PRESS RELEASE

THE CNMV AMENDS THE CIRCULAR ON LIQUIDITY CONTRACTS TO FACILITATE THEIR USE

10 December 2019

- It establishes a new alternative limit for the maximum daily volume applicable to the MAB companies and to primary market companies with a lower level of liquidity.

- It eliminates, in general, the restriction on simultaneously maintaining purchase and sale orders for shares during the auction period.

The Spanish Official State Gazette (BOE) has today published CNMV Circular 2/2019, of 27 November, amending Circular 1/2017 on liquidity contracts. The new circular eases certain requirements to facilitate the use of liquidity contracts by companies traded on the Alternative Stock Market (MAB) and by less liquid companies traded on Stock Exchanges.

The main amendments incorporated are:

- The establishment of a new alternative limit for the maximum daily volume that a financial intermediary may trade under a liquidity contract, expressed in absolute terms (20,000 euros) per session. Issuers whose shares do not have a liquid market (in accordance with the criteria under MIFID II) and are traded on a multilateral trading system (such as the MAB) or on a regulated market through a fixing trading system may benefit from this alternative limit. Exceptionally, this alternative limit may also be applicable to other companies, provided that it is authorised by the CNMV, following a favourable report from the market operator justifying the classification of the share as highly illiquid.

- The elimination, in general, of the restriction whereby purchase and sale orders for shares are not maintained simultaneously at any time during the auction period. The financial intermediary shall adopt measures in order to prevent their purchase and sale orders from being executed against each other in the auction.

For further information:
CNMV Communications Department
Tel.: 91 5851530 - comunicacion@cnmv.es

Circular 1/2017, on liquidity contracts, regulated this mechanism for providing liquidity to Spanish securities markets in order to be acknowledged as an "accepted market practice", pursuant to Regulation EU 596/2014 on market abuse. After two years of operation, it has been verified that this mechanism plays an important role for the liquidity of issuers of securities traded in our markets, both in terms of the number of issuers that have concluded such contracts and the volume traded under them. As at 2 December 2019, a total of 40 issuers had concluded transaction liquidity contracts subject to Circular 1/2017.

The new circular has been subject to public consultation of market participants, and the European Securities and Markets Authority (ESMA) has issued a favourable opinion on the amendments incorporated.

The new Circular shall enter in force three months after its publication.

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