Market Spotlight

Flash Update: 24 Hour Trading

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Introduction

In May 2025, we published *Market Spotlight: 24 Hour Trading*, outlining the structural forces driving demand for broader access to U.S. equity markets and identifying the foundational elements we believe are necessary for overnight trading to function at scale.

At the time, the concept of near-continuous trading was gaining momentum, but core elements of the market structure were still evolving.

Recent developments across market data protocols, exchange trading frameworks, and clearing infrastructure suggest greater industry alignment around a 23/5 operating model, while investor demand for always-on markets remains.

Against this backdrop, we explore how elements of market structure are aligning and examine where further development may be needed for overnight markets to function efficiently with appropriate levels of investor protection.

Mark-to-market

1. Transparency: Market data plays an integral role in attracting liquidity and making markets more efficient. In our prior analysis, we noted that this foundation was limited during overnight hours because the Securities Information Processor (SIP) does not operate between 8:00 p.m. and 4:00 a.m. ET.

However, in December 2025, the SIP Operating Committees (the Equity Data Plans) proposed extending consolidated data dissemination from 9:00 p.m. ET Sunday through 8:00 p.m. ET Friday, excluding holidays, with a one-hour technical pause from 8:00 to 9:00 p.m. ET Monday through Thursday.[1] The SEC approved those amendments on June 26, 2026, with an effective date of December 6, 2026.[2] This change will bring consolidated price discovery to the overnight session and may meaningfully improve price discovery.

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Off-exchange reporting regimes are evolving in parallel. Historically, the FINRA Trade Reporting Facilities (TRF) opened at 8:00 a.m. ET. As of March 30, 2026, the TRF now opens at 4:00 a.m. ET, with transactions executed between 8:00 p.m. and 4:00 a.m. ET published promptly upon reopening.[3] FINRA has indicated that it intends to align TRF hours with extended SIP operations over time.[4]

Upgrading the capabilities of the SIP and the TRF to operate concurrently during overnight hours can provide a more complete view of on-and off-exchange activity, which could facilitate more efficient trading beyond core hours. It could also establish a common framework around which other elements of extended trading can align.

2. Exchange Harmonization

At the time of our prior publication, exchanges were taking different approaches to overnight trading. 24X had received SEC approval to operate a 23-hour trading day, with its overnight session contingent on market data readiness. NYSE had also received approval to expand trading hours on its Arca exchange to 22 hours per day, while Cboe and Nasdaq had each outlined plans to introduce 24-hour, five-day-a-week trading models, pending regulatory approval.

In the months since, overnight exchange trading models have converged around the Equity Data Plans, including a 23-hour, five-day-a-week schedule anchored by an 8:00 p.m. ET trade date rollover and a one-hour technical pause between 8:00 p.m. and 9:00 p.m. ET. In April 2026, the Nasdaq Stock Market received SEC approval to extend its trading hours consistent with these conventions.[5] The SEC subsequently granted accelerated approval for Cboe's EDGX Equities Exchange (EDGX) to extend its trading hours following the same approach.[6]

Overnight exchange trading remains contingent on the SIPs becoming operational overnight, with the approved SIP enhancements scheduled to take effect on December 6, 2026.[7]

Enabling exchanges to operate overnight may support overall market resiliency, but fully realizing the benefits of expanded trading hours may require exchanges to align certain elements of their overnight trading models.

While exchanges remain individually subject to common systems compliance and operational standards set forth under the Exchange Act of 1934 and the SEC's Regulation SCI, many of the market integrity and investor protection mechanisms underpinning U.S. equity markets rely on alignment across exchanges. These include coordinated volatility controls, harmonized processes for handling certain corporate actions, and cross-market surveillance mechanisms. Preserving the effectiveness of these mechanisms will depend on the continued integration of trading activity and information across venues.

While interest in accelerating the implementation of overnight trading continues to build, these efforts bring questions of sequencing and dependency into sharper focus. Approaches that diverge from a common, system-based framework may reduce integration across venues, hindering market efficiency and complicating price discovery.

3. Clearing infrastructure

Clearing plays a central role in traditional markets, containing counterparty risk and maintaining confidence in market functioning. In our last publication, we noted the National Securities Clearing Corporation's (NSCC) planned transition to a 24/5 operating model. On June 29, 2026, NSCC completed that transition, extending its clearing hours to operate continuously from Sunday at 8:00 p.m. ET through Friday at 8:00 p.m. ET.[8]

Extended trading and potential impacts to adjacent markets

As listed equity markets expand overnight, other securities markets, including listed options and OTC equity markets, may follow as investors seek ways to gain exposure and hedge positions outside traditional market hours.

Equities and listed options operate as connected markets, with price discovery, liquidity, and hedging activity moving between them. As listed equity trading extends beyond core hours, that connection – alongside growing investor demand to transfer risk and express views in real time – is likely to increase interest in broader access to listed options. The recent addition of Russell 2000 index options into Cboe's Global Trading Hours (GTH) session is evidence of this dynamic.[9]

Cboe has also received SEC approval to extend trading in certain equity options classes beyond the traditional 9:30 a.m. to 4:00 p.m. ET session and began offering those extended trading hours on July 13, 2026.[10] The change introduced a morning session from 7:30 a.m. to 9:25 a.m. ET and an afternoon session from 4:00 p.m. to 4:15 p.m. ET.[11]

Critically, options markets operate under structural constraints distinct from equities that become particularly relevant if trading extends overnight. Market makers dynamically hedge in the underlying securities, tying options liquidity directly to equity market conditions. If overnight equity trading remains concentrated or exhibits thinner depth, options liquidity and pricing may reflect those conditions.

Options contracts also embed time-bound lifecycle events – expiration, exercise and assignment, and contract adjustments – designed around a defined trading day. These characteristics place constraints on what is operationally feasible in an expanded trading model. Consolidated data dissemination through the Options Price Reporting Authority (OPRA) would likewise need to evolve.

These considerations highlight the need for clarity around key operational questions, including when options contracts cease trading, when final exercise decisions must be made, and when assignments are produced and finalized. Second-order effects must also be addressed. Exercise and assignment outcomes, for example, drive downstream obligations and funding requirements that need to be managed.

Similar issues arise for OTC equities. Should activity expand overnight, reporting through the FINRA OTC Reporting Facility (ORF) would need to keep pace to maintain market transparency. As with listed markets, differences in timing or coverage across reporting regimes could introduce fragmentation if left unaddressed.

International developments: Extended-hours trading is also being pursued outside the U.S.

On July 21, 2026, the London Stock Exchange Group (LSEG) announced plans to launch LSE-24, a new venue specifically designed for overnight trading in the U.K.[12] LSE-24 will operate from 5:00 p.m. to 7:50 a.m. U.K. time, Monday through Friday (with a 30-minute pause between 6:30 p.m. and 7:00 p.m. for end-of-day processing).

While the new venue will operate separately from the London Stock Exchange's Main Market – which will maintain its existing trading hours from 8:00 a.m. to 4:30 p.m. – together, the two segments will enable near-continuous 23/5 trading in U.K. markets. Subject to regulatory approval, the first phase is expected to launch in the first half of 2027 and will initially support U.K.-listed exchange-traded products (ETPs) only, with potential rollout to U.K. stocks over time.

Per LSEG's announcement, the new venue intends to draw on elements of a central limit order book and request-for-quote (RFQ) functionalities to support price transparency and on-demand liquidity.

The launch of LSE-24 reflects growing recognition that globally investors are operating across time zones and expecting greater flexibility in how and when they access markets. However, expanding market access also underscores the importance of ensuring investors have appropriate operational harmonization, protection, and transparency when trading during periods that may exhibit different liquidity characteristics than regular market hours.

The LSE-24 announcement has landed just ahead of broader reforms to U.K. equity market structure, including the development of a U.K. consolidated tape and a review of the price formation process. As U.K. trading potentially becomes distributed across a longer trading day and across a wider range of execution models, real-time transparency and market data will also become increasingly important in maintaining a coherent view of true liquidity and reliable price formation.

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Areas of ongoing development

Still, several aspects of the 23/5 market structure continue to evolve. While the developments discussed below are specific to U.S. equity market structure, many of the underlying considerations – including market transparency, investor protection, and operational resilience – are broadly relevant as other markets (including other jurisdictions) evaluate extended-hours trading. These include the completeness of market data and trade reporting across the overnight session, as well as the development of coordinated investor protection mechanisms.

First, while aligning SIP and TRF operating hours will support a more continuous market, their distinct functions mean that gaps may persist even under a harmonized schedule. Exchanges, the SIP, and the TRF plan to observe the 8:00 to 9:00 p.m. ET trading pause; alternative trading systems (ATSs) do not. If ATS activity continues during that interval without corresponding TRF reporting, the information gap, albeit shorter in duration, will persist.

Beyond market data and trade reporting, the framework for overnight investor protections is also taking shape.

As trading expands beyond traditional market hours, exchanges have proposed a coordinated set of investor protection measures for the overnight session, subject to SEC approval. These proposals include extending the Limit Up – Limit Down (LULD) mechanism between 9:00 p.m. and 4:00 a.m. ET and establishing a harmonized framework for mandatory regulatory halts associated with certain corporate actions. [13, 14]

The proposed overnight LULD framework would apply only during the overnight session, continuing to exclude the traditional pre-market and post-market sessions. Rather than simply extending the existing regime, the proposal seeks to adapt LULD to the characteristics of overnight trading. Overnight price bands would be determined using two reference prices, adjusted for applicable corporate actions (such as cash dividends): the primary listing exchange's official closing price and the consolidated last round-lot sale as of 7:45 p.m. ET.

The use of two reference prices reflects an effort to incorporate more recent market information (last round-lot sale) while continuing to reference a benchmark with deep liquidity and broad participation (the primary listing exchange's official closing price).

The proposal would establish 20% overnight price bands, with the upper band calculated as 20% above the higher of the two reference prices and the lower band as 20% below the lower of the two reference prices.[15]

Unlike the existing LULD process during regular trading hours, reaching an overnight price band would not trigger a trading halt; instead, executions outside the prescribed bands would simply not be permitted. These parameters broadly align with the guardrails already used by overnight ATSs.[16] Over time, however, it may be appropriate to evaluate whether security-specific thresholds – such as differentiated parameters for Tier 1 and Tier 2 NMS securities or other measures of liquidity and historical volatility – could better reflect differences across securities.

Investor protections would extend beyond price-based volatility controls to include operational safeguards for certain corporate actions. Under proposed exchange rules, primary listing exchanges would be permitted to announce regulatory halts for specified corporate actions where additional operational processing may be required before trading can resume. The exchanges have proposed a harmonized framework for covering events such as stock splits, large dividends, symbol and CUSIP changes, and other actions that present operational or market integrity concerns.[17] Although reopening mechanisms would continue to differ across listing exchanges, a common framework for initiating regulatory halts could help reduce operational risk and provide greater consistency across overnight markets. Affected securities would generally resume trading by the start of the regular trading session.

The exchanges have indicated that they intend to review the overnight investor protection framework following implementation. Practical experience and empirical evidence should help inform whether future refinements to the framework are warranted.

Collateral mobility and tokenization

As trading extends beyond traditional market hours, the mobility of cash and collateral becomes increasingly important to sustaining a near-continuous market. While execution windows are expanding, funding and settlement infrastructure remain partially anchored to legacy banking hours, creating a mismatch between trading activity and the availability of capital.

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Clearinghouses rely on timely margin collection and collateral transfers to manage risk. In the absence of real-time settlement, this mismatch may introduce frictions during overnight sessions, potentially requiring conservative margin add-ons or prefunding to mitigate exposure. Ongoing efforts to expand central bank payment rails – including proposed extensions to the operating hours of the National Settlement Service (NSS) and Fedwire – represent important steps toward enabling more continuous funding and settlement.[18]

At the same time, tokenization is advancing as a potential mechanism to improve collateral mobility. Tokenized cash and securities may enable transfers outside traditional hours and support real-time or near real-time settlement, reducing frictions in funding and margin flows, and, in turn, reliance on procyclical tools such as excess collateralization and forced asset sales. Over time, more continuous – potentially 24/7 – movement of collateral may better support markets operating on extended schedules, such as 23/5 trading in listed securities, as well as continuously traded tokenized assets.

While tokenization is not a prerequisite for extended trading, its development may become increasingly important in aligning availability and movement of collateral with trading activity.

Conclusion

As developments continue to unfold, the effectiveness of overnight trading will depend on coordination across market participants, with implications for liquidity, transparency and market resiliency, as well as for whether extended trading builds on existing market structures or introduces fragmentation.

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Endnotes

1. https://www.prnewswire.com/news-releases/sips-submit-plan-amendment-to-extend-operating-hours-to-accommodate-overnight-trading-302647034.html
2. https://www.sec.gov/file/34-105780; https://www.sec.gov/files/rules/sro/nms/2026/34-105779.pdf
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14. See Nasdaq (https://listingcenter.nasdaq.com/assets/rulebook/nasdaq/filings/SR-NASDAQ-2026-057.pdf) and NYSE Arca (https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/rule-filings/filings/2026/SR-NYSEARCA-2026-71.pdf)
15. For NMS Stocks with a Closing Price of less than $1.00, the minimum Overnight Upper Price Band and minimum Overnight Lower Price Band threshold shall each be $1.00 from the applicable reference price; for NMS Stocks with a Closing Price of $1.00 or more, the minimum Overnight Upper Price Band and minimum Overnight Lower Price Band shall each be $3.00 from the applicable reference price. The Minimum Price Band for a leveraged ETP shall be multiplied by the leverage ratio of such product.
16. See e.g., Blue Ocean Technologies LLC, *Frequently Asked Questions, available at https://blueocean-tech.io/faq/*
17. See Nasdaq (https://listingcenter.nasdaq.com/assets/rulebook/nasdaq/filings/SR-NASDAQ-2026-057.pdf) and NYSE Arca (https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/rule-filings/filings/2026/SR-NYSEARCA-2026-71.pdf)
18. https://www.frbservices.org/news/communications/100925-fedwire-nss-expand-operating-days

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