Accepted market practice (AMP) on *Liquidity Contracts*

The Spanish CNMV notifies ESMA of the Accepted Market Practice (AMP) on Liquidity Contracts for the purpose of fulfilling article 13 (3) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (MAR).

This AMP on Liquidity Contracts is intended to replace the AMP notified to ESMA on 24/06/2016 intended for the purpose of fulfilling article 13 (11) of MAR.

The Liquidity Contract seeks to determine the limits and conditions in which the transactions carried out under such contracts may be classified as an accepted practice for the purposes of the provisions of the Spanish Securities Markets Law, article 13 of MAR and provisions set out in Commission Delegated Regulation (EU) 2016/908 of 26 February 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council laying down regulatory technical standards on the criteria, the procedure and the requirements for establishing an accepted market practice and the requirements for maintaining it, terminating it or modifying the conditions for its acceptance (Supplementing Regulation).

This new AMP, with the same denomination and aim as the one notified on 24/06/2016, has been adapted in the light of the experience gained with the existing AMP on Liquidity Contracts and the comments obtained from public consultation which has been carried out according to article 2 (1) (b) of Supplementing Regulation

The main characteristics of the AMP subject to this notification are the following :

- The sole purpose of the Liquidity Contracts is to enhance liquidity and regular trading in the shares of those companies whose shares are listed in Spanish regulated markets and multilateral trading facilities. It must be said that, with the exception of the Liquidity Contract, there has not been any liquidity scheme or any market-making arrangement in the Spanish Regulated Markets for cash equity.

- The performance of the Liquidity Contract shall be done by Investment Firms or Credit Institutions (Financial Intermediary) and those trades performed under a liquidity contract must be registered by the Financial Intermediary in two accounts: a securities account and a corresponding cash account, both opened in the name of the Issuer and used solely for these transactions. Both accounts must be balanced, maintain equilibrium, be proportional to the goals pursued by the contract and respect the limits to the resources of the contract set out later in the document. The Financial Intermediary must not be instructed by the issuer in its activity on the issuer's shares.

- The Financial Intermediary shall not, at any time, occupy a dominant position in trading in the Issuer's shares. Since the need to enhance liquidity can be more pressing for "illiquid" issuers, the Liquidity contract will differentiate issuers, based on their degree of liquidity. For these purposes, the financial intermediary shall not exceed in any trading session, 25% and 15%, for illiquid and liquid shares, respectively, of average daily trading of the previous 30 sessions of the trading venue where the contract is executed.

- The Liquidity Contract must be executed in such a way as to ensure its continuity, maintaining the necessary equilibrium between the volume of purchases and sales over the long term.

- Regarding the distinction between illiquid and liquid issuers (shares), CNMV proposes to use a transparent, simple and objective method, based on the concept of shares considered to have a liquid market ("liquid share") under Mifid I[1]. Consequently, Liquidity contracts of

[1] Once Mifid II/ Mifir becomes applicable, the definition of liquid shares will be taken from them

issuers whose shares fall into the category of liquid shares shall respect the 15% threshold. For the liquidity contracts affecting other issuers, the 25% threshold will apply.

- In this respect, concerning volume restrictions, the 15% threshold is established at the same level set out as the "Recommendations by the CNMV for securities issuers and financial intermediaries acting on their behalf in discretionary transactions with own shares". On the other hand, the 25% threshold is established at the same level as article 3 (3) of Commission Regulation Commission Delegated Regulation (EU) 2016./52 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures.

- Activity during auction periods, and particularly during the closing auction, is permitted. Given the significance of the closing auction, as its price is often used as the reference for multiple transactions, and the need to provide as much liquidity as needed at this particular time where multiple interests are crossed, the Liquidity Contract allows the Financial Intermediary to introduce orders with certain price and volume limitations and with the obligation to act with exceptional care in order to not create artificial changes in the price of the financial instrument. Specific provisions for the introduction of orders during auction periods are established.

- A more flexible regime is foreseen for those less liquid issuers admitted to trading in the non-continuous market segment; the flexibility applies to; i) the calculation of 25% of the average daily trading in the trading venue where the liquidity contract is executed , that is, calculated in respect to the 30 previous sessions in which trading has taken place, and to, ii) the introduction and modification of orders during the auction, when those can be introduced with price and volume restrictions provided that other market participants have sufficient time to react to them. For these, in practice, less liquid shares admitted to trading in the non-continuous market segment, the order introduction rules are the ones depicted for the closing auction.

- In any case, trades by a Financial Intermediary in the framework of a liquidity contract must not create artificial changes in the share price with respect to the market trend, or hamper the market's normal operation, or mislead third parties. To that end:

a) Buy orders must be made at a price not greater than the price of the last trade in the market between independent parties and the highest price of a buy order in the market order book, whichever is higher.

b) Sell orders must be made at a price not lower than the price of the last trade in the market between independent parties and the lowest price contained in a sell order in the market order book, whichever is lower.

- Additionally, limits will be drawn in order to ensure that the resources of both accounts, cash and shares allocated to the contract respect the principle of proportionality to the goals pursued by the contract, making up an additional safeguard to limit the possibility of acquiring a dominant market position.

a) For liquidity contracts on issuers whose shares fall into the category of liquid shares under Mifid I [2], the maximum amount of cash and shares will not together exceed the amount of cash and shares that the Financial Intermediary would require if, for 13 trading sessions, it were to either only buy or only sell the maximum daily volume, subject in any event to a cap of 20 million euro.

b) For liquidity contracts on issuers whose shares do not fall in the above category, the maximum amount of cash and shares will not exceed together at least one of the following limits:

[2] Once Mifid II/ Mifir becomes applicable, the definition of liquid shares will be taken from them

-The amount of cash and shares that the Financial Intermediary would require if, for 20 stock market sessions, it engaged solely in purchasing or selling, concentrating the maximum daily volume ; or

-The result of multiplying 1% of the Issuer's share capital by the share's closing price on the day prior to execution of the contract.

In any event, where a Liquidity Contract is signed by an Issuer whose shares do not have a liquid market in accordance with the provisions of article 2.1.17 of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MIFIR) and its secondary legislation, the cash and its equivalent in shares may not exceed 1 million euros.

- To ensure compliance with the principle of proportionality, the liquidity contract will also establish the conditions in which the Financial Intermediary may, simultaneously or in succession:

a) Buy or sell the Issuer's shares in order to ensure equilibrium between the balance of shares and cash, having regard to the outlook for performance of the liquidity contract.

b) Transfer a certain amount from the cash account to another account designated by the Issuer

- As far as transparency conditions of the Liquidity Contract, any issuer (beneficiary) that enters into a Liquidity Contract must disclose to the public the following information:

a) Before it comes into force and is performed as an AMP, by means of disclosure of the following information through the CNMV web page:

    i) the identity of the Financial Intermediary with which the performance has been arranged,

    ii) the share to which the AMP will apply and the trading venues where the trades are to be executed,

    iii) the duration of the contract, and the number of shares and the amount of cash allocated to the securities and cash accounts, respectively.

b) Quarterly, once the AMP has been performed, daily aggregated figures of transactions executed under the contract, aggregated amount of own shares purchased and sold, amount of cash paid and received, and balance of the securities and cash accounts at the end of the reporting period and on signature of the contract are disclosed to the public. This information, along with any change in the information referred to in paragraphs i), ii) and iii) above must be disclosed within the following five stock market sessions.

c) When a specific liquidity contract ceases to be performed, the issuer must disclose the fact that the contract is terminated and the transactions in own shares made, detailing the number of own shares that were purchased and sold, the amount of cash paid and received, and the balance of the securities and cash accounts at the end of the reporting period and on signature of the contract. Additionally the issuer will report on the development of the execution of the contract and the reasons or causes that have led to its conclusion.

- Regarding the restrictions, the AMP doesn´t allow the issuer to engage, directly or indirectly in any other trade in its own shares while the Liquidity Contract is in force except for those made under the cases referred below, where the contract is suspended.

In this respect, the performance of transactions envisaged in the Liquidity Contract will be suspended in the following situations:

1. In the event of primary and secondary public offerings of the Issuer's shares, in which stabilisation activity according to article 5 of MAR is performed.

2. Between publication of the disclosure to the market and settlement of a takeover bid for the Issuer's shares or of a takeover bid in which the Issuer is the bidder and the consideration being offered consists of a swap or exchange of shares or a combination of cash and shares.

3. During the execution of buy-back program.

4 When the issuer purchases its own shares as a result of a compensation scheme to employees or directors, of an expiry of a derivative financial instrument or of a corporate action

Proposed date of establishment of the AMP: On 24/06/16, according to article 13 (13) of MAR, the CNMV notified ESMA of the Liquidity Contract which was established as an AMP by the CNMV on 13/01/2008, through the "*Circular 3/2007, of 19 December, by the Comisión Nacional del Mercado de Valores on Liquidity Contracts for the purposes of their acceptance as a market practice*".

This new AMP on Liquidity Contracts is intended to replace the above mentioned AMP.

Once ESMA issues an opinion to the CNMV assessing the compatibility of this AMP with MAR and Supplementing Regulation, the CNMV will take the necessary steps to approve the new Circular which will entry into force once it is published in the Spanish Official State Gazette (Boletín Oficial del Estado-BOE).

Description of the AMP "*Liquidity Contract*":

i) Types of person or group of persons who may perform the AMP

Performance of the Liquidity Contract shall be done by Investment Firms or Credit Institutions (Financial Intermediary). The CNMV considers that these firms are subject to supervisory duties from financial regulators and therefore fairness, efficiency and market integrity while performing the practice is fostered. The CNMV is also of the view that from a prudential supervision perspective and to adequately protect market participants, in this particular AMP, it was considered necessary that persons performing were a particular type of "supervised persons".

Additionally, market membership will become a condition to perform the liquidity contract, since it will enhance the appropriate supervision by the CNMV of those performing an AMP, will facilitate the identification of trades, while, at the same time, will reduce the risks of not complying with the corresponding rulebooks of trading venues.

The issuer is only allowed to sign a contract with a single Financial Intermediary for each category of shares.

ii) Trading venues on which the AMP will be performed

Transactions will be performed on Spanish regulated markets for shares and Spanish multilateral trading facilities.

iii) Types of person or a group of persons who may benefit from the performance of the AMP

Any issuer in the Spanish markets -whose shares are admitted to trading on Spanish regulated markets and on Spanish multilateral trading facilities -might sign a contract (Liquidity Contract) with a Financial Intermediary. The issuer (beneficiary) will benefit from the performance of the AMP through the appointment of the Financial Intermediary performing or executing it.

iv) Description of the type of financial instrument to which the AMP relates

The Liquidity Contract relates to shares of companies listed in Spanish regulated markets and Spanish multilateral trading facilities.

v) Indication of whether the AMP can be performed for a specific period of time and description of situations or conditions leading to a temporary interruption, suspension or termination

The AMP can be performed for as long the CNMV considers it appropriate provided that behaviour is conducted for legitimate reasons, respecting then article 231 of the Spanish Securities Market Law. In this respect, the content of this provision mirrors the content of article 12.1.a. second paragraph of MAR.

Particular contracts between beneficiaries and persons performing the AMP will have a duration of either 12 or 18 months from the signature date, as agreed by the parties, and will be renewed implicitly for the same length of time, unless otherwise indicated by these.

The issuer may not engage, directly or indirectly in any other trade in its own shares while the liquidity contract is in force except for those made under the cases referred below, where the contract is suspended.

The performance of transactions envisaged in the Liquidity Contract will be suspended in the following cases:

1. In the event of primary and secondary public offerings of the Issuer's shares in which stabilisation activity according to article 5 of MAR is performed.

2. Between publication of the disclosure to the market and settlement of a takeover bid for the Issuer's shares or of a takeover bid in which the Issuer is the bidder and the consideration being offered consists of a swap or exchange of shares or a combination of cash and shares.

3. During the execution of a buy-back program

4. When the issuer purchases its own shares as a result of a compensation scheme to employees or directors, of an expiry of a derivative financial instrument or of a corporate action

Rationale for which the practice could constitute market manipulation

The enhancement of liquidity, in the way the Liquidity Contracts permit, could potentially lead to misleading signals, referred to in article 12 of MAR, as to the supply of demand for or price of a financial instrument, while the reduction of price movements by the enhanced liquidity could be construed as leading to an artificial price level that secures or is likely to secure the price of a financial instrument or is affecting or likely to affect the price of a financial instrument.

If transactions or other behavior conducted in the context of this market practice is not exempted from the prohibition of article 15 of MAR, it could mean that the implementation of such Liquidity Contracts could in some instances constitute market manipulation.

In order to ensure that transactions executed in the context of a Liquidity Contract are not designated as market manipulation, provisions are set to determine the transparency requirements as well as objectives, criteria, price and volume conditions and restrictions under which such Liquidity

Contracts may be established as an Accepted Market Practice. Transactions, orders or behavior in conformity with an Accepted Market Practice shall additionally be carried out for legitimate reasons to benefit from the non-application of article 15 of MAR.	
ASSESSMENT	
List of criteria taken into account	**Conclusion of the competent authority and rationale**
(a) Level of transparency provided to the market	In addition to the reporting and transparency obligations with regard to own shares to which listed companies are subject, any issuer (beneficiary) that enters into a Liquidity Contract must disclose to the public the following information; a) Before it comes into force and is performed as an AMP, by means of disclosure of the following information through the CNMV web page: i) the identity of the Financial Intermediary with which the performance has been arranged, the share to which the AMP will apply ii) the trading venues where the trades are to be executed, the duration of the contract, iii) the number of shares and the amount of cash allocated to the securities and cash accounts, respectively. b) Quarterly, once the AMP has been performed, daily aggregated figures of transactions executed under the contract, aggregated amount of own shares purchased and sold, amount of cash paid and received, and balance of the securities and cash accounts at the end of the reporting period and on signature of the contract are disclosed to the public. This information, along with any change in the information referred to above in point a of paragraphs i), ii) and iii) must be disclosed by the issuer within the following five stock market sessions. c) When a specific liquidity contract ceases to be performed, the issuer must disclose the fact that the contract is terminated and the transactions in own shares made, detailing the number of own shares that were purchased and sold, the amount of cash paid and received, and the balance of the securities and cash accounts at the end of the reporting period and on

	signature of the contract. The issuer must also submit a report to the CNMV describing how the AMP has been performed and the reasons or causes that have led to its conclusion The issuer must notify the CNMV and the public whenever the contract is suspended along with the reasons for it. In addition to fulfilling the reporting requirements described above, an issuer that enters into a liquidity contract must present a copy of the contract to the CNMV when it is signed. There is also a provision in the AMP granting the CNMV access to any information exchanged between the issuer and Financial Intermediary. The CNMV might also, under its general supervisory powers request the issuer and or the Financial Intermediary to submit information about any transaction executed. Please be aware that public disclosure of transactions under the Liquidity Contract are currently made through the CNMV`s web page.
(b) Degree of safeguards to the operation of market forces and the proper interplay of the forces of supply and demand	After careful assessment, the CNMV considered relevant that the AMP were performed by Investment Firms or Credit Institutions, in order to provide enhanced safeguards to the operation and to the market. The CNMV is of the view that from a prudential supervision perspective and in order to adequately protect market participants and retail investors in this particular AMP, it was necessary for persons performing to be a “supervised persons” type. Investment Firms and Credit Institutions are already obliged by the Securities Market Law and Mifid provisions to fulfill obligations with regard to managing and executing clients` orders as well as record keeping rules that will allow an immediate identification of activities and trades. In addition, the Liquidity Contract establishes that trades performed under it must be registered by the Financial Intermediary in two accounts: a securities account and a corresponding cash account, both opened in the name of the Issuer and used solely for these transactions. Both accounts must be balanced and the balances of the accounts associated with the Contract must maintain equilibrium and be proportional to the goals pursued by the contract.

	a) For liquidity contracts on issuers whose shares fall into the category of liquid shares under Mifid I , the maximum amount of cash and shares will not together exceed the amount of cash and shares that the Financial Intermediary would require if, for 13 trading sessions, it were to either only buy or only sell the maximum daily volume, subject in any event to a cap of 20 million euro. b) For liquidity contracts on issuers whose shares do not fall in the above category, the maximum amount of cash and shares will not exceed together at least one of the following limits : (i) the amount of cash and shares that the Financial Intermediary would require if, for 20 stock market sessions, it engaged solely in purchasing or selling, concentrating the maximum daily volume ; or (ii) the result of multiplying 1% of the Issuer's share capital by the share's closing price on the day prior to execution of the contract. In any event, where a Liquidity Contract is signed by an Issuer whose shares do not have a liquid market in accordance with the provisions of article 2.1.17 of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MIFIR) and its secondary legislation, the cash and its equivalent in shares may not exceed 1 million euros. Financial Intermediary must also keep the records of orders and transactions related to the Liquidity Contract for a period of at least five years. Investment Firms and Credit Institutions also distinguish to have compliance departments in charge of making appropriate assessment of the risks of the AMP. They are also better positioned than other “non-Mifid” firms to determine and avoid conflict of interest between the beneficiary and its clients and ensure compliance. In this respect, it is specifically required that they possess the compliance and audit resources necessary to be able to monitor and ensure compliance at all times with the conditions set for the AMP. The contract also provides for the Financial Intermediary and issuer to assess and communicate to each other their existing potential conflict of interest at the moment the contract is signed or any conflict that might arise in the future, as well as to establish measures aimed at avoiding them. Market membership will also be required as an

	additional condition to perform the practice, as the CNMV considers this as very helpful, since it enhances the appropriate supervision by the CNMV of those persons performing an AMP, facilitates the identification of trades executed under the AMP, while, at the same time, reducing the risks of not complying with corresponding rulebooks of trading venues. In practice all the Financial Intermediaries that execute a Liquidity Contract are so far market members. The AMP establishes ex-ante a list of trading conditions for its performance including limits to both prices and volumes and limits on positions. In this respect, the Financial Intermediary may not, at any time, occupy a dominant position in trading in the Issuer's shares. For these purposes, it may not in any event exceed accordingly 15% or 25% of average daily trading in the main market in the trading venue where the liquidity contract is executed in the previous 30 sessions. During auction periods, and particularly during the closing auction, the Financial Intermediary must act with exceptional care not to create artificial changes in the price of the financial instrument. In any case, trades by a Financial Intermediary in the framework of a liquidity contract must not create artificial changes in the share price with respect to the market trend, or hamper the market's normal operation, or mislead third parties. To that end the following rules on trading conditions apply: a) Buy orders must be made at a price not greater than the price of the last trade in the market between independent parties and the highest price of a buy order in the market order book, whichever is higher. b) Sell orders must be made at a price not lower than the price of the last trade in the market between independent parties and the lowest price contained in a sell order in the market order book, whichever is lower. The AMP specifically provides for the possibility of carrying out block deals in a separate facility provided by the trading venue, only in exceptional circumstances; the person facilitating the trade shall be a third party and must respond to an offer to buy or sell generated

	outside the sphere of the Financial Intermediary. This deal will compute for the daily volume limit in the Liquidity contract but will not account for the calculation of the corresponding 15% or 25% of the average daily trading in the trading venue where the liquidity contract is executed in the previous 30 sessions. Finally, the Financial Intermediary must not be instructed by the issuer in its activity on the issuer's shares, therefore it shall act independently. The provisions of the Liquidity Contract compels the Financial Intermediary to have an internal organization structure that ensures its employees entrusted with decision making regarding trades under the contract are independent from other areas handling the proprietary account, portfolio management and processing third party orders.
c) Impact on market liquidity and efficiency.	The objective of this practice is precisely to improve market liquidity and efficiency. Lack of liquidity in equities hampers the market's proper development and operation and may be detrimental to market participants and intermediaries. In line with the decisions by other securities supervisors in the European Union, certain mechanisms aimed at increasing a security's liquidity may be appropriate if they minimize misleading signals and do not impair the orderly working of the market. In particular, Liquidity Contracts are designed to have a positive impact on some of the variables that affect liquidity. It is important to underscore the fact that with the exception of the Liquidity Contract, there has not been any liquidity scheme or market-making arrangement promoted by the market operator of the Spanish Regulated Markets for cash equity. The experience has shown that the Liquidity Contract has increased the volume traded as it has helped and may even have been a key factor sometimes in the interaction of supply and demand of shares of an issuer. On the other hand, since it aims at ensuring regular quotations for an otherwise illiquid share or for illiquid situations in a liquid share, it is expected that it will increase the number of orders in the order book with the capability of increasing somehow the speed of executions of the transactions and the bid/offer spread.

	In addition to the increase in volume traded, the additional assumptions on liquidity derive from the practical understanding of the AMP with no provisions of numerical data. The CNMV would like to stress that price and volumes restrictions in Liquidity Contracts are deemed not to create artificial prices or imbalance between supply and demand, therefore the impact of it on some of the liquidity parameters, like the volume weighted average price should be somehow limited. As far as daily closing price effect, it has been previously mentioned that an explicit provision demands the Financial Intermediary to take great care during closing auction in order to ensure that its actions do not have a decisive influence on share price performance. In addition, there are specific rules for the introduction of orders during the closing auction; a) the price of the buy order shall not exceed the greater resulting from the theoretical equilibrium price of the auction at the time of the introduction of the order and the price of the last transaction executed in the market before the auction; b) the price of the sale order shall not be less than the lower resulting from the theoretical equilibrium price of the auction at the time of the introduction of the order and the price of the last transaction executed in the market before the auction. Responses to the public consultation carried out by the CNMV for the purposes of article 13.3 of MAR about a future AMP on the same object, have shown that Liquidity Contracts have had a positive impact on liquidity, narrowing the spread and making deeper order books enabling transactions that without them would not have been possible. No supporting data was however provided by the respondents.
d) The trading mechanism of the relevant market and the possibility for market participants to react properly and in a timely manner to the new market situation created by that practice.	The CNMV recognizes the possibility that the practice could affect price formation process. Thus, the AMP compels Financial Intermediary in the framework of a liquidity contract not to create artificial changes in the share price with respect to the market trend, or hamper the market's normal operation, or mislead third parties. On the other hand, Liquidity Contract provisions establish that trades have to be executed in Spanish regulated markets or multilateral trading facilities through the order book in accordance with the trading rules, within the

	standard trading of those markets and using electronic trading means. The disclosure means and the effective dissemination of the information are achieved by the means described in point a, “Level of transparency provided to the market”. These disclosures may be viewed on the web sites of the CNMV and the Issuer. Moreover, the Liquidity Contract envisages “ex ante” situations or conditions where it will be suspended, these are the following; i) in the event of primary and secondary public offerings of the Issuer's shares, in which stabilization activity according to article 5 of MAR is performed, ii) Between publication of the disclosure to the market and settlement of a takeover bid for the Issuer's shares or of a takeover bid in which the Issuer is the bidder and the consideration being offered consists of a swap or exchange of shares or a combination of cash and shares, iii) during share buyback programs, iv) When the issuer purchases its own shares as a result of a compensation scheme to employees or directors, of an expiry of a derivative financial instrument or of a corporate action.
(e) Risks for the integrity of, directly or indirectly, related markets, whether regulated or not, in the relevant financial instruments within the Union.	In order to avoid the risk for the integrity of related markets, the AMP includes different safeguards which are described below. Provisions included in the AMP ensure the principle of proportionality encouraging the parties to maintain equilibrium between the balance to the cash and shares accounts associated with the contract. Additionally, the Financial Intermediary shall not, at any time, occupy a dominant position in trading in the Issuer's shares. Since the need to enhance liquidity can be more pressing for “illiquid” issuers, the Liquidity contract will differentiate issuers, based on their degree of liquidity. For these purposes, the financial intermediary shall not exceed in any trading session, 25% and 15%, for illiquid and liquid shares, respectively, of average daily trading of the previous 30 sessions of the trading venue where the contract is executed. The contract should determine the nature and level of the compensations. Those must not undermine the principle of independence nor encourage the Financial Intermediary to artificially influence the price or trading volume

	by performing transactions. Compensation to be received by the financial intermediary shall consist of a fixed amount which shall not be linked to variables such as the number of trades executed under the contract or the evolution of the price of the shares of the issuer. Trades performed under a liquidity contract must be registered by the Financial Intermediary in two accounts: a securities account and a corresponding cash account, both opened in the name of the Issuer and used solely for these transactions. Both accounts must be balanced and the balances of the accounts associated with the Contract. The Liquidity Contract must define the conditions under which the Financial Intermediary will trade. Other duties and activities are depicted throughout the contract, specifically in the section describing the market practice that is compulsory for every contract. As far as the organizational structure and internal arrangements of the persons performing the AMP, we would refer to what it has been said in point b *“Degree of safeguards to the operation of market forces and the proper interplay of the forces of supply and demand”*. It is also important to point out that an adequate reporting between the issuer (beneficiary) and the Financial Intermediary to fulfill their respective legal obligations, particularly the rules on inside information, is compulsory. Finally, transaction reporting to the CNMV is not specifically required in the AMP for the following reasons; i) the CNMV can at any time request it under its general powers, ii) Mifid requires European Investment Firms to send Competent Authorities transaction reports through the TREM and orders made under the contract are introduced by Mifid authorized firms and executed in the market under an agency basis, always on behalf of the issuer. This implies that in the Transaction Reporting regime under Mifid and under Mifir, the client buyer or seller field will be filled with the name of the issuer. The CNMV can therefore track down at any time any transaction under the contract, iii) transparency requirements explained in point a, are also used to examine and ascertain any activity performed (issuers must disclose in the quarterly report the daily aggregated figures of its activity under the contract).

(f) Outcome of any investigation of the relevant market practice by any competent authority or other authority, in particular whether the relevant market practice infringed rules or regulations designed to prevent market abuse or codes of conduct, irrespective of whether – it concerns, directly or indirectly, – the relevant market or related markets within the Union.	The Secondary Markets Department of the CNMV quarterly undertakes a supervisory exercise of every Liquidity Contract. The exercise assesses the fulfilment of the transparency requirements as well as the following conditions; limits on volumes, activity in closing auctions, compliance with restrictions and accuracy of the balance of the cash and securities accounts. Whenever minor non-compliant aspects are found a written explanation from the Financial Intermediary is required. A copy of the warning letter sent to the Financial Intermediary is also sent to the issuer. Meetings with beneficiaries and Financial Intermediaries are also held in case performance of the contract raises any concern. A written report of every regular supervisory exercise is always produced and submitted to the management of the CNMV. From the experience of the CNMV in its supervisory and investigation activities, we have not had until now any adverse result or outcome that might question the nature or object of the AMP.
(g) Structural characteristics of the relevant market, inter alia, whether it is regulated or not, the types of financial instruments traded and the type of market participants, including the extent of retail investors' participation in the relevant market.	Spanish regulated equity markets and Spanish multilateral trading facilities operate based on the SIBE electronic trading platform, developed entirely by Bolsas y Mercados Españoles, S.A. Those markets are based on an order-led system, single order book and order- matching system that operates on the basis of price-time priority. Apart from shares, warrants, certificates and exchange traded funds (ETFs) are also traded electronically. Concerning the effects of the practice on the market participants it is worth noting, firstly, that the Liquidity Contract shall increase the probability of investors finding a counterparty, especially in low-liquidity shares or in an illiquid environment. The practice is therefore favorable to retail investors. Secondly, the financial instruments in the scope of the Liquidity Contracts are shares of companies admitted to trading in Spanish regulated markets and multilateral trading facilities. Therefore, it is widely expected that

	the retail investors' participation might be very significant in most of the cases. Lastly, the fact that the AMP sets out conditions and restrictions to the performance of the practice intends to guarantee the interest of retail investors.