CNMV
COMISIÓN NACIONAL DEL MERCADO DE VALORES

PRESS RELEASE

CNMV APPROVES THE NEW CIRCULAR ON LIQUIDITY AGREEMENTS

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- The Circular establishes more specific operating rules
- The new regulation is part of European legislation on combatting market abuse
- Companies wishing to operate under liquidity agreements regulated by the Circular must sign a new agreement and submit it to the CNMV

The CNMV Board has approved a Circular on liquidity agreements (Circular 1/2017) that sets out the operating rules for issuers and establishes a number of mechanisms that are designed to promote confidence in the market, thereby ensuring it operates in an orderly fashion.

The new Circular is part of the European Regulation on Market Abuse (EU Regulation No 596/2014), which sets out "accepted market practices" and makes provisions for exemption from the general prohibition on market manipulation (or attempted market manipulation) in those cases where there is a legitimate interest that would justify the transaction, order or conduct in question, provided it is carried out in accordance with the conditions stipulated in the Regulation.

The new regulation, which replaces and revokes Circular 3/2007, introduces specific rules, limits and new mechanisms. It specifically establishes the following:

- Conditions for the insertion or modification of orders during auction periods with regard to price and volume.
- Conditions for carrying out transactions in the block segment: these will only be permitted if execution of the order is requested by a third party other than the issuer of the shares and the broker acting on its behalf.
- Volume thresholds for the level of liquidity of the shares (in accordance with MiFID criteria) that are the subject matter of the liquidity agreement (15% for those with higher levels of liquidity and 25% for the remainder).
- Maximum levels of resources that may be assigned to the liquidity agreement, in relation to the level of liquidity of the shares in question (in accordance with MiFID criteria).
- That it is mandatory for the broker engaging in the market practice to be a market member.
- That it is necessary to maintain a long-term balance between the volume of purchases and the volume of sales.

- An extension of the scope of application of the market practice to multilateral trading facilities.
- Special conditions for shares that are traded via fixing.
- Circumstances under which the liquidity agreement should be suspended.

The Circular will enter into force two months after its publication in the Official State Gazette. Issuing companies that wish to operate under liquidity agreements regulated by the Circular must sign a new agreement and submit it to the CNMV prior to its entry into force.

At the end of 2016, a total of 29 issuers had entered into ongoing liquidity agreements that were subject to the provisions of Circular 3/2007.

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