17 February 2021

Summary of SPOT inspections on liquidity contracts

As announced in the AMF's supervision priorities for 2020, a series of short thematic "SPOT" inspections targeting liquidity contracts was carried out. The inspections were conducted under the provisions of AMF Decision 2018-01 of 2 July 2018 on establishing liquidity contracts on equity securities as accepted market practice.

A liquidity contract provides a framework for the conditions under which an issuer entrusts an investment services provider (ISP) with carrying out transactions on its behalf to stimulate the market and promote the liquidity of its shares.

AMF Decision 2018-01 sets out the conditions for implementing liquidity contracts within the framework of the accepted market practice established by the AMF. These conditions, when they are met, allow ISPs to benefit from the exemption framework provided for in Article 13 of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 June 2014 on market abuse (hereinafter the "MAR"). Accordingly, the prohibition of market manipulation as referred to in Article 15 of the MAR does not apply when an order or transaction has been carried out for legitimate reasons and complies with an accepted market practice as defined in Article 13 of the same Regulation.

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