BME SPANISH EXCHANGES COMMENTS ON ESMA CALL FOR EVIDENCE ON THE EVALUATION OF THE REGULATION (EU) 236/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON SHORT SELLING AND CERTAIN ASPECTS OF CREDIT DEFAULT SWAPS

March 15th, 2013

Bolsas y Mercados Españoles (BME) integrates the companies that operate and manage the securities markets and financial systems in Spain. It brings together, under a single activity, decision-making and coordination unit, the Spanish equity, fixed income and derivative markets and their clearing and settlement systems.

We welcome the We welcome the Call for evidence on the evaluation of the Regulation (EU) 236/2012 of the European Parliament and of the Council on short selling and certain aspects of credit default swaps. We would like to thank the ESMA for the opportunity to participate in this public consultation process.

The views and opinions expressed hereunder reflect those of BME Spanish Exchanges as a group which, amongst others, gathers equity, fixed income and derivatives exchanges.

Q26 What is your assessment of the effect of temporary restrictions imposed by competent authorities on short selling since the application of the Regulation? Please explain

From our point of view the three months restriction imposed in November 2012 by Spanish competent authorities on short selling in all Spanish shares and their derivatives created a big impact in the market. The impact on the liquidity of the market was much more important than the reduction of the volatility of the shares. During these three months Spanish shares reduced clearly their volumes compared with other European shares. We hope this imbalance and asymmetry will not happen in the future. There are academic studies (including from the Spanish competent authorities) published ratifying this measure imply an extra cost for participants in the market.