# Do No Harm: A Call for Responsible Consolidated Tape Expansion

Recent policy momentum around the Savings and Investments Union (SIU) and the drive to deepen EU capital markets, particularly through enhanced market-based financing, is both timely and necessary. However, as the European Commission considers expanding the scope of the Consolidated Tape (CT), it is critical that reforms remain focused on enhancing market financing and are not diverted by commercial interests disguised as transparency initiatives. The rollout must be sequenced and evidence-based, preserving market stability, investor trust and the integrity of Lit markets.

## Risks of Premature CT Expansion

While the ambition to enhance transparency and accessibility is commendable, expanding the CT to attribute top of book data and further include depth-of-book data before the system is fully operational and reviewed introduces significant risks:

- Investor Confusion - Unless the information provided is substantially delayed and clearly timestamped, there is a risk that it will be used for trading or to justify prices obtained by investors, giving a false representation of market conditions and enabling abusive practices, particularly toward retail investors. This risk is amplified in Europe due to structural latency and geographic fragmentation. Quotes aggregated from multiple venues cannot be synchronized in real time—physics and network constraints make this impossible. By the time a consolidated tape displays depth data, the underlying orders may have changed or disappeared, creating an illusion of liquidity that is not actionable. High-frequency participants can exploit these delays for latency arbitrage, while slower investors act on stale signals, widening the gap between informed and uninformed traders. Far from improving transparency, this dynamic undermines trust and discourages investor participation, ultimately weakening market-based financing.
- Operational Fragility: Building While Flying - Adding complex data layers at this stage risks "building the plane while flying it." Before introducing additional complexity to an already complex paradigm, it is essential to assess whether the current CT implementation has met its objectives and is successful. Introducing additional complexity, such as depth-of-book data, without this understanding risks destabilizing the market and undermining investor confidence. The U.S. experience offers a cautionary precedent: the SEC's exemption of odd lot depth data from the Consolidated Audit Trail (CAT) underscores the operational and interpretive challenges of incorporating granular pre-trade data. Europe must learn from this and avoid repeating the same mistakes.
- Threat to Exchange Economics and Market Resilience - Forcing "depth-of-book" data into the CT would diminish investments into the exchange system such as infrastructure, surveillance, and market development, especially in regional and SME markets. This could force exchanges to operate under thinner margins or subsidize operations, reducing innovation and competitiveness. Exchanges are not just trading venues; they are the backbone of transparent price discovery and investor protection. Undermining their data economics threatens the viability of regional and SME markets, where innovation and capital formation are most needed.

## Strategic Recommendations for a Robust CT Rollout

To ensure the CT delivers on its promise without unintended consequences, we urge policymakers to:

- Proceed with Top-of-Book, Anonymized Data Only - Defer any extension to depth data until the CT has demonstrated operational performance and user impact.
- Investor-Centric Design Before Expansion - Any broadening of scope must be preceded by risk assessment, stakeholder consultation, and a sustainable business model. Transparency must serve investors, not intermediaries.
- Respect the Review Cycle: Evidence Before Action - Revisions to CT scope should be considered only after post-launch assessment, ensuring changes are data-driven and evidence-based. MiFIR Article 52(14) allows ESMA to assess market demand and report on the appropriateness of adding features like pre-trade data by 30 June 2026. This is a review mandate, not an implementation mandate. Any legislative proposal should be based on ESMA's findings, in accordance with the procedure foreseen in MiFIR. Respecting this cycle ensures that changes are grounded in evidence rather than assumptions, preserving market stability and investor confidence.
- Data-Driven Reform, Not Assumptions - Avoid predecessor assumptions; ensure that any future changes rest on thorough analysis and collaboration with market participants. Any expansion must be accompanied by clear metrics for investor benefit and market integrity.
- Reduce Uncertainty for Smaller Venues - When the parameters and obligations of the CT remain unsettled or subject to frequent revision, smaller venues are unable to make confident, long-term business decisions. This instability introduces the risk that venues opting in today may face unforeseen requirements tomorrow, making participation an unattractive and potentially hazardous proposition. As a result, many may choose to remain on the sidelines, ultimately diminishing the diversity and robustness of Europe's capital markets.

## Conclusion

Europe's capital markets are at a pivotal juncture. The decisions made now regarding the CT will have lasting consequences for market structure, innovation, and investor confidence. We urge regulators and legislators to reaffirm their commitment to investor-centric reform and resist efforts to dilute the CT's original purpose. Europe cannot afford to confuse complexity with transparency. By allowing the CT to prove its effectiveness before considering further expansion, policymakers can safeguard the foundations of Europe's financial ecosystem and ensure reforms deliver genuine, sustainable benefits for all market participants. We remain committed to constructive dialogue and partnership as the CT evolves and encourage ongoing engagement to build a future-ready, globally competitive capital market.