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Comisión Nacional del Mercado de Valores (CNMV) / Spain

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The CNMV bans temporarily the creation or increase of net short positions on shares

March 16, 2020

The CNMV has decided to ban during a month the entering into transactions on securities and financial instruments which entail the creation or increase of a net short position on Spanish shares admitted to trading on Spanish trading venues (Stock Exchanges and Mercado Alternativo Bursátil –MAB-) for which the CNMV is the competent authority.

The measure will enter into force tomorrow, the 17th of March, before the trading session begins and until the 17th of April, after the trading session is closed. It can be extended for additional periods not exceeding 3 months if the current circumstances persist, in accordance with Article 24 of Regulation (EU) No 236/2012 (Short Selling Regulation). The measure may be lifted before the deadline if deemed necessary.

The decision, which has been notified to ESMA in accordance with said Regulation, has been taken due to the extreme volatility taking hold of European securities markets, including those based in Spain, their performance in the context of the situation arisen as a result of the virus COVID-19 and the risk of disorderly trading taking place in the following weeks. Another factor considered has been the consequences of the announcement of the state of emergency (*Estado de alarma*) in Spain on Saturday 14 March.

The ban covers any transaction on shares or indexes, including cash transactions, derivatives traded on trading venues or OTC derivatives which create or increase a net short position, even intra-day. A net short position for these purposes is defined in Article 3.1 of the Short Selling Regulation. The prohibition covers short sales even if they are covered by a securities loan.

The following transactions are excluded from the ban:

- Transactions undertaken by market makers in accordance with Articles 2.1.k and 17 of the Short Selling Regulation.
- The creation of, or increase in, net short positions when the investor who acquires a convertible bond has a delta-neutral position between the equity component of the convertible bond and the short position taken to cover that component.
- The creation of, or increase in, net short positions where the creation of, or increase in, the short position in shares is hedged by a purchase that is equivalent in terms of proportion on subscription rights.
- The creation of, or increase in, net short positions through index-related instruments or baskets of financial instruments, composed by a majority of shares excluded from the ban.

This translation is for information purposes only. In case of discrepancy, the Spanish version prevails.