

15 October 2026

By online submission

Financial Conduct Authority
12 Endeavour Square
London E20 1JN
United Kingdom

Re: FCA Consultation Paper CP26/30: Equity Market Structure

Dear Sir / Madam

MFA¹ appreciates the opportunity to represent the views of the global alternative asset management industry in this written response to the Financial Conduct Authority's ("FCA") Consultation Paper CP26/30 on equity market structure (the "**Consultation**" or "**CP26/30**").²

MFA welcomes the FCA's review of the structure of UK equity markets, and its recognition that investors benefit from a diversity of execution methods suited to their specific needs. In our view, the trends identified in the Consultation 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, we do not consider that the evidence, at this stage, supports any intervention that would compel order flow towards particular execution mechanisms or restrict the execution choices on which investors and their managers rely. We also welcome the FCA's broader objective of removing disproportionate or duplicative requirements and enhancing the resilience of critical market infrastructure.

The Annex sets out our responses to the questions raised in CP26/30. 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

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.

² FCA, Consultation Paper 26/30, Supporting equity market transparency and considering market structure developments (July 2026), available at: <https://www.fca.org.uk/publication/consultation/cp26-30.pdf>

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counterbalanced by the growth of complementary execution methods that compete to deliver better outcomes for investors. MFA would be concerned by any measure 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 among the most significant barriers to accessing liquidity.** These costs fall disproportionately on smaller 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 the FCA to explore tying 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.** A UK equity consolidated tape (“**CT**”) would give investors a comprehensive market-wide view of trading activity and displayed liquidity, but only if it is delivered promptly, priced on genuinely reasonable terms and focused initially on comprehensive post-trade transparency across all execution venues and methods, while incorporating appropriately calibrated pre-trade data as the framework develops. MFA supports the FCA’s focus on the resilience of the CT and other critical market infrastructure.
- **MFA supports streamlining post-trade transparency but does not support extending public reporting to equity swaps at this time.** MFA welcomes the FCA’s proposals to align reporting flags and remove requirements that no longer serve a meaningful purpose. However, public reporting should not be extended to equity swaps unless further analysis demonstrates that a narrowly defined category represents genuine addressable liquidity not already reflected through reporting of the dealer’s hedge. Any future regime should be legally clear, operationally workable, narrowly tailored to avoid duplicative reporting and calibrated to protect against harmful information leakage. In particular, the FCA should not extend public reporting to equity swaps at this time because many swaps do not represent addressable liquidity and reporting may duplicate transparency already provided through transactions undertaken to hedge the swap.”
- **MFA supports removing disproportionate and duplicative requirements.** MFA welcomes the proposed revocation of UK MiFID RTS 8 and other measures that reduce unnecessary regulatory burden on trading firms, particularly smaller managers, provided that core market-integrity safeguards are preserved.
- **Operational resilience must preserve the integrity of the official closing price.** MFA supports robust and well-communicated arrangements for managing trading-venue and CT outages. In doing so, the FCA should ensure that the integrity of the single official closing price – on which fund and ETF valuations, benchmarks, index rebalancing

and derivatives settlement depend – is preserved through clearly defined and pre-disclosed fallback arrangements.

MFA appreciates the opportunity to provide these comments to the FCA in response to CP26/30. If you have any questions about these comments, or if we can provide further information, please do not hesitate to contact the undersigned at rhailey@mfaalts.org or 020 3585 2300.

Yours faithfully

/s/

Rob Hailey
Managing Director
Head of EMEA Government Affairs

Annex - MFA Responses to the Questions in CP26/30

MFA's responses to the questions raised in CP26/30 are set out below. We have focused our comments on those questions most relevant to the interests of our members and, where appropriate, have grouped related questions.

Q1: Do you agree with our assessment that current evidence does not justify prescriptive intervention to steer trading towards particular execution mechanisms, but that continued monitoring is warranted? If not, why not?

MFA Response

MFA agrees. In our view, the current evidence does not justify prescriptive intervention to steer trading towards particular execution mechanisms, and continued, evidence-based monitoring is the appropriate response.

The relative decline in trading on CLOBs reflects healthy, competitive market pressures rather than any structural degradation of liquidity. That decline has been counterbalanced by proportionate growth in complementary execution methods - including closing auctions, frequent batch auctions ("FBAs"), systematic internaliser ("SI") activity and bilateral trading - each of which competes to deliver better outcomes for investors. The FCA's own analysis illustrates this trend, finding that CLOB trading declined from 47% to 29% of activity between January 2018 and May 2025, offset by corresponding increases in periodic auctions, regular auctions and bilateral trading.³

For MFA members, the selection of execution venue and method is the product of the best-execution obligations that managers owe to 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, and speed and settlement considerations. Maintaining this breadth of execution optionality is an essential tool that enables managers to navigate varying market conditions and secure optimal outcomes for their clients.

MFA would therefore caution against measures designed to concentrate trading activity onto CLOBs, absent clear evidence that such intervention would improve investor outcomes. Attempts to rebalance order flow towards primary venues risk constraining execution strategies, stifling innovation and increasing overall transaction costs. MFA supports continued, evidence-based monitoring of the interaction between CLOB trading and other execution mechanisms.

³ 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>

Q2: Do you agree with the proposed elements of a framework for monitoring equity market quality and price formation, including the metrics set out in Table 3.2? Are there any additional indicators, data sources or emerging risks we should consider?

MFA Response

MFA supports the FCA's data-driven approach to monitoring equity market quality and price formation, and broadly agrees with the elements of the proposed framework, including the metrics set out in Table 3.2. MFA offers the following observations.

First, the framework should capture price formation across all execution models, not solely lit continuous markets. A relative decline in CLOB trading does not, of itself, equate to degraded price discovery: post-trade transparency across dark, bilateral and auction mechanisms also helps to mitigate information asymmetry, and shares traded across a more diverse range of mechanisms frequently benefit from tighter bid-ask spreads.⁴

Second, MFA encourages the FCA to incorporate indicators that reflect the cost of accessing liquidity. Market data, connectivity and licensing costs materially shape where and how firms are able to trade, and fall disproportionately on smaller managers. As MFA has previously observed, rising data costs mean that smaller firms in particular face a high barrier to entry and may in practice be prevented from accessing certain markets or implementing certain strategies.⁵ Monitoring the level and structure of these costs would provide valuable insight into the drivers of routing decisions.

Third, any monitoring framework should distinguish between the legitimate use of execution mechanisms that reduce market impact and any conduct designed to circumvent the transparency framework. Investment managers and executing firms remain subject, as applicable, to best-execution and client-interest obligations when selecting among SIs, dark venues, auctions and other execution mechanisms

Q3: If future monitoring were to show material harm to market integrity, are there any regulatory options that you consider could be a viable and proportionate response, including any of the options discussed above? Please explain your reasoning, including the circumstances in which such options might or might not be appropriate.

MFA Response

Should future monitoring reveal material harm to market integrity, MFA considers that any regulatory response should be targeted, proportionate and grounded in clear empirical

⁴ FCA, Consultation Paper CP25/20 (July 2025), paragraph 4.2

⁵ 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>

evidence, rather than taking the form of broad structural restrictions that constrain investor choice and increase costs.

In the first instance, MFA considers that the appropriate response to any potential circumvention of the transparency framework is targeted, evidence-based supervision by the FCA, rather than blunt structural intervention. Where a harm is identified, MFA would encourage the FCA to favour holistic measures that improve overall liquidity and reduce the frictions influencing routing decisions – such as the clearing, settlement and market data costs that bear on execution choice – over measures that seek to compel order flow towards particular venues.

MFA would caution in particular against the reintroduction of volume-based constraints on trading. The United Kingdom repealed its quantitative double volume caps in 2023, and the available evidence indicates that removing such caps did not precipitate any material expansion in dark trading, but rather reduced operational complexity and safeguarded execution choice for investors.⁶ Earlier FCA research likewise suggests that dark trading begins to detract from market quality only at elevated levels – of the order of 11% to 17% of total trading by value – well above prevailing levels.⁷ MFA therefore opposes further structural restrictions absent clear evidence that existing rules are insufficient to address an identified harm.

Q4-7: Extending post-trade reporting exemptions and deleting the NPFT flag (Question 4); removing the TNCP flag (Question 5); identifying trades under the reformulated reference price waiver (Question 6); and back-reporting (Question 7).

MFA Response

MFA supports the FCA's objective of simplifying and streamlining the post-trade transparency framework, and broadly welcomes the proposals to extend the existing post-trade reporting exemptions to off-book on-exchange trades and to delete the NPFT flag (Question 4), to remove the TNCP flag (Question 5), to identify trades under a reformulated reference price waiver on a consistent basis (Question 6), and to rationalise the approach to back-reporting (Question 7).

MFA has consistently supported aligning post-trade transparency flags with the underlying transaction-reporting fields, so that the distinction between different categories of liquidity rests on consistent, objective data rather than subjective or duplicative terminology embedded in the regulatory framework. Reforms that reduce unnecessary flags and reporting complexity should lower operational burden – particularly for smaller managers –

⁶ FCA, Consultation Paper CP25/20 (July 2025), paragraphs 3.59 and 4.4

⁷ FCA, Occasional Paper No. 29, The aggregate market quality implications of dark trading (August 2017), available at: <https://www.fca.org.uk/publication/occasional-papers/op17-29.pdf>

and improve the consistency and usefulness of transparency data, without any material loss of meaningful transparency.

In relation to the TNCP flag (Question 5), MFA does not consider that its removal would deprive market participants of materially useful information. If the FCA determines that contingent trades should remain identifiable, it should use an objective field or reporting treatment aligned with the underlying transaction-reporting framework rather than retain a duplicative post-trade flag.”

In relation to the reference price waiver (Question 6), MFA supports the FCA’s first option, under which transactions executed pursuant to the reformulated reference price waiver would be identified through the existing RFPT flag in combination with a segment MIC code. In MFA’s view, leveraging existing identifiers provides a clear and proportionate means of distinguishing these transactions while avoiding the operational burden and complexity associated with creating a new reporting flag. This approach is also more consistent with MFA’s broader support for transparency frameworks that rely on objective, existing reporting fields and minimise unnecessary changes to firms’ systems and reporting processes.

In relation to back-reporting (Question 7), MFA supports the FCA’s proposal to make explicit the obligation to back-report and, in particular, supports the introduction of a maximum back-reporting period of three years for transactions subject to the post-trade transparency regime.

In MFA’s view, a three-year period strikes an appropriate balance between the rapidly diminishing informational value of post-trade data after execution and the benefit of ensuring that firms retain a reasonably complete picture of how liquidity in an instrument has evolved over time. It also represents a proportionate reduction from the previous five-year expectation, aligns with the FCA’s related proposals in CP25/32, and operates without prejudice to the separate five-year record-keeping obligations of investment firms and trading venues. MFA further supports the FCA’s proposal that back-reporting should generally occur outside normal market hours, save where the obligation is identified on the same trading day as the transaction, so as to avoid publishing information that is less relevant to the price formation process during active trading. More generally, MFA welcomes an approach that avoids imposing disproportionate systems-build and compliance costs relative to the incremental transparency benefit.

Q8: If public reporting were extended to cover certain equity swap activity, in what circumstances should this apply, and how should any such regime be designed to capture relevant addressable liquidity in a way that is legally clear, operationally workable and useful for market participants?

MFA Response

MFA recommends that the FCA not extend public post-trade reporting to equity swaps at this time. The FCA should proceed only if further analysis demonstrates that a narrowly defined category of swap activity represents genuine addressable liquidity that is not already reflected in reported transactions, including any cash-equity transaction undertaken by the dealer to hedge the swap.

Many equity swaps provide tailored economic exposure or serve financing, risk-management or other purposes and therefore do not represent addressable liquidity in the underlying shares. Moreover, where a dealer hedges a swap by trading the underlying shares, that hedge may already be subject to post-trade transparency requirements. Reporting the swap as well could duplicate existing transparency, create a misleading impression of additional liquidity and expose sensitive trading information.

A reporting requirement could also distort how market participants structure swaps or how dealers hedge them to avoid disclosure. Dealers may instead reflect the resulting information-leakage, compliance and hedging risks in swap pricing, increasing costs or reducing access to customized exposures. If the FCA nevertheless proceeds, any regime should be narrowly tailored, avoid duplicative reporting, clearly identify the reporting party and include appropriate deferrals and protections for large or less-liquid positions.

Q9: Do you consider there to be a case for extending public reporting to tokenised forms of equity exposure and, if so, how should a technology-neutral approach apply across natively issued tokenised shares, digital receipt models and other forms of synthetic or fractionalised exposure?

MFA Response

MFA supports a technology-neutral approach under which instruments presenting comparable economic functions and regulatory risks are subject to comparable treatment, while recognizing material differences in legal rights, market structure, transferability and the nature of the underlying exposure. The FCA should therefore assess natively issued tokenised shares, digital receipt models, and synthetic or fractionalised exposures according to their economic substance rather than their technological form.

Any framework also should preserve effective market surveillance and avoid fragmenting the regulatory view of economically related trading in the tokenised exposure and the underlying security. At the same time, MFA would caution against introducing prescriptive reporting requirements for tokenised forms of equity exposure before the relevant markets and technologies have matured. Given the nascent and rapidly evolving nature of this activity, MFA encourages the FCA to proceed on a proportionate and flexible basis, and to calibrate any requirements to genuine addressable liquidity so as to avoid imposing disproportionate burdens or discouraging beneficial innovation.

Q10: Do you agree with our proposal to require equity SIs to publish quotes indicating the price and volume at which they are prepared generally to buy and sell up to and

including SMS, and to amend aspects of the pricing framework that may encourage more formulaic quotes? If not, what alternative approach would better support meaningful pre-trade transparency?

MFA Response

MFA supports meaningful pre-trade transparency but encourages the FCA to calibrate any new SI quoting obligations carefully, so as not to discourage the provision of SI liquidity on which investors rely.

Executing a share trade directly against an SI, rather than on a trading venue, can grant a client a distinct advantage in price and execution certainty. Requirements to publish quotes indicating the price and volume at which an SI is prepared to buy and sell up to standard market size (“**SMS**”) may support transparency, but should be designed so that they do not deter SIs from committing capital or narrow the range of liquidity available to end investors. MFA agrees that the pricing framework should avoid encouraging purely formulaic quotes, but considers that the overriding objective should be to preserve genuine, executable liquidity and price improvement for clients. MFA would welcome further engagement on the detailed calibration of these requirements.

Q11: Do you agree with our proposal to revoke UK MiFID RTS 8 in its entirety for algorithmic trading firms? If not, what element of the requirements should be retained or amended, and why?

MFA Response

MFA supports the proposed revocation of UK MiFID RTS 8 in its entirety.

In MFA's view, the RTS 8 requirements impose operational and compliance burdens that are disproportionate to any incremental benefit they provide to market quality or liquidity provision. Market making activity today is driven principally by commercial incentives and venue operated liquidity programmes, rather than by mandatory market-making agreements.

Q12: Do you agree that we should consider developing further guidance for consolidated tape providers on how they should prepare for and respond to outages? If so, what issues should such guidance cover, and how should it differ from the proposed guidance for trading venues?

MFA Response

MFA agrees that the FCA should consider developing further guidance for consolidated tape providers on how they should prepare for and respond to outages. A comprehensive, reasonably priced and resilient CT is, in MFA's view, one of the most effective structural responses to the barriers that market participants face in accessing a comprehensive

market-wide view of trading activity and displayed liquidity, and its value depends on its continuous availability, reliability and integrity.

MFA would support principles-based guidance focused on resilience outcomes rather than prescriptive operational requirements. The FCA should seek to ensure that CT providers maintain robust arrangements for managing disruptions and restoring service promptly, while allowing sufficient flexibility for providers to determine the most effective technical solutions.

Such guidance should address, at a minimum, the timely communication of outages and expected restoration timeframes; the identification of affected data sources; the status and integrity of data disseminated before, during and after an outage; arrangements for recovery and back-filling of missing data; and transparent communication to users regarding any gaps, delays or limitations in the consolidated feed.

The FCA also should recognise that the resilience considerations applicable to a CT are distinct from those applicable to a trading venue. A CT aggregates information from multiple sources and therefore should, to the greatest extent practicable, continue to operate when an individual venue experiences an outage. In those circumstances, the priority should be the continued dissemination of consolidated data from the remaining venues, accompanied by clear disclosure regarding any unavailable inputs. Likewise, a CT outage should not affect the operation of trading venues or the execution of transactions.

Accordingly, guidance for CT providers should focus on the accuracy, completeness and timely restoration of consolidated market data, and on clear communication to users, rather than on the order-handling, execution and price-formation issues that arise in the context of trading-venue outages.

Q13-19: Trading-venue outage playbooks, communication plans and order handling (Questions 13 to 16); the factors that limit the migration of liquidity during an outage (Question 17); and arrangements for confirming orders and facilitating the continuation of trading (Questions 18 and 19).

MFA Response

MFA supports robust operational-resilience arrangements for trading venues and welcomes the FCA's proposals in relation to outage playbooks, communication plans and order handling (Questions 13 to 16). Clear, standardised and pre-disclosed arrangements reduce uncertainty and support the orderly continuation of trading during an outage. MFA agrees that a venue should publish an outage playbook setting out what and how it would communicate in the event of an outage, and that the playbook should address, among other things, the expected status of orders, the timing and content of communications, and the process for the resumption of trading.

As to the factors that limit the migration of liquidity to alternative venues during an outage affecting a primary market (Question 17), MFA considers the principal impediments to be

uncertainty as to the status of resting orders on the affected venue, the widespread reliance on the primary venue's reference price and closing mechanisms, and the operational and risk-management challenges of re-routing flow at short notice. Reducing that uncertainty – through clear, timely communication and predictable order-handling protocols – is the most effective way to facilitate the continuation of trading and effective price formation on alternative venues.

MFA is supportive, in principle, of establishing a defined timeframe for confirming the status of orders, followed by a specified period to transition to alternative arrangements (Questions 18 and 19), provided that any such timeframes are calibrated to real-world operational constraints and are accompanied by clear communication. Certainty as to when and how liquidity will become available on alternative venues is more important to end investors than the precise length of any particular window.

Q20-22: Arrangements where an outage may affect the determination of an official closing price (Question 20); alternative arrangements to continue an auction-based price-formation process (Question 21); and a predetermined fallback methodology for the official closing price (Question 22).

MFA Response

MFA agrees that venues should establish, and disclose in advance, the arrangements that would apply where an outage may affect the determination of an official closing price, including the use of alternative arrangements and predetermined fallback methodologies (Questions 20 to 22).

The integrity of the single official closing price must be preserved, whatever the operational circumstances. As the FCA recognises, the closing price is used for the valuation of funds, exchange-traded funds (ETFs) and benchmarks, and it also anchors index rebalancing and the expiry and settlement of derivatives. A disruption to the closing auction that is not managed through clear, pre-disclosed arrangements could therefore transmit valuation and settlement risk across the wider financial ecosystem.

Accordingly, MFA supports requiring venues to have clearly defined alternative arrangements to support the continuation of an auction-based price-formation process during an outage, and a predetermined fallback methodology for establishing the official closing price where a closing auction cannot proceed or would not be appropriate. In MFA's view, the key principles are that any fallback should be objective, transparent and disclosed to market participants in advance, so that investors can understand and prepare for how the closing price will be determined in a disruption.

Q23-24: Whether there are issues with the structure and recent trend in the market for retail trading in UK equities (Question 23); and the potential introduction of a retail flag (Question 24).

MFA Response

MFA's members are predominantly institutional investors, and MFA therefore offers only limited observations on the structure of retail trading in UK equities (Question 23). MFA supports a well-functioning retail market and considers that the diversity of execution mechanisms available in UK markets, together with robust best-execution obligations, benefits all investors, including retail investors.

On the potential introduction of a retail flag (Question 24), MFA can see the potential benefit of improved transparency into the composition of order flow, which could inform monitoring and analysis of market quality. Any such flag should, however, be designed on a technology-neutral basis, be consistent with the wider post-trade transparency framework, and be calibrated to avoid imposing disproportionate operational burdens or enabling the kind of order-flow profiling that could facilitate information leakage to the detriment of investors. MFA would welcome further detail on the precise design and intended use of any retail flag before it is introduced.