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AMF establishes liquidity contracts on shares as an accepted market practice

The Autorité des marchés financiers has decided to establish an accepted market practice for liquidity contracts on shares taking into account the opinion provided by ESMA on 11 April 2018. In effect from 1 January 2019, this practice will be reviewed after a two-year period.

In accordance with the European regulation on market abuse, last February, the Autorité des marchés financiers notified a draft accepted market practice governing the use of liquidity contracts on shares. Concluded between an investment services provider and an issuer, these contracts improve liquidity on the shares in question. Where established as an accepted market practice, these contracts provide the issuers and investment services providers implementing them and complying with their terms legal reassurance in regard to regulations for market manipulation. In widespread use in France (more than 400 French companies have signed a liquidity contract on their securities), this practice is seen as vital to the proper functioning of the French securities market for mid-size issuers.

The accepted market practice adopted by the AMF, which will come into effect on 1 January 2019 takes into account the opinion issued by the European Securities and Markets Authority (ESMA).

The accepted market practice thus imposes limits in managing liquidity contracts in terms of:

- volume of operations in the course of one day;

- price limit of orders placed on the market;
- resources allocated by the issuer to the liquidity contract.

The AMF's decision can be consulted on its website, as well as the note setting out, in accordance with the European regulation, the reasons for the AMF's decision and why this practice will not threaten market confidence.

This accepted market practice will be reviewed after a two-year period with a view to possibly recalibrating the stated limits.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected, that investors are provided with adequate information and supervising the orderly operation of markets. Visit our website www.amf-france.org.


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