

30 June 2026

By online submission

European Securities and Markets Authority
201-203 rue de Bercy
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Paris Cedex 12
FRANCE

Re: Call for evidence on the market structure of European equity markets

Dear Sir/Madam

Managed Funds Association (“MFA”)¹ appreciates the opportunity to represent the views of the global alternative asset management industry in this written response to the European Securities and Markets Authority’s (“ESMA”) call for evidence on the market structure of European equity markets (the “Call for Evidence”).

MFA welcomes ESMA’s review of the structure of EU equity markets, and its recognition that investors benefit from a diversity of execution methods suited to their specific needs. In MFA’s view, the trends identified in the Call for Evidence reflect healthy competition between execution mechanisms and the legitimate pursuit of best execution for end-investors, rather than any structural degradation of liquidity or price formation. Accordingly, MFA does not consider that the evidence, at this stage, supports any intervention that would compel order flow towards particular execution mechanism or restrict the execution choices on which investors and their managers rely.

The Annex sets out our responses to the relevant questions of the Call for Evidence and our suggestions for further changes. In particular, we would encourage further attention to the following areas:

- **The diversity of execution mechanisms reflects healthy competition, not market failure.** The relative decline in trading on central limit order books (“CLOBs”) has been counterbalanced by the growth of complementary execution methods that compete to deliver better outcomes for investors. MFA would be concerned by any measure

¹ Managed Funds Association (“MFA”), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA’s mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

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that sought to compel order flow back to CLOBs absent clear evidence that doing so would improve execution quality, as such intervention would constrain execution choice, stifle innovation and increase costs for end-investors.

- **Market data, connectivity and licensing costs remain the principal barrier to accessing liquidity.** These costs fall disproportionately on smaller fund managers and shape where and how firms are able to trade. MFA notes that the existing obligation to provide market data on a “reasonable commercial basis” (“RCB”) has not curbed escalating charges, and encourages ESMA to explore aligning data fees more closely to the cost of producing and disseminating the data.
- **A comprehensive, reasonably priced consolidated tape is the most effective structural response.** An EU equity consolidated tape (“CT”) would give investors a complete view of available liquidity, but only if it is delivered promptly, priced on genuinely reasonable terms and focused on comprehensive post-trade transparency across all execution venues and methods.
- **It would be premature to intervene further in respect of dark trading.** Dark trading represents a limited and broadly stable share of overall trading activity that the Call for Evidence finds is not detrimental to market quality, and the single volume cap on dark trading (“SVC”) only entered into enforcement in October 2025. MFA encourages ESMA to allow sufficient time to assess the impact of the SVC before contemplating further structural change, particularly as the EU already stands as an outlier in maintaining volume-based constraints of this kind.
- **The growth of closing auctions, frequent batch auctions and member preferencing reflects legitimate market evolution.** These mechanisms have developed to serve genuine investor needs and, in the case of frequent batch auctions (“FBAs”) and member preferencing, to lower execution costs for end-investors. MFA would encourage ESMA to assess each by reference to its specific design and operation rather than any presumption that it is problematic.

MFA appreciates the opportunity to provide these comments to ESMA in response to the Call for Evidence. If you have any questions about these comments, or if we can provide further information, please do not hesitate to contact the undersigned on rhailey@mfaalts.org or +44 20 3008 4377.

Yours faithfully

/s/

Rob Hailey
Managing Director, Head of EMEA Government Affairs
MFA

SECTION 3. EVOLUTION OF THE TRADING LANDSCAPE FOR SHARES

Q1: Do you agree with the description of the market structure summarised in Figure 1 for the purpose of the study in sections 3 and 4 based on transaction reporting data? If not, could you provide an alternative description that you consider more adapted to the reality of the European trading landscape for shares?

MFA Response

MFA broadly agrees with the description of the market structure summarised in Figure 1 and supports ESMA's data-driven approach to this analysis. The segmentation of the EU trading landscape into on-book and off-book execution channels provides a useful framework for regulatory assessment.

MFA would, however, encourage ESMA to treat the distinction between addressable and non-addressable liquidity with caution. As ESMA acknowledges, the assumptions used to disentangle addressable from non-addressable liquidity in sections 3 and 4 of the Call for Evidence rest on transaction-reporting fields, in particular the waiver indicator (field 61) and the OTC post-trade indicator (field 63) of RTS 22, that are not fully aligned with the post-trade transparency flags under RTS 1.

MFA therefore supports the work ESMA describes in Section 6 to align the RTS 1 flags with the transaction-reporting fields, so that the distinction rests on consistent, objective data rather than subjective terminology embedded in the regulatory framework. More generally, MFA considers that the key policy focus should remain firmly on whether liquidity is accessible, transparent where appropriate, and supportive of best execution for the underlying clients.

Q3: Do you agree with the general trends identified regarding on-book vs. off-book trading, and addressable vs. non-addressable liquidity? What other trends do you consider relevant, also in terms of competitive pressures?

MFA Response

MFA agrees with the broad trends identified by ESMA regarding the evolution of EU equity trading.

MFA acknowledges the relative decline in CLOB trading, in particular the reduction in trading volumes on regulated markets from an average of 35% in 2022 to 27% in 2025. This shift, however, has been counterbalanced by proportionate growth in alternative execution methods, such as closing auctions, FBAs and systematic internaliser ("SI") activity.

MFA considers this evolution to reflect healthy, competitive market pressures rather than any structural degradation of liquidity, and notes that it broadly mirrors trends identified in other major jurisdictions. For example, a recent study by the Financial Conduct Authority ("FCA") in the United Kingdom found that CLOB trading declined by 19% between January 2018 and May

2025, falling from 47% to 29% of the market, offset by corresponding increases in periodic auctions, regular auctions and bilateral trading.²

MFA would add that the proportional reduction in CLOB volumes may also be influenced by broader macroeconomic factors and longer-term structural shifts. In particular, the growing adoption of passive investment strategies directly contributes to the increased use of closing auctions. As the Call for Evidence notes, managers of passive funds benchmarked to indices frequently need to transact at the official closing price in order to minimise tracking error and ensure their portfolios accurately reflect index levels.

MFA would also highlight, as further drivers of these trends, the growing demand for execution methods that reduce market impact and information leakage, particularly when executing larger or less liquid orders, and the increasingly widespread use of broker algorithms and smart order routers to source liquidity efficiently across venues. In MFA's view, these factors, rather than any deterioration in market quality, may explain much of the migration of activity across the available execution mechanisms.

Q4: Do you have any concerns on the impact of the identified trends on the general functioning of the EEA markets for shares? In your view, what are the implications of the relative decreasing trend in trading on CLOB for the effective price formation in the EEA markets for shares? What are the implications on price formation should this trend persist or even accelerate?

MFA Response

MFA agrees that lit continuous markets play an important role in price formation and that a sustained decline in reliable lit liquidity may warrant close monitoring. MFA does not consider, however, that ESMA's data demonstrate any impairment to price formation in the European Economic Area ("EEA") markets for shares.

A relative decline in CLOB trading does not, of itself, equate to degraded price discovery, as, execution outside the primary best bid and offer is not inherently detrimental. Indeed, recent regulatory analysis indicates that shares traded across a more diverse range of mechanisms frequently benefit from tighter bid-ask spreads.³ Nor is pre-trade transparency the sole driver of price formation; post-trade transparency across all execution models, including dark and bilateral mechanisms, likewise helps to mitigate information asymmetry. In MFA's view, the growth of FBAs, closing auctions, dark books and SIs reflects legitimate investor demand and provides complementary liquidity, rather than detracting from the CLOB.

MFA would therefore caution against regulatory measures designed explicitly to concentrate trading activity onto CLOBs, absent clear evidence that such interventions would improve investor outcomes. Attempts to rebalance order flow towards primary exchanges risk constraining execution strategies, stifling market innovation, and increasing overall transaction costs, particularly as CLOBs can carry higher explicit clearing and settlement charges.

² FCA, Consultation Paper CP25/20 (July 2025), Chapter 4 (Table 1 and paragraph 4.10), available at: <https://www.fca.org.uk/publication/consultation/cp25-20.pdf>.

³ FCA, Consultation Paper CP25/20 (July 2025), paragraph 4.2.

MFA therefore supports continued, evidence-based monitoring of the interaction between CLOB trading and other execution mechanisms. MFA would also emphasise that market data and connectivity costs themselves materially shape where participants are able to trade and source liquidity. Accordingly, should ESMA wish to address the decline in CLOB trading, MFA considers that the focus should be on holistic measures that improve overall liquidity, such as reducing the clearing, settlement and market data costs that influence routing decisions.

Q5: As the choice of trading facility has increased, it is important for ESMA to understand why market participants are choosing the execution facilities that they do. What are the drivers that you consider most relevant when choosing on which execution venue and with which execution method to trade?

MFA Response

For MFA members, the selection of execution venue and method is the product of the best execution considerations that managers undertake for the benefit of their clients. The drivers most relevant to that analysis include the likely market impact and information leakage of an order, the certainty and probability of execution, explicit and implicit costs, speed and settlement considerations. The relative importance of these factors will vary according to the order, the instrument and the prevailing market conditions.

Alternative execution methods provide specific advantages that address these diverse drivers. Executing a share trade directly against an SI, rather than on a trading venue, can grant the client a distinct advantage in price and execution certainty, while mechanisms such as FBAs deploy short delays to minimise price slippage. For larger, outsized or illiquid positions, a manager may need to direct a request for quote (RFQ) to a single dealer, or to work an order with a selected counterparty, rather than broadcasting its trading intentions more widely to the market. The driver in such cases is the avoidance of front-running and information leakage, which for these orders can matter more to the overall client outcome than the immediately displayed price.

Maintaining this breadth of execution optionality is an essential tool that enables fund managers to navigate varying market conditions and secure optimal outcomes for their clients. MFA therefore welcomes ESMA's acknowledgement that investors benefit from a diversity of execution methods suited to their specific needs.

Q6: What are your experiences with regard to gaining access to liquidity? To what extent are you, either directly or via a broker, able to access liquidity on relevant trading venues or relevant systematic internalisers? If not, please explain what stands in the way of gaining such access.

MFA Response

MFA members typically access EU equity liquidity through brokers and smart order routers rather than by becoming direct members of trading venues.

In MFA's view, the principal structural barrier to broader access to liquidity is the level and complexity of market data, connectivity and licensing costs, which fall disproportionately on smaller fund managers. As MFA has previously observed, rising data costs mean that smaller firms in particular face a high barrier to entry and might in practice be prevented from

accessing certain markets or implementing certain strategies.⁴ This issue persists because the obligation to provide data on an RCB has proven ineffective at curbing escalating charges, and is compounded by the bundling of data, often requiring the purchase of newly introduced, mandatory products, alongside complex licensing agreements subject to frequent and unpredictable change.

MFA therefore encourages ESMA to treat market data, connectivity and licensing costs as part of its assessment of access to liquidity. To resolve these impediments, MFA suggests aligning data fees more closely to the actual operational cost of producing and disseminating the data.

More fundamentally, the most effective structural response to these access barriers is the prompt implementation of a comprehensive, reasonably priced EU equity CT. MFA considers that the CT's principal value lies in delivering comprehensive, real-time post-trade transparency across all execution venues and methods, including trades executed away from the primary lit order books. Any pre-trade or attributed-data features should be calibrated carefully and weighed against the risk of information leakage, so that the CT enhances transparency and supports price discovery without compromising the execution strategies that protect end-investors.

3.3 Distribution of liquidity across EU issuers

Q8: What conclusions would you draw from the distribution of liquidity across EEA ISINs? Do you identify any policy recommendations in this context, with a view to enhancing price formation while ensuring a level playing field across different types of venues? Do you have explanations for the high share of OTC trading observed in the ISINs of some jurisdictions?

MFA Response

MFA would caution against drawing firm policy conclusions from the distribution of liquidity across EEA ISINs without further analysis of the underlying drivers of that distribution. The fact that ISINs from certain jurisdictions exhibit a higher proportion of over-the-counter (“**OTC**”) or dark trading does not necessarily indicate impaired price formation or unequal competitive conditions.

In particular, higher OTC turnover in smaller or less liquid markets may be explained by a range of factors, and the same pattern may appear more pronounced in percentage terms where absolute trading volumes are limited. Indeed, ESMA's findings confirm that, in those jurisdictions demonstrating a high proportional share of OTC trading, such as Ireland, Latvia and Liechtenstein, the absolute values of these transactions remain limited.

For these reasons, MFA would not support measures that seek to impose a uniform distribution of liquidity across execution types or issuer jurisdictions. Differences in trading patterns across ISINs may reflect legitimate differences in issuer profile, market size, liquidity,

⁴ MFA response to ESMA Consultation Paper on the development in prices for pre- and post-trade data (6 September 2019), available at: <https://www.mfaalts.org/wp-content/uploads/2020/04/19.09.06-AIMA-MFA-response-to-ESMA-MD-CP.pdf>.

investor base and execution needs, and a well-functioning European capital market depends on a rich diversity of execution venues operating in tandem to supply that liquidity.

Finally, MFA would urge ESMA to recognise that a high concentration of liquidity on a single primary continuous order book does not equate to a healthier market ecosystem. Comparative analysis of market structures across the EU demonstrates that jurisdictions that feature a more heterogeneous, diverse mix of execution mechanisms, and consequently exhibit less concentration on their primary exchanges, generally benefit from greater overall market capitalisation.

SECTION 4.1. FOOTPRINT OF DARK TRADING ON TRADING VENUES

4.1 Footprint of dark trading on trading venues

Q9: What is your view on the evolution of dark trading on EU trading venues? Are there any structural shifts that you noticed, which you believe should be further monitored?

MFA Response

MFA does not consider that the evolution of dark trading identified by ESMA justifies further regulatory restrictions at this stage. As the Call for Evidence indicates, dark trading continues to represent a limited share of overall market activity, rising only slightly from an average of 4.4% in 2022 to 4.9% in 2025, and current levels do not appear to be detrimental to market quality.⁵ MFA does not regard this modest and gradual change as a structural shift that would warrant intervention. This is broadly consistent with earlier FCA research on the FTSE 350, which suggested that dark trading begins to detract from market quality only at around 11% to 17% of total trading by value, a range that remains significantly above the levels currently observed in EEA markets.⁶

MFA agrees that ESMA and national competent authorities (“NCAs”) should continue to monitor structural developments in dark trading, provided that such monitoring remains evidence-based and distinguishes between the legitimate use of execution mechanisms that reduce market impact and any conduct designed to circumvent the regulatory framework. In that regard, the most significant recent development is the SVC, which only entered into enforcement in October 2025. Given how recently the SVC regime took effect, MFA considers it would be premature to draw definitive conclusions or to propose new interventions at this stage, and would encourage ESMA to allow sufficient time to assess the long-term impact of the new caps on market behaviour before contemplating further structural changes.

MFA would also encourage ESMA to place these developments in a global context. The EU currently stands as a significant outlier in maintaining volume-based constraints on dark trading. Evidence from comparable jurisdictions, notably the United Kingdom, which repealed its quantitative volume caps in 2023, indicates that removing such caps does not precipitate any material expansion in dark trading, but rather reduces operational complexity and safeguards execution choice for investors.⁷

Q10: What concerns/issues do you highlight at this stage? Do you see a need for specific regulatory interventions also in consideration of evidence available regarding practices related to dark trading functionalities (please provide details)?

MFA Response

MFA does not consider that any new regulatory intervention is warranted in relation to dark trading functionalities at this stage. As set out in our response to Question 9, dark trading

⁵ Call for Evidence, paragraph 51.

⁶ FCA, Occasional Paper No. 29, aggregate market quality implications of dark trading (August 2017), available at: <https://www.fca.org.uk/publication/occasional-papers/op17-29.pdf>.

⁷ FCA, Consultation Paper CP25/20 (July 2025), paragraphs 3.59 and 4.4.

represents only a limited and broadly stable share of overall trading activity, and ESMA's own analysis confirms that current levels are not detrimental to market quality or price discovery.

MFA would emphasise that price discovery is not confined to the primary lit exchange: a fund manager executing through an SI, a dark venue or an auction is still participating in price discovery, and remains bound throughout by its best execution and client-best-interest obligations. Those obligations are themselves the key safeguard and should be central to ESMA's analysis, since they ensure that any migration away from continuous lit trading reflects the pursuit of better client outcomes rather than a degradation of price formation.

Should ESMA consider intervention necessary to address any potential circumvention of the transparency framework, then MFA regards the appropriate response to be targeted, evidence-based supervision by NCAs, rather than broad structural restrictions that would constrain investor choice and increase costs. MFA opposes further restrictions on dark trading absent clear, empirical evidence that the existing rules are insufficient to address any identified misconduct or market-quality concern.

4.2.1 Periodic auctions: closing auctions

Q11: What is your view on the evolution and effects of trading in closing auctions on the EU markets? Do you agree with the presented rationale for trading in closing auctions or do you consider other drivers more important for explaining the growth and increasing significance of closing auctions trading?

MFA Response

MFA agrees with ESMA's rationale for the growth of closing-auction trading. The closing auction concentrates end-of-day liquidity and provides a reliable reference price, which is of particular value to strategies benchmarked to official closing prices and to the management of tracking error.

MFA would note that, on ESMA's own data, the growth of closing auction trading has been modest, rising only from an average of around 18% to 19.3% of trading volume between 2022 and 2025.⁸ This change is not, of itself, evidence of any harm to market quality or price formation; rather, it reflects legitimate and long-standing investor demand for execution at, or by reference to, the official close.

⁸ Call for Evidence, paragraph 63.

MFA would, however, draw ESMA's attention to the cost and competition dimension of this development. Closing auctions are an area in which primary exchanges may enjoy significant pricing power and face limited direct competition. As trading at the close becomes increasingly important, the execution fees, market data costs and connectivity charges associated with accessing closing-auction liquidity may exert a disproportionate impact on the net execution costs borne by investment managers and, ultimately, their underlying end-investors. MFA therefore encourages ESMA to consider these cost and competition dynamics as part of its assessment of closing auction trading, consistent with the broader concerns about market data and connectivity costs, and the case for RCB pricing, that MFA raises in its response to Question 6.

Q13: What will be in your view the effects of 24h/ extended trading [h]ours on closing auctions?

MFA Response

MFA does not oppose innovation in trading hours, but is concerned that moving too quickly risks unintended consequences for the liquidity and efficiency of the market. On the specific impact on closing auctions, MFA makes four points.

First, the integrity of the official closing price must be preserved, whatever the length of the trading day. As the Call for Evidence notes, the closing price is typically used for the valuation of funds, exchange-traded funds (ETFs) and benchmarks.⁹ It also anchors index rebalancing and the expiry and settlement of derivatives. Trading outside the core session must not be allowed to dilute the informational role, or undermine the governance, of the single official closing price on which the wider financial ecosystem depends.

Second, extended or overnight sessions are likely to be characterised by materially thinner liquidity, wider spreads and greater gap risk. In those conditions, a single large order can move prices disproportionately, raising both operational and market integrity concerns. Encouraging volume into such sessions could also fragment the liquidity that today usefully concentrates in the closing auction.

Third, the operational, settlement and surveillance implications would require careful consideration before any such extension. In MFA's view, unless the hours during which settlement banks and custodians move funds and collateral are also extended, unmargined risk may build up and crystallise in large margin calls when those institutions reopen. In the EU, these considerations also extend to the planned transition to T+1 settlement, the cross-border surveillance of overnight activity, and the cost of round-the-clock coverage, which will likely fall disproportionately on smaller managers.

Fourth, extended or 24-hour trading would also complicate the calculation of volume-based benchmarks such as the volume-weighted average price (VWAP), against which many institutional orders are worked over a defined period.

Given the inherently global nature of any move to extended trading, MFA would encourage ESMA to coordinate closely with other regulators and, to the extent venues introduce such

⁹ Call for Evidence, paragraph 30.

sessions, to ensure that the resulting trading is fully captured in post-trade transparency and the EU equity CT.

Q14: Are there any structural shifts that you noticed, which you believe the competent authorities should monitor? Would you like to highlight any concerns/issues at this stage? Do you see a need for specific regulatory interventions (please provide details relating them possibly to the data and observations available)?

MFA Response

MFA supports continued, data-led monitoring of developments in closing auction trading, including the concentration of liquidity at the close and the interaction between primary exchange closing auctions and alternative closing mechanisms. In MFA's view, the growing diversification of execution models reflects a natural market evolution, driven by the need to optimise execution outcomes for end-investors.

At this stage, MFA does not consider that ESMA has identified a basis for pre-emptive intervention in relation to closing-auction trading. Closing auctions perform an important function for end-investors and market participants by concentrating liquidity and producing a widely used closing reference price. Indeed, the Call for Evidence expressly acknowledges that current transaction reporting data cannot accurately disentangle genuine closing-auction volumes from subsequent trade-at-close transactions. In MFA's view, intervening without a precise understanding of these distinct liquidity pools would risk causing unintended harm to the end-of-day price discovery process.

4.2.2 Periodic auctions: FBAs

Q15: What is your view on the evolution of trading in FBAs on EU markets? Why are those mechanisms gaining traction in your view? Which are the benefits and shortcomings they offer? (please elaborate)

MFA Response

MFA views the growth of FBAs as a rational market development, and not, of itself, evidence of market harm. FBAs are gaining traction because they reduce implicit and explicit trading costs and help investors manage market impact.

MFA recognises that FBAs should be monitored, particularly as regards their interaction with the SVC and their contribution to price formation and transparency. Any such assessment should, however, be based on the specific design and operation of the relevant FBA mechanism, rather than on a presumption that FBAs are inherently problematic.

SECTION 5.2. MEMBER PREFERENCING

Q31: Does member preferencing lead to unfair outcomes for end-investors, other members or the markets? Please explain, if possible on the basis of data.

MFA Response

MFA does not consider, on the evidence currently available, that member preferencing necessarily leads to unfair outcomes for end-investors, other members or the market as a whole. As the Call for Evidence identifies, the practice is often driven by legitimate operational considerations, most notably the streamlining of the post-trade processing of matched orders. In particular, by allowing internal trades to match, venues enable market participants to reduce external clearing and settlement costs, and those efficiencies likely translate into lower overall transaction costs for the benefit of end-investors. ESMA's own 2019 Final Report on the Call for Evidence on Periodic Auctions reflected a broad consensus to this effect, finding that market participants generally view member preferencing as having a positive effect in lowering execution costs, that it conveys a genuine economic benefit to end-users in the form of reduced costs for internalised flow, and that it can contribute to improved execution quality.¹⁰

Accordingly, MFA would not support a general conclusion that member preferencing is unfair absent venue-specific data demonstrating harm. MFA encourages ESMA to collect and assess data on the operation of member-preferencing functionality across different venue types and protocols before determining whether any regulatory response is warranted.

Q32: To what extent do you see evidence that member preferencing extends in practice beyond jumping the queue and may also violate price priority principles?

MFA Response

MFA does not have sufficient evidence at this stage to conclude that member preferencing extends in practice beyond queue position or time priority effects, or that it generally violates price priority principles.

MFA would, however, regard any functionality that permits an order to execute ahead of a better-priced order as raising materially different concerns from one that merely facilitates same-member matching where price priority is respected. The former may undermine the integrity of the venue's matching protocol and raise concerns regarding fair access and non-discriminatory treatment; the latter may be a legitimate operational feature, provided that it operates transparently and does not disadvantage end-investors on price.

Should ESMA wish to investigate the matter further, MFA recommends a targeted data-collection exercise to quantify how frequently trades execute away from the best available price specifically as a result of third-party preferencing functionality.

¹⁰ ESMA, Final Report on the Call for Evidence on Periodic Auctions (ESMA70-156-1035, 11 June 2019), Annex, paragraphs 59 and 61, available at: https://www.esma.europa.eu/sites/default/files/library/esma70-156-1035_final_report_call_for_evidence_periodic_auctions.pdf.

Q33: Should member preferencing be (a) prohibited, (b) should there be rules restricting the practice, or (c) should nothing be done? If you suggest there should be rules (b), which rules would you suggest? Please explain.

MFA Response

MFA would not support an outright prohibition of member preferencing, or the introduction of broad new restrictions, at this stage, and accordingly favours option (c).

Member preferencing is well-established and valuable market practice that has been available on most primary exchanges, as well as on lit and dark multilateral trading facilities, across EU and international markets for many years.¹¹

Before contemplating any restrictive intervention, MFA would encourage ESMA first to determine whether the practice causes identifiable harm, and whether any such harm depends on the relevant trading protocol, venue design or matching logic. As noted in MFA's response to Question 31, the current prevailing market consensus is that member preferencing delivers a net positive result for end-investors. MFA considers that prohibiting an operationally efficient feature of this kind could risk penalising end-investors by artificially increasing their overall cost of trading.

¹¹ ESMA, Final Report on the Call for Evidence on Periodic Auctions (ESMA70-156-1035, 11 June 2019), paragraph 58.