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Market Structure

Liquidity Landscape

Q1 2026

EMEA volatility: Transitory dislocation or a new baseline?

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European equities opened 2026 at record highs, with the STOXX 600 peaking in late February, extending 2025's strong gains as investors continued rotating away from highly priced US tech. This was accompanied by record flows into the region, with Q1 recording its largest value traded in over 5 years.

If 2025 felt turbulent, the opening months of 2026 have delivered a far denser sequence of shocks impacting execution. Markets began the year navigating renewed US tariff threats and revived discussion around the Greenland annexation, followed quickly by the early February AI disruption scare. The most significant break in sentiment came in early March when US and Israeli strikes on Iran caused oil prices to soar and pushed the VSTOXX back to levels last seen on Liberation Day last year.

Volatility has not simply spiked around headlines, it has remained structurally elevated between them, increasing traded notionals whilst raising the cost of hedging and day-to-day trading.

A key pillar of the European equity growth story in 2026 is Germany's fiscal pivot. After an initially slow and politically constrained rollout last year, Germany's policy stance has turned decisively expansionary in 2026. The government deficit is now projected to approach 4% of GDP[1], reflecting an acceleration in infrastructure spending, materially higher defence outlays, and the implementation of new tax incentives for businesses and households. This fiscal impulse should feed directly into real GDP growth and is likely to support equity performance in sectors with high sensitivity to public and private investment cycles, particularly defence, construction, industrials, and capital goods.

Exhibit 1

Relative returns - Q1 2026

Source: BMLL and Liquidnet Internal - January 2021 - March 2026

The durability of these geopolitical effects remains uncertain. A prolonged conflict could entrench stagflation risks and re-anchor central bank reaction functions toward caution. Yet beyond the near-term noise, Europe does retain a constructive medium-term path.

The region is well positioned to benefit from the global AI capex cycle, from semiconductor demand to liquid cooling infrastructure and broader data centre buildouts such as the new 310MW data centre in Finland, backed by multi-billion-dollar agreements with Microsoft and Meta. Regulatory initiatives aimed at deepening capital markets and improving transparency, such as the Savings and Investment Union, the consolidated tape, the proposed Market Infrastructure and Supervision Package (MISP), and efforts to increase retail participation, have shifted from aspiration to implementation. These structural reforms, coupled with improving access to growth capital, offer a credible foundation for Europe's innovation ecosystem and future equity market expansion.

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[1] European Commission (2024) Economic forecast for Germany. Available at: https://economy-finance.ec.europa.eu/economic-surveillance-eu-member-states/country-pages/germany/economic-forecast-germany_en (Accessed: 27 March 2026).

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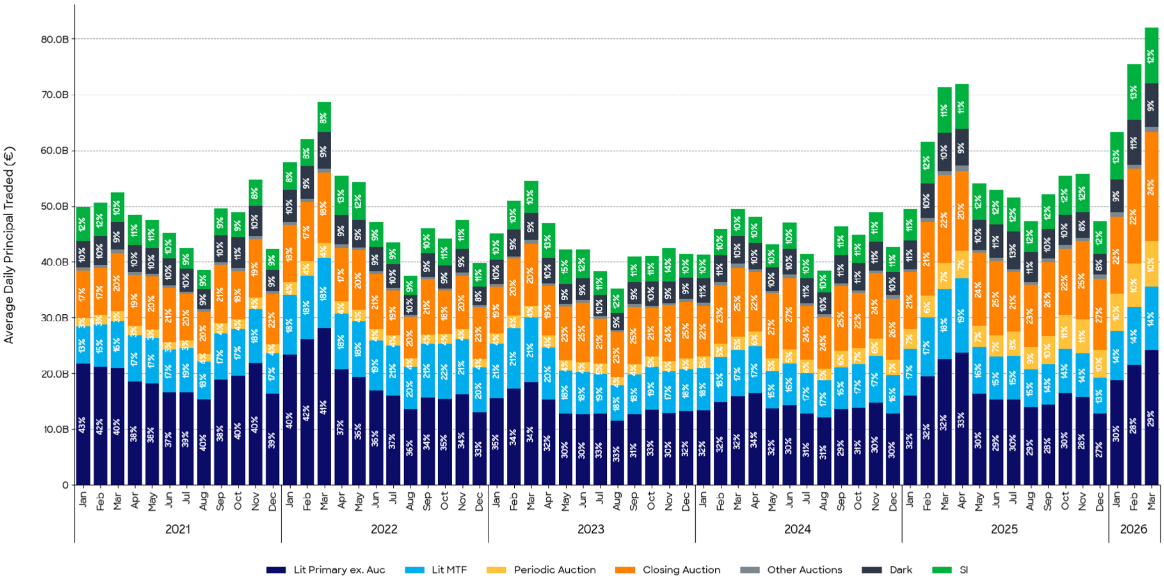
EMEA flow breakdown

Trading activity in Q1 2026 reached its highest level in five years, surpassing even the US post-election surge seen in early 2025. Total notional traded increased by 20% versus Q1 2025, with each month of the quarter recording activity well above long run averages. As shown in *Exhibit 2*, volumes accelerated steadily through the quarter, driven by heightened geopolitical uncertainty and sharp swings in rates and energy markets. Average daily notional reached €72.4 billion, its highest quarterly reading since 2021 and materially above the elevated levels recorded last year. This sustained pickup in turnover reflects both the structural rise in implied volatility and renewed investor engagement with European equities amidst a rapidly shifting macro backdrop.

Exhibit 2

Addressable liquidity ex OTC/off-book on-exchange



Source: BMLL and Liquidnet Internal - January 2021 - March 2026. Addressable liquidity excluding OTC/off-book on-exchange.

What this means for European equity trading

A new volatility base

As volatility remained structurally elevated throughout Q1, demand for immediacy of execution stayed high. However, the way this demand manifested across market fragmentation differed from prior periods. Lit continuous market share edged modestly higher, rising by approximately 1.4 percentage points versus the prior quarter, as investors navigated sharp intraday moves driven by geopolitical developments and energy market dislocations. Notably, these shifts were far more muted than those observed in Q1 last year, suggesting a change in how volatility is being expressed through routing behaviour.

One possible explanation is behavioural: investors may be becoming less reactive as repeated macro shocks are increasingly absorbed into a higher baseline of volatility. An alternative explanation is structural. Low touch default routing now embeds greater use of periodic auctions and systematic internalisers, allowing clients to respond to volatility by increasing default urgency across multiple venue types, including lit, rather than making an explicit and singular shift toward continuous lit trading. As execution becomes increasingly systematic, this dampening effect on observable market share swings is likely to become more pronounced.

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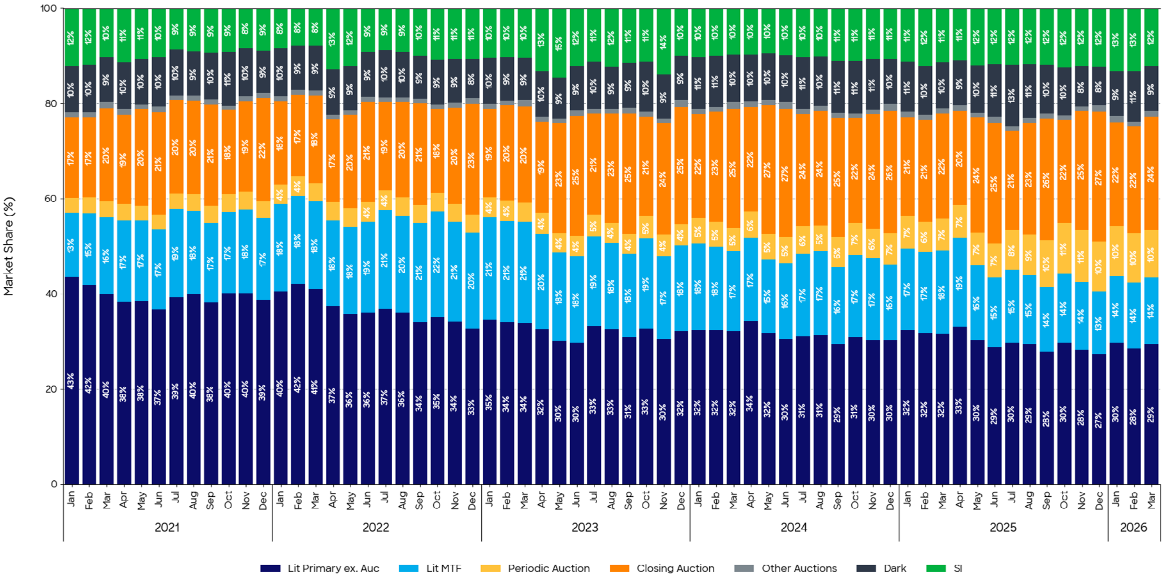
Exhibit 3



Source: BMLL and Liquidnet Internal - January 2021 - March 2026. Addressable liquidity excluding OTC/off-book on-exchange.

Unlike Q1 2025, when a material rotation away from the closing auction into lit continuous trading was clearly visible in monthly averages, the typical “flight to immediacy” was less apparent this quarter. Excluding rebalance dates - when expiry and MSCI-related activity concentrates a disproportionate share of volume into the close, lit continuous market share increased by just 0.3 percentage points, compared with a 1.9 percentage point rise in Q1 last year.

Larger dislocations emerged on specific event dates rather than at the aggregate level. For example, on 2nd March, the first trading session following the outbreak of the conflict, routing behaviour shifted more decisively towards primary lit continuous trading, with market share rising to 31.7% from a quarterly average of 29.4%.

The closing auction’s decade long expansion has been one of the defining structural trends in European equities, however in Q1 2026 it ceded some ground, with market share declining from 22.7% to 21.5% quarter on quarter. With investors increasingly unwilling to absorb elevated overnight risk premia and an increased sense of urgency, a greater proportion of flow was pulled forward into the continuous session. While the close had stabilised through Q3 and Q4 2025, it recorded a modest decline this quarter, although again, the drop was notably smaller than the pullback to 19.9% observed in Q1 2025.

Systematic internaliser (SI) liquidity also benefited from the quarter’s higher urgency profile. Higher risk appetite among liquidity providers, combined with ongoing shifts in market maker classification, supported a further 0.5 percentage point rise in SI market share to an average of 13.2% of traded notional. For many investors, SIs have become an attractive alternative source of immediacy, increasingly competitive on both size and execution quality relative to lit markets in stressed conditions. At the same time, there is growing recognition that execution outcomes within SI liquidity can vary meaningfully by counterparty and interaction type.

Dark trading fluctuated around its long-term average of approximately 10% market share, though it still registered a 1 percentage point increase from Q4 2025. The prior quarter had seen a notable pullback in dark below LIS activity following the introduction of the SVC. In an environment where bid-ask spreads widened, dark venues continued to offer effective protection against market impact. Block oriented flow, however, lost share on aggregate, falling to 32% of dark trading in March from levels closer to 40% in recent months reflecting heightened demand for immediacy of execution. That said, beneath the surface there were pockets of divergence, with increased block activity observed in certain sectors such as energy.

Periodic auctions, meanwhile, have continued their steady structural climb, with the second half of 2025 in particular experiencing an acceleration of 59% in average market share from 6.9% in May to 11% in November. In Q1 2026, this number slightly notched down by 0.5 percentage points to 10.5% from the last quarter. Despite this consolidation, their appeal remains intact: short duration price formation combined with limited signalling risk has resonated with investors navigating unpredictable macro catalysts.

The market share dynamics observed in Q1 2026 point to a regime where volatility is no longer episodic but persistent. Liquidity continues to gravitate toward mechanisms that balance immediacy, flexibility, and protection from information leakage but with investors responding in a more measured, selective manner than in prior shock driven episodes.

Addressable liquidity including OTC/off-book on-exchange

Exhibit 4

Europe - Q4 2025 vs Q1 2026

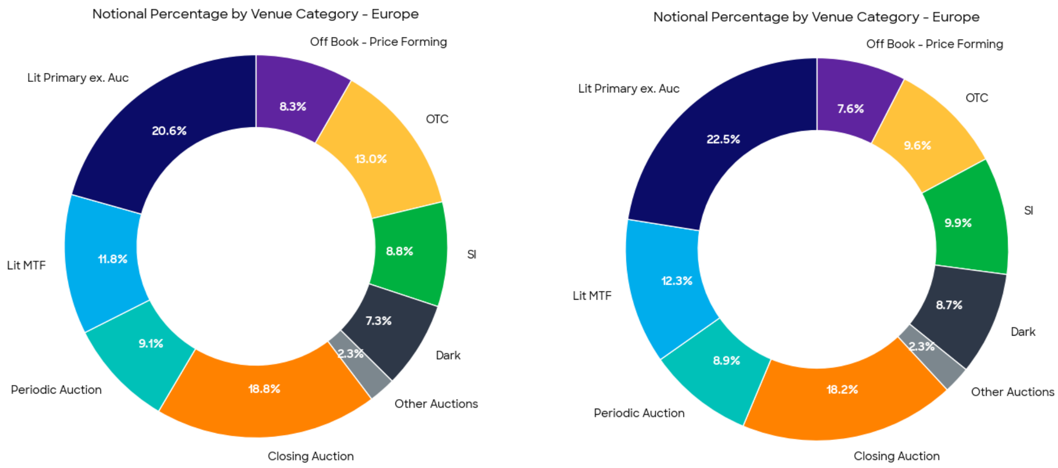


Exhibit 4: LHS - Q4 2025, RHS - Q1 2026. Addressable liquidity including OTC/off-book on-exchange.
Source: Cboe Europe All Companies Index (BEPACP) - BMLL and Liquidnet Internal.

By leveraging MiFID II Market Model Typology (MMT) flags, we separate Non-Price Forming Trades (NPFT) and Trades Not Contributing to Price Discovery (TNCP), allowing us to focus on addressable liquidity, including OTC and off-book on-exchange activity.

Exhibit 4 illustrates the shift in liquidity composition from Q4 2025 to Q1 2026. From left to right, the data shows a clear rotation away from OTC and off-book on-exchange trading toward more routable sources of liquidity. OTC market share declined meaningfully, falling from 13% in Q4 2025 to 9.6% in Q1 2026. This retrenchment is consistent with a higher volatility regime, where investors tend to favour smaller trade sizes executed at higher frequency, rather than committing larger blocks or relying on high touch desks to source liquidity over the course of the day.

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Exhibit 5

Country view - UK, Germany, and France - Q4 2025 vs Q1 2026

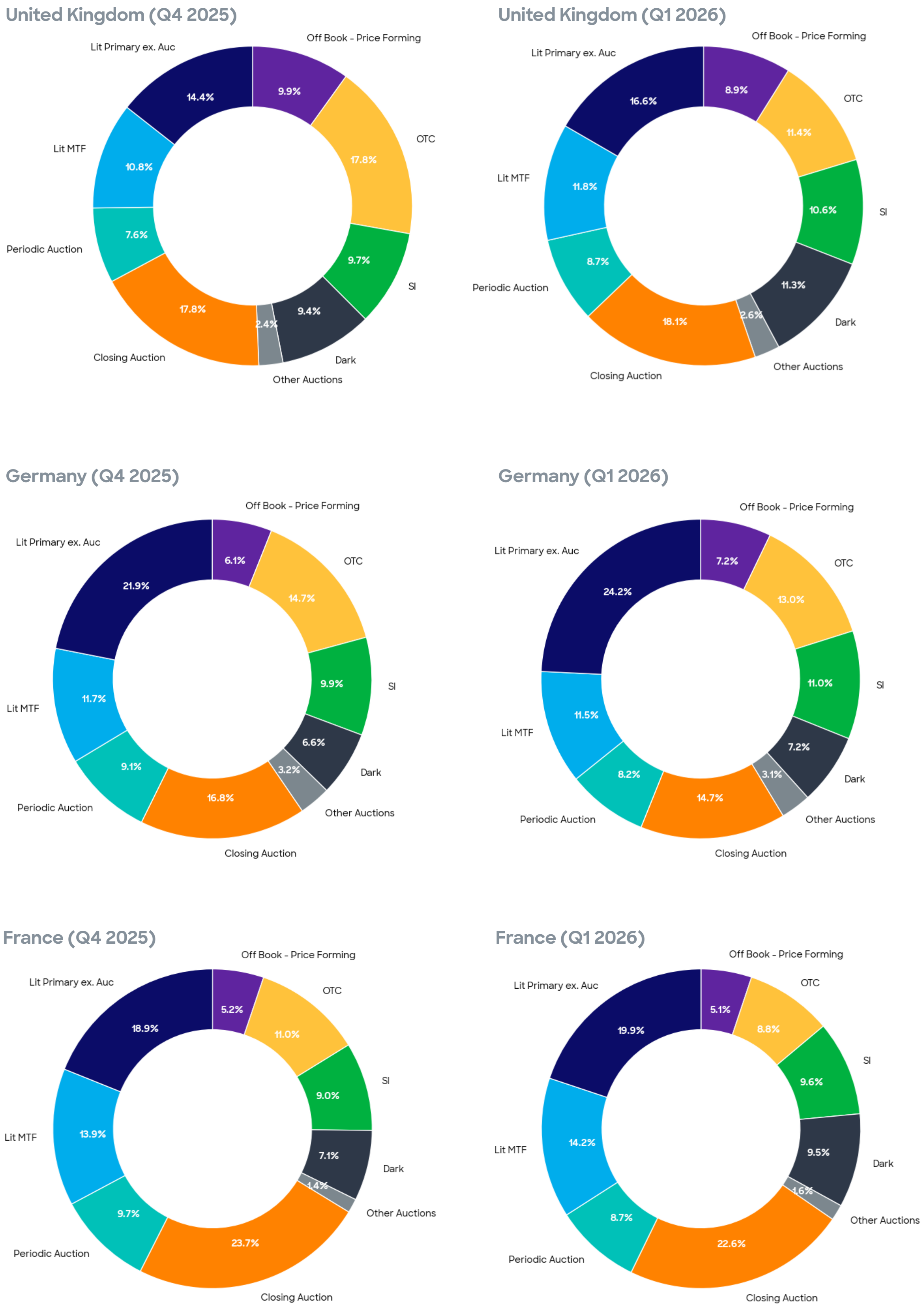

Exhibit 5: Addressable liquidity including OTC/off-book on-exchange.
Source: Cboe Europe All Companies Index (BEPACP) - BMLL and Liquidnet Internal.

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The three largest European markets by average daily notional - UK, France, and Germany - exhibited broadly similar directional shifts in lit continuous, dark, SI, and OTC activity versus the prior quarter.

Market share for OTC trading declined across all three jurisdictions, with the UK experiencing the largest reduction, down from 17.8% to 11.4% quarter-on-quarter, suggesting a reallocation of flow toward alternative execution channels. Dark trading increased in Q1 2026, most notably in France, (7.1% to 9.5%), and in the UK (9.4% to 11.3%). Systematic internaliser (SI) activity also continued to gain traction, with market share rising in the UK (9.7% to 10.6%) and Germany (9.9% to 11%), reflecting the ongoing demand for extra sources of liquidity under increased urgency.

There were, however, notable divergences across other venue types. Periodic auctions exhibited a contrasting pattern, with UK market share increasing 1.1 percentage points over the quarter, while France and Germany both recorded declines close to 1 point. Off-book on-exchange activity fell in the UK (9.9% to 8.9%) and France (5.2% to 5.1%), but Germany stood out as an outlier, posting a significant increase over the quarter (6.1% to 7.2%).

While investors broadly gravitated toward venues offering immediacy, regional differences in venue preference underscore the importance of adapting execution strategies at both a pan European and country specific level.

Exhibit 6
The closing auction

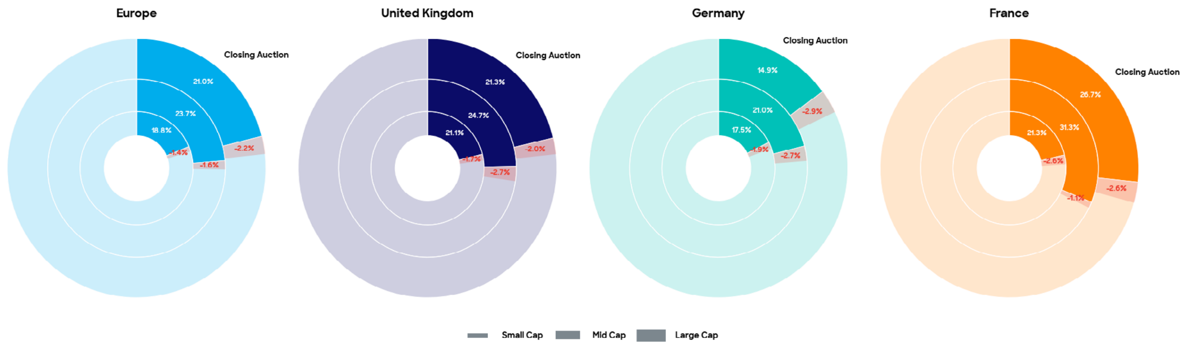

Exhibit 6: Addressable liquidity ex. OTC/ off-book on-exchange. Source: BMLL and Liquidnet Internal - Q4 2025 vs Q1 2026.

Exhibit 6 compares Q4 2025 with Q1 2026 and shows that closing auction volumes in Q1 2026 have declined across Europe without exception as a share of addressable liquidity. This aligns with the heightened volatility in Q1 relative to Q4 2025, which shifted liquidity toward the continuous session. Immediacy of execution is the dominant driver. The trend is particularly evident in large-cap and mid-cap names.

Exhibit 7
Periodic auctions

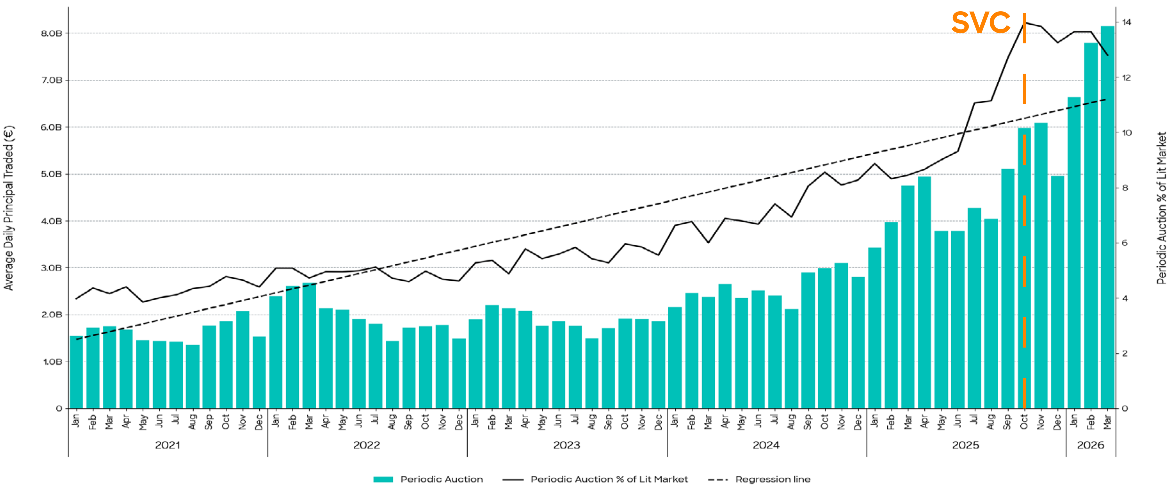

Exhibit 7: Periodic auction market share as a percentage of lit addressable volume. Source: BMLL and Liquidnet Internal.

Periodic auctions continue to grow relative to the lit market, as shown in *Exhibit 7*. This growth has likely been amplified by the introduction of the SVC in Europe by ESMA, which replaced the DVC in October 2025. A consequence of this change was an increase in the number of symbols on the capped list and a blanket ban across dark MTFs. Highly liquid names such as L'Oreal, Hermes and Safran were all effected by this, joining the list in October. From the 28th of September to the 14th of October there was an intermediary period where no names were capped.

Feature	DVC (Old)	SVC (Current)
Cap Applied At	4% venue / 8% EU	7% EU
Duration of Suspension	6 months	6 months
Enforcement Date	Ended 28th September 2025	Started 14th October 2025

Source: https://www.esma.europa.eu/volume-cap-mechanism
https://www.esma.europa.eu/double-volume-cap-mechanism
https://www.esma.europa.eu/publications-and-data/interactive-single-rulebook/mifir/article-5-volume-cap

For symbols on this list, dark venues are not permitted to trade at the mid price, whereas periodic auctions are. As a result, periodic auctions absorb a portion of the volume that would otherwise have traded in the dark. This is reflected in the drop off in dark market share as shown in *Exhibit 3* from 10% in October 2025 to 8% in November 2025. Notably, the suspension period has been reduced from six months to three, and dark volume has since stabilised at its long-term average of around 10% as names reached the end of their suspension in mid-January 2026.

Each periodic auction venue, even those operated by the same provider across different jurisdictions, has its own venue-specific mechanics that shape how participants should interact with it. A defining feature of the current periodic auction landscape is the heavy concentration of activity with a single provider.

Exhibit 8

Periodic auction venue market share

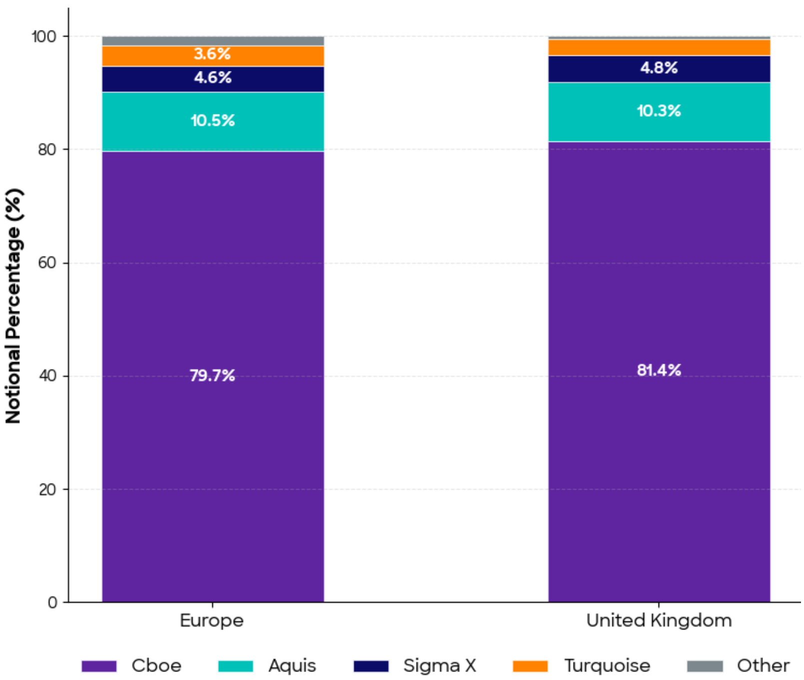

Exhibit 8 source: Q1 2026 periodic auction market share by provider. Source: BMLL and Liquidnet Internal.

Cboe accounts for around 80% of all periodic auction volume across Europe and the UK in Q1 2026. Although its share peaked at roughly 89% last year, it has eased slightly since then.

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Exhibit 9

Periodic auction trade size by venue

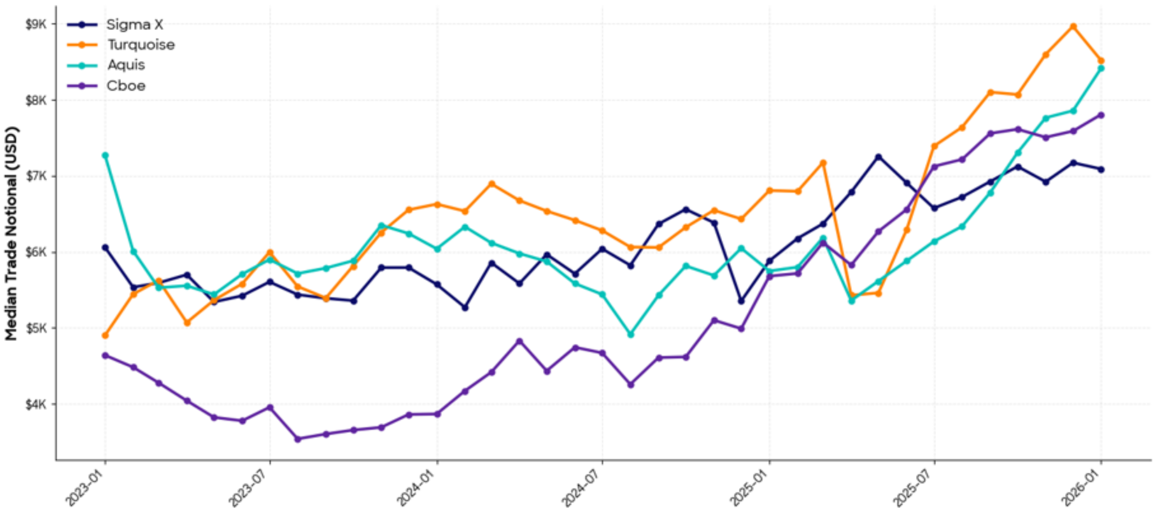

Exhibit 9: Q1 2026 periodic auction average trade size over time by provider. Source: BMLL and Liquidnet Internal.

As periodic auctions have gained market share their average trade size has increased, reflecting the increase presence of participants and liquidity, and its increased use as an alternative to both lit and dark trading. This pattern extends across the four main providers.

Exhibit 10

Events and auctions per trade on a periodic auction venue

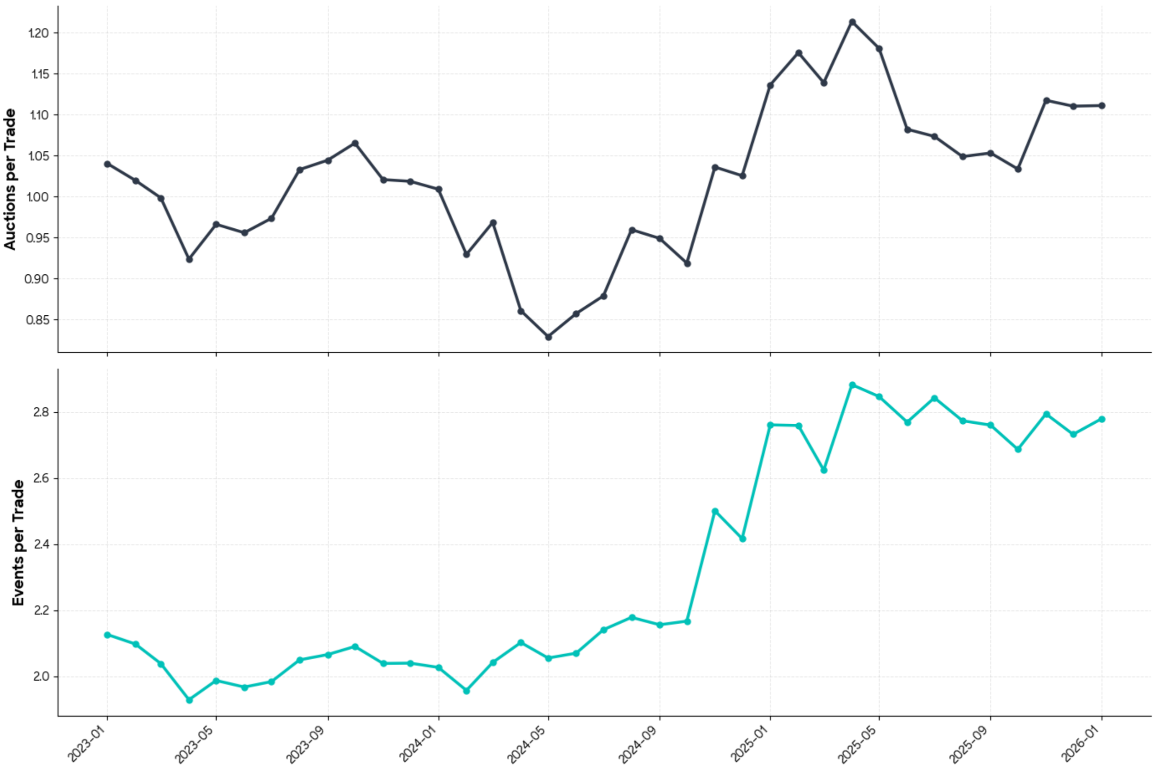

Exhibit 10: Periodic auction events and trades for one auction venue over time. Source: BMLL and Liquidnet Internal.

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Although fill sizes on periodic auctions have grown over time, it remains essential to track how trading behaviour on the venue is evolving. This is done through mark-outs as well as other metrics.

Monitoring how many auctions occur for each executed trade (auctions per trade) helps reveal the nature of market participation. Auctions can be triggered without resulting in a trade for several reasons. For instance, a shift in the auction collar or European Best Bid and Offer (EBBO) mid-price might prevent two counterparties from interacting, or a participant may withdraw an order or revise their limit price. When the number of auctions per trade is high, it can signal that sophisticated participants are probing or extracting information from a resting order.

Tracking the number of events that occur within each auction that ultimately result in a trade (events per trade) also provides valuable insight. A higher event count can reflect greater participant activity and may similarly indicate attempts to probe or gather information from a resting order. Equally it can be indicative of a larger number of players within the auction.

Dark trading

Exhibit 11

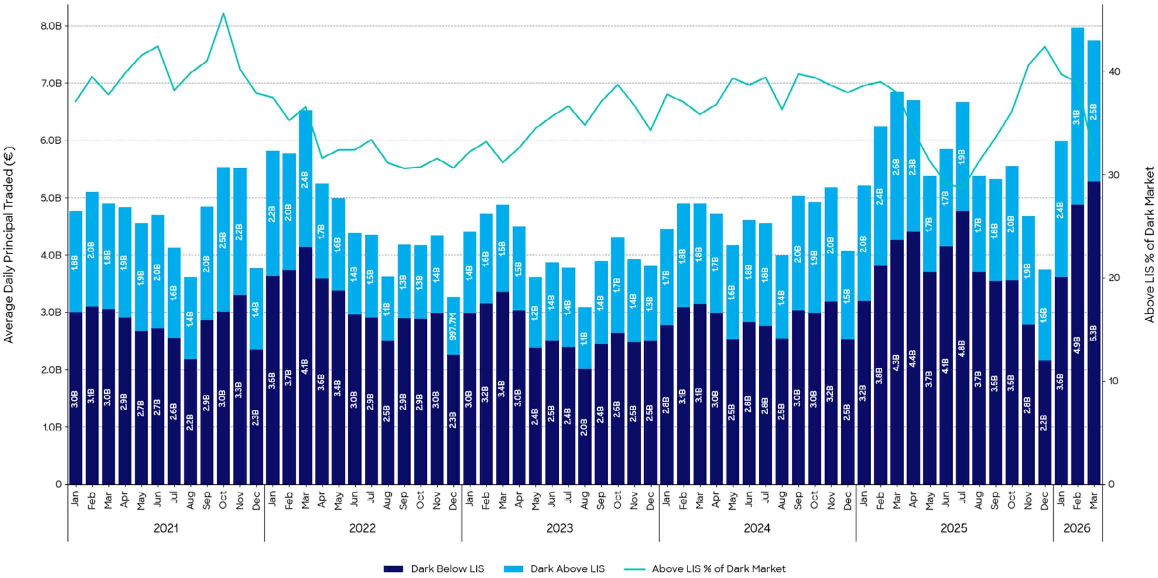

Exhibit 11: Dark trading volume split into above and below LIS. Source: BMLL and Liquidnet Internal.

Consistent with previous periods of heightened volatility, and as noted earlier, the proportion of dark trading above-LIS in size has declined throughout early 2026. Dark volumes, in line with the wider market, have been elevated through the start of 2026, however, the increase in volume can largely be attributed to the sub-LIS portion of the dark market.

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Regulatory update: Q1 2026 – the Redefinition of markets

Early 2026 appears to mark a structural shift in equity trading. Volatility no longer automatically drives order flow back to continuous lit trading. Instead, automation and smart order routing continue to distribute flow across a diverse set of execution options - OTC channels, systematic internalisers (SIs), periodic auctions, and bilateral workflows - selecting the most appropriate pathway based on prevailing market conditions, available liquidity, and specific execution instructions.

This directly underpins the continued industry focus on addressable vs, non-addressable liquidity. As more activity shifts into non-addressable channels, participants face increasing difficulty in constructing a representative view of available liquidity and traded prices, not just due to fragmentation but also due to inconsistent SI reporting practices which may inflate or under report true levels of activity (e.g. off-book on-exchange, OTC/SI, OBOE NPFT and even XOFF).

Regulatory reforms are endeavouring to address these challenges by improving data quality: the MiFID II/MiFIR review[1], the Designated Publishing Entity (DPE) framework[2], and the UK's designated reporter regime[3] all aim to enhance the consistency and allocation of post-trade reporting.

The consolidated tape will also improve aggregation, standardisation, and accessibility of reported trades across venues, SIs, and APAs. However, it still remains constrained by the same reporting perimeter: it can only consolidate what is reported. Yet rather than attempting to re-centralise flow into a single execution modality, better standardised identification of the liquidity available would enable market participants to accurately interpret demand and price accordingly.

With execution now centred on intelligently navigating a connected network of liquidity, AI is also moving into the execution stack to automate routing and allocation decisions. Although still largely at the retail edge[4], the combination with a transition toward 24/5 and tokenised markets is making order flow more systematic, time-compressed, and correlated, concentrated around key events such as opens, closes, and rebalancing windows[5]. This potentially raises the risk of intraday dislocations driven by synchronised behaviour, flow clustering, and feedback loops, shifting price formation towards positioning and hedging dynamics over shorter horizons and multiple means of execution.

Regulatory attention is shifting from monitoring execution outcomes to governing the resilience and integrity of decision-making architectures themselves - reflected in the Financial Conduct Authority's Wholesale Market priorities[6], evolving operational resilience frameworks[7], and European Securities and Markets Authority guidance on algorithmic trading[8]. This direction is reinforced by the Authority for the Financial Markets analysis of AI across the trading lifecycle[9] and the prominence of AI-driven systemic risk at the IMF Spring Meetings[10]. As trading workflows become increasingly autonomous, the critical risk vector is no longer execution quality alone, but how decision-making systems are architected, interconnected, and governed across institutions - implying a further expansion of regulatory oversight.

At the same time, dependence is increasing on high-quality, consistent, and interpretable data. Persistent frictions, such as data costs, inconsistent FIX tagging, and divergent interpretations continue to limit scalability. Consolidated tapes and RCB are important steps forward, but greater industry standardisation is still required to enable true data interoperability.

As markets become more decentralised and networked, institutional trading desks are having to rethink how they engage with liquidity. Counterparty selection is no longer a transactional decision but a core element of execution architecture, with differentiation increasingly driven by data quality, execution consistency, workflow efficiency, and the ability to support risk management and governance.

Looking ahead, 24/5 markets and tokenisation will further reshape how liquidity is formed and accessed, intensifying the need for more adaptive, data-driven, and resilient execution frameworks. Firms that can understand how liquidity is created, routed, and controlled, by aligning data, technology, and counterparty strategy, will be best positioned to continue to compete in this evolving market structure.

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[1] https://finance.ec.europa.eu/publications/market-integration-package_en#documents
[2] https://www.esma.europa.eu/publications-and-data/interactive-single-rulebook/mifir/article-21a-designated-publishing-entities
[3] https://www.fca.org.uk/publication/policy/ps23-4.pdf
[4] https://www.wsj.com/tech/ai/buying-the-dip-this-ai-agent-will-do-it-for-you-1d2b1658
[5] https://www.imf.org/-/media/files/publications/imf-notes/2026/english/insea2026001.pdf
[6] https://www.fca.org.uk/publication/regulatory-priorities/wholesale-markets-report.pdf
[7] https://www.fca.org.uk/firms/operational-resilience
[8] https://www.esma.europa.eu/sites/default/files/2026-02/ESMA74-1505669079-10311_Supervisory_Briefing_on_Algorithmic_Trading_in_the_EU.pdf
[9] https://www.afm.nl/en/sector/actueel/2026/apr/sb-ai-kapitaalmarkten
[10] https://www.ft.com/content/5760b56a-ec83-46da-a301-4b0e8c73c238?syn-25a6b1a6=1

UK

Theme	Owner	Action/Deliverable	Effective/ Milestone Date	Details	Current Status
Wholesale Markets Review (WMR)	FCA/HMT	Ongoing package of secondary markets reforms under the UK WMR https://www.fca.org.uk/publication/regulatory-priorities/wholesale-markets-report.pdf	Live programme through 2026.	The WMR remains the umbrella for UK trading, transparency, market data and reporting reform. FCA's 2026 priorities explicitly include bond CT launch, equity CT progression, T+1 preparation, short selling reform, and transaction-reporting simplification.	Ongoing
Bond Transparency Reset	FCA	New UK bond and derivatives transparency regime https://www.fca.org.uk/publications/policy-statements/ps24-14-improving-transparency-bond-and-derivatives-markets https://www.fca.org.uk/publications/policy-statements/ps25-17-si-regime-bonds-derivatives	In force from 1 Dec 2025	Simpler regime: Fewer deferrals, faster post-trade reporting; focus on price-forming activity only. Narrower scope: Venue-traded bonds and a narrower subset of OTC derivatives (primarily cleared); most bespoke/illiquid OTC excluded. Structural shift from measure and constantly recalculate liquidity to assumption of liquidity based on structural characteristics. Data improvements: Better report quality; UPI (alongside ISIN) for OTC derivatives. Deferrals recalibrated: Bonds (3 tiers); swaps get longer deferrals for non-benchmark tenors. Pre-trade reduced: Voice/RFQ out of scope. Equity SI Regime: While only touched on under PS24/14 there will be a further CP in the summer looking at broader reform to the SI regime regarding transparency.	Live
SI Regime - Bonds and Derivatives	FCA	SI regime for bonds and derivatives including Discussion Paper on equity markets - Removal of SI regime for bonds, derivatives, structured finance products and emission allowances https://www.fca.org.uk/publications/policy-statements/ps25-17-si-regime-bonds-derivatives	From 1 Dec 2025; further rule changes from 30 Mar 2026	UK has removed the non-equity SI regime rather than recalibrating it. FCA also allowed matched-principal trading on MTFs and venue reference-price systems in related reforms.	Bonds - Live Further to follow on SI review in equity markets and execution outcomes across venues, including through its best-execution work.
Bond Consolidated Tape	FCA	Establish bond CT provider and launch service - https://www.fca.org.uk/news/statements/next-steps-establishing-bond-consolidated-tape-provider	Planned launch: 22 June 2026 with contract duration: 5-7 years (with extension option)	ETS is now in build and delivery phase, including: Technical specs and onboarding for data contributors Onboarding for users opens on 2nd - 9th June to meet go-live by 22nd Industry engagement/consultative committee Commercial model (pricing, licensing) rollout Read more here - https://ets-connect.co.uk/	In progress for launch 22 June 2026
Equity Consolidated Tape	FCA	UK Equity Consolidated Tape - https://www.fca.org.uk/publications/consultation-papers/cp25-31-framework-uk-equity-consolidated-tape	Consultation launched 19 Nov 2025; Closure extended to 13 February 2026. Policy Statement expected H1 2026	Still in policy/design phase (not execution yet) No provider selected yet. Procurement only starts after policy finalisation (i.e. post-PS in 2026). Design still under debate - Post-trade data (core) - Strong push for pre-trade data (BBO) from launch (still debated) - Commercial viability (pricing/licensing) - High-quality, standardised data	Ongoing - go live remains 2027

Theme	Owner	Action/Deliverable	Effective/ Milestone Date	Details	Current Status
Transaction Reporting Reform	FCA/BOE	CP25/32 to simplify UK transaction reporting; new harmonisation taskforce across UK MiFIR, UK EMIR and UK SFTR https://www.fca.org.uk/publications/consultation-papers/cp25-32-improving-uk-transaction-reporting-regime	Consultation closed 20 Feb 2026; FCA expects policy statement in Q3 2026 with implementation period - 18 months post-publication	UK reporting simplification track - proposed cut from 65 to 52 fields - reporting limited to UK-tradeable instruments; £6m EU-only instruments removed - removal of FX derivatives from scope (covered under EMIR) - lighter reference-data burdens - back-reporting reduced: 5 years to 3 years - cross-authority reporting with HMT and BOE FCA and BOE launched a cross-authority industry taskforce (April 2026) https://www.fca.org.uk/news/news-stories/fca-and-bank-seek-members-their-transaction-and-post-trade-reporting-taskforce	Ongoing - awaiting policy statement Q3 2026
Market Risk Capital Requirements	FCA/BOE/PRA	Technical engagement paper on market risk capital requirements as a follow-up to Basel 3.1 / FRTB consultations https://www.fca.org.uk/publications/calls-input/engagement-paper-market-risk-capital-requirements-investment-firms	Engagement paper feeds into final PRA rules expected 2026. Feedback deadline expired 22 Feb 2026.	Review of how specific rules on market risk capital should change to make them more appropriate for investment firms to: - Encourage wholesale trading. - Improve market liquidity. - Reduce barriers to entry for specialised trading firms.	Pending further output after February deadline
Algo trading and Disorderly Markets	FCA	Supervisory follow-up on algo controls and market conduct Also highlighted in Regulatory Priorities for Wholesale Markets https://www.fca.org.uk/publication/regulatory-priorities/wholesale-markets-report.pdf	Publication of Regulatory Priorities for Wholesale Markets March 2026	FCA focus on stronger operational resilience and algo trading controls, including oversight of third-party/technology risk to prevent disorderly markets. New operational incident reporting and critical third-party framework post CP24/28, alongside tighter expectations on venues' controls, risk management, and stress testing. 2026 consultation on enhancing market resilience during outages, linked to broader equity market structure reforms.	Ongoing
Adoption of new technology including AI	FCA	FCA prioritising safe adoption of AI, digital assets, and quantum tech to support innovation and competitiveness, with strong emphasis on governance, testing, and oversight https://www.fca.org.uk/publication/regulatory-priorities/wholesale-markets-report.pdf	Publication of Regulatory Priorities for Wholesale Markets March 2026	Crypto and innovation: advancing UK crypto regime (final rules in 2026) and promoting innovation via Sandboxes (Digital, Regulatory, DLT), though wholesale participation remains limited. Supervisory approach: ongoing multi-firm reviews, industry engagement, and data gathering (AI, crypto, quantum), with focus on risk management, third-party dependencies, and market impact. 2026 actions: expand AI initiatives, Digital Securities Sandbox (incl. DIGIT pilot), surveys on AI/crypto adoption, and continued work on post-quantum resilience.	Ongoing
Payment for Research Reform	FCA/BOE	New optionality for paying for investment research https://www.fca.org.uk/publications/policy-statements/ps25-4-investment-research-payment-optionality-fund-managers	Final rules published 9 May 2025	UK has already liberalised research payment rules. FCA now permits joint payments for third-party research and execution, subject to controls. This is already live and is part of the UK competitiveness package around capital markets.	Live
T+1 Settlement	FCA/HMT/ industry taskforce	UK migration to T+1 settlement cycle https://www.fca.org.uk/news/statements/fca-welcomes-report-t-plus-1-progress-2025	Implementation 11 Oct 2027 AST update issued 23 Jan 2026 https://acceleratedsettlement.co.uk/uk-accelerated-settlement-taskforce-quarterly-review-q4-2025-2-2/	FCA active supervision of firm readiness and implementation plans including Readiness Register - https://acceleratedsettlement.co.uk/latest-uk-readiness-register-1-2-3/ Ongoing market engagement (since June) Communications strategy, including a forthcoming blog on "what good looks like" for T+1 preparedness Monitoring progress across the industry via AST coordination with EU and Swiss timelines under discussion Release of Testing Plan March 25 2026 - https://acceleratedsettlement.co.uk/t1-testingplan/	Ongoing and on target for implementation Oct 2027

Theme	Owner	Action/Deliverable	Effective/ Milestone Date	Details	Current Status
Short Selling Regime	HMT/FCA	Replace retained EU-style regime with UK sourcebook framework for short selling https://www.fca.org.uk/publication/policy/ps26-5.pdf	To accommodate the operational changes, implementation is split into 2 phases: Phase 1 - 13 July 2026 covering: - implementation of the new short selling rules and final Statement of Policy - changes to systems to facilitate the disclosure of new aggregate net short positions and - the new reportable shares list. Phase 2 - 30 November 2026 covering an update to the system for position reporting to facilitate persons uploading and submitting multiple positions in a single 'bulk submission'.	The Policy Statement includes the new short selling rules and a Statement of Policy on the use of the FCA's emergency intervention powers. There have been two key changes in response to market feedback: Market Maker Exemption: this has changed to an activity-based market maker exemption which means market makers no longer need to send further notifications to add financial instruments to their exemption. Issued Share Capital: the proposed guidance remains in that the FCA expects firms to act reasonably when sourcing a company's issued share capital However, the FCA is also considering replicating and/or using existing arrangements in Chapter 5 of the Disclosure Guidance and Transparency Rules (DTR 5) to require companies to disclose their issued share capital for short selling purposes. This would support persons calculating net short positions. This will fall under the upcoming review of the Disclosure Guidance and Transparency Rules. Alongside the Policy Statement, the FCA has also published a test version of the new reportable shares list which is available for firms to incorporate into and test within their systems in both CSV and XLS files.	Phase 1 go live Monday 13 July 2026
PISCES - secondary trading in private company shares	HMT/FCA	PISCES sandbox and operator applications https://www.fca.org.uk/publications/consultation-papers/cp24-29-private-intermittent-securities-and-capital-exchange-system	Sandbox opened 10 Jun 2025; runs until 5 Jun 2030	Not a public-market reform, but highly relevant to UK secondary markets architecture: it creates a regulated intermittent venue model for secondary trading in private-company shares. FCA is assessing operator applications in 2026.	Live
UK EMIR Intragroup Regime	FCA	Proposals to make the UK EMIR Intragroup Regime clearer for counterparties seeking intragroup exemptions from clearing and margin requirements https://www.fca.org.uk/publications/consultation-papers/cp25-30-streamlining-uk-emir-intragroup-regime	FCA consultation completed Policy Statement pending (2026) New regime expected before TIGER expiry	TIGER allows UK firms to obtain intragroup exemptions (clearing + margin) for OTC derivatives with non-equivalent jurisdictions but expires 31 Dec 2026 Proposal to replace TIGER with a permanent, more proportionate regime to: - Permanent intragroup exemption framework (no reliance on temporary regime) - Streamlined processes for obtaining exemptions - Simplified and consolidated technical standards (BTS) - Alignment with Treasury-led amendments to UK EMIR	In progress - awaiting update
Position limits for commodity derivative contracts	FCA	Updated UK RTS 21 position limits regime https://www.fca.org.uk/markets/regulation-markets-financial-instruments/commodity-derivatives/position-limits	Published 7 April 2026	Updated FCA limits applied at group level (ETD + EEOTC); structure unchanged (spot/forward, 2,500 default). Clarifications only (aggregation rules); reporting unchanged. No regime change: NFE exemptions retained; FCA can recalibrate.	Live
FCA Crypto Roadmap	FCA	Stablecoin Sandbox - https://www.fca.org.uk/news/press-releases/4-firms-selected-test-stablecoin-regulatory-sandbox	Testing began Q1 2026 Policy statements expected Summer 2026 Authorisation Gateway Sep 2026 Final UK stablecoin rules due later in 2026	4 firms selected (from 20 applicants): Monee, ReStabilise, Revolut, VVTX to test stablecoin issuance models in the Regulatory Sandbox under real-world conditions. Use cases to cover: Payments, wholesale settlement, and crypto trading. Part of FCA's broader innovation agenda (incl. Digital Securities Sandbox) Focus on enabling trusted stablecoins for payments, settlement, and trading	Live

Theme	Owner	Action/Deliverable	Effective/ Milestone Date	Details	Current Status
Transatlantic Taskforce for Markets of the Future	HMT/UST	Taskforce to boost financial services collaboration between UK and US – https://www.gov.uk/government/news/boosting-collaboration-between-uk-and-us-financial-systems-to-drive-innovation-and-growth-in-global-markets	Report on progress was due March 26 – now anticipated mid 2026.	Develop recommendations via the UK-US Financial Regulatory Working Group (FRWG) Focus on digital asset coordination (short and long term) and improving cross-border capital raising. Potential implications for market structure · Early discussions show regulatory divergence risks (e.g. sandbox vs US "exemptive relief" approach to tokenisation – https://www.reuters.com/sustainability/boards-policy-regulation/us-britain-split-over-crypto-collaboration-sources-say-2026-03-04)	Ongoing

EU

Theme	Owner	Action/Deliverable	Effective/ Milestone Date	Details	Current Status
Markets Integration Package	ESMA/EU Commissions	Transposition of MiFID III and MiFIR amendments (https://finance.ec.europa.eu/publications/market-integration-package_en#documents) EC de-prioritising "non-essential Level 2 acts" in financial-services legislation until at least 1 October 2027 to simplify current regulation	EC Proposals now to be ratified by European Parliament and European Council before entry into Official Journal Phased implementation expected between 2026-2031 depending on Level 2 finalisation	Key initiatives include: - **New role of ESMA over EU National Competent Authorities** – one to watch in terms of greater future regulatory scrutiny of rules - Promotion of enhanced single market cross border activity including: - New **Pan-European Market Operator (PEMO)** licence - **Improve passporting regime** for UCITS and AIFMs - **Harmonised rules** for trading venues, CSDs, settlement – T2S - **Enhanced use of digital technologies** to improve trading, post-trade and asset management – DLT and Tokenisation and ESMA control over all crypto-asset service providers (CASPs)	Trilogue negotiations still underway – more anticipated on: - SI obligations and level playing field between trading and execution venues - FBA - Retail /PFOF/ best execution reforms - Tick size + auction dynamics
MiFID II / MiFIR Review	ESMA	Transaction Reporting (RTS 22/24) simplification – call for evidence issued – https://www.esma.europa.eu/press-news/consultations/call-evidence-comprehensive-approach-simplification-financial-transaction	Consultation closed: 19 September 2025 ESMA is analysing feedback and expected to publish a final report in 2026 In the interim: no changes to RTS 22/23/24 – Firms effectively in a "pause and hold"	System-wide rethink of reporting architecture to simplify, integrate, and streamline reporting across regimes (MiFIR, EMIR, SFTR) - De-duplication as a near-term priority - Movement toward "report once, use many times" architectures - Changes to reporting channels and data flows - Greater focus on data quality, standardisation, and usability (ESAP) - Watch for expanded fields (algo IDs, order chain, client identifiers incl. non-EU LEIs). Increased surveillance + data granularity.	ESMA is analysing feedback and expected to publish a final report in 2026 In the interim: no changes to RTS 22/23/24 – Firms effectively in a "pause and hold"
Transparency Regime Reset (RTS 1)	ESMA/EU Commission	New equity transparency regime – https://ec.europa.eu/transparencydocuments-register/detail?ref=C(2025)3104&lang=en	New RTS 1 pre-trade transparency requirements and amended post-trade transparency took effect on 2 March 2026	New liquidity thresholds (SMS/LIS), SI quoting obligations, deferrals recalibrated. Direct impact on displayed vs non-displayed liquidity balance. Pre-trade focus on SI quoting, liquidity thresholds, waiver recalibration, data standardisation. Post-trade focus on new deferral regime, DPE model, enhanced reporting fields, CTP alignment.	Live
Systematic Internaliser (SI) Regime	ESMA/EU Commission	Updated SI framework and quoting obligations via MiFIR Review + RTS 1 https://ec.europa.eu/transparency/documents-register/detail?ref=C(2025)3104&lang=en	Core provisions apply from 2 March 2026, with quoting obligations applying 20 days after Official Journal publication of RTS 1	Refined SI scope and quoting regime; recalibration of standard market size (SMS) and conditions under which quotes must be made public	In progress – with anticipated further changes on back of current EU Trilogue negotiations underway

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Single Volume Cap (SVC)	ESMA	Under the MiFIR review, previous double volume cap mechanism (DVCM) under Article 5 is replaced by a "single" volume cap mechanism (SVCM) - https://www.esma.europa.eu/volume-cap-mechanism	Live and fully operational since Oct 2025	Single EU-wide cap of 7% on trading under the reference price waiver Measured against total EU trading volume over the previous 12 months per instrument. If breached waiver use is suspended for 3 months EU-wide From October 2025, ESMA started publishing the SVC results and the suspensions on a quarterly basis with 3-month suspensions for breaches. The first result files are available in Excel on the SVC webpage.	SVC live From 14 April 2026, ESMA plans to start the publication of the SVC results file in XML format (SVCRES file) and the suspension files (Excel) on a dedicated webpage in the ESMA registers.
Algo and AI Guidance	ESMA	ESMA Supervisory Briefing on Algorithmic Trading in the EU - https://www.esma.europa.eu/sites/default/files/2026-02/ESMA74-1505669079-10311_Supervisory_Briefing_on_Algorithmic_Trading_in_the_EU.pdf	Published February 2026 as update to existing guidance	Guidelines to improve supervisory convergence across the EU, especially on governance, testing, outsourcing, key definitions, and pre-trade controls post 2022 Nordic Flash Crash Defines algo trading as where a computer algorithm determines individual order parameters - making smart order routers, slicing logic, dynamic order modification, execution strategy selection, venue switching, and liquidity detection qualify if automated limited human intervention does not negate algorithmic classification Testing is required after any material change/update EU firms fully accountable even when outsourcing/using Third Country Firm Extends to growing use of AI including compliance staff understanding of how AI-related systems affect decision-making	Live
Derivatives Transparency (RTS 2)	ESMA/EU Commission	MiFIR Review Final Report On transparency for derivatives, package orders and input/output data for the derivatives consolidated tape - https://www.esma.europa.eu/sites/default/files/2025-12/ESMA74-276584410-10987_MiFIR_Review_Final_Report_on_derivatives__transparency__packages__CTP_input_output_.pdf	ESMA report submitted to EU Commission 11 Dec 2025 - endorsement expected in 2026 Partial transparency changes already phasing in End state (2027): Fully redesigned derivatives transparency regime Integrated with consolidated tape and new data model	UPI (Unique Product Identifier) framework published separately (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202501003) ESMA Final Report: - Simplified regime: Standalone MiFIR framework with static liquidity (no dynamic recalibration) to reduce complexity, increase consistency (bond-style framework) - Narrower scope: Pre-trade limited to CLOBs and auctions only - OTC focus: Mainly cleared OTC; illiquid products (e.g. FRAs, basis swaps) excluded - Thresholds: Fixed LIS and post-trade size thresholds by asset class - Post-trade: 5-min standard; clear deferrals (EOD / T+1 / T+2) + volume masking - Data changes: Fewer fields, targeted additions (e.g. effective/expiry dates); shift toward UPI - CDS treatment: Single-name CDS = deemed illiquid with broader deferrals	In progress - the expected go-live for the new derivatives transparency regime remains 1 March 2027, subject to Commission endorsement/publication
Market Data - Reasonable Commercial Basis (RCB)	ESMA/EU Commission	Draft RTS published Jun 2025 – finalisation of cost templates and methodology - https://www.esma.europa.eu/press-news/esma-news/esma-simplifies-mifid-ii-mifir-obligations-market-data	RTS in force as of 23 Nov 2025; transition ends: 22 Aug 2026	The RCB RTS is the core regulatory layer governing market data pricing, including: - Cost attribution rules (no cross-subsidisation, no double counting) - Reasonable margin constraints - Client categorisation (one client → one category) - Non-discriminatory access and contractual fairness Impacts market data pricing; enforcement delayed until RTS enters into force.	In progress - transition ends August 2026

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Theme	Owner	Action/Deliverable	Effective/ Milestone Date	Details	Current Status
Bond Consolidated Tape (CTP)	ESMA	Bond CTP – Ediphy (fairCT) selected; authorisation pending. https://www.esma.europa.eu/esmas-activities/markets-and-infrastructure/consolidated-tape-providers	Selection July 2025. Anticipated go live 2026 – aspirational target, not guaranteed 1/4/26 – ESMA publishes updated Q+A on Bond Tape Implementation – https://www.esma.europa.eu/press-news/esma-news/esma-clarifies-expectations-run-launch-eus-consolidated-tapes	Bond CTP go-live is directly contingent on RTS finalisation covering - Data contribution rules - Commercial framework ("reasonable commercial basis") - Data quality standards - Clock Synchronisation	Ongoing
Equity Consolidated Tape (CTP)	ESMA/EU Commission	Equity CT – EuroCTP selected – https://www.esma.europa.eu/press-news/esma-news/esma-selects-euroctp-become-first-consolidated-tape-provider-shares-and-etfs	Proposed go-live of 1 July 2026 1/4/26 – ESMA publishes updated Q+A on Equity Tape Implementation – https://www.esma.europa.eu/press-news/esma-news/esma-clarifies-expectations-run-launch-eus-consolidated-tapes	EuroCTP single provider model (5-year mandate) under ESMA supervision - Post-trade data only (initially) - Shares + ETFs (not full depth pre-trade US-style tape) Authorisation and build-out ongoing throughout 2026 as CTP framework relies on MiFIR Review RTS package covering: - Data contribution rules - Tape operation standards - Transparency calibration - Operational data quality standards	In Progress – targeted go-live remains 2026 but potential phased rollout into 2027
Derivatives Consolidated Tape (CTP)	ESMA/EU Commission	Derivatives CT – https://www.esma.europa.eu/esmas-activities/markets-and-infrastructure/consolidated-tape-providers	Selection procedure launched on 5 January 2026 – closes 11 February 2026	Still in selection process After equities and bonds under MiFIR Review Requires RTS 2 derivatives transparency regime (Dec 2025) to be implemented first	Selection likely 2026, go-live 2027+
Payment for Research	ESMA/EU Commission	ESMA Technical Advice to the European Commission on the amendments to the research provisions in the MiFID II Delegated Directive in the context of the Listing Act https://www.esma.europa.eu/sites/default/files/2025-04/ESMA35-335435667-6290_Technical_advice_to_the_EC_on_amendments_to_the_research_provisions_of_the_MiFID_II_Delegated_Directive_in_the_context_of_the_Listing_Act.pdf?	Report published April 2025 – Go-live: 6 June 2026 (following Member State transposition deadline of 5 June 2026)	EU has effectively replaced mandatory unbundling with a flexible, choice-based regime for paying for research shifting regulatory focus from how research is paid for to whether it delivers demonstrable value to clients. From June investment firms can choose between: - Unbundled payments (P&L or Research Payment Accounts) - Bundled / joint payments with execution (CSA-style) - Apply this flexibility across all issuers (removal of €1bn threshold) Firms must: - Conduct **annual assessments of research quality and value** - Ensure payments are **justified in the client's best interest**	Expected
Issuer-Sponsored Research	ESMA/EU Commission	ESMA Final RTS and EU Code of Conduct on Issuer Sponsored Research – https://www.esma.europa.eu/sites/default/files/2025-10/ESMA35-335435667-6537_Final_Report_on_the_Draft_regulatory_technical_standards_for_the_establishment_of_an_EU_code_of_conduct_for_issuer-sponsored_research.pdf	Final ESMA RTS and EU Code of Conduct published 22 Oct 2025; Pending Commission adoption (not yet finalised); expected application mid-2026	ESMA published its final RTS and proposed EU Code of Conduct in October 2025, establishing a framework for issuer-sponsored research with enhanced independence and disclosure safeguards. Currently pending Commission adoption and is expected to apply from 2026, aligned with broader MiFID II reforms aimed at improving research coverage, particularly for SMEs.	Expected mid-2026
EMIR 3	ESMA	ESMA Final RTS on Active Account Requirement (AAR) – https://www.esma.europa.eu/sites/default/files/2026-02/ESMA91-1505572268-4558_-_Supervisory_Briefing_on_AAR_representativeness_obligation.pdf	EMIR 3 entered into force Dec 2024 AAR applies 25 June 2025 (when firms must hold an active EU CCP account) ESMA RTS published in the OJEU on 6 February 2026 First AAR reporting submission: July 2026	Active Account Requirement is intended to shift clearing activity structurally towards EU CCPs. While the obligation has applied since June 2025, enforcement only becomes credible with RTS-driven reporting and harmonised supervision from 2026, with first data submitted in July 2026. This created a transitional window in which firms may meet minimum operational requirements while delaying meaningful reallocation of clearing flows.	Now live – first AAR reporting submission: July 2026

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EMIR 3	ESMA	ESMA to review and recalibrate clearing thresholds https://www.esma.europa.eu/sites/default/files/2026-02/ESMA74-1049116226-944_Final_Report_on_the_draft_technical_standards_amending_Regulation__EU__1492013_to_further_detail_the_new_EMIR_clearing_thresholds_regime.pdf	ESMA Final Report (Feb 2026) contains draft RTS, not yet legally binding. Expect formal adoption: mid-late 2026 Application: likely early 2027	Clearing Threshold RTS defines who is required to clear. ESMA published its draft Regulatory Technical Standards (RTS) setting out new and revised clearing thresholds (CTs) under EMIR 3. The proposed thresholds ensure continuity in the coverage of systemic risk in over the counter (OTC) derivative markets while avoiding unnecessary complexity and additional compliance burdens for market participants	Expected formal adoption: mid-late 2026 Application: likely aligned with broader EMIR 3 implementation phases (i.e. H2 2026, potentially into early 2027 depending on final timelines
T+1	EU Commission/ ESMA	Amendments to the RTS on Settlement Discipline - https://www.esma.europa.eu/sites/default/files/2025-10/ESMA74-2119945926-3430_Final_Report_-_CSDR_RTS_on_Settlement_Discipline_and_tools_to_improve_settlement_efficiency.pdf	ESMA published RTS on 13 October 2025 Go live 11 Oct 2027	Same-day (trade date) timing for trade allocations and settlement instructions. Machine-readable formats for allocations and confirmations. Mandatory implementation of key functionalities such as hold and release, auto-partial settlement, and auto-collateralisation. Updated provisions for the monitoring and reporting of settlement fails.	In Progress
Refit CSDR Buy-In Regime	EU Commission/ ESMA	Mandatory Buy-Ins (MBI) conditional on future EU Implementing Act https://www.esma.europa.eu/sites/default/files/2025-10/ESMA74-2119945926-3430_Final_Report_-_CSDR_RTS_on_Settlement_Discipline_and_tools_to_improve_settlement_efficiency.pdf	On hold	MBI never entered into application Formally postponed and effectively suspended Policy focus now on: - T+1 settlement transition (target: Oct 2027) - Settlement efficiency via cash penalties regime - Operational/data improvements (fails monitoring, reporting) But EU Commission explicitly retains option to reintroduce MBI later via an Implementing Act	On hold

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