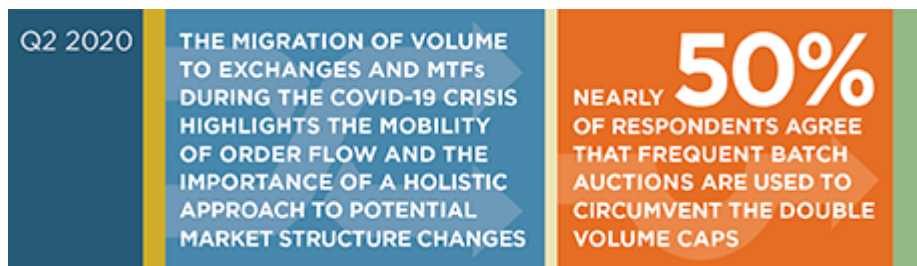


European Investors' Take on Market Structure Issues 2020

April 29, 2020

Executive Summary:



COVID-19 UPDATE

The data that underlies this paper was collected prior to the outbreak of the COVID-19 virus and the associated market volatility. Greenwich Associates believes that the analysis remains accurate regarding the European client view on market structure. Without a doubt, the overarching question will be whether current and future regulatory initiatives will be reassessed as a result of unique stresses that the market has undergone during this unprecedented time.

We are now over two years into the great MiFID II Trading Transformation.¹ The dust has settled, and we are able to take a measured look at how traders are adapting to this new market structure landscape.

Aside from the unbundling of trading and research, MiFID II brought in sweeping changes concerning how investment firms and brokers were able to execute orders. Broker crossing networks (BCNs), which aggregated internal proprietary flow with client orders, were abolished due to concerns around lack of transparency and that institutional investors were potentially being disadvantaged. The systematic internaliser (SI) regime was enhanced to provide a clear framework for investment firms to interact with market-maker and proprietary flow.

European regulators were also concerned that too much trading was being executed away from lit markets, harming price discovery. To counter this, the Reference Price Waiver (whereby dark pools would execute trades at prices derived from the lit market) was restricted via volume caps. However the Large-in-Scale (LIS) waiver, which permits dark trading for orders above a certain size threshold, remained in place.

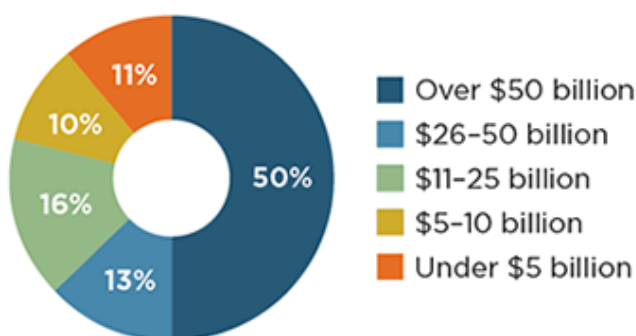
In this Greenwich Report, we assess European traders' opinions on these changes and discuss where the regulators may take this in the future.² Of course, these results were gathered prior to the recent turmoil and disruption of the markets as a result of the COVID-19 crisis and should be considered as such.

Methodology:

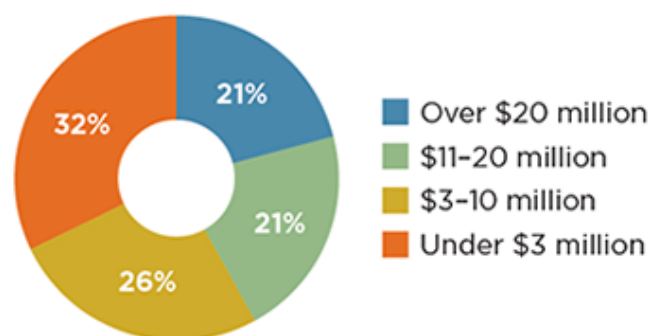
Between July and September 2019, Greenwich Associates interviewed 38 European equity traders. Respondents were asked a series of questions regarding equity market structure.

RESPONDENTS

Assets under management



Annual commissions



Note: Based on 38 respondents.
Source: Greenwich Associates 2019 Market Structure and Trading Technology Study



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