' share of notional traded has fallen from around 40% to closer to 25% today. This decline has been partly offset by growth in another form of multilateral trading: auctions. For much of the period covered by Figure 3H, closing auctions increased in relative importance; more recently, periodic auctions have accounted for a larger share of trading.

3.28 In this context, we distinguish regular exchange-run auctions, such as opening, closing and intraday auctions, from periodic auction systems, which operate as frequent batch auctions and are treated as hybrid mechanisms in our analysis given the practical relevance of mid-price trading within them.

3.29 Amongst the bilateral forms of trading, growth in the proportion of trades executed via SI has increased in the last 2 years, and it accounted for 20% of the total notional traded in FTSE 350 shares in 2026 Q1.

Figure 3H: Execution mechanisms' share of notional traded in FTSE 350 instruments



Source: BMLL Technologies, FCA analysis

Note: Shares are calculated from rolling 12-month sums to smooth fluctuations, from January 2019 to April 2026

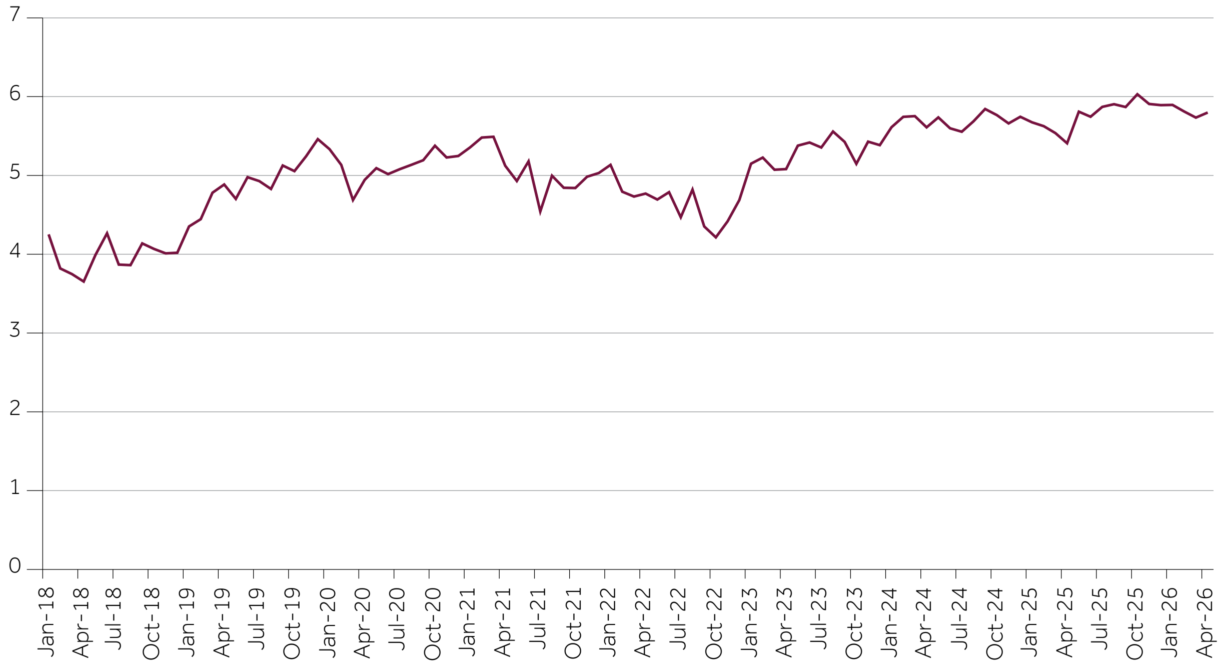
3.30 Taken together, multilateral forms of equity trading (exchange-run auctions, CLOB trading and multilateral dark books) continue to account for more than half of the notional traded. Bilateral trading (OTC, off-book on exchange (OBOE) and SI) comprises close to 40% of notional traded. Hybrid systems – which include request-for-quote (RFQ) systems and periodic auctions – account for a relatively small share of total value traded, although their combined share has more than tripled, from 2% in 2018 to more than 6% in 2025. This increase has been driven primarily by periodic auctions. RFQ activity remained very limited over the period shown and may not be readily visible in the preceding charts because of its comparatively small scale. Table 3.1 below shows these aggregates.

Table 3.1: Changes in notional traded between 2018 and 2025

	Multilateral	Hybrid	Bilateral	Total
2018	£ 1,170 bn	£ 41 bn	£ 871 bn	£ 2,082 bn
2025	£ 1,471 bn	£ 172 bn	£ 1,050 bn	£ 2,693 bn
Growth	*26%*	*316%*	*21%*	*29%*

3.31 Since MiFID II was implemented, changes in market shares suggest that equity trade execution in the UK has become more fragmented. Figure 3I illustrates this using an inverted Herfindahl-Hirschman Index (HHI), which we refer to as a 'fragmentation index'. This provides a broad measure of how dispersed trading is across execution mechanisms, with a higher index score indicating higher fragmentation. As shown in Figure 3I, the index has trended up since 2018, suggesting that trading has become more dispersed across execution mechanisms.

Figure 3I: Fragmentation index



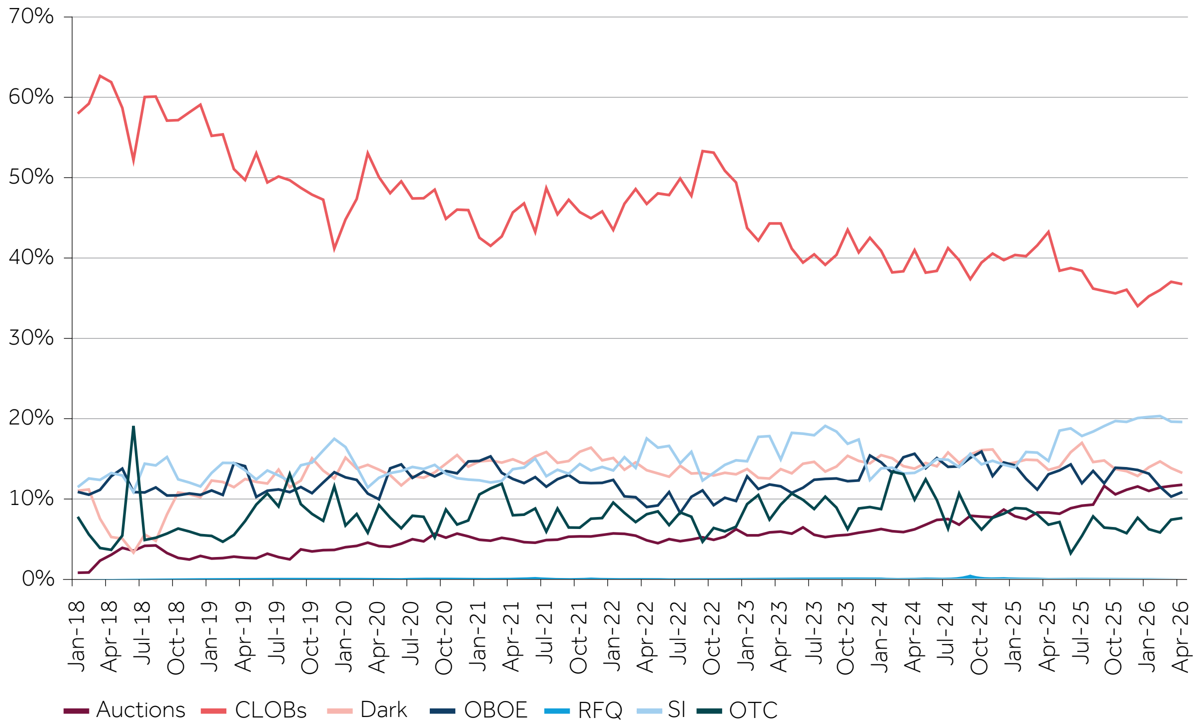
Source: BMLL Technologies, FCA analysis

Note: We calculate this fragmentation index as $\frac{1}{\text{(Herschman-Herfindahl Index)}}$. *A rising index value suggests trades are executed on a relatively more diverse set of execution mechanisms.*

3.32 Although the share of total notional traded through CLOBs was lower in 2025 than in 2018, notional traded through CLOBs has increased in absolute terms over the last 2 years.

3.33 When focussing on trading during regular hours, when CLOBs are in operation, CLOBs account for a larger share of trading. However, figure 3J shows that this share has also fallen over time, as exchange-run auctions and bilateral trading have gained market share.

Figure 3J: Percentage of trades executed on CLOBs during regular trading hours



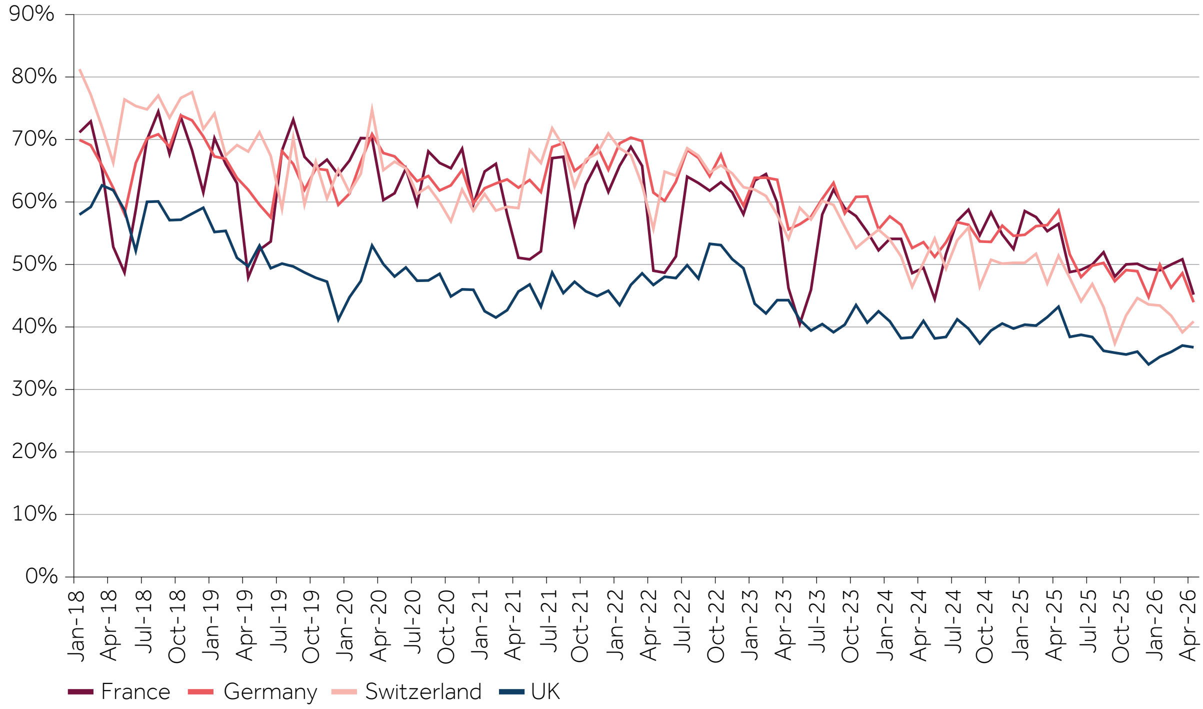
Source: BMLL Technologies, FCA analysis

Note: Percentages are calculated as shares of notional traded in FTSE 100 ISINs with time stamps during the continuous trading session.

3.34 This trend is not unique to the UK. As shown in figure 3K, equity markets in Europe have also seen a decline in the share of trading executed through CLOBs, although CLOBs continue to account for a larger share of trading in those markets than in the UK. In the US, off-exchange trading accounted for more than half of total equities volume in 2025, according to CBOE. This suggests that the relationship between CLOB trading and liquidity is not straightforward. Lower CLOB market share may only partly explain differences in liquidity outcomes across markets, which also depend on the wider structure of each market, including the role played by off-book and off-exchange trading. This is broadly consistent with wider analysis, including work by the LSE on differences between UK and US markets.

3.35 The higher degree of fragmentation and lower share of trading on CLOBs have been longstanding features of UK markets, evident since at least 2018 and, more broadly, since after the introduction of MiFID I in 2007.

Figure 3K: CLOB market share during regular trading hours in selected markets



Source: BMLL Technologies, FCA analysis

All trades in instruments less NPFT and TNCP where applicable, with time stamps during the continuous trading session. Data are for FTSE 100 instruments (UK), DAX (Germany), CAC 40 (France) and SMI (Switzerland),

Liquidity fragmentation in the closing auction

3.36 Since the implementation of MiFID II, closing auctions have come to account for a growing share of total equity trading. This trend is shared with a number of other jurisdictions. The International Organization of Securities Commissions (IOSCO) recent consultation report notes that, between 2020 and 2025, the share of total daily trading executed during closing auctions generally increased, including in jurisdictions where closing auctions remain a relatively small part of overall trading. In some jurisdictions, notably in Europe, this share rose by as much as 10 percentage points. IOSCO cite possible drivers for this including the increasing use of passive investment strategies that track equity indices; a desire amongst market participants to reduce execution risk; and the use of alternative execution mechanisms.

3.37 Over the same period, the use of alternative execution mechanisms to the closing auction has also increased in the UK, as shown in Figures 3L and 3M below. This is another trend we share with equity markets in other jurisdictions, as also noted in the IOSCO consultation report.

Figure 3L – Notional traded at the close

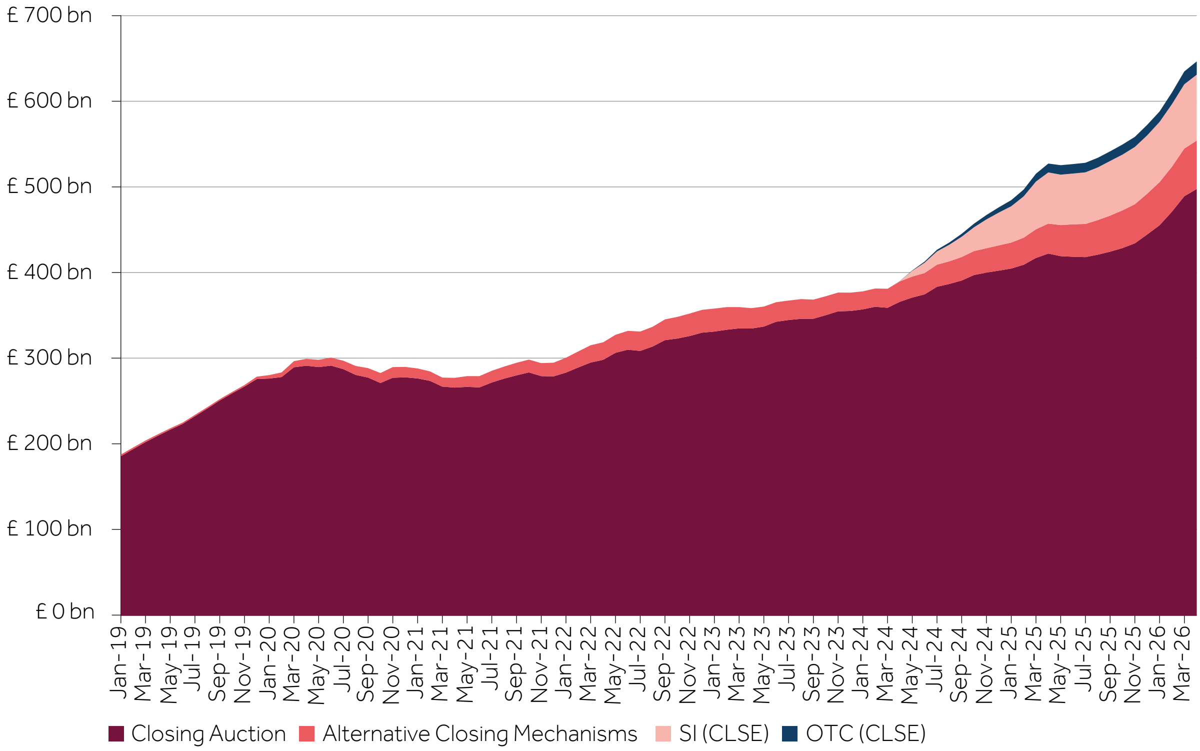
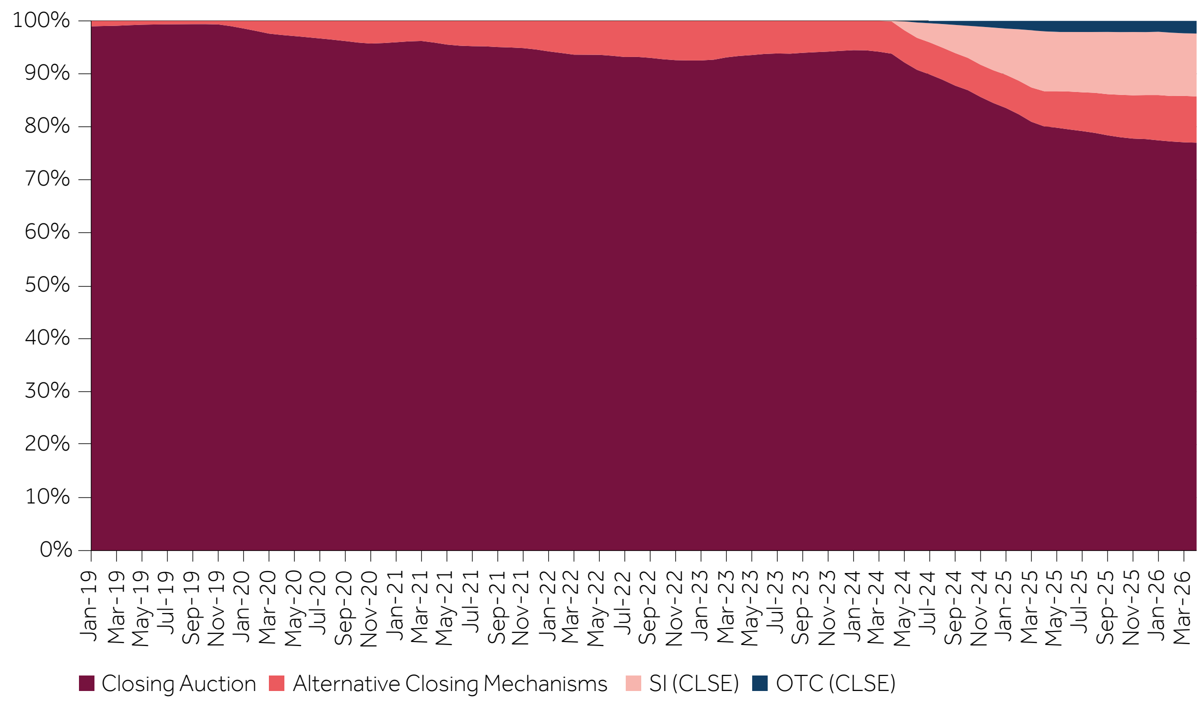


Figure 3M – Relative shares of notional traded at the close



Source: BMLL Technologies, FCA analysis

Note: Data are based on 12-month rolling sums

3.38 The closing auction on the main market ('Closing Auction') continues to account for most of the activity at the close. Alternative multilateral execution mechanisms to the closing auction now account for approximately 10% of trading at the close. Bilateral transactions which reference the closing price (flagged as CLSE) have also come to account for more than 10% of all trades referencing the closing price, since the CLSE flag was introduced through PS23/4. Consistent and accurate use of the CLSE flag is important to support a clear and reliable view of trading linked to the close. We have heard anecdotally that use of the CLSE flag may be inconsistent in practice, which may affect how clearly post-trade data identifies this activity. We discuss the CLSE flag further in Chapter 4.

3.39 These mechanisms do not themselves contribute directly to closing price formation; rather, they rely on the reference price established in the main closing auction. Their growth may reflect evolving execution preferences and competitive dynamics. In particular, competition around execution at the close may support lower trading costs for investors.

3.40 We are aware of two potential issues relating to developments at the close. First, the growth in mechanisms that reference the closing auction price may contribute to greater fragmentation of liquidity at the end of the trading day, as trading interest is split between the closing auction and other mechanisms that reference that price. Second, greater concentration of trading activity around the close may in some circumstances be associated with price dislocation. We consider that second issue further in the market quality section below.

3.41 The growth in closing auction activity does not in itself imply harm to market quality. Closing auctions can serve important functions, including supporting execution at a single reference price and helping market participants manage benchmark-related trading needs. However, if reliance on the close were to increase materially and persistently, and growth in price-taking mechanisms were to outpace the resilience of price formation in the primary auction, this could raise questions about fragmentation, resilience and the robustness of closing prices. These are issues we consider relevant to ongoing monitoring.

3.42 Greater reliance on the close, including through price-taking mechanisms that reference the closing price, may over time increase the concentration of trading activity at the end of the day. As IOSCO notes, this could give rise to operational resilience considerations, for example in the event of a market outage. These considerations are also relevant to the discussion of operational resilience in Chapter 6.

Market quality

3.43 The previous section summarised the evidence on how trading activity has evolved over time, both in aggregate and across different execution methods. While this is useful context for understanding market trends, it does not itself indicate how market functioning has changed. In this section, we therefore look at a variety of metrics that market participants commonly regard as important indicators of market quality and of efficient and orderly markets.

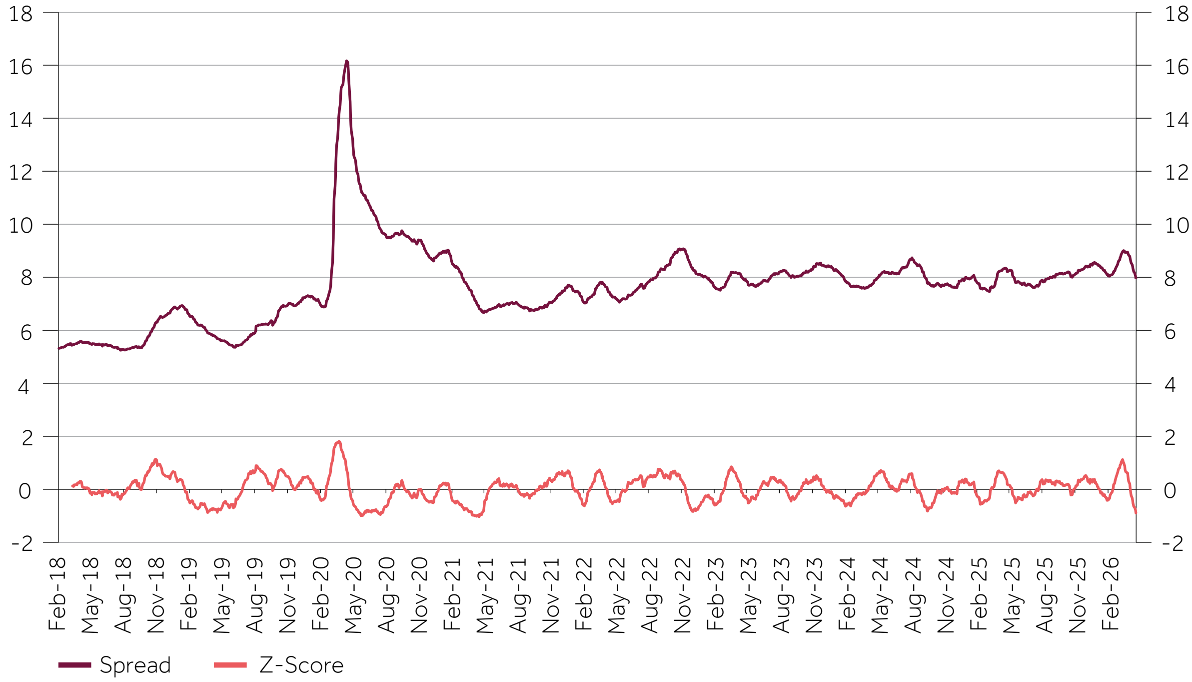
3.44 UK CLOBs continue to play an important role in price formation. However, the relationship between CLOB market share and quoted spreads is not straightforward. As shown in Figure 3N, there has been a rise in bid-ask spreads for trading UK equities on CLOBs, coinciding with a decline in CLOBs' market share.

3.45 At a high level, tighter spreads in a more liquid market are to be expected. A higher concentration of trading on CLOBs could in principle support that outcome. However, nominal trading activity on CLOBs remains broadly similar to its 2018 level (figures 3F and 3G). More generally, quoted bid-ask spreads are affected by a range of factors, including tick size constraints, which influence the prices at which firms can quote, and volatility in market prices.

3.46 The rise in spreads was accompanied by an increase in spread volatility. Figure 3N shows a moving average of FTSE 350 bid-offer spread z-scores, which measures spread movements around their mean relative to their volatility. Positive z-scores imply bid-ask spreads are wide relative to their volatility, while negative scores suggest they are relatively tight. More generally, larger deviations from zero would be consistent with spreads moving out of line with volatility, which we might expect to see in more disorderly market conditions or where there is a permanent deterioration of liquidity.

3.47 While there have been some notable deviations from zero, these have been limited and are most evident around the Covid lockdowns, when positive z-scores suggest spreads widened relative to volatility. In more recent quarters, spreads have moved more closely with volatility with the z-score remaining nearer to zero.

Figure 3N – Bid-ask spreads and their z-score for FTSE 350 equities

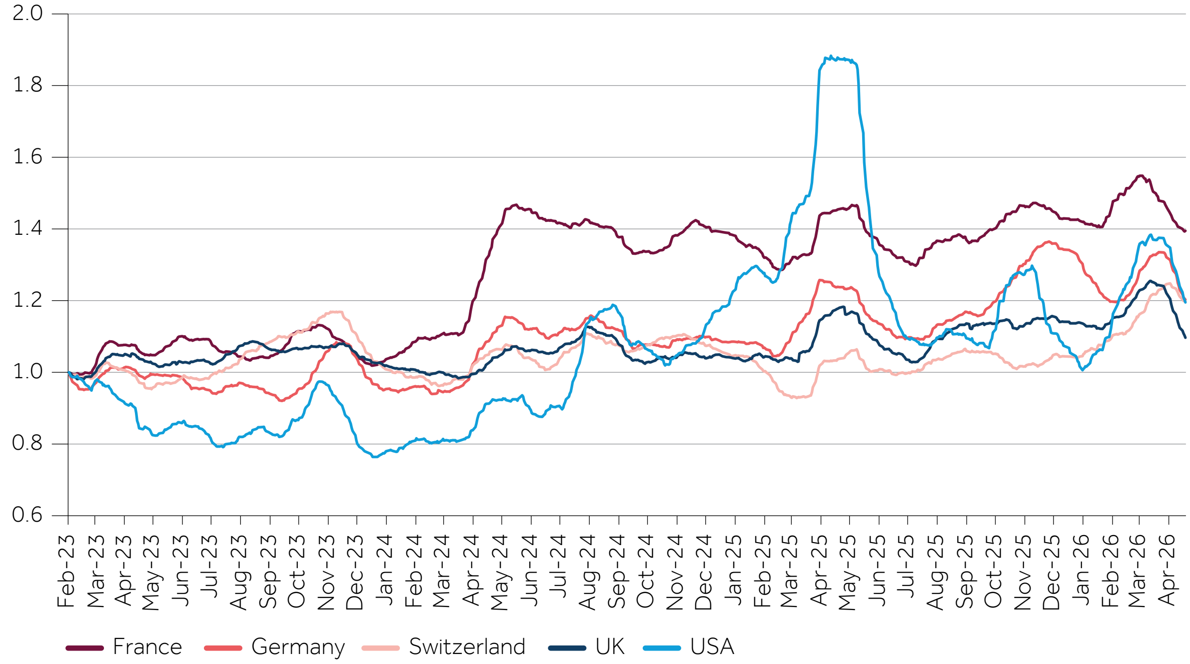


Source: BMLL Technologies, FCA analysis

Data are 30-day moving averages of time-weight average spreads measured in basis points, and their z-scores, in FTSE 350 instruments (weighted by notional) on the LSE.

3.48 The UK is not uniquely experiencing this trend. We note that spreads in other European markets, in which CLOB market share is also declining, have similarly risen, as shown in figure 3O below.

Figure 3O: Changes in bid-ask spreads in selected markets



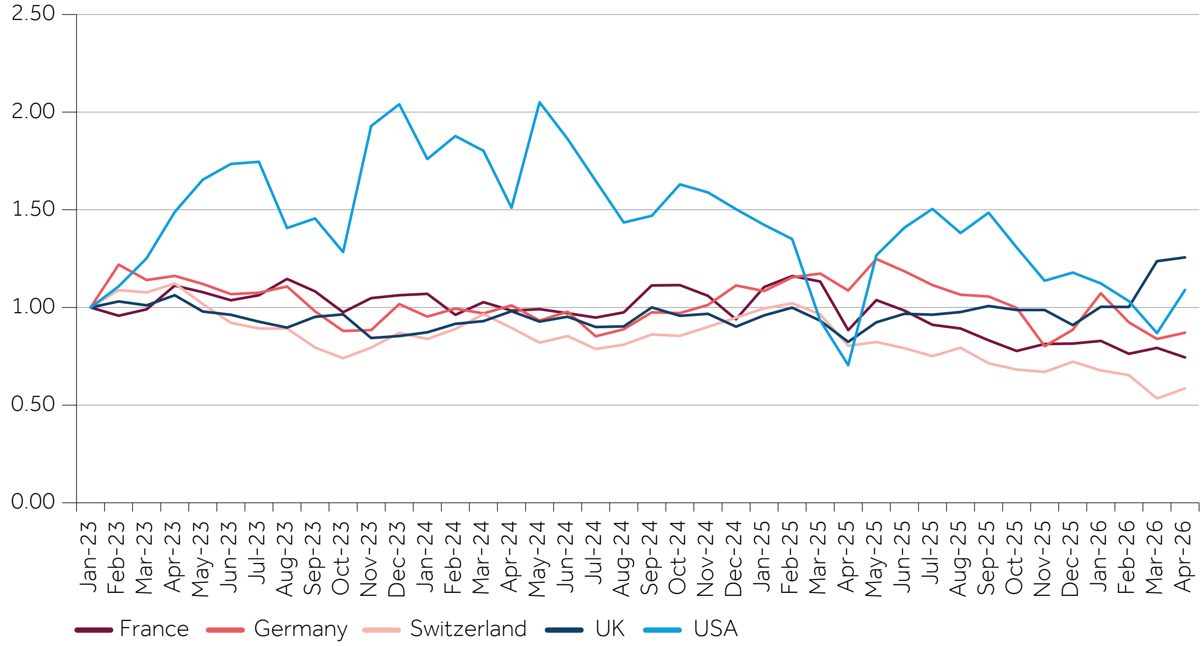
Source: BMLL Technologies, FCA analysis

Note: The data show time-weighted average bid-ask spread measured in basis points, relative to the average time-weighted mid-point price, for the markets on which index constituents are mostly listed (eg the LSE for the UK and Euronext Paris for France). The US metric is an average of spreads on the New York Stock Exchange and Nasdaq.

Time series are 30-day moving averages, normalised to 1 on 13 February 2023 to show the trend movements, for the CAC 40 (France), DAX (Germany), SMI (Switzerland), FTSE 100 (UK), and the Dow Jones Industrial Average (US).

3.49 We note that other aggregate metrics of UK equity markets continue to point to resilience and strength rather than signs of strain. After declining around the Covid-19 lockdowns, quote depth on lit UK markets recovered and has increased more recently. As figure 3P shows, notional amounts within 30 basis points of the best bid or ask have held up well.

Figure 3P: Notional within 30 basis points of best bid and offer in selected markets

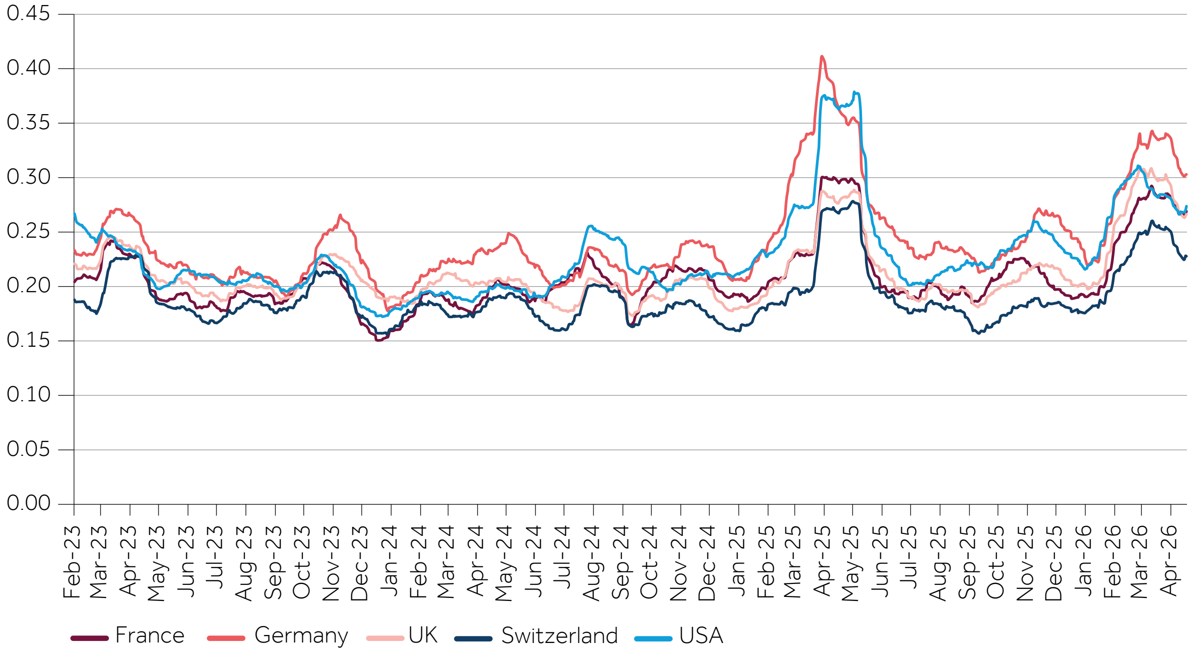


Source: BMLL Technologies, FCA analysis

Note: Time-weighted average notional within 30 basis points of best bid-offer. Data are normalised monthly amounts to 1 in January 2023 for shares in the CAC 40 (France), DAX (Germany), SMI (Switzerland), FTSE 100 (UK), and Dow Jones Industrial Average (US).

3.50 Intraday volatility has generally fluctuated with global events, as shown by similar patterns across markets during periods of significant market stress, such as the recent conflict involving Iran. FTSE 100 intraday volatility has largely moved with that of the CAC 40 and is typically lower than DAX shares.

Figure 3Q: Intraday volatility in selected markets



Source: BMLL Technologies

Volatilities are 30-day moving averages of annualised standard deviations from mid-point log returns. Time series for countries are volatilities measured on Euronext Paris (France), Xetra (Germany), SIX Swiss (Switzerland), the LSE (UK) and an average of NYSE and Nasdaq (US) for ISINs of CAC 40, DAX, SMI, FTSE 100, and Dow Jones Industrial Average respectively.

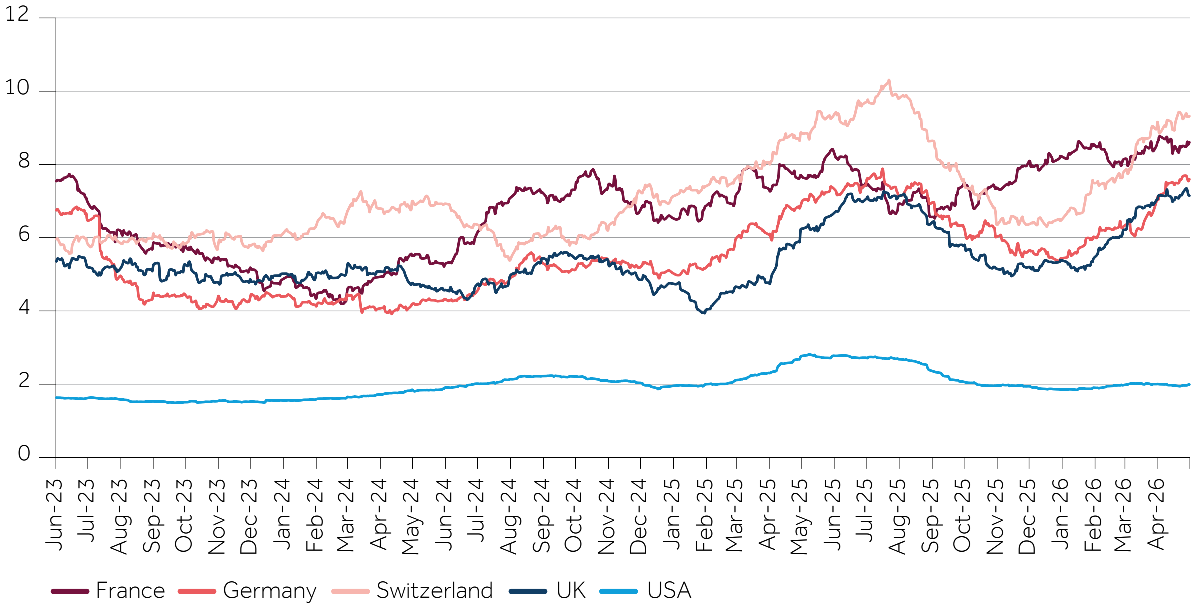
3.51 One question is whether the growing importance of the market close, and the increased use of mechanisms that reference the closing price, could impair market quality by increasing the risk of price dislocation. If a larger share of trading becomes concentrated at the close, this could raise concerns if prices set in the auction become less reliable, more sensitive to temporary order imbalances, or more prone to diverge from surrounding market prices.

3.52 Evidence from academic literature is mixed on the implications for market integrity of the increased use of closing auctions and the growing concentration of liquidity at the close. Some studies in the US and EU suggest prices set in closing auctions may reflect temporary imbalances between demand and supply and may partially reverse thereafter, indicating some inefficiency in price formation. Other research, however, finds that closing prices tend to persist into the following day, suggesting that price formation at the close is broadly efficient.

3.53 Our own internal analysis of closing auctions suggests no clear evidence that closing prices are reversed overnight, nor that a rising share of trading at the close is associated with greater price dislocation.

3.54 A metric of "auction dislocation" – measured as the difference between prices set in the closing auction and the last trading price of the regular trading session – is often lower in the UK than other European equity markets, as shown in figure 3R. This measure has increased over time in some European markets, however, we will continue to monitor developments as market structure evolves.

Figure 3R: Auction dislocation in selected markets (90-day moving average)



Source: BMLL Technologies, FCA analysis

Auction dislocation measures the difference, in basis points, of the last midpoint price of the day in continuous trading, and that set in the closing auction. A larger dislocation suggests a larger price difference set in the different execution mechanisms.

Data are based on equity prices set on Euronext Paris (XPAR – France), Xetra (XETR – Germany), SIX Swiss Exchange (XSWX – Switzerland), LSE (XLON - UK) and the average for a sample of shares on the New York Stock Exchange and Nasdaq (XNYS and XNAS - USA).

3.55 Taken together, the analysis above suggests that UK equity market quality has remained broadly resilient in the context of evolving market structure. While no single metric provides a complete assessment, the evidence does not indicate a deterioration in the overall functioning of the UK equity market. Instead, it points to a market structure that continues to support effective price formation, trading activity and execution quality across a range of execution mechanisms.

3.56 As mentioned above, although the decline in UK CLOB market share has coincided with an increase in bid-ask spreads on UK CLOBs, this relationship is not necessarily causal. And similar upward trends in spreads have also been observed in other European markets. These changes may reflect broader market developments and market volatility rather than a deterioration in UK market functioning. At the same time, consistent with wider academic literature (Gomber et al., 2017; Gomber et al., 2023), competition between execution mechanisms can support innovation, investor choice and a range of trading needs. In some circumstances, they can also contribute to lower trading costs and opportunities for price improvement.

3.57 Other indicators do not point to signs of strain. Depth on lit UK markets and intraday volatility has remained broadly stable outside periods of wider market stress. Periods of uncertainty also appear to be associated with increased activity on CLOBs. This is consistent with their continuing importance to price formation and displayed liquidity when market participants are seeking execution certainty. Overall, these metrics suggest that UK equity markets function well, with the UK CLOB remaining central to price formation alongside a broader range of execution mechanisms supporting different trading needs.

3.58 That said, this evidence is not exhaustive, and some developments may warrant continued attention. In particular, while our analysis does not suggest that greater activity at the close has to date been associated with weaker price formation, recent research indicates that this can, in some cases, contribute to dislocation. Consistent with IOSCO's proposed good practices, we will continue to monitor market developments, including trends in closing auction trading and the growth of closing price-taking mechanisms. This will allow us to assess whether evolving market structure may pose risks to orderly market functioning over time.

Assessment of proposals relating to CLOB trading

3.59 In CP25/20, we sought views on whether the declining share of trading executed through CLOBs, alongside the growth of other execution mechanisms, is affecting, or could in future affect, the effectiveness of price formation in UK equity markets. Responses were mixed.

3.60 Respondents generally acknowledged the importance of lit venues in providing reference prices on which other execution mechanisms, and market participants rely. One respondent noted that FCA research suggests a sufficiently large share of dark trading may have adverse implications for market quality and price formation. Others cited the US, where price formation continues to be strong despite the high-level of liquidity fragmentation between on- and off-venue activity.

3.61 Several respondents said that liquidity on CLOBs is perceived to be 'toxic', ie orders placed there are more exposed to adverse selection from lower latency trading strategies, which increases the cost of trading. They argue that such CLOB flow does not necessarily reflect the full extent of addressable liquidity or support the resilience of the price formation process. Some also told us that this perception is reinforced by the tendency for order flow to be directed towards bilateral mechanisms, including SIs, before being placed on CLOBs. In their view, this can mean that more informed trades are executed bilaterally, further weakening the informational content of activity on CLOBs.

3.62 Some respondents also noted the increasing significance of regular and periodic auctions, as well as trading modalities that reference the closing price, as a factor contributing to the decline in CLOB market share. These mechanisms can support passive investment strategies, facilitate execution at the end-of-day price (in the case of closing auctions) and reduce market impact for large trades.

3.63 Respondents agreed on the importance of ensuring that total addressable liquidity is visible and brought to the attention of market participants. Several noted that the development of an equity CT, particularly one with venue-attributed pre-trade data, could help market participants gain a complete view of liquidity available in UK markets and understand where the best prices are available. One respondent suggested that this could also help reverse the concentration of activity in the primary market closing auction back towards CLOBs.

Potential intervention tools raised by respondents to support CLOB trading

3.64 In CP25/20, we asked whether there were measures that should be taken to support the role of CLOBs. Despite agreement on the important role that CLOBs play in the price formation process, respondents were generally opposed to measures that would steer trading towards a particular execution method.

3.65 Many respondents encouraged us to ensure that appropriate levels of pre- and post-trade transparency are available irrespective of trading mechanism. Respondents noted that bilateral liquidity offered by SIs is not subject to the same level of pre-trade transparency and non-discriminatory access as lit markets and do not bear the same regulatory compliance costs as lit venues. At the same time, some respondents noted that CLOBs are not the only trading modality to offer pre- and post-trade transparency. However, one suggested that it is not straightforward to assess causal effects of growth in bilateral trading on price formation, because off-venue transparency is limited.

3.66 Several respondents also suggested there was insufficient awareness across the market of liquidity outside CLOBs. We heard that there was more to do to help market participants understand total available liquidity. This could be supported by more consistent use of post-trade transparency flags, and, where appropriate, the introduction of additional flags to distinguish between different types of liquidity provision.

3.67 Respondents said that the wide range of innovative trading protocols available has helped reduce overall execution costs for investors. They also noted that bilateral execution and liquidity provision by SIs, which are subject to best execution requirements, have improved investor outcomes, reduced market impact and information leakage, and bolstered competition across trading modalities.

3.68 A few respondents did suggest more direct measures to support CLOB trading. These measures would generally require or incentivise trading on lit order books, or make execution away from them less attractive unless it delivers a demonstratable benefits, such as price improvement. These included requiring or incentivising orders below a certain size (ie standard market size (SMS) or some multiple of it) to be executed on a CLOB unless the order receives price improvement relative to the best bid or offer available on CLOBs. Alternatively, it was suggested that adjustments could be made to SI quoting requirements, including tighter conditions for price improvement or greater transparency around price improvement. Separately, it was suggested that changes could be made to the rules governing the management, handling and prioritisation of orders within trading systems. One respondent argued that this would result in a public quote feed that provides more information to the market.

3.69 One respondent also suggested we consider Canada's 'Trade At' rule, which requires market participants to prioritise execution against public bids/offers before executing bilaterally at the same price, unless size exceptions apply. We heard that a similar restriction could apply in the UK to bilateral trades by RSPs under exchange rules.

3.70 The same respondent also pointed to Australia's requirement for dark trades to execute within the spread, rather than at the publicly displayed bid or offer. They argued that, in the UK, the RPW excludes orders at the bid and offer, while the SI regime (Article 10 in UK MiFID RTS 1 (UK version of Commission Delegated Regulation (EU) 2017/587)) permits execution at publicly quoted bid and offer prices, with price improvement where justified. In their view, this may make bilateral execution more attractive by allowing firms to execute at the touch without contributing to displayed liquidity, potentially supporting migration towards bilateral modalities.

3.71 More than one respondent suggested measures aimed at encouraging retail order flow – much of which is routed through the RSP network and recorded as off-book-on-exchange activity – to be traded on trading venues' order books. We heard that retail orders below SMS (or some multiple of it) could be executed on lit order books. We also received a suggestion to ensure retail investors have access to multilateral order books.

Our response

3.72 We support a regulatory framework that enables competition between trading venues and execution mechanisms where this supports markets working well for their users, including investors, intermediaries and issuers. In our view, competition between alternative trading modalities – such as periodic auctions and dark pools – has spurred innovation, helped to lower the cost of trading and has offered greater choice to investors. We have previously removed the share trading obligation and double volume cap, which we considered to be potential barriers to competition and to firms' ability to deliver best execution for their clients.

3.73 The evidence we collected suggests that UK equity markets remain liquid and resilient. Market data suggests that changes in execution patterns have so far taken place alongside continued market functioning, without undermining the resilience of the market. There's also no clear evidence of deterioration in the availability of addressable liquidity. UK equity markets have remained resilient through periods of higher volatility, with order book depth strengthening, spreads appearing more proportionate when assessed in the context of increased volatility, and greater use of CLOBs during periods of uncertainty.

3.74 At present, we do not see evidence that would justify intervention to limit firms' and investors' choices about how and where to trade, such as introducing order protection rules, minimum order sizes for execution outside CLOBs, or restrictions on execution away from lit order books. Any such intervention would require a high evidential bar, given our broader approach to wholesale markets reform, which seeks to support choice, innovation and competition while maintaining market integrity and efficient execution outcomes. Such measures could also have uncertain consequences for execution quality, competition and costs.

3.75 However, we consider that CLOBs remain central to the price formation process. We take seriously market participants' concerns that, if changes in execution patterns were to weaken price formation on CLOBs over time, this could have an impact on market integrity given the importance of lit reference prices used by other execution mechanisms. Some respondents also suggested that the introduction of an equity CT, designed in the way we have proposed, could place further pressure on CLOBs by driving liquidity away from it. We do not expect the CT to create new risks for CLOBs. However, we recognise that market structure will continue to evolve and consider it prudent to continue monitoring these developments closely. This includes the extent to which changes in execution patterns may over time affect market quality or the resilience of price formation.

3.76 Against this backdrop, we want to adopt a more systematic and evidence-based approach to monitoring these developments. We want to hear from respondents about a possible market monitoring framework as described below.

3.77 We believe that there are broadly 3 pillars to a framework to consider. First, we will make use of internal and external data sources to consider metrics indicative of the broad health of equity markets and price formation. Table 3.2 below outlines a few such metrics but is by no means an exhaustive list. These metrics are intended to inform our overall supervisory and policy assessment of market conditions, rather than to act as formulaic triggers for intervention. Any assessment of stress to market integrity would depend on the interaction of multiple indicators, considered in context, rather than on any single threshold. We will continue to consider, through our industry engagement, what information about this framework and our observations it may be appropriate to communicate.

Table 3.2: Metrics of equity market quality

Metric	Explanation
Absolute (£) and relative (%) value of equity trading by execution mechanism	We will continue to monitor UK equity trades across multilateral execution mechanisms (inc. CLOBs) and bilateral forms of trading to understand where addressable liquidity is being executed and how this changes over time. The share of trading on CLOBs will be an important contextual indicator, given the role CLOBs play in price formation, but we would not treat it as a standalone measure of market success.
Order books spreads	The spread (quoted, effective, realised) is the difference between the best bid and offer available on CLOBs. Tighter spreads suggest more competition amongst liquidity providers and lower execution costs.
Turnover Ratio	This measures how many of an issuer's shares are traded on an average day, as a percentage of the total shares outstanding for that issuer. A higher ratio suggests stocks are traded frequently relative to their size.
Intraday volatility	This measures variation in prices within a trading day. Higher volatility for sustained periods may indicate weaker price discovery.
Order books depth	This is the sum of notional quoted at the best bid and offer prices and other price levels. More notional means there is more liquidity to interact with; less means prices are more susceptible to smaller sized trades.

3.78 We welcome views from respondents on the framework outlined, including which indicators are most relevant and, how emerging risks should be identified. We want to know whether additional metrics or data sources should be considered. We are also interested in views on how this framework should inform any future assessment of whether regulatory intervention may be needed, while retaining appropriate flexibility in how any such assessment is made.

3.79 We will consider how these metrics change over time, and in relation to trends in execution mechanisms. We will also evaluate the UK market alongside international peers, while recognising the importance of accounting for differences in market structure and regulatory differences. Assessing market quality requires consideration of a range of factors, including differences across sectors, stocks with different liquidity characteristics and prevailing market conditions. We will take these factors into account when considering how conditions on CLOBs may impact different parts of the equity market. Our approach will therefore be data-led and judgement-based, retaining flexibility to refine the framework over time and to review and adapt it where appropriate.

3.80 Second, we will regularly engage with market participants to understand better how structural changes and trends in equity trade execution may affect the outcomes for different stakeholders in the market. These discussions will include use of existing communications channels, such as our ongoing market intelligence gathering and meetings of our Secondary Markets Advisory Committee. Collaboration with UK trading venues operating lit order books will also be critical to identify patterns and understand drivers.

3.81 Third, we intend to collaborate with academics on this topic, to help us better understand possible causal effects of fragmentation in equity trading on market quality. We have previously considered the effect of dark order books on price formation in equity markets, but there is less literature concerning the rise of bilateral forms of trading and its implications for equity markets.

3.82 We recognise that monitoring of the market is not an end in itself. An important component of the framework will be to identify when a given combination of potential stress factors amounts to a call for more detailed investigation, or even further intervention. We want to test, through this consultation, whether there are regulatory options that could be viable, if on the face of it unattractive, if future evidence showed material harm to market integrity.

3.83 We are not seeking to identify a specific or preferred tool. Any future intervention would need to respond to a clearly identified harm and its underlying driver, and would require a high evidential bar.

3.84 However, we do want to begin a more strategic conversation about how UK equity markets could evolve, including a range of possible future scenarios. For example, if evidence generated by the market monitoring framework suggested that transparent multilateral markets such as CLOBs were no longer able to lead price formation effectively across market conditions, including periods of heightened volatility, there could be a strategic choice between seeking to steer certain order flow back towards CLOBs or re-examine the framework within which more systemically significant bilateral execution channels operate.

3.85 We recognise that options under either path would be challenging. An approach that steered liquidity to CLOBs would require careful consideration of perceptions of CLOB toxicity and whether these could be mitigated so that investors are not disadvantaged in pursuit of stronger public price formation. The second would require consideration of whether market participants have appropriate access to bilateral execution channels, including through connectivity and market data, and whether those channels contribute sufficiently to transparency and wider market quality. It may also involve a closer examination of price referencing behaviour, including whether alternative markets are becoming the principal reference points for the pricing and valuation of UK equities.

3.86 To frame this conversation, we set out below some observations on some of the options for intervention suggested to us by respondents to CP25/20. We welcome any feedback on these options, together, more broadly, with views at a more conceptual level on the possible intervention paths set out. We emphasise, again, that we have no current intention to deploy such options and our objective is to ensure we are prepared for an unlikely scenario in which further intervention is justified.

3.87 We start by recognising that measures that seek to steer trading towards particular execution mechanisms, or that require execution against public quotes before bilateral execution, may have uncertain effects and impose potentially large costs on firms' execution systems. They also do not necessarily guarantee a strengthening of price formation on lit order books.

3.88 Differences in market structure and regulatory design across jurisdictions may materially affect how trading is distributed between execution mechanisms. For example, features of the US regime, including order protection requirements, as well as differences in transparency rules and the treatment of execution mechanisms across the UK, EU and US, may influence firms' routing behaviour and the relative role of lit order books. International comparisons are therefore informative, but not determinative for the UK.

3.89 International approaches continue to evolve. For example, in June 2026, the Securities and Exchange Commission (SEC) proposed rescinding Rule 611 of Regulation NMS, which contains the trade-through prohibition, and Rule 610(e), which restricts locking and crossing quotations, subject to public consultation. While the outcome of that process remains uncertain, it highlights that the role of order protection-style rules remains under active debate, including in jurisdictions where they have long formed part of the market structure framework.

3.90 The evidence available to us does not suggest that order protection style such rules offer a straightforward or reliable means of strengthening activity on lit order books. This aligns with the fact that the role of such rules remains subject to debate, including in the US. This is consistent with the wider uncertainty, noted above, about the effects of such rules within broader market structure frameworks. Comparative evidence, including the CFA Institute report, suggests that minimum price improvement rules in Canada and Australia reduced dark trading and internalisation, but did not clearly increase the posting of lit liquidity and may have been associated with wider spreads. Academic analysis has similarly found that the Canadian rules substantially reduced dark trading volumes without improving aggregate market quality.

3.91 Any assessment of order protection-style measures in the UK would need to take account of the different market context, the broader dimensions of execution quality, and the potential for implementation complexity and unintended consequences. Research by Z. Ran has suggested that restrictions on dark trading can have unintended consequences, including in periods of market stress. ESMA has also highlighted changes in the distribution of trading across execution mechanisms, including growth in frequent batch auctions alongside developments in the dark trading regime. They also note that further evidence is required to assess the drivers of these trends and any causal relationships.

3.92 More generally, the nature of any appropriate policy response to further decline in CLOB market share may depend on whether this is accompanied by any change in price referencing behaviour in the wider market, such as growth in the use of non-CLOB reference prices for execution purposes.

3.93 Requiring SIs to execute smaller-sized trades only at prices better than those available on CLOBs would implicitly encourage some activity to migrate away from SIs. Some argue that addressable liquidity executed through SIs may deprive CLOBs of liquidity and reduce the informational value of prices formed there. Research by F Aramian and L Nordén suggests that SI trades are generally less informative and have lower price impact than exchange trades. While this does not mean that SI trading makes no contribution to price formation, it suggests that the effect of SI activity on price formation may be less straightforward than this argument implies. We therefore think caution is warranted before pursuing prescriptive changes of this kind.

3.94 Regarding retail flow, we note recent initiatives by CLOB operators to better facilitate retail trading on their lit books. We welcome innovation that gives retail investors greater choice and strengthens competition across retail trading mechanisms.

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?**

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?**

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.**

Chapter 4

Enhancements to post trade transparency and the systematic internaliser regime

4.1 This chapter covers targeted changes to post-trade transparency and the systematic internaliser regime. By strengthening pre- and post-trade transparency, we also aim to support the establishment of an equity CT in UK.

Post-trade transparency

Introduction

4.2 In PS23/4, we introduced a number of changes to improve the content of post-trade transparency in equity markets. Those changes included an expanded list of transactions exempt from post-trade transparency and aligning the definitions of transactions treated as non-price forming in our Handbook. We also removed flags that were not deemed useful and introduced new and more informative ones. We also introduced a new designated reported regime across equities, bonds and derivatives to simply firms' reporting obligations.

4.3 These rules came into force in April 2024. Since implementation, feedback from stakeholders and our observations suggest that the reforms are supporting post-trade transparency while simplifying reporting by firms. Stakeholders have specifically noted that flags such as CLSE are useful in identifying trades that use the closing auction price as a reference, making it easier to distinguish trading activity linked to the close from other types of off-book trading. In 2025, firms made extensive use of the new flags, with more than 10 million trades reported with the BENC flag, accounting for more than 5% of the total notional traded in equities on the FCA's Official List. Trades flagged with PORT or CLSE each represented more than 2% of total notional traded in those equities. This suggests that the new framework is helping to identify and distinguish different categories of trades more clearly in post-trade data.

4.4 Timely, high quality and complete post-trade transparency remains a key feature of efficient equity markets, particularly where trading takes place across different execution mechanisms. In light of the feedback received to CP25/20, we consider that the overall post-trade regime remains appropriate and does not require fundamental changes. However, we are proposing targeted changes in this consultation to complement and strengthen previous reforms.

4.5 In this section, we are proposing to:

a. subject to the necessary legislative changes being made, extend the current exclusion from post-trade transparency for non-price forming OTC transactions to equivalent transactions reported to trading venues;

b. introduce a flag to support an expansion of the use of the RPW, allowing trading venues to integrate dark orders priced at the midpoint within the transparent limit order books they operate; and
c. clarify and strengthen the rules on back-reporting.

4.6 We also set out our response to feedback received on CP25/20 and through subsequent discussions with market participants, although we are not consulting on rule changes in these areas. This relates to:

a. the possible extension of post-trade transparency to transactions in equity swaps and other similar derivatives;
b. issues arising from the reporting of cross-border transactions; and
c. how we intend to support the maintenance of standards of transparency standards over time.

Non-price forming trades executed on trading venues

Analysis and proposals

4.7 In CP25/20, we noted that while 'addressable liquidity' is not defined in regulation, it is commonly understood in the market to mean liquidity with which market participants can potentially interact. Some analyses of UK equity liquidity focus only on on-venue trading volumes, or only on trades executed on primary markets. This means they exclude potentially significant off-venue or bilateral activity. In the context of evolving trading patterns, this may distort perceptions of market depth, liquidity and overall market functioning.

4.8 We sought views on whether existing post-trade transparency requirements provide sufficient clarity regarding activity conducted off-book on-exchange or outside the SI regime. This included asking whether additional identifiers or guidance could improve interpretation of trade reports and analysis of addressable liquidity.

4.9 There are industry initiatives aimed at improving consistency and interpretability of post-trade data, including the FIX Market Model Typology (MMT) standards, FIX Trade Flag Scenarios and work undertaken by the Consolidated Tape Working Group. These initiatives seek to provide a more granular categorisation of trading scenarios where existing regulatory flags may not sufficiently distinguish between different forms of activity. We are supportive of industry-led initiatives of this nature.

4.10 In CP25/20, respondents highlighted concerns regarding non-price forming / technical trades, including activity reported under NPFT (per Article 2(5) of UK MiFID RTS 22 (UK version of Commission Delegated Regulation (EU) 2017/590)), which was noted as accounting for approximately 15% of average daily reported volume.

4.11 Respondents to CP25/20 raised 2 issues. First, they noted that a significant proportion of NPFT reports relate to transactions that were agreed bilaterally but subsequently reported to trading venues in order to access clearing arrangements, including netting and margin efficiencies associated with central clearing. In those cases, respondents argued that the venue is used for post-trade processing rather than price formation. They therefore recommended that, where such transactions are already published during the trading day and are not price-forming, they should be excluded from post-trade transparency when reported to trading venues, in the same way as equivalent transactions executed OTC. Second, respondents sought clearer definitions and guidance on the types of transactions that are listed as NPFT under our rules.

4.12 We recognise that certain transactions, such as technical or administrative trades, including those undertaken for clearing or settlement purposes, do not contribute to observable price discovery. Whilst these trades reflect legitimate market activity, they are not indicative of addressable liquidity and, if included in reporting, may distort measures of displayed market activity.

4.13 Where these transactions are executed OTC, they are already exempt from post-trade transparency. This exemption was introduced because UK MiFID RTS 1 contains an empowerment allowing certain OTC transactions to be excluded from public reporting. No comparable empowerment exists in relation to transactions executed on a trading venue.

4.14 Subject to Treasury legislative changes, we propose to extend existing post-trade reporting exclusion currently applicable to OTC trades (per Article 13 of the UK MiFID RTS 1) to off-book on-exchange trades. This means that the NPFT flag would be redundant as all trades which it currently covers would be exempt from trade reporting.

Question 4: **Do you agree with our proposal to extend existing post-trade reporting exemptions currently applicable to off-venues trades to off-book on-exchange trades and delete the NPFT flag?**

4.15 Based on discussions with market participants, we are aware of some uncertainty about the application of the TNCP flag and how it differs from NPFT. As noted above, we are proposing that the exemption from post-trade reporting for trades listed under Article 13 of UK MiFID RTS 1 when they take place OTC also apply to the same trades when they take place off-book on-exchange. At present, the TNCP flag is used in part because trading venues cannot use the exemption from post-trade transparency for the trades listed in Article 13. We have also previously stated that TNCP should not be used for transactions covered by the BENC, CLSE or PORT flags.

4.16 The TNCP flag is linked to Article 2 of UK MiFID RTS 1, which identifies the types of transactions that do not contribute to the price discovery process. A degree of confusion appears to have arisen because Article 2 was primarily introduced to identify trades exempt from the share trading obligation (STO) and the STO has been revoked in the UK. Despite the revocation of the STO we retained Article 2 for the purposes of the transparency regime because it was linked to the use of the TNCP flag in post-trade reports.

4.17 Following the changes we made in PS23/4, Article 2 contains 3 categories of trades:

- Benchmark and portfolio transactions, which are required to be identified using their dedicated flags, BENC and PORT (benchmark trades based on the closing price are flagged as CLSE)
- Trades (whether conducted OTC or on a trading venue) contingent on the purchase, sale, creation or redemption of a derivative contract or other financial instrument where all the components of the trade are to be executed only as a single lot
- Trades (when conducted on a trading venue) falling within Article 13 of UK MiFID RTS 1.

4.18 The TNCP flag currently only applies to the latter 2 categories of trade. As noted above, we are proposing that Article 13 trades should not be reported when conducted off-book on- exchange. However, there is also a case that contingent trades – those described in the second bullet above – should not be reported. They are technical trades that are not normally included in industry efforts to measure addressable liquidity.

4.19 In light of this, we do not consider that the TNCP flag is likely to serve a meaningful purpose in future. We, therefore, propose to remove the TNCP flag.

Question 5: Do you agree that we should remove the TNCP flag? Are there any meaningful uses for the TNCP flag that we should take into account, in particular is there a case for keeping it to cover contingent trades?

Transactions carried out under the reference price waiver

Introduction

4.20 In CP25/20, we consulted on reforms to the RPW so that it would apply on an order basis rather than to a whole trading system. This was intended to allow trading venues to place dark orders priced at the midpoint within a lit order book. The proposal was designed to provide trading venues with greater choice on the types of orders that they can offer, while maintaining high levels of transparency for their order books.

Feedback received

4.21 Respondents expressed mixed views about our proposal. Those who opposed it raised concern that if orders using the RPW are permitted to execute at the mid-price on the same trading system as lit orders, then market participants may be unable to differentiate between execution of lit and dark orders within the order book. This could result in a loss of transparency. Some of those who opposed the change, suggested the introduction of a distinct flag in order to maintain a clear delineation between execution of dark mid-price orders on lit order books and the execution of the same orders on dark pools. A small number of respondents also noted the existence of dark-to-lit sweep order facilities that already enable a similar outcome as our proposal.

4.22 Respondents who supported the change noted that applying the waiver to individual orders would reduce fragmentation between trading systems and support better price formation by enabling the consolidation of greater liquidity to interact within a single order book. However, these respondents also recommended that the execution of dark orders in lit order books is properly identified.

Analysis and proposals

4.23 We continue to consider that the proposed change would allow a broader set of liquidity to interact in the same liquidity pool, rather than being fragmented across separate, lit and dark, order books. It could also enable trading venues to offer new products and services to clients and to bring innovation to the market.

4.24 We note the feedback that dark-to-lit sweep order facilities may already enable a similar outcome. However, we consider that our proposal would provide a simpler and more direct means of achieving the same outcome.

4.25 We also agree that it is important for trades executed under the proposed reformulated RPW to be capable of clear identification, in order to maintain the integrity of post-trade information. One possible approach would be to enable market participants to identify such trades through a combination of:

- the waiver indicator (that is, the RFPT flag); and
- the use of a segment Market Identifier Code (MIC) code.

4.26 We do not consider that this approach would require the creation of a new flag, although we welcome views on this. We understand, however, that it may also capture transactions executed on hybrid venues that operate both lit and dark books. We would therefore welcome views from market participants on the extent to which this would create any practical issues.

4.27 To date the use of the RFPT flag has been used only for trades where both sides to the transaction are subject to the RPW. This would no longer be the case if our proposal were implemented. We therefore welcome views on whether this would give risk to any difficulties, including whether it would reduce the usefulness of the information currently conveyed by that flag.

4.28 An alternative approach would be to introduce a new flag specifically for dark trades executed on a lit order book.

4.29 Feedback suggests that applying the RPW at order level may give rise to operational and order management complexities that trading venues and their users would need to consider. We recognise that it would ultimately be for trading venues to decide whether to integrate such an order type into their lit order books. Our proposal is intended to permit this where venues consider it appropriate. If implemented, we would monitor operation of the proposal closely and assess whether it gives rise to outcomes that differ from those intended.

Question 6: **Which option for identifying trades taking place under the reformulated reference price waiver do you support?**

Back-reporting of trades

Introduction

4.30 Back-reporting of executed transactions arises in 2 circumstances. Firms may have to publish a transaction that they failed to publish, either in real time or once the deferral time expired or a previously published trade may need to be amended or cancelled because it contains incorrect or incomplete information.

4.31 Transparency requirements on the treatment of cancellations and amendments of executed trades are set out in Article 12 of UK MiFID RTS 1 for equities and in MAR 11.4.5R for bonds and derivatives.

4.32 SUP 15.3 sets out firms' obligations to notify the FCA where relevant matters arise. This may include material errors in trade reporting. Firms can also notify us they identify an issue with their trade reporting requires.

4.33 Our rules currently require firms to report to the public any trade that they have failed to report. However, they do not prescribe how back-reporting should be carried out, for example whether it should be done as soon as possible, including during normal market hours, once the firm is able to back-report them or whether they should be reported outside those hours.

Analyses and proposals

4.34 The reporting of executed transactions is an obligation for investment firms dealing OTC and for trading venues. Failure to report those trades or the reporting of inaccurate information undermines price formation and is a breach of our rules. The new transparency regime for bonds and derivatives and the work to establish CTs, highlight the importance we attach to public reporting. We intend to strengthen our supervisory focus in this area.

4.35 Back-reporting raises a number of issues. A regulatory framework setting the requirements for back-reporting should strike the right balance between ensuring that the market has access to all the relevant information about executed transactions and that the regulatory costs on firms are proportionate to the benefits delivered.

4.36 In other jurisdictions, regulators take differing approaches to back-reporting. In the US, the SEC requires trades made on exchange to be reported immediately and approves exchanges' own rules on trade reporting. These may specify a more precise definition of late trades. For instance, Nasdaq requires all trades to be reported within 90 seconds of completion, and any trade reported after this time is marked as late.

4.37 For OTC trading of equity securities in the US, the Financial Industry Regulatory Authority (FINRA) requires trades executed during market hours to be reported within 10 seconds of execution. Trades marked with a Z modifier are those reported more than 10 seconds after execution. Similarly, the modifier U is used for trades that were executed outside of normal market hours and reported late.

4.38 We have been considering the issue and have identified 3 areas where regulatory intervention could improve outcomes while reducing costs for firms:

a. how far back firms should be expected to back-report;

b. what information should be provided;

c. when, during the trading day, investment firms and trading venues should back-report amended or cancelled trades, and trades that were not previously reported.

4.39 In relation to the first aspect, we considered various approaches, including establishing a set of quantitative and qualitative criteria that would guide firms on whether back-reporting is required. However, we do not think this would be practical and it might increase regulatory costs for both us and firms.

4.40 Instead, we propose to set a maximum back-reporting period of 3 years for transactions subject to post-trade transparency regime, including transactions in equities, bonds and derivatives. That means that firms will not be expected to back-report transactions older than 3 years from the point of execution. This would align with our proposal in CP25/32, Improving the UK transaction reporting regime. While the information content of post-trade transparency quickly diminishes after execution, we think that there is still value in ensuring that firms have a more complete picture of how liquidity in an asset class has evolved over time. This proposal would be without prejudice to the existing record-keeping obligations of investment firms and trading venues, which remain at 5 years.

4.41 We recognise that regulatory regimes change over time, including the scope of the transparency regime and the content and standards to be used to comply with it. As a matter of supervisory practice, we would not expect, within the 3 years look back period, a firm to report any transaction in an instrument that is not in scope of transparency at the point at which the obligation to back-report arises.

4.42 We also recognise that, especially for transactions executed OTC, investment firms rely on the arrangements of APAs to comply with their post-trade transparency obligations. We would not expect them to back-report trades where their APA is not technically capable of accepting the trade for publication because the required content or format of the information has changed over time, whether arising from regulatory changes or from changes in industry standards.

4.43 A second issue is that regulatory changes may result in the introduction of new flags or fields which were not required at the time when the transaction was executed and recorded on firms' systems. We would not expect firms to enrich the data so as to align a trade report with the new reporting standards applicable at the time the trade is back-reported. This is without prejudice to the exclusion from back-reporting where an APA is unable to support back-reporting by a firm as per the previous paragraph.

4.44 The third issue is the timing of back-reporting. Given how quickly information decays in financial markets and considering also our approach to deferrals, we propose that back-reporting should only occur outside normal market hours. The exception would be where the trade relates to a transaction carried out on the same day that the firm identifies the obligation to back-report. This is of particular relevance in scenarios, which we expect to be extremely rare, where a firm needs to back-report a large number of transactions executed over an extended period of time. While post-trade information would enable firms to identify when those trades were executed, we are of the view that it is more prudent for information that is less relevant for the price formation process not to be reported during normal market hours.

Question 7: **Do you agree with our proposal on back-reporting? If not, what would be your preferred approach?**

Public reporting of equity swaps and tokenised equity exposure

4.45 In CP25/20, we discussed trading practices that may lead to underreporting of bilateral activity which could detract from the price formation process and understate the level of addressable liquidity in UK markets. One example is equity swap activity, which may lead to exposures to shares that are not part of post-trade transparency. However, there is a view from some parts of the market that the activity is price forming, reflecting genuine supply and demand at specific prices and volumes. A report from the FIA European Principal Trading Association suggests that there may be addressable equity activity in both the EU and UK markets that is not be reflected in public trade reports.

4.46 In the CP we provided scenarios where the use of derivatives such as equity swaps would result in transactions where there is a transfer of economic interest in a stock, but where no trade report is published. We asked market participants about the relevance of those practices in UK markets, if they resulted in an understatement of the liquidity available in those markets and whether our rules should seek to ensure that they are treated like transactions in the underlying shares.

4.47 Views were mixed on whether the reporting framework should be adapted to capture certain transfers of economic interest (for example, where synthetic exposures are created and hedged without a market-facing transaction in the underlying). Some respondents argued that equivalent economic exposure can have similar implications for price formation and should be treated consistently across execution channels. Others strongly disagreed, arguing that manufactured reporting of internal book transfers would inflate reported activity, increase costs and complexity, and risk reducing the interpretability of the equity CT. They also highlighted potential inconsistencies with transaction reporting where no transaction in the underlying occurs.

4.48 In our view there is a basis for considering whether public reporting should be extended to capture certain transfers of economic interest in shares that are sufficiently equivalent to transactions in the underlying share for transparency purposes. In particular, this may be relevant where an arrangement creates economic exposure at a specific price and size, and is associated with trading activity that contributes to price formation, even where there is no market-facing transaction in the share itself. However, any extension of reporting in this area would raise important legal, policy and operational questions. It is not clear to us based on current feedback that, in practice, rules could be designed with sufficient precision and certainty and avoid unintended consequences, such as duplicative reporting of the execution and hedging of the same substantive transaction. We are seeking views on those issues before considering whether more specific proposals would be appropriate. In particular, we are interested in views on:

- how any such activity should be identified and defined in legal terms, including which instruments or trading scenarios should be in scope;
- what information should be reported to make any such regime meaningful, including whether this would require additional flags, fields or identifiers;
- how any reporting requirement could distinguish between activity that is relevant to price formation and hedging or other activity that should remain out of scope;
- whether the likely transparency benefits of introducing additional reporting requirements would justify the resulting costs and operational complexity.

4.49 For equity swaps, the central question is not whether such instruments are subject to reporting obligations in all circumstances, but whether there are cases where the creation of synthetic economic exposure, together with associated trading activity, is sufficiently equivalent to a transaction in the underlying share that some form of public reporting would be justified. If so, we would need to consider what should be reported, and how any requirement should be calibrated so that it does not capture activity that would not usefully contribute to price formation.

4.50 Extending reporting obligations to certain equity derivative trades would represent a significant expansion in scope for equity trade reporting. In our view, this would only be justified if it were possible to identify with sufficient precision the activity to be captured and articulate why that activity should be regarded as relevant to transparency in the underlying share. We would also need to design a regime that produces information for market participants useful to trading decisions.

4.51 This would involve assessing whether reporting should apply only in specific scenarios, what event should trigger a report, whether reporting should be linked to the creation or modification of exposure, and what data elements would be needed for published information to be interpretable.

4.52 A particular challenge would be how to define any in-scope activity in a way that is legally clear and operationally workable. Equity swaps can take a range of forms, including bespoke structures. Any rules would need to distinguish between activity that may contribute to price formation and activity that is better characterised as hedging or risk management. Similar questions arise as to whether any such framework should focus on swaps that do not give rise to a cash transaction in the underlying share, and how it should treat cases where exposure is created in one jurisdiction but linked to a UK share.

4.53 We would also need to consider carefully how any extension of reporting would interact with the existing transaction reporting and post-trade transparency frameworks, including whether it would require new categories of report, fields or flags to distinguish such activity from ordinary share trading.

4.54 Separately, concern has been expressed to us about how the tokenisation of equities might affect the operation of the transparency regime and efforts to understand liquidity in UK equity markets. Although tokenisation of equities is currently at an early stage, our recent call for input on the future of tokenisation, published jointly with the Bank of England, noted that tokenisation could prove to be one of the most consequential changes to wholesale financial markets for decades. Broadly, tokens linked to shares may take 3 different forms.

4.55 First, there are natively issued tokenised shares, where the token itself constitutes the equity instrument, for example where a share is issued or recorded using distributed ledger technology. These may confer rights similar to traditional shares, such as voting rights, dividends or repayment rights. Second, there are digital receipt models, where a third party immobilises existing shares and issues blockchain-based receipts or tokens that reference those underlying shares. Where such instruments are transferable securities, including depositary receipts, they may already be subject to existing trade reporting requirements. Third, there are tokens providing equity exposure, which track or replicate the value of an equity and provide economic exposure without conferring ownership of, or a direct claim on, the underlying share.

4.56 Depending on their legal and economic characteristics, tokens in the first 2 categories may in some cases be regarded as equities. Where that is so, trading in those instruments may already fall within the scope of the equity trade reporting regime. More generally, our approach to transparency is intended to be technology-neutral, with tokenised instruments treated consistently where they give rise to rights and obligations equivalent, or sufficiently close, to those of a traditionally issued share. By contrast, tokens in the third category are less likely to be regarded as equities. Trading in those instruments would therefore not generally fall within scope of equity trade reporting merely because they reference a share.

4.57 That does not, however, mean that no trade reporting would arise in connection with such activity. In some business models, a person offering a token providing equity exposure may hedge client orders by trading one-for-one in the underlying share. Where those hedging transactions are executed on a UK trading venue, or OTC by a firm subject to the UK trade reporting regime, they will generate trade reports. In other models, however, the provider may hedge only net exposures arising from trading in the token, rather than each order individually.

4.58 In that respect, tokenised instruments providing equity exposure raise a similar issue to that discussed above in relation to equity swaps. Our starting point is the legal and economic substance of the instrument, rather than the technology or ledger on which it is recorded. The central question is not whether equity trade reporting should capture every transfer of economic interest linked to a share through all forms of derivative, synthetic instrument or contractual right. Rather, the question is whether there are particular forms of activity that are sufficiently relevant to price formation, and sufficiently equivalent for transparency purposes to trading in the underlying share, that some extension of public reporting should be considered. This may include tokenised structures that replicate the economic exposure of instruments such as total return swaps or contracts for difference (CFDs), or that confer rights and obligations equivalent to those of a share. We recognise, however, that the current evidence base on the scale of such activity in UK markets is limited. Any future reporting requirements in this area would also need to take account of international practice, as well as the costs and operational implications of introducing UK-specific obligations, including whether they could affect where activity takes place.

4.59 We welcome views on whether there is a case for extending reporting to some tokenised share structures and how different models should be treated. We also want to hear whether any distinctions should be drawn between tokenised shares, digital receipts and other forms of synthetic or fractionalised exposure. In particular, we welcome views on whether a technology-neutral approach should result in tokenised structures being treated consistently with traditionally issued shares or other instruments that provide materially similar rights, obligations or economic exposure.

Question 8: **If public reporting were extended to cover certain equity swap activity, in what circumstances should this apply, and how should any such regime be designed to capture relevant addressable liquidity in a way that is legally clear, operationally workable and useful for market participants?**

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?**

Cross-border duplication

4.60 In the response to CP25/20, respondents highlighted that duplicate reporting of the same activity across jurisdictions can arise where cross-border trading is captured under multiple regulatory regimes. For example, when an overseas investor access UK markets through a chain of intermediaries. They noted that this can increase operational complexity and costs and inflate observed volumes (particularly in off-venue trading data) without necessarily improving transparency outcomes.

4.61 While views differed on solutions, some respondents suggested the use of clearer identifiers to highlight cross-border duplication within the data, while others considered that greater regulatory alignment or equivalence between regimes would be a more effective means of reducing duplication at source.

4.62 We acknowledge that the execution of cross border transactions poses challenges to the consolidation of liquidity for instruments that are traded across multiple jurisdictions, for example between the UK and the other European countries. The importance of supporting firms in forming a complete and precise picture of the available liquidity in shares and other financial instruments is further highlighted by the work, in the UK and the EU, in establishing CTs.

4.63 We are not making any proposals at this stage, but we will continue working with market participants and other overseas regulators to develop workable solutions.

Maintaining high transparency standards

4.64 We have heard from firms that there is a need for greater consistency in how transactions are reported and how transparency flags are applied in practice. This would help them reduce the cost of complying with our rules and make pre- and post-trade transparency more accurate.

4.65 Respondents to CP25/20 highlighted examples where similar transaction types may be reported differently across firms, and where the application of particular flags is not consistently understood. More broadly, stakeholders have called for greater regulatory intervention, to support a more harmonised framework for transaction reporting and post-trade transparency.

4.66 We recognise that maintaining an effective trade reporting and flagging framework requires ongoing attention as market practice, trading models and operational processes evolve. We consider it important to keep under review whether our rules continue to provide sufficient clarity and support consistent application in practice.

4.67 The feedback we have received points to a number of areas where further clarification or practical support may be helpful. These include, for example:

- the reporting of similar trade scenarios using different venue identifiers or trade flags across firms, including bilateral risk facilitation trades being reported as OTC, SI, or Multilateral Trading Facility (MTF) RFQ-to-one trades, and the resulting need for greater clarity on how particular scenarios should be mapped to reporting flags;
- the treatment of non-price forming or technical activity, including the distinction between flags such as NPFT and TNCP;
- the treatment of particular transaction types, such as exchange traded funds (ETF) at net asset value trades, where reporting practice may currently differ, including through the use of the BENC or CLSE flags or, in some cases, no flag at all;
- more technical questions about how the transparency regime operates in practice, including how multiple flags should be used or combined in post-trade reports;

- differences between the UK and EU transparency frameworks in how certain reporting fields are structured or presented, including questions about the treatment of multiple flags within post-trade reports;
- questions relating to types of transactions that are exempted from post-trade transparency, such as intra-group transfers.
- questions relating to the operation of pre-trade transparency waivers, including that trading venue operators are not required to notify us before planning to use a waiver, but should reflect any use of applicable waivers in their own rules.

4.68 Some of these issues are addressed elsewhere in this CP. We refer to them here as examples of the types of practical questions and interpretive issues that may continue to arise as market practice evolves, and that may benefit from further clarification over time.

4.69 Some of these issues may indicate a need to consider future updates to rules or Handbook guidance. Regulatory intervention may take forms other than introducing new rules, such as guidance and other supporting materials. We may also use our convening powers to facilitate conversations on those issues between ourselves and market participants, including their trade associations and industry-led initiatives such as with the FIX Committee. This can bring clarity to our regulatory expectations.

4.70 To support our work, we intend to establish a more regular and structured process of engagement with market participants. This includes periodic roundtables, and targeted follow-up where appropriate, to help identify areas of practical uncertainty and where greater consistency would be beneficial. This will help us to understand better how issues arise in practice and assess what form of intervention, if any, would be most effective.

4.71 We will then consider whether a matter should be addressed through changes to rules or Handbook guidance, in which case we would consult, or whether it could be addressed more effectively through other means, such as Q&A-style material or other supervisory communications. Our aim is to ensure that the framework remains clear, proportionate and capable of evolving alongside market practice.

4.72 We held a roundtable earlier this year following the implementation of the bond and transparency regime in December 2025. We will endeavour to establish more regular and structured engagement going forward.

Equity systematic internaliser regime

The role of systematic internalisers and their quotes in the wider transparency framework

Introduction

4.73 SIs are an established component of the UK equity market structure. The SI regime enables, subject to compliance with certain obligations, investment firms to internalise client order flow and provide liquidity in a bilateral setting outside regulated trading venues. Bilateral trading, both within and outside the SI regime, represents a significant portion of total UK equity trading (as shown in Chapter 3). In the last few years, SI trading has grown and in 2025 it accounted for 18% of total notional traded.

4.74 This growth has been driven by technological developments, such as improvements in direct quote streaming to execution management systems, quote aggregation tools, and more sophisticated risk management by liquidity providers. In turn, this evolution has contributed to a more diversified liquidity landscape, where a meaningful proportion of trading activity takes place outside CLOBs.

4.75 In this context, the role of SIs is particularly relevant to the wider transparency framework, including the design of the CT, as set out in CP26/31. SIs attract significant liquidity and, where their quotes are firm and reflect genuine intentions to deal, they can support price formation. This may be particularly relevant in less liquid instruments, where SI pricing can complement lit market information.

4.76 However, the bilateral and risk-taking nature of SI trading – where quotes are offered to clients rather than market participants at large, on terms that reflect the risks taken by the SI – means that SI contribution to price formation is different to that of trading venues. It is therefore important that the transparency framework reflects differences in transparency obligations, accessibility and risk exposure across execution mechanisms.

4.77 Against this background, in CP25/20 we considered whether the current SI transparency framework continues to provide meaningful information to the market and appropriately supports price formation.

Current framework

4.78 Under the current pre-trade transparency regime (Articles 14 and 15 of UK MiFIR and Articles 9–11 of UK MiFID RTS 1), SIs are required to publish firm quotes on a continuous basis during normal trading hours for transactions up to SMS. SMS represents the average size of certain transactions that are below the Large in Scale threshold which are executed on transparent trading venues. The published quote must be for a size of at least 10% of SMS. For transactions above SMS, SIs are not subject to any pre-trade transparency obligations and there are no restrictions on price improvement on the quotes that they make available to clients.

4.79 SIs' quotes must reflect prevailing market conditions (Article 14(3) of UK MiFIR) and SIs must make those quotes available to clients on an objective and non-discriminatory basis. They may, however, take account of legitimate commercial considerations such as counterparty risk. SIs may also offer price improvement relative to their published quotes, but only in justified cases.

4.80 This means that the published quote is not necessarily the best or only price at which an SI may trade in every individual case. Article 10 of RTS 1 further specifies that quotes reflect prevailing market conditions when they are close in price to those available in an equivalent size on the most relevant market in terms of liquidity (MRMTL).

Feedback

Contribution of SI quotes to price formation

4.81 In CP25/20, we noted differing views among market participants as to whether SI quotes meaningfully contribute to price formation. We therefore sought views on the most informative metrics for assessing the quality and usefulness of SI quotes in contributing to price formation and liquidity assessment. In doing so, we noted that key regulatory parameters include quoted prices, the ability for SIs to improve on them, the minimum quotation size and the thresholds above which price improvement must be justified.

4.82 Respondents suggested a range of metrics for assessing the quality and usefulness of SI quotes. These included quote size, the frequency with which quotes are actually updated in line with market conditions, quote accessibility, and the frequency with which SIs provide price improvement across their client base.

4.83 Respondents broadly recognised that SIs play a meaningful role in liquidity provision and, through their trading activity, contribute to price formation. However, views diverged on whether the quotes that SIs publish provide meaningful price signals.

4.84 Several respondents emphasised that SI trading is bilateral in nature and differs fundamentally from trading on a CLOB, where quotes are available to all market participants. They argued that SI quotes therefore do not contribute to price formation in the same way as venue-based pre-trade transparency. Respondents also noted that SIs commit capital and take on risk when trading, and that published SI quotes are often intended primarily to satisfy regulatory requirements rather than to represent a firm's true liquidity appetite or pricing intentions.

4.85 Many respondents acknowledged that SI activity itself may be price-forming, particularly in larger trade sizes or less liquid instruments involving the transfer of risk. However, many considered that published SI quotes do not materially contribute to price formation because executions very frequently occur at prices which improve upon the published quote. One respondent observed that where trades are executed at the published SI quote, prices frequently align with CLOBs' consolidated best bid and offer prices (CBBO), suggesting that SI quotes often reflect prices formed on trading venues instead of providing additional information.

4.86 Some respondents argued that the flexibility available under the SI regime, including discretion over whether and how much to price improve, may incentivise the concentration of less informed or lower-risk order flow within bilateral trading environments. These respondents considered that this could affect liquidity and execution quality on multilateral venues. Other respondents disagreed, arguing that execution decisions are driven primarily by pricing, transaction costs and the ability to achieve best execution. They said these considerations are particularly important for larger or less liquid trades where transparency obligations may risk adverse market impact.

4.87 Respondents also highlighted broader concerns around the visibility and interpretability of liquidity, particularly where liquidity is technically addressable but not readily observable by market participants. They also noted the distinction between addressable liquidity that is visible to a market participant and the addressable liquidity that the participant chooses to access, for example by connecting to one venue rather than several venues.

4.88 Several respondents therefore suggested that efforts should focus less on recalibrating quote sizes or price improvement conditions and more on improving the quality, consistency and completeness of post-trade transparency.

Price improvement

4.89 As noted in CP25/20, there are differing views on whether the current framework strikes the right balance between transparency, price formation and best execution.

4.90 Some stakeholders questioned whether the conditions governing price improvement are sufficiently clear and effective, particularly where SIs can provide differentiated pricing to certain clients. Others argued that greater flexibility to provide price improvement could support better execution outcomes for investors.

4.91 Accordingly, we sought views on whether the current conditions for price improvement should remain in place, and whether there should be greater clarity on what constitutes a justified reason for price improvement. We also explored whether existing constraints should be removed if they are not delivering meaningful benefits for clients or market quality.

4.92 Respondents broadly supported retaining conditions on price improvement, although views differed on whether further clarification was needed. Some respondents considered that additional prescription could unnecessarily constrain firms' ability to achieve best execution.

4.93 Others argued that the broad ability of SIs to provide price improvement on both public and private quotes, without transparency when such price improvement occurs, means that the nature and contribution of SI liquidity is not fully understood. Some also noted that SIs have greater flexibility to provide price improvement than trading venues operating under the RPW. They suggested that the frequency of price improvement for trades well below SMS indicates that the existing conditions may not operate meaningfully in practice.

4.94 Respondents generally welcomed clarification that SIs are not prevented from publishing tighter quotes within the prevailing market consolidated spread. However, others argued that the current framework may discourage meaningful public quoting where SIs retain broad discretion to improve prices privately.

4.95 Respondents also raised concerns about how SI pricing interacts with reference prices and price improvement. One respondent said requiring SI quotes to remain close to the MRMTL effectively anchors prices to a regulatory benchmark and suggested that a CT may provide a more appropriate reference point.

4.96 Others argued that undisclosed price improvement reduces the informational value of SI transparency, weakens incentives to publish more competitive public quotes, and means SIs are unlikely to publish more tighter public quotes while retaining broad flexibility to provide private price improvement. They suggested prohibiting price improvement after receipt of an order, requiring any price improvement to be made pre-trade transparent or linking SI pricing more directly to prevailing bids and offers on CLOBs used under firms' order execution policies.

Quote sizes

4.97 Our annual transparency calculations show that for 65% of liquid shares (UK and non-UK), the SMS is €10,000. For UK shares, 99% have an SMS of €10,000, meaning the minimum quote size is €1,000. No pre-trade transparency requirements apply to SIs when dealing above SMS.

4.98 We explored whether the current method for setting the minimum quote size appropriately balances the need to protect liquidity while ensuring SI quotes are meaningful and competitive.

4.99 We suggested the option of setting a fixed minimum size that would remove the need for annual SMS calculations and reduce the burden on firms and the FCA. An alternative would be to require SIs to quote in sizes that better reflect the trades they usually execute.

4.100 We also sought views on whether a broader recalibration of the SI quoting framework, similar to the approach adopted in the EU, would be more effective. The EU reforms replace the previous requirement for SIs to quote at least 10% of the SMS with a revised framework with a new minimum quote size of 100% of SMS. EU SIs are now subject to pre-trade transparency requirements up to a threshold of twice SMS.

4.101 Feedback showed limited support for changing the current methodology for determining minimum quote sizes. Most respondents did not consider that the existing framework warranted change, principally because they had not identified a sufficiently clear benefit to justify the operational cost and market impact of reform.

4.102 At the same time, some respondents questioned whether the current thresholds are well aligned with the sizes at which SIs typically trade. A small number supported changes that would increase minimum quote sizes or bring the UK closer to the EU approach.

4.103 Views on the EU reforms were mixed, with some respondents seeing merit in alignment and others cautioning that it is too soon to assess their effects fully, particularly given the broader recalibration of thresholds that accompanied those changes.

SI Analysis

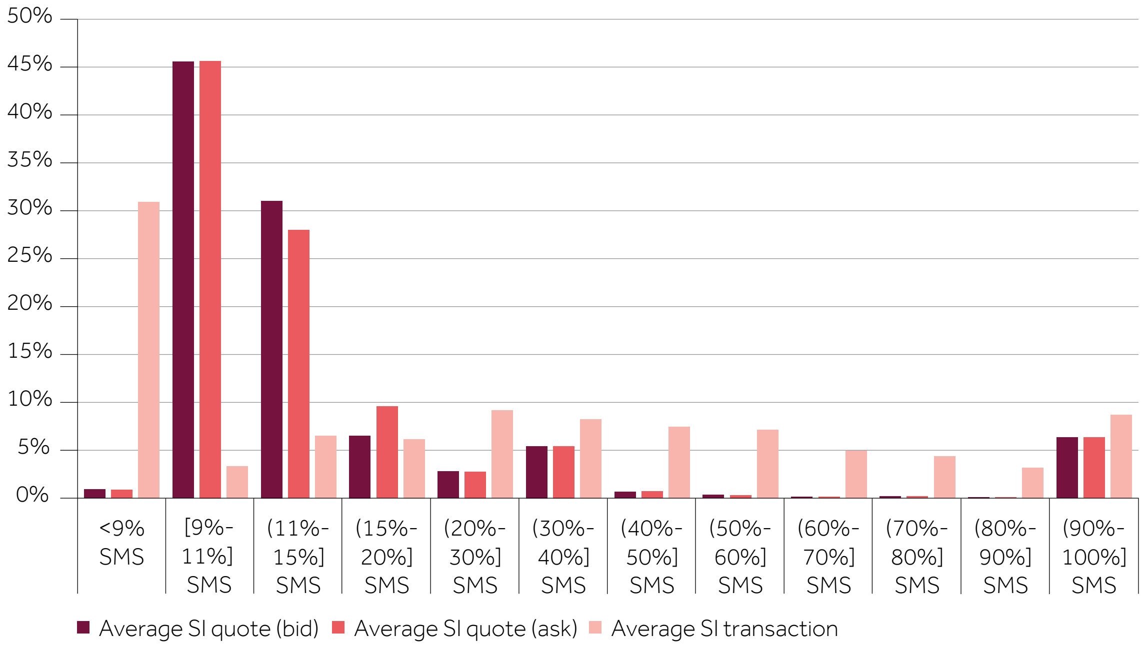
4.104 We agree with market participants that in assessing whether the SI regime is supporting price formation in OTC markets as intended, we should look at the actual behaviour by SIs. In CP25/20, we noted that 11% of SI trading was at or below SMS, based on traded value. Respondents said that an assessment based on the number of trades may show a different distribution, particularly given the skewed nature of SI trade sizes.

4.105 To better understand how the SI regime operates, we combined MiFIR transaction data with quote data (sourced from a commercial provider) to analyse the behaviour of 16 UK SIs in FTSE 350 shares, during Q4 2025.

4.106 The purpose of the analysis is to understand the quoting and trading behaviour of SIs and how it relates to the regulatory requirements that apply to them. We also looked at the outcomes for their users and attempted to gather preliminary evidence about the contribution of SIs to price formation via their quoting behaviour.

4.107 We first looked at the aggregated data (ie across all SIs and shares) on quoted size and execution size. This links to the minimum quotation obligation of 10% of SMS. Figure 4A shows the share of quotes and transactions by size for the average SI in our sample up to and including SMS.

Figure 4A: Average SI quote and transaction by size (up to SMS)



Source: MiFIR transaction reporting, BMLL Technologies, FCA analysis

Note: Quote data show the average SI's quote time at different sizes and the share of transactions executed at different sizes up to and including SMS. Data are for Q4 2025 across a sample of 16 SIs in FTSE 350 ISINs.

4.108 The data suggests that the average SI mostly quotes at the regulatory minimum of 10% of SMS (ie within the narrow range of 9% to 11%): on average, 45% of the quotes are in that size. While SIs quote in slightly larger sizes, they are far less likely to quote in sizes above 15% of SMS.

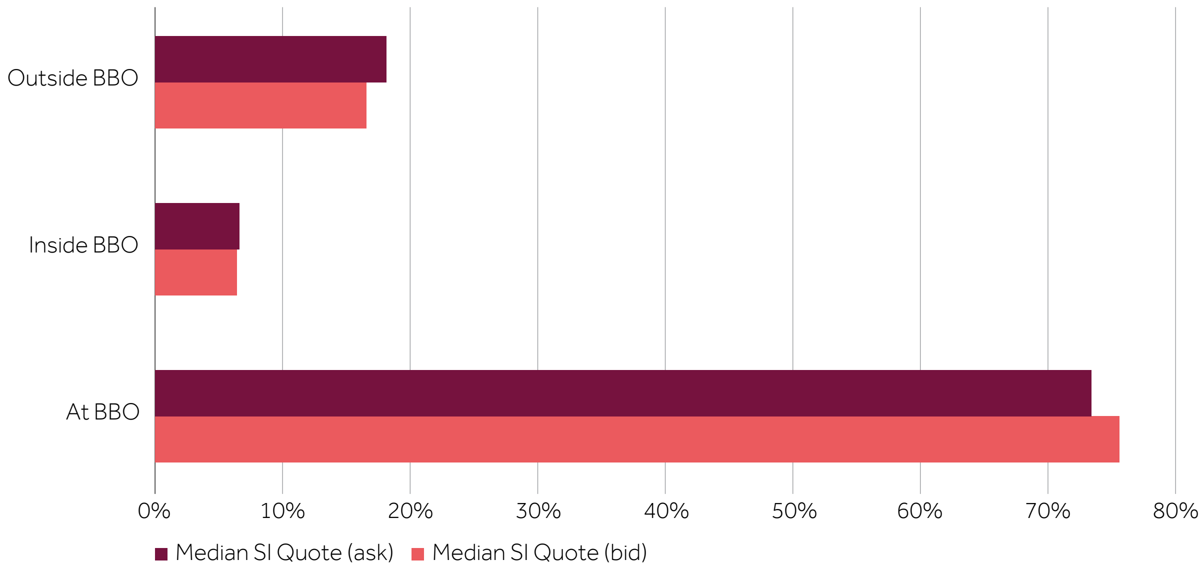
4.109 Considering the actual transaction sizes, the average SI executes a significant number of trades at less than 10% of SMS (approximately 30%). However, the average SI executes more trades above 15% of SMS (approximately 60%) than below (approximately 40%). In practice this suggests that on average, SIs are more likely to execute in sizes that are larger.

4.110 However, averages mask behaviour that is different between SIs. Certain SIs mostly quote in larger sizes than 10% of SMS and others quote at the minimum size while executing most of their trades in larger sizes, often twice as large as the size of their quotes.

4.111 Next, we looked at how SI quotes compare to the market-wide best bid offer (BBO). This relates to the requirement that SI quotes must reflect prevailing market conditions, defined as circumstances in which – at the time of publication – SI quotes are close in price to quotes of equivalent sizes on the most relevant market in terms of liquidity for the instrument concerned. The feedback we received from our consultation and from engagement with market participants is that SI quotes are almost always equivalent to the BBO.

4.112 Figure 4B shows a breakdown of quotes compared to BBO for the median SI in our sample. In line with the feedback, the vast majority of SIs' quotes are at the BBO, with the median SI quoting at BBO about 75% of the time.

Figure 4B: Median SI quotes vs BBO



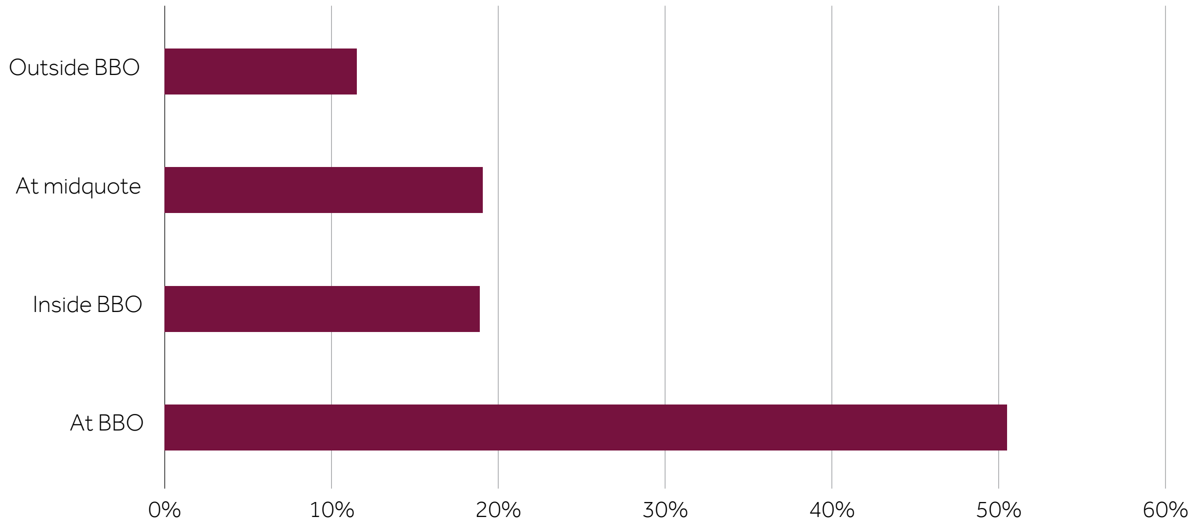
Source: BMLL Technologies, LSEG Datascope, FCA analysis

Note: Data show the time the median SI quote is at, inside or outside BBO. The BBO used here is a consolidated BBO comprised of quotes from the LSE and CBOE. Quote data covers FTSE 350 ISINs up to and including SMS.

4.113 As in the previous analysis, behaviour between SIs can vary notably. Most SIs quote almost 90% of the time at BBO while a small number quote mostly outside the BBO. In previous consultations, we have said the requirement for the quote to reflect prevailing market conditions can be met by quotes that are close, but not necessarily identical, to the BBO.

4.114 Finally, we looked at SI executions and assessed them using 2 different benchmarks. The first benchmark is the BBO, which is a relevant component of the quality of execution that clients are receiving from SIs. We acknowledge however, that the execution price is one of several other metrics by which best execution or execution quality should be assessed. Others include the speed and likelihood of execution and explicit and implicit costs. Our analysis is not capable of identifying all the other metrics that define best execution.

Figure 4C: SI transactions vs BBO



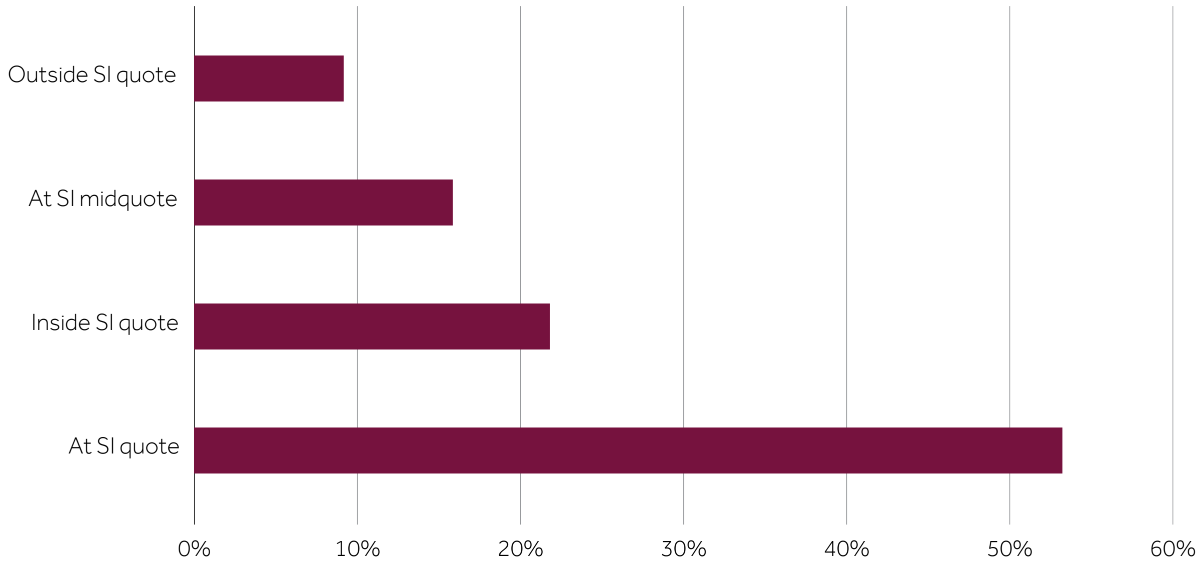
Source: MiFIR transaction reporting, LSEG Datascope, FCA analysis

Note: Data show the share of total SI transactions in FTSE 350 ISINs in Q4 2025, relative to BBO.

4.115 Our analysis in figure 4C shows that over 50% of the transactions are executed at the BBO and close to 40% at a better price, including 20% at the BBO midquote. Only 12% of SI transactions are outside the BBO.

4.116 The second benchmark is an SI's own quotes. Figure 4D shows SI transactions compared to their own publicly quoted prices. This is relevant in relation to an SI's ability to price improve upon their quoted prices. As discussed above, some market participants are of the view that the ability to price improve makes public SI quotes less relevant for price formation because, they suggest, these quotes do not reveal an SI's genuine intentions to trade.

Figure 4D: SI transactions compared to SI quotes



Source: MiFIR transaction reporting, BMLL Technologies, FCA analysis

Note: Data show the share of total SI transactions in FTSE 350 ISINs in Q4 2025, executed relative to their own public quotes.

4.117 Our analysis shows that 53% of SIs' transactions are at the publicly quoted price and 38% are at a better price (either inside or at mid-quote). This, unsurprisingly, largely mirrors the comparison between execution prices and the BBO given the prevalence of SIs who quote at the BBO.

4.118 Like for the other metrics, we saw significant, and even larger, variation in execution behaviour between SIs. We could identify a subset of firms who execute at their quoted price for as much as 80% of the time and others executing at a better price than they quoted (ie price improving upon their quotes) for as much as 60% of the time. If the frequency of price improvement is associated with the information content of a quote, it would appear that some SIs provide a better indication of their genuine intention to trade in terms of price and size while others less so.

4.119 The evidence from SIs quoting and execution behaviour can be summarised along the following lines:

- SIs' quotes mostly concentrate in a small range around the minimum 10% of SMS. Although many transactions are also executed around this size, a sizeable number of orders are executed in larger sizes than the size at which SIs quote.
- SIs predominantly quote at the BBO, with a small number of quotes outside the BBO and an even smaller number within the BBO.
- SIs execute most of their trades at the BBO or better and most of the time they execute at their quoted price.
- There is significant variation between SIs in terms of quotation and execution behaviour. Some SIs provide firm prices that reflect their genuine intention to trade as they execute most of their trades at their quoted price and price improve for only 20% of transactions (excluding transactions executed at the mid).

4.120 In the following sections, we refer to this analysis in informing our views and proposals.

Our response

Publication and visibility of SI quotes

4.121 The SI regime supports public transparency of systematic bilateral trading activity, which is important since it represents a meaningful and growing pool of liquidity. Information about that activity may help clients and other market participants assess price signals across a broader range of execution mechanisms, particularly as SI data becomes more visible through the equity CT.

4.122 Feedback and our analysis suggest that aspects of the current quoting framework may reduce the practical relevance of published SI quotes. It may also encourage quoting behaviour that is more compliance-driven than reflective of genuine trading interest.

4.123 Our analysis indicates that SI quotes can contribute to transparency and price formation, but that this contribution is different between SIs. Quoting and execution behaviour varies materially across firms, with some SIs providing materially tighter quotes than others and that are less reliant on price improvements, suggesting that at least some SI quotes – if contribution is measured by the tightness and firmness of the quotes – contribute more meaningfully to transparency and price formation.

4.124 Our analysis also shows that the vast majority of SI quotes are at, or very close to, the minimum permitted size (10% of SMS, as shown in figure 4A). However, while many SI trades are at 10% of SMS (or smaller), a significant number of trades are larger than that. In particular, for some firms the sizes in which they normally execute is less closely related to the size in which they quote. This is consistent with the anecdotal evidence about quotation behaviour being driven by our rules.

4.125 Taken together, our evidence does not support a root and branch review of the SI regime. However, targeted changes may further strengthen such contribution while also simplifying the regime. This should also increase the market-wide benefits of consolidating SIs quotes in the equity CT.

4.126 The SI transparency regime is not intended to replicate or restrict the range of bespoke bilateral pricing that may arise in individual transactions. We recognise the distinct role of bilateral liquidity within the wider market structure and the need for the regime to support SIs in providing liquidity by taking on risk.

4.127 While it is reasonable to expect that SIs' quotes are at or close to the best bid and offer prices available on lit order books, those quotes should reflect genuine executable interest. They should not, as suggested by some respondents to our consultation, only aimed at satisfying our requitements. In particular, SIs should not routinely publish quotes on which they systematically price improve. Or to quote at the minimum required size if it does not reflect the sizes at which they normally execute trades.

4.128 We intend to maintain SMS as the threshold above which SIs should not be required to make their quotes public. As SMS reflects the size that is regularly traded in the market for a specific share, it provides a reasonable upper limit on the pre-trade risk that a firm should be required to incur through public quotation. However, requiring each individual SI quote to be displayed at a fixed percentage of SMS is arbitrary and does not reflect the evidence on how SIs quote and how they execute clients' orders. As discussed above, the 10% of SMS may also lead to quotation behaviour that is largely driven by compliance with our rules.

4.129 For that reason, we propose a recalibration of the current transparency regime. Our proposal is to realign our requirements more closely to the way SIs deal with clients in practice. Feedback to CP25/20 and our data analysis suggest that our requirements may have anchored the quotes of some SIs to minimum requirements, reducing the information content of their quotes.

4.130 Feedback to CP25/20 raised concerns that the current requirement for SI quotes to reflect prevailing market conditions may in practice encourage firms to default to prices formed on trading venues rather than to publish quotes that reflect their own trading interest. There are differing obligations in respect of public quotes applying to SIs and market makers on trading venues. The latter are subject to the following (as set out in Table 1 of Annex I of UK MiFID RTS 1):

"The quotes made public shall be those that represent binding commitments to buy and sell the financial instruments and which indicate the price and volume of financial instruments in which the registered market makers are prepared to buy or sell."

4.131 An approach under which published SI quotes were required to more clearly indicate the prices and volumes at which an SI is prepared generally to buy and sell would align more closely with the corresponding requirements for on-venue market makers. We recognise that SI obligations would also need to preserve the ability of firms to improve on public quotes where appropriate in order to deliver best execution and manage risk, reflecting the bilateral nature of that activity

4.132 We therefore propose that SIs be subject to an obligation to publish quotes indicating the price and volume at which they are generally prepared to buy and sell the equities in which they are an SI, up to and including SMS.

4.133 This would anchor the public quoting obligation more clearly in genuine executable interest rather than primarily in mechanically derived prices linked to the relevant BBO, while not preventing SIs from offering price improvement where appropriate in order to deliver best execution, subject to the applicable conditions.

4.134 These changes also support the broader approach to transparency and market data discussed in CP26/31, including the treatment of SI information within the equity CT framework.

4.135 The current requirements relating to the minimum quote size and to quotes reflecting prevailing market conditions are set in Article 14(3) of UK MiFIR, with further detail in UK MiFID RTS 1. This means this proposal is subject to both supportive consultation feedback and the Treasury commencing the legislative changes made in the Financial Services and Markets Act 2023. These changes are intended to enable us to transfer these obligations into our rules. They support a revised framework under which SI quotes would be required to indicate the price and volume at which firms are generally prepared to buy and sell up to and including SMS.

Question 10: Do you agree with our proposal to require equity SIs to publish quotes indicating the price and volume at which they are prepared generally to buy and sell up to and including SMS, and to amend aspects of the pricing framework that may encourage more formulaic quotes? If not, what alternative approach would better support meaningful pre-trade transparency?

Transparency and disclosure of SI activity

Transparency and the SINT flag

4.136 Under the current post-trade transparency regime, SIs report trades executed in that capacity using the "SINT" flag, indicating that the trade is subject to SI transparency obligations.

4.137 In practice the SINT flag is frequently used for trades executed above SMS thresholds, where SI pre-trade quoting obligations do not apply and where trades may not have been executed against a published quote. This may reduce the informational value of the SINT flag and risk overstating the contribution of SI activity to price formation.

4.138 We sought views on whether use of the SINT flag should be limited to trades executed below SMS, where SI quoting obligations apply and there is a greater likelihood that execution has occurred against a published quote. This would strengthen the correlation between post-trade transparency information and whether SI activity was subject to pre-trade transparency. We also noted concerns that data vendors may present SI-related data in a way that could distort perceptions of market depth, and sought views on whether this or other factors are affecting perceptions of UK market liquidity.

4.139 Respondents generally did not support limiting use of the SINT flag to trades executed at or below SMS or against a published quote. They considered that SI activity can remain price-forming, and relevant to users of post-trade data, even where trades are executed above the quoting threshold or otherwise outside the scope of the pre-trade quoting obligation.

4.140 Several respondents said that restricting the flag in this way would reduce transparency by moving a substantial volume of activity into more generic OTC reporting categories, making systematic bilateral liquidity harder to detect and interpret.

4.141 Some respondents instead suggested that, if additional granularity is necessary, it should be achieved through a separate flag or similar mechanism rather than by narrowing the scope of SINT.

4.142 Respondents broadly agreed that the way market data is presented can influence perceptions of liquidity. Views differed on whether the main issue lies in vendor presentation, the underlying data inputs, or the absence of a consolidated view of liquidity. Some considered differences in presentation to be a natural outcome of competition and innovation. Others argued that inconsistent terminology and categorisation may contribute to misunderstanding, particularly where market participants rely on incomplete data sets or where local regulatory concepts are not reflected clearly in vendor methodologies.

4.143 Having considered this feedback, we do not propose to limit use of the SINT flag to trades executed at or below SMS. The feedback suggests that doing so could reduce the usefulness of post-trade data by obscuring a meaningful proportion of SI activity.

4.144 More generally, where firms are internalising client order flow and executing trades in a SI capacity, we expect those trades to be identified and reported as SI activity, rather than being presented under more generic OTC categories. This is important to support the consistency and interpretability of transparency data and to ensure that firms undertaking SI activity are appropriately visible as such within the transparency regime.

4.145 We recognise the concerns raised about the current flagging regime and the risk that some uses of SINT may not align neatly with the policy rationale of the SI framework. We will keep this area under review, including whether further clarification on the practical application of the daily reporting regime would be helpful. We will also consider whether future changes to transparency requirements may be needed to improve the interpretability of SI activity without reducing the information available to the market. More broadly, we consider that transparency arrangements should support a clearer understanding of the nature of liquidity available to the market, including when liquidity is genuinely addressable and how bilateral trading contributes to price formation.

Execution quality and disclosure

4.146 In our CP, we asked if greater disclosure of SI's quality of execution and of execution behaviour – such as the frequency and size of price improvements – support better outcomes for clients and more effective competition.

4.147 Some respondents agreed that greater disclosure of SIs' execution quality and execution practices could support better client outcomes and more effective competition.

4.148 Respondents suggested a range of potential approaches. Some drew comparisons with US disclosure regimes such as SEC Rules 605 and 606, suggesting that periodic public reporting of execution activity could improve transparency around where and how liquidity is accessed. In particular, it was suggested that weekly reporting of off-venue execution volumes, identifying the investment firm undertaking execution, could enhance comparability across execution venues and mechanisms. Some respondents suggested that such reporting could be modelled on FINRA's weekly reporting for Alternative Trading Systems and Single Dealer Platforms, potentially subject to a reporting delay to allow firms to manage risk positions.

4.149 Others considered that SIs themselves could publish execution quality reports. These respondents noted that such disclosures could support better understanding of execution outcomes and help clients compare execution quality across firms.

4.150 Some respondents also suggested mandatory public disclosure of SI or off-venue execution policies. These policies could describe order handling arrangements, criteria used to differentiate between client order flow in relation to private quoting arrangements, and how potential conflicts of interest are managed. This includes the degree of separation between on- and off-venue market making activity. It was argued that this could improve transparency over how discretion is exercised and how orders are handled in bilateral execution environments. Some respondents further suggested that disclosure of the use of negotiated trade waivers could improve visibility over circumstances in which trades are executed off-venue and subsequently brought onto an exchange.

4.151 Those opposed to introducing new reporting requirements, noted the removal of MiFID RTS 27 and RTS 28 reporting obligations, and cautioned that expanding disclosure requirements could impose additional operational burden without delivering commensurate improvements in insight into execution quality. One respondent suggested that any such regime should be developed in close consultation with order routing firms to ensure that data fields are meaningful and usable, and that there should be clear expectations for how such data feeds into firms' order execution policies.

4.152 One respondent suggested that further work in this area should focus on the practical accessibility of bilateral and off-venue liquidity. They argued that it would be useful to understand the extent to which market participants take account of off-venue volumes in investment and trading decisions, whether they can identify which part of reported off-venue liquidity is genuinely accessible, and what additional data might be needed to support that assessment. They also suggested that any reconsideration of execution quality reporting should focus on information that would help firms and investors assess the availability of genuine risk-based liquidity and compare execution outcomes across different execution mechanisms.

4.153 We recognise the potential benefits of greater transparency around execution quality and execution practices in bilateral markets. Feedback highlighted a range of possible approaches, including periodic disclosures modelled on regimes in other jurisdictions and publication of execution quality or order handling information by firms active in off-venue execution.

4.154 International approaches are not uniform. In some jurisdictions, specific transparency or order protection rules apply in ways that shape the relationship between displayed and non-displayed liquidity, while in others greater reliance is placed on best execution obligations and market structure features. We also note that similar disclosure requirements have previously existed in the UK and EU through MiFID RTS 27 and RTS 28 reporting. Those requirements were removed following concerns about their complexity and evidence of limited use by market participants.

4.155 In light of this, we are not proposing to introduce a new disclosure regime for SIs at this stage. As noted in PS21/20, changes to UK MiFID's conduct and organisational requirements, disclosure requirements can impose operational burdens without delivering sufficient practical value to users. However, we recognise that well-crafted execution reports may assist firms in evaluating the quality of execution they receive. Any future regime would therefore need to be decision-useful, proportionate and capable of being used effectively by market participants, rather than prescribing disclosures that do not deliver meaningful benefits.

4.156 We also recognise that broader concerns remain about the transparency of bilateral execution and the ability of market participants to assess execution quality across venues and execution mechanisms. However, we are not proposing to introduce new execution quality or order handling disclosure requirements for other bilateral equity execution at this stage. We may consider further work in this area in the future, taking into account market developments and evidence on what information would be most useful, how it would differ from previous reporting regimes, and how it could support better decision-making and competition in a proportionate way.

Application of the SI regime

Scope

4.157 The UK SI regime applies to liquid shares. In our annual transparency calculations, most shares are classified as illiquid, with only 478 of over 12,000 deemed liquid and 325 of those having a UK ISIN out of approximately 1,650. There are also 593 liquid ETFs, and just 7 liquid depositary receipts, certificates, or similar instruments.

4.158 In our consultation, we proposed retaining the SI regime for shares and ETFs and sought views on whether it should continue to apply to the latter instruments, given their limited representation, as well as whether the annual liquidity assessment process could be simplified or improved.

4.159 Feedback broadly supported maintaining the current scope and liquidity framework. However, some respondents suggested allowing firms more flexibility to opt in or out and cautioned against using market capitalisation as a proxy for liquidity. Feedback to CP25/20 did not suggest that the denomination of SMS thresholds is, in itself, a material concern. However, we recognise that retaining euro-denominated thresholds in the UK framework may add complexity. We may therefore consider, as part of any future review of the SMS methodology or the transparency regime, whether expressing those thresholds in pound sterling would provide a clearer and more proportionate basis for the regime.

4.160 In light of this feedback, we intend to maintain the current scope of the SI regime and the existing liquidity framework.

Bilateral systems and quote aggregation

4.161 We also sought views on whether certain activities in the bilateral liquidity landscape, including those facilitated by quote aggregators, should be examined more closely, what risks they may pose, and whether aspects of the current regulatory framework materially influence firms' decisions to execute trades bilaterally outside the SI regime.

4.162 Respondents broadly supported the principle that equivalent trading activity should be subject to the same regulatory treatment, particularly in relation to transparency, best execution and capital requirements.

4.163 Several respondents said that bilateral quote aggregators may, in some cases, perform functions similar to RFQ systems or other multilateral trading arrangements and should therefore warrant closer consideration. These respondents argued that where systems enable trading interests to interact in a way that is effectively multilateral, akin to the operation of a trading venue, this may create an uneven playing field and increase the scope for regulatory arbitrage.

4.164 Views were mixed, however, on whether these concerns require changes to the trading venue perimeter. Some respondents considered that existing regulatory and supervisory tools, including the guidance in PS23/11: Guidance on the trading venue perimeter, are sufficient to assess whether a system should be treated as multilateral and to distinguish between trading systems and communication tools. Others said that technological developments have primarily increased the efficiency of bilateral execution rather than fundamentally changed its nature.

4.165 These responses illustrate the challenges in distinguishing communication systems and networks that support the search of liquidity and bilateral execution from systems that bring together multiple third-party trading interests in a multilateral manner.

4.166 Respondents also highlighted concerns about the ability to assess execution quality at a granular level, including where post-trade data does not clearly identify the execution venue or execution mechanism. Some respondents suggested that clearer information on how trades are executed could help users distinguish between SI executions and other forms of bilateral or off-venue activity. This includes OTC transactions, benchmark trades such as guaranteed VWAP or close baskets, trades facilitated through quote aggregation systems, and SI trades negotiated bilaterally and subsequently brought on exchange for clearing. They argued that more consistent use of existing identifiers and flags could help reduce inconsistencies in the classification of off-book on-exchange trades and improve the quality and interpretability of post-trade data, including for use in consolidated market data.

4.167 As set out in our existing guidance, the regulatory treatment of a system depends on its specific characteristics and operation in practice, including whether it involves the bringing together of multiple third-party buying and selling interests.

4.168 One respondent also suggested that recent technological developments warrant closer consideration of how bilateral activity is organised and executed in practice. In particular, they argued that it would be useful to examine how SI models have evolved, how bilateral liquidity is provided at different points in the trading day, including at the close, and whether the distinction between bilateral and multilateral systems has become less clear in certain technology-enabled execution arrangements. They suggested that this may be particularly relevant where systems route or aggregate liquidity across multiple execution venues and liquidity providers, and where the way orders are processed or risk is managed may affect whether activity remains properly characterised as bilateral.

4.169 While we agree that well-calibrated and granular post-trade information improves market participants' understanding of the size and nature of liquidity, we have not received specific proposals that can be factored into future regulatory changes. We will maintain this under review as part of our commitment to strengthen trade reporting and engage with market participants on the quality and timeliness of the post-trade transparency regime.

Our expectations of SI risk-facing activity

4.170 We expect SIs to undertake genuine risk-facing activity when executing client orders outside a trading venue. The regime is designed to regulate firms that internalise client orders by dealing on own account. Consistent with this, SIs should not structure their arrangements to avoid the assumption of market risk or replicate trading venue functionality.

4.171 Arrangements that do not involve the assumption of market risk – for example, accepting resting orders within an SI pending a matching transaction – are not consistent with the intended operation of the SI regime. They may, depending on the circumstances, be functionally comparable to a trading venue if they result in the bringing together of multiple third-party trading interests.

4.172 In practice, an SI may incidentally execute a client order on its own account without ultimately assuming market risk, for example where a hedge is already available or where the SI facilitates on a riskless principal basis a transfer of economic interest in the instrument between clients. This may occur in the context of otherwise legitimate risk-taking activity.

4.173 In these circumstances, a distinction arises between activity where the firm is assuming market risk as principal and activity that is closer to a riskless intermediary function. We removed the previous ban on matched principal trading by appropriately permissioned investment firms operating an MTF. This means there is now a regulatory framework within which it is possible for an investment firm to operate a multilateral system for the ongoing execution of riskless principal trades. Matched principal trading can be conducted by firms permitted to do that type of business. This is consistent with the principle that the SI regime is not intended to accommodate systems designed to match client orders or arrangements structured to avoid the assumption of market risk.

4.174 Against this background, views in response to CP25/20 were mixed on whether SI trades should indicate whether the firm was acting in a risk-facing capacity.

4.175 Some respondents argued that greater granularity in post-trade reporting could help distinguish between different types of SI activity, including genuine bilateral risk provision or trades executed in response to a quoted price, as opposed to other forms of activity. In their view, this could improve transparency and support future policy and supervisory analysis.

4.176 Other respondents cautioned that introducing additional flags could increase operational complexity and implementation costs, create risks of inconsistent reporting, and potentially disclose commercially sensitive information that could adversely affect liquidity provision.

4.177 Having considered this feedback, we are not proposing changes to trade reporting requirements at this stage. However, we expect SIs to consider whether their arrangements are consistent with the intended operation of the SI regime, including whether they involve genuine risk-facing activity rather than arrangements that replicate trading venue functionality and that are designed to avoid the assumption of market risk.

4.178 We will continue to monitor developments in this area through our supervisory engagement and ongoing assessment of SI market practices. As part of this we might consider how firms operate their SI arrangements in practice and, subject to that, whether further regulatory or supervisory action may be appropriate in future.

Chapter 5

Responses to other feedback

5.1 In CP25/20, we also invited views on whether there were other aspects of equity market structure or transparency that respondents considered would benefit from closer monitoring, regulatory intervention, or wider structural reform. Respondents raised a small number of additional issues, including the execution of share buybacks, the treatment of smaller and less liquid companies, and the potential implications of longer trading hours and more automated primary market processes.

Market making requirements

Introduction

5.2 UK MiFID RTS 8 (UK version of Commission delegated regulation (EU) 2017/578) requires certain algorithmic trading firms pursuing a market making strategy on a trading venue, including those doing so for at least 50% of trading hours, to enter into a market making agreement with that venue. This is subject to specified obligations relating to the provision of firm two-way quotes and participation in trading activity.

5.3 Firms that do not meet this threshold are not required to enter into such agreements. However, they must still monitor their trading activity against the threshold on an ongoing basis, which imposes operational and compliance costs.

5.4 As part of the WMR, Treasury consulted on whether this obligation should be removed. Most respondents supported removal of the requirement, and Treasury subsequently indicated its intention to proceed with this approach.

5.5 However, a small number of stakeholders said that the existing framework provides useful oversight of liquidity provision and market making activity. Some suggested that, rather than removing the requirement, it could be amended to increase flexibility, for example, by allowing more tailored arrangements such as asymmetric quote sizes when providing liquidity.

5.6 Some respondents to CP25/20 suggested repealing UK MiFID RTS 8 on market making agreements and schemes. They noted that given the size and sophistication of UK equity trading venues, and venue-operated liquidity provider incentive schemes are generally more effective than formal market making schemes. Respondents also noted that UK MiFID RTS 8 imposes operational obligations that they considered burdensome and which, in their view, do not contribute meaningfully to the predictability or consistency of liquidity provision.

Analyses and proposals

5.7 Taking account of the feedback received, we are minded to proceed with Treasury's intention to remove the requirement for algorithmic trading firms pursuing market making strategies to enter into market making agreements with trading venues.

5.8 We recognise the views that the requirement provides a degree of structure around market making activity. However, we consider that its practical benefits are limited in the context of today's more competitive and automated trading environment. Market making activity is already primarily driven by firms' commercial incentives and venue-level arrangements, and we do not consider that the additional obligation materially enhances liquidity provision or market quality in practice. We are also of the view that since UK MiFID RTS 8 provides exemptions from the obligation to provide liquidity in situations of extreme volatility or disorderly trading conditions, market making requirements are not necessarily effective in stressed market circumstances.

5.9 By contrast, the requirement imposes ongoing monitoring, administrative, and compliance costs on firms and trading venues, even where firms are not active market makers for the majority of trading hours. We consider these costs to be disproportionate to the incremental benefits of the regime. In addition, the requirement may act as a barrier to entry or expansion for firms that might otherwise provide liquidity on a more flexible basis.

5.10 Removing the requirement is therefore expected to reduce unnecessary operational burden, increase flexibility in liquidity provision, and support more dynamic participation in UK equity markets without negatively impacting market integrity. It should also enhance the UK's international competitiveness by aligning more closely with jurisdictions where such prescriptive market making agreement requirements do not exist.

5.11 The UK MiFID RTS 8 contains two core elements:

- the obligation and format for algorithmic trading firms to enter into market making agreements; and
- the obligation for trading venues to have market making schemes with relevant algorithmic trading firms.

5.12 We consider that trading venues already have strong incentives to maintain appropriate liquidity provision arrangements, including where market making schemes are beneficial. We therefore do not consider it necessary to retain UK MiFID RTS 8 requirements on trading venues, as these do not appear to provide additional material benefit.

5.13 On that basis, we are proposing to revoke UK MiFID RTS 8 in its entirety, removing both its requirements on algorithmic trading firms to enter into market making agreements and the related obligations on trading venues.

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?

Share buybacks

Feedback

5.14 A buyback (or share repurchase) is a corporate action where a company buys its own outstanding shares from investors in the market.

5.15 One respondent to our consultation noted that current market practice and the interaction of trading rules with the UK market abuse regime may in practice confine share buybacks to the lit continuous order book, with trading in the closing auction not permitted. They argued that, while trading in dark pools is not explicitly prohibited under the UK MAR buy-back regime, the conditions attached to the Article 5 safe harbour may in practice discourage or constrain such activity. The respondent suggested that greater flexibility in the execution of share buybacks could reduce costs and execution risks and allow issuers to access liquidity in trading mechanisms more commonly used by institutional investors.

Our response

5.16 We published a multi-firm review of share buybacks in UK listed equities in August 2025 which did not find any material concerns about the outcome's banks delivered when structuring, marketing, and executing share buybacks. However, some banks, issuers, and investor representatives identified features from UK Listing Rules and UK MAR buy-back regime which could weaken the efficiency of an issuer's buyback programme. These included pre and post trade disclosure requirements, restrictions on buybacks being traded on trading venues and limits on the level of trading venues' activity on trading venues which reduce the liquidity and pricing available for buybacks.

5.17 We changed the UK Listing Rules 9.6.6 in February 2026 to reduce the frequency of the disclosure of buybacks to 7 working days to align with the UK MAR buy-back regime after consulting in CP25/24 in September 2026.

5.18 We note that UK MAR buy-back regime is an optional regime which provides issuers and firms with a safe harbour from the UK MAR market abuse prohibitions if the buyback is disclosed and executed in a certain way which minimises the risks of insider dealing and market manipulation. UK MAR makes clear that issuers and firms can chose to not apply the regime if they chose to execute their buybacks in another way which in itself would not be deemed to constitute market abuse.

5.19 However, we acknowledge that that the regime does limit where share buybacks could be undertaken within a safe harbour and this could impact on how efficiently that issuers and firms can execute share buybacks. We will consider the feedback we have received with the aim of reducing the burden on firms and removing requirements that may disproportionately affect issuers undertaking share buybacks.

Smaller companies and liquidity

Feedback

5.20 The Woodford Equity Income Fund was an open-ended retail investment fund that invested in a range of listed and unlisted companies, including less liquid assets. In June 2019, the fund suspended dealing after it was unable to meet redemption requests, and was later wound up, raising wider concerns about liquidity management in open-ended funds.

5.21 One respondent argued that regulatory and supervisory developments following the collapse of the Woodford Equity Income Fund in 2019 had contributed to a more cautious approach within the asset management industry towards investments in smaller and less liquid listed companies. In particular, they suggested that subsequent FCA communications and reviews on liquidity management had been interpreted in a way that encouraged firms to move up the market capitalisation scale and reduce exposure to smaller listed companies. The respondent suggested that, as the FCA reviews and simplifies historical firm communications, it should consider clarifying the status of earlier communications in this area and providing updated guidance or commentary in a future market report.

Our response

5.22 As set out in CP25/38 Enhancing fund liquidity, we recognise the importance of supporting capital markets by enabling authorised funds to invest in a wide range of assets, including small-cap securities. In that CP we acknowledged that we had some feedback that some firms have taken previous communications to be an instruction to not invest in assets which could be more likely to have limited liquidity, for example small and micro-cap equities. This is not the case, but our rules do require authorised fund managers (AFMs) to take a holistic view of liquidity within a fund, and the size of investments relative to available liquidity. The proposals in CP25/38 were designed to align with this aim and support UK capital markets by enabling responsible investment in new and smaller companies, as long as the AFM manages any associated liquidity risks. In CP25/38 we proposed bringing together all the core messages we have communicated to industry on liquidity risk management in recent years into new consolidated Handbook guidance.

24-hour trading and primary market processes

Feedback

5.23 One respondent noted concerns with the market moving to 24-hour trading, stating that there is already too little liquidity and there is a risk of further dilution. The same respondent said they would welcome the FCA's support for the electronification of IPO and placing processes to reduce operational risk related to errors and misinterpretations of order transmission, reducing the need to amend orders before it reaches the syndicate book, enabling investors to be aware of their actual commitments or exposure. Electronification could also provide traders with the additional time to pursue additional return opportunities in UK markets. To that end, they recommend ensuring that ISINs and MICs are provided when a new issue is announced. They argue that this will enable all global market participants to uniquely identify new securities and financial instruments and identify stock markets and other exchanges to be used in global trading and referencing computer systems.

Our response

5.24 Responsibility for decisions on the trading hours of trading venues rests with the trading venues themselves. Our role is to ensure that whatever their hours of operation, trading venues can fulfil their regulatory obligations on an ongoing basis. Some UK trading venues already operate longer hours during the working week. Those trading venues who currently operate based on more traditional hours will want to consider the wider ramifications of any possible decision to significantly extend their trading hours. That includes the impact of extended trading hours on how their market functions including the impact on liquidity through the extended trading day.

5.25 The issue of trading hours has also been raised in the context of a CT. In CP25/31 and the CP26/31, there is a consultation on the operating hours of the consolidated tape provider linked to the issue of extended trading hours.

5.26 In respect of the comments on primary markets, we recognise the potential benefits of greater standardisation and automation in reducing operational risk and supporting efficient communication between market participants. These matters are primarily for issuers, advisers, trading venues and market participants to consider as part of their issuance and operational arrangements.

Bond and derivatives transparency

5.27 Since the new regime for bonds and derivatives transparency took effect at the start of December 2025 we have had some feedback from market participants on its operation. It is our intention that we will consider this feedback as part of the post-implementation review of the new regime that we promised to undertake this year.

5.28 There are 4 main concerns that have been raised with us so far. These are:

- **Flags.** We introduced a new flag, PORT, to capture portfolio trades in bonds where trades in a basket of 5 or more bonds which are traded by a single client at the same time against a specific reference price. This flag is being used for relatively few transactions. In the 2 weeks starting 22 June, data from the bond CT show that only 0.9% of individual bond trades were reported with this flag. This seems to be at least in part because market participants judge that many such trades can also meet the definition of a package transaction and therefore report them using the TPAC flag. In the 2 weeks starting 22 June, data from the bond CT show that 6.8% of individual bond trades were reported with this flag (although not all will relate to packages that only include trades in bonds). This raises a question whether there should be less overlap between portfolio trades and package transactions to provide a clearer view of the nature of bond trading.
- **Alignment across reporting regimes.** In CP25/32 we consulted on aligning the concept of a complex trade to the definition of a package transaction under EMIR to simplify reporting of such transactions under the two separate regimes. Responses to CP25/32 were concerned that, the benefit for firms of alignment between transaction reporting and EMIR on package/complex trades would be limited if a separate definition of a package continued to apply for trade reporting purposes. We recognise that greater alignment across regimes could offer operational benefits. However, we want to consider if a change to the definition of a package trade would impact on real time transparency and its relation to the issue above concerning the PORT and TPAC flags
- **Package trades.** We have been asked how to apply the deferral rules for package transactions where a package transaction includes a mix of bonds and derivatives and/or a mix of Category 1 and Category 2 instruments. For such packages, there may be uncertainty as to how the longest deferral available for one component should be applied across all transactions in the package. We are considering how best to provide greater clarity in this area.
- **Category 2 instruments.** In respect of Category 2 instruments, the deferral regime is set by each trading venue working within an overarching framework set out in our rules. Some concern has been expressed that this has led to the same instruments being subject to different transparency regimes across different trading venues.

Chapter 6

Enhancements to market functioning and resilience

Market outages

Introduction

6.1 Market outages disrupt orderly trading, impair price formation and reduce confidence in UK markets. As trading infrastructure becomes increasingly complex and interconnected, the operational and market risks associated with outages have grown.

6.2 We discussed the impact of trading venue outages on UK equity markets in CP22/12. We said that when a primary market experiences an outage, it affects price formation and liquidity to the whole market, notwithstanding alternative venues are in principle able to continue to operate.

6.3 In PS21/3 Building operational resilience, we set the final rules and guidance to strengthen operational resilience across financial services. These rules apply to a range of financial services firms, including RIEs. The rules include a section (SYSC 15A.8) on expected communication standards during operational disruptions. While these rules and guidance provide an overall framework for improving communications, they do not address, because of their broad application, specific issues linked to trading venue outages and market-wide resilience. In March 2027, PS26/2 Operational incident and third-party reporting rules will come into effect. This policy defines operational incidents and the thresholds for reporting them, changing the way trading venues will report market outages to us.

6.4 Under the WMR and in CP22/12, we said that we would consider guidance on how market outages could support the resiliency of UK markets. In the associated policy statement, we said we would establish a subcommittee of our Secondary Markets Advisory Committee to develop good practices for trading venues and investment firms on market outages. We also said we would consider whether confirming industry guidance would be appropriate.

6.5 Having considered that work, we have decided not to pursue the approach based on confirming developed industry guidance. Feedback from market participants indicated strong preference for rules or guidance to be set out in our Handbook. This provides greater transparency and certainty to firms.

6.6 In this CP we propose Handbook guidance, informed by the subcommittee's work, our own analysis, previous consultations and international developments. The guidance is intended to sit within the wider legal and supervisory framework applicable to trading venues.

6.7 Our proposals in this chapter are aimed at mitigating the market wide impact of an outage when it occurs, rather than reducing the likelihood of an outage occurring at a specific trading venue in the first place. They recognise the benefits of ensuring that outages are handled in a transparent and predictable way, while enabling enough flexibility for venues to determine the appropriate response for the facts of each case.

Background

6.8 Market outages arise where the provision of essential trading services – such as order processing (entry, matching and execution) or quote and/or trade publication – become unavailable to some or all users due to technical or operational issues.

6.9 Outages may be caused by a number of issues. For example, as a consequence of software defects or deployment errors or from connectivity and hardware failures. During times of peak activity, the capacity constraints of trading systems may be affected. Cyber incidents or failures of third-party service providers may also affect the orderly operation of a trading system.

6.10 Outages may be total (complete suspension of trading) or partial (degraded functionality or disruption affecting certain instruments or participants). A market outage has several consequences, especially when it has market-wide effects. The main one is that it interrupts the price discovery process on the affected trading venue and often across the whole market. Public transparency is also impaired which results in information asymmetries between participants. Depending on when the outage occurs, it affects benchmark and index calculation and impairs the ability of firms to hedge or manage risk. Outages often have spillover effects across interconnected markets, which may further undermine investor confidence.

6.11 When outages occur during periods of volatility, the impact may be amplified. Recent international work suggests that, while trading venue outages are relatively rare, their impact can be significant. In its final report on market outages, IOSCO identified 42 outages on listing trading venues globally between 2018 and 2022. They note that outages can impair price discovery, disrupt trading and reduce market resilience, particularly where they affect a listing venue and where liquidity does not migrate smoothly to alternative venues.

6.12 IOSCO's report sets out good practices on trading venues' outage plans, communication plans, reopening of trading, closing auctions and closing prices, and post-outage reviews. These good practices have informed the development of our proposed guidance.

6.13 We have also considered ESMA's work in this area. In 2023, ESMA set out its expectations on communication protocols, reopening of trading, and arrangements for closing auctions and official closing prices. ESMA's more recent work on European equity market structure also highlights the increasing importance of closing auctions and other non-continuous trading mechanisms, reinforcing the importance of strong arrangements in the event of market outages at particular times of the day.

The work of the FCA advisory committee

6.14 In 2023, we established a subcommittee within our Secondary Markets Advisory Committee to focus on identifying practices aimed at reducing the market-wide impact of an outage when it occurs. The subcommittee used three key principles to guide their discussions.

- Proportionality: the good practices should be proportionate, minimising complexity and cost, as outages are relatively rare events and complex or expensive solutions are much less likely to be endorsed
- Clarity: the good practices should increase clarity and certainty as to what is likely to happen before, during and after an outage while leaving sufficient flexibility to trading venues and firms to adapt their actions on the specific circumstances
- Practicability: the good practices should reflect the structure of the UK markets to which they apply, considering the relevant rules applicable in the UK, international standards, such as those developed by IOSCO, and other requirements applicable to firms operating across different regions

6.15 Drawing on the work of the subcommittee, we are proposing to introduce guidance on outages and venue behaviour. This new guidance will build on the existing requirements governing the capacity and resilience of trading systems currently set out in UK MiFID RTS 7 (UK version of Commission Delegated Regulation 2017/584), which we intend to reformulate in a new Handbook chapter. This approach seeks to establish clear minimum standards to protect market integrity, while preserving operational flexibility and proportionality.

6.16 The proposals aim to strengthen market-wide resilience when an incident occurs by improving the content of and access to information available before and during an outage. It is not intended to set new standards for exchanges and trading firms in relation to the security, capacity and resiliency of their systems for the prevention of disorderly trading. This emphasis reflects the fact that uncertainty is one of the main reasons why, during an outage at a primary market, liquidity is impaired and market participants are prevented from managing their risks.

Existing framework and identified gaps

6.17 Market operators and investment firms operating trading venues are already subject to requirements relating to operational resilience, systems and controls, and orderly trading: operational resilience in SYSC 15A, UK MiFID RTS 7 (notably, Chapter 2), requirements for recognised investment exchanges in the Recognition Requirements Regulations (REC); and requirements in MAR 5 and MAR 5A for firms operating an MTF or an Organised Trading Facility (OTF).

6.18 Under SYSC 15A.8, for instance, a firm (including Recognised Investment Exchanges – RIEs) must maintain an internal and external communication strategy to act quickly and effectively reduce the anticipated harm caused by operational disruptions.

6.19 SYSC15A.5.8R requires that, in the event of an operational disruption, a firm should, conduct a lessons learned exercise that allows it to identify weaknesses and take action to improve its ability to respond effectively and recover from future disruptions.

SYSC15A.6 and SYSC15A.7 require the lessons learned exercise to be recorded in writing by the firm, and the relating documentation approved and regularly reviewed by the firm's governing body.

6.20 Under REC, MAR 5 and MAR 5A, RIEs and firms operating a trading venue are already required to have contingency arrangements to cope with the risk of system disruption. They must also ensure that the systems and controls used in the performance of their activities are adequate, effective and appropriate for the scale and nature of their business.

6.21 However, our analysis and discussion with market participants indicate that there is benefit in regulatory intervention to establish common standards to strengthen certainty about trading venues' actions and clarify expectations during an outage. Communication practices during outages also vary significantly, reopening procedures are not always transparent, causing further uncertainty within the market thereby impacting liquidity and market participants' ability to manage their risks.

6.22 The subcommittee on outages identified similar themes and recommended further clarification of expectations in certain areas. The good practices developed regarding communication protocols, which form the foundation of our proposals, relate to the existing framework of requirements and may assist trading venues and market participants in determining how to best comply with them in the event of a market outage.

Proposals

Legal framework

6.23 The structure of the guidance to be introduced needs to be considered in light of the [high-level] requirements on trading venues relating to algorithmic trading systems. These currently sit in:

- MAR 5.3A applying to MTFs;
- MAR 5A.5 applying to OTFs;
- REC 2.5 applying to UK RIEs.

6.24 These requirements are supplemented by the obligations in UK MiFID RTS 7 regarding the resilience and adequacy of capacity of algorithmic trading systems operated by trading venues. There is also a specific rule in each of the above chapters to maintain systems relating to the effectiveness of business continuity arrangements to ensure continuity of the services if there is any failure of its trading systems, including the testing of the systems and controls.

6.25 We propose to incorporate a new MAR chapter to hold the proposals within this chapter as guidance stemming from, and referencing, the existing rules referred to above in REC and MAR. We also propose to use this opportunity to move UK MiFID RTS 7 into the same MAR chapter as a set of rules. This will allow us to revoke the UK MiFID RTS 7.

6.26 This approach allows us to draw together all the relevant elements on outages within a single accessible source, which should facilitate compliance with our rules by trading venues.

6.27 The new proposed MAR 16 chapter will apply to trading venue operators. The guidance is not asset-class specific and applies to both equity and non-equity markets. However, we recognise that its practical application may differ by asset class. For example, the appropriate timing and method for communicating a market re-opening, including the period between the announcement and the re-opening itself, will depend on the asset class, the type of venue and the nature and scope of the outage. The guidance focuses in particular on disclosure, including publication of an outage playbook, as well as communication protocols, order handling, arrangements for the continuation of trading, and the treatment of closing auctions and closing prices during an outage – although it does not prescribe the underlying method or arrangements themselves.

6.28 While the proposed guidance is not specific to any particular market, we recognise that the market-wide impact of the outage of a trading venue has particular implications where it affects a UK equity venue, especially the primary market. The aim of our proposed guidance is, in the context of the outage of an equity trading venue, to support the continuation of trading on other trading venues and OTC and overall market liquidity.

6.29 The guidance therefore expects trading venues to determine the disclosure, communication, order handling, trading continuity and closing-auction arrangements appropriate to their market, and to set them out clearly for participants in the outage playbook.

6.30 In this consultation we are focusing on outages of trading venues. While the operation of a trading venue is very different from that of a CT, they are both infrastructures that sit at the centre of financial markets. The establishment of CTs raises the question on whether guidance relevant in the context of the outage of a CT would strengthen market integrity. While we are not proposing any guidance at this stage, we consider that suitably tailored guidance which asked CTs to set out their playbook for incident handling in a transparent way would assist market participants. We are interested in whether market participants agree with this view.

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?

Publication of an outage plan

6.31 Where trading venues have public, clear and comprehensive outage plans in place, market participants are provided with greater certainty about the actions that trading venues will take in the event of an outage. This improves confidence and resilience in the market. Members of the subcommittee considered that one of the main reasons trading stops during an outage is due to the uncertainty surrounding how the affected venue and other market participants will behave. Where pre-planned procedures are widely accessible, market participants can better prepare by considering how they would respond to venue communications and actions.

6.32 In line with the findings of the subcommittee, as well as wider international work (eg IOSCO Final Report on Market Outages) and industry initiatives (eg CBOE and Aquis co-authored Outages Protocol Paper), we propose that one of the ways a trading venue can comply with its business continuity obligations is to establish and publish an outage playbook, that clearly sets out what and how the venue would communicate in the event of an outage, and what its likely actions would be in different scenarios.

The content of the playbook should be tailored to reflect the characteristics of the market to which it applies. As a minimum, a good playbook should include:

- **i.** The means of communication, including the expected frequency and content of the updates about the status of the trading system.
- **ii.** The mechanism or mechanisms used for reopening after an outage.
- **iii.** The minimum period between the reopening announcement and actual reopening or the criteria used to determine that period.
- **iv.** The venue's policy and criteria for the treatment of unexecuted orders during an outage, including the circumstances in which orders may be cancelled and how any such action would be communicated promptly to members.
- **v.** The alternative arrangements that would apply where an outage could affect the closing auction, including any pre-specified process for delaying or attempting the auction.
- **vi.** The pre-determined fallback methodology for the establishing the official closing price where the normal closing auction is unavailable and alternative arrangements are inappropriate.
- **vii.** Where relevant, e.g., for derivatives venues, how the venue would address an outage in the market for underlying instruments.

6.33 We propose to incorporate the guidance into the provisions in the new MAR 16 chapter which replicates the material that currently sits in Articles 15-17 of UK MiFID RTS 7 that sets out the requirement for trading venues to establish business continuity arrangements. The guidance on the playbook can be found in MAR 16.14.3G and 16.14.4G.

6.34 Below we discuss the rationale behind each of the above minimum requirements which we propose to be included in the playbook.

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?**

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

Communication plans

6.35 Findings indicate that the absence of a communication protocol that is comprehensive and predictable during an outage increases uncertainty and reduces market-wide resilience. Uncertainty as to what is happening, and perceived asymmetry of information is one of the key factors that delay market participants' ability to manage risk during an outage.

6.36 Clear and regular communications by venues, therefore, is central to help maintain, to the extent possible, orderly trading conditions and to allow participants to make informed decisions to manage any related risks.

6.37 Discussion with industry supports this. We have been told that reducing the uncertainty through clear communication would speed up decision-making. Advance knowledge of the structure of communications and their frequency allow those who need to react a better opportunity to pre-plan their approach. This reduces the number of decisions that need to be taken in the moment.

6.38 It was also considered essential that, in the event of an outage, the affected venue give prompt and simultaneous information to all market participants at regular intervals. Confirmation that the status remains as at the previous update is still considered important information for market participants and deemed not excessively onerous for venues. If there is an important new update or the issue is resolved, the venue should publish an ad hoc update without delay.

6.39 In response to the CP25/31, respondents supported the suggestion that it might be helpful for market participants to have regulatory information on the status of the trading system, including whether it is active, out or partially out.

6.40 Not all market participants are venue members. Even where non-members do not trade directly on a venue, they may still be affected by an outage through its impact on price formation, transparency, benchmark and index calculation, valuation, hedging and wider market functioning. It is therefore important that venues use open communication channels, such as a venue website, in addition to member-facing channels such as FIX. For these purposes, communication through FIX means notifications disseminated via a venue's FIX connectivity to members and other connected participants regarding outages, system status and reopening arrangements.

6.41 We do not consider it necessary to define the frequency of updates to participants, but we 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.

6.42 We therefore propose to include guidance in relation to the minimum communication requirements that should be part of a trading venue outage playbook (ie points (i)-(iii) above). The guidance proposed below is consistent with IOSCO's good practices on communication plans, which emphasise prompt initial notice of an outage, regular updates to market participants through appropriate communication channels, and timely, simultaneous communication of information relevant to the reopening of trading.

6.43 The proposed guidance found in MAR 16.16 covers communications during a disruptive incident and includes that:

> Trading venues should communicate information to all market participants, as soon as reasonably practicable, on:
>
> - the scope of the outage, including whether it affects some or all of the instruments traded or of the trading services operated by the venue, the nature of the issue and, where relevant and appropriate, the categories of market participant affected
> - any known issues or implications for clearing or settlement; and
> - the expected timing and process for the resumption of trading once available. There should be an appropriate length of time between the announcement and re-opening, so that market participants can prepare. What is appropriate will depend on the asset class, the type of venue and the scope and impact of the outage itself.
>
> Trading venues should promptly communicate any new information relevant to assessing the severity, expected duration and operational impact of the outage. Information about the intention to resume trading should be communicated to all market participants as soon as possible. Trading venues should ensure that market participants remain informed about the status of the systems during an outage, on a continuous or regular basis.
>
> 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, trading venues should communicate separately with individual members or participants regarding issues specific to them, such as order status or connectivity issues.

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

Order handling

6.44 During an outage, without clarity as to which orders have been executed, markets participants may be unable to determine their positions and therefore unable to consider what alternative measures should be taken to continue to manage risk appropriately. The issue is particularly relevant as lack of certainty might prevent liquidity to form on other venues that remain available for trading, which exacerbates the market-wide impact of an outage on a single trading venue.

6.45 For those reasons, it is essential that market participants know as quickly as possible:

- the last good trade; and
- the status of outstanding orders.

6.46 While these are unknown, it is very difficult to consider trading elsewhere. It is therefore important for trading venues to have a clear and visible policy on the treatment of outstanding orders within their playbook (as laid out in requirement iv. of the proposed playbook). This should support market participants in understanding their potential exposures and assessing whether alternative measures can be taken to continue trading or manage risk during an outage.

6.47 We therefore propose the following additional guidance in relation to order handling, which is reflected in MAR 16.17:

> Trading venues should communicate to market participants as soon as reasonably practicable:
>
> - whether the venue has identified the last good trade, or the process and expected timeframe for doing so;
> - the status of outstanding orders, including whether orders remain live, have been suspended or may be cancelled; and
> - any decision to cancel unexecuted orders, including the scope of the cancellation and the timing of its effect.
>
> Trading venues should apply the policy and criteria set out in their outage playbook when determining the treatment of unexecuted orders during an outage. This should include the circumstances in which orders may be cancelled and how any such action would be communicated promptly to members and other relevant market participants.
>
> Where it appears unlikely that the last good trade and the status of outstanding orders can be identified and communicated within a reasonable timeframe, trading venues should consider whether cancelling unexecuted orders is necessary to provide certainty and support orderly market functioning.
>
> Where a trading venue considers cancelling orders in response to an outage, it should take into account the likely impact on market participants, the risk of disorderly trading or duplicated execution when trading resumes, and the importance of providing certainty as quickly as possible.

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

Continuation of trading

6.48 Maintaining market-wide resilience and integrity includes facilitating the continuity of trading where alternative trading venues remain available. Many investment firms are already connected to multiple trading venues and, when executing orders on behalf of clients, we would expect their execution arrangements to take into account scenarios where an execution venue, such as the primary market for a financial instrument, is experiencing an outage. However, the available evidence indicates that, even where alternative venues remain accessible, liquidity does not in practice migrate to them when the primary market is unavailable.

6.49 In fact, trading reduces on the venues not affected by the outage. The reasons behind this include:

1. The unavailability of a reference price; and
2. The uncertainty as to whether and when liquidity will move to alternative venues.

6.50 In PS25/17 we made reforms to the RPW and in doing so made changes to the formulation of a reference price by venues. The RPW allows trading venues to match orders at a reference price without displaying pre-trade information. Under MiFID II, venues are restricted to using the mid-price from the venue where the instrument was first admitted to trading or the most relevant market in terms of liquidity.

6.51 In line with feedback from industry, we identified in PS25/17 that reliance on the price published by a single trading venue as potentially exacerbating the risk that an outage on that venue prevents firms from continuing to trade on other venues.

6.52 Allowing trading venues to use a reference price based on a wider set of trading venues would enable them to improve execution quality since the reference could include multiple prices across the competitive landscape. It would also reduce operational risk by mitigating reliance on a single venue, thereby potentially avoiding a single point of failure. We proceeded in the PS to allow trading venues to source reference prices from a broader set of venues. This change to the reference price in MAR 11.A.2 came into effect on 30 March 2026.

6.53 Furthermore, potential users of the equity CT data have said that the lack of a market-wide alternative price is a key factor in why, when there is a primary market outage, liquidity does not migrate to other available venues. They said that an equity CT could provide this alternative price, improving market-wide resiliency to operational incidents. In CP26/31, we have finalised rules for the equity CT to enable the introduction of a tape that includes the BBO, helping to reduce disruption to liquidity in the event of operational incidents.

6.54 Regarding the uncertainty as to whether and when liquidity will move to alternative venues during an outage, the subcommittee considered whether it would be useful to have a recommendation for liquidity providers that they would either make markets continuously across a variety of venues when the primary venue is down. Some feedback highlighted that setting a definite timeframe for confirming orders, followed by a specific period to transition to alternative arrangements, could help ensure there will be enough liquidity available on other venues and provide greater confidence.

6.55 In considering whether to propose guidance on this topic, we have taken account of the work undertaken through the subcommittee, together with our own analysis, wider engagement with market participants and relevant international work. This evidence base highlights the practical difficulties that arise when a primary venue is unavailable, including the fact that liquidity does not necessarily migrate smoothly to alternative venues. However, it has not provided a sufficiently clear basis for us to propose guidance on the actions that venues or liquidity providers should take to support the continuation of trading. We have therefore not proposed guidance in this area at this stage. However, once operational, the equity CT, including attributed pre-trade data, may improve participants' visibility of available liquidity during an outage and thereby support the continuation of trading on alternative venues.

Question 17: **What factors, in your view, limit or prevent liquidity from moving to other trading venues during an outage affecting a primary market, and the continuation of effective price formation on those venues?**

Question 18: **Do you have any views on setting a definite timeframe for confirming orders, followed by a specific period to transition to alternative arrangements for the purpose of ensuring liquidity becomes available on alternative venues when there is an outage on the primary market? Please explain.**

Question 19: **Do you have any views on how to best facilitate the continuation of trading during an outage on the primary market? Please explain.**

Closing prices

6.56 The calculation and dissemination of indices, benchmarks, and reference prices in the relevant asset class is affected by an outage. In particular, the use of the closing price for benchmark trades, for pricing funds and the settlement of derivatives positions are exposed to outages affecting the closing auction, a trading protocol that has become increasingly significant in equity markets internationally.

6.57 Where a closing auction could not be held because of an outage, several trading venues use the last traded price (established during continuous trading prior to the outage) as the closing price.

6.58 Industry has recommended that steps be taken to try and reduce uncertainty as to the approach a venue will take when there is an outage that affects, or could affect, the closing auction.

6.59 In line with minimum requirements as listed in the outage playbook above (points v-vii), discussions suggest that pre-defined arrangements allow participants to take swifter action to mitigate business impact and maximise the chances that participation in the alternative arrangements is successful (eg that it draws sufficient liquidity and can fulfil the same role as the normal closing auction). Trading venues' alternative arrangements should cover how and when to determine if the closing auction goes ahead including whether it might be delayed, modified, or for example, attempted more than once. The pre-determined fallback methodology should cover the venue's default process for producing the official closing price when the normal closing process is disrupted, or alternative arrangements are not appropriate.

6.60 Additionally, if an outage is likely to affect a closing auction, venues should announce as soon as possible how the outage is expected to affect the auction, including whether the auction will proceed, be delayed or be unavailable. Where possible, they should make that announcement at least 15 minutes before the normally scheduled auction.

6.61 It was recommended by industry that, ideally, there should be pre-agreed times at which attempts at a delayed closing auction could be undertaken, for example 5pm, 5.30pm or 6pm. However, we believe that including this within our guidance may be overly prescriptive and not in line with the use of guidance. In discussions, there also appeared to be a strong preference for an auction to be held, even if it was delayed; although, the auction should not be held after 6pm CET. If the issue persists beyond the last scheduled alternative time, exchanges should make alternative arrangements (eg last or mid-price) clear in their closing price methodology.

6.62 We propose the following additional guidance in relation to outages and closing prices, which is reflected in MAR 16.18:

> Venues should consider the following when determining arrangements for outages that appear likely to affect the determination of an official closing price, including where that price would normally be established through a closing auction:
>
> - whether the closing auction will proceed as normal, and, if not, the alternative arrangements that will apply;
> - where alternative arrangements are likely to apply, the timing and content of announcements to market participants, including early indication and, where possible, confirmation at least 15 minutes before the scheduled closing process;
> - where the closing auction cannot proceed or would not be appropriate, the pre-determined fallback methodology that will be used to establish the official closing price;
> - how and when those arrangements, including any alternative arrangements and fallback methodology, are disclosed to market participants in advance; and
> - how and when the venue will communicate the outcome, including the official closing price (or any alternative closing price), to market participants once determined.

6.63 For the purposes of this guidance, trading venues should distinguish between alternative arrangements and pre-determined fallback methodology. Alternative arrangements refer to the broader set of contingency processes a venue may employ where the normal closing auction is disrupted, including, for example, delaying or modifying the auction or attempting it at pre-specified later times. By contrast, the pre-determined fallback methodology refers specifically to the pricing rule or calculation that will be used to establish the official closing price where the closing auction cannot proceed or would not be appropriate. In practice, venues should first consider whether alternative arrangements can support the continuation of an auction-based price formation process and, where this is not feasible, apply the pre-determined fallback methodology.

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?**

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?**

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?**

Chapter 7

Retail trading

7.1 This section considers retail participation in UK equity markets and the issues raised in response to CP25/20 and through our engagement with market participants after the consultation. It focuses on the execution outcomes for retail orders, compliance with the tick size regime and the introduction of a retail flag.

Retail trading and the Retail Service Provider system

7.2 In the UK, most retail orders for shares are executed through the so-called Retail Service Provider (RSP) system rather than on CLOBs operated by trading venues.

7.3 When a retail client places an order through a broker or platform connected to the RSP system, the broker or platform typically sends requests for quotes to several liquidity providers – with whom the broker has trading and post-trading arrangements already in place – via RSP hubs. RSP hubs are platforms provided by third-party technology firms that enable connectivity between counterparties.

7.4 Under the RSP system, RSP liquidity providers provide a quote following a request to trade from a retail broker. They are under no obligation to respond to requests for quotes. The RSP hubs collate the liquidity providers' quotes and return them to the broker, which provides the best quote to the client who may accept the quote and execute the order. The quote is made available for a limited period of time (generally between 10 and 15 seconds).

7.5 RSP liquidity providers are, usually, market makers registered with trading venues and report trades that they execute through RSP systems under the rules of those trading venues in their capacity as market makers. In CP22/12 we asked if the RSP system worked well and whether the regulatory regime needed any changes to improve the execution outcomes of retail orders.

7.6 Many respondents expressed concern about the use of the RSP system for the execution of retail orders. They argued that retail investors are not currently given the opportunity to trade on multilateral markets and therefore the RSP system may not be delivering best execution for retail investors. According to those respondents, this means retail investors are price takers, and that the wider market is not able to interact with this additional liquidity.

7.7 Those concerned about relying on the RSP system for executing retail client orders suggested that we should consider reforms to support cost-effective retail investor access to CLOBs. They recommended giving retail investors the option to choose whether their orders are executed on a CLOB or the RSP network, with clear disclosure about the execution venue.

7.8 The respondents supporting the RSP system offered a range of areas in which it results in better outcomes for investors. Those included price improvements (ie execution at a better price than the one displayed on transparent order books), simplicity of use, and resilience. Respondents explained that the RSP system offered benefits to retail investors including more liquidity and lower costs, when compared to execution on public markets. They suggested that the RSP system benefits from innovations by market makers, such as development of real time price checking logic to help secure the best available price for investors.

7.9 In PS23/4 we said that we would continue to discuss with market participants the issues around the RSP system and consider whether to launch a review. We did not subsequently conduct a formal review of the RSP system, reflecting our view that various changes were underway in the retail investment market, including the entry of new brokers, innovation by trading venues, and the prospect of tokenised trading of transferable securities. We wanted to wait and assess the impact of these developments before deciding whether further work is needed. We also wanted to gather more evidence, including quantitative, to better understand how effective the RSP system is for retail investors.

7.10 In CP25/20 we asked whether there were other issues relating to the UK equity market that we should consider. Some respondents raised concerns about the RSP system again, repeating many of the points made in response to CP22/12. We have therefore met with brokers, market makers, trading venues and technology providers, to gather market intelligence on the operation of the UK market for retail orders, especially considering the developments above. We also assessed the execution outcomes for trades executed through the RSP system.

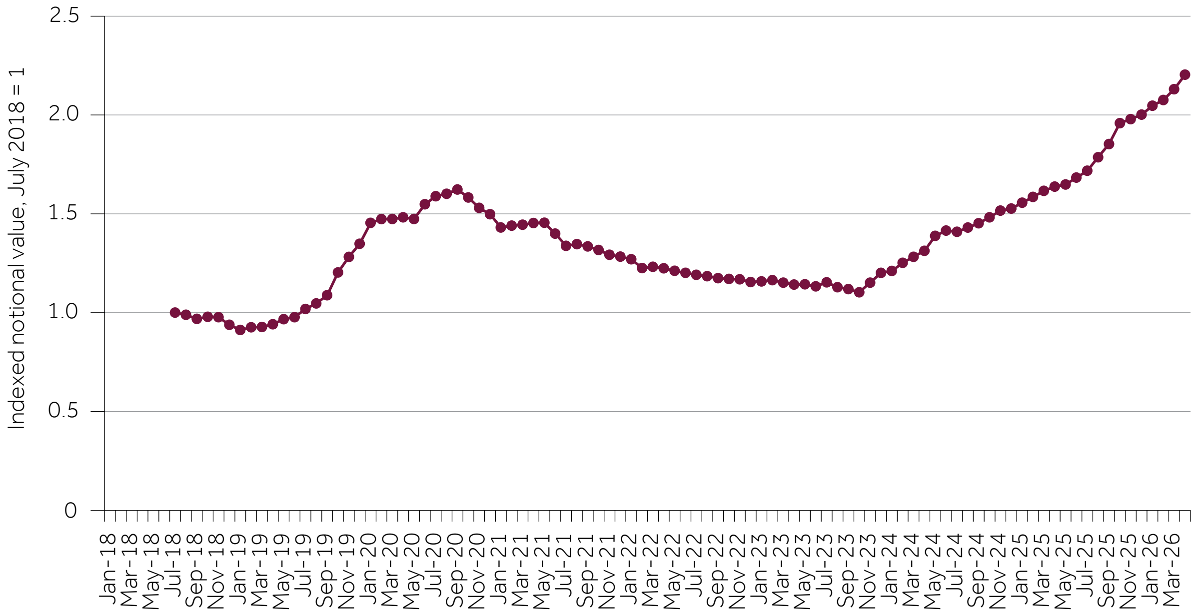
7.11 We understand that most retail brokers are connected to between 2 and 3 RSP hubs, with one of those accounting for the vast majority of the liquidity. At least 60 retail brokers and 20 RSP liquidity providers are connected to those hubs. Liquidity providers include retail-specialised market makers, large global broker-dealers and principal trading firms. Brokers connect to multiple hubs/gateways so that RSP connectivity remains available should one hub/gateway experience downtime. The fundamentals of the RSP system have remained similar since its inception, which is based on competition between liquidity providers to offer the best price. The underlying technology has developed as the providers have invested to improve resiliency and ensure that the functionality meets the needs of brokers and liquidity providers and helps the system to remain competitive in the face of wider developments in the market and regulatory change.

7.12 While the structure of the RSP system has remained stable, new types of liquidity providers have entered the market. Principal trading firms now account for a substantial part of the RSP market, which we estimate is, according to our data, around 50% in terms of notional amount traded.

Analysis of trading outcomes

7.13 We used transaction reporting data to analyse the evolution of retail trading in the UK. Our analysis uses a sample of 100 shares from the FTSE 350 index and 30 ETFs that are listed on the LSE. The data in figure 7A shows there has been significant growth in retail trading. We define retail trades as those for which at least one counterparty is a natural person (as opposed to a legal entity or structure requiring a Legal Entity Identifier). It is possible that our analysis includes transactions by private investors that are categorised under MiFID as professional clients, but we trust most of the activity is retail.

Figure 7A: Growth of retail trading since 2018

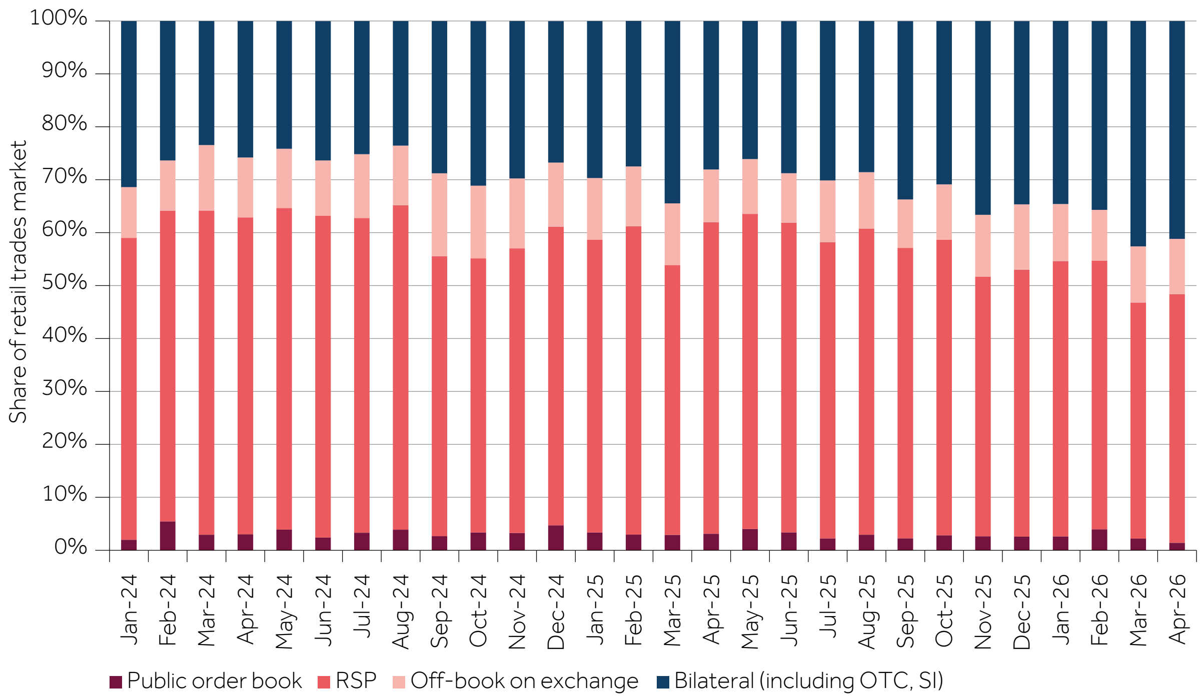


Source: MiFIR transaction reporting, FCA analysis

7.14 We looked at where retail orders are executed by distinguishing between transactions executed a) on order books operated by trading venues, b) off-book on exchange by liquidity providers that operate on RSP platforms, c) other off-book on exchange, and d) OTC including SIs. In absence of any identifier for transactions executed through RSP systems, we consider that execution of retail orders that are off-book but reported on exchange by a firm that is active as market maker on an RSP platform is a reasonable proxy for RSP trades. However, we recognise that our figures are estimates of RSP activity.

7.15 The evidence suggests that the majority of retail orders by notional amount is still executed through the RSP system, albeit the market share has declined over the last year and a half. We understand that is largely as a consequence of single-dealer execution platforms operated by SIs. Activity on public order books remains very low.

Figure 7B: Shares of retail transactions by execution mechanism



Source: MiFIR transaction reporting, FCA analysis

7.16 Given previous work in this area and the feedback received from our consultation, we conducted quantitative analysis to assess the execution of retail orders on RSPs. We compared transactions executed on those systems to the best bid and offer prices available on public order books.

7.17 We find that, for trades executed through the RSP network of trade sizes less than £50,000:

- 86% of trades were executed at a price better than the best bid-offer touch price that is displayed on a CLOB in UK;
- 5% of trades were executed at the touch price, ie were executed at the same prices available on a CLOB; and
- 8% of trades were executed at prices worse than the touch price.

7.18 Where such trades were executed at a price better than the best bid-offer touch, the median price improvement was approximately 1 basis point, equivalent to approximately 36% of the average quoted spread.

7.19 This compares with our Investment Platforms Market Study published in 2019, which found that 80% of orders placed by retail investors received a price as at least as good as the prevailing best available price from any UK trading venue.

7.20 Execution price is a key component for retail orders since best execution must be determined in terms of the total consideration, ie the price of the financial instrument and the costs related to execution, which must include all expenses, including execution venue fees, clearing and settlement fees and any other fees.

7.21 The evidence from the execution of retail orders seems to be consistent with retail clients systematically receiving a price improvement upon the consolidated best bid offer available on public markets, albeit not always and in some cases receiving a worse price compared to CLOBs. We will conduct further analysis to better understand the drivers in the quality of execution of retail orders.

7.22 New types of brokers with different business models have entered the retail investment market. As mentioned in 7.12, proprietary trading firms entered the RSP market for the first time in the last few years. When we spoke to some of those firms most said that they did not face any particular challenge in entering the RSP market by connecting with retail brokers through RSP hubs. However, others found accessing retail brokers through RSP hubs challenging. We will continue to gather market intelligence and subject to that, consider if further work is warranted.

7.23 Trading venues have taken initiatives to provide a more attractive offering for retail trading, involving introducing specific trading mechanisms, allowing retail trades to interact with dedicated retail market makers offering prices at or better than the best bid and offer. There have been reductions in fees, with, in some cases, free access to trading, clearing and market data. Such changes are welcome and help give the market greater choice. Our proposal to allow mid-price execution on CLOBs under the reference price waiver should provide trading venues the ability to offer additional order execution types for retail order flow.

Compliance with the tick size regime

7.24 Trades in shares executed in the UK are subject to tick size regime requirements. More specifically, the obligation to comply with the tick size regime applies to orders executed on trading venues and to quotes, price improvements and execution prices by SIs. There are some minimal exceptions to this requirement, principal of which are trades agreed at mid-point. As mentioned above, the concept of price improvement is relevant under the RSP system.

7.25 Within the RSP system, market makers are free to improve on the prices available on trading venues. However, because RSP trades they undertake are on-venue trades, they are subject to the tick size regime. This means that any price improvement offered on their published quotes must comply with the tick-size regime.

7.26 We have observed trading activity which indicates that a significant proportion of retail share trades in the UK are being executed at prices that are not on tick, including transactions that are not at mid-point of the best bid-offer. We conducted an analysis of share trades executed over a week in March 2026 on a sample of UK-listed shares across the UK Main Market and the Alternative Investment Market (AIM). We found within this sample that adherence to the tick size regime, by way of trades executed on tick, had been no greater than 25% by volume of trades, which means that at least three quarters of RSP trades are off-tick. According to our analysis, this is taking place across the entire population of UK shares, including FTSE 100, FTSE 250 and AIM constituents.

7.27 Retail brokers appear to offer price improvement to retail orders on a frequent basis. Our analysis indicate that a significant proportion of trades executed off tick had done so with a very small price improvement. For example, around 27% of retail trades had price improved by less than one-fifth of a tick.

7.28 We note that the tick size regime applies to orders available on trading venues and to quotes and transactions executed by systematic and that exemptions to the regime are limited to certain types of transactions (eg block trades) or trading systems (eg systems operating under a pre-trade transparency waiver like reference price systems).

Retail flag

7.29 One respondent to CP25/20 suggested that it would be helpful to have a retail flag published on trades, regardless of where and how those trades are executed. They also suggest the same flag should also be mandated for transactions in shares that are hedges to a CFD where the underlying client to the CFD is retail. They said that this would facilitate the evaluation of retail execution quality, as well as allowing an estimation of the proportion of retail participation in UK stocks.

7.30 Such a flag could, in principle, enhance transparency by allowing market participants, listed firms and regulators to better identify retail activity to market liquidity. This could give issuers greater insight into who is trading their shares. It would also support the evaluation of execution quality and the outcomes for retail investors. More generally, it provides valuable information about how different types of order flow contribute to liquidity and price formation.

7.31 We have discussed the potential for a retail flag with a range of market participants, and most of those we have spoken to have not been in favour of it. With most notional traded by retail investors being executed through the RSP system, they think it is already possible to identify the broad size of retail trading in the UK.

7.32 Off-book trades conducted by registered market makers in stocks in which they are publishing a pre-trade quote will generally be reported with a FIX tag indicating that they are off-book, on-exchange trades. Although other trades are published with the same FIX tag, market participants say examining trades reported this way provides them with a proxy for the size of retail trading in the UK given the significance of RSP trading in the execution of orders from UK retail clients.

7.33 There were also concerns raised about the practicalities of having a retail flag. Where there are chains of execution, the intermediary with the end client will need to pass on information about the status of its client so that the resulting trade is identified as a retail trade. There would also need to be a definition of a retail client for these purposes, and there are issues as to whether the purpose is to identify trades by retail clients based in the UK or trades by retail clients in the UK wherever the client is located.

7.34 Having made progress to simplify the trade reporting regime, we are not proposing the introduction of the flag before gathering a broader set of views through this CP. We think that many of the practicalities around its introduction could be overcome and therefore we would welcome any further views on the benefits and costs of introducing such a flag.

7.35 Any potential benefits of introducing a retail flag must be weighed against costs and operational challenges. There would be implementation and ongoing compliance costs for firms, including system changes, data capture and reporting adjustments, and controls to ensure accurate tagging. In some cases, firms may need to make assumptions about client classification, which could introduce additional complexity and potential for error.

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.**

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.**

Annex 1

Questions in this paper

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?

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?

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.

Question 4: Do you agree with our proposal to extend existing post-trade reporting exemptions currently applicable to off-venues trades to off-book on-exchange trades and delete the NPFT flag?

Question 5: Do you agree that we should remove the TNCP flag? Are there any meaningful uses for the TNCP flag that we should take into account, in particular is there a case for keeping it to cover contingent trades?

Question 6: Which option for identifying trades taking place under the reformulated reference price waiver do you support?

Question 7: Do you agree with our proposal on back-reporting? If not, what would be your preferred approach?

Question 8: If public reporting were extended to cover certain equity swap activity, in what circumstances should this apply, and how should any such regime be designed to capture relevant addressable liquidity in a way that is legally clear, operationally workable and useful for market participants?

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?

Question 10: Do you agree with our proposal to require equity SIs to publish quotes indicating the price and volume at which they are prepared generally to buy and sell up to and including SMS, and to amend aspects of the pricing framework that may encourage more formulaic quotes? If not, what alternative approach would better support meaningful pre-trade transparency?

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?

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?

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?

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

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

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

Question 17: What factors, in your view, limit or prevent liquidity from moving to other trading venues during an outage affecting a primary market, and the continuation of effective price formation on those venues?

Question 18: Do you have any views on setting a definite timeframe for confirming orders, followed by a specific period to transition to alternative arrangements for the purpose of ensuring liquidity becomes available on alternative venues when there is an outage on the primary market? Please explain.

Question 19: **Do you have any views on how to best facilitate the continuation of trading during an outage on the primary market? Please explain.**

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?**

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?**

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?**

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.**

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.**

Annex 2

Cost benefit analysis

Executive Summary

1. The UK equity secondary market has evolved significantly since MiFID I was introduced in 2007. Increased competition and innovation have expanded the range of execution mechanisms available to market participants, lowered trading costs and increased choice. At the same time, trading activity has become more fragmented. In this context, transparency plays an essential role in supporting price formation and helping market participants assess liquidity and trading conditions across different execution channels.

2. With this market evolution, the existing transparency framework governing post-trade transparency reporting and SI quoting is now less aligned with current trading practices. As a result, the framework does not always ensure that transparency information and public quotes provide a clear, consistent basis for identifying available liquidity and supporting effective price formation.

3. In the current post-trade transparency reporting framework, equivalent non-price-forming transactions can be treated differently across execution channels. As a result, some reports that do not contribute meaningfully to price formation remain publicly reported. This can make post-trade data less informative and increase operational and search costs.

4. The equity SI regime provides pre-trade transparency around bilateral equity trading by requiring SIs to publish quotes for liquid equity instruments. However, current quoting requirements may not provide a sufficiently meaningful indication of available liquidity. This can increase search costs for best execution and weaken comparability across liquidity providers.

5. To address this, we propose a targeted package of measures to improve the quality and usability of post-trade transparency data. These include:

- Extending existing exemptions for certain non-price-forming OTC transactions to equivalent off-book, on-exchange transactions.
- Reformulating the reference price waiver (RPW) so that it may apply on an order basis rather than a whole trading system.
- Strengthening the framework for back-reporting of trades including explicit obligations to back-report transactions for a period of 3 years.

6. To improve the usefulness and practical relevance of published SI quotes, we propose that SIs should be required to publish quotes indicating the price and volume at which they are generally prepared to buy and sell up to and including Standard Market Size (SMS).

7. The expected ongoing, direct benefits of these proposals are cost savings for equity investment firms through lower reporting and data processing costs, as certain non-price-forming transactions would no longer require publication. Trade data users will also incur lower costs by not having to ingest and process these trades. Where impacts can be quantified, we estimate savings of around £0.4m annually for investment firms from removal of these requirements. When discounted over the 10-year appraisal period, these benefits equate to a present value of £3.4m.

8. The proposals should also give market participants a clearer view of addressable liquidity by improving the quality of post-trade data and making SI quotes more informative. This should help users compare execution options more effectively, reduce search costs and execution uncertainty, and support stronger competition between liquidity providers. Over time, this may lower trading costs and improve outcomes for end investors. We believe it is not reasonably practicable to estimate these benefits.

9. We estimate that the proposals will generate one-off costs as firms implement the proposed changes to post-trade transparency reporting and the SI quoting framework. These compliance costs relate to firms familiarising themselves with the new requirements and making necessary changes to systems, processes, and controls. We estimate the total one-off cost to market participants to be £9.6m. We do not expect there to be any ongoing costs.

10. We estimate a net present value (NPV) of -£6.14m over a 10-year appraisal period and an equivalent annual net direct cost to business (EANDCB) of £0.71m. While the quantified costs outweigh the quantified benefits, this reflects the fact that it is not reasonably practicable to monetise many of the wider benefits associated with improvements in market transparency. We nevertheless consider the proposals to be proportionate due to the expected ongoing improvements to the effectiveness of the equity transparency regime relative to the modest one-off implementation costs.

11. Ultimately, the wider economic impact of the proposals is to support more efficient UK equity markets by improving the quality, consistency, and interpretability of transparency data and SI quotes. Higher-quality underlying data should improve the effectiveness of market-wide data infrastructure, including the equity CT. Over the medium to long term, a more transparent and well-functioning secondary market should support the attractiveness and competitiveness of UK equity markets.

12. The proposals are consistent with a proportionate approach to regulatory design and risk rebalancing: they seek to remove low-value or non-informative data while preserving the core benefits of transparency for price formation and market integrity. Overall, we expect the total economic impact to be positive, with incremental improvements to market efficiency, information quality and confidence.

Introduction

13. The Financial Services and Markets Act (2000) requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'. Section 138S(2)(f) imposes an obligation in relation to technical standards.

14. This analysis presents estimates of the significant impacts of our proposal. We provide monetary values for the impacts where we believe it is reasonably practicable to do so. For others, we provide a qualitative explanation of their impacts. Our proposals are based on weighing up all the impacts we expect and reaching a judgement about the appropriate level of regulatory intervention.

15. This analysis considers the impact of our proposed changes to the post-trade transparency regime for equities and changes to pre-trade requirements for SIs, which are investment firms that provide bilateral liquidity outside trading venues. Specifically:

- Subject to the necessary legislative changes being made, exempting non-price forming trades from public trade reporting.
- Reforms to the reference price waiver (RPW).
- Strengthening rules around back-reporting of trades.
- Subject to the necessary legislative changes being made, aligning SI quoting obligations with observed trading behaviour.

16. The consultation covers several other related issues. These include points raised by respondents and stakeholders during engagement that are relevant to improving market transparency, such as clarifying the use of post-trade flags, as well as separate guidance on protocols during a market outage. We note that FSMA does not require us to provide a CBA for guidance. However, it is our policy to produce a CBA for general guidance about rules if a high-level assessment of the impact of the proposal identifies an element of novelty, which may be in effect prescriptive or prohibitive, that may result in significant costs being incurred. We do not think that this applies in this instance. We have therefore not provided a CBA of these matters.

The Market

UK equity secondary equity market structure

17. Secondary equity markets enable investors to buy and sell equities after issuance. They support liquidity, allow ownership transfer, and contribute to price formation by bringing together trading interests and information from different market participants. Chapter 3 of the CP provides detail on recent market trends and the evolution of UK equity market structure.

18. Since MiFID I was introduced in 2007, the UK secondary equity trading landscape has changed significantly. Greater competition between venues and innovation in trading practices have expanded the range of execution mechanisms available. While this has increased choice for brokers and investors, and lowered trading costs, it has also contributed to a more fragmented market structure.

19. Multilateral trading, where multiple buyers and sellers interact within a common trading system, accounts for more than half of notional traded. This includes regular auctions, Central Limit Order Book (CLOB) trading and multilateral dark books. Bilateral trading, where two counterparties agree a trade directly with one another, accounts for close to 40% of notional traded and includes OTC, OBOE and SI trading. Hybrid systems combine features of multilateral and bilateral trading and include RFQ systems and periodic auctions. These account for relatively little value traded, although they have more than tripled their share of trading from 2% in 2018 to more than 6% in 2025. Periodic auctions are classified as hybrid because the auction is typically triggered by an initial order arriving in the order book.

20. To facilitate this trading network, the UK equity market comprises 3 Recognised Investment Exchanges operating regulated markets, 14 firms running multilateral trading facilities, 22 firms acting as SIs in equities and 4 approved publication arrangements responsible for publishing trade data. Some firms operate across more than one role, resulting in 37 entities engaged in these activities.

21. In this context of fragmentation, high-quality transparency data is essential to enable market participants to understand trading conditions and assess price formation across different execution channels.

Equity post-trade data reporting

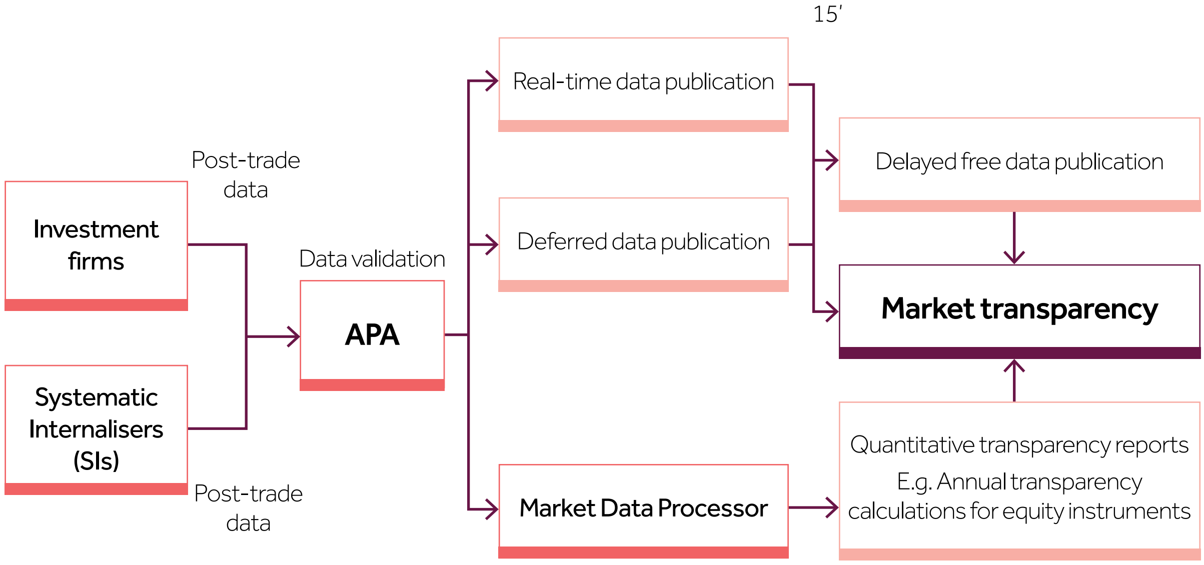
22. Post-trade transparency requires certain details of executed transactions, including price, volume and time, to be made public. Trading venues must publish this information for transactions executed on their systems, while investment firms, including SIs, may also be subject to post-trade transparency obligations for certain off-venue transactions. These post-trade transparency requirements are provided for under UK MiFIR and related requirements.

23. Trading venues must publish post-trade information through their own arrangements whereas investment firms use Approved Publication Arrangements (APAs) authorised by us.

24. Post-trade transaction reporting supports the price formation process, which is the mechanism by which all available information relating to a financial instrument is embedded in its price through the interaction of investors' buying and selling trading interests. Transparent markets enable investors to receive – and monitor if they receive – best execution from their brokers.

25. The following diagram shows the interactions whereby the post-trade transaction reporting system supports transparency.

Figure 1: Post-trade transaction reporting for SIs and investment firms



26. We consulted on changes to equity secondary markets in CP22/12, with new, simplified post-trade transparency requirements coming into force in April 2024 (in PS23/4).

27. Those changes included an expanded list of transactions exempt from post-trade transparency, aligning the definitions of transactions treated as non-price forming in our Handbook, removing flags that were not deemed useful and introducing new and more informative flags. We also introduced a new designated reported regime across equities, bonds and derivatives to simply firms' reporting obligations.

28. In the post-trade reporting framework, it remains the case though that equivalent non-price-forming transactions are treated differently across OTC and on-venue execution. Consequently, post-trade data may continue to include transactions that do not contribute meaningfully to price formation.

29. The CBA for the equity consolidated tape (in CP25/31, then CP26/31) further explains in detail the market for equities trade data and how it is used by different market participants.

Systematic internaliser regime

30. The equity SI regime applies to investment firms that execute client orders bilaterally against their own account on an organised, frequent, systematic and substantial basis, without operating a multilateral system. Firms operating as SI are required to notify us of this function. There are currently 22 firms acting as SIs dealing in equities in the UK.

31. The equity SI regime forms an important element of the UKs market structure for bilateral trading. The regime is aimed at ensuring that liquidity outside regulated and transparent trading venues continues to support price formation where appropriate.

32. The regime applies to shares, depositary receipts, exchange-traded funds (ETFs), certificates, and similar instruments. However, only those deemed "liquid" are subject to transparency obligations. This approach is designed to avoid exposing SIs to undue risk and to ensure they can continue providing risk capital in less liquid markets.

33. The current pre-trade transparency regime for equity SIs applies in respect of transactions up to SMS (the average size of transactions for trades that are below Large in Scale). SIs must make public quotes on a continuous basis during normal trading hours with a volume that is at least 10% of SMS. Trades can be executed at prices better than those advertised, in justified cases provided that the price reflects prevailing market conditions. The obligation to trade within the quoted range does not apply where the transaction size exceeds the quoted size.

Problem and rationale for intervention

34. This section covers the harms and drivers of harm firstly for post-trade reporting requirements and then for the SI regime.

Post-trade reporting transparency

35. Fair price formation and the ability to identify addressable liquidity depends on timely, accurate and interpretable post-trade data.

36. The current reporting framework may obscure this by treating equivalent non-price-forming transactions differently across execution channels and by including reports that do not contribute meaningfully to price formation. As trading has become more fragmented, this can make it harder for market participants to understand liquidity and pricing conditions.

Harms

Higher trading costs

37. The current post-trade transparency regime may increase costs for firms where it requires them to report and/or process transactions that do not contribute meaningfully to price formation. These reports can create compliance and operational costs while adding limited value to market transparency.

38. This can also increase costs for users of post-trade data. Where data includes non-price-forming transactions, or treats equivalent transactions differently across execution channels, market participants may need to spend more time identifying relevant liquidity, interpreting fair value and comparing execution options. This can increase search costs and execution uncertainty, including the risk of wider spreads or less favourable execution.

39. Where trading becomes more costly and uncertain, market participation and liquidity may be reduced. This could weaken overall market efficiency and, in some cases, increase the risk that activity migrates towards less transparent forms of execution.

40. These effects may also extend beyond immediate trading outcomes. Increased uncertainty about prices and liquidity can affect financing conditions for issuers by weakening the informational quality of market prices. While the evidence is not directly comparable, research from transparency reforms in the bond market suggests that improved transparency can reduce financing costs by mitigating information asymmetries (Brugler, Comerton-Forde, and Martin, 2022). Conversely, less effective transparency may contribute to higher financing costs and less efficient capital allocation.

Reduced pricing accuracy

41. Poor transparency can weaken the accuracy and reliability of price signals. Where post-trade data does not clearly reflect underlying supply and demand, it can add noise and makes prices less informative. This may reduce the speed or completeness with which relevant information is incorporated into prices.

42. Less reliable price signals can affect wider decision-making by firms and investors. Equity prices inform capital allocation, corporate investment, merger activity and listing decisions. If these signals are noisy or unreliable, market participants may make less efficient decisions. These effects may be more pronounced during period of stress, when it is harder for market participants to assess prevailing prices and the depth of available liquidity.

43. Related harms may also arise from the current formulation of the RPW and inconsistent back-reporting practices. Where the RPW applies only at the level of the trading system, trading venues may be less able to integrate midpoint dark orders within transparent limit order books, limiting liquidity interaction. Inconsistent back-reporting can also create uncertainty about whether published reports reflect current trading conditions or historic corrections, reducing the usefulness of post-trade data for decision-making and market monitoring.

Driver of harm

44. The main driver of harm is that elements of the post-trade transparency regime were designed for a market structure that has since evolved and diversified. While the regime has supported transparency and price formation, some requirements are no longer fully aligned with current trading practices.

45. As a result, the regime does not always target transactions that contribute meaningfully to price formation. For example, some non-price-forming OTC transactions are exempt from publication requirements, while equivalent transactions executed on venue may still be published. This means transparency requirements can apply to transactions that provide limited informational value to the market, creating regulatory inefficiency by imposing reporting burdens without commensurate transparency benefits.

Contribution of SI quotes to meaningful transparency

46. The current SI pre-trade transparency regime remains an important part of the UK framework for bilateral equity trading. It supports transparency outside trading venues while preserving SIs' ability to provide risk capital and offer price improvement where appropriate. However, in a fragmented market, the informational value of SI quotes is particularly important where brokers and investors compare liquidity across different execution channels.

47. Evidence discussed in Chapter 4 of the CP suggests that quotes are often published at or near the minimum quoting threshold of 10% of SMS, while SI trading commonly occurs at larger sizes. Evidence also suggests that the requirement to quote at prevailing market prices, in practice encourages firms to default to prices formed on the primary market, such as the relevant BBO, rather than to publish quotes that reflect their own trading interest.

Harms

Higher trading costs

48. Where published SI quotes provide only a limited indication of available liquidity, market participants may face greater uncertainty when assessing liquidity and expected execution outcomes. This can increase search costs and execution risk, particularly for orders larger than the minimum quoted size.

49. These effects may raise trading costs, where participants need to spend more time identifying genuinely addressable liquidity or managing the risk of price slippage and wider effective spreads.

Weaker competition

50. There are also competition concerns. When SI quotes are not sufficiently informative, brokers and buy-side firms are less able to compare prices across liquidity providers on a consistent basis. This may weaken price competition and reduce the incentive for liquidity providers to compete on displayed prices.

51. This may also reduce the usefulness of pre-trade transparency for order routing and execution assessment, particularly where quoted sizes provide only a limited indication of the terms on which larger trades may be executed.

Driver of harm

52. These issues arise because the current quoting framework is less well aligned with how SIs provide liquidity in practice. Current regulatory requirements can be met through quotes that do not always provide investors with a sufficiently meaningful indication of available SI liquidity.

53. As a result, market participants may find it harder to use SI quotes to assess addressable liquidity, compare execution options and form expectations about likely execution outcomes. This limits the practical usefulness of SI quotes as a source of pre-trade transparency.

Options

54. We have considered a range of options to address the harms identified above in relation to post-trade transparency and the equity SI regime. In assessing these options, we considered their likely effectiveness in improving price formation, data quality and enabling best execution for clients, their proportionality, their operational impact on firms, and their effect on competition and innovation. We also engaged with market participants to test the practical implications of different approaches.

55. Overall, we consider the preferred options set out below to be the most effective and proportionate means of addressing the identified harms while limiting unnecessary implementation costs. To the extent relevant, these options may also support the secondary international competitiveness and growth objective by improving the efficiency, usability and attractiveness of UK equity markets.

Table 1: Options assessment for post-trade transparency and the SI regime.

	Assessment	
Option	Pros	Cons
Post-trade transparency: Non-price forming trades executed on trading venues		
1. Maintain current post-trade reporting requirement for off-book on-exchange trades to be reported	Retaining the current reporting requirement would avoid implementation costs for firms in the short term.	This option would continue to require publication of transactions that do not contribute to price formation, reducing the usefulness of post-trade data and requiring data users to incur ongoing costs to identify and remove non-informative reports. We therefore do not consider this option effective or proportionate.
2. Extend post-trade reporting exemption applicable to off-venue trades to off-book on-exchange trades, delete NPFT and TNCP flags ***Preferred option***	This option should improve the quality and usability of post-trade transparency data by removing reports that do not contribute to price formation. This would reduce data-cleaning burdens for users and improve the readability of metrics derived from post-trade data. We consider this to be an effective and proportionate option.	This option involves accepting a reduction in the visibility of non-price-forming transactions in order to improve the quality and usability of post-trade data. This may reduce the availability of information for certain surveillance, analytical and research purposes.
Post-trade transparency: Transactions carried out under the reference price waiver		
1. Maintain current RPW formulation to apply to the trading system	Maintains the current visibility of trades executed under the RPW	The status quo would mean that liquidity continues to be spread across multiple order books, rather than being consolidated within a single order book or trading system.

Option	Assessment: Pros	Assessment: Cons
2. Amend RPW formulation to apply to an order, with no additional reporting specifications	This option would allow a broader set of liquidity to interact in the same pool and support trading venue innovation.	Without corresponding reporting specifications, market participants may be unable to identify these trades clearly in post-trade data, reducing clarity and usefulness of post-trade transparency information. We therefore do not consider this option sufficient on its own.
3. Amend RPW formulation to apply to an order, with additional reporting specifications ***Preferred option***	This option would enable liquidity to interact, as per the above option. It would also enable the clear identification of a trade executed under the RPW. The option would introduce requirements on how firms shall report such trades, which firms would have to implement.	This option accepts a degree of implementation and compliance complexity in exchange for more accurate identification of RPW transactions.
Post-trade transparency: Back-reporting of trades		
1. Remain silent on back-reporting obligations on firms	Avoids imposing additional requirements on firms and preserves flexibility in how back-reporting is undertaken.	Firms may take divergent approaches to dealing with back-reported data. This could result in the data being made available to the public in an inconsistent manner. This could make it harder for users of post-trade transparency data to understand, compare and rely on the information.
2. Make explicit the existing back-reporting obligation, including a 5 year back-reporting period	Maintains a more complete historical record of market activity and supports the correction of older reporting errors.	This approach would maintain the high costs incurred to resubmit reports impacted by errors over a retrospective period of 5 years, which we do not consider proportionate relative to market participants' use of historic data.
3. Establish set of quantitative and qualitative criteria on back-reporting obligations	Could improve consistency and provide firms with greater clarity on when back-reporting is required.	We believe this would not be practical to implement. We also believe that costs of meeting the prescriptive requirements would not be commensurate to the benefit conferred.

Option	Assessment: Pros	Assessment: Cons
4. As part of the back-reporting obligation, require firms to report as soon as possible	Requiring firms to back-report as soon as possible could improve the speed with which such information is made public.	We do not consider it proportionate given the operational burden this would impose on firms and the limited additional benefit of immediate publication in these cases. We therefore prefer a more targeted approach under which back-reporting would occur outside market hours, except where same-day reporting is appropriate.
5. Make explicit the back-reporting obligation, and reduce the period for which back reporting is required from 5 to 3 years ***Preferred option***	This would lead to a cost saving for firms whilst ensuring market participants' access to accurate post-trade reports throughout the most valuable time period, in order to support price formation and market orderliness.	Accepts a limited reduction in the completeness of historic trade data in exchange for a more proportionate back-reporting framework.
Equity systematic internaliser regime: Publication and visibility of SI quotes and the pricing obligation		
1. Maintain current quoting framework – minimum quote size at 10% of SMS and requirement for quotes to reflect prevailing market conditions	Retaining the current framework, under which SIs are required to publish quotes of at least 10% of SMS that reflect prevailing market conditions, would avoid implementation costs for firms.	Our analysis suggests that this framework may not always result in quotes that are sufficiently representative of the prices and volumes at which SIs are generally prepared to trade. It may also encourage firms, in practice, to derive quotes by reference to prices formed on trading venues rather than to publish quotes that reflect their own trading interest. As a result, published quotes may be of limited practical use to market participants.
2. Increase minimum quote size to 50% of SMS while retaining the current pricing approach	Increasing the minimum quote size to 50% of SMS could improve the representativeness of published quotes and make them more informative to market participants.	This option may have limited impact on quote quality, as firms may continue to price around the minimum requirements or by reference to venue prices. Increasing the quote size alone may therefore not materially improve the competitiveness or usefulness of SI quotes.

Option	Assessment	
	Pros	Cons
3. Require quotes to indicate the price and volume at which the SI is generally prepared to buy and sell up to and including SMS ***Preferred option***	This option would align the public quoting obligation more closely with the prices and volumes at which SIs are generally prepared to provide bilateral liquidity, while preserving firms' ability to manage risk appropriately and to offer price improvement where justified. It would also move away from a framework that may encourage quotes to be derived primarily by reference to prices formed on trading venues, and instead anchor public quotes more clearly in genuine executable interest. This should improve the practical relevance of published quotes and support price formation.	This option likely requires firms to make changes to quoting processes and systems to support the publication of more representative quotes.

56. Consistent with the FCA's risk rebalancing framework, we considered the trade-off between the benefits of reducing operational burdens and any potential reduction in transparency resulting from the removal of certain reporting requirements. We also considered the trade-off of introducing more informative SI quotes, which impose implementation costs but should improve the visibility of available liquidity.

57. We consider the preferred options to represent a proportionate approach that removes non-informative trade reporting while preserving the core transparency necessary to support price discovery, investor decision-making, and market integrity. Alternative approaches would either retain requirements that impose costs without materially improving market outcomes or risk reducing transparency to a degree that would undermine those outcomes. We therefore consider the proposals to sit within a tolerable risk range, where limited reductions in reporting are outweighed by improvements in data quality and utility for market participants.

Our proposed intervention

58. Chapter 4 of the CP sets out targeted changes to improve post-trade transparency and the equity SI regime. In summary, the relevant proposals are as follows:

Post-trade transparency

59. We propose targeted changes to improve the quality, consistency and usability of post-trade transparency data.

60. First, subject to the necessary legislative changes, we propose to extend the current exclusion from post-trade transparency for certain non-price-forming OTC transactions to equivalent off-book on exchange transactions.

61. Second, we propose to reformulate the RPW so that it may apply on an order basis rather than only at the level of the trading system. This would allow trading venues to integrate midpoint dark orders within transparent limit order books, while preserving the ability of market participants to identify such trades clearly in post-trade data through appropriate reporting specifications.

62. We previously consulted on similar changes to the RPW in CP25/20 and explained in the CBA that we did not expect direct market impacts or costs of more than minimal significance. We remain of that view. While these proposals may include additional reporting specifications, venues would decide whether to implement these order types, so the proposal enables this functionality rather than requiring changes. For completeness, we briefly discuss the potential impacts in the Benefits and Costs sections.

63. Third, we propose to clarify and strengthen the framework for back-reporting of trades. In particular, we propose to make explicit the obligation to back-report relevant transactions, to set a maximum back-reporting period of 3 years and to make clear our expectation that back-reporting should generally occur outside normal market hours, unless the transaction relates to the same trading day.

Systematic internaliser pre-trade transparency

64. We also propose targeted changes to the SI quoting framework to improve the usefulness and practical relevance of published SI quotes. As set out in Chapter 4, we propose that SIs should be required to publish quotes indicating the price and volume at which they are generally prepared to buy and sell up to and including SMS.

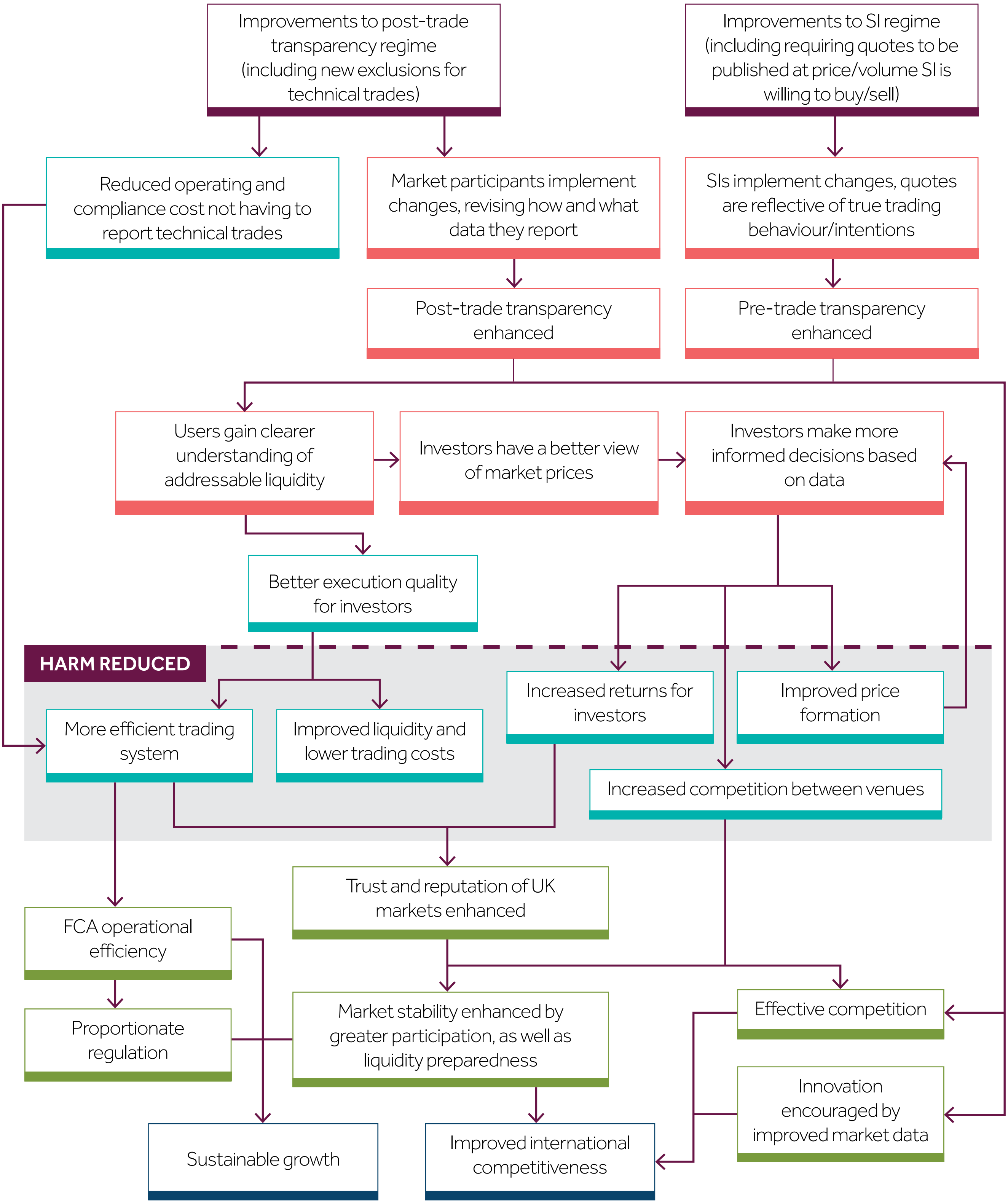
Causal chain

65. The causal chain sets out how we expect our proposals will reduce the harms we have described above. The proposals improve the quality and informativeness of data available to market participants. For post-trade transparency, this entails removing non-price-forming transactions from public reporting; for SI pre-trade transparency, the proposals would require published quotes to be more representative of the prices and volumes at which SIs are generally prepared to provide liquidity.

66. More informative data and SI quotes provide market participants with a clearer understanding of addressable liquidity and a better view of relevant market prices. This should make it easier to compare execution options across trading mechanisms, supporting better-informed trading decisions and more effective execution.

67. Better-informed decisions improve execution quality for investors by reducing search costs and uncertainty about available liquidity. Over time, this should support more efficient price formation, lower trading costs, and encourage competition between execution models. These effects support the secondary international competitiveness and growth objective by contributing to the attractiveness and competitiveness of UK equity markets by improving the effectiveness of market data while preserving competition, innovation, and choice.

68. This causal chain relies on several assumptions. First, the affected reports and quotes are sufficiently material that improving them makes transparency data more useful to market participants. Second, SI quotes will be meaningfully informative in practice: while SIs will continue to be able to offer price improvement where justified, the public quote should still provide a reasonable indication of the price and volume at which the SI is generally willing to provide liquidity. Third, market participants must be able to use the improved information when assessing liquidity and execution options.



- Interventions
- Firm changes
- FCA outcomes
- Outcomes
- Drivers of international growth and competitiveness
- Effect on international growth and competitiveness

Baseline and key assumptions

Baseline

69. The costs and benefits of our proposals must be assessed against a baseline. A baseline is an assessment of the way the world would look like without the proposed intervention (the counterfactual). This section covers our assumptions for the baseline.

70. Absent our proposed intervention, the current post-trade transparency regime for equities and the equity SI pre-trade transparency regime would continue to operate as they do today. The relevant current requirements are set out in Chapter 4 of the CP. Our baseline assumption is therefore that, without our proposed intervention, equity market data and SI quoting would continue to be less clear, consistent and decision-useful than they could be for transparency purposes and for supporting price formation process. The existing existing framework for back-reporting would continue without the additional clarity proposed in the CP.

71. Our baseline assumes implementation of the equity consolidated tape (CT). We publish our final position on the framework for an equity CT alongside this CP. By bringing together data from multiple sources into a single aggregated feed, the CT should improve access to market data.

72. We are also consulting on the inclusion of SI quotes on the equity CT (in CP26/31). We do not include this in the baseline. However, in the Benefits section below we discuss additional benefits from the transparency regime that could arise in a scenario where this becomes policy.

Key assumptions

73. We use standard assumptions from our Statement of Policy on CBAs:

- We use the standard appraisal period of 10 years.
- We apply a discount rate of 3.5% to determine the present value of the flows of costs and benefits we expect to occur in future years.
- We assume that firms will comply with the proposed amendments and that trade data is reported accurately.
- We present all values in 2026 prices.

74. To estimate the one-off costs to firms complying with our proposals, we use the FCA's Standardised Cost Model (SCM). The SCM is used to standardise the assessment of common recurring costs across our CBAs. More information on the approach taken by the SCM can be found in Appendix 1 of the Statement of Policy, including how it categorises firms and determines costs to firms based on standardised assumptions.

75. We estimate that around 800 investment firms are in scope of the post-trade reporting proposals using 2024 APA data on client numbers submitted to the FCA. This is likely to represent an upper-bound estimate, as firms may be counted more than once where they use multiple APAs and/or are also included within the SI population.

Affected firms

76. The proposals affect several categories of market participants involved in equity trading. These comprise:

- 14 firms operating equity MTFs.
- 3 equity RIEs.
- 4 APAs.
- 22 SIs dealing in equity instruments.
- Approximately 800 other investment firms subject to MiFIR post-trade transparency requirements.

77. The post-trade reporting proposals are expected to have the greatest impact on trading venues and investment firms. Trading venues will need to accommodate the changes to post-trade transparency requirements, while investment firms will need to update their reporting arrangements for transactions disclosed through APAs. Although not directly subject to post-trade transparency obligations, APAs will need to ensure that their systems can support the proposed reporting changes.

78. The SCM categorises the 837 firms affected by the post-trade transparency proposals as:

- 44 large firms.
- 119 medium firms.
- 674 small firms.

79. In addition, the 22 equity SIs will need to accommodate the proposed amendments to the equity SI regime. The SCM categorises these firms as:

- 11 large firms.
- 8 medium firms.
- 3 small firms.

Summary of impacts

80. The proposals are expected to improve the quality, consistency, and usability of transparency information. These changes will help market participants identify liquidity more effectively, compare execution options, and make better-informed trading decisions, supporting more effective price formation.

81. We estimate the quantified benefits of the proposals at £0.4m annually. These are direct ongoing benefits from reducing reporting obligations for certain non-price-forming transactions. Further, we expect a range of benefits to result for market participants who rely on transparency data and SI quotes, including a clearer view of addressable liquidity, better-informed trading and execution decisions, and improved price formation. However, it is not reasonably practicable to quantify these effects.

82. We estimate that the proposals will generate one-off costs of approximately £9.6m as firms implement the proposed changes to post-trade transparency reporting and implement the proposed SI quoting framework. These compliance costs relate to firms familiarising themselves with the new requirements and making necessary changes to systems, processes, and controls.

83. For the SI pre-trade transparency proposals, we provide break-even analysis to illustrate the scale of benefits that would be required for the proposals to offset the estimated implementation costs.

84. The costs associated with the proposed reformulation of the RPW and clarification of back-reporting obligations are of minimal significance.

Table 2: Summary table of benefits and costs

Item description	Group affected	Benefits (£)		Costs (£)	
		One off	Ongoing	One off	Ongoing
Familiarisation and legal review	All firms			£0.8m	
Post-trade transparency proposals	Investment firms, SIs, TVs, and APAs		£0.4m	£4.8m	
	Market participants	Unquantified benefits: • Improved quality and usability of post-trade transparency data • Clearer view of addressable liquidity • Lower search & trading costs and execution uncertainty			
SI pre-trade transparency	SIs			£3.9m	
	Market participants	Unquantified benefits: • More informative SI quotes, improving visibility of liquidity • Stronger competition between liquidity providers			
Total		-	£0.4m	£9.6m	-

85. As a result, the quantified analysis demonstrates a negative net present value (NPV) of £6.14m and expected annual net direct cost to business (EANDCB) of £0.71m.

Table 3: Present value and net present value, 10-year

	PV Benefits	PV Costs	NPV
Total impact	£3.4m	£9.6m	-£6.14m

Table 4: Net direct costs to firms

	Total (Present Value) Net Direct Cost to Business	EANDCB
Net direct cost to business	£6.14m	£0.71m

Benefits

Exclusion of certain non-price forming trades from reporting requirements

Lower reporting costs for investment firms

86. A direct benefit to investment firms is reducing the operational burden associated with reporting certain non-price forming transactions. Subject to the necessary legislative changes, our proposals extend the existing exclusion from post-trade transparency for certain non-price forming transactions to equivalent off-book on-exchange transactions. This would reduce the volume of reports that firms need to produce for transparency purposes.

87. To the extent that reports of non-price forming transactions are no longer required, firms will benefit from lower ongoing reporting and data costs. The scale of these savings will depend on firms' current reporting arrangements, the extent to which reporting processes are automated, and how they impact on the marginal costs of individual trade reports. Firms that incur per-report costs would thus benefit from the proposals, whereas savings may be lower where costs are largely fixed or already embedded in automated systems.

88. Using equity trade data from BMLL Technologies, our analysis suggests that approximately 9.9m trade reports in 2025 were flagged as transactions not contributing to the price discovery process (TNCP) or non-price forming trades (NPFT). The BMLL dataset covers equities in scope of Article 13 of MiFID RTS 1 on the FCA's Official List (i.e. the scope of instruments affected by possible changes to NPFT and TNCP flagging). On this basis, we estimate that approximately 9.9m reports would no longer require publication.

89. Investment firms will also make savings on the reporting fees they pay to APAs. This is a transfer from APAs to investment firms. Using an illustrative (upper bound) publication cost of 4.0 pence per report (Source: LSE MiFID II Tradecho Services Price List), we estimate annual industry cost savings of approximately £396k.

90. We also consider this to be a reasonable indication of the magnitude of the direct ongoing savings to firms. However, the realised cost savings will depend on firms' contractual arrangements with APAs, affected by factors like minimum fees, volume caps, or other fixed-cost arrangements.

Lower costs for equity market data users

91. The proposals benefit users of post-trade data by improving the quality and usability of reported information. Under the baseline, post-trade data includes transactions that do not contribute meaningfully to price formation, requiring market participants to identify and filter out non-informative reports when interpreting prices, liquidity, and trading conditions. By ceasing to require the publication of these transactions, the proposals should also reduce the costs associated with ingesting, processing, and using post-trade transparency data. While it is not reasonably practicable to quantify the cost saving for post-trade transparency data users due to a lack of evidence on their data processing costs, the proposals should make post-trade data more usable for market monitoring, identifying liquidity, and supporting trading decisions.

Clearer view of addressable liquidity and lower trading costs

92. Further, the proposals provide a clearer view of addressable liquidity. By reducing the costs of using equity market for data users, we might expect an increase in use of equity market data. This increase is likely to be fairly small given the likely savings. There will therefore be small marginal benefits to these users as they expand data use and therefore interact more with equity markets, with a consequent impact on market liquidity and trading costs for investors. We do not think it is reasonably practicable to estimate these benefits as we are unable to predict how data use would affect behaviour in equity markets.

Reformulation of the RPW

93. As mentioned under 'Our proposed intervention' we do not expect the reformulation of the RPW to generate a significant direct change in market outcomes. The proposal would not create additional addressable liquidity or materially change the amount of information available to market participants. However, it may generate (some small) indirect benefits by giving trading venues greater flexibility to design trading systems that allow midpoint dark orders to interact with transparent limit order book liquidity, while preserving clear post-trade identification of those trades.

94. Trading venues that have dark venues in their group can already offer both types of trading and therefore any changes will not affect their current offering but only affect administrative costs and offer opportunity to improve their offering in the future. For lit venues without a dark venue in their group, this proposal means that they can offer reference price orders to market participants.

95. Allowing reference price order in lit venues may also, on the margin, improve competition on trading fees for reference price orders- but we do not expect this effect to be significant and therefore quantifiable.

Back-reporting of trades

96. The proposals should benefit firms and users of post-trade data by clarifying how back-reporting should be carried out, supporting more consistent reporting and reducing uncertainty for firms.

97. This should improve the completeness and reliability of published post-trade data by clarifying that firms should correct and publish unreported or incorrectly reported within the relevant back-reporting period. More complete trade data may support price formation, market monitoring and better-informed decision-making, although the impact is expected to be limited as firms are already required to back-report and the proposal primarily clarifies the existing obligation.

SI pre-trade transparency

98. The proposed changes to SI pre-trade transparency are intended to make public SI quotes more meaningful and practically useful. Requiring SIs to publish quotes indicating the price and volume at which they are prepared to buy and sell, up to and including SMS, aligns the public quoting obligation more closely with genuine executable interests. This improves the informational value of SI pre-trade transparency while preserving SI's ability to manage risk and offer price improvements where appropriate to deliver best execution.

Clearer view of addressable liquidity and lower trading costs

99. More informative SI quotes should strengthen competition between liquidity providers by making prices and available volumes easier to compare. This could create stronger incentives for SIs to compete on price and liquidity provision, supporting better trading prices through lower search costs, improved order routing and reduced risk of price slippage or wider effective spreads. Over time, lower trading costs should improve investment returns for end investors.

100. If SI quotes are included in the CT, these benefits of the proposals may be amplified. Our proposals may further improve the visibility of bilateral liquidity and make it easier for market participants to compare prices across liquidity providers, further increasing competition and lowering search costs.

Costs

101. In this section, we estimate the direct costs we expect firms will face as a result of the proposals. These costs cover one-off compliance with changes to the post-trade transparency proposals and the SI pre-trade transparency proposals.

102. To estimate these costs, we apply the FCA's SCM which provides a consistent framework for quantifying common compliance cost categories across firms. The scale of costs varies across proposals, reflecting differences in the number and type of firms affected and the complexity of the required changes. Across both sets of proposals, we consider three main categories of one-off compliance costs.

103. **Familiarisation and legal review costs:** Firms that are subject to the proposals must familiarise themselves with the consultation paper. We also expect firms to review relevant draft legal instruments and Handbook text to understand changes they may need to make to their activities, assessing any gap between the proposals and their existing processes, systems, and controls.

104. **Change project costs:** Firms are expected to incur one-off costs in planning and implementing any organisational changes required to comply with the new requirements. These costs capture project management, governance, and internal coordination that are necessary to update policies, procedures, and controls to embed the new requirements effectively.

105. **IT change project costs:** Finally, firms incur one-off costs associated with developing and deploying system changes required to operationalise the new requirements. The scale of these costs will depend on the complexity of the changes required, including the extent to which firms need to modify existing systems or introduce new functionality.

106. We apply the SCM framework consistently across both sets of proposals, with the subsequent sections setting out the estimated one-off costs for each proposal.

Familiarisation and legal review

107. Firms will incur one-off costs to familiarise themselves with the consultation and undertake any legal review and gap analysis. We assume that all firms described in the 'Assumptions' section incur these costs. Our familiarisation costs estimates are based on 130 pages of policy documentation that is reviewed by a small compliance team. The legal review estimates assume 15 pages of legal text that are relevant.

Table 5: One-off cost estimates, familiarisation and legal review

Costs to firms	Large	Medium	Small
Familiarisation and legal review costs	£3,657	£2,072	£643
Total number of firms	44	119	674
Total costs			**£841,000**

108. Based on the affected population, we estimate total one-off familiarisation and legal review costs of £0.8m.

Post-trade transparency

109. We are proposing targeted changes to the post-trade transparency regime, including extending exemptions for non-price-forming trades and refining reporting logic and flags. The changes are designed to reduce the publication of non-informative trades and support more effective use of post-trade data, including in the context of the CT.

110. We assume that all firms within the affected population incur these implementation costs. We expect the change project and IT implementation costs to be limited. This reflects the targeted nature of the proposals, which refine existing reporting processes rather than fundamentally change the reporting framework. As a result, firms should make relatively small updates to existing systems and processes.

Table 6: One-off cost estimates, post-trade transparency proposals

Costs to firms	Large	Medium	Small
Change project costs	£21,626	£6,295	£1,080
IT project costs	£22,685	£3,719	£1,420
Total cost per firm	£44,311	£10,014	£2,500
Total number of firms	44	119	674
Total costs			**£4,826,000**

111. In total, we estimate the one-off costs to firms from the post-trade transparency proposals to be £4.8m.

Limited costs from other post-trade transparency proposals

112. We believe that the other post-trade transparency proposals (reformulating the RPW and clarifying the rules around back-reporting) will generate costs of minimal significance. Firstly, reforms to the RPW are not mandated on firms meaning there are no direct costs. Secondly the clarification of rules around back-reporting, should impose little to no incremental implementation costs on firms, as they should already be back-reporting trades. The consultation makes the expectation and requirements explicit.

SI pre-trade transparency

113. The proposals change the SI pre-trade transparency framework by revising the quoting requirement and associated reporting arrangements.

114. The one-off costs per SI and total cost calculations are set out below. We assume that all SIs within the affected population described in the 'Assumptions' section incur these implementation costs. The change project costs are limited, reflecting the relatively contained nature of the organisational changes required to implement the revised quoting framework. We expect IT implementation costs to be small, albeit higher than for the post-trade transparency proposals, due to the additional effort required to update how quotes are constructed and published. While these changes build on existing systems, firms are likely to require targeted updates to their current infrastructure.

Table 7: One-off cost estimates, SI pre-trade transparency proposals

Costs to firms	Large	Medium	Small
Change project costs	£21,626	£6,295	£1,080
IT project costs	£272,218	£74,382	£2,840
Total cost per firm	£293,844	£80,677	£3,919
Total number of firms	11	8	3
Total costs			**£3,889,000**

115. We estimate the total one-off costs to SIs to be £3.9m. IT project costs account for most of the estimated impact, reflecting the additional effort required to update quoting systems under the revised framework.

Break-even analysis: SI pre-trade transparency

116. To break even against the estimated one-off implementation costs to SIs, the proposals would need to generate benefits with present value of at least £3.9m over the 10-year appraisal period. This is equivalent to annual benefits of approximately £452k. There are currently 22 equity SIs operating in the UK. This implies that the proposals would need to generate benefits equivalent to approximately £20.5k per SI per year on average to offset the quantified implementation costs.

117. We consider this break-event threshold to be modest. The proposals make published SI quotes more informative and representative of executable liquidity, thereby improving price discover, reducing search costs and execution uncertainty, and strengthening competition between liquidity providers. While it is not reasonably practicable to quantify these benefits, relatively small improvements in execution outcomes across UK equity markets would be sufficient for the proposals to break even.

Ongoing costs

118. We do not expect firms to incur material ongoing costs under the proposals. The changes relate to one-off updates to existing systems and processes, and they do not introduce new ongoing compliance requirements. To the extent that firms no longer need to report certain non-price forming transactions, some firms will also experience ongoing reductions in reporting costs (See 'Benefits – Post-trade transparency' above). Therefore, we do not expect any incremental ongoing compliance costs beyond those already captured in the baseline.

Indirect costs

119. Some liquidity providers, especially SIs, may experience changes in trading conditions because of increased transparency and more informative quoting obligations. By making liquidity easier to identify and compare across providers, the proposals strengthen competition in order flow and reduces the scope for some firms to benefit from less informative or fragmented data.

120. To the extent that this results in lower trading revenues or margins for some liquidity providers, these effects would represent a redistribution of surplus rather than a net economic cost. These effects are not reasonably practicable to quantify.

Wider economic impacts, including on secondary objective

121. The proposals improve the quality, consistency, and interpretability of equity market transparency data and strengthen the informational value of SI quotes. These changes reduce information frictions and improve how market participants assess liquidity, compare execution options, and interpret trading conditions. This supports more effective use of market data, contributing to the overall efficiency of financial services activity in the UK.

122. Improved transparency and more reliable price signals support the allocation of capital within equity markets. Prices more accurately reflect underlying supply and demand, enabling investors to identify investment opportunities and direct capital towards more productive uses in the wider UK economy.

123. Clearer and more informative data improves decision-making and reduces execution uncertainty. This strengthens participants confidence in market processes and supports a wider domestic and international investor base.

124. Higher-quality and more consistent data improve the effectiveness of market-wide data infrastructure, including the equity CT. Improvements in underlying data quality increase the usability of aggregated market data and support its role in providing a consolidated view of trading activity.

125. Taken together, these impacts support the attractiveness and competitiveness of UK equity markets for trading and investing. High quality, transparent, and well-functioning markets underpin the UK's international competitiveness and promote economic growth over the medium- to long-term. Overall, the wider economic impacts are positive, incrementally improving market efficiency, information quality, and confidence. Over time, these effects support the effective functioning of equity markets and broader economic outcomes.

Monitoring and evaluation

126. As noted in Chapter 1 of the CP, our proposals seek to improve the quality and usability of information available to market participants in UK equity markets, so that trading decisions are based on a more complete and accurate picture of liquidity and pricing. We plan to monitor whether these proposals are achieving their intended outcomes using a combination of quantitative market data and qualitative intelligence.

127. Key indicators will include feedback from market participants about whether the exclusion of non-price forming transactions has improved the quality and usability of post-trade information. In relation to the reformulation of the RPW we will monitor whether lit trading venues will integrate such dark orders in their order books and if trading firms are able to distinguish trades executed under those systems from transactions executed on dark pools.

128. In CP26/31, we have also committed to undertaking a post-implementation review of the equity CT once it has been in operation for a sufficient period. The review will be relevant to assessing the transparency proposals in this CP because the effectiveness of the CT depends, in part, on the quality, consistency and interpretability of the underlying trade data that feeds into it.

129. The CT evaluation should provide evidence on whether more transparent and consolidated data is supporting better outcomes for market participants, including in assessing liquidity, comparing execution options and making trading decisions.

Annex 3

Compatibility statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).

2. When consulting on proposals to make, amend or revoke rules and technical standards, the FCA is required by section 138I(2)(d) FSMA (and s.138S(2) in relation to technical standards) to explain why it considers the proposed changes are: (a) compatible with its general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA is also required by s 138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

3. This Annex also sets out the FCA's view of how the proposed rules and technical standards are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.

4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.

5. This Annex includes our assessment of the equality and diversity implications of these proposals.

6. Under the Legislative and Regulatory Reform Act 2006 (LRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRA.

The FCA's objectives and regulatory principles: Compatibility statement

7. The proposals set out in this consultation are primarily intended to advance the FCA's operational objective of protecting and enhancing the integrity of the UK financial system. They seek to improve the quality, consistency and usability of equity market transparency information, support robust price formation and market resilience, and provide greater clarity in areas where regulatory requirements may not operate as intended. The proposals are also relevant to the FCA's duty to promote effective competition in the interests of consumers, including by supporting competition between different execution mechanisms while preserving innovation, investor choice and firms' ability to provide liquidity in different ways.

8. We consider these proposals are compatible with the FCA's strategic objective of ensuring that the relevant markets function well. UK equity markets play an important role in capital allocation, investment and risk transfer. By improving transparency, supporting market infrastructure and enhancing resilience in the event of market disruption, the proposals are intended to support the continued effective functioning of those markets.

9. We consider these proposals advance our market integrity objective. The proposals seek to improve the reliability and usefulness of pre- and post-trade transparency information, support the development of the equity consolidated tape, improve the identification of addressable liquidity, clarify the treatment of certain non-price-forming transactions, improve the usefulness of systematic internalisers' transparency and provide greater clarity regarding market outage arrangements. Together, these measures are intended to support fair and orderly markets and strengthen confidence in UK equity market price formation.

10. The proposals are not primarily directed at consumer protection. However, improved market transparency, price formation and resilience may indirectly benefit investors.

11. We consider these proposals facilitate the international competitiveness of the UK economy, including the financial services sector, and its growth in the medium to long term.

12. We consider these proposals comply with the FCA's secondary objective to advance international competitiveness and growth because they are designed to make UK equity markets more attractive, efficient and resilient. These proposals support this by improving transparency, strengthening market data arrangements and supporting more effective market functioning. Better information can support more informed investment decisions, more effective capital allocation and greater confidence in UK markets.

13. In reaching this view, we have taken account of relevant international developments and standards, including work undertaken by IOSCO and developments in other major jurisdictions. We recognise that different jurisdictions have adopted different approaches to transparency, market structure and trading venue regulation. Our proposals are intended to support the competitiveness of UK markets while maintaining high regulatory standards and advancing our statutory objectives.

14. We have also considered both the direct effects of the proposals on UK financial markets and the indirect effects on the wider UK economy through improved market functioning, investor confidence and capital formation.

15. In developing these proposals, we have had regard to the Treasury's recommendations in the November 2024 Remit Letter, including the Government's priorities relating to sustainable economic growth, international competitiveness, innovation and proportionate regulation. The proposals support these priorities by improving the quality and accessibility of equity market data, supporting market resilience and reducing unnecessary reporting burdens where information does not contribute meaningfully to transparency or price formation.

16. In preparing these proposals, we have had regard to our duty to promote effective competition in the interests of consumers under s.1B(4) FSMA, to the extent that this is compatible with advancing our market integrity objective.

17. In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles set out in s.3B FSMA. The proposals are designed to support competition between different execution mechanisms and trading models by improving the quality and usability of transparency information while avoiding unnecessary or disproportionate restrictions on firms' ability to innovate and compete. We recognise that effective competition depends on market participants being able to access and interpret reliable information about pricing and liquidity.

18. The proposals are also consistent with the regulatory principles relating to openness, disclosure and transparency by improving the information available to market participants.

The need to use our resources in the most efficient and economic way

19. We consider that the proposals make efficient use of our resources because they build on existing transparency frameworks, supervisory information and market data. They also seek to improve the quality and usability of existing transparency information rather than create wholly new reporting regimes.

The principle that a burden or restriction should be proportionate to the benefits

20. We consider the proposals to be proportionate. They are targeted at specific transparency, reporting and market resilience issues identified through market analysis, stakeholder engagement and previous consultations. We have sought to avoid unnecessary obligations and, where appropriate, reduce reporting burdens that provide limited transparency benefits.

The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) [and section 5 of the Environment Act 2021 (environmental targets)]

21. We have considered whether the proposals are relevant to contributing towards compliance with the UK net zero emissions target and environmental targets. We do not consider that the proposals are relevant to contributing to those targets because they concern equity market transparency, reporting requirements and market structure rather than environmental policy objectives.

The general principle that consumers should take responsibility for their decisions

22. The proposals support informed decision-making by improving the quality of information available to market participants. They do not reduce the responsibility of firms or investors to make their own decisions regarding execution, investment or risk management.

The responsibilities of senior management

23. The proposals do not directly alter senior management responsibilities. However, firms will need to ensure that appropriate systems, controls and governance arrangements remain in place to comply with any resulting reporting and transparency requirements.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

24. The proposals recognise the different functions and business models of trading venues, systematic internalisers, Approved publication arrangements and other market participants. They seek to maintain an appropriate distinction between bilateral and multilateral trading arrangements while promoting a suitably level playing field where firms perform comparable market functions.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

25. The proposals are directly concerned with the publication and quality of market transparency information. We consider that improved transparency supports informed decision-making, effective competition and market integrity.

The principle that we should exercise of our functions as transparently as possible

26. This CP explains the evidence we have considered, the feedback received from stakeholders and the reasons for the proposed approach. We are consulting publicly on these proposals and will take account of consultation responses before determining our final approach.

Financial crime

27. In formulating these proposals, we have had regard to the importance of minimising the extent to which authorised businesses or recognised investment exchanges may be used for purposes connected with financial crime (as required by s 1B(5)(b) FSMA). Whilst the proposals are not primarily directed at financial crime risks, improving the quality, consistency and usability of transparency information may support monitoring, surveillance and market oversight.

Expected effect on mutual societies

28. We do not expect the proposals in this paper to have a significantly different impact on mutual societies. The proposals apply primarily by reference to participation in UK equity markets and the relevant activities of trading venues, investment firms, systematic internalisers and publication arrangements, rather than legal form or ownership structure.

Equality and diversity

29. We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, to and foster good relations between people who share a protected characteristic and those who do not.

30. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. The outcome of our consideration in relation to these matters in this case is stated in paragraph 2.39 of the paper.

Legislative and Regulatory Reform Act 2006 (LRRA)

31. We have had regard to the principles in the Legislative and Regulatory Reform Act 2006 (LRRA) for the parts of the proposals that consist of general policies, principles or guidance. In particular, we consider that the proposed guidance on market outages supports the LRRA principles that regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed. It is intended to provide greater clarity and consistency regarding our expectations of trading venues during outage events, while retaining flexibility for venues to respond appropriately to the specific circumstances of an incident. We consider that this approach will support transparent and effective market operation without imposing unnecessary regulatory burdens.

32. We have had regard to the Regulators' Code for the parts of the proposals that consist of general policies, principles or guidance. We consider that the proposed guidance supports the Code's objective of providing clear and accessible regulatory expectations, helping firms to understand our approach to outage events and facilitating consistent and proportionate compliance.

Annex 4

Derivation and Changes Table

Source of provision	Handbook Reference	Subject matter	Policy change/HSD [1]/ other comment
Article 14(3) MiFIR	MAR 11A.8	Quotes by equity systematic internalisers	Transferred to FCA Handbook with policy changes to quote size requirements
MiFID RTS 7	MAR [16]	Organisational requirements of trading venues	Transferred to FCA Handbook with HSD changes, with additional guidance provisions relating to market outages are incorporated within this chapter.
MiFID RTS 8	Revoked in its entirety	Market making agreements and schemes	Revoked in its entirety
MiFID RTS 1			
Article 10	Provision revoked	Systematic internalisers – prices reflecting prevailing market conditions	Provision revoked as part of the transfer of Article 14(3) MiFIR to MAR 11A.8, and subsequent policy changes
Article 11	Not transferred	Standard market size	Consequential cross-reference change
Article 12	MAR 11A.9	Post-trade transparency obligations	Transferred to FCA Handbook with policy changes relating to quote sizes

1 "HSD" means handbook style drafting. The term is used to denote instances where assimilated law has been transferred to the handbook with minor drafting changes that do not amount to a change in policy.

Source of provision	Handbook Reference	Subject matter	Policy change/HSD [1]/ other comment
Article 13	MAR 11A.9	Application of post-trade transparency	Transferred to FCA Handbook with policy changes to: **a.** clarify that contingent trades are outside the scope of the post-trade transparency regime; **b.** clarify that a new trade report must be submitted as soon as possible where a trade report is cancelled or amended; **c.** introduce a maximum back reporting period of 3 years for transactions subject to the regime; and **d.** permit back-reporting outside normal market hours, except where the reporting obligation is identified on the same day as the transaction.
Article 14	MAR 11A.9	Real time publication of transactions	Transferred to FCA Handbook with HSD changes
Article 15	MAR 11A.9	Deferred publication of transactions	Transferred to FCA Handbook with HSD changes
Article 16	Revoked in its entirety	References to trading day and daily trading hours	Revoked in its entirety
Annex I	MAR 11A Annex 2	Information to be made public	Transferred to FCA Handbook with policy changes to the flags to identify dark trades executed on a lit order book
Tables 4, 5 and 6 of Annex II	MAR 11A Annex 3	Deferred publications and delays	Transferred to FCA Handbook with HSD changes

Annex 5

Abbreviations used in this paper

Abbreviation	Description
AIM	Alternative Investment Market
AFM	Authorised fund manager
APA	Approved Publication Arrangement
BBO	Best bid and offer
CBBO	Consolidated best bid and offer
CBOE	Chicago Board Options Exchange
CFD	Contract for difference
CLOB	Central limit order book
CP	Consultation Paper
CT	Consolidated tape
ESMA	European Securities and Markets Authority
ETF	Exchange traded fund
EU	European Union
FCA	Financial Conduct Authority
FINRA	Financial Industry Regulatory Authority
HHI	Herfindahl-Hirschman Index
IOSCO	International Organization of Securities Commissions
ISIN	International Securities Identification Number
LSE	London Stock Exchange
LSEG	London Stock Exchange Group

Abbreviation	Description
MAR	Market Conduct Sourcebook
MIC	Market Identifier Code
MiFID I	The first Markets in Financial Instruments Directive
MiFID II	The second Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MRMTL	Most relevant market in terms of liquidity
MTF	Multilateral Trading Facility
NPFT	Non-price forming transaction
OBOE	Off-book on exchange
OTC	Over-the-counter
OTF	Organised Trading Facility
REC	Recognition Requirements Regulations
RFQ	Request-for-quote
RIE	Recognised Investment Exchange
RPW	Reference price waiver
RSP	Retail Service Provider
SEC	Securities and Exchange Commission
SI	Systematic internaliser
SMS	Standard market size
STO	Share trading obligation
TNCP	Transactions not contributing to the price discovery process
UK	United Kingdom
UK EMIR	UK version of European Market Infrastructure Regulation
UK MiFID RTS 1	UK version of Commission Delegated Regulation (EU) 2017/587

Abbreviation	Description
UK MiFID RTS 7	UK version of Commission Delegated Regulation 2017/584
UK MiFID RTS 8	UK version of Commission Delegated Regulation (EU) 2017/578
UK MiFID RTS 22	UK version of Commission Delegated Regulation (EU) 2017/590
US	United States
VWAP	Volume-weighted average price
WMR	Wholesale Markets Review

Appendix 1

Draft Handbook text

Markets in Financial Instruments (Equity Market Transparency, Capacity and Resilience) Instrument 202X

Powers exercised

A. The Financial Conduct Authority ('the FCA') makes this instrument in the exercise of the powers and related provisions in or under:

(1) the following articles of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012:

(a) Article 7 (Authorisation of deferred publication);

(b) Article 14(3) (Obligation for systematic internalisers to make public firm quotes in respect of shares, depositary receipts, ETFs, certificates and other similar financial instruments); and

(c) Article 20 (Post-trade disclosure by investment firms, including systematic internalisers, in respect of shares, depositary receipts, ETFs, certificates and other similar financial instruments);

(2) the following sections of the Financial Services and Markets Act 2000 ('the Act'):

(a) section 137A (The FCA's general rules);

(b) section 137T (General supplementary powers);

(c) section 139A (Power of the FCA to give guidance); and

(d) section 300H (Rules relating to investment exchanges and data reporting service providers);

(3) regulation 11 (FCA rules) of the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges, Clearing Houses and Central Securities Depositories) Regulations 2001 (SI 2001/995); and

(4) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA's Handbook.

B. The rule-making powers listed above are specified for the purposes of section 138G (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [*date*].

Amendments to the Handbook

D. The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below.

(1)	(2)
Glossary of definitions	Annex A
Market Conduct sourcebook (MAR)	Annex B
Recognised Investment Exchanges sourcebook (REC)	Annex C

Instructions and notes

E. In the Annexes to this instrument, the instructions (indicated by '**Instruction:**') and notes (indicated by '**Note:**' or '**Editor's note:**') are included for the convenience of readers but do not form part of the legislative text.

Citation

F. This instrument may be cited as the Markets in Financial Instruments (Equity Market Transparency, Capacity and Resilience) Instrument 202X.

By order of the Board

[*date*]

Annex A

Amendments to the Glossary of definitions

Instruction: In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise indicated.

Instruction: Insert the following definitions in the appropriate alphabetical position. The text is not underlined.

post-trade equity transparency information

information about a transaction as set out in *MAR 11A Annex 2.1R* to *MAR 11A Annex 2.3R*, using the applicable flags listed in *MAR 11A Annex 2.4R*.

self-assessment of compliance

the assessment of compliance under *MAR 16.2* that applies to a *trading venue operator*.

service provider

a *person* to whom a *trading venue operator* outsources operating functions.

Instruction: Amend the following as shown.

derivative

…

(2) (in *REC*, *MAR 5*, *MAR 5A*, *MAR 11*, *MAR 11A* and *COBS 12*) those *financial instruments* defined in Article 2 (1)(24)(c) of *MiFIR* or referred to in paragraphs 4 to 10 of Part 1 of Schedule 2 to the *Regulated Activities Order*.

governing body

the board of *directors*, committee of management or other governing body of a *firm*, *safeguarding institution*, *relevant institution* ~~or~~, *recognised body*~~,~~ or *trading venue operator* including, in relation to a *sole trader, the sole trader*.

management body

…

(4) …

(5) (in *MAR 16*) the *governing body* and *senior personnel* who are empowered to set the strategy, objectives and overall direction of a *trading venue operator*, and who oversee and monitor management decision-making.

member

…

(3) …

(4) (in *MAR 16*) the member, participant or *client* of a *trading venue operator*.

register of designated reporters

the register of *designated reporters* maintained by the *FCA* ~~in accordance with article 12(8) of *MiFID RTS 1*~~ on its website.

senior management

…

(5) …

(6) (in *MAR 16*) those natural persons who exercise executive functions in *trading venue operators* and who are responsible and accountable to the *management body* for the day-to-day management of a *trading venue operator*, including for the implementation of policies and arrangements governing the operation of the *trading venue* and the services provided by it and its personnel.

senior personnel

(1) those *persons* who effectively direct the business of the *firm*, *CBTL firm*, *recognised investment exchange* ~~or~~, *data reporting services provider* or *trading venue operator* which could include the membership of the *governing body* and other individuals who effectively direct the business of the *person*.

…

transparency investment firm

(1) a *person* who is either:

~~(1)~~

(a) a *MiFID investment firm*, except a *collective portfolio management investment firm*; or

~~(2)~~

(b) a *third country investment firm* subject to *GEN 2.2.22AR*,

who *deals on own account* or executes orders on behalf of *clients*.

(2) a *Gibraltar-based investment firm* which *deals on own account* or executes orders on behalf of *clients* from an establishment in the *United Kingdom*.

Annex B

Amendments to the Market Conduct sourcebook (MAR)

Instruction: In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Editor's note: This Annex takes into account the proposals and legislative changes suggested in the consultation paper 'Improving the UK transaction reporting regime' (CP25/32) as if they were made final. It also takes into account the changes introduced by the Markets in Financial Instruments (Equity Transparency) Instrument 2026 (FCA 2026/30), which come into force on 28 September 2026.

MAR 1A Application of MAR

MAR 1A.1 What

MAR 1A.1.1 | G

The application of each of the chapters *MAR 4* to *MAR 12* and *MAR 16* is set out in those chapters.

MAR 1A.2 Action for damages

MAR 1A.2.1 | R

A contravention of a *rule* in *MAR 5*, *MAR 5A*, *MAR 5AA*, *MAR 6*, *MAR 7A*, ~~and~~ *MAR 9* to *MAR* 12 and *MAR 16* does not give rise to a right of action by a *private person* under section 138D of the *Act* (and each of those *rules* is specified under section 138D(3) of the *Act* as a provision giving rise to no such right of action).

…

MAR 5 Multilateral trading facilities (MTFs)

…

MAR 5.3A Systems and controls for algorithmic trading

Systems and controls

…

MAR 5.3A.2 | R

…

[**Note:** article 48(1),(4) and (6) of *MiFID*, ~~*MiFID RTS 7*~~ *MAR 16*, *MiFID RTS 9*, and *MiFID RTS 11*]

Market making agreements

MAR 5.3A.3 | R

…

~~[**Note:** article 48(2) and (3) of *MiFID*, and *MiFID RTS 8*]~~

MAR 5.3A.4 | R

…

~~[**Note**: article 48(3) of *MiFID* and *MiFID RTS 8*]~~

…

MAR 5A Organised trading facilities (OTFs)

…

MAR 5A.5 Systems and controls for algorithmic trading

Systems and controls

…

MAR 5A.5.2 | R

…

[**Note:** article 48(1), (4) and (6) of *MiFID*, ~~*MiFID RTS 7*~~ *MAR 16*, *MiFID RTS 9*, and *MiFID RTS 11*]

Market making agreements

MAR 5A.5.3 | R

…

~~[**Note:** article 48(2) and (3) of *MiFID* and *MiFID RTS 8*]~~

MAR 5A.5.4 | R

…

~~[**Note**: article 48(3) of *MiFID* and *MiFID RTS 8*]~~

…

MAR 7A Algorithmic trading

…

MAR 7A.3 Requirements for algorithmic trading

…

Market making

MAR 7A.3.4 | R

…

~~[**Note:** article 17(3) of *MiFID*, *MiFID RTS 8* specifying the circumstances in which a *person* would be obliged to enter into the market making agreement referred to in *MAR* 7A.3.4R(2) and the content of such an agreement, including the specified proportion of the *trading venue's* trading hours, and the situations constituting exceptional circumstances, referred to in *MAR* 7A.3.4R(1)]~~

…

MAR 11 Transparency rules for bond transparency instruments

…

MAR 11.4 Post-trade transparency (all transparency firms)

…

Post-trade transparency requirements

…

MAR 11.4.5 | R

Where a transparency firm:

(1) cancels a previously published trade report containing the *post-trade transparency information*, it must, as soon as possible following the cancellation, publish a new trade report containing all the details of the original trade report and the cancellation flag specified in *MAR 11 Annex 2 Table 3*;

(2) amends a previously published trade report containing *post-trade transparency information*, it must, as soon as possible following the amendment, publish:

…

MAR 11.4.5A | R

A requirement to publish *post-trade transparency information* about a transaction under *MAR 11.4* applies in respect of a transaction for 3 years from the date of its execution.

MAR 11.4.5B | R

Where a *transparency firm* fails to publish *post-trade transparency information* in accordance with *MAR 11.4.2R*, or is required to publish a new trade report in accordance with *MAR 11.4.5R*, it must publish that trade report outside the *trading venue's* trading hours unless that information relates to a transaction executed on the same *day* that the *transparency firm* identifies the obligation to publish that trade report.

…

MAR 11A Pre-trade transparency rules for equity instruments

MAR 11A.1 Purpose and application

Purpose

MAR 11A.1.1 | G

The purpose of this chapter is to set out:

(1) the conditions applying to pre-trade transparency waivers in relation to *equity transparency instruments*;

(2) the requirements for quotes for *equity systematic internalisers*, to be read in conjunction with Article ~~3~~ 14 of *MiFIR* and *MiFID RTS 1*~~.~~; and

(3) post-trade transparency *rules* applying to *equity transparency instruments*.

Application

…

MAR 11A.1.3 | G

(1) In addition, *MAR 11A.7.2R* ~~and~~, *MAR 11A.7.3R* and *MAR 11A.8* apply to *equity systematic internalisers*.

(2) *MAR 11A.9* applies to *transparency investment firms*.

MAR 11A.2 Reference price waiver

MAR 11A.2.1 | R

Article 3 of *MiFIR* does not apply in respect of ~~systems matching orders based on a trading methodology by which the price of the~~ an order in an *equity transparency instrument* ~~is~~ where the order in the system is matched at a price derived from:

…

MAR 11A.3 Negotiated transactions waiver

MAR 11A.3.1 | R

Article 3 of *MiFIR* does not apply in respect of ~~systems that formalise~~ an order in an *equity transparency instrument* which results in negotiated transactions which are:

(1) made within the current volume weighted spread reflected on the order book or the quotes of the *market makers* of the *trading venue* ~~operating that system~~;

(2) in an illiquid *equity transparency instrument* that does not fall within the meaning of a liquid market in Article 2(1)(17) of *MiFIR*, and are dealt within a percentage of a suitable reference price, being a percentage and a reference price set in advance by the ~~system operator~~ *trading venue*; or

…

MAR 11A.5 Order management facility waiver

…

MAR 11A.5.2 | R

MAR 11A.5.1R applies in respect of an order which:

(1) is intended to be disclosed to the order book operated by a *trading venue* and is contingent on objective conditions that are predefined by the ~~system's protocol~~ *trading venue*;

…

> **Instruction:** Insert the following new sections, MAR 11A.8 and MAR 11A.9, after MAR 11A.7 (Transparency calculations). The text is all new and is not underlined.

MAR 11A.8 Quotes by equity systematic internalisers

MAR 11A.8.1 | G

Under Article 14(1) of *MiFIR*, an *equity systematic internaliser* must publish quotes in respect of any *equity financial instrument* traded on a *trading venue* for which:

(1) it is an *equity systematic internaliser*; and

(2) there is a liquid market.

MAR 11A.8.2 | R

An *equity systematic internaliser* must ensure that any quote published in accordance with Article 14(1) of *MiFIR* specifies the price and volume at which it is prepared generally to buy and sell the relevant *equity transparency instrument* for sizes up to and including the applicable standard market size determined in accordance with Article 11 of *MiFID RTS 1*.

MAR 11A.8.3 | G

For the purposes of *MAR 11A.8.2R*, without prejudicing the ability of an *equity systematic internaliser* to provide price improvement for individual transactions where permitted by *MiFIR*:

(1) the price and volume specified in a quote should reflect the price and volume at which an *equity systematic internaliser* is prepared to transact with its *clients* as a pool of potential counterparties; and

(2) when determining the volume specified in a quote, an *equity systematic internaliser* should have regard to the size of transactions in the relevant *equity financial instrument* that it ordinarily executes with *clients* for transactions up to and including the applicable standard market size.

MAR 11A.9 Post-trade transparency (equity financial instruments)

MAR 11A.9.1 | R

(1) The *rules* in *MAR 11A.9* apply to:

(a) a *trading venue operator*; or

(b) a *transparency investment firm*.

(2) The *rules* in *MAR 11A.9* do not apply to a transaction in *equity transparency instruments* which is one of the following transactions:

(a) an excluded transaction listed in *MAR 14.2.4R*;

(b) a transaction executed by a *transparency investment firm*, when providing the *investment service* of *portfolio management*, which transfers the beneficial ownership of *financial instruments* from one fund to another and where no other *investment firm* is a party to the transaction other than for the sole purpose of providing arrangements for the execution of such non-price-forming transactions;

(c) a ‘give-up transaction’ or a ‘give-in transaction’, which means a transaction where a *transparency investment firm*:

(i) passes a client trade to, or receives a client trade from, another *investment firm* for the purpose of post-trade processing; or

(ii) executing a trade passes it to, or receives it from, another *investment firm* for the purpose of hedging the position that it has committed to enter into with a *client*;

(d) inter-affiliate transactions, which means transactions between entities within the same *group* carried out exclusively for intra-group risk management purposes; or

(e) a transaction which is contingent on the purchase, sale, creation or redemption of a *derivative* or other *financial instrument*, where all the components of the trade are to be executed only as a single lot.

Post-trade transparency requirements

MAR 11A.9.2 | R

A *trading venue operator* must publish the *post-trade equity transparency information* about a transaction executed on a *trading venue* it operates:

(1) where the transaction takes place during the *trading day* of the *trading venue*, as close to real time as is technically possible and, in any case, within 1 minute of the relevant transaction; and

(2) where the transaction does not take during the *trading day* of the *trading venue*, before the opening of the next *trading day* for that *trading venue*.

MAR 11A.9.3 | R

A *transparency investment firm* must publish the *post-trade equity transparency information* about a transaction:

(1) where the transaction takes place during:

(a) the *trading day* of the most relevant market in terms of liquidity for that *financial instrument* as set out in Article 17B of *MiFID RTS 1*; or

(b) the *transparency investment firm's* daily trading hours,

as close to real time as is technically possible and, in any case, within 1 minute of the relevant transaction; and

(2) in any other case, immediately upon the commencement of the *transparency investment firm's* daily trading hours and, at the latest, before the opening of the next *trading day* of the most

relevant market in terms of liquidity determined in accordance with Article 17B of *MiFID RTS 1*.

MAR 11A.9.4 | R

(1) A *transparency firm* must publish *post-trade equity transparency information* about a transaction, as close to real time as is technically possible in respect of a *portfolio trade*, having regard to the need to allocate prices to the relevant instruments.

(2) Each constituent transaction of a *portfolio trade* must be assessed separately for the purposes of determining whether deferred publication in respect of that transaction is available under Article 15 of *MiFID RTS 1*.

MAR 11A.9.5 | G

Post-trade equity transparency information should only be published close to the prescribed maximum time limits in exceptional cases where it is not technically possible, or the systems available do not allow for publication in a shorter period. *Transparency firms* should take reasonable steps to ensure their systems can support their obligations under *MAR 11A.9.2R* and *MAR 11A.9.3R* to publish through an *APA* as close to real time as possible.

MAR 11A.9.6 | R

A *transparency investment firm* must:

(1) where there are 2 matching trades entered at the same time and for the same price with a single party interposed, treat the 2 trades as a single transaction and take all reasonable steps to ensure that the *post-trade equity transparency information* relating to such trades is published as if they relate to a single transaction; and

(2) publish *post-trade equity transparency information* once for each transaction, through a single *APA*.

MAR 11A.9.7 | R

Where a *transparency firm*:

(1) cancels a previously published trade report containing *post-trade equity transparency information*, it must, as soon as possible

following the cancellation, publish a new trade report containing all the details of the original trade report and the cancellation flag specified in *MAR 11A Annex 2.4R*;

(2) amends a previously published trade report containing post-*trade equity transparency information*, it must, as soon as possible following the amendment, publish:

(a) a new trade report containing all the details of the original trade report and the cancellation flag specified in *MAR 11A Annex 2.4R*; and

(b) a new trade report containing the correct *post-trade equity transparency information* and the amendment flag as specified in *MAR 11A Annex 2.4R*.

MAR 11A.9.8 | R

A requirement to publish *post-trade equity transparency information* about a transaction under *MAR 11A.9* applies in respect of a transaction for 3 years from the date of its execution.

MAR 11A.9.9 | R

Where a *transparency firm* fails to publish *post-trade equity transparency information* in accordance with *MAR 11A.9.2R* or *MAR 11A.9.3R*, or is required to publish a new trade report in accordance with *MAR 11A.9.7R*, it must publish that trade report outside the *trading venue's* trading hours unless that information relates to a transaction executed on the same *day* that the *transparency firm* identifies the obligation to publish that trade report.

Which transparency investment firm reports?

MAR 11A.9.10 | R

(1) Where 2 *transparency investment firms* conclude a transaction outside the rules of a *trading venue*, only the *transparency investment firm* that is registered as a *designated reporter* must publish details of the transaction in accordance with *MAR 11A.9.3R*.

(2) Where neither *transparency investment firm* party to the transaction is a *designated reporter*, only the *transparency*

investment firm acting as the selling firm must publish details of the transaction in accordance with *MAR 11A.9.3R*.

(3) Where each *transparency investment firm* party to the transaction is registered as a *designated reporter*, only the *transparency investment firm* acting as the selling firm must publish details of the transaction in accordance with *MAR 11A.9.3R*.

MAR 11A.9.11 | R

The *transparency investment firm* that acts as the selling firm and is required by *MAR 11A.9.10R(3)* to publish the *post-trade equity transparency information* can fulfil this requirement by arranging for the buyer to publish the relevant details instead.

MAR 11A.9.12 | R

A *transparency investmen*t *firm* must notify the *FCA* in writing before it begins, or ceases, to carry on the activity of a *designated reporter*.

MAR 11A.9.13 | G

The *FCA* will publish a *register of designated reporters* on its website.

Post-trade transparency deferrals

MAR 11A.9.14 | R

(1) A transparency firm may defer publication of *post-trade equity transparency information* where:

  (a) the transaction is between a *transparency firm dealing on own account* otherwise than through *matched principal trading*, and another counterparty; and

  (b) the transaction is equal to or greater than the applicable minimum qualifying size set out in *MAR 11A Annex 3.1R*, *MAR 11A Annex 3.2R* or *MAR 11A Annex 3.3R*.

(2) For the purposes of (1)(b), the applicable minimum qualifying size must be determined by reference to the average daily turnover calculated in accordance with *MAR 11A.4*.

(3) Where publication of the *post-trade equity transparency information* may be deferred until the end of the *trading day*, a *transparency firm* must publish that information:

  (a) for transactions executed more than 2 hours before the end of that *trading day*, as soon as possible after the end of the *trading day* on which the closing auction took place, where applicable; or

  (b) in any other case, no later than 12 noon on the next *trading day*.

(4) Where a transaction takes place outside a *trading venue*, references in (3) to a '*trading day*' or a 'closing auction' are references to those of the most relevant market in terms of liquidity, determined in accordance with Article 17B of *MiFID RTS 1*.

(5) A *transparency firm* may defer publication of *post-trade equity transparency information* about an *ETF* executed at its net asset value before publication of that net asset value, irrespective of the size of the transaction.

(6) Where (5) applies, once the net asset value is published, the *transparency firm* must publish the *post-trade equity transparency information* in accordance with *MAR 11A.9.2R* or *MAR 11A.9.3R*.

> **Editor's note:** The FCA is consulting on alternative approaches. Option 1 (reliance on reference price transaction (RFPT) flag and a segment market identifier code (MIC) identification) is set out below.

> **Instruction:** Insert the following new annex, MAR 11A Annex 2, after MAR 11A Annex 1 (Reference data to be provided for the purpose of transparency calculations).

MAR 11A Annex 2 Information to be made public

> **Editor's note:** This annex will consist of the 4 tables previously located at Annex I of the UK version of Commission Delegated Regulation (EU) 2017/587. Where amendments are to be made to the content of the tables, underlining indicates new text and striking through indicates deleted text.

Table 1: Description of the type of trading systems and the related information to be made public in accordance with Article 3 of the UK version of Commission Delegated Regulation (EU) 2017/587

MAR 11A Annex 2.1 | R

Type of trading system	Description of the trading system	Information to be made public
…		

Table 2: Symbol table for Table 3

MAR 11A Annex 2.2 | R

Symbol	Data type	Definition
…		

Table 3: List of details for the purpose of post-trade transparency

MAR 11A Annex 2.3 | R

Field identifier	Description and details to be published	Type of execution or publication venue	Format to be populated as defined in Table 2
…			

Table 4: List of flags for the purpose of post-trade transparency

MAR 11A Annex 2.4 | R

Flag	Name	Type of execution or	Description

		publication venue	
…			
"NPFT"	Non-price forming transactions flag	RM, MTF CTP	Transactions where the exchange of financial instruments is determined by factors other than the current market valuation of the financial instrument as listed under ~~Article 13~~ _MAR 11A.9_
"TNCP"	Transactions not contributing to the price discovery process for the purposes of Article 23 of Regulation (EU) No 600/2014 flag, other than where covered by BENC, CLSE or PORT flags.	RM, MTF APA CTP	Transactions not contributing to the price discovery process for the purposes of Article 23 of Regulation (EU) No 600/2014 and as set out in Article 2, other than where covered by BENC, CLSE or PORT flags.
…			

"NTLS"	Pre-trade large in scale trade flag	RM, MTF APA CTP	Transactions that are large in scale compared with normal market size for which pre-trade transparency can be waived under ~~MAR 11A.4~~ *MAR 11A.4*.
"RFPT"	Reference price transaction flag	RM, MTF CTP	Transactions which are executed ~~under systems operating~~ in accordance with ~~MAR 11A.2~~ *MAR 11A.2*.
…			

Editor's note: The FCA is consulting on alternative approaches. Option 2 (introduction of a new reference price lit order book transaction (RPLT) flag) is set out below.

Instruction: Insert the following new annex, MAR 11A Annex 2, after MAR 11A Annex 1 (Reference data to be provided for the purpose of transparency calculations).

MAR 11A Annex 2 Information to be made public

Editor's note: This annex will consist of the 4 tables previously located at Annex I of the UK version of Commission Delegated Regulation (EU) 2017/587. Where amendments are to be made to the content of the tables, underlining indicates new text and striking through indicates deleted text.

Table 1: Description of the type of trading systems and the related information to be made public in accordance with Article 3 of the UK version of Commission Delegated Regulation (EU) 2017/587

MAR 11A Annex 2.1 | R

Type of trading system	Description of the trading system	Information to be made public
…		

Table 2: Symbol table for Table 3

MAR 11A Annex 2.2 | R

Symbol	Data type	Definition
…		

Table 3: List of details for the purpose of post-trade transparency

MAR 11A Annex 2.3 | R

Field identifier	Description and details to be published	Type of execution or publication venue	Format to be populated as defined in Table 2
…			

Table 4: List of flags for the purpose of post-trade transparency

MAR 11A Annex 2.4 | R

Flag	Name	Type of execution or	Description

		publication venue	
…			
"NPFT"	Non-price forming transactions flag	RM, MTF CTP	Transactions where the exchange of financial instruments is determined by factors other than the current market valuation of the financial instrument as listed under ~~Article 13~~ _*MAR 11A.9*_
"TNCP"	Transactions not contributing to the price discovery process for the purposes of Article 23 of Regulation (EU) No 600/2014 flag, other than where covered by BENC, CLSE or PORT flags.	RM, MTF APA CTP	Transactions not contributing to the price discovery process for the purposes of Article 23 of Regulation (EU) No 600/2014 and as set out in Article 2, other than where covered by BENC, CLSE or PORT flags.
…			

"NTLS"	Pre-trade large in scale trade flag	RM, MTF APA CTP	Transactions that are large in scale compared with normal market size for which pre-trade transparency can be waived under ~~MAR 11A.4~~ *MAR 11A.4*.
"RFPT"	Reference price transaction flag	RM, MTF CTP	Transactions which are executed ~~under systems operating~~ in accordance with ~~MAR 11A.2~~ *MAR 11A.2*, other than those identified by the RPLT flag.
"RPLT"	Reference price (lit order book) transaction flag	RM, MTF CTP	Transactions which are executed in accordance with *MAR 11A.2* where an order benefitting from the reference price waiver is executed on the same order book of a trading venue from where the price is derived.

"NETW"	Negotiated transaction flag	RM, MTF CTP	Transactions executed in accordance with ~~MAR 11A.3~~ *MAR 11A.3*.
…			

Editor's note: The alternative approaches set out above are now concluded.

Instruction: Insert the following new annex, MAR 11A Annex 3, after MAR 11A Annex 2 (Information to be made public).

MAR 11A Annex 3 Deferred publication thresholds and delays

Editor's note: This annex will consist of the tables previously located at Tables 4, 5 and 6 of Annex II of the UK version of Commission Delegated Regulation (EU) 2017/587. No amendments are proposed to be made to the content of the tables but the table numbers have been amended and provision numbers are proposed to be added, as indicated below.

Table ~~4~~ 1: Deferred publication thresholds and delays for shares and depositary receipts

MAR 11A Annex 3.1 | R

Average daily turnover (ADT) in EUR	**Minimum qualifying size of transaction for permitted delay in EUR**	**Timing of publication after the transaction**
…		

Table ~~5~~ 2: Deferred publication thresholds for EFTs

MAR 11A Annex 3.2 | R

Minimum qualifying size of transaction for permitted delay in EUR	**Timing of publication after the transaction**
…	

Table ~~6~~ 3: Deferred publication thresholds and delays for certificates and other similar financial instruments

MAR 11A Annex 3.3 | R

Average daily turnover (ADT) in EUR	**Minimum qualifying size of transaction for permitted delay in EUR**	**Timing of publication after the transaction**
…		

Instruction: Insert the following new chapter, MAR 16, after MAR 15 (Financial instrument reference data). The text is all new and is not underlined.

MAR 16 Capacity and resilience of trading venues

MAR 16.1 Purpose and application

MAR 16.1.1 | R

This chapter applies to a *trading venue operator*.

MAR 16.1.2 | G

(1) The purpose of this chapter is to:

(a) set out the organisational requirements for *trading venue operators* whose systems enable or allow *algorithmic trading*, including requirements relating to:

(i) self-assessments of compliance;

(ii) governance;

(iii) the compliance function;

(iv) staffing;

(v) outsourcing;

(vi) due diligence for *members*;

(vii) testing and monitoring;

(viii) business continuity arrangements;

(ix) periodic reviews;

(x) prevention of disorderly conditions;

(xi) managing volatility;

(xii) pre- and post-trade controls; and

(xiii) security and limits to access; and

(b) provide *guidance* on the procedures and arrangements for responding to a disruptive incident preventing the effective operation of trading systems.

(2) This chapter should be read in conjunction with the other parts of the *Handbook* that contain requirements relating to systems and controls, including *MAR 5.3A*, *MAR 5A.5*, *REC 2.5.1UK* and *SYSC*, including the *common platform requirements* and *SYSC 15A*.

MAR 16.2 Self-assessments of compliance

MAR 16.2.1 | R

(1) A *trading venue operat*or must, before deploying a trading system and at least annually, undertake a self-assessment of its compliance with the *rules* in this chapter and the relevant requirements in *MAR 5.3A*, *MAR 5A.5* and paragraphs 3 to 3F of the Schedule to the *Recognition Requirements Regulations*.

(2) The self-assessment in (1) must:

(a) be proportionate to the nature, scale and complexity of the *trading venue operator's* business; and

(b) include an assessment of all of the matters set out in *MAR 16 Annex 1.2R*.

MAR 16.2.2 | R

A *trading venue operator* must keep a record of each self-assessment undertaken in accordance with *MAR 16.2.1R* for a period of at least 5 years.

MAR 16.3 Governance

MAR 16.3.1 | R

A *trading venue operator* must establish and maintain clear and effective policies and procedures for the implementation and monitoring of its trading systems as part of its governance arrangements.

MAR 16.3.2 | R

The policies and procedures in *MAR 16.3.1R* must include:

(1) the *trading venue operator's* analysis of technical, risk and compliance issues when taking critical decisions;

(2) clear lines of accountability, including procedures to approve the development, deployment and subsequent updating of trading systems and to resolve problems identified when monitoring those systems;

(3) effective procedures for the communication of information, so that instructions can be sought and implemented in a timely manner; and

(4) separation of tasks and responsibilities, to ensure effective supervision of compliance by the *trading venue operator*.

MAR 16.3.3 | R

A *trading venue operator* must ensure approval by its *management body* or *senior management* for:

(1) the self-assessment of compliance;

(2) any measures to expand the capacity of the *trading venue operator* where necessary in order to comply with *MAR 16.11*; and

(3) any actions to remedy material shortcomings identified:

(a) in the course of monitoring in accordance with *MAR 16.12*; or

(b) following the periodic review of the performance and capacity of the trading systems in accordance with *MAR 16.13*.

MAR 16.4 Compliance function within the governance arrangements

MAR 16.4.1 | R

A *trading venue operator* must ensure that its compliance function is responsible for:

(1) ensuring that staff involved in *algorithmic trading* understand the *trading venue operator's* legal obligations in relation to *algorithmic trading*; and

(2) developing and maintaining policies and procedures to ensure that its trading systems comply with the obligations referred to in (1).

MAR 16.4.2 | R

A *trading venue operator* must ensure that its compliance staff:

(1) have at least a general understanding of the operation of its trading systems and algorithms;

(2) are in continuous contact with *persons* within the *trading venue operator* who have detailed technical knowledge of its trading systems or algorithms; and

(3) at all times, have either:

(a) direct contact with *persons* who have access to the functionality referred to in *MAR 16.19.2R(3)*; or

(b) access to that kill functionality and to *persons* who are responsible for the trading system.

MAR 16.4.3 | R

Where the compliance function, or any part of it, is outsourced to a third party, a *trading venue operator* must:

(1) provide the third party with the same access to information as it would provide to its own compliance staff; and

(2) enter into an agreement with the third party which ensures that:

(a) data privacy is safeguarded; and

(b) auditing of the compliance function by internal or external auditors, or by the *FCA*, is not hindered.

MAR 16.5 Staffing

MAR 16.5.1 | R

A *trading venue operator* must employ a sufficient number of staff with the necessary skills, expertise and knowledge to manage its trading systems and trading algorithms.

MAR 16.5.2 | R

A *trading venue operator* must ensure that:

(1) the skills, expertise and knowledge for the purposes of *MAR 16.5.1R* are defined;

(2) the staff referred to in *MAR 16.5.1R*:

(a) possess those skills at recruitment or through training undertaken following recruitment;

(b) maintain those skills on an ongoing basis; and

(c) are of sufficient seniority to perform their functions effectively within the *trading venue operator*;

(3) the skills, expertise and knowledge of the staff remain up to date and are evaluated on a regular basis; and

(4) any training provided to staff is tailored to the experience and responsibilities of individual staff, considering the nature, scale and complexity of their duties.

MAR 16.5.3 | R

For the purposes of *MAR 16.5.1R*, a *trading venue operator* must ensure that its staff have knowledge of the following:

(1) the relevant trading systems and algorithms;

(2) the monitoring and testing of such systems and algorithms;

(3) the types of trading undertaken by its *members*; and

(4) the *trading venue operator's* legal obligations.

MAR 16.6 Outsourcing and procurement

MAR 16.6.1 | R

A *trading venue operator* which outsources all or part of its operational functions in relation to its trading systems must ensure that:

(1) the outsourcing agreement relates exclusively to operational functions and does not alter the responsibilities of *senior personnel*;

(2) its relationship with, and obligations to, its *members*, the *FCA* or any third parties (such as *clients* of data feed services) are not altered; and

(3) it continues to meet the requirements that it must comply with in order to be *authorised* or recognised as a *trading venue operator* under the *Act*.

MAR 16.6.2 | R

For the purposes of *MAR 16.6*, operational functions include all direct activities relating to the performance and surveillance of the trading systems supporting the following elements:

(1) upstream connectivity, order submission capacity, throttling capacities and ability to balance customer order entrance through different gateways;

(2) trading engine to match orders;

(3) downstream connectivity, order and transaction edit and any other type of market data feed; and

(4) infrastructure to monitor the performance of the elements referred to in (1) to (3).

MAR 16.6.3 | R

A *trading venue operator* must:

(1) document the process of selecting a *service provider*; and

(2) before concluding an outsourcing agreement and for the duration of that agreement, ensure that:

(a) the *service provider* is able to perform the outsourced functions reliably and professionally and holds any authorisations required by law for those purposes;

(b) the *service provider* properly supervises the performance of the outsourced functions and adequately manages the risks associated with the outsourcing agreement;

(c) the outsourced functions are provided in accordance with the specifications of the outsourcing agreement, which are based on pre-determined methods for assessing the standard of performance of the *service provider*, including metrics to measure the outsourced functions and specifications of the requirements that must be met;

(d) it has the necessary expertise to supervise the outsourced functions effectively and manage the risks associated with the outsourcing agreement;

(e) it is able to take swift action if the *service provider* does not carry out the outsourced functions effectively and in compliance with applicable laws and regulatory requirements;

(f) the *service provider* discloses to the *trading venue operator* any matter that may have a material impact on its ability to carry out the outsourced functions effectively and in compliance with its legal obligations;

(g) it may terminate the outsourcing agreement where necessary, without detriment to the continuity and quality of its services to *members*;

(h) the *service provider* cooperates with the *FCA* in connection with the outsourced functions;

(i) it has effective access to data relating to the outsourced functions and to the business premises of the *service provider*, and that the *trading venue operator's* auditors and the *FCA* have effective access to data relating to the outsourced functions;

(j) it sets out requirements to be met by the *service provider* to protect confidential information relating to the *trading venue operator* and its *members*, and to the *trading venue operator's* proprietary information and software;

(k) the *service provider* complies with the requirements referred to in (j);

(l) it and the *service provider* establish, implement and maintain a contingency plan for disaster recovery and periodic testing of backup facilities where this is necessary having regard to the outsourced operational functions;

(m) the outsourcing agreement specifies the obligations of the *service provider* where it cannot provide its services, including the provision of the service by a substitute provider; and

(n) it has access to information about the *service provider's* business continuity arrangements referred to in *MAR 16.14.2R*.

MAR 16.6.4 | R

A *trading venue operator* must ensure that outsourcing agreements are made in writing and include:

(1) the assignment of rights and obligations between the *service provider* and the *trading venue operator*;

(2) a clear description of:

(a) the operational functions that are outsourced;

(b) the access of the *trading venue operator* to the books and records of the *service provider*;

(c) the procedures for identifying and managing potential conflicts of interest;

(d) the responsibility of each party; and

(e) the procedures for amending and terminating the agreement; and

(3) the means by which both the *trading venue operator* and the *service provider* will facilitate the exercise by the *FCA* of its supervisory powers.

MAR 16.6.5 | R

A *trading venue operator* must notify the *FCA* of its intention to outsource operational functions where the *service provider* provides the same service to other *trading venue operators*.

MAR 16.6.6 | R

(1) A *trading venue operator* must obtain prior consent from the *FCA* to outsource any critical operational function necessary to comply with its business continuity obligations under *MAR 16.14*.

(2) For the purpose of (1), critical operational functions include those functions necessary:

(a) to manage the risks to which the *firm* is exposed, to implement appropriate arrangements and systems to identify all significant risks to its operation, and to put in place effective measures to mitigate those risks;

(b) for the sound management of the technical operations of the system, including the establishment of effective contingency arrangements to cope with risks of systems disruptions; and

(c) to facilitate the efficient and timely finalisation of the transactions executed under its systems.

MAR 16.6.7 | R

A *trading venue operator* must inform the *FCA* of any outsourcing agreement for which it has not obtained the *FCA's* consent immediately after entering into it.

MAR 16.7 Due diligence for members

MAR 16.7.1 | R

(1) A *trading venue operator* must specify the conditions for the use of its electronic order submission systems by its *members*.

(2) The conditions referred to in (1) must:

(a) be determined having regard to the *trading venue operator's* trading model; and

(b) include at least:

(i) pre-trade controls on the price, volume and value of orders and on the usage of the system, and post-trade controls on the trading activities of its *members*;

(ii) the qualifications required of staff in key positions within its *members*;

(iii) technical and functional conformance testing;

(iv) a policy on use of the kill functionality; and

(v) provisions on whether a *member* may provide its *clients* with *direct electronic access* to the system and, if so, the conditions applicable to those *clients*.

MAR 16.7.2 | R

A *trading venue operator* must:

(1) undertake a due diligence assessment of each prospective *member* against the conditions referred to in *MAR 16.7.1R*; and

(2) set out the procedures for the assessment referred to in (1).

MAR 16.7.3 | R

(1) A *trading venue operator* must, at least once a year, conduct a risk-based assessment of:

(a) the compliance of its *members* with the conditions referred to in *MAR 16.7.1R*; and

(b) where a *member* has a *Part 4A permission*, whether such *permission* remains in force.

(2) The risk-based assessment in (1) must take into account:

(a) the scale and potential impact of the trading undertaken by each *member*; and

(b) the time elapsed since the *member's* last risk-based assessment.

MAR 16.7.4 | R

Following the annual risk-based assessment in *MAR 16.7.3R*, a *trading venue operator* must, where necessary, undertake additional assessments of its *members'* compliance with the conditions referred to in *MAR 16.7.1R*.

MAR 16.7.5 | R

(1) A *trading venue operator* must establish and maintain criteria and procedures for imposing sanctions on a non-compliant *member*.

(2) For the purposes of (1), the sanctions must include suspension of access to the *trading venue operator* and loss of membership, participation or *client* status.

MAR 16.7.6 | R

(1) A *trading venue operator* must maintain records of:

(a) the conditions and procedures for the due diligence assessment referred to in *MAR 16.7.2R*;

(b) the criteria and procedures for imposing sanctions in accordance with *MAR 16.7.5R*;

(c) any initial and annual risk-based assessment undertaken in relation to a *member* in accordance with *MAR 16.7.3R*; and

(d) *members* who failed the annual risk-based assessment referred to in (c) and details of any sanctions imposed on those *members*.

(2) A *trading venue operator* must retain the records referred to in (1) for no less than 5 years from the date on which the records were created.

MAR 16.8 Testing of the trading systems

MAR 16.8.1 | R

A *trading venue operator* must, before deploying or updating a trading system, use clearly defined development and testing methodologies which ensure at least that:

(1) the trading system does not behave in an unintended manner;

(2) the compliance and risk management controls embedded in the system work as intended, including the automatic generation of error reports; and

(3) the trading system can continue to work effectively if there is a significant increase in the number of messages managed by the system.

MAR 16.8.2 | R

A *trading venue operator* must take all reasonable steps to prevent its trading systems from contributing to disorderly trading conditions.

MAR 16.9 Conformance testing

MAR 16.9.1 | R

A *trading venue operator* must require each of its *members* to undertake conformance testing before the deployment or substantial updating of:

(1) the access to the *trading venue operator's* system; or

(2) the *member's* trading system, trading algorithm or trading strategy.

MAR 16.9.2 | R

The conformance testing must ensure that the basic functioning of the *member's* trading system, trading algorithm and trading strategy complies with the *trading venue operator's* conditions.

MAR 16.9.3 | R

The conformance testing must verify the functioning of:

(1) the ability of the system or algorithm to interact as expected with the *trading venue operator's* matching logic;

(2) the adequate processing of data flows to and from the *trading venue operator*;

(3) basic functionalities, including submission, modification and cancellation of orders and indications of interest, static and market data downloads, and all business data flows; and

(4) connectivity, including the 'cancel on disconnect' command, market data feed loss and throttles, and the recovery, including the intra-day resumption, of trading and the handling of suspended instruments or non-updated market data.

MAR 16.9.4 | R

A *trading venue operator* must provide a conformance testing environment to its actual and prospective *members*.

MAR 16.9.5 | R

The conformance testing environment provided under *MAR 16.9.4R* must:

(1) be accessible on conditions equivalent to those applicable to the *trading venue operator's* other testing services;

(2) provide a list of *financial instruments* which can be tested;

(3) include *financial instruments* that are representative of every class of *financial instruments* available in the production environment;

(4) be available during general market hours, or, if available only outside market hours, on a pre-scheduled periodic basis; and

(5) be supported by staff with sufficient knowledge.

MAR 16.9.6 | R

A *trading venue operator* must deliver a report of the results of the conformance testing only to the actual or prospective *member* which was tested.

MAR 16.9.7 | R

A *trading venue operator* must require each of its actual and prospective *members* to use the conformance testing environment provided under *MAR 16.9.4R*.

MAR 16.9.8 | R

A *trading venue operator* must ensure an effective separation of its testing environment from its production environment for the conformance testing referred to in *MAR 16.9.1R* to *MAR 16.9.3R*.

MAR 16.10 Testing of members' algorithms

MAR 16.10.1 | R

A *trading venue operator* must, before the deployment or substantial updating of a trading algorithm or trading strategy, require each of its *members* to:

(1) certify that the algorithm has been tested to avoid contributing to or creating disorderly trading conditions; and

(2) explain to the *trading venue operator* the means used for the testing.

MAR 16.10.2 | R

A *trading venue operator* must provide its *members* with access to a testing environment that consists of:

(1) simulation facilities which:

 (a) reproduce as realistically as possible the production environment, including disorderly trading conditions; and

 (b) provide the functionalities, protocols and structure that allow each *member* to test a range of scenarios that the *member* considers relevant to its activity; or

(2) testing symbols defined and maintained by the *trading venue operator*.

MAR 16.10.3 | R

A *trading venue operator* must ensure that the testing environment used for the purposes of the tests in *MAR 16.10.2R* is effectively segregated from its production environment.

MAR 16.11 Trading venue operators' capacity

MAR 16.11.1 | R

(1) A *trading venue operator* must ensure that its trading systems have sufficient capacity to perform their functions without systems failures, outages or errors in matching transactions, at a level at least equal to twice the highest number of messages per second recorded on that system during the previous 5 years.

(2) For the purposes of establishing the highest number of messages, the following messages must be taken into account:

  (a) any input, including orders and modifications or cancellations of orders; and

  (b) any output, including the system's response to an input, display of order book data and dissemination of post-trade flow that implies independent use of the trading system's capacity.

MAR 16.11.2 | R

For the purposes of *MAR 16.11.1R*, the elements of a trading system that must be considered are those supporting the following activities:

(1) upstream connectivity, order submission capacity, throttling capacities and ability to balance customer order entrance through different gateways;

(2) operation of the trading engine enabling the *trading venue operator* to match orders at an adequate latency;

(3) downstream connectivity, order and transaction edit and any other type of market data feed; and

(4) infrastructure to monitor the performance of the elements in (1) to (3).

MAR 16.11.3 | R

(1) A *trading venue operator* must assess whether the capacity of its trading systems remains adequate when the number of messages has exceeded the highest number of messages per second recorded on that system during the previous 5 years.

(2) Following that assessment, the *trading venue operator* must inform the *FCA* of any measures planned to expand its capacity and the time for implementing those measures.

MAR 16.11.4 | R

A *trading venue operator* must ensure that its systems are able to cope with rising message flows without material degradation of system performance. In particular, the design of the trading system must enable its capacity to be expanded within a reasonable period whenever necessary.

MAR 16.11.5 | R

A *trading venue operator* must immediately make public, and report to its *members* and the *FCA*, any severe trading interruption that is not due to market volatility and any other material connectivity disruption.

MAR 16.12 Monitoring obligations

MAR 16.12.1 | R

A *trading venue operator* must ensure that its trading systems are, at all times and regardless of the trading model used:

(1) adapted to the business conducted through them; and

(2) sufficiently robust to ensure the continuity and regularity of the performance of the markets on which they operate.

MAR 16.12.2 | R

A *trading venue operator* must:

(1) monitor, in real time, its trading systems in respect of:

  (a) system performance and capacity, as referred to in *MAR 16.11.4R*; and

(b) orders sent by its *members*, on both an individual and an aggregated basis;

(2) operate appropriate throttling limits;

(3) monitor the concentration flow of orders to detect potential threats to the orderly functioning of the market; and

(4) ensure that real-time alerts are generated within 5 seconds of the relevant event.

MAR 16.12.3 | R

A *trading venue operator* must monitor, in real time, the performance and usage of the elements of its trading systems referred to in *MAR 16.11.2R* against the following parameters:

(1) the percentage of the maximum message capacity utilised per second;

(2) the total number of messages managed by the trading system, broken down by element of the trading system, including:

(a) the number of messages received per second;

(b) the number of messages sent per second; and

(c) the number of messages rejected by the system per second;

(3) the period of time between receipt of a message in any outer gateway of the trading system and the dispatch of a related message from the same gateway after the matching engine has processed the original message; and

(4) the performance of the matching engine.

MAR 16.12.4 | R

A *trading venue operator* must, in relation to any issues identified in the trading system during ongoing monitoring:

(1) take all appropriate action as soon as reasonably possible, in order of priority; and

(2) be able to adjust, wind down or shut down its trading system, if necessary.

MAR 16.13 Periodic review of the performance and capacity of the algorithmic trading systems

MAR 16.13.1 | R

A *trading venue operator* must, as part of its self-assessment of compliance, evaluate:

(1) the performance and capacity of its *algorithmic trading* systems; and

(2) the processes for governance, accountability, approval and business continuity arrangements relating to those systems.

MAR 16.13.2 | R

As part of the evaluation referred to in *MAR 16.13.1R*, a *trading venue operator* must perform stress tests to:

(1) simulate adverse scenarios to verify the performance of the hardware, software and communications; and

(2) identify the scenarios under which the trading system, or any part of it, can perform its functions with systems failures, outages or errors in matching transactions.

MAR 16.13.3 | R

The stress tests in *MAR 16.13.2R* must:

(1) cover all trading phases, trading segments and types of instruments traded by the *trading venue operator*; and

(2) simulate *members'* activities with the existing connectivity set-up.

MAR 16.13.4 | R

The adverse scenarios referred to in *MAR 16.13.2R(1)* must be based on the following:

(1) an increased number of messages received, starting from the highest number of messages managed by the *trading venue operator's* system during the previous 5 years;

(2) unexpected behaviour of the *trading venue operator's* operational functions; and

(3) a random combination of stressed and normal market conditions and unexpected behaviour of the *trading venue operator's* operational functions.

MAR 16.13.5 | R

A *trading venue operator* must ensure that the evaluation referred to in *MAR 16.13.1R* is conducted by:

(1) an independent assessor; or

(2) a department of the *trading venue operator* other than the department responsible for the function being reviewed.

MAR 16.13.6 | R

A *trading venue operator* must promptly remedy any deficiencies identified in the evaluation referred to in *MAR 16.13.1R*.

MAR 16.13.7 | R

A *trading venue operator* must keep a record of the evaluation referred to in *MAR 16.13.1R* and of any remedial action taken under *MAR 16.13.6R* for at least 5 years.

MAR 16.14 Business continuity arrangements

MAR 16.14.1 | R

A *trading venue operator* must establish and maintain business continuity arrangements to address disruptive incidents, which must ensure that:

(1) trading can be resumed within, or close to, 2 hours of a disruptive incident; and

(2) the maximum amount of data that may be lost from any IT service of the *trading venue operator* following a disruptive incident is close to zero.

MAR 16.14.2 | R

A trading venue operator must establish a business continuity plan to:

(1) implement effective business continuity arrangements; and

(2) set out the procedures and arrangements for managing disruptive incidents including the matters set out in *MAR 16 Annex 2.2R*.

MAR 16.14.3 | G

A *trading venue operator* should publish a playbook setting out its general approach, as far as practicable, in the event of a disruptive incident.

MAR 16.14.4 | G

The playbook referred to in *MAR 16.14.3G* should set out at least the following:

(1) the methods of communication to be used, including the expected frequency and content of communications regarding the status of the trading system;

(2) the mechanism, or mechanisms, for resuming trading following a disruptive incident;

(3) the minimum period between an announcement confirming the reopening of the trading system and the resumption of trading, and the criteria used to determine that period;

(4) the policies and criteria for the treatment of unexecuted orders during a disruptive incident, including:

  (a) the circumstances in which an order may be cancelled; and

  (b) the arrangements for promptly communicating such cancellation to *members*;

(5) pre-defined methodology or arrangements setting out the process to be followed where a disruptive incident may affect a closing auction;

(6) the methodology for determining a closing price where it is not possible to conduct a closing auction; and

(7) where relevant, arrangements setting out how the *trading venue operator* will respond to a disruptive incident affecting the market for underlying *financial instruments*.

MAR 16.14.5 | R

(1) A *trading venue operator* must undertake an impact assessment identifying the risks and consequences of a disruptive incident and review that assessment periodically.

(2) Any decision by a *trading venue operator* not to address an identified risk of unavailability of the trading system in its business continuity plan must be:

(a) adequately documented; and

(2) approved by the *management body* of the *trading venue operator*.

MAR 16.14.6 | R

A *trading venue operator* must ensure that its *senior management*:

(1) establishes clear objectives and strategies for business continuity;

(2) allocates adequate human, technological and financial resources to pursue the objectives and strategies in (1);

(3) approves the business continuity plan and any amendments necessary as a consequence of organisational, technological or legal changes;

(4) is, at least annually, notified of:

(a) the outcome of the impact assessment referred to in *MAR 16.14.5R(1)* or any review of it; and

(b) any findings concerning the adequacy of the business continuity plan; and

(5) establishes a business continuity function within the organisation.

MAR 16.15 Periodic review of business continuity arrangements

MAR 16.15.1 | R

A *trading venue operator* must, as part of its self-assessment of compliance:

(1) test the operation of its business continuity plan using realistic scenarios; and

(2) verify its capability to recover from disruptive incidents and resume trading in accordance with *MAR 16.14.1R*.

MAR 16.15.2 | R

Where a *trading venue operator* considers it necessary, having regard to the results of the testing undertaken under *MAR 16.15.1R(1)*, it must ensure that a review of its business continuity plan and arrangements is undertaken by either:

(1) an independent assessor; or

(2) a department within the *trading venue operator* other than the department responsible for the function under review.

MAR 16.15.3 | R

A *trading venue operator* must ensure that:

(1) the testing of the business continuity plan does not interfere with normal trading activity; and

(2) the results of the testing activity are:

  (a) documented in writing;

  (b) stored; and

  (c) submitted to its *senior management* and the operating units involved in the business continuity plan.

MAR 16.16 Communications during a disruptive incident

MAR 16.16.1 | G

A *trading venue operator* should, as soon as possible after becoming aware of a disruptive incident, provide its *members* and other market participants with relevant information relating to that disruptive incident.

MAR 16.16.2 | G

The information referred to in *MAR 16.16.1G* should include:

(1) information on the scope of the disruptive incident, including:

(a) whether it affects some or all of the *financial instruments* and the trading services operated by the *trading venue operator* in relation to these *financial instruments*;

(b) the nature of the issue; and

(c) where relevant, an indication of the categories of market participants affected;

(2) details of whether there are any known or anticipated issues relating to clearing or settlement; and

(3) where possible, information on the estimated timing and process for the resumption of trading.

MAR 16.16.3 | G

While a disruptive incident is ongoing, a *trading venue operator* should provide its *members* and market participants with regular and frequent updates on:

(1) the status of its systems and services;

(2) where possible, the estimated timing and process for the resumption of trading; and

(3) any other information relevant to assessing the severity and anticipated duration of the disruptive incident.

MAR 16.16.4 | G

When announcing the resumption of trading, a *trading venue operator* should allow an appropriate period between the announcement and the resumption of trading, having regard to the asset classes of the *financial instruments* affected, the type of *trading venue* and the scope and impact of the disruptive incident.

MAR 16.16.5 | G

A *trading venue operator* should make the information under *MAR 16.16.1G* to *MAR 16.16.4G* available:

(1) on a publicly accessible website; or

(2) through any other communication channels or protocols that the *trading venue operator* reasonably considers will ensure timely dissemination to the greatest number of interested parties.

MAR 16.16.6 | G

A *trading venue operator* may provide tailored communications to individual *members* or market participants on their specific circumstances, including on the status of an order or a connectivity issue.

MAR 16.17 Order handling

MAR 16.17.1 | G

A *trading venue operator* should, as soon as possible following a disruptive incident, communicate to its *members* and other relevant market participants:

(1) whether it has identified the last good trade executed or, where it has not done so, the process for identifying the last good trade and the estimated timeframe for doing so;

(2) the status of any outstanding orders, including whether orders remain live, have been suspended or are likely to be cancelled; and

(3) any decision to cancel unexecuted orders, including the scope of such cancellation and the timings of its effect.

MAR 16.17.2 | G

A *trading venue operator* should apply the policies and criteria set out in the playbook referred to at *MAR 16.14.3G* when determining the treatment of unexecuted orders during a disruptive incident, including:

(1) the circumstances in which orders may be cancelled; and

(2) how any such cancellation will be communicated promptly to *members* and other relevant market participants.

MAR 16.17.3 | G

Where a *trading venue operator* considers it unlikely that the last good trade executed and the status of outstanding orders can be identified and communicated to its *members* and other market participants within a reasonable timeframe, it should:

(1) consider whether cancelling any unexecuted orders is necessary to provide certainty and support fair and orderly trading; and

(2) take into account:

  (a) the likely impact on its *members* and other market participants;

  (b) the risk of disorderly trading or duplicated execution on the resumption of trading; and

  (c) the significance of providing certainty to its *members* and other market participants as soon as possible.

MAR 16.18 Closing prices

MAR 16.18.1 | G

When determining arrangements to apply during a disruptive incident which affect, or are likely to affect, the determination of an official closing auction price, including where that price would ordinarily be determined through a closing auction, a *trading venue operator* should consider:

(1) whether the closing auction will proceed as normal and, if not, the alternative arrangements that will apply;

(2) where alternative arrangements are likely to apply, the timing and content of any announcement to its *members* and market participants, including any early indication of those arrangements;

(3) where it would not be appropriate or possible to hold a closing auction, the pre-determined contingency arrangements to establish the official closing price; and

(4) how and when it will communicate to market participants:

  (a) any alternative or contingency arrangements before they are applied; and

(b) the outcome of those arrangements, including the official closing price or any alternative closing price.

MAR 16.18.2 | G

For the purposes of *MAR 16.18.1G(2)*, announcements relating to alternative arrangements for the closing process should be made as soon as possible and, where practicable, at least 15 minutes before the scheduled start of the usual closing process.

MAR 16.19 Prevention of disorderly trading conditions

MAR 16.19.1 | R

A *trading venue operator* must put in place arrangements to prevent disorderly trading and breaches of capacity limits, including:

(1) limits per *member* on the number of orders sent per second;

(2) mechanisms to manage volatility; and

(3) pre-trade controls.

MAR 16.19.2 | R

For the purposes of *MAR 16.19.1R*, a *trading venue operator* must be able to:

(1) request any of its *members* or sponsored users to provide information on their organisational arrangements and trading controls;

(2) suspend a *member's* or a sponsored user's access to the trading system:

(a) on its own initiative;

(b) at the request of that *member*;

(c) at the request of a *clearing member*;

(d) at the request of the *CCP*, where provided for in the *CCP's* governing rules; or

(e) at the request of the *FCA*;

(3) operate a kill functionality mechanism which enables it to cancel unexecuted orders submitted by *members* or sponsored users in the following circumstances:

  (a) at the request of a *member* or sponsored user, where that *member* or sponsored user is technically unable to delete its own orders;

  (b) where the order book contains erroneous duplicated orders; or

  (c) following a suspension initiated by the *trading venue operator* or the *FCA*;

(4) cancel or revoke transactions in the event of a malfunction of:

  (a) its mechanisms to manage volatility; or

  (b) the operational functions of its trading system; and

(5) balance the entry of orders across its different gateways, where it uses more than one gateway, to avoid system failures.

MAR 16.19.3 | R

A *trading venue operator* must establish policies and arrangements in respect of:

(1) mechanisms to manage volatility in accordance with *MAR 16.20*;

(2) pre-trade and post-trade controls used by the *trading venue operator* or necessary for its *members* to access the market;

(3) a *member's* obligation to operate their own order cancellation mechanism;

(4) information requirements for *members*;

(5) suspension of access;

(6) cancellation policies in relation to orders and transactions, including:

  (a) timing;

  (b) procedures;

(c) reporting and transparency obligations;

(d) dispute resolution procedures; and

(e) measures to minimise erroneous trades; and

(7) order throttling arrangements, including:

(a) the number of orders per second on pre-defined time intervals;

(b) an equal-treatment policy among *members*, unless the throttle is directed to individual *members*; and

(c) measures to be adopted following a throttling event.

MAR 16.19.4 | R

A *trading venue operator* must publish its policies and arrangements set out in *MAR 16.19.2R* and *MAR 16.19.3R*.

MAR 16.19.5 | R

MAR 16.19.4R does not apply in respect of:

(1) the specific number of orders per second on pre-defined time intervals; or

(2) the specific parameters of the *trading venue operator*'s mechanisms to manage volatility.

MAR 16.19.6 | R

A *trading venue operator* must keep records of the policies and arrangements established under *MAR 16.19.3R* for at least 5 years.

MAR 16.20 Mechanisms to manage volatility

MAR 16.20.1 | R

A *trading venue operator* must ensure that appropriate mechanisms to halt or constrain trading are operational at all times during the *trading day*.

MAR 16.20.2 | R

In respect of the mechanisms referred to in *MAR 16.20.1R*, a *trading venue operator* must:

(1) test those mechanisms before implementation and periodically thereafter when it reviews the capacity and performance of its trading systems;

(2) allocate sufficient IT and human resources for their design, maintenance and monitoring; and

(3) continuously monitor their operation.

MAR 16.20.3 | R

A *trading venue operator* must keep records of:

(1) the rules and parameters of the mechanisms referred to in *MAR 16.20.1R*, and any changes to those rules and parameters; and

(2) the operation, management and upgrading of those mechanisms.

MAR 16.20.4 | R

A *trading venue operator* must ensure that its rules governing the mechanisms referred to in *MAR 16.20.1R* include procedures for managing situations where parameters are manually overridden in order to ensure orderly trading.

MAR 16.21 Pre-trade and post-trade controls

MAR 16.21.1 | R

A *trading venue operator* must carry out the following pre-trade controls, adapted for each *financial instrument* traded on its *trading venue*:

(1) price collars, which automatically block orders that do not meet pre-set price parameters on an order-by-order basis;

(2) maximum order value, which automatically prevents orders with uncommonly large order values from entering the order book by reference to notional values per *financial instrument*; and

(3) maximum order volume, which automatically prevents orders with an uncommonly large order size from entering the order book.

MAR 16.21.2 | R

The pre-trade controls in *MAR 16.21.1R* must be designed to ensure that:

(1) their automated application is able to readjust a limit during the trading session and in all its phases;

(2) their monitoring has a delay of no more than 5 seconds;

(3) an order is rejected once a limit is breached; and

(4) procedures and arrangements are in place to authorise orders above the limits upon request from the *member* concerned.

MAR 16.21.3 | R

The procedures and arrangements in *MAR 16.21.2R(4)* must apply in relation to a specific order, or set of orders, on a temporary basis in exceptional circumstances.

MAR 16.21.4 | G

A *trading venue operator* may establish the post-trade controls that it deems appropriate on the basis of a risk assessment of its *members'* activity.

MAR 16.22 Pre-determination of the conditions to provide direct electronic access

MAR 16.22.1 | R

A *trading venue operator* that permits *direct electronic access* through its systems must publish the rules and conditions under which its *members* may provide *direct electronic access* to their own *clients*.

MAR 16.22.2 | R

The rules and conditions in *MAR 16.22.1R* must have regard to at least the requirements in Article 22 of *MiFID RTS 6*.

MAR 16.23 Specific requirements for sponsored access

MAR 16.23.1 | R

A *trading venue operator* must ensure that its *members* do not provide sponsored access to their *clients* unless the relevant *member* has received prior approval to do so from the *trading venue operator*.

MAR 16.23.2 | R

A *trading venue operator* must ensure that sponsored users are subject to at least the same controls as those referred to in *MAR 16.19.3R(2)*.

MAR 16.23.3 | R

A *trading venue operator* must ensure that the sponsoring *member* is at all times exclusively entitled to set or modify the parameters that apply to the controls referred to in *MAR 16.23.2R* over the order flow of their sponsored users.

MAR 16.23.4 | R

A *trading venue operator* must be able to suspend or withdraw the provision of sponsored access to *clients* having infringed:

(1) *MiFIR*;

(3) the *Market Abuse Regulation*; or

(4) the *trading venue operator's* internal rules.

MAR 16.24 Security and limits to access

MAR 16.24.1 | R

A *trading venue operator* must establish and maintain procedures and arrangements for physical and electronic security designed to:

(1) protect its systems from misuse or unauthorised access;

(2) ensure the security and integrity of the data that is part of, or passes through, its systems; and

(3) prevent or minimise the risks of attacks against *information systems*.

MAR 16.24.2 | R

The procedures and arrangements under *MAR 16.24.1R* must enable a *trading venue operator* to identify promptly, and to prevent or minimise, risks relating to:

(1) unauthorised access to its trading system or to any part of it, including unauthorised access to the workspace and data centres;

(2) system interferences that seriously hinder or interrupt the functioning of an *information system* by:

  (a) inputting data;

  (b) transmitting, damaging, deleting, deteriorating, altering or suppressing such data; or

  (c) rendering such data inaccessible;

(3) data interferences that delete, damage, deteriorate, alter or suppress data on an *information system*, or render such data inaccessible; and

(4) interceptions, by technical means, of non-public transmissions of data to, from or within an *information system*, including electromagnetic emissions from an *information system* carrying such data.

MAR 16.24.3 | R

If there is a breach of the security measures referred to in *MAR 16.24.1R* and *MAR 16.24.2R*, a *trading venue operator* must promptly:

(1) notify the *FCA* of the breach; and

(2) provide the *FCA* with an incident report setting out:

  (a) the nature of the incident;

  (b) the measures adopted in response to the incident; and

  (c) the initiatives taken to prevent similar incidents in the future.

MAR 16 Annex 1 Parameters to be considered in self-assessments

MAR 16 Annex 1.1 | G

This annex sets out the matters referred to in *MAR 16.2.1R(2)(b)*.

MAR 16 Annex 1.2 | R

The self-assessment must include an assessment of:

(1) the nature of the *trading venue* in terms of:

(a) types and regulatory status of the *financial instruments* traded on the *trading venue* – for example, whether the *trading venue* trades liquid *financial instruments* subject to mandatory trading; and

(b) the role of the *trading venue* in the financial system – for example, whether the *financial instruments* traded on it can be traded elsewhere;

(2) scale, by reference to the potential impact of the *trading venue* on the fair and orderly functioning of the markets based on at least the following:

(a) the number of algorithms operating on the *trading venue*;

(b) the messaging volume capacities of the *trading venue*;

(c) the volume of trading executed on the *trading venue*;

(d) the percentage of *algorithmic trading* over the total trading activity and the total amount traded on the *trading venue*;

(e) the percentage of high-frequency trading activity over the total trading activity and the total amount traded on the *trading venue*;

(f) the number of its *members* and participants;

(g) in relation to *direct electronic access*:

(i) the number of its *members* providing *direct electronic access*;

(ii) where applicable, the number of its *members* providing for sponsored access; and

(iii) the conditions under which *direct electronic access* is offered or can be delegated;

(h) the ratio of unexecuted orders to transactions, as observed and determined pursuant to *MiFID RTS 9*;

(i) the number and percentage of remote *members*;

(j) the number of co-location or proximity hosting sites provided;

(k) the number of countries and regions in which the *trading venue* is undertaking business activity; and

(l) the operating conditions for mechanisms to manage volatility, and whether dynamic or static trading limits are used to trigger trading halts or rejection of orders; and

(3) complexity, in terms of:

(a) the classes of *financial instruments* traded on the *trading venue*;

(b) the trading models available in the *trading venue*, including the different trading models operating simultaneously, such as auction, continuous auction and hybrid systems;

(c) the use of pre-trade transparency waivers in combination with the trading models operated;

(d) the diversity of trading systems employed by the *trading venue* and the extent of the *trading venue's* control over the setting, adjusting, testing and reviewing of its trading systems;

(e) the structure of the *trading venue* in terms of ownership and governance and its organisational, operational, technical, physical and geographical setup;

(f) the various locations of the connectivity and technology of the *trading venue*;

(g) the diversity of the physical trading infrastructure of the *trading venue*;

(h) the level of outsourcing of the *trading venue*, and in particular where any operational functions have been outsourced; and

(i) the frequency of changes to trading models, *information systems* and membership of the *trading venue*.

MAR 16 Annex 2 Content of business continuity plan

MAR 16 Annex 2.1 | G

This annex sets out the matters referred to in *MAR 16.14.2R(2)*.

MAR 16 Annex 2.2 | R

The business continuity plan must include the following procedures and arrangements:

(1) a range of possible adverse scenarios relating to the operation of the *trading venue's* trading systems, including:

 (a) the unavailability of systems, staff, workspace, external suppliers or data centres; and

 (b) the loss or alteration of critical data and documents;

(2) the procedures to be followed in case of a disruptive incident;

(3) the maximum time within which the trading activity should be resumed;

(4) the maximum amount of data that may be lost in the *information system*;

(5) procedures for relocating the trading system to a back-up site and operating the trading system from that site;

(6) arrangements for backing up critical business data, including up-to-date details of the necessary contacts to ensure communication:

 (a) within the *trading venue operator*;

 (b) between the *trading venue operator* and its *members*; and

 (c) between the *trading venue operator* and clearing and settlement infrastructures;

(7) arrangements for staff training on the operation of the business continuity procedures;

(8) the assignment of tasks and responsibilities, including the establishment of a security operations team capable of responding immediately to a disruptive incident;

(9) procedures to address any disruptions of outsourced critical operational functions, including where those critical operational functions become unavailable;

(10) an ongoing programme for testing, evaluation and review of the arrangements, including procedures for modifying the arrangements in light of the results of that programme; and

(11) arrangements for clock synchronisation following a disruptive incident.

Instruction: Amend the following as shown.

MAR Sch 5 Rights of action for damages

…

MAR Sch 5.2 | G

Chapter / Appendix	**Section / Annex**	**Paragraph**	**For Private Person?**	**Removed**	**For other person?**
…					
MAR 12 (all rules)			…	…	…
MAR 16 (all *rules*)			No	Yes, *MAR 1A.2.1R*	No

Annex C

Amendments to the Recognised Investment Exchanges sourcebook (REC)

Instruction: In this Annex, underlining indicates new text and striking through indicates deleted text.

REC 2 Recognition requirements

…

REC 2.2 Method of satisfying the recognition requirements

…

Outsourcing

…

REC 2.2.4 | G

…

[**Note:** ~~*MiFID RTS 7*~~ <u>*MAR 16*</u> contains further requirements for a *trading venue* whose systems enable *algorithmic trading* when outsourcing all or part of its functions]

…

REC 2.2.6 | G

…

[**Note:** ~~*MiFID RTS 7*~~ <u>*MAR 16*</u> contains further requirements for a *trading venue* whose systems enable *algorithmic trading* when outsourcing all or part of its functions]

REC 2.2.7 | G

…

[**Note:** ~~*MiFID RTS 7*~~ <u>*MAR 16*</u> contains further requirements for a *trading venue* whose systems enable *algorithmic trading* when outsourcing all or part of its functions]

…

REC 2.4 Suitability

Schedule to the Recognition Requirements Regulations, Paragraph 2

…

REC 2.4.3 | G

…

[**Note**: ~~*MiFID RTS 7*~~ *MAR 16* contains further governance requirements for a *trading venue* whose systems enable *algorithmic trading*]

…

REC 2.5 Systems and controls, algorithmic trading and conflicts

Schedule to the Recognition Requirements Regulations, paragraphs 3 – 3H

REC 2.5.1 | UK

Paragraph 3 – Systems and controls		
…		
(2)	…	
	(f)	…
	[**Note:** ~~*MiFID RTS 7*~~ *MAR 16* contains requirements on the resilience of trading systems operated by *trading venues* that enable *algorithmic trading*]	
	(g)	…

	[**Note:** ~~*MiFID RTS 7*~~ *MAR 16* contains requirements on the adequacy of capacity of trading systems operated by *trading venues* that enable *algorithmic trading*]	
	…	
	(o)	…
	[**Note:** ~~*MiFID RTS 7*~~ *MAR 16* contains requirements on the appropriate testing of algorithms to ensure that trading systems, when they enable *algorithmic trading*, cannot create or contribute to disorderly trading conditions]	
…		
Paragraph 3C – Direct electronic access		
(1)	…	
[**Note:** ~~*MiFID RTS 7*~~ *MAR 16* contains requirements on *direct electronic access* permitted through a *trading venue's* systems]		
…		

Schedule to the Recognition Requirements Regulations, paragraph 4(2)(ea)

…

REC 2.5.3 | G

In assessing whether the systems and controls used by a *UK recognised body* in the performance of its *relevant functions* are adequate, effective and appropriate for the scale and nature of its business, the *FCA* may have regard to the *UK recognised body's*:

(1) arrangements for managing, controlling and carrying out its *relevant functions*, including:

…

(b) (where the staffing requirements in ~~*MiFID RTS 7*~~ *MAR 16* do not apply to the *UK RIE*) the staffing and resources of the departments of the *UK recognised body* responsible for performing its *relevant functions*; and

…

…

REC 2.5.4A | G

Where the *MiFID/MiFIR Systems Regulations* apply to a *UK RIE*, the *FCA* will, in assessing the *UK RIE's* systems and controls, additionally have regard to the *UK RIE's* satisfaction of any relevant requirements in those regulations. Of particular importance is ~~*MiFID RTS 7*~~ *MAR 16*, which will apply where a trading venue allows or enables *algorithmic trading*.

…

Operation of settlement arrangements and effecting and monitoring of transactions

…

REC 2.5.8A | G

Where the requirements of ~~*MiFID RTS 7*~~ *MAR 16* in respect of effecting and monitoring transactions do not apply to a *UK RIE*, the *FCA* may, in addition, assess the *UK RIE's* systems and controls for the effecting and monitoring of transactions. In doing so, it will have regard to the *UK RIE's* arrangements under which orders are received and matched, and its arrangements for trade and transaction reporting.

…

Information technology systems

REC 2.5.18 | G

Where ~~*MiFID RTS 7*~~ *MAR 16* applies to the *UK RIE*, the *FCA* may, in assessing the adequacy of the *UK recognised body's* information technology systems, have regard to:

…

REC 2.5.19 | G

Where ~~*MiFID RTS 7*~~ *MAR 16* does not apply to a *UK RIE*, the *FCA* may in addition have regard to the performance, capacity and reliability of its systems. The *FCA* may also have regard to the arrangements for maintaining, recording and enforcing technical and operational standards and specifications for information technology systems, including:

…

REC 2.6 General safeguards for investors, suspension and removal of financial instruments from trading and order execution on regulated markets

…

Orderly markets

…

REC 2.6.29A | G

In addition to the matters set out in *REC 2.6.29G*, the *FCA* may have regard to the *UK recognised body's* compliance with relevant requirements of ~~*MiFID RTS 7*~~ *MAR 16* on the prevention of disorderly trading conditions.

…

REC 3 Notification rules for UK recognised bodies

…

REC 3.13 Delegation of relevant functions

Application

…

REC 3.13.-1 | G

The notification requirements in ~~*MiFID RTS 7*~~ *MAR 16*, specifying organisational requirements of *regulated markets* allowing *algorithmic* *trading* through their systems, apply to a *UK RIE* where those operational functions are to be outsourced.

…

REC 3.16 Information technology systems

REC 3.16.1 | G

…

[**Note:** ~~*MiFID RTS 7*~~ *MAR 16* requires that ~~the operator of a *trading venue*~~ a *trading venue operator* assess whether the capacity of its trading systems remains adequate when the number of messages has exceeded the historical peak. After each assessment, the ~~operator of the *trading venue*~~ *trading venue operator* must inform ~~its *competent authority*~~ the *FCA* about any measures planned to expand capacity or add new capabilities, and the timeframe for such measures. ~~*MiFID RTS 7*~~ *MAR 16* also requires the operator to report to ~~its *competent authority*~~ the *FCA* any severe trading interruption not due to market volatility and any other material connectivity disruptions.]

…

Technical Standards (Markets in Financial Instruments Regulation) (Equity Market Transparency, Capacity and Resilience) Instrument 202X

Powers exercised

A. The Financial Conduct Authority ('the FCA') makes this instrument in the exercise of the powers and related provisions in or under:

(1) Articles 7 (Authorisation of deferred publication), 14 (Obligation for systematic internalisers to make public firm quotes in respect of shares, depositary receipts, ETFs, certificates and other similar financial instruments) and 20 (Post-trade disclosure by investment firms, including systematic internalisers, in respect of shares, depositary receipts, ETFs, certificates and other similar financial instruments) of, and paragraphs 23(a), (c), (f) and (g) and 44 of Schedule 3 (Transfer of Functions to the Treasury and Regulators) to, Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012; and

(2) the following sections of the Financial Services and Markets Act 2000 ('the Act') as amended by the Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (SI 2018/1115):

(a) section 137T (General supplementary powers);

(b) section 138P (Technical standards);

(c) section 138Q (Standards instruments); and

(d) section 138S (Application of Chapters 1 and 2).

B. The rule-making powers listed above are specified for the purposes of section 138G (Rule-making instruments) of the Act.

Pre-conditions to making

C. The FCA has consulted the Prudential Regulation Authority and the Bank of England as appropriate in accordance with section 138P of the Act.

D. The requirement for Treasury approval under section 138R (Treasury approval) of the Act has been met.

E. The FCA published a draft of this instrument in accordance with section 138I(1)(b) (Consultation by the FCA) of the Act, accompanied by the information required by section 138I(2). The FCA had regard to representations made in response to the public consultation.

Commencement

F. This instrument comes into force on [*date*].

Modifications

G. The FCA revokes the following technical standards:

Commission Delegated Regulation (EU) 2017/578 of 13 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards specifying the requirements on market making agreements and schemes.
Commission Delegated Regulation (EU) 2017/584 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying organisational requirements of trading venues.

H. The following technical standard, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, is amended in accordance with the Annex to this instrument:

Commission Delegated Regulation (EU) 2017/587 of 14 July 2016 supplementing Regulation (EU) 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect

of shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments.

Instructions

I. In the Annex to this instrument, the instructions (indicated by '**Instruction:**') are included for the convenience of readers but do not form part of the legislative text.

Citation

J. This instrument may be cited as the Technical Standards (Markets in Financial Instruments Regulation) (Equity Market Transparency, Capacity and Resilience) Instrument 202X.

By order of the Board

[*date*]

Annex

Commission Delegated Regulation (EU) 2017/587 of 14 July 2016 supplementing Regulation (EU) 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect of shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments.

> **Instruction:** In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise indicated.

CHAPTER II PRE-TRADE TRANSPARENCY

Section 1 Pre-trade transparency for trading venues

Article 3 Pre-trade transparency obligations (Article 3(1) and (2) of Regulation (EU) No 600/2014)

(1) Market operators and investment firms operating a trading venue shall make public the range of bid and offer prices and the depth of trading interest at those prices. The information is to be made public in accordance with the type of trading systems they operate as set out in ~~Table 1 of Annex I~~ MAR 11A Annex 2.1R.

…

Section 2 Pre-trade transparency for systematic internalisers and investment firms trading outside a trading venue

…

> **Instruction:** The following article is deleted in its entirety. The deleted text is not shown but the article is marked '[deleted]' as shown below.

Article 10 Prices reflecting prevailing market conditions (Article 14(3) of Regulation (EU) No 600/2014) [deleted]

> **Instruction:** Amend the following as shown.

Article 11 Standard market size (Article 14(2) and (4) of Regulation (EU) No 600/2014)

…

(3) The calculation referred to in paragraph 2 shall have the following characteristics:

…

(c) it shall exclude post-trade large-in-scale transactions as set out in ~~Table 4 of Annex I~~ MAR 11A Annex 2.4R and any transactions benefitting from any similar relief under a third country regime in the form of a transparency waiver or otherwise.

…

CHAPTER III POST-TRADE TRANSPARENCY FOR TRADING VENUES AND INVESTMENT FIRMS TRADING OUTSIDE A TRADING VENUE

Instruction: The following articles are deleted in their entirety. The deleted text is not shown but the articles are marked '[deleted]' as shown below.

Article 12 Post-trade transparency obligations (Article 6(1) and Article 20(1) and (2) of Regulation (EU) No 600/2014) [deleted]

Article 13 Application of post-trade transparency to certain types of transactions executed outside a trading venue (Article 20(1) of Regulation (EU) No 600/2014) [deleted]

Article 14 Real time publication of transactions (Article 6(1) of Regulation (EU) No 600/2014) [deleted]

Article 15 Deferred publication of transactions (Article 7(1) and 20(1) and (2) of Regulation (EU) No 600/2014) [deleted]

Article 16 References to trading day and daily trading hours [deleted]

…

Instruction: The following annex is deleted in its entirety. The deleted text is not shown but the annex is marked '[deleted]' as shown below.

ANNEX I Information to be made public **<u>[deleted]</u>**

> **Instruction:** Tables 4, 5 and 6 from the following annex are deleted in their entirety. The deleted text is not shown but the tables are marked '[deleted]' as shown below.

ANNEX II Orders large in scale compared with normal market size, standard market sizes and deferred publications and delays

…

Table 4 Deferred publication thresholds and delays for shares and depositary receipts **<u>[deleted]</u>**

Table 5 Deferred publication thresholds and delays for ETFs **<u>[deleted]</u>**

Table 6 Deferred publication thresholds and delays for certificates and other similar financial instruments **<u>[deleted]</u>**

…

FINANCIAL
CONDUCT
AUTHORITY

12 Endeavour Square London E20 1JN
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk

Pub ref: 2-008570

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this form if you require this content in an alternative format.

Or call 0207 066 1000

Sign up for our **news and publications alerts**