

Financial Conduct Authority
12 Endeavour Square
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UK

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Att: Priya Kotadia

Supporting equity market transparency and considering market structure developments

We appreciate the opportunity to respond to the Financial Conduct Authority's consultation paper CP26/30 on supporting equity market transparency and considering market structure developments. Our response is based on our experience as an active participant in UK markets.

NBIM is the investment management division of the Norwegian Central Bank ("Norges Bank") and is responsible for investing the Norwegian Government Pension Fund Global in a globally diversified manner. NBIM held assets valued at NOK 21 268 billion as of 31 December 2025, of which GBP 86 billion was in UK equities and bonds of UK issuers.

As a long-term investor NBIM has an interest in well-functioning financial markets that facilitate the efficient allocation of capital and promote long-term economic growth. This means that we engage in market structure developments that affect market liquidity, transparency and execution quality.

On market transparency and market structure

We agree with the FCA's assessment that UK equity markets remain liquid, resilient and efficient and the conclusion that the evidence presented does not justify steering trading towards specific execution mechanisms at this point. We agree that there is no evidence that would justify limiting investors' choices about where and how to trade, and that any such intervention should require a high evidential bar and a clear risk to market integrity.

For us it is important that competition between execution mechanisms is fair, and that mechanisms performing the same economic function are treated alike. Transparency should show where liquidity resides and at what price, and we believe the introduction of a consolidated tape will serve as a coordinating mechanism in a fragmented market. Innovation should be accommodated and judged on its merits, because new mechanisms emerge to meet genuine investor needs. Our advice to regulators in other jurisdictions has been on the same basis.

We support correcting asymmetries through functional equivalence and not by restricting the

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mechanisms concerned. The reformulated reference price waiver, which lets venues integrate midpoint orders within transparent order books, is an example of innovation accommodated on its merits.

Spreads on UK central limit order books have widened on average, but spreads are one indicator among several and not a direct measure of trading cost, because execution draws on the full set of liquidity sources available.

As a large buy-side investor we judge market quality by the trading outcomes we achieve over time. Investors' implementation experience, and how it varies across participants and over time, is a quality indicator, but not one a regulator can observe in market data. We therefore support monitoring through a range of indicators combined with regular engagement with market participants, and would welcome the opportunity to contribute a buy-side perspective through the FCA's market intelligence channels.

We support the FCA's recalibration of systematic internaliser (SI) quoting. Requiring SIs to quote the size they are generally prepared to trade, rather than a fixed minimum, ties published quotes to actual trading interest, and pre-trade transparency at those sizes supports price formation. Standard market size (SMS) is a reasonable ceiling for the obligation. It is not a hard line in the market, but trades well above it are of a different nature, negotiated and risk-managed case by case rather than quoted. Price improvement should remain available, as proposed.

Our detailed response is set out in the appendix and covers the questions on which we have a distinct view. We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely



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Global Head of Equity Trading and Transition



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Appendix: Detailed questionnaire response

Q1: Assessment of the evidence and continued monitoring

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?

Yes. The FCA's analysis describes a market in which the central limit order book (CLOB) remains central to price formation and continues to function well. The number of trades and value traded on CLOBs have both increased over the last two years, notional CLOB activity is broadly at its 2018 level, depth has increased and has remained broadly stable outside periods of stress, and CLOB use rises when uncertainty is high and investors seek execution certainty. We therefore agree with the FCA that the evidence does not indicate a deterioration in the overall functioning of the UK equity market and does not justify intervention to steer trading towards particular execution mechanisms.

The FCA notes that spreads on UK central limit order books have widened on average, but that the relationship with share of trading on central limit order books is not necessarily causal. Further, wider spreads are an indicator and not a measure of trading cost, as execution draws on the full set of liquidity sources available.

We agree that continued monitoring is warranted. CLOB prices serve as the reference for execution in other mechanisms, so the quality of price formation on CLOBs matters to all investors. CLOB market share is a proxy for that quality, not the outcome itself.

Q2: Monitoring framework

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?

Yes. We support a framework that combines quantitative indicators, market intelligence and academic work, and we agree that the metrics should inform judgement and not act as formulaic triggers. Mechanical thresholds might invite behaviour aimed at the indicator. This matters because no single indicator captures the full trading outcome, which is what matters to investors.

As a large buy-side investor we judge market quality by trading outcome over time. That is the cost, speed and implementation shortfall relative to arrival price we achieve. A regulator cannot read such outcomes directly from market data, so applying a range of related indicators, including spreads, depth, turnover, volatility and activity at the close, is the right basis to monitor market quality developments.

The additional indicator we would point to is investors' own implementation experience, and how it varies across participants and over time. It is not observable in market data, which is why we welcome the FCA's intention to engage regularly with market participants through its market intelligence channels and the Secondary Markets Advisory Committee. We would appreciate the opportunity to contribute a buy-side perspective on how the indicators compare with investors' experience.

Q3: Options if monitoring shows material harm

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.

We would be sceptical of introducing measures before harm has been identified. A measure designed for a problem that has not materialised is likely to be poorly targeted and can create the distortions it is meant to prevent. The double volume cap under MiFID II, which the FCA has since removed as a potential barrier to competition and to best execution, is an example.

If the indicators were to worsen and market integrity were in question, the right response would depend on what the indicators showed, what was driving them and the prevailing market conditions. Any intervention should respond to a clearly identified harm and its underlying driver, and the remedy should address that cause rather than a proxy such as CLOB market share. It should not break with functional equivalence, so that mechanisms performing the same economic function continue to be treated alike, and it should be assessed for unintended consequences, including its effect on execution quality, competition and cost, and on how investors and venues would adapt to it. We have therefore not ranked the options set out in the consultation paper.

Q4: Post-trade reporting exemptions and the non-price-forming transaction (NPFT) flag

Do you agree with our proposal to extend existing post-trade reporting exemptions currently applicable to off-venue trades to off-book on-exchange trades and delete the NPFT flag?

Yes. We support a classification framework grounded in economic function: the test is whether a transaction represents genuine interaction between independent buyers and sellers, or administrative, contingent or intragroup activity. Applying that test, we support extending the existing exemptions to off-book on-exchange trades and deleting the NPFT flag.

Q5: Transactions not contributing to the price discovery process (TNCP) flag

Do you agree that we should remove the TNCP flag? Are there any meaningful uses for the TNCP flag that we should take into account, in particular is there a case for keeping it to cover contingent trades?

Yes. Contingent trades are technical trades that are not normally included in measures of addressable liquidity, and the BENC, CLSE and PORT flags remain, so benchmark, closing price and portfolio trades stay identifiable. Removing this flag together with the NPFT flag should leave cleaner data for off-book on-exchange trades.

Q6: Reformulated reference price waiver

Which option for identifying trades taking place under the reformulated reference price waiver do you support?

We strongly support the reformulation. Enabling venues to integrate midpoint orders within transparent order books is an application of functional equivalence. We support Option 2 in the draft instrument, a dedicated reference price lit order book transaction (RPLT) flag. It keeps these trades distinguishable from executions in non-displayed venues for transaction cost analysis and best execution evaluation. Identification by segment MIC alone would blur the meaning of the RFPT flag and could capture trades on hybrid venues.

Q10: SI quoting

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?

Yes. We support the proposal as a recalibration of the existing obligation within its existing size ceiling. The main change will likely be to quote size, since SI quotes already sit at or close to the best bid and offer and most are at the 10% of SMS minimum. Replacing the fixed minimum with the volume an SI is generally prepared to deal, up to and including SMS, should tie quoted size more closely to how firms trade. Our expectations of the effect are modest, since the proposal recalibrates an existing obligation rather than extending it. We support retaining the ability to offer price improvement, as proposed.

We believe SMS is a reasonable ceiling for the public quoting obligation. It is not a hard line in the market, but trades well above it are of a different nature, negotiated and risk-managed case by case rather than quoted.

Q12: Outage guidance

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?

We support the proposed guidance. Greater consistency and predictability from venues during an outage benefit users. Guidance for the consolidated tape provider (CTP) should cover incident disclosure, failover and recovery targets, and would sit alongside service-level and operational-risk provisions.

Q17: Liquidity migration during a primary market outage

What factors, in your view, limit or prevent liquidity from moving to other trading venues during an outage affecting a primary market, and the continuation of effective price formation on those venues?

The main frictions are loss of a reliable reference price and uncertainty about when and how the primary market will reopen. The attributed best bid and offer (BBO) on the consolidated tape would keep a visible price available from other venues during an outage, and clear, pre-announced

timeframes for confirming order status and for the return to the primary market would reduce uncertainty.

Q20: Official closing price in an outage

Do you agree that venues should establish and disclose the arrangements that would apply where an outage may affect the determination of an official closing price, including the use of alternative arrangements and any pre-determined fallback arrangements? If not, why not?

We support venues establishing and disclosing arrangements for outages that affect the closing price, and clearly defined alternatives that keep an auction-based process available where possible. The closing price sets reference prices for portfolio valuation, performance measurement and index rebalancing. A delayed auction is therefore preferable to a fallback, and a predetermined fallback methodology should apply only where an auction cannot proceed.