



## RESEARCH

### Insights

# The 2025 Market Structure Conference Debrief

## Perspectives & Key Themes from Market Participants on Equities and Options

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Recently, SIFMA hosted its annual Market Structure [Conference](#), focused on top-of-mind topics for participants in the options and equities markets. Inside this note, we recap just some of what was seen and heard, including:

- **Market structure is entering a transformational phase with the advent of 24/7 trading, tokenization, and changes to Reg NMS.** Key operational and regulatory questions, such as how best execution will work in a 24-hour environment, how corporate actions and settlement processes will adapt, and how the industry will ensure data accuracy and consistency as the SIP expands will need to be addressed for successful market functioning.
- **Rebuilding trust between regulators and industry is essential before any major reforms can succeed.** Speakers repeatedly emphasized that years of regulatory uncertainty and “policy by enforcement” have eroded confidence. SEC leadership stressed a renewed commitment to neutrality and collaboration, especially around digital assets and market-structure modernization.
- **Market infrastructure faces mounting strain, from CAT costs, liquidity fragmentation and persistent volatility, making modernization urgent but high-risk.** Record volumes, volatile trading conditions, and rising data and compliance burdens highlight vulnerabilities in the current system. Participants agreed modernization must strengthen liquidity, transparency and execution quality across both equity and options markets.

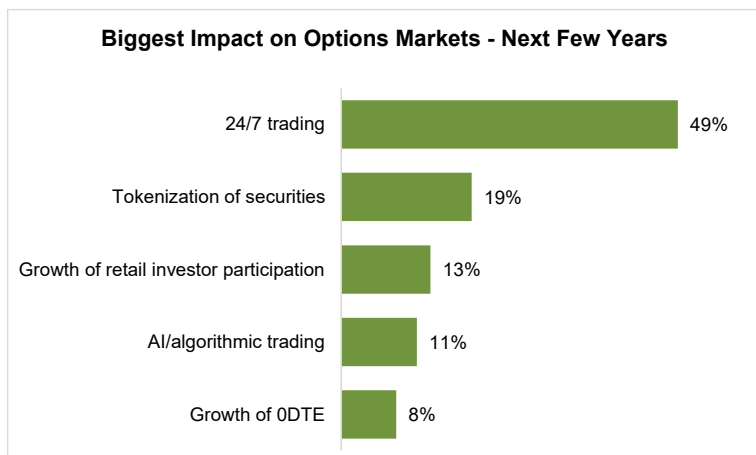
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## Options

The options industry is rapidly transforming, driven by the explosive growth of listed options activity, the rise of short-dated contracts, shifting investor demographics and behaviors, increasing liquidity concerns, expanded trading hours, the emergence of prediction markets and AI integration—all of which are adding complexity across the ecosystem.

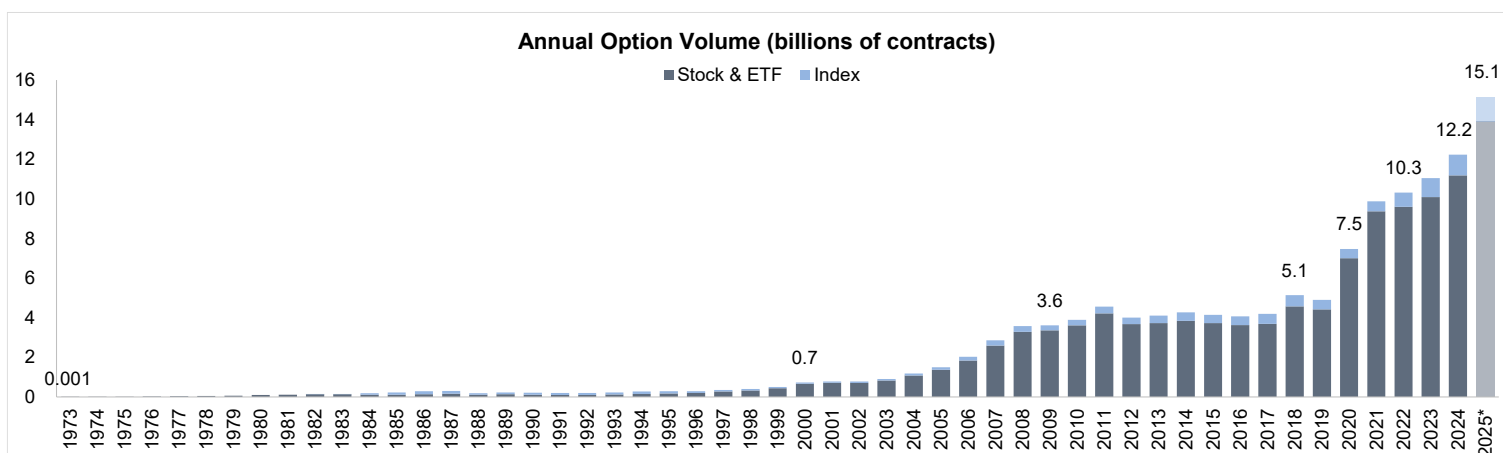
Conference attendees agreed that the biggest impact on options markets over the next few years is likely to come from 24/7 trading, a topic that was discussed at length over the two-day event.



Source: Audience poll

### Keynote Address: The Industry Update

The U.S. listed options market has undergone a series of distinct structural transitions since its formal establishment in 1973. For the first 25 years, the industry operated with limited automation, modest participant diversity and low trading volumes. The early 2000s marked a turning point, particularly with the introduction of the first fully electronic options exchange, which enabled automated quoting, tighter spreads and broader access. This modernization triggered an extended period of double-digit annual volume growth, interrupted only temporarily by the post-crisis stagnation of the early 2010s. The COVID era represented the next major shift: retail engagement surged, overall risk appetite increased, and the adoption of digital brokerages accelerated. Transactions have reached record levels; October's average daily volume (ADV) reached a record 70 million contracts (+50% Y/Y), marking a notable uptick from YTD 2025 ADV of 58.7 million contracts and 2019 ADV of just 19.1 million contracts. The market is on track to see a total of 15 billion contracts traded in 2025, in large part driven rising retail investor participation.

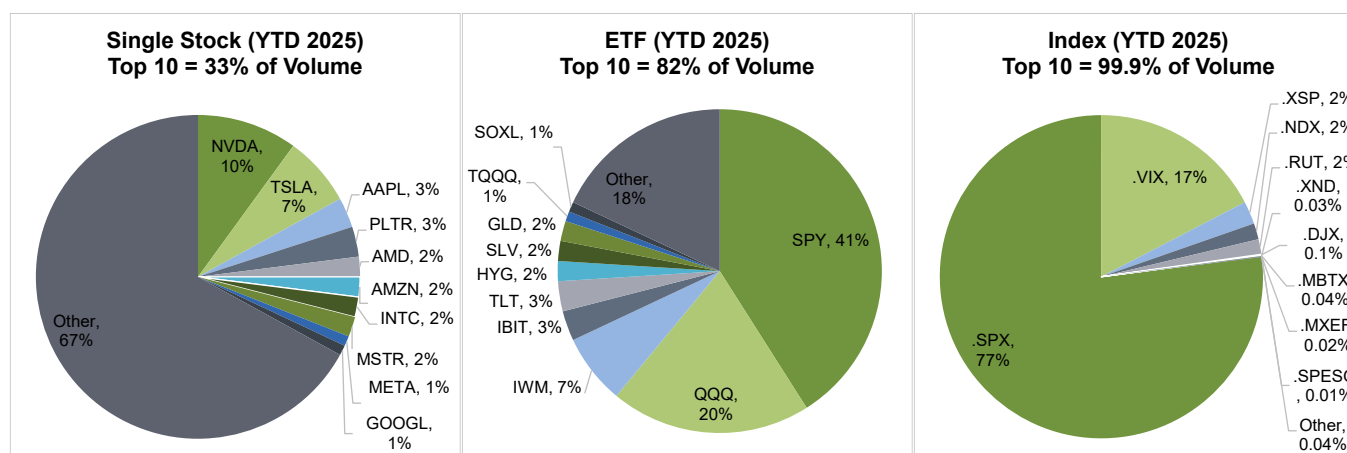


Source: Cboe Global Markets, SIFMA estimates

Note: 2025 total is estimated based on YTD volumes.

Growth is visible across virtually all major product segments. Index options, ETFs, and single stocks have each set record volumes, while [FLEX options](#)—once considered niche—have expanded rapidly.

FLEX options, increasingly used for customized hedging, block execution and institutional risk transfer have seen more than 50% year-to-date growth following an already outsized 140% surge in 2024. Growth in volumes has been accompanied by growth in the number of listed options exchanges, which has risen from four in the 1990s to 18 today, with several additional venues pending regulatory approval (please see Appendix for a complete list). Despite this proliferation, trading remains highly concentrated. In single stocks, the top 10 tickers represent roughly one-third of all contracts traded and approximately half of all premiums. SPX exhibits even greater dominance within index options, accounting for approximately 77% of contracts and the vast majority of notional exposure, with roughly \$13 billion in premium changing hands daily.



Source: Cboe Global Markets, SIFMA estimates

Note: 2025 total is estimated based on YTD volumes.

One of the more consequential shifts in market structure has been the rapid move toward short-tenor and ultra-short-tenor expirations. Weekly, daily, and zero-day-to-expiry (0DTE) contracts now comprise roughly two-thirds of all listed-options activity, compared with about one-third a decade ago. This shift has meaningful implications for

liquidity, volatility, hedging flows and intraday price dynamics. Market makers now account for a larger share of overall traded volume than customers and must manage rapid inventory turnover and heightened gamma exposure, driven by increased internalization of client flow, algorithmic quoting and more active interdealer trading in short-dated products.

Liquidity conditions show mixed but noteworthy trends. Overnight trading has gradually expanded but liquidity remains structurally thinner: quoted spreads are typically 2–3 times wider than during regular trading hours, and available size is materially lower. Of more immediate concern is the pronounced widening of spreads observed in lower-liquidity names around the October 10-11 stock market selloff triggered by President Trump's threat of new tariffs on China, coincident with a marked decline in quote traffic, which suggests stress points within the quoting infrastructure or a temporary retrenchment by automated liquidity providers. Open interest, while at record highs, is increasing at a slower pace than volume. This reflects the dominance of 0DTE activity, where positions are opened and closed within the same session, generating heavy volume but limiting residual positioning.

Overall, the U.S. options market is characterized by rapid volume expansion, increased product specialization, the continued rise in short-dated risk-taking and further exchange proliferation that has increased liquidity fragmentation. These shifts have created new opportunities for hedging, speculation and yield generation, but also introduce new—yet navigable—complexities for risk management and regulatory oversight.

### Options Infrastructure in Motion: Navigating Complexity and Change

The panel discussion examined developments in options markets, focusing on event contracts, retail trading patterns, fraud risks, extended trading hours (Cboe already offers overnight trading on some products and venues) and new product offerings.

One of the emerging themes was the growth of event contracts and prediction markets through platforms such as Kalshi and Polymarket, which can be a gateway to option trading for retail participants. Kalshi and Polymarket reported an estimated total of \$8.4 billion in monthly volume in October according to panelists, already surpassing the total transacted during the entire 2024 U.S. election period. To date, U.S. activity remains predominantly sports-related, with financial and political contracts comprising a small fraction of overall volume.

The growth of professionalized retail investors, or “pro-tail” participants, in options markets remains a concern, noted panelists, who pointed to the group's increasing use of complex strategies and algorithmic trading to exploit inefficiencies. While “pro-tail” behaviors can enhance liquidity and price discovery, they also create challenges for traditional retail investors, potentially generating adverse execution outcomes. Panelists noted that the current distinction between professional and retail customers may be inadequate given the emergence of “pro-tail” investors, suggesting that regulatory reevaluation is necessary to ensure equitable access to execution quality and market opportunities.

Another material concern identified by panelists was fraud risk—particularly account takeover fraud—which often involves coordinated activity across multiple brokers. With panelists estimating potential exposure in the multi-billion-dollar range annually, mitigation measures include real-time monitoring and manual intervention when needed. Effective fraud prevention will require industry coordination across brokers and exchanges.

The panel also discussed the expansion of trading hours in the U.S. options markets, driven largely by international retail demand and a need for timely hedging around corporate and macro events. While extended sessions can help retain liquidity within regulated markets and reduce migration to less transparent venues, panelists highlighted significant operational challenges as trading moves into extended hours, including staffing, risk monitoring, capital allocation and infrastructure readiness.

### **Precision and Protection: Regulatory Priorities in the Options Market**

The panel examined the operational, regulatory, and technological impact of emerging proposals in the options market. The discussion primarily focused on extended trading hours, regulatory fee structures, order protection, event contracts and account takeover risks.

The extended trading hours discussion focused on the Cboe Global Markets proposed expansion of overnight trading hours to equity options. (Currently, only select index options may be traded during Cboe's Global Trading Hours.) While overnight trading remains more of a retail investor phenomenon, panelists noted that institutional clients are increasingly seeking opportunities to transfer risk outside standard trading hours, especially around earnings and macroeconomic events. Concerns remain around the expansion of products traded fully overnight, as liquidity is generally lower and bid-ask spreads are wider. Many operational questions remain open, from market maker obligations to adjustments to algorithmic trading strategies. Coordination across trading systems will remain critical to ensure timely processing of corporate actions and assignments.

Concerns were raised about applying obvious error rules during low liquidity pre-market trading, underscoring the need for clear pricing benchmarks and stronger pre-trade controls. The panel also examined proposed changes to the Options Regulatory Fee (ORF). Panelists discussed the impact to options markets from potential changes to Reg NMS Rule 611 on trade-through prohibitions in equity markets. Panelists emphasized that exchange floors remain important for large institutional orders where best execution depends on multiple factors outside of price, including size, fill rate and timing. Event contracts, including binary and sports-related products, were highlighted as a growing regulatory challenge due to their overlap with securities laws and potential to fragment markets. The panel also noted rising account-takeover risks, especially in thinly traded and 0DTE options, and cited FINRA's Threat Intelligence and Fusion Center initiatives as critical defenses.

## The Intersection of Markets and Washington: Policy, Power and Market Strategy



Source: Audience poll

Conference attendees agreed that macro headlines/geopolitical events will be the main drivers of equity market moves in 2026, as market performance continues to hinge critically on U.S. consumer behavior and labor market conditions. Noting the importance of consumer spending, one panelist raised concern that recent earnings reports from Chipotle, Lowe's, Home Depot, Target, Costco and O'Reilly Automotive collectively pointed to rising price fatigue and a softening in consumer sentiment. Should these trends materialize in official economic data, they would pose a meaningful headwind to U.S. equities.

While the recent government shutdown, the longest in U.S. history, highlights the challenges posed by political misalignment and strategic positioning between parties, equity market response was muted. The panelists estimated the probability of another shutdown in early 2026 at approximately 60%. Unless legislative standoffs significantly disrupt labor markets or broader economic activity, the equity market is likely to filter out short-term political noise, even as gaps in employment and economic data complicate the Fed's near-term outlook for setting monetary policy.

Markets have largely discounted tariff-related headlines as tactical "buy-the-dip" opportunities, particularly in the context of U.S.-China trade negotiations. The Supreme Court's ruling on IEEPA tariffs could introduce headline risk, but the underlying expectation is that tariffs will continue, even if by alternative means. Targeted government involvement, such as support for Intel and other strategic sectors, is generally accepted when tied to national security, though broader industrial intervention is viewed more cautiously.

H.R.1 or the "One Big Beautiful Bill" has shifted sentiment from uncertainty to optimism according to one panelist, noting that investors expect stimulus effects to carry from late 2025 into early 2026. By resolving TCJA-related questions, the legislation is viewed as supportive of corporate investment and hiring, even as economists warn that actual impacts may fall short of market expectations. Investors nevertheless anticipate a meaningful tailwind as companies restart capex plans and deploy remaining budgets before year-end. The administration's broadly deregulatory stance has reinforced this tone, with tax and regulatory policy seen as market friendly.

Panelists also noted that recent pullbacks in equities and cryptocurrencies largely favored by retail investors reflect a normalization of sentiment rather than destabilizing behavior. Upcoming catalysts include holiday consumer data,



resumed economic releases and Fed communications, all of which may shape near-term trends. Meanwhile, AI and digital-asset policy remain in early stages, creating a gap between rapid market adoption and slower regulatory development. Overall, U.S. equity markets are navigating mixed fundamentals, political noise and policy uncertainty.

### Innovation at Market Speed: Trends Shaping the Options Landscape

The discussion explored the multifaceted nature of innovation within the options industry, emphasizing market structure evolution, product development and adaptation to changing market participants. Technological innovation was a central theme, particularly concerning speed, throughput and latency management. Exchanges are measuring performance during extreme volume periods to ensure stability during periods of high market stress, reflecting the need for systems that maintain functionality in volatile conditions. The discussion also emphasized the critical role of order allocation, technology infrastructure and platform adaptability in supporting liquidity provision and price discovery.

The panel acknowledged the impact of retail participation, accelerated by COVID-19, which has driven demand for accessible educational tools, streamlined analytics, simplified execution capabilities and has introduced more sophisticated products to a broader investor base. Similarly, institutional participants are engaging with relatively new product structures such as options-based ETFs, reflecting broader market interest in hedging, income strategies and diversification.

Artificial intelligence (AI) and machine learning (ML) were discussed as practical tools for analytics, volatility modeling, order routing and execution optimization. Panelists noted that while exchanges tend to use AI for back-office functions rather than quoting, some broker-dealers and market makers are integrating these technologies into both pre-trade and post-trade analysis to improve transparency and decision-making. Data management and feed transparency were emphasized as ongoing challenges, with large volumes of market and complex order data requiring careful handling and investment in infrastructure.

The panel also addressed the evolving competitive landscape among exchanges and alternative trading systems (ATSs). New entrants continue to launch, leveraging differentiated fee models and technology to attract order flow and offering improved liquidity access, execution quality and pricing. Harmonization of data across exchanges and ATS platforms remains a key issue, with panelists noting trade-offs between fostering competition and enabling broader transparency for market participants.

Looking forward, panelists expressed optimism about continued innovation in FLEX options, product adoption from the OTC market and improvements in collateral and margin management. They envisioned a future in which AI-driven trading, enhanced order management systems and integrated communication platforms further streamline market participation and expand opportunities for both retail and institutional participants, setting the stage for a more robust and adaptable options ecosystem over the next several years.

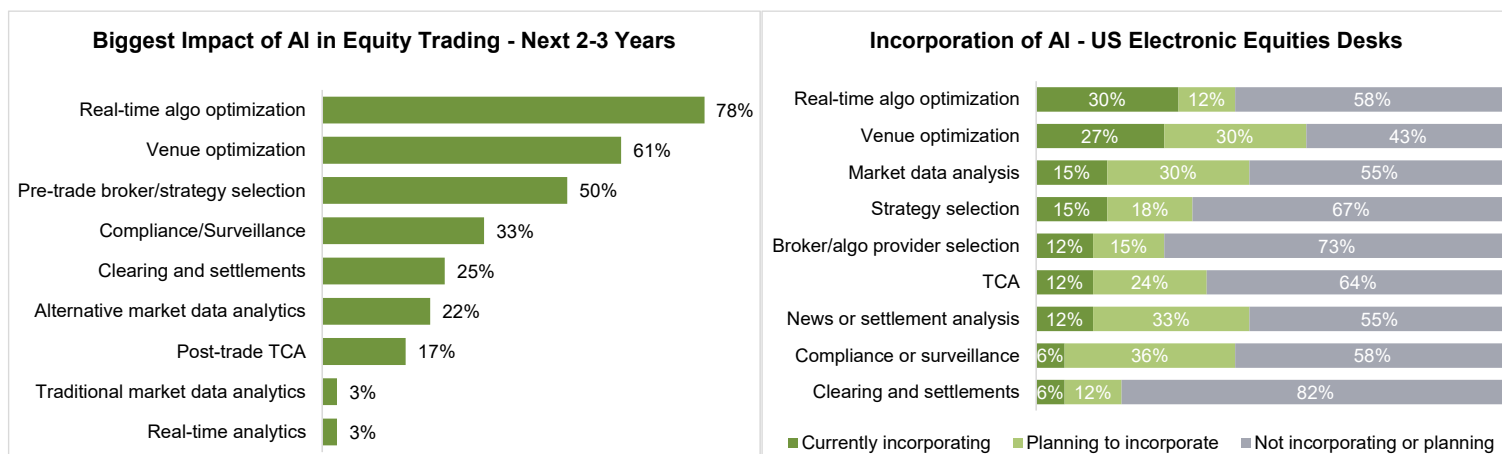


## Trading on Intelligence: AI's Role in the New Market Stack

Recent surveys conducted by Coalition Greenwich explored expectations and current adoption of artificial intelligence (AI) among buy-side and sell-side equity market participants, highlighting a gap between anticipated use cases and actual implementation.

The definition of AI remains very broad, with distinctions across machine learning, generative AI, agentic AI and advanced analytics often blurred. AI applications vary depending on whether they support pre-trade decision-making, trade execution, post-trade analysis or client service. Deterministic models, which are rule-based and fully auditable, are currently preferred for trading applications due to regulatory scrutiny and the need for explainability, whereas probabilistic or agentic models are emerging in more experimental use-cases such as portfolio risk modeling, margin calculations, and contextualized news or sentiment analysis. Regulatory considerations will strongly influence AI adoption; explainable “glass-box” models are likely to be favored over black-box approaches like large language models that may lack contextual transparency.

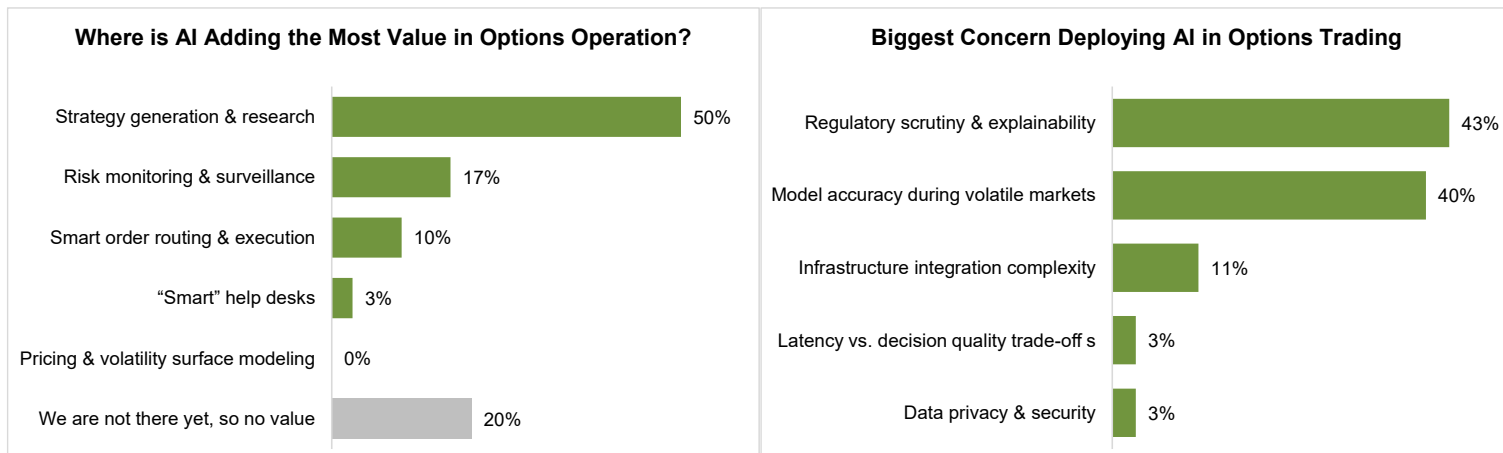
On the buy-side, survey respondents identified real-time algorithm optimization, venue selection and pre-trade strategy selection as the areas where AI would have the greatest impact over the next two to three years (left chart). This contradicts the surveyed use cases of the sell-side (right chart), where the majority of firms are not implementing or planning to implement AI-driven algorithm optimization. Citing resource constraints, risk management concerns, and regulatory considerations, the buy-side is relying on sell-side execution and potential use of AI execution strategies.



Source: Coalition Greenwich

Currently, AI adoption in trading is more pronounced in mid- and back-office functions rather than direct execution. Near-term impacts of AI are expected in workflow optimization, immediacy of insight and personalization, rather than autonomous trading. Successful deployment depends on aligning AI with functional objectives, maintaining regulatory-compliant explainability, and focusing on operational efficiency rather than technological novelty. One area that remains critical for successful AI deployment, panelists agreed, was data quality, with a need for normalized, complete and clean datasets. Many challenges remain, including heterogeneous data sources, inconsistent identifiers and discrepancies in order management and execution management system outputs.

Emerging applications highlight the transformative potential of AI. Agentic AI systems can rapidly calculate portfolio exposures across multiple central counterparties to improve risk management functions, while dynamic evaluation of trading efficiency and broker performance can reduce transaction costs. Sentiment analysis, using proxies derived from news and social media, can create indexes that outperform traditional benchmarks while the use of knowledge engines and chatbots can improve research accessibility and operational efficiency for clients. According to panelists, while AI adoption in markets is still evolving, firms that strategically integrate AI into workflows, risk management and client services are likely to gain a competitive edge, provided regulatory and data challenges are effectively managed.



Source: Audience poll

## Equities

### Keynote Address: SEC Director of Trading and Markets

Day Two of the conference opened with [remarks](#) from Jamie Selway, Director, Division of Trading and Markets, U.S. Securities and Exchange Commission (SEC). His central theme focused on a core paradox: Digital assets are built on “trustless” systems —distributed networks, cryptographic proofs and consensus mechanisms—yet capital markets fundamentally rely on trust. Director Selway’s speech argued that the SEC must walk a careful line: modernizing rules to embrace digital-asset innovation while simultaneously repairing a trust deficit created by years of inconsistent policymaking. He noted that the SEC under Chairman Atkins aims to rebuild public sector trust while also integrating digital-asset innovation. This dual objective is one of the foundations of the Division’s current agenda.

Director Selway invoked the SEC’s history during the Great Depression, noting Ganson Purcell’s (SEC Chairman, 1942-1946) observations about market participants misinterpreting SEC motives, where every group believed that the SEC was secretly favoring someone else. Director Selway drew an analogy to today, where skepticism and rumor distort perceptions of regulatory intent, especially within digital-asset markets. Unlike the Depression era, however, today’s trust deficit has not arisen from market malfunction but from poor policy choices, regulation-by-enforcement, and insufficient good faith engagement with industry.

Project Crypto, announced July 31, 2025, marks one of the SEC’s pivotal projects to engage with the crypto ecosystem and restore trust among digital asset native firms. The project’s goal is to advise the Commission on how to facilitate innovation without “regulatory arbitrage” as policy is modernized to accommodate digital assets, where neither new entrants nor legacy providers should be advantaged. Director Selway underlined one of Chairman Atkins’ key messages: the market, rather than the SEC, will determine which projects succeed, but the SEC must create a fair, predictable environment for innovation.

With a complex competitive landscape that involves global exchanges, DeFi platforms, app-based retail brokers and non-custodial wallets, Director Selway suggested that the SEC should avoid putting a regulatory thumb on the scale, maintaining neutrality and supporting competition—and act to improve the functioning of markets, not distort them. Even “trustless” digital assets trade best in markets grounded in confidence, transparency, and regulatory legitimacy.

In a post-presentation discussion with SIFMA’s Head of Equity and Options Market Structure, Katie Kolchin, CFA, Director Selway added comments about tokenization of equities, NMS reforms, CAT cost reduction, cryptocurrency oversight and the need to modernize outdated industry definitions.

Director Selway outlined three tokenization models (issuer-native, depository receipt-style, and synthetic or swap-based), noting that the latter poses the greatest risk for markets. While enthusiasm has grown for tokenizing U.S. equities, Director Selway argued that public markets are already highly efficient; the more compelling opportunities lie in private credit, mortgages and other real-asset domains where digital infrastructure could reduce post-trade frictions.

A recurring concern was market integrity: tokenized versions of equities could create parallel liquidity pools and inconsistent prices unless best-execution standards and arbitrage mechanisms remain strong. Director Selway

underscored that any tokenized market must preserve core principles of price discovery, interoperability, and investor clarity. At the same time, he acknowledged that distributed-ledger technology offers meaningful operational benefits, including 24/7 collateral mobility, streamlined corporate actions, and more direct issuer–investor connectivity. Director Selway indicated the SEC is increasingly relying on generalizable exemptive relief rather than bespoke approvals to allow controlled experimentation within a consistent regulatory framework.

On structural priorities, Director Selway reiterated the need for NMS modernization. Following the SEC’s September 2025 roundtable on trade-through prohibitions, Director Selway noted that the SEC will host another roundtable to discuss what other parts of Reg NMS would need to be addressed if the Order Protection Rule (Rule 611) is changed.<sup>1</sup> He also highlighted the need for cost reduction and governance reform of the Consolidated Audit Trail, which currently operates at an unsustainably high run-rate as well as possible scope for Options Regulatory Fee (ORF) and Section 31 reform as well as support for modernization to support technology-neutral competition between exchanges and ATSS. Additionally, he indicated openness to reconsidering the vendor display rule with a more competitive environment for data feeds. He also signaled that the SEC views AI-driven market dynamics, the expansion of private credit and instability in crypto markets as emerging sources of systemic risk.

Overall, Director Selway’s remarks conveyed a regulatory posture that is open to innovation but anchored in market integrity, with modernization efforts focused on ensuring that new technologies strengthen rather than fragment the U.S. market ecosystem.

### New Rules, New Rails: The Future of Equity Market Structure

Broad structural evolution is underway as the SEC advances reforms across Reg NMS, disclosure and market infrastructure. Rule 611 on trade-through prohibitions and the tokenization of equities are now priorities for the SEC, with questions emerging around whether traditional constructs—such as round lots—still support modern market behavior. (Reference was made to the new definition of “round lots” based on share price, as outlined on p. 169 of [Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders](#).) The panel noted that democratization of order entry, which involves moving toward notional-based rather than share-based trading, aligns with SEC support for fractionalization.

A major takeaway was the timeline shift for many key rules, with the panel describing 2026 as “the year of implementation.” Firms must integrate expanded Securities Information Processor (SIP) content, incorporate odd-lot displays, and adopt revised round-lot definitions. The SEC extended the compliance date for [Rule 605](#), the amendments to the rules for order execution information disclosure, from December 14, 2025, to August 1, 2026. The SEC granted temporary exemptive relief from compliance dates [for Rule 612 on the amended minimum pricing increment and Rule 610 on the amended access fee caps](#) until the first business day of November 2026.

The panel acknowledged uncertainty around how routing will function if Rule 611 on trade-through prohibitions is substantially revised or repealed. Multiple participants stressed that access-fee caps (Rule 610) exist only because of Rule 611, raising questions about future pricing if the rule changes. They also noted a need to review the Best

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<sup>1</sup> We now know that this roundtable will be held on [December 16, 2025](#).

Execution rule, highlighting that best price is not necessarily the same as best execution once adverse selection and stability are incorporated. The panel also advocated for equal playing fields across exchanges and ATS environments to foster innovation and highlighted a broader push toward more continuous trading.

### **Evolving Rules, Enduring Principles: Balancing Innovation with Market Integrity**

The panel explored how regulators, exchanges and market participants are working to modernize equity market structure while preserving the core principles of fairness, transparency and investor protection. A central theme was that innovation, whether in market design, technology adoption, data use or liquidity provisioning, must be evaluated through the lens of market integrity and operational resilience.

Panelists emphasized that U.S. equity markets have undergone significant evolutionary change with more automated trading, accelerated settlement cycles and increasing interest in new technologies such as AI-driven analytics and distributed-ledger technology. Yet the core regulatory principles that underlie the system, including best execution, orderly markets, transparency and robust surveillance remain unchanged. Innovation cannot compromise these pillars, and speakers noted that modernization efforts require harmonizing new tools with long-standing regulatory expectations.

Panelists highlighted the costs associated with being a public company. With declining public company counts, panelists discussed whether quarterly reporting should be streamlined, whether litigation risk could be reduced, and whether regulatory burdens are discouraging listings. They debated whether additional disclosures added in recent years truly benefit investors, especially given surging retail interest in private market securities, which lack many of the same requirements as public market securities.

One takeaway was the growing need to adapt rules to today's market landscape without losing the stability provided by consistent oversight. Participants highlighted challenges managing operational risk, protecting customers and supporting competition among trading venues while avoiding fragmentation.

The discussion also addressed how market innovation interacts with responsibilities for broker-dealers, exchanges, and regulators, particularly in the age of AI. While automation can expand analytical capabilities, panelists agreed that firms must maintain explainability and human oversight, particularly in areas affecting routing logic, surveillance alerts and risk models. The panel also addressed the persistent lack of competition in the market-data ecosystem, with one participant highlighting that Reg NMS has increased competition in trading but not in data. Many panelists agreed that future reforms must address both transaction markets and data markets together.

The panel concluded that modernization is most durable when it strengthens operational integrity, clarifies obligations across participants and enhances investor outcomes.

## Economy and Rates Update

Subadra Rajappa, Managing Director, Head of US Rates Strategy, Societe Generale presented a macro outlook entitled *Driving in a Fog*, highlighting the fact that U.S. monetary policy is moving through an unusually uncertain environment in which neither the Federal Reserve nor the market has clear visibility on the appropriate pace of easing given the delay (and occasional loss) of official data during the government shutdown. Although conditions point toward eventual rate cuts, uncertainty around inflation, labor supply, and geopolitical shocks make the timing ambiguous. As evidenced by the sharp move in 1y1y OIS rate following Powell's October FOMC remarks, market expectations are highly sensitive to even modest shifts in tone. Moreover, there is significant policy disagreement within the Federal Reserve, as evidenced in the September Summary of Economic Projections. If the Fed cuts more aggressively in late 2025, it risks leaving less room to cut in 2026, especially if unemployment remains stable and GDP continues to surprise to the upside, as with the recent revision of Q2 GDP to 3.8% from 3.3%.

Tariff policy risks remain a central focus, particularly the possibility that courts invalidate the administration's use of the International Emergency Economic Powers Act, or IEEPA. Tariff removal would reduce the effective tariff rate from 17.9% to 9.1%, with meaningful distributional and macroeconomic implications. Even if IEEPA is constrained, alternative statutory pathways could sustain higher trade barriers, prolonging corporate uncertainty and affecting tariff-related federal revenues, which have been climbing through 2025.

Price pressures are likely to re-accelerate over the next year, supported by persistent strength in core goods and non-housing services, just as the labor market is cooling, led by moderating payroll growth, declining job openings, softening wage momentum, and a slowdown in immigration that reduces labor-supply tailwinds. These indicators point toward a gradual normalization rather than a sharp deterioration, limiting the extent to which weaker labor dynamics will offset underlying stickiness in inflation.

Fiscal and structural factors further reinforce the expectation that interest rates will remain elevated, even as the Fed begins to ease. Federal deficits are projected to be above 5% of GDP for the next decade, with rising net interest outlays driving much of the deterioration. Treasury supply is likely to remain heavy, helping anchor long-end yields and keeping the 10-year in a 4.0–4.5% range. On the flip side, easing the enhanced supplementary leverage ratio (eSLR) could create up to \$2.2 trillion in capacity for GSIBs to hold Treasuries, potentially influencing demand and swap spreads.<sup>2</sup> Similarly, the growing stablecoin market—with reserves exceeding \$300 billion—could increase structural demand for T-bills, placing crypto-related flows alongside traditional foreign and institutional investor interest in shaping Treasury demand.

The most recent (and longest) government shutdown might be over, but Ms. Rajappa ended with concern over the potential for another government shutdown at the end of January 2026. With inflation edging higher, labor markets only gradually cooling, and policy uncertainty elevated, the Fed could be forced to act with incomplete information—intensifying the “fog” that frames the entire outlook.

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<sup>2</sup> On November 25, 2025, the FDIC Board of Directors [approved a proposal](#) to modify the enhanced supplementary leverage ratio (eSLR) standards.

## The Expanding Edge: Innovation and Access in Equity Markets

The panel highlighted how innovation in equity markets is accelerating across venues, products and trading technology. Discussions centered on three structural shifts: new trading venues, the onset of extended trading hours, and AI-driven workflow transformation. Collectively, these developments could lead to continuous global trading, increased competition in listings and more data-intensive, AI-enabled market operations.

Panelists emphasized that the surge in new exchanges has been driven by targeted value propositions aimed at underserved client segments and jurisdictional demand. 24 Exchange, for example, launched with an explicit focus on APAC daytime access to U.S. equities (which has benefited from a surge in retail-driven volume following South Korea's resumption of overnight access after a 15-month hiatus) while the model for the Texas Stock Exchange (TXSE) focused on listings, supported by the state's broader effort to position itself as a corporate-friendly financial center, having made legislative changes around proxy access and banning transaction taxes, for example. Panelists noted that new venues are differentiating themselves through regional access, product focus and listing economics. The ensuing expansion of trading hours, data sources, and pricing environments all require more sophisticated routing, risk controls, and cross-venue analytics.

Another major theme was the expectation for trading hours to be extended fully overnight, which panelists felt is all but certain to become a fundamental aspect of market structure. More than a retail convenience, the expansion of overnight trading could alter global liquidity distribution, as institutional traders potentially adapt workflows, OMS/EMS connectivity and risk management systems. Corporate actions were universally described as the largest unresolved risk item as trading hours lengthen as even today, data are inconsistent and often arrive late. Panelists highlighted upcoming improvements tied to DTCC's technology modernization and announced extended operational hours, but expressed the need for consolidated, standardized corporate-action feeds before 24/7 trading is viable.

The panel underscored the extraordinary scale of ETF expansion and its structural implications, noting the existence of more than 4,500+ U.S. ETFs today with AUM in excess of \$13 trillion. Year-to-date, there have been nearly 1,000 new ETF launches in the U.S. Even amid the explosive growth in AUM, ETF trading as a percentage of equity volumes remains steady, comprising roughly 20% of share volume and 30% of notional volume. ETFs have also diversified their listings across exchanges: whereas 85% were once listed on a single venue, listings are now far more distributed. With growing international demand for ETFs and the potential for real-time overnight creation/redemption workflows that could reshape liquidity patterns and price discovery, exchanges and other market participants must prepare for higher volumes in overnight ETF trading as global investors align themselves with local trading hours. Market participants are also preparing for large-scale mutual-fund conversions and dual-share-class ETF structures. Yet this innovation can increase operational complexity: many new ETFs are thinly traded, creating execution-quality and investor-education challenges.

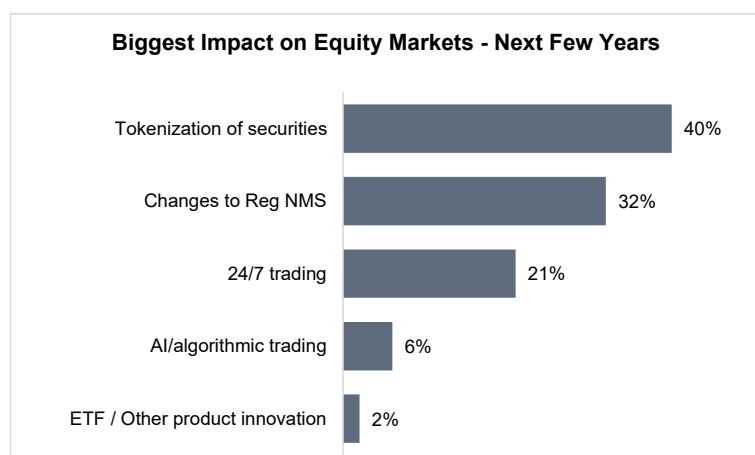
Additionally, AI emerged as a universal theme across listing, routing, market surveillance and asset-management workflows. Key use cases included surveillance to detect anomalies in volatile overnight markets, R&D (e.g., scanning regulatory filings), pricing and competitive intelligence (parsing complex exchange fee schedules) and signal refinement (real-time "refitting" of algorithms in response to rapidly changing volatility regimes). While panelists agreed that AI is not yet suitable for low-latency matching or in-line execution, it is highly effective in adjacent functions such as research and model iteration and is likely to shift competitive advantage toward firms



able to use AI to operationalize large-scale analytics and behavior-monitoring across fragmented, 24-hour liquidity pools. Surveillance needs will rise, particularly for exchanges operating outside regular trading hours.

### Modern Access, Enduring Protections: Tokenization in Equity Markets

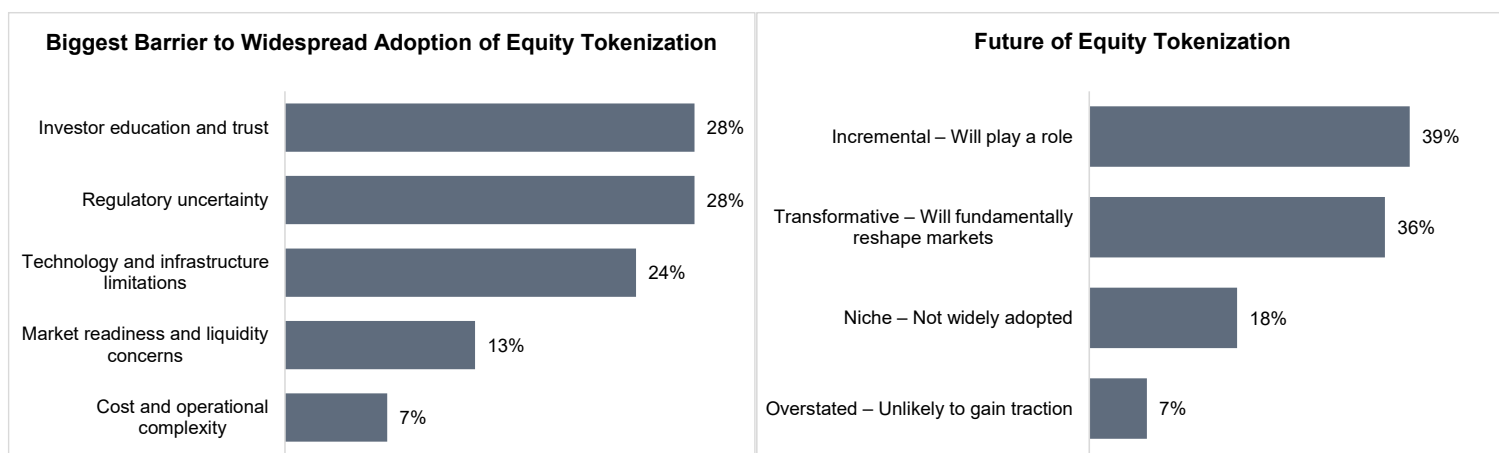
Attendees surveyed prior to the start of Day Two of the conference indicated that the tokenization of securities would have the biggest impact on the equity market over the next few years, followed by changes to Reg NMS and 24/7 trading.



Source: Audience poll

The panel examined how tokenization could expand investor access to U.S. and global equities but raised critical questions around market integrity, investor protection and regulatory structure. Participants largely agreed that tokenization has potential to streamline market operations (for example, managing post-trade and corporate action operations), reduce frictions in cross-border access (such as collateral transfer or foreign exchange conversions), and create more transparent ownership records. However, they emphasized that realizing these benefits requires regulatory clarity, interoperability with existing market infrastructure and safeguards to protect investors.

Panelists agreed that tokenization can enable faster settlement cycles, more efficient corporate-action processing and simplified account structures. They also recognized that issuer participation is central—tokenized structures work best when they directly represent underlying equity claims, rather than derivative-like synthetic instruments. Across the discussion, speakers highlighted that regulatory uncertainty remains the most significant barrier; audience polling showed that lack of clarity and investor education remain top adoption challenges.



Source: Audience poll

Panelists differed in their expectations for scale and pace of adoption. Some viewed tokenization as an incremental evolution that would sit alongside existing equity market infrastructure, while others saw potential for a more transformational shift in how equity ownership is recorded and transferred.

While tokenization offers opportunities to improve efficiency, it also poses risks if liquidity becomes scattered across uncoordinated platforms. Panelists diverged on whether liquidity fragmentation (multiple tokenized versions of the same security) would meaningfully disrupt price discovery. Some argued that arbitrage would keep prices aligned, cautioning that differing product designs could create inconsistent investor outcomes, while others noted that differences in liquidity and execution timing could (and should) affect pricing.

Tokenization is already more advanced internationally than in U.S. markets, with non-U.S. platforms offering tokenized access to U.S. equities. The panel stressed that clarity on what constitutes a tokenized security—native, depository-style, or synthetic—is essential to preserve market integrity, and that core regulatory principles of fair access, transparency and investor protection will be critical to foster tokenization’s long-term development.

## Appendix: US Exchange Landscape

### Options

	Count	Parent Company	Name/Ticker
<b>Operating</b>	<b>18</b>		
	1	BOX Exchange	BOX
	4	Cboe Global Markets	Cboe BZX Options Cboe C2 Options Cboe EDGX Options Cboe Options
	1	Members Exchange	MEMX
	4	Miami International Securities Exchange	MIAX Emerald MIAX Options MIAX Pearl MIAX Sapphire
	6	Nasdaq	Nasdaq BX Options Nasdaq GEMX Nasdaq ISE Nasdaq MRX NASDAQ Options Market Nasdaq PHLX
	2	New York Stock Exchange	NYSE American Options NYSE Arca Options
<b>Approved/Registered</b>	<b>2</b>		
	1	Investors Exchange	IEX
	1	Members Exchange	MX2

Note: Investors exchange received SEC approval in September 2025. Members Exchange received SEC approval in October 2025.

## Equities

On-Exchange Trading	Count	Parent Company	Name/Ticker
<b>Operating</b>	<b>17</b>		
	1	24X National Exchange	24X
	4	Cboe Global Markets	BYX Equities BZX Equities EDGA Equities EDGX Equities
	1	Investors Exchange	IEX
	1	Long-Term Stock Exchange	LTSE
	1	Members Exchange	MEMX
	1	Miami International Securities Exchange	MIAX Pearl
	3	Nasdaq	NASDAQ NASDAQ BX NASDAQ PSX
	5	New York Stock Exchange	NYSE NYSE American NYSE Arca NYSE National NYSE Texas (formerly Chicago)
<b>Approved/Registered</b>	<b>3</b>		
	1	Green Impact Exchange	GIX
	1	Members Exchange	MX2
	1	Texas Stock Exchange	TXSE
<b>Off-Exchange Trading</b>	<b>Count</b>	<b>Name</b>	
<b>Trade Reporting Facilities</b>	<b>3</b>		
	2	Nasdaq	FINRA/Nasdaq TRF Carteret FINRA/Nasdaq TRF Chicago
	1	New York Stock Exchange	FINRA/NYSE TRF

Note: NYSE Chicago was renamed NYSE Texas in February 2025. Texas Stock Exchange received SEC approval in September 2025. 24X opened trading in October 2025.

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