

Completing the Single Market for Capital: EPTA's key messages on MISP (Trading and Post-trade)

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Summary messages

EPTA strongly supports the Market Integration and Supervision Package (MISP) to ensure EU capital markets are deep, competitive and attractive to investors from across the globe.

We are fully committed to enhancing healthy, efficient and transparent markets in Europe. Increased scale, greater efficiency and genuine end-investor choice are critical to ensure MISP delivers real benefits for investors, issuers and the wider EU economy.

To this end, MISP should address the barriers that still stand in the way: the EU's fragmented and costly post-trade infrastructure, gaps in the market transparency framework, and shortcomings in the equity Consolidated Tape.

In particular, EPTA members support the MISP proposals for:

- Expansion of the equity Consolidated Tape to include venue attribution and five levels of pre-trade data
- Increased use of T2S and mandatory interoperability of CSDs
- Safeguards for CCP open access, to guarantee investor choice of cash equity CCPs and end the practice of preferred clearing on major EU equity markets

In addition, EPTA members consider that the following are needed:

- Mandatory clearing interoperability for cash equities
- Clarification that multilateral venues should allow multiple competing liquidity providers
- Restoration of pre-trade transparency for exchange-traded derivatives (ETD) block trading systems

The success of MISP should be judged on a simple test: does it improve outcomes for end-investors without adding unnecessary complexity? On that basis, EPTA cautions against equity market structure changes that would inhibit innovation, restrict competition, or cut off end-investors from choice between diverse sources of liquidity.

EU capital markets function well precisely because investors can access both multilateral on-venue and bilateral liquidity provision — including via SIs. Reforms that undermine that diversity would raise costs for end-investors and make EU capital markets less attractive and competitive.

Building integrated and competitive EU capital markets

EPTA's members – Europe's independent market makers – play a critical collective role in the EU's capital markets ecosystem by providing essential liquidity both on multilateral trading venues and directly to investors. Our members commit capital and assume market risk, ensuring continuous pricing, execution certainty and the effective functioning and stitching together of EU markets across asset classes and across borders.

EPTA strongly supports the objectives of the Savings and Investment Union and the MISP to strengthen EU capital markets and their global competitiveness. Delivering economic growth requires deep, efficient and attractive markets supported by strong trading and post-trade frameworks.

Increasing scale, efficiency and interoperability—while preserving investor choice—will be key to ensuring capital can flow freely across the EU and that our markets remain globally competitive.

MISP should focus on addressing the remaining barriers to fully integrated and efficient EU trading and post-trade markets. The diversity and polycentric nature of EU markets is a key strength, provided they are effectively interconnected. Priority areas include addressing the fragmented and costly post-trade infrastructure, gaps in the transparency framework and shortcomings in the equity Consolidated Tape.

Trading: Maintaining competition and choice in EU capital markets

Diversity of execution models supports end-investors

Well-functioning lit markets are essential to transparent price formation, efficient execution and investor confidence, and should remain a central pillar of EU market structure. At the same time, EU equity markets have evolved into a diverse ecosystem of execution channels, delivering lower costs and greater choice for investors, and this diversity should be preserved.

Multilateral trading venues and bilateral liquidity providers serve distinct and complementary functions. Multilateral trading venues operate as neutral, non-principal platforms facilitating anonymised trading between participants. Bilateral liquidity providers, including SIs, provide liquidity by committing capital on a risk-principal basis.

Regulation should continue to recognise and support these different roles. Efforts to impose a "level playing field" across trading systems with fundamentally different roles risk undermining liquidity provision and reducing market efficiency.

In addition, so-called single market maker venues that blur the distinction between multilateral trading venues and bilateral execution may create inconsistencies in the framework, underscoring the importance of preserving clear multilateral models. Therefore, it should be clarified that multilateral trading venues should allow for multiple competing liquidity providers or market makers, supporting competition and effective price formation.

While Article 47(1)(h) of the Directive requires regulated markets to have three materially active members and this requirement is proposed to be migrated to MiFIR, in practice gaps remain which allow venues to demonstrate compliance based on theoretical interaction, despite such interaction being negligible in practice.

Enhancing transparency

EPTA supports a framework that promotes transparency while allowing innovation and competition between execution models. In this context, enhanced post-trade transparency is essential for price discovery and reducing information asymmetry. More consistent and timely reporting will strengthen market understanding and provide a clearer picture of EU liquidity. The implementation of the equity and bond consolidated tapes will be an important step in that direction.

In parallel, activity outside central limit order books should not be broadly characterised as “dark”, as many execution methods incorporate elements of transparency. Prescriptive measures, including expanded restrictions on “dark trading”, are unlikely to improve market quality and may limit innovation and investor choice.

Against this backdrop, EPTA members support allowing mid-point execution on CLOBs as a targeted means of improving execution outcomes and market attractiveness. Mid-point execution is widely recognised by investors as a reliable proxy for fair value, and enabling its use in multilateral CLOB markets would enhance execution quality within lit markets themselves. This approach should be supported alongside robust post-trade transparency and proportionate pre-trade transparency requirements, ensuring continued competition and price formation.

By contrast, broadly restricting the use of mid-point execution across execution channels would constrain innovation and competition in trading execution and should not be imposed through regulation.

In addition, pre-trade transparency for Exchange-traded derivatives block trading systems should be restored in the MISP to safeguard consistent minimum standards across EU markets. Exchange-traded derivatives (ETDs) are a critical component of competitive EU capital markets — giving end-investors and companies efficient tools to hedge and manage financial risk and supporting liquidity and price discovery in underlying markets including equities and bonds.

EPTA’s members are among the largest participants in EU ETD markets and consider that the impending change to ETD pre-trade transparency, which would place blocking systems out of scope, represents a significant unintended and detrimental consequence. This will render the LIS waiver thresholds to be meaningless and is expected to significantly reduce trading activity in the central limit order books (CLOBs), undermining their role in price formation and weakening the effectiveness of EU capital markets. Without action, this risks serious damage to Europe’s ETD markets, to the detriment of end-investors and the objectives for stronger and more effective EU capital markets.

This risk exists for all types of ETDs including listed equity derivatives and is also particularly important for fixed income and commodity derivatives. It should also be recognised that these markets are inherently interconnected — liquidity moves across contracts, maturities and underlying exposures rather than residing in isolated instruments, and adjusts continuously to macroeconomic conditions. A static, contract-by-contract liquidity assessment risks misclassifying economically important instruments as illiquid, reducing transparency precisely where it matters most for price formation. These instruments should therefore be presumed liquid for transparency purposes unless clearly evidenced otherwise.

Strengthening the equity Consolidated Tape

EPTA supports the expansion of the equity Consolidated Tape to include venue attribution and five levels of pre-trade data, which will significantly enhance visibility of EU liquidity. Delaying these enhancements until after a period of live operation of the equity CT would not generate meaningful evidence to inform their inclusion. Market demand is already clear, and agreeing the expansion now would not affect go-live timelines but would avoid unnecessary delay in delivering a fully effective tape. Given that the tape will already process pre-trade data, extending this to five layers should be technically straightforward.

However, the equity tape should focus on meaningful and additive data. Two points warrant particular attention:

- **Inclusion of SI public quotes, which are all concentrated around the primary market reference price due to requirements under MiFIR, will not add meaningful data to the CT.** Including such SI data will impose a material operational burden on the CT provider and data contributors, with no discernible value for investors.
- **A volume-weighted closing price (VWCP) would not provide an adequate substitute for the primary market closing price.** A VWCP derived from multiple venues would not be directly tradable, as market participants cannot realistically replicate the exact weighting across different closing auctions. This would introduce basis risk, persistent tracking error, and increase risk of slippage, undermining effective risk management and creating operational and client/counterparty reporting challenges as well as higher costs attributed to end-investors.

Post-trade: Reducing fragmentation and jurisdictional complexity

Post-trade fragmentation and jurisdictional complexity remain a key barrier to efficient EU capital markets. Ambitious and swift action is needed across both the settlement and clearing layers to ensure more efficient post-trade markets which prioritise the interests of end-users and facilitate cross-border capital flows and liquidity provision.

CSD interoperability and T2S usage

EPTA supports the proposed measures to enhance integration in post-trade settlement infrastructure, in particular through mandatory interoperability between CSDs based on a “hub and spoke” model and increased use of T2S.

Strengthening connectivity between CSDs, including through the establishment of CSD hubs with reciprocal links, will facilitate access to financial instruments across the Union, while reducing fragmentation in settlement markets. This, in turn, will support greater settlement efficiency, enabling transactions to settle more quickly and reliably across borders.

Requiring CSDs to connect to common settlement infrastructures such as T2S will improve liquidity optimisation and operational efficiency. Enhancing interoperability and access will also foster competition between CSDs, which is expected to drive down costs and improve service quality for market participants.

Taken together, these measures represent a proportionate and effective approach to delivering a more efficient, competitive and integrated EU post-trade landscape

Clearing interoperability in cash equity markets (stocks and ETFs)

Mandatory full interoperability between CCPs in cash equity markets (stocks and ETFs) is a proven model that already partially exists in EU markets but remains limited in its implementation today in EU capital markets as a whole. Extending it would significantly reduce costs, improve netting efficiency and support cross-border trading. MISP should be strengthened to deliver this in practice:

- **Better enforcement of the existing rules** – so that access and interoperability cannot be unjustifiably delayed or refused except on clearly evidenced systemic risk grounds.
- **Giving a clear role to ESMA** to arbitrate unjustified refusals of or undue delays to equity CCP open access requests.
- **Making interoperable clearing mandatory, enabling investors' choice of CCP.** The current practice of 'preferred clearing' on major EU markets creates significant barriers to the cross-border flow of capital. The Commission's proposals in MISP are a positive step forward as they will ensure that two market participants—who are each facing an interoperable CCP—can use their CCP of choice without undue restrictions. Building on this, MISP should be further strengthened by mandating that all significant cash equity CCPs in the EU must be interoperable.

About EPTA

The European Principal Traders Association (EPTA) represents the leading Principal Trading Firms in the EU and UK. Our members are independent market makers and providers of liquidity and risk transfer across all asset classes — including shares, bonds, derivatives, ETFs and digital assets — serving markets and end-investors throughout Europe.

EPTA advocates for European capital markets that are transparent, efficient and resilient, enabling them to deliver for the wider economy and drive growth. We unite our members around common priorities, turning shared perspectives into collective action. We engage constructively with policymakers, regulators and market stakeholders, bringing an informed industry perspective to the issues that matter for well-functioning, liquid and attractive capital markets in Europe.