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Securities markets in 2030

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ESMA Chair

Good evening, ladies and gentlemen.

I am delighted to be here with you tonight and wish to extend my warm thanks to the Federation of European Securities Exchanges (FESE) for their kind invitation to say a few words in honour of their 50th Anniversary.

In such occasions, it is customary to look back at the past, and to look forward to the future.

Tonight, I will not describe what securities markets looked like 50 years ago – as one says in French, *cela ne nous rajeunit pas*.

Neither will I attempt an even more perilous description of what securities markets could look like in 50 years time – as one says in English, mission impossible.

Tonight, I will provide a more modest outlook of ESMA's vision for securities markets in 2030 – only a few months after the end of the term of our newly appointed Commissioner Maria Luis Albuerque, whom I would like to warmly congratulate for her start in office two days ago.

In this outlook, I will first touch upon the trends we see impacting securities markets, to then turn to our aspirations for genuine pan-European markets, markets that work for the financing of our European economy.

Underlying trends in securities markets

When thinking of overall trends impacting securities markets, digital innovation, and its latest avatar Artificial Intelligence (AI) often comes top of mind. I would assume that in 2030, AI will have become as common as electronic trading did from the 1990s onwards. I am confident that public markets will make the best use of AI, to the benefit of the whole securities markets ecosystem.

As ESMA and together with national competent authorities, we are following closely the developments around AI, not only as part of the wider trends affecting European markets, but also in terms of its more specific impact on trading.

At this stage, we do not see the growing use of AI as a paradigm change, but rather as an adaptation and extension of existing tools and trends.

To give a few examples, reinforcement learning, as one of the newest uses of AI, is now integrated in brokers' advanced trading strategies, building on the existing trend of algo-trading and automatic trade execution. Machine learning algorithms and big data analytics are more widely used to identify patterns and to inform trading decisions, based on ever more vast arrays of data.

Deep learning and natural language processing are also expanding the universe of data analytics. We see sentiment analysis based on news articles and social media, and extraction of meaningful information from unstructured data, such as text, audio and images.

The impact of these innovations on exchanges is two-fold: on the one hand, exchanges will need to invest in AI for their own operations, and on the other hand, they also need to oversee the growing use of AI by their members, their participants and the wider ecosystem. This is essential when exchanges perform their crucial mission of ensuring well-functioning and orderly markets.

To sum up, we can hope that these AI-powered improvements will make public markets in the EU even better-functioning. They might help to make our markets more liquid and more transparent. But at the same time we should remain vigilant, as we are not yet aware of all their known and unknown consequences.

However, AI is not the only trend that will shape 2030 securities markets. From the global hights of newest technology, I want now to turn closer to home and speak about recent ESMA work that has – in its own way - the potential to shape the future of securities markets.

One of our lesser-known roles, is ESMA's assessment of pre-trade transparency waivers. The reasons that this is less known is that our Opinions on these waiver applications are not published, but are sent to the national authority. ESMA's assessment of these waivers gives us a glimpse into the diversity of order types and trading systems in Europe, in what is a fast-evolving and competitive environment.

To name but a few trends, we see the growth of Frequent-Batch Auctions and of Dark-Lit Sweep orders. Both seem to be accelerated by the rise in closing auctions, and can be seen as blurring the lines between lit and dark trading.

We are welcoming the innovations that go in the direction of better serving clients across the trading chain, but we are also conscious of the potential impact of these trends on price discovery and liquidity.

Another major game changer for European markets will be the establishment of consolidated tapes. We are confident that by 2030 the consolidated tapes will be ensuring the visibility of EU securities markets, both within Europe and abroad.

I am of course more than aware of the sensitivities around this project. As a result, I will myself remain very cautious on not giving any new information that relates to the forthcoming selection procedures.

Nonetheless, let me restate (as mentioned in recent publications) that we will release a Feedback Statement on our approach to assess CTP applicants in the next few weeks. We will then launch the selection for the bonds CTP on 3 January 2025, and plan to do so for the equities CTP in June 2025.

Thinking about what our securities markets might look like in 2030, I would however like to play back some of the conclusions of the MiFID II/MiFIR Review Report No. 1 that we published in 2019 and which included our recommendations on the consolidated tape for equity instruments[1]. We stated at that time, and I still strongly believe, that consolidated tapes will contribute to remedying the fragmentation of our EU markets - certainly a key objective of the Savings and Investment Union.

The consolidated tapes will provide a reliable view of trading across the Union. We have heard from market participants a wide array of potential use cases: to conduct best execution analysis, market research and data intelligence, to contribute to price formation processes and to support risk management. Some stakeholders even mentioned that they may use the consolidated tapes for trading, in less time-sensitive situations where the latency linked to the consolidation of data from data contributors across the Union is less relevant.

Now that most of the recommendations of this Report have been taken on board in MiFIR, we will continue to steer the discussion towards the remaining aspects. That includes encouraging the opt-in of small trading venues to increase their visibility and to reach a 100% coverage for shares and ETFs. It also means that we as ESMA will support a strong governance framework that involves the users of the tape.

We are mindful of the changes that both the establishment of consolidated tapes and the revamped rules of Reasonable Commercial Basis (RCB) will bring about when it comes to

[1] https://www.esma.europa.eu/sites/default/files/library/mifid_ii_mifir_review_report_no_1_on_prices_for_market_data_and_the_equity_ct.pdf

market data. Our intention remains to ensure a more cost-effective provision of such market data to all users, with due recognition for the role that exchanges play in its production.

In short, the consolidated tapes can be a positive development for all, and I hope that by 2030 we will have a well-established equity tape, that serves the whole market community and helps to ultimately strengthen European capital markets.

Aspirations for genuine pan-European markets

Having talked about what we are currently seeing in terms of trends, let me turn now to what we aspire to see in 2030. I very much hope that we will see securities markets continue to play their pivotal role for the European economy.

We aspire to see progress towards effective and attractive capital markets in the EU. To achieve this we need to continue to focus on how securities markets can boost the financing of European companies. This also entails reducing fragmentation through cooperation, convergence and more integration when it comes to the operation and supervision of EU markets.

First and foremost, companies, much like humans, have different needs in their lifecycle.

Start-ups have very strong ties with their local ecosystems. They are often a product of the local economic reality: they are intrinsically connected to the community which surrounds them, and they have a strong bond with the culture and the language of their founders.

Nevertheless, much like humans, companies that aim to grow need to expand their horizons. They need to embrace the journey that leads to public markets, with the goal of meeting a diversified pool of investors. They can do that through accessing liquid and resilient capital markets. They search for attractive primary markets and effective secondary markets.

How can we help entrepreneurs meet the diverse needs of their companies in different stages of their development? We believe that creating pan-European pools of liquidity is necessarily part of the answer, but likely not the full answer.

We suggest that trading venues and especially large pan-EU groups could promote national hubs to support local entrepreneurs in the early stages of development of their companies (through financial education and targeted advice) with the goal of bringing them, within a reasonable time, to primary markets.

Once those companies are mature enough to embrace public markets, the creation of SME pan-European segments would in our view play a key role in offering visibility at the international level and attracting a diversified pool of investors.

We see that, as we speak, initiatives are taken in this direction, for example looking at simplified and harmonised listing information. But with our eyes focusses on 2030, more should be done starting now.

Further we expect the costs for issuers whose shares are listed on regulated markets to be lower in 2030, so that more European companies will seek financing on the public markets. Much of these savings will be due to the alleviations introduced by the Listing Act.

In particular, the new exemptions for issuers, whose securities have been listed on a regulated market or SME growth market continuously for at least 18 months, will likely mean that most secondary issuances of securities will not require the publication of a prospectus.

The Directive on Multiple Vote Share Structures, another part of the Listing Act, introduces multiple vote share structures in companies seeking admission to trading on multilateral trading facilities. We expect this to encourage more SMEs to seek financing in the public markets.

While some Member States have had multiple vote share structures in place for some time, for others this is new. The Directive will affect the role that shareholders can play based on the varying degrees of voting power depending on the kinds of shares they hold. This should facilitate the listing of SMEs by addressing the frequent concern that, by going public, the entrepreneurs behind those companies may lose control over them.

Even with these helpful changes to the regulatory framework, it will remain important that exchanges in Europe to continue accompanying companies throughout their financing journey.

This multi-faceted role of exchanges, not just for trading but for listing and corporate governance, has been on our mind when presenting our recommendations on breaking down the fragmentation of European markets and reducing the barriers to their genuine integration.

As I mentioned in the recent past, one aspect of reducing barriers should be aa willingness to look at areas where moving towards central EU supervision could make sense. In particular, we are noticing some political appetite to look at such EU-level supervision for cross-border systemically important infrastructure players.

However, we cannot reduce this debate to a black-and-white, all or nothing, approach, and I am certain that greater integration needs also to be accompanied by increased cooperation between authorities in Europe, and continuous efforts to improve regulatory and supervisory convergence.

On those aspects where on-the-ground knowledge and local connections are beneficial to a successful integration into the wider European market, proportionality and relying on the knowledge and expertise of local supervisors will remain our guiding principle.

In summary, I am confident that in 2030, securities markets will be able to build on their local knowledge and connections, to create a genuinely seamless market across the EU. A cross-European market that allows liquidity to flow, and that benefits all investors and companies, wherever they are based.

Who knows what the world will really look like in five years time… Of one thing I am certain: well-functioning, liquid, and transparent securities markets will continue to be central in our European economy in 2030.

Thank you for your attention.