

Exchanges raise concerns over ESMA’s Annual Statistical Report on 2020 data

In 2020, the UK was still part of the EU single market, accounting for 70% of turnover in EEA equity. By excluding the majority of trading in EEA instruments, the report portrays a misinterpreted picture of markets, says the Federation of European Securities Exchanges (FESE).

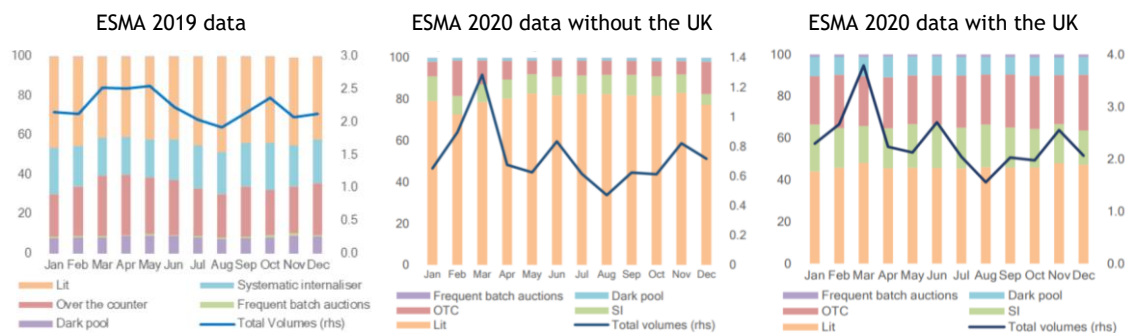
Brussels, 20th December 2021

As per the withdrawal agreement, the UK remained part of the EU single market until the end of 2020, with its trading still subject to the MiFIR [share trading obligation](#). As of 1st January 2021, UK trading was outside the EU single market and hence, through the share trading obligation, a significant part of this UK activity migrated to the EU. However, ESMA’s Annual Statistical [Report](#) for 2020 data presents indicators for EEA30, excluding UK data, and so reaching conclusions that misrepresent the reality. The truth is that, in the year 2020, the UK was a central part of the EEA securities markets.

With the approach taken, 19 EUR trillion in equity trading is left out of the scope of the main report and only mentioned in the executive summary. In 2020, the most trading in equities was conducted in the UK, represented not only trading on trading venues, but also SI trading and OTC. Off-venue volumes (including SI and OTC trading) are clearly underestimated since all transactions reported in 2020 via a UK APA in EEA instruments are excluded. Were they included, it would bring on-venue trading (including RMs and MTFs) down to 56%, instead of 82%.

ESMA’s chosen approach does not only differ from that adopted for 2019 but will also differ from the one for 2021 since, with the application of the share trading obligation, most of the UK flows on European securities have shifted to EU venues; data for 2021 will include the majority of SI and OTC activity which ESMA excludes for 2020.

Spot the missing 19 trillion



Equity trading volumes by trading type (percentage and trillion). Source: ESMA, FESE comparison

Therefore, the conclusions of the report could lead to misinterpreting the full liquidity landscape of EU securities trading in 2020, ignoring the bulk of trading in EEA instruments. ESMA must oversee turnover in EEA instruments.

Commenting on ESMA’s decision to omit UK data from the report, Director General of FESE, Rainer Riess, remarked:

“It is highly concerning that ESMA has ignored the reality of the UK’s status in 2020. This isn’t a mere technical disagreement, either - this decision will have a serious impact on the policy debate. It is critical for ESMA to monitor the trading of EEA instruments outside of the Union on a continuous basis and whether the share trading obligation is being adhered to going forward.”

FESE President and CEO of the Prague Stock Exchange, Petr Kobic, observed:

“We are in a moment where the EU is building the Capital Markets Union, and we are in intense discussions about equity market structure rules. I do believe the EU interests will not benefit from a too narrowly focused statistical report that ignores two thirds of the trading landscape, only looking at 30% of the trading EEA shares and ignoring the other 70%.”

Notes to editors:

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About FESE

The Federation of European Securities Exchanges (FESE) represents 36 exchanges in equities, bonds, derivatives, and commodities through 18 Full Members from 30 countries, as well as 1 Affiliate Member and 1 Observer Member.

At the end of November 2021, FESE members had 9,236 companies listed on their markets, of which 16% are foreign companies contributing towards European integration and providing broad and liquid access to Europe's capital markets. Many of our members also organise specialised markets that allow small and medium sized companies across Europe to access capital markets; 1,421 companies were listed in these specialised markets/segments in equity, increasing choice for investors and issuers. Through their RM and MTF operations, FESE members are keen to support the European Commission's objective of creating a Capital Markets Union.

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