

# Connecting Europe's ETF Silos

How trading venue competition and post-trade alignment shape ETF integration

## Introduction

Well-functioning capital markets are essential to help investors achieve long-term financial well-being. For Europe's Exchange Traded Fund (ETF) market, this depends not only on product innovation and investor demand, but also on a market structure that allows liquidity to form efficiently, and trade execution and settlement to take place seamlessly across borders.

In recent years, the European ETF market has grown to surpass €2.7 trillion in assets<sup>1</sup> and ETFs have become the vehicle of choice for a new generation of retail investors – with an estimated 32.8 million individuals owning ETFs across Europe<sup>2</sup>. Despite significant progress over the past decade, Europe's ETF market remains fragmented. While ETFs are designed to function as pan-European investment products, trading and settlement remains tied to national and infrastructure-specific frameworks. In many cases, the place of trading is determined by post-trade constraints such as settlement location, rather than by investor interest based on liquidity or price. This harms retail investors, by limiting access to deep, competitive liquidity, at a time when Europe wants to encourage retail investor participation. Europe's transition to T+1 settlement in October 2027 will also amplify post-trade frictions, turning ETF settlement harmonisation into a near-term operational imperative.

**European ETF market fragmentation is neither structural nor unavoidable. Initiatives such as the International Central Securities Depository, TARGET2-Securities, and cross-CSD settlement show that Europe already has many of the building blocks required for greater integration. The priority must now be to connect and scale these solutions.**

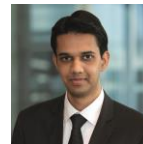
The challenges facing the ETF market closely resonate with the issues the EU is seeking to address through the Market Integration & Supervision Package, which aims to reduce market fragmentation and improve the effectiveness of cross-border market infrastructure. This paper sets out how European ETFs can move towards a more integrated ecosystem that works in practice for all investors.



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## Building blocks for an integrated European ETF market

Together, the measures below offer a pragmatic path to ETF market integration across Europe – one that improves investor outcomes and does so without requiring consolidation of venues or disrupting existing post-trade operating models.

1. **Protect competition between ETF trading venues.**
2. **Embed the EU Equity Consolidated Tape in ETF execution decision-making.**
3. **Harmonise ETF trade settlement models and outcomes.**
4. **Use central clearing to decouple trading choice from settlement preference.**

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## Key takeaways and recommendations

- While ETFs are designed to function as pan-European investment products, Europe's ETF market remains fragmented, with trading and settlement tied to national and infrastructure-specific frameworks.
- This harms investment outcomes, by limiting access to deep, competitive liquidity, and undermines EU Savings and Investment Union (SIU) ambitions to broaden retail participation.
- Integrating Europe's ETF market is essential to ensuring ETFs continue to deliver low-cost, scalable access to Europe's growing retail investors – while preserving competition, choice, and resilient market structures.
- We recommend targeted improvements that offer a pragmatic path to ETF market integration across Europe – improve investor outcomes and do so without requiring consolidation of venues or disrupting existing post-trade operating models.

### **Treat ETF market integration as a delivery priority, aligned with the objectives and the proposals of the EU's Market Integration & Supervision Package (MISP).**

- European ETFs are pan-European products but operate through fragmented execution and settlement frameworks – which constraints liquidity, execution quality and retail access.
- The proposals contained in the MISP package go in the right direction and should be embraced to support further inter-operability between EU market infrastructures.
- Key MISP proposals include strengthening of access provisions between trading venues, Central Counterparties (CCPs) and Central Securities Depositories (CSDs), the right to designate any CSD, a clear regime to support the creation of links between CSDs, and the promotion of TARGET2-Securities (T2S) as a common standard.

### **Preserve competition between ETF trading venues, enable investors to access liquidity across venues through better routing, transparency, and post-trade alignment.**

- Trading venue competition in Europe has delivered tangible benefits and should be preserved. Forced consolidation risks higher costs, weaker innovation, and poorer outcomes for end-investors.
- Diversity of infrastructure at the trading level is not inherently problematic. In fact, competition can bring down cost and increase innovation in the market.
- Other markets demonstrate that multiple venues can function as a single liquidity pool when supported by effective infrastructure.

### **Ensure the consolidated tape includes venue-attributed data and five levels of order-book depth to support ETF execution analysis.**

- The EU Equity Consolidated Tape can improve ETF execution decisions if designed for real-world use. Without practical usability and sufficient scope, dispersed liquidity will remain opaque and execution quality hard to assess.
- Proposals contained in the MISP to move to attributed pre-trade data, with five levels of depth, clearly support the objective of improving EU market integration through transparency and competition.

### **Prioritise harmonisation of settlement processes and stronger connectivity between T2S-CSDs and ICSDs.**

- European post-trade fragmentation is the most binding constraint on ETF market integration.
- Settlement constraints continue to dictate venue choice, fragment liquidity, and increase operational risk.

### **Accelerate delivery of post-trade harmonisation ahead of the October 2027 T+1 transition.**

- T+1 settlement will amplify existing post-trade frictions, if not addressed in a timely manner.
- Inconsistencies that are manageable today will become operationally risky under tighter timelines.

### **Support wider adoption of CCP-enabled models that allow best execution while preserving settlement choice.**

- Central clearing can decouple trading choice from settlement location.
- Investors should not have to trade on sub-optimal venues to preserve operational efficiency.

# Connecting Europe's ETF Silos

## 1. Protect competition between ETF trading venues.

- Competition between European trading venues has delivered tangible benefits for investors, through innovation in market making, longer trading hours, and more efficient execution mechanisms. Policymakers should therefore preserve venue competition and focus on interoperability, post-trade connectivity, and transparency tools that allow investors to assess trade execution quality across venues.
- Experience in other jurisdictions shows that fragmentation at the trading level is not inherently problematic. For example, the U.S. ETF market operates across many competing venues yet function effectively as a single liquidity pool because connectivity, order routing, and centralised clearing and settlement allow investors to access and compare trade execution outcomes. What matters is not the number of trading venues, but whether investors can efficiently reach them and achieve best execution, regardless of location.
- As such, integration of Europe's ETF market does not require consolidation of trading venues. While venue consolidation may appear to simplify market structure, it risks undermining the competitive dynamics that drive innovation, execution quality, and cost discipline. A more concentrated venue landscape would likely increase trading and data costs for end-investors, weaken incentives to innovate, and reduce overall market resilience. European concerns relating to dispersed liquidity must be addressed through transparency and interoperability measures (discussed below) without resorting to forced consolidation.

## 2. Embed the EU Equity Consolidated Tape in ETF execution decision-making.

- The EU Equity Consolidated Tape is expected to allow European ETF trading decisions to move from individual listing- or venue-specific ties towards truly pan-EU market outcomes. The tape should help ETF investors and the intermediaries acting on their behalf, assess the most competitive venue for their trades, by giving them a clear overview of the liquidity available across all EU venues, instead of defaulting to their domestic markets.
- In Europe's fragmented ETF market, the tape's value will especially depend on its practical usability. As we discussed in-depth in our Spotlight, [Right Data, Right Scope, Right Order: Delivering a credible, usable, and viable EU Equity Consolidated Tape](#), we recommend the tape to include venue-attributed data (showing where liquidity is available) with five levels of order-book depth (available liquidity at different price levels), as these are essential to make

execution assessment meaningful across Europe's dispersed liquidity pools. This is especially important as European ETF trading volume is widely dispersed over multiple venues and execution mechanisms – opacity there currently makes it hard for investors to gauge true liquidity or best prices. A comprehensive tape changes that.

- Early adoption by market participants will also be critical to ensure the tape supports real-world execution workflows and analytics. Over time, widespread adoption should strengthen accountability across the execution chain, enabling investors to challenge routing decisions and demand evidence-based compliance with best-execution standards. Used effectively and widely, the tape can help connect fragmented ETF liquidity, reinforce competition between venues, and improve trade execution outcomes for end-investors.

## 3. Harmonise ETF trade settlement models and outcomes.

- Europe has made meaningful progress in reducing post-trade fragmentation through the International Central Securities Depository (ICSD) and TARGET2-Securities (), supporting cross-border settlement and pan-European ETF distribution. However, several notable frictions remain:
  - Despite operating on a single platform, CSDs continue to apply divergent operational practices, including differences in cut-off times, settlement cycles, and asset servicing processes. These inconsistencies increase operational complexity and cost for market participants, particularly for ETFs designed to trade and settle across borders.
  - ETF settlement flows also remain split between – CSDs and ICSDs. While some fragmentation reflects legitimate currency and product constraints, greater interoperability – particularly for eligible currencies – would materially improve settlement efficiency.
  - As Europe transitions to T+1 settlement, harmonised and automated processes will be even more crucial. Accelerated settlement on T+1 requires any frictions – from inconsistent cut-off times to cross-CSD settlement delays – to be resolved within a significantly tighter timeframe, increasing operational risk if harmonisation and automation efforts lag.
- Harmonised settlement is a necessary foundation for pan-European ETF liquidity. Building on AMI-SeCO's Harmonisation Standards<sup>3</sup> policymakers and infrastructure providers should prioritise harmonisation within , particularly settlement instructions standards, where frictions persist, and strengthen connectivity between and ICSDs.
- Advancing settlement harmonisation and connectivity in this way directly supports the objectives of MISP, which recognises post-trade fragmentation and inconsistent practices as binding constraints on market integration.

**Table: Addressing key settlement challenges for European ETFs.**

Post-trade fragmentation directly affects liquidity, costs, and execution outcomes for ETF investors.

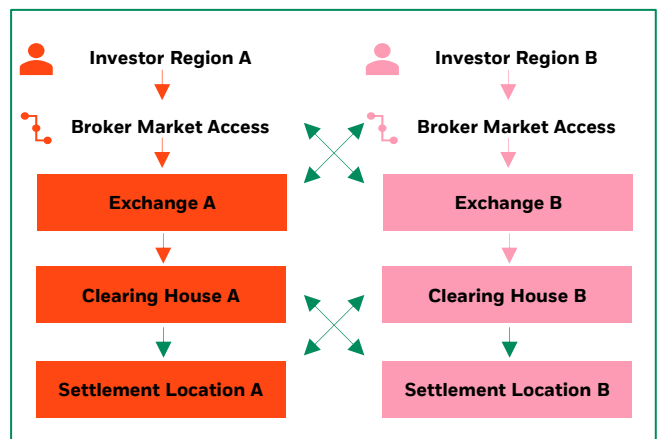
Settlement challenge	Impact on European ETFs	Potential solutions
<b>Divergent operational practices across T2S-CSDs persist, despite a single platform.</b>	Higher operational complexity, manual processing, and increased settlement risk when trading and settling ETFs across multiple jurisdictions.	Accelerate harmonisation of T2S operational practices, with priority on corporate-action processing, cut-offs, and operational day alignment across CSDs.
<b>Fragmented settlement between T2S-CSDs and ICSDs.</b>	ETF liquidity is split across settlement locations, severely limiting inventory mobility.	Strengthen ICSD-T2S interoperability, enabling ETFs to settle seamlessly across national and international infrastructures without bespoke arrangements. MISP proposal: Greater use of T2S with mandatory connection for all EU CSDs.
<b>Uneven access to central-bank money settlement for ETF flows.</b>	Fragmented cash settlement arrangements increase funding costs for cross-border ETF trades.	Expand access to central-bank money settlement via T2S, including improved connectivity with ICSD, to reduce risk and improve consistency.
<b>ETF settlement workflows treated as generic equity processes.</b>	ETF-specific features such as unit creation/redemption cycles are not fully reflected in the current shares-specific settlement standards.	Recognise ETFs as a distinct post-trade use case within T2S and CSD harmonisation agendas, reflecting their dual primary/secondary market nature.
<b>Insufficient automation and straight-through processing (STP) for cross-border ETF trades.</b>	Manual intervention increases operational cost, settlement delays, and fail rates, particularly in fast-moving markets when ETFs trade at scale.	Increase automation and STP for ETF settlement, focusing on automated matching, instruction processing, and exceptions handling.
<b>Limited transparency of ETF settlement data.</b>	Market participants cannot easily assess how post-trade frictions affect ETF liquidity, execution quality, or investor outcomes, weakening evidence-based integration efforts.	Improve availability and aggregation of ETF settlement metrics (e.g. fail rates, settlement timelines) to support oversight, policy evaluation, and market discipline.
<b>Inefficiencies in standard settlement instructions (SSIs).</b>	Incorrect, outdated, or non-matching SSIs increase settlement fails, manual intervention, and operational risk for cross-border ETF trading – particularly where ETFs can settle in multiple CSDs.	Adopt a single, standardised SSI data format aligned with ISO 20022; strengthen discipline around timely SSI updates and automated ingestion into settlement workflows; promote wider use of centralised SSI repositories.
<b>ETF post-trade improvements not yet considered a market integration priority.</b>	ETFs are designed to operate on a pan-European basis but are fragmented in operational terms, limiting scale and retail access – despite being a truly pan-European product.	Embed ETF settlement harmonisation in MISP, with clear governance focus and delivery accountability.

#### 4. Use central clearing to decouple trading choice from settlement preference.

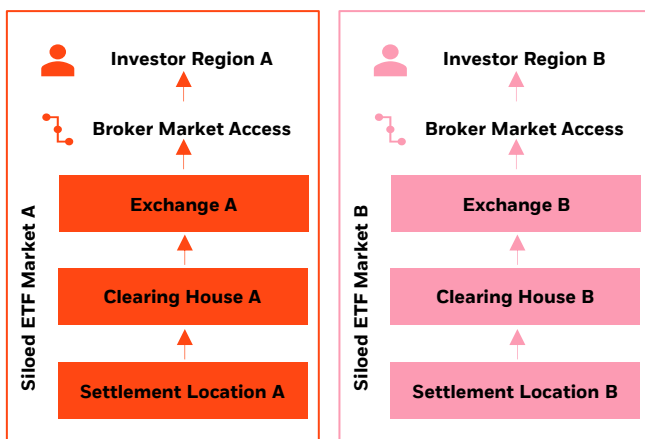
- Liquidity and trade execution outcomes for ETF investors could be improved by leveraging Central Counterparty (CCP) interoperability and open access provisions, to allow ETF trades to settle in the investor’s CSD of choice, regardless of the trading venue. In operational terms, this means extending CCP-enabled realignment of ETF settlement beyond individual exchange groups.
- Today, European ETF trading decisions are often influenced by settlement constraints rather than execution quality. Investors are often required to trade on specific venues because their post-trade infrastructure (clearing and settlement systems) is tied to a particular CSD, limiting access to liquidity available elsewhere.
- Central clearing provides a practical solution to this challenge, by enabling realignment between CSDs at the clearing level. This decouples trading venue choice from settlement location, allowing investors to execute trades on the venue offering the best price or liquidity while continuing to settle in their preferred CSD.
- In the current set-up, the choice of settlement location by ETF investors determines the exchange on which their orders must be executed. This creates two key challenges.
  - Uneven product access. End-investors settling in different CSDs do not benefit from the same product universe, as not all ETFs are cross-listed across all venues.
  - Restricted execution quality. Forcing execution on a specific venue may prevent access to the best available liquidity and prices.

- The Euronext ETF Europe framework illustrates a credible pathway for supporting cross-market execution while preserving settlement choice. Under this model, ETF investors should be able to access multiple European venues while settling in their preferred CSD – domestic or ICSD. This opens the door to broader product access and deeper liquidity pools.
  - Policymakers and market infrastructures should support wider adoption of this model to advance ETF market integration.
  - The MISP proposals to strengthened open access provisions between CCPs and trading venues, and CSDs and trading venues – with stricter conditions for market infrastructures to refuse access – go in this direction and would support the roll-out of a more interoperable ETF market in Europe.

#### CCP-enabled realignment: Trading on the best venue while settling in the preferred CSD



#### Today: Post-trade constraints force venue choice, causing siloed ETF liquidity



## Conclusion

ETFs are a key feature of a well-functioning Savings and Investment Union in Europe – driving economic prosperity and enhancing capital markets. Investors use ETFs as building blocks for resilient portfolios <sup>4</sup>.

To overcome fragmentation and deliver on their true potential, European ETF market need more interoperability, competition, and transparency. By connecting existing market infrastructures, Europe can bring better execution outcomes for its ETF investors, while preserving competition within established trading and post-trade models.

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## Why this matters for investors

At BlackRock, our public policy engagement is guided by our role as a fiduciary: supporting market structures that improve transparency, confidence and long-term outcomes for investors. Reducing European ETF market fragmentation can improve liquidity formation and execution quality in practice and help ensure that ETFs can continue to serve as an efficient access point for Europe's growing retail investor base.

## Endnotes

1. [EY ETF Report: Rising Growth and 2026 Momentum](#), February 2026.
2. [BlackRock People & Money survey: The next wave of ETF investors in Europe](#), November 2025.
3. See [15th Harmonisation Progress Report](#), Advisory Group on Market Infrastructures for Securities and Collateral, January 2025.
4. BlackRock, [Strengthening Portfolios: The ETF Advantage](#), June 2025.

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