

OPINION OF THE EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

Of 28 May 2021

Relating to the intended Accepted Market Practice (AMP) on liquidity contracts notified by the Autorité des marchés financiers (AMF)

1. Legal basis

1. Article 13 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (MAR)¹ provides that a national competent authority (NCA) may establish an accepted market practice (AMP). The relevant provision of MAR is supplemented by the Commission Delegated Regulation (EU) 2016/908 of 26 February 2016² (CDR 2016/908) 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.
2. As required under Article 13(3) of MAR, an NCA intending to establish an AMP must notify ESMA and other NCAs of its intention at least three months before the AMP is intended to take effect.
3. 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 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 CDR 2016/908 and (b) whether the establishment of the AMP would not threaten market confidence in the Union's financial market.
4. In accordance with Article 13(5) of MAR, where the NCA intends to establish a practice contrary to the opinion issued by ESMA, the notifying NCA is required to publish on its

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.

website a notice setting out in full its reasons for establishing the AMP, within 24 hours of establishing that AMP.

5. This opinion is adopted pursuant to Article 13(4) of MAR and is addressed to the Autorité des marchés financiers (AMF).

2. Background and procedure

6. MAR determines a harmonised framework prohibiting market manipulation (Article 15). When defining market manipulation, Article 12(1)(a) of MAR describes it as entering into a transaction, placing an order to trade or engaging in behaviour which gives, or is likely to give, a false or misleading signal as to the supply of, demand for, or price of – among others – a financial instrument falling within the scope of MAR, or which secures, or is likely to secure, the price of such an instrument at an abnormal or artificial level.
7. However, by way of exception, Article 13 of MAR provides that the prohibition of market manipulation does not apply to the activities referred to Article 12(1)(a) of MAR, provided that the transaction conducted, the order placed, or the behaviour engaged in has been carried out for legitimate reasons and in accordance with a market practice formally accepted by an NCA (hereinafter referred to as AMP).
8. The protections and safeguards foreseen by MAR with respect to activities falling within an AMP have been envisaged precisely because those activities could constitute market manipulation, namely by affecting the price formation process, by giving false or misleading signals as to the supply of, demand for, or price of the financial instrument or by securing the price at an abnormal or artificial level.
9. Market manipulation is one of the most serious types of misconduct in financial markets and for which a criminal regime has been established in the EU through the Directive 2014/57/EU of the European Parliament and of the Council on criminal sanctions for market abuse³. For that reason, to ensure scrutiny at EU level on AMPs, MAR requires ESMA to issue an opinion on every AMP to be established.
10. To identify a common understanding for the establishment of AMPs on liquidity contracts by NCAs, ESMA has adopted an Opinion on points for convergence (ESMA70-145-76⁴, hereinafter referred to as “ESMA Opinion on PfC”), published on 25 April 2017. In establishing the points of convergence, ESMA took into account data and information provided by the NCAs (including the AMF).

³ OJL 173, 12.6.2014, p. 179-189.

⁴ Available at this link: https://www.esma.europa.eu/sites/default/files/library/esma70-145-76_opinion_on_point_of_convergence_of_liquidity_contract_amps.pdf.

11. On 12 February 2018, the AMF notified ESMA of its intention to establish an AMP relating to liquidity contracts⁵ (the 2018 AMP). On 11 April 2018, ESMA issued an Opinion whereby the 2018 AMP was not considered compatible with Article 13(2) of MAR (ESMA70-145-442)⁶.
12. In accordance with Article 13(5) of MAR, the AMF communicated to the public that, further to the ESMA's Opinion, it had decided to proceed with establishing its 2018 AMP for liquidity contracts taking into account ESMA's Opinion⁷.
13. In ESMA's view, its Opinion on the 2018 AMP was only partially taken into account and no explanation was provided on the remaining incompatibility with Article 13(2) of MAR. In this respect, in its December 2018 annual Report on the application of AMPs ESMA highlighted the specific divergences between the 2018 AMP and the ESMA Opinion on PfC, in terms of volumes, prices, resources and transparency⁸.
14. On 31 March 2021, in accordance with Article 13(3) of MAR, the AMF notified ESMA and the other NCAs of its intention to replace its 2018 AMP that has been applicable since 1 January 2019 with a new AMP, applicable as of 1 July 2021 (hereinafter the AMF AMP, see Annex).
15. According to the AMF's notification, the AMF AMP has been consulted with the AMF's "Market organization" and "Issuers" consultative committees and the Association Française des Marchés Financiers (AMAFI). According to the AMF, the AMF AMP takes into consideration the lessons from an in-depth analysis of the impact of the liquidity contracts under the 2018 AMP: "*Retrospective analysis of the impact of liquidity contracts on the French market and potential changes in accepted market practice*" (December 2019-May 2020, an in-depth analysis of the impact of the liquidity contracts entered into under the 2018 AMP, hereinafter the Retrospective Analysis)⁹, as well as the outcome of on-site inspections carried out in 2020 on several investment firms in charge of the implementation of such contracts ("Summary of SPOT inspections on liquidity contracts", hereinafter Summary of Inspections)¹⁰.

3. Rationale of the ESMA Opinion

16. The AMF AMP refers to liquidity contracts by which an investment firm or a credit institution (hereinafter financial intermediaries) put orders to the equity market on behalf of the issuer. The practice would only be available for issuers admitted to trading

⁵ That AMP was to replace the previous AMP that was established by the AMF under the Market Abuse Directive.

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Available at this link https://www.esma.europa.eu/sites/default/files/library/esma70-145-442_opinion_on_amf_amp_on_liquidity_contracts.pdf

⁷ The public notice of the AMF is available at this link <https://www.amf-france.org/fr/actualites-publications/actualites/contrats-de-liquidite-note-explicative-de-la-decision-de-lamf-dinstaurer-une-pratique-de-marche>

⁸ https://www.esma.europa.eu/sites/default/files/library/esma70-145-1184_report_application_amps.pdf; paragraphs 26 to 28.

⁹ <https://www.amf-france.org/en/news-publications/publications/reports-research-and-analysis/retrospective-analysis-impact-liquidity-contracts-french-market-december-2019-may-2020-and-potential>

¹⁰ <https://www.amf-france.org/en/news-publications/publications/spot-inspection-campaigns/summary-spot-inspections-liquidity-contracts>

on the French regulated market Euronext Paris and the multilateral trading facility Euronext Growth Paris, and would have to be performed by a financial intermediary which is a member of those trading venues, respectively.

17. The objective of the AMF AMP is to enhance the liquidity and regular trading in shares. The AMF's notification declared that the liquidity contracts "*may improve the regularity of the trading and decrease the bid/offer spreads and may decrease the daily price volatility without hindering the underlying market trend*".
18. Other mechanisms to enhance the liquidity of financial instruments exist in EU markets, e.g. market making or liquidity provision under a contract with a trading venue. The main difference between those mechanisms and a liquidity contract established in accordance with an AMP is that, in the latter case, the issuer initiates the practice, determines its scope (timing and duration) and the resources (in cash and shares) that will be devoted to it.
19. ESMA considers that, since those liquidity contracts are prompted and fully funded by the issuer, its interests may conflict with the ones of the market as a whole and particularly with those of investors'. Therefore, those practices require the careful assessment of the parameters included in Article 13(2) of MAR and in the relevant Articles of the CDR 2016/908, in order to assess if the risks to the market integrity that AMPs could potentially pose, notably in terms of effects on the price formation process, are assessed and contained.
20. From a pragmatic standpoint, in ESMA's view the main risks associated with liquidity contracts are:
 - a. the possibility that the issuer instructs the financial intermediary to act in sensitive periods for the issuer (e.g. around the announcement of financial results, or secondary offerings, during buy back or stabilisation programs or while a takeover is pending acceptance);
 - b. the possibility that the execution of the liquidity contract is unbalanced towards one side of the order book (e.g. more on the buy side than the sell side), ultimately influencing the share price;
 - c. the possibility of practices that would have a distorting effect on prices (e.g. by placing orders at a better price than what would result from independent orders);
 - d. the possibility of acquiring a dominant position in the market, with the associated distortive results that this would create;
 - e. the lack of transparency, preventing the market to assess the enhanced liquidity deriving from the execution of the contract compared to the one "naturally" present in the market;

- f. the possibility of an adverse incentive for the financial intermediary to increase trading in order to increase its remuneration under the contract.

21. In its assessment ESMA has considered:

- a. the notification received from the AMF;
- b. additional clarifications provided by the AMF in accordance with Article 11(1) of CDR 2016/908;
- c. the Retrospective Analysis and the Summary of Inspections published by the AMF.

4. ESMA's assessment

4.1 Level of transparency to the market – Article 13(2)(a) of MAR supplemented by Article 3 of CDR 2016/908

22. The AMF AMP provides for transparency requirements vis-à-vis the public and the AMF.
23. In relation to the **transparency vis-à-vis the public** the proposed AMF AMP provides that liquidity contracts comply with a number of publicity requirements by the issuer before the start of the execution of the liquidity contracts, during their execution and at the end of it.
24. Before the start of the execution of the liquidity contract, the issuer should publish information on beneficiary (the issuer), performer, duration, trading venues on which the liquidity contract is executed and limits. According to the AMF AMP the issuer should also make public the situations leading to a temporary suspension or termination of the liquidity contract.
25. On an ongoing basis, the issuer should publish every six months daily aggregated information on the transactions carried out in execution of the liquidity contract and the amount of cash and shares available on the accounts dedicated to the performance of the contract. The AMF AMP provides that any modification to the information published by the issuer before the performance of the liquidity contract should be disclosed as soon as possible, and the AMF has clarified that also the changes to previously disclosed information under the AMP are to be made public during the performance of the liquidity contract (Article 3(1)(b)(ii) of CDR 2016/908).
26. At the end of the performance of the liquidity contract, the issuer should make public the reasons therefor and a description of how the execution was performed.
27. In relation to the **transparency vis-à-vis the AMF**, the AMF AMP requires the issuer to submit to the AMF a copy of the liquidity contract with the financial intermediary before the start of its execution. The contract should contain information about the instruments in

scope, timing and duration, the resources allocated and the safeguards to ensure the independence of the performer and its remuneration.

28. Furthermore, the AMF AMP explicitly requires the issuer to provide the AMF with a report detailing the trades carried out under the liquidity contract on a monthly basis.
29. The AMF has clarified that the AMF AMP also provides for a periodic report to the AMF of other arrangements or contracts between the issuer and the performer of the liquidity contracts and the relevant fees (Article 3(2)(a) of CDR 2016/908). According to the Summary of Inspections¹¹, providing additional services to the issuers is a widespread practice across the firms providing liquidity under the AMP.
30. Therefore, ESMA considers that the AMF AMP is compatible with Article 13(2)(a) of MAR as supplemented by Article 3 of CDR 2016/908.

4.2 High degree of safeguards to the operations of the market forces and the proper interplay of the forces of supply and demand – Article 13(2)(b) of MAR supplemented by Article 4 of CDR 2016/908

31. The AMF AMP provides that the execution of the liquidity contracts should be carried out by an investment firm authorised under Directive 2014/65/EU of the European Parliament and of the Council¹² (MiFID II) or credit institution authorised under Directive 2013/36/EU of the European Parliament and of the Council. Additionally, the financial intermediary entrusted with the execution of the liquidity contract should be a member of the trading venue where the transactions in execution of the contract are carried out. The issuer may entrust the performance of the liquidity contract to a single financial intermediary only.
32. The AMF AMP provides for the establishment of dedicated securities and cash accounts in the name of the issuer whose records should be kept for at least five years.
33. Additionally, orders and transactions carried out on the issuer's behalf in the performance of the liquidity contract should be flagged in the trading venue's systems to ensure clear identification and a robust audit trail of the interventions of the liquidity provider. ESMA welcomes such enhanced supervisory tool that goes beyond the recommendations contained in the ESMA Opinion on PfC. ESMA also recognises that benefiting from the AMP does not mean being exempted from market abuse obligations and it is confident that the AMF will duly prosecute illegal behaviours even when performed under the AMP. However, ESMA does not consider that such an enhanced supervision can compensate for the absence of adequate limits, which could negatively impact market confidence, as further elaborated below.

¹¹ Section 3.1.3.

¹² Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

34. According to the AMF AMP the financial intermediary should possess the compliance and audit resources necessary to be able to monitor and ensure compliance at all times with the conditions set in the AMF AMP.
35. As to the independence of the financial intermediary from the issuer and the avoidance of conflict of interests, the AMF AMP requires the performer of the liquidity contract to adopt an internal organisation that ensures the independence of the employees responsible for the decision-making of the liquidity contracts, whereby those employees will not execute any other orders on the shares of the issuer outside of the liquidity contract.
36. Furthermore, the AMF AMP provides that the securities and cash accounts dedicated to the execution of the liquidity contract should only be used for that purpose, and that the issuer should not give instructions to the financial intermediary about the performance of the liquidity contract, except for the request to suspend the performance of the contract in the presence of stabilisation measures under Article 5 of MAR or takeover bids.
37. The remuneration of the financial intermediary should be fixed, with the possibility to include a variable component that will not exceed 15% of the total remuneration.
38. The AMF has confirmed that it will receive on an annual basis information on the remuneration derived from other services provided by the same financial intermediary to the issuer. This is particularly relevant as from the information provided in the Summary of Inspections¹³, it emerged that liquidity contracts are often part of a package of services.
39. ESMA notes that the AMF AMP does not prevent financial intermediaries to simultaneously transmit orders and execute transactions on the market under the liquidity contracts covered by the AMP whilst trading on their own account on the same share under a liquidity provision scheme entered into with the trading venue where the shares are admitted to trading (e.g. Euronext's supplementary liquidity provision).
40. However, this concern is mitigated by a strict separation between the trading desks in charge of the execution of the liquidity contracts from other activities of the financial intermediary. Additionally, the AMF has highlighted that such concern is also addressed by the presence of specific flags for the orders that are submitted to Euronext under its supplementary liquidity provision schemes and the regular supervisory exchanges with Euronext in that respect.
41. The AMF AMP provides for several trading conditions and restrictions for the performance of liquidity contracts, including price and volume limits that will be individually assessed in the following paragraphs.

¹³ Page 9: the task force identified the widespread practice among the sample's five ISPs of providing services additional to the liquidity contract. Among these services, market surveillance is most commonly marketed as a service supplementary to liquidity contracts. Market surveillance is systematically provided to issuers for two firms (i.e. for all issuers that have signed a liquidity contract with the ISP), and to 75%, 5% and 0% respectively for the other three ISPs in the sample.

42. Firstly, in relation to **price limits**, the AMF AMP requires that the performer of the liquidity contract submits orders that should be present simultaneously on both sides of the order book. The orders submitted by the financial intermediary should be only passive orders within the meaning of Article 2 of Commission Delegated Regulation 2017/575 supplementing MiFID II, i.e. orders that provide liquidity. Therefore, passive orders do not have a direct impact on price, as once entered into the book they will not immediately match another order but rather contribute to the increase of the width of the book and potentially reduce the bid-ask spread.
43. The ESMA Opinion on PfC recommends that orders should be at a price that: a) for buy orders, is not higher than the higher between the last independent trade and the highest independent bid order in the book, b) for sell orders, is not lower than the lower between the last independent trade and the lowest ask order in the book. ESMA's Opinion on PfC is aimed to limit any direct impact on price, but it potentially allows to submit orders with a price impact in those cases where the last independent trade's price is not within the current bid-ask spread.
44. In that sense, by providing for the submission of passive orders only, the AMF AMP goes beyond the recommendation included in the ESMA Opinion on PfC, as orders in execution of liquidity contracts should not result in a direct impact on the share price, which is one of the main objectives of the price limits.
45. In relation to trading during auction phases, the AMF AMP provides for a general requirement that the performance of the liquidity contract should be carried out "*with exceptional care*", ensuring that orders do not "*significantly impact*" the auction price. ESMA notes that this is not in line with the ESMA Opinion on PfC, where it was recommended that trading in auction phases should not have **any** impact on the auction price.
46. Moreover, in the absence of a definition of the terms "*exceptional care*" and "*significantly impact*", *de facto* the AMF AMP allows placing orders in the auction phase that may have a direct impact on the price (Article 4(2) of CDR 20)16/908). Even though the AMF has highlighted to have developed an in-house impact model to identify all patterns leading to significant price movement, ESMA notes that placing orders that may have a direct impact on price is not allowed under the AMF AMP outside of auction phases. ESMA considers that an impact on the price during the auction phase is even more critical from a market manipulation perspective than during continuous trading phases. Therefore, ESMA is of the view that the same – if not stricter – conditions applicable to continuous trading phases should apply during the auction phase in terms of price impact.
47. Allowing even a limited impact on the auction's price can result in an interference with the interplay of supply and demand, which is particularly critical in closing auction phases as it may impact the daily closing price. Such potential impacts of the performance of a liquidity contract, which is ultimately financed by the issuer, may interfere with the price determination process, in turn potentially undermining market confidence.

48. Secondly, in relation to **volume limits**, the AMF AMP provides for restrictions modulated according to the liquidity of the shares subject to the liquidity contract. In relation to highly liquid, liquid and illiquid shares¹⁴, the daily trading volumes should not exceed respectively 5%, 20% and 30% of the average daily turnover on the market of the previous 30 trading sessions¹⁵.
49. While the mechanism of differentiating according to the level of liquidity of the shares is in line with the ESMA Opinion on PfC, the daily limits for liquid and illiquid shares exceed by 5% those recommended in the ESMA Opinion on PfC.
50. Additionally, the AMF AMP provides for those limits in percentage of the average daily turnover to apply only beyond a hard threshold of 25.000 Euros on cumulative trades during the same trading day. Therefore, the relevant limits in percentages of the average daily turnover will be applicable only for daily volumes exceeding 25.000 Euros.
51. In this respect, it should be noted that the hard threshold recommended in the ESMA Opinion on PfC was different. In particular, for illiquid shares, the hard threshold of 20.000 Euros was provided as a second recourse, if the percentage limit of 25% did not allow for the effective provision of liquidity.
52. The AMF AMP hard threshold applies irrespective of the liquidity of the instrument. Considering that the percentage volume thresholds apply only after the hard one, in relation to illiquid shares it may occur that the threshold of 25,000 Euros, coupled with the further 30% on top, significantly expands the volumes limits, going well beyond the percentage limit of 30% of the average daily turnover.
53. The impact of the hard threshold on the actual overall volume limits allowed by the AMF AMP could result in volumes executed under the liquidity contract significantly higher than the ones recommended in the ESMA Opinion on PfC (in particular in relation to illiquid shares for which the ratio between the average daily turnover and the hard threshold is lower) and significantly increase the differences among the actual percentage volume limits applicable to highly liquid, liquid and illiquid shares.
54. Moreover, the Retrospective Analysis seems to confirm the appropriateness of the volume limits recommended in the ESMA Opinion of PfC, from which the AMF AMP significantly departs, as:

¹⁴ The AMF AMP defines the categories for the liquidity of the shares as follows. **Highly Liquid Shares**: liquid shares (a) having a liquid market in accordance with Article 1 of the Commission Delegated Regulation 2017/567 supplementing MiFIR (CDR 2017/567), and (b) included in the underlying basket of the CAC40 index. **Liquid Shares**: shares (a) having a liquid market in accordance with Article 1 of CDR 2017/567 and (b) not included in the underlying basket of the CAC40 index. **Illiquid Shares**: shares not having a liquid market under the definition of the Article 1 of CDR 2017/567.

¹⁵ In relation to IPOs, the volume restrictions should be modulated on the information available on ESMA's FITRS register.

- a. overall, for two third (66%) of the shares covered by a liquidity contract, no breaches of the volume limits set out in ESMA Opinion on PfC were identified over the observation period;
 - b. for nearly all the shares where at least one breach of the volume limits set out in ESMA Opinion on PfC was observed over the observation period, those have occurred approximately not more than once a month;
 - c. over the 85.000 observations carried out, only 420 breaches of the volume limits set out in ESMA Opinion on PfC were identified (i.e. 0.5% of the total), for volumes of 12 million euros out of 4.9 billion euros overall traded under liquidity contracts (0.2%).
55. The Retrospective Analysis argued that increasing the limits set out in the ESMA Opinion on PfC would reduce the number of breaches in the French market. However, the argument presented by the AMF does not justify such significant departure from the volume limits recommended in the ESMA Opinion on PfC.
56. ESMA would like to recall that the ESMA Opinion on PfC was aimed at achieving a “*common approach in establishing the AMPs on liquidity contracts and the safeguards to be provided by those AMPs with respect to market integrity and confidence*”. By significantly exceeding the volume limits recommended in the ESMA Opinion on PfC and by allowing, through the mechanism of the hard threshold, uneven limits in the different classes of liquidity, a liquidity contract under the AMF AMP may eventually unduly interfere with the interplay of the market forces.
57. Despite the fact that liquidity contract orders under the AMF AMP are not to **directly** impact the price (by allowing for passive orders only, with the exception of auction phases), high volumes may indirectly influence the share price, due to their potential impact on the order book composition and the bid-ask spread, which in light of the general objectives of AMPs may not ensure a proper level of safeguards and in turn negatively impact market confidence. If this is valid in relation to orders that are not to directly influence the share price (passive orders), it is even more relevant where a limited (rectius, non-significant) price impact is accepted under the AMF AMP, e.g. in the auction phases.
58. Lastly, the AMF AMP does not make any explicit reference to **limits on positions** (Article 4(2) of CDR 2016/908), that would therefore be only potentially capped by the maximum amount of cash and shares that can be allocated to the execution of the liquidity contract.
59. Overall, in relation to the above described points of concern, the AMF pointed out that, in its view, proper oversight and the enhanced supervisory tools provided under the AMF AMP should be seen as sufficient to justify more relaxed limits in the performance of liquidity contracts under the AMF AMP.
60. However, given the AMF AMP potential price impact in auction phases, the foreseen limits on volumes, with particular reference to illiquid shares, and the absence of limits on

positions, ESMA considers that the AMF AMP is not compatible with Article 13(2)(b) of MAR as supplemented by Article 4 of CDR 2016/908.

4.3 Positive impact on market liquidity and efficiency – Article 13(2)(c) of MAR supplemented by Article 5 of CDR 2016/908

61. According to the AMF AMP, the purpose of liquidity contracts is to “*enhance liquidity and regular trading in shares that are admitted to trading on Euronext Paris (Regulated Market) or Euronext Growth Paris (Multilateral Trading Facility). The liquidity contract may improve the regularity of the trading and decrease the bid-offer spreads and may decrease the daily price volatility without hindering the underlying market trend*”.
62. According to the AMF’s notification, the AMF AMP takes into consideration the outcome of the Retrospective Analysis as well as the outcome of the Summary of Inspections.
63. According to the AMF’s notification, liquidity contracts entered into under the AMF AMP are designed to favour the ability of investors to act in the market and find counterparties without hindering the underlying market trend, potentially increasing speed of execution, the daily number of trades and turnover.
64. However, as described in section 4.2, unlike trading during continuous phases, the AMF AMP allows placing orders in the auction phase that may have an impact on the price, therefore potentially impacting the daily closing price if trading takes place in the closing auction phase (Article 5(d) of CDR 2016/908).
65. Therefore, ESMA considers that the AMF AMP is not compatible with letter Article 13(2)(c) of MAR as supplemented by Article 5 of CDR 2016/908.

4.4 Whether the AMP takes into account the trading mechanism of the relevant market and enables market participants to react properly and in a timely manner to the new market situation created by that practice – Article 13(2)(d) of MAR supplemented by Article 6 of CDR 2016/908

66. The AMF AMP provides for trading conditions and restrictions on the performance of the liquidity contracts. Although different from the recommended conditions included in the ESMA Opinion on PfC, by providing for the submission of passive orders only, the AMF AMP requirements should not result in a direct impact on the share price whilst increasing liquidity and facilitating the evaluation of prices and orders.
67. The AMF AMP requires the issuers to make public the elements contained in Article 3 of CDR 2016/908.
68. The AMF AMP expressly lists those situations when the execution of the liquidity contract should be suspended, i.e. in case of stabilisation measures under Article 5 of MAR, in the context of a public offer and where a takeover bid affects the shares subject to the liquidity contract.

69. In the presence of a buyback program under Article 5 of MAR, whilst acknowledging the possibility that issuers may voluntarily suspend the performance of the liquidity contract, under the AMF AMP:
- a. the general strict separation between the trading desks in charge of the execution of the liquidity contracts from other activities of the financial intermediary applies; and
 - b. issuers are recommended that all the transactions carried out under the liquidity contract are considered for the purpose of the 25% volume limit set out in Article 3(3) of Commission Delegated Regulation (EU) 2016/1052¹⁶.
70. The AMF AMP is available to all issuers admitted to trading on Euronext Paris and Euronext Growth and the practice only concerns on-venue trading. Therefore, the orders and transactions to be carried out for the performance of the liquidity contracts will have to comply with the rules of the trading venue and be subject to the trading venue monitoring, including a real time monitoring of orders by the operator of the trading venue.
71. Additionally, orders and trades connected with the liquidity contract will have to be submitted to the trading venues with an *ad hoc* flag, to ensure a robust audit trail.
72. Those requirements, together with the pre- and post-trade transparency requirements set out by MiFIR contribute to the capacity of market participants to adequately evaluate prices and orders entered into the order book and to be able to react accordingly.
73. ESMA notes that, in exceptional circumstances the AMF AMP allows for block trades, which are negotiated transactions as specified by Article 4(1)(b) of MiFIR and as such, executed on a trading venue.
74. In relation to trading during auction phases, as explained in section 4.2, the AMF AMP provides that orders do not “significantly” impact the auction price. In the absence of a definition of “significant”, *de facto* the AMF AMP seems to allow to place orders in the auction phase that may have an impact on the price, behaviour that the AMF AMP does not allow during the normal trading, making it not compatible with Article 6(1)(a) and 6(2)(a) of CDR 2016/908 with reference to the auction phases.
75. Therefore, ESMA considers that the AMF AMP is not compatible with letter Article 13(2)(d) of MAR as supplemented by Article 6 of CDR 2016/908.

¹⁶ Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 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 programmes and stabilisation measures.

4.5 Risks for the integrity of the related markets – Article 13(2)(e) of MAR supplemented by Article 7 of CDR 2016/908

76. Firstly, in relation to the **reporting to the AMF** of the transactions carried out in execution of the liquidity contract, the AMF AMP explicitly requires the issuer to provide the AMF with a monthly report.
77. Secondly, in relation to the **resources allocated** to the execution of the liquidity contracts, the AMF AMP provides for limits modulated according to the liquidity of the shares subject to the liquidity contract:
- a. for highly liquid shares¹⁷, 100% of the average daily volume during the previous 30 trading days, without exceeding 50 million euro;
 - b. for liquid shares, 300% of the average daily volume during the previous 30 trading days, without exceeding 20 million euro;
 - c. for illiquid shares, 1% of the market capitalisation, without exceeding 2 million euro.
78. While the differentiation for the level of liquidity of the shares is in line with the ESMA Opinion on PfC, the overall method of calculation is not.
79. In relation to **liquid shares**, the resources allocated in percentage of the daily volumes are 50% higher than what ESMA recommended in the ESMA Opinion on PfC (300% rather than 200% of the average daily volume during the previous 30 trading days). The 20 million euros hard threshold not to be exceeded is in line with ESMA Opinion on PfC.
80. The AMF AMP did not provide a rationale for the significant increase of the resources limit. According to the Retrospective Analysis, 75% of the liquidity contracts under the current AMF AMP (applicable as of 1 January 2019) allocated resources for less than 200% of the average daily volume during the previous 30 trading days and only 15% of the issuers allocated between 200% and 300% of that amount. The AMF has explained that, in its view, the less liquid stocks of this segment may need a higher amount of resources allocated by the issuer.
81. In relation to **illiquid shares**, the AMF AMP departs from the ESMA Opinion on PfC both in relation to the percentage of resources allocated (calculated in relation to the market capitalisation rather than the outstanding issued shares at the time of entering into the

¹⁷ The AMF AMP defines the categories for the liquidity of the shares as follows. **Highly Liquid Shares**: liquid shares (a) having a liquid market in accordance with Article 1 of the Commission Delegated Regulation 2017/567 supplementing MiFIR (CDR 2017/567), and (b) included in the underlying basket of the CAC40 index. **Liquid Shares**: shares (a) having a liquid market in accordance with Article 1 of CDR 2017/567 and (b) not included in the underlying basket of the CAC40 index. **Illiquid Shares**: shares not having a liquid market under the definition of the Article 1 of CDR 2017/567.

liquidity contract) and in relation to the hard threshold not to be exceeded, which is doubled (2 million rather than 1 million).

82. As to the hard threshold, the Retrospective Analysis indicates that in the French markets the illiquid segment is more heterogeneous than the liquid and highly liquid share segments¹⁸. However, the statistical evidence contained in the Retrospective Analysis shows that the vast majority of liquidity contracts in the illiquid segment (90%) operate below the hard threshold of 1 million euro, which seems to contradict the necessity to double that level compared to the maximum one recommended by the ESMA Opinion of PfC.
83. Overall, enabling an unjustified allocation of resources to the performance of liquidity contracts significantly exceeding the ones recommended in the ESMA Opinion on PfC, in combination with the lack of limits on positions (see section 4.2), may have an impact on the interplay of supply and demand by favouring the possibility to acquire a dominant position in the market, with potentially detrimental effects on the market confidence.
84. Additionally, seen the broad compliance highlighted by the Retrospective Analysis with the limits contained in the ESMA Opinion on PfC, ESMA is of the view that the additional resources allowed by the AMF AMP are not commensurate to its objectives (Article 7(b) of CDR 2016/908).
85. Thirdly, according to the AMF AMP the remuneration of the financial intermediary should be usually fixed, with the possibility to include a variable component that will not exceed 15% of the total remuneration.
86. The Summary of Inspections seems to indicate that effective monitoring of this parameter is being carried out and overall, the limited percentage of the variable remuneration does not seem sufficient to encourage opportunistic behaviours.
87. Fourthly, the AMF AMP provides the establishment of dedicated securities and cash accounts in the name of the issuer, separated from the assets of the issuer and the financial intermediary.
88. Fifthly, the AMF AMP seems to clearly define the respective duties of the issuers and the financial intermediary, in relation to the transparency requirements, the performance of the contract and the reporting to the AMF.
89. Sixthly, regarding the internal organisation of the financial intermediary, the AMF AMP requires an internal organisation that ensures the independence of the employees responsible for the decision-making of the liquidity contracts, whereby those employees will not execute any other orders on the shares of the issuer outside of the liquidity contract.

¹⁸ Page 27.

90. As described above, the AMF AMP seems to allow financial intermediaries to also enter into a liquidity provision scheme with the trading venue where the shares are admitted to trading. However, as for the orders submitted in execution of a liquidity contract covered by the AMF AMP, also the orders submitted to Euronext's order book under Euronext's supplementary liquidity provision scheme are identified by a specific flag, to ensure proper market surveillance.
91. Lastly, given the issuer's requirement to provide the AMF with monthly reports on the performance of the liquidity contract, the issuer and the financial intermediary will necessarily have to put in place an adequate reporting process to exchange information between them.
92. Overall, given the limits to the resources that can be allocated to the execution of a liquidity contract, ESMA considers that the AMF AMP is not compatible with Article 13(2)(e) of MAR as supplemented by Article 7 of CDR 2016/908.

4.6 Outcome of any investigation of the relevant market practice by any NCA or by another authority – Article 13(2)(f) of MAR supplemented by Article 8 of CDR 2016/908

93. According to the AMF's notification, there have been no adverse results of any investigation that might question the AMF AMP. In particular, the AMF has gathered no evidence that the current AMP applicable as of 1 January 2019 may have had any detrimental impact on the orderly functioning of the market.
94. In the absence of information on any investigation that may question the validity of the AMF AMP, ESMA considers it compatible with Article 13(2)(f) of MAR as supplemented by Article 8 of CDR 2016/908

4.7 The structural characteristics of the relevant market, including the extent of retail investors participation – Article 13(2)(g) of MAR supplemented by Article 9 of CDR 2016/908

95. The trading venues where the liquidity contracts under the AMF AMP can be performed are characterised by a significant participation of retail investors.
96. The AMF AMP would benefit investors, including retail investors active on the relevant trading venues, as the likelihood of finding a counterparty to enter into or close a position in the shares subject to a liquidity contract would increase, together with the speed of execution.
97. Therefore, ESMA considers the AMF AMP compatible with Article 13(2)(g) of MAR as supplemented by Article 9 of CDR 2016/908

5. Conclusions

98. ESMA is of the view that the AMF AMP's price limits in auction phases, the foreseen limits on volumes, with particular reference to illiquid shares, and the absence of limits on positions would not be compatible with Article 13(2)(b) of MAR as supplemented by Article 4 of CDR 2016/908.
99. The AMF AMP's price limits in auction phase are also not compatible with Article 13(2)(c) and (d) of MAR as supplemented by Article 5 and 6 of CDR 2016/908.
100. Additionally, the limits to the resources that can be allocated to the execution of a liquidity contract under the AMF AMP would not make it compatible with Article 13(2)(e) of MAR as supplemented by Article 7 of CDR 2016/908.
101. ESMA is of the view that the above incompatibilities of the AMF AMP with MAR as supplemented by CDR 2016/908, as described in the previous sections of this Opinion, would have an impact on the operation of market forces and the interplay of supply and demand, potentially threatening the market confidence in the Union financial markets.



ANNEX. – NOTIFICATION CONTAINING THE AMF AMP (page 18)

APPENDIX

Liquidity contracts for shares that are admitted to trading on Euronext Paris or Euronext Growth Paris

I. Important introductory statement

In accordance with Article 13(3) of Regulation (EU) N°596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and with article 2(2) of the 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, the AMF notified ESMA of the accepted market practice on liquidity contracts on 6 February 2018.

This AMP on liquidity contracts is intended to modify and replace the accepted market practice notified to ESMA on 06/02/18 (the Previous AMP). It was approved by the College of the AMF at its meeting of 30 March 2021.

France has extensive experience of share liquidity contracts since this mechanism has been implemented for many years. It is currently an important feature of the French financial ecosystem and a large number of French issuers use this mechanism on Euronext Paris (Regulated market) or Euronext Growth Paris (MTF) to enhance the liquidity of their shares, and in certain circumstances to reduce market volatility, without hindering the market trend. Currently, more than 400 French issuers have entered into a liquidity contract. It should be also pointed out that liquidity contracts are often part of a package of services offered by an investment firm to an issuer such as: assistance in the context of an IPO, market monitoring and financial research.

Accordingly, modifying and strengthening the regulatory framework with regard to liquidity contracts requires a very careful approach as it may have a huge impact on the stability of the French stock markets, in particular in relation to shares issued by mid and small capitalized issuers.

The modified regulatory framework, which is described hereafter, has been discussed with the industry. **It takes into consideration the lessons from an in-depth analysis of the impact of the liquidity contracts under the Previous AMP as well as from on-site inspections carried out in 2020 on several investment firms in charge of the implementation of such contracts.** Furthermore, modifications to the Previous AMP have been presented and discussed with the AMF's "Market Organization" and "Issuers" consultative committees and with the Association française des marchés financiers (AMAFI²).

² The Association française des marchés financiers (AMAFI) is the representative body for professionals working in the securities industry and financial markets in France. AMAFI is a member of the Association française des établissements de crédit et des entreprises d'investissement, the association in charge of the representation of the collective interest of financial actors in France pursuant to Article L.511-29 of the French *code monétaire et financier*.

It should also be pointed out that the AMF has not identified any pattern that could have been considered as market manipulation if not covered by the safe harbour provided by the AMP since its implementation in January 2019.

II. Description of the AMP

Purpose of the AMP

The purpose of the liquidity contract is to enhance liquidity and regular trading in shares that are admitted to trading on Euronext Paris (Regulated Market) or Euronext Growth Paris (Multilateral Trading Facility). The liquidity contract may improve the regularity of the trading and decrease the bid-offer spreads and may decrease the daily price volatility without hindering the underlying market trend.

Proposed date of establishment of the AMP

The AMF envisages modifying and replacing the Previous AMP once ESMA issues an opinion assessing its compatibility with MAR and supplementing Regulation (EU) No 596/2014.

The date of entry into application of the modified regulatory framework shall be the 1st July 2021.

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 an investment firm or credit institution authorised under Directive 2013/36/EU of the European Parliament and of the Council (performer of the liquidity contract³).

The performer of a liquidity contract shall be a member of the trading venue where the contract is to be performed.

Any issuer whose shares are listed on Euronext Paris or Euronext Growth Paris may enter into a liquidity contract provided that the General shareholders' meeting has given its authorisation in accordance with Article L.225-209 of the French Commercial Law. It is further pointed out that French Commercial Law prohibits a company to hold more than 10% of its own share capital.

The performer of the liquidity contract shall :

- perform the liquidity contract on Euronext Paris or Euronext Growth Paris;
- register the trades carried out under the contract on the issuer's behalf in two separate accounts opened in the name of the issuer. These accounts are used solely for the purpose of such contract: a securities account and a corresponding cash account;
- identify orders and transactions carried out under the contract on the issuer's behalf with an ad hoc flag in Euronext's system in order to ensure a robust audit trail of the interventions of the liquidity provider. Orders and transactions files are submitted on a daily basis to the AMF by the trading venue operator;
- intervene in the market independently from the issuer. The issuer shall not provide any instruction to the performer of the liquidity contract concerning the activity under the contract and shall not transmit, directly or indirectly, any decision to trade except in the situations leading to a suspension of the performance of the contract.

³ These entities 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.

To maintain its independence, the liquidity contract performer shall adopt an internal organisation that ensures the independence of the employees responsible for the decision-making regarding orders and trades under the liquidity contract. For that purpose, the employee, in charge of the execution of the contract, shall not execute, outside the contract, any order on the shares of the issuer.

The performer of the liquidity contract shall keep records of the orders submitted to the central order book of the trading venue and of the transactions that have been carried out for at least five years.

The issuer may only entrust the performance of its liquidity contract to a single entity.

Form of the contract

The liquidity contract shall be entered into in written form. The issuer shall submit a copy of the contract to the AMF before its performance on the market.

The liquidity contract shall contain the following information:

- identification of the share in the scope of the contract;
- identification of the contracting parties;
- expected date for the commencement of the trades;
- amount of shares or/and cash allocated by the issuer to the performance of the contract;
- provisions which are implemented by both parties to the contract in order to maintain the independence of the performer of the liquidity contract;
- remuneration of the performer of the liquidity contract.

The remuneration of the performer of the liquidity is a fixed amount. It may include a variable amount if it does not exceed 15% of the total remuneration and does not induce conduct detrimental to the integrity of the market or disorderly functioning of the market.

The AMF may request any further information to the issuer or to the performer of the liquidity contract.

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

The cash or shares allocated by an issuer to a liquidity contract are proportionate and adapted to the objectives of the contract and take into account the market liquidity of the relevant share.

Accordingly, the maximum amount of cash and the maximum number of shares allocated by the issuer to the performance of the liquidity contract have to be considered upon three categories of shares:

- (i) Highly Liquid Shares: liquid shares (a) having a liquid market in accordance with Article 1 of the Commission Delegated Regulation (UE) N°2017/567 supplementing Regulation (EU) N° 600/2014 of the European Parliament and of the Council with regard to definitions, transparency, portfolio compression and supervisory measures on product intervention and positions (the MiFIR Delegated Regulation), and (b) included in the underlying basket of the CAC40 index;
- (ii) Liquid Shares : shares (a) having a liquid market in accordance with Article 1 of the MiFIR Delegated Regulation and (b) not included in the underlying basket of the CAC40 index;
- (iii) Illiquid Shares: shares not having a liquid market under the definition of the Article 1 of the MiFIR Delegated Regulation.

They shall not exceed:

- for Highly Liquid Shares within the meaning of (i), more than 100% of the average daily transaction volume observed on the trading venue referred to in Article 2 during the previous 30 trading days without exceeding a ceiling of 50 million euros;
- for Liquid Shares within the meaning of (ii), more than 300% of the average daily transaction volume observed on the trading venue during the previous 30 trading days without exceeding a ceiling of 20 million euros;
- for Illiquid Shares within the meaning of (iii), more than 1% of the market capitalization of the issuer without exceeding a ceiling of 2 million euros.

These limits are assessed on the basis of market data at the date of signature of the contract and are reviewed when the contract expires and is renewed, and if necessary during the period.

When the resources allocated to the liquidity contract have to be reduced, the readjustment may be carried out within a period not exceeding 6 months following its renewal.

When the liquidity contract relates to a share that is expected to be admitted to trading on Euronext Paris or Euronext Growth Paris (IPO), the limits of resources shall apply as above. However, certain parameters shall be determined as follow:

- the liquidity category is based on the liquidity flag published on ESMA's FITRS register;
- the average daily turnover estimation published on the ESMA's FITRS register shall be used for the average daily transaction volume observed on the trading venue;
- where no market capitalization is available and the share is an illiquid share according to the ESMA's FITRS register, the amount of resources is capped at 500k€.

The issuer may adjust the amount of resources allocated after 30 trading sessions according to the standard limits mentioned above.

The resources allocated by an issuer are intended exclusively for the implementation of the liquidity contract. The cash and securities in the liquidity account should always have a credit balance.

Trading conditions under the liquidity contract

1) Obligation to place both buy and sell orders

Taking into account the need to maintain a provision of securities and cash in the liquidity account and the requirement to maintain a credit balance of shares and cash, the performer of the liquidity contract ensures submitting buy and sell orders under normal market conditions in order to be present simultaneously on both sides of the order book.

2) Volume restrictions

Beyond a threshold of € 25,000 on cumulative trades during the same trading day, the liquidity contract performer shall not buy or sell on a trading day more than a certain percentage of the average daily turnover traded on the market. This percentage is capped as follows:

- For Highly Liquid Shares (as defined above), the volume of trades under the contract should not exceed 5% of the average daily turnover on the market in the previous 30 trading sessions.
- For Liquid Shares (as defined above), the volume of trades under the contract should not exceed 20% of the average daily turnover on the market in the previous 30 trading sessions.
- For Illiquid shares (as defined above), the volume of trades should not exceed 30% of the average daily turnover in the previous 30 trading sessions.

Each of the thresholds shall be calculated by taking into account all the trades carried out under the liquidity contract on the buy side and on the sell side.

When the liquidity contract relates to a share that is expected to be admitted to trading on Euronext Paris or Euronext Growth Paris (IPO), the volume restrictions shall use the following parameters:

- the liquidity category is based on the liquidity flag published on ESMA's FITRS register;
- the average daily turnover estimation published on the ESMA's FITRS register.

The liquidity contract performer shall use the average daily turnover in the previous 30 trading sessions after 30 trading days.

3) Price Restrictions

The performer of the liquidity contract shall place orders with a limited price impact. During the continuous phase of quotation, the performer of the liquidity contract shall submit passive orders within the meaning of Article 2 of Commission Delegated Regulation (EU) 2017/575 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards concerning the data to be published by execution venues on the quality of execution of transactions.

4) Trading during auction periods

The performance of the liquidity contract during auction periods shall be conducted with exceptional care. Accordingly, the performer of the liquidity contract ensures that the price limit of orders issued during the auction determination period does not impact significantly the auction price. With regard to shares solely traded through auctions (without any continuous trading phase), the same principle applies.

5) Block trades

Block trades in shares under the execution of a liquidity contract are allowed under the exceptional condition where the investment firm has to maintain a sufficient provision of cash or shares when the split between shares and cash is no longer well balanced and may hinder the performance of the liquidity contract (the performance of the liquidity contract requires a balance between shares and cash in the accounts of the investment firm; imbalance may hinder the performance of the liquidity contract). In such a case, the volume restriction does not apply.

The performer of a liquidity contract shall not carry out block trades for any other purpose.

Situations leading to a suspension of the liquidity contract

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

- When a public offer for shares is carried out, namely when stabilisation measures are performed in accordance with Article 5 of MAR,
- When a takeover bid involves the shares of the issuer, namely when the issuer is the target of a takeover bid or when the issuer is the initiator of a takeover bid and exchanges its own stocks against the shares of the target.

When the issuer carries out a share buyback programme in accordance with Article 5 of MAR, the AMF recommends issuers to take into account, for the calculation of the limit of 25% of the daily volume, the total number of the trades carried out on their own shares on the regulated market or the MTF concerned, including those benefiting from a waiver under Articles 5 and 13 of MAR. Issuers that have entered into a liquidity contract may choose to suspend it temporarily during the implementation of a buyback program.

Transparency and disclosure to the public

According to the Delegated Regulation on AMP, information shall be publicly disclosed before the performance of the liquidity contract, on a regular basis when the liquidity contract is performed and when the liquidity contract ceases to be performed. Consequently, the issuer shall publish:

- Before the liquidity contract is performed:
 - o identity of the investment firm in charge of the performance of the liquidity contract;
 - o list of the shares concerned;
 - o identification of the trading venue on which the liquidity contract will be performed;
 - o date of performance of the liquidity contract;
 - o amounts of cash and of the number of financial instruments allocated to the performance of the liquidity contract;
 - o situations leading to a temporary suspension or termination of the liquidity contract.
- Any modification related to this information shall be disclosed as soon as possible to the public.
- On a 6 month basis, when the liquidity contract is performed:
 - o daily aggregated information, detailing the transactions carried out under the liquidity contract : date of the transactions, number of transactions, number of shares bought and sold, amount of cash corresponding to the shares bought and sold;
 - o amount of cash and number of shares available on the liquidity contract accounts:
- When the liquidity contract ceases to be performed:
 - o fact that the performance of the liquidity contract has ceased;
 - o description of how the AMP has been performed;
 - o reasons or causes for ceasing the performance of the AMP.

Rationale for why the practice would constitute market manipulation

The improvement of liquidity under a liquidity contract involves entering transactions and placing orders to trade which potentially may be construed as market manipulation, as it:

- (i) may give misleading signals as to the supply of, demand for a share;
- (ii) may lead to an artificial price of a share.

In order to ensure that transactions carried out and orders placed under the liquidity contract 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.

III. Assessment

ASSESSMENT	
List of criteria taken into account	Conclusion of the competent authority and rationale:
(a) Level of transparency provided to the market	An issuer entering into a liquidity contract shall publish before its performance a press release with detailed information, namely the identity of the entity in charge of the performance of the liquidity contract, the amount of cash or shares granted by the issuer to the contract,

	<p>the shares concerned and the trading venue on which the liquidity contract is to be performed, the date of performance of the liquidity contract, the situations that lead to a temporary suspension or a termination of the contract.</p> <p>Any modification to the information published by the issuer before the performance of the liquidity contract shall be disclosed as soon as possible.</p> <p>On a six-month basis and when the termination of the contract occurs, the issuer shall publish a report on the implementation of the contract. The report shall include aggregated figures about each trade of the liquidity contract, namely the number of buy and sell transactions, the number and amount of shares bought and sold on the market, the resources available for the performance of the liquidity contract.</p> <p>Reports shall be posted on the issuer’s web site.</p> <p>In addition, the issuer shall submit to the AMF :</p> <ul style="list-style-type: none"> - a copy of the liquidity contract before its performance on the market; - on a monthly basis, a report detailing the trades carried out on the market under the liquidity contract.
<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 contract shall be performed by an investment firm, including credit institutions authorised under Directive 2013/36/EU of the European Parliament and of the Council (performer of the liquidity contract).</p> <p>The entity shall be a member of the trading venue where the transactions are carried out.</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 solely used for the purpose of such contract. The performer of the liquidity contract shall keep the records of orders and transactions for at least five years. It shall ensure that any order submitted to the central order book of Euronext are identified with an ad hoc flag allowing the AMF to perform a robust monitoring of the interventions under the liquidity contract.</p> <p>The liquidity contract is subject to trading conditions that include price and volume limits and limits to the resources to be allocated by the issuer to the performance of the liquidity contract. Levels of restriction and resources depend on the segment of liquidity of the shares.</p> <p>The liquidity contract shall not inhibit the interaction of supply and demand. Trades carried out by the performer</p>

	<p>of the liquidity contract shall react to orders, which, considering the volumes and size of the market, create an imbalance between supply and demand.</p> <p>Liquidity contracts may help in the interaction of supply and demand since they aim to ensure regular quotations for an otherwise illiquid share and to avoid price fluctuations that do not correspond to market trend.</p>
(c) Impact on market liquidity and efficiency	<p>The objective of the liquidity contract is to improve liquidity and efficiency of the market without hindering the underlying trend of the market. Such purpose shall be achieved by decreasing the bid-offer spreads. It also may decrease daily price volatility of the share.</p> <p>The implementation of the contract is designed to favour the ability of investors to act in the market and find counterparty without hindering the underlying market trend. Finally, it may increase the daily number of trades and turnover.</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>The transactions under the liquidity contract shall be executed on a French Regulated market or Multilateral trading facility (Euronext Paris or Euronext Growth Paris).</p> <p>The performer of the liquidity contract shall be a member of the trading venue concerned and shall comply with the market's rules.</p> <p>Beyond a threshold of € 25,000 on cumulative trades during the same trading day, the liquidity contract shall not buy or sell on a trading day more than a certain percentage of the average daily turnover traded on the market.</p> <p>This percentage is capped as follows:</p> <ul style="list-style-type: none"> - For Highly Liquid Shares (as defined above), trades under the contract should not exceed 5% of the average daily turnover on the market in the previous 30 trading sessions; - For Liquid Shares (as defined above), trades under the contract should not exceed 20% of the average daily turnover on the market in the previous 30 trading sessions; - For Illiquid Shares (as defined above), trades should not exceed 30% of the average daily turnover on the market in the previous 30 trading sessions. <p>Each of the thresholds shall be calculated by taking into account all the trades carried out under the liquidity contract on the buy side and on the sell side.</p> <p>The performance of the liquidity contract during auction periods shall be conducted with exceptional care and the</p>

	<p>performer of the liquidity contract shall not issue orders during the auction determination periods where the order has a significant price impact on the auction price.</p> <p>Moreover, the performer of the liquidity contract shall place orders with a limited price impact and may submit orders that reduce the bid-offer spread between the best price offer at the time of purchase and sale.</p> <p>Any aggressive order within the meaning of Article 2 of Commission Delegated Regulation (EU) 2017/575 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards concerning the data to be published by execution venues on the quality of execution of transactions shall not be covered by the AMP</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>An issuer entering into a liquidity contract shall submit to the AMF a copy of the contract.</p> <p>The performer of the liquidity contract shall have the appropriate means and organisation in order to ensure the independence of the person in charge of the liquidity contract.</p> <p>The cash or financial resources allocated by an issuer to the implementation of a liquidity contract are proportionate and adapted to the objectives of the contract and take into account the market liquidity of the relevant share. They shall not exceed:</p> <ul style="list-style-type: none"> - for Illiquid Shares (as defined above) more than 1% of the market capitalization of the issuer, without exceeding a ceiling of 2 million euros; - for Liquid Shares (as defined above), more than 300% of the average daily transaction volume observed on the trading venue during the previous 30 trading days without exceed a ceiling of 20 million euros; - for Highly Liquid Shares (as defined above), more than 100% of the average daily transaction volume observed on the trading venue referred to in Article 2 during the previous 30 trading days without exceeding a ceiling of 50 million euros. <p>These limits are assessed on the basis of market data at the date of signature of the contract and are reviewed when the contract expires and is renewed. When the resources allocated to the liquidity contract must be reduced, the readjustment may be carried out within a period not exceeding 6 months following its renewal.</p> <p>The resources allocated by an issuer are intended exclusively for the implementation of the liquidity</p>

	<p>contract. The cash and securities in the liquidity account shall always have a credit balance.</p> <p>In addition, the performance of the liquidity contract shall be suspended when the shares are subject to stabilisation measures and when a takeover bid occurs.</p> <p>Finally, the performance of the liquidity contract may be suspended during a share buy-back programme. Alternatively, the issuer should take into account, for the purpose of calculating the 25% daily volume limit of the buy-back programme, all trades made on their own shares on the regulated market or the MTF, including those benefiting from derogations under Articles 5 and 13 of MAR.</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>There have been no adverse results of any investigation that might question this practice. In particular, the AMF has gathered no evidence that the Previous AMP may have had any detrimental impact on the orderly functioning of the market.</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 AMP shall concern shares that are traded on French regulated markets or MTFs where retail investor's involvement may be significant. The market practice may enable retail investors to buy and sell within reasonable market conditions.</p> <p>This practice is therefore favourable to retail investors as it increases the possibility to find a counterpart in the market.</p>