

OPINION OF THE EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

Of 5 August 2022

Relating to the intended revision of the Accepted Market Practice on liquidity contracts notified by the Comissão do Mercado de Valores Mobiliários

1 Legal basis

1. Article 15 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (MAR)¹ prohibits market manipulation, which includes entering into a transaction, placing an order to trade or any other behaviour which “gives or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument, a related spot commodity contract or an auctioned product based on emission allowances”.
2. However, Article 13 of MAR also provides an exception to the general prohibition (“safe harbour”) where the transactions, orders or behaviour have been carried out for legitimate reasons and conform with an accepted market practice established by the relevant national competent authority (NCA).
3. Article 13 of MAR is supplemented by the Commission Delegated Regulation (EU) 2016/908 of 26 February 2016² (RTS on AMPs) that further specifies the requirements listed in Article 13(2) of MAR that a NCA should take into account before deciding whether or not to establish an AMP.
4. Additionally, on 25 April 2017, ESMA published, in the form of an ESMA opinion (ESMA70-145-76), its points for convergence in relation to MAR AMPs on liquidity contracts. These points for convergence are aimed at ensuring a more consistent and convergent approach for the establishment of AMPs on liquidity contracts across Europe.

¹OJ L 173, 12.6.2014, p. 1.

² 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; OJ L 153, 10.6.2016, p. 3.

2 Procedure

5. Before establishing an AMP, under Article 13(3) of MAR, a NCA intending to modify an AMP must notify ESMA and the other NCAs of its intention at least three months before the AMP is intended to take effect.
6. According to Article 13(4) of MAR, ESMA shall, within two months from the receipt of the notification made by an NCA, issue an opinion on the intended AMP revision and publish it on its website. This opinion shall assess (a) the compatibility of the intended AMP with Article 13(2) of MAR and the RTS on AMPs and (b) whether the AMP would not threaten the market confidence in the Union's financial market.
7. Article 13(8) of MAR also foresees that NCAs shall review regularly, and at least every two years, the AMPs they have established. Article 12(5) of the RTS on AMPs determines that the issuance of an ESMA opinion regarding proposed modifications of established AMPs has to be made following the procedure for new AMPs.
8. The Board of Supervisors adopts this opinion in accordance with Article 13(4) of MAR. This opinion is addressed to the Comissão do Mercado de Valores Mobiliários (CMVM).

3 Background

9. Following the notification received from the CMVM of their proposed AMP on 8 August 2017, ESMA issued a positive opinion ([ESMA70-145-171](#)) on 27 September 2017, considering such proposal compatible with Article 13(2) MAR and with the RTS on AMPs, and noting that the proposal contained various mechanisms to limit the threat to market confidence.
10. The AMP was established by the CMVM in November 2017.
11. In the present case, on 1 July 2022 the CMVM notified ESMA of its intention to modify their AMP on liquidity contracts. This modification would enable the CMVM to authorise financial intermediaries performing a liquidity contract to trade a maximum of 20,000 euros when the existing volume limits would not allow them to effectively provide liquidity. According to the CMVM, this "hard" threshold would only be permitted following a request from the financial intermediary, that must demonstrate the difficulty in effectively promoting the liquidity of the share concerned.
12. The present opinion is based on the information provided by the CMVM. Given that the scope of their proposed amendments is limited, ESMA will only analyse the new elements that the CMVM proposes to modify. For the rest of the AMP, the ESMA opinion published on 27 September 2017 remains valid.

4 Opinion

On the notification received

13. ESMA finds that the CMVM's notification of 1 July 2022 provided the information required under Article 13(3) of MAR and Article 10 of the RTS on AMPs (see annex).
14. According to the CMVM, the modification proposed has been made following a consultation with relevant domestic bodies and takes into account the framework introduced by MAR and the points for convergence. In line with that, ESMA concludes that the revision process was carried out by the CMVM in accordance with Article 13(8) MAR and Article 2(1) of the RTS on AMPs.
15. The other NCAs were duly notified by ESMA of the proposed AMP, in accordance with Article 13(3) of MAR.

Key issues arising from the proposed revision of the AMP

16. The CMVM's modification only contains two new elements:
 - a. The CMVM proposes to introduce a “hard” volume limit of 20,000 euros per session that would be authorised where the financial intermediary cannot provide liquidity to the share under the ordinary volume limits set out in the CMVM AMP³. The “hard” limit could be applied to both liquid and illiquid shares under Regulation (EU) No 600/2014 of the European Parliament and of the Council (MiFIR) and Commission Delegated Regulation (EU) 2017/567 of 18 May 2016.

The CMVM would only grant access to such “hard” limit upon request from the relevant financial intermediary, that has to demonstrate the difficulty in effectively promoting the liquidity of the share concerned.

ESMA notes that the liquidity of the Portuguese market has a direct impact on the implementation of the liquidity contracts⁴. In that sense, the CMVM AMP applies the volume and resource limits of liquid shares to the shares included in the PSI index, but not liquid under MiFIR⁵. This possibility is foreseen in the points for convergence.

³ In relation to illiquid shares, trades should not exceed 25% of the average daily volume on the market in the previous [20 to 30] trading sessions.

In relation to liquid shares, trades should not exceed 15% of the average daily volume on the market in the previous [20 to 30] trading sessions.

Where a sub-category of highly liquid shares is introduced, trades should not exceed 5% of the average daily volume on the market in the previous [20 to 30] trading sessions.

⁴ See for these purposes tables 3, 4 and 5 of the ESMA Report on trends, risks and vulnerabilities: structural market indicators, February 2022, available at https://www.esma.europa.eu/sites/default/files/library/esma50-164-4665_smis.pdf.

⁵ See Article 2(1)(17)(b) of MiFIR and Article 1 of Commission Delegated Regulation (EU) 2017/567.

Moreover, the CMVM already informed ESMA about the difficulty in promoting liquidity in its equity market under the existing AMP. This has been reflected in the latest ESMA annual report on AMPs⁶. In particular, it should be noted that only one contract is operated under the current AMP.

The CMVM also reported to ESMA that the only operative contract provided liquidity to a share simultaneously listed in the Portuguese and the Spanish market. CMVM also informed ESMA that despite the share being liquid in accordance with the liquidity of the Spanish market, the liquidity of the Portuguese market was significantly lower. As a consequence, the applicable volume limit (5% of the average daily volume) together with the low liquidity of the Portuguese market did not permit to provide liquidity in practice.

ESMA agrees that its points for convergence permit to set out an alternative limit of 20,000 euro per session, irrespective of the liquidity of the instrument, where even 25% of the average daily volume in the market would not allow to effectively provide liquidity.

In line with that, ESMA notes that the access to such “hard” volume limit would not be granted blindly but it would be subject to the prior review by the CMVM of the relevant share’s previous trading history, preventing an abusive use of it. That prior authorisation would be complemented by the ongoing monitoring of the Portuguese market to be carried out by the CMVM⁷.

As a consequence, ESMA considers that the proposed modification provides enough safeguards to the operation of market forces and the interplay of the forces of supply and demand, as requested by Article 13(2)(b) of MAR and Article 4 of the CDR 2016/908.

ESMA also understands that this limited amendment to the AMP does not affect the assessment of the other parameters set out in Article 13(2) of MAR and the RTS on AMPs.

As a consequence, the ESMA reiterates that the opinion published on 27 September 2017 remains valid for the rest of the AMP.

- b. The CMVM also aligns the legal references included in its AMP to the new regulatory framework set out by MiFIR and Commission Delegated Regulation (EU) 2017/567 of 18 May 2016. On that, ESMA welcomes the further alignment of the Portuguese AMP with the new regulatory framework.

⁶ https://www.esma.europa.eu/sites/default/files/library/esma70-156-4859_report_on_the_application_of_accepted_market_practices_2021.pdf;

⁷ See paragraphs 25 and 26 of the original ESMA opinion, available at <https://www.esma.europa.eu/press-news/esma-news/esma-publishes-opinion-cmvm%E2%80%99s-mar-accepted-market-practice-liquidity-contracts>.

5 Conclusion

17. Considering the above analysis, ESMA considers that the proposed amendments of the CMVM's AMP are compatible with Article 13(2) of MAR and with CDR 2016/908.
18. As a consequence, and in line with ESMA's original opinion, ESMA considers that the revised CMVM's AMP is compatible with Article 13(2) of MAR and with the Commission Delegated Regulation (EU) 2016/908 and contains various mechanisms to limit the threat to market confidence with respect to liquidity contracts and therefore maintains its positive opinion.

ANNEX- NOTIFICATION CONTAINING THE CMVM AMP

Accepted market practice (AMP) on *Liquidity Contracts*

The Portuguese CMVM notifies ESMA of the Accepted Market Practice (AMP) on Liquidity Contracts, in accordance with article 13(3) and 13(8) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (MAR) and with article 2 (2) of Commission Delegated Regulation (EU) 2016/908 of 26 February 2016 supplementing MAR 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 modified AMP is intended to replace, under article 13(8) of MAR and article 12 of the Supplementing Regulation, the AMP established by the CMVM on November 2017, for which ESMA issued its opinion on September 27 2017 considering that the proposed AMP contained sufficient mechanisms to reduce the risks of market manipulation and limit the threat to market confidence.

Proposed date of establishment of the AMP

Once ESMA issues its opinion, the CMVM will take the necessary steps to put the amendments of the AMP in place.

The modification of the AMP has been made in light of the experience gained from the two-year on-going supervisory activity, carried out by CMVM, of the liquidity contract established under the AMP regime and in place since January 2020. As pointed out on the 2021 ESMA Report on the implementation of AMP, CMVM had informed ESMA on 2021 that it will launch the revision of the AMP in place in order to implement a new AMP during 2022.

Modifications of the AMP in place

The modifications to the former AMP are as follows:

- i) Provision of a hard threshold to be applied as a restriction to the daily amount traded by the financial intermediary performing the liquidity contract when the maximum volumes to be traded according to

relative thresholds set by the AMP considering the liquidity classes of the share do not allow the financial intermediary to effectively provide liquidity to the share.

The hard threshold is allowed following a request from the financial intermediary that must demonstrate the difficulty in effectively promoting the liquidity of the share concerned and the authorization from CMVM. The limit is a recourse solution and consists of 20.000€, in line with paragraph 29 of the ESMA Points for Convergence in relation to MAR accepted market practices on liquidity contracts;

ii) Update the references to regulations that have been revoked, replacing them with references to regulations currently in force.

Description of the AMP

Purpose, financial instruments in scope and trading venues on which the AMP will be performed

The purpose of the liquidity contracts is to enhance liquidity and regular trading in shares that are listed on a Portuguese regulated market (RM) or that are listed or traded on a Portuguese multilateral trading facility (MTF), provided that the issuer has requested the admission to trading of its shares on the RM or MTF or has approved their trading on the MTF. Transactions under the liquidity contract shall be carried out only on the Portuguese trading venues (regulated markets or MTF).

The liquidity contract may improve the regularity of the trading by the increasing in the traded volumes, the increasing of the number of trades, the decrease of the observed bid-offer spreads or the decrease of the daily price volatility.

Types of persons who may perform the AMP and who may benefit from the performance of the AMP

The liquidity contract shall be performed by a financial intermediary (investment firm or credit institution), member of the trading venue where the contract is to be performed.

Any issuer in the Portuguese markets whose shares are listed on a Portuguese regulated market (RM) or that are listed or traded on a Portuguese multilateral trading facility (MTF), provided that the issuer has requested the admission to trading of its shares on the RM or MTF or has approved their trading on the MTF, might enter into a liquidity contract with a financial intermediary and benefit from the performance of the AMP.

The financial intermediary shall register the trades carried out under the contract – on the issuer's behalf – in two separate accounts opened in the name of the issuer and used solely for the purpose of such contract: a securities account and a corresponding cash account.

The principle of exclusiveness must be observed thus allowing solely for a single active liquidity contract per share category and for each financial intermediary. Furthermore, a new contract may not be entered into with same or another financial intermediary unless the previous contract is terminated.

The issuer shall not instruct the financial intermediary concerning the activity under the contract. The financial intermediary has to set up an internal organization structure that ensures the independency of the employees responsible for the decision making regarding orders and trades under the liquidity contract from other areas such as the management of the proprietary account, portfolio management and processing third party orders. Besides that, the financial intermediary performing the liquidity contract has to be independent from the issuer, meaning that the parties cannot be within the same group.

The issuer is not allowed to transmit to the financial intermediary, directly or indirectly, any other decision to trade own shares, except in the situations identified as leading to a suspension of the contract.

The financial intermediaries that execute liquidity contracts shall keep individual records of the orders placed under the contract and of the transactions that have been carried out for, at least, five years. On a daily basis, the financial intermediary informs the issuer on the movements and balance of the securities and cash accounts.

Written form of the contract

The liquidity contract must be entered into in a written form between the issuer and the financial intermediary.

The issuers shall submit to the CMVM, a copy of the liquidity contract, for assessment of each the conditions, three working days before the intended date for the beginning of its performance. Besides that, CMVM may further request from the issuer and financial intermediary, all the information that it may require for monitoring the execution of the liquidity contract. The liquidity contract must contain the following information:

- a) identification of the security in the scope of the contract, namely identifying its nature, type, ISIN code, the par unit value, amount issued and the amount admitted to trading;
- b) identification of the contracting parties;
- c) indication of the duties taken on by the contracting parties, i.e. the information that the financial intermediary shall periodically transmit to the issuer for the purposes of following-up on the execution of the contract and that allows the issuer to fulfil its legal duties for complying with the market practice and the prohibition of transmitting inside information to the financial intermediary by the issuer;

- d) the expected date for the beginning of the trades and the deadline for the execution of the trades;
- e) the amount of securities and the amount of cash allocated to the execution of the contract, as well as the maximum and minimum limits (where applicable) in the market, both daily and accumulated until the end of the contract;
- f) the securities and cash accounts held by the issuer for the execution of the contract;
- g) the liability statement from the financial intermediary that ensures that the intermediary will execute the liquidity contract independently from any other activity linked to its own portfolio activity, trading for the account of a third-party and of clients' portfolios under management;
- h) the financial intermediary's remuneration (fixed, variable or a combination of the two) which shall not reduce its independency from the issuer and which shall be designed in order not to prejudice the integrity of the market.

The accepted market practice statement is written out under the market abuse and the market protection duty framework (articles 311 and 379 of the Portuguese Securities Code) and without prejudice to the application of inside information rules and the imposition of the inherent legal consequences.

Limits to the resources to be allocated to the performance of the liquidity contract

The maximum amount of cash and the maximum number of shares to be allocated to the performance of the liquidity contract shall not exceed:

- For high liquid shares (in accordance with Commission Delegated Regulation (EU) 2017/567 of 18 May 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 (MiFIR framework)): 75% of the average daily trading volume with a maximum of €50 million.

- For liquid shares (those ones included in the PSI index, but not liquid under MiFIR framework): 200% of the average daily trading volume with a maximum of €20 million.

- For other shares: 500% of the average daily trading volume or 1% of the outstanding issued shares with a maximum of €1 million.

The average daily trading volumes should be determined in relation to the 20 trading sessions before the liquidity contract is entered into on the trading venue where the liquidity contract is to be performed. Where the liquidity contract is to be performed on more than one trading venue it should be considered the highest average daily trading volume. Such limits apply to all transactions (buys and sales) carried out under the liquidity contract, and should not be considered in relation to each

trading venue when the liquidity is to be performed on more than one trading venue.

Trading conditions

The improvement in liquidity allowed through the performance of liquidity contracts potentially lead to misleading signals in the trading of financial instruments that in some instances could constitute market manipulation. In order to ensure that the performance of liquidity contracts, when carried out for legitimate reasons, shall not constitute market manipulation or the breach of market protection duty, financial intermediaries must comply with transparency requirements and trading conditions concerning prices, volumes and the placing of the orders.

The financial intermediary may only trade for the execution of a liquidity contract during the normal trading period established by the market operator/financial intermediary of the regulated market/MTF. Trading after the close of the market is not allowed and operating in auctions is allowed provided that the financial intermediary takes the necessary steps in order not to introduce artificial trends in the regular functioning of the market. The financial intermediary shall not secure a dominant position over the shares' trading.

Placing both buy and ask orders

In normal market conditions, the financial intermediary shall place buy and sell orders simultaneously. It is up to the financial intermediary to establish its performance strategy and the issuer shall sustain the inherent market risks. However, the financial intermediary is obliged to assess at all times, the market price levels and shall adjust its performance taking into account the market trend. An incorrect perception on the value that the market has given to the shares, may originate a disparity between the cash available for the purchase and the number of shares available for sale.

Price restrictions

In order to limit the price impact of the placed orders under the liquidity contract, the following conditions must be complied with:

- i) Buy orders must be placed at a price not higher than the higher between the price of the last independent trade and the highest independent bid in the order book;
- ii) Sell orders must be placed at a price not lower than the lower between the price of the last independent trade and the lowest independent ask in the order book;

Independent trade means a trade in the market between parties not related with the financial intermediary.

Independent orders are all orders that are not executed under the liquidity contract and that do not represent decisions to trade for the financial intermediary's own portfolio, are not placed by the financial intermediary as decisions to trade for third-party portfolios under management or placed as orders for the account of a third-party.

Volume restrictions

In each trading session the financial intermediary shall comply with the following volume constraints:

- i) For high liquid shares (those ones classified as liquid shares in accordance with Commission Delegated Regulation (EU) 2017/567 of 18 May 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 (MiFIR framework)), transactions under the contract should not exceed 5% of the average daily volume on the market in the previous 20 trading sessions.
- ii) In relation to liquid shares (those ones included in the PSI index, but not liquid under MiFIR framework), transactions under the contract should not exceed 15% of the average daily volume on the market in the previous 20 trading sessions.
- iii) For other shares, transactions should not exceed 25% of the daily volume on the market in the previous 20 trading sessions.
- iv) In cases where the financial intermediary demonstrates that the restrictions established in i), ii) or iii) do not allow to effectively provide liquidity, then upon authorization by the CMVM, a maximum of €20,000 is allowed to trade in each trading session.

Each of the thresholds should be calculated by taking into account all the trades carried out under the liquidity contract, cumulating buys and sales, without netting. The average daily trading volumes should be determined in relation to the 20 trading sessions on the trading venue where the liquidity contract is to be performed.

Auctions

The performance of the activity during auction periods, namely during the opening and the closing auction is allowed. However, during such periods, the financial intermediary shall act with exceptional care not to create artificial price changes and should give the other market participants sufficient time to react, i.e. the orders should be placed at a price that will not impact the final price of the auction.

Block trades

Block trades in shares within the execution of a liquidity contract are not allowed.

Situations or conditions leading to a temporary interruption, suspension or termination of the contract

The execution of the liquidity contract must be suspended in the following cases:

- i. during the execution of a share buyback programme;
- ii. as a result of a compensation scheme to employees or directors, of an expiry of a derivative financial instrument or of a corporate action;
- iii. when a public offer for shares is carried out, namely when stabilization activity is performed or when a public offer for the acquisition of the issuer's shares is announced.

Liquidity contracts are not intended to increase the amount of issuers' own-shares and CMVM may suspend the performance of the contract, should it detect any irregularities concerning the compliance of its performance to the conditions impose or in cases of suspicion of market abuse.

Transparency and disclosure to the public

Prior to beginning into force of the liquidity contract and prior to be performed as an AMP, the issuer shall publicly disclose details of the contract entered into with the financial intermediary, concerning the following information:

- i. the identification of the issuer and of the financial intermediary through which the liquidity contract will be performed;
- ii. the trading venue and shares concerned;
- iii. the cash and securities placed at the disposal of the financial intermediary;
- iv. the maximum amount of shares that may be accumulated in the portfolio for the execution of the contract;
- v. the period during which the AMP will be performed and situations that lead to the temporary interruption, suspension or termination of its performance and
- vi. the duration of the contract.

During the performance of the AMP, the issuer shall publicly disclose:

- i. on a monthly basis, daily aggregated information, details of the transactions carried out under the liquidity contract, namely the date of the transactions, the number of transactions carried out, the number of shares bought and sold, the amount of cash paid and received, the price of the transactions, the average size of the transactions, the average spreads quoted and the amount of shares held under the liquidity contract in each day.
- ii. As soon as possible, any changes to previously disclosed information on the AMP, namely changes relating to available resources in terms of cash and financial instruments, changes to the identity of persons performing the AMP, changes in the allocation of cash or financial instruments in the accounts of the issuer and any interruption, suspension or termination of the contract.

When the liquidity contract is terminated, the issuer shall publicly disclose, as soon as possible:

- i. the expiry of the contract and the reasoning behind it;
- ii. the transactions made under the contract, detailing the number of shares purchased and sold, the amount of cash paid and received and the balance of the securities account and of the cash account at the termination date.

All the disclosures concerning the liquidity contract shall be made by the issuer (the beneficiary of the contract) through the Information Disclosure System on the CMVM's website under the section concerning 'Transactions of own shares' and on the issuer's website.

Rationale for why the practice would constitute market manipulation

The improvement of liquidity under liquidity contracts involves entering transactions and placing orders to trade which potentially (i) gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of a share or potentially (ii) secures, or is likely to secure, the price of the same and so potentially may constitute market manipulation.

In order to ensure that transactions carried out under the liquidity contract and orders placed or any other behavior established have been carried out for legitimate reasons, conditions and requirements are set up under which liquidity contracts may be established as an AMP.

Non-compliance with the conditions and restrictions presented above could potentially lead to misleading signals concerning the supply of and demand for or the price of the share and be seen as market manipulation (article 379 of the Portuguese Securities Code and MAR) or if the case, a breach of the market protection duty (article 311 of the Portuguese Securities Code).

ASSESSMENT	
List of criteria taken into account	Conclusion of the competent authority and rationale
(a) Level of transparency provided to the market	Apart from the compliance with the Commercial Law on trading in own shares and public companies, and in addition to the reporting and transparency obligations with regards to own shares, the issuer that enters into a Liquidity Contract must disclose to the public, through the Information Disclosure System on CMVM's website – under the section 'Transactions on own account' – and on the issuer's website, the following information:
	1) Prior to beginning into force of the liquidity contract and prior to be performed as an AMP, the issuer shall publicly disclose details of the contract entered into with the financial intermediary, concerning the following information: <ul style="list-style-type: none"> i. the identification of the issuer and of the financial intermediary

	<p>through which the liquidity contract will be performed; the trading venue and shares concerned;</p> <p>ii. the cash and securities placed at the disposal of the financial intermediary;</p> <p>iii. the maximum amount of shares that may be accumulated in the portfolio for the execution of the contract;</p> <p>iv. the period during which the AMP will be performed and situations that lead to the temporary interruption, suspension or termination of its performance and</p> <p>v. the duration of the contract.</p> <p>vi.</p> <p>During the performance of the AMP, the issuer shall publicly disclose:</p> <p>i. on a monthly basis, daily aggregated information, detailing the transactions carried out under the liquidity contract, namely the date of the transactions, the number of transactions carried out, the number of shares bought and sold, the amount of cash paid and received, the price of the transactions, the average size of the transactions, the average spreads quoted and the amount of shares held under the liquidity contract at the end of each day.</p> <p>ii. As soon as possible, any changes to previously disclosed information on the AMP, namely changes relating to available resources in terms of cash and financial instruments, changes to the identity of persons performing the AMP, changes in the allocation of cash or financial instruments in the accounts of the issuer and any interruption, suspension or termination of the contract.</p> <p>When the liquidity contract is terminated, the issuer shall publicly disclose, as soon as possible:</p> <p>i. the expiry of the contract and the reasoning behind it;</p> <p>ii. the transactions made under the contract, detailing the number of shares purchased and sold, the</p>
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	<p>amount of cash paid and received and the balance of the securities account and of the cash account at the termination date.</p> <p>The issuers shall submit to the CMVM, a copy of the liquidity contract, three working days before the intended date for the beginning of its performance, for the assessment of its conditions. Besides that, CMVM may further request from the issuer and financial intermediary, all the information that it may require for monitoring the execution of the liquidity contract.</p>
<p>b) Degree of safeguards to the operation of market forces and the proper interplay of the forces of supply and demand</p>	<p>In order to provide enhanced safeguards to the market, the liquidity contracts must be performed by a financial intermediary – investment firm or credit institution – that is member/user of a trading venue and that shall act independently. Such requirement enhances the duty to protect the market as such entities are subject to obligations that allow for the supervision of the activities performed. The financial intermediary and the issuer are not allowed to be within the same group.</p> <p>The principle of exclusiveness must be observed thus allowing solely for a single active liquidity contract per share category and for each financial intermediary. Furthermore, a new contract may not be entered into with same or another financial intermediary unless the previous contract is terminated.</p> <p>The transactions performed under the liquidity contract are registered on the securities and cash accounts opened in the name of the issuer and used solely for the purpose of such contract. Financial intermediaries must also keep the records of orders and transactions for, at least, five years.</p> <p>The liquidity contract is subject to trading conditions that includes price and volume limits and limits to the resources to be allocated to the performance of the contract (see above).</p> <p>Liquidity contracts may have an impact in the interplay between the legitimate supply and demand in the market and thus enhance the liquidity of shares that would otherwise be considered non-liquid, improving the regular functioning of the market for such shares.</p>

<p>c) Impact on market liquidity and efficiency</p>	<p>The purpose of the practice is to improve market liquidity and efficiency. Such purpose can be achieved by the increasing in the traded volumes, the increase of the number of trades, the decrease of the observed bid-offer spreads or the decrease of the daily price volatility.</p>
<p>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</p>	<p>The transactions under the liquidity contract have to be executed in a trading venue through the order book and through a financial intermediary member of such trading venue.</p> <p>Besides that, the activity under the contract is subject to trading limits:</p> <ul style="list-style-type: none"> ▪ For high liquid shares (those ones classified as liquid shares in accordance with Commission Delegated Regulation (EU) 2017/567 of 18 May 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014 (MiFIR framework)), trades under the contract should not exceed 5% of the average daily volume on the market in the previous 20 trading sessions. ▪ In relation to liquid shares (those ones included in the PSI index, but not liquid under MiFIR framework), trades under the contract should not exceed 15% of the average daily volume on the market in the previous 20 trading sessions. ▪ For other shares, transactions should not exceed 25% of the daily volume on the market in the previous 20 trading sessions. ▪ In cases where the financial intermediary demonstrates that the restrictions established in i), ii) or iii) do not allow to effectively provide liquidity, then upon authorization by the CMVM, a maximum of €20,000 is allowed to trade in each trading session. <p>Each of the thresholds should be calculated by taking into account all the trades carried out under the liquidity contract, cumulating buys and sales, without netting. The average daily trading volumes should be determined in relation to the 20 trading sessions on the trading venue where the liquidity contract is to be performed</p> <p>The performance of the activity during auction periods, namely during the opening and the closing auction is allowed. However, during such periods, the financial intermediary shall act with exceptional care not to create artificial price changes and should give the other market participants sufficient time to react to them, i.e. the price orders should</p>

	<p>not impact the final price of the auction.</p> <p>The financial intermediary must place orders with a limited price impact. Orders should fulfill the following conditions:</p> <ul style="list-style-type: none"> ▪ Buy orders must be placed at a price not higher than the higher between the last independent trade and the highest independent bid in the order book; ▪ Sell orders must be placed at a price not lower than the lower between the last independent trade and the lowest independent ask in the order book. <p>Block trades are not allowed under the liquidity contract.</p>
<p>(e) Risks for the integrity of, directly or indirectly, related markets, whether regulated or not, in the relevant financial instruments within the Union</p>	<p>CMVM may request from each issuer and financial intermediary, all the information required for monitoring the execution of the liquidity contract. Liquidity contracts are not intended to increase the amount of own-shares and the CMVM may suspend if any irregularities concerning its compliance are detected or if there is suggestive market abuse.</p> <p>Financial intermediaries that perform contracts are obliged to maintain individual records of all the orders placed and transactions carried out for, at least, five years.</p> <p>The issuer shall not instruct the financial intermediary concerning the activity under the contract. The financial intermediary has to ensure an internal organization structure that ensures the independency of the employees responsible for the decision making regarding orders and trades under the liquidity contract from other areas such as the management of the proprietary account, portfolio management and processing third party orders. Besides that the financial intermediary performing the liquidity contract has to be independent from the issuer, meaning that not only the parties cannot be within the same group but also that the remuneration for the services provided shall not undermine the independence of the financial intermediary. The nature and the level of the remuneration – which may be fixed, variable or a combination of the two – shall be designed in order not to prejudice the integrity of the market or the orderly functioning of the market or to give rise to the conflicts of interest. Notably, a variable remuneration or a variable component of the remuneration based on indicators relating to the performance of the liquidity contract, such as the number of trades carried out, the volumes traded or the price movement, should not be allowed as they potentially compromise the integrity of the</p>

	<p>market or may give rise a conflict of interest, unless it is assessed otherwise by the CMVM.</p> <p>The issuer is not allowed to transmit to the financial intermediary, directly or indirectly, any other decision to trade own shares, except in the situations identified as leading to a suspension of the contract.</p> <p>The issuer should not transmit any other instruction to the financial intermediary concerning purchase and sale decisions. It is up to the financial intermediary to establish its performance strategy and the issuer shall sustain the inherent market risks. However, the financial intermediary is obliged to assess at all times, the market price levels and shall adjust its performance as per the market tendency. An incorrect perception on the value that the market has given to the shares, may originate a disparity between the cash available for the purchase and the number of own shares available for sale. The financial intermediary informs the issuer on a daily basis on the movements and balance of the accounts.</p> <p>The financial intermediary may only trade for the execution of a liquidity contract during the normal trading period established by the managing entity of the regulated market or MTF. Trading after the close of the market is not allowed and operating in opening and closing session auctions is allowed provided that the financial intermediary takes the necessary steps in order not to introduce artificial trends in the regular functioning of the market.</p> <p>The financial intermediary shall not secure a dominant position over the shares' trading.</p> <p>The execution of the liquidity contract must be suspended in the following cases: during the execution of a share buyback programme; as a result of a compensation scheme to employees or directors, of an expiry of a derivative financial instrument or of a corporate action; when a public offer for shares is carried out, namely when stabilization activity is performed or when a public offer for the acquisition of the issuer's shares is announced.</p> <p>Liquidity contracts are not intended to increase the amount of issuers' own-shares and CMVM may suspend the performance of the contract, should it detect any irregularities concerning the compliance of its performance to the conditions impose or in cases of suspicion of market abuse.</p> <p>The accepted market practice statement is written</p>
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	<p>out under the market abuse and the market protection duty framework (articles 311 and 379 of the Portuguese Securities Code and MAR) and without prejudice to the application of inside information rules and the imposition of the inherent legal consequences.</p>
<p>(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</p>	<p>Presently, and within the scope of CMVM's powers, no conclusion was put forward that opposes the liquidity contract as an accepted market practice.</p>
<p>(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</p>	<p>The financial instruments in the scope of the liquidity contracts are shares of listed companies in Portuguese regulated markets or listed/traded in Portuguese MTF. Retail investors' participation on such trading venues are significant.</p> <p>The conditions and limits to the performance of the practice are aimed to guarantee the interest of retail investors. The liquidity contract shall increase the probability of investors finding a counterparty to trade with, especially in non-liquid shares.</p>