

**CIRCULAR 3/2010**

**RULES AFFECTING VENTURE CAPITAL COMPANIES WHOSE SECURITIES  
ARE ADMITTED TO TRADING ON THE MERCADO ALTERNATIVO BURSÁTIL**

The amount of venture capital business carried out in Europe, in general, and in Spain in particular, is gradually increasing and represents a source of both financing and management support for non-listed companies.

Law 25/2005, of 24 November, which regulates the activities of venture capital companies and their management companies, introduced a more flexible framework and new financial instruments which are increasingly used in neighbouring countries. One of these is the option to diversify investment by creating venture capital funds and companies, whose assets must be mainly invested in this type of vehicle. This was designed to widen the base of traditional investors in venture capital to include other institutional investors and retail investors.

By trading in an organised market, these venture capital companies and funds (hereinafter "VCC") obtain more liquidity and transparency, they become a more popular asset class and are included in more institutional and individual investment portfolios.

MAB Regulations provide for the trade, settlement and registration of securities and financial instruments which, because of their special characteristics, need to be handled within a specific scheme. This is the case for VCCs, both those which invest in other VCCs and those which invest directly in securities issued by the companies in which the VCCs invest. Even more so given that venture capital companies mainly invest in small capitalisation companies, which is the key area of Market activity.

This Circular outlines the key aspects to be included in the specific regulation for VCC securities admitted to trading on the MAB. It will therefore detail the admission procedures and the information to be supplied to the market and liquidity and counterparty commitments. It bears noting that the MAB market model for securities issued by VCCs is based on a system whereby prices are set at a point where supply and demand meet in a fixing period, within a distinct trading segment. Its trading procedures for SICAV segments, securities issued by VCCs admitted to the Market, and shares issued by hedge funds and funds of hedge funds are regulated by a single Trading Regulations Circular.

### **One. Requirements and procedures for VCC securities admitted to trading**

1. Securities issued by VCCs governed by the common regime, under the terms defined in Law 25/2005 of 24 November may be admitted for trading on the MAB.
2. VCCs must be registered with the CNMV prior to being admitted to the Market. The Coordination and Admissions Committee shall outline the technical procedures necessary whereby the MAB can obtain the pertinent documentation from the CNMV's registry. This documentation shall include the VCC's annual report and prospectus as established by Article 9 of Law 25/2005.
3. The registration and settlement of securities shall be carried out as per the procedures laid down by the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (hereinafter "Iberclear").

The VCC or its management company shall provide Iberclear with the name of the company responsible for the Shareholders' or Unitholders' Registry so that Iberclear may send them the necessary information regarding trade settlements and other changes in ownership.

4. When applying to join the MAB, the VCC or its management company undertakes to send any relevant information (both regular and one-off) which might affect trading of its shares and which is in accordance with the prevailing legislation and Market regulations.
5. MAB members and participating entities must attach to their application form any correspondence outlining their liquidity and counterparty commitments in their capacity as a specialist in the security, as set out in section 4 of this Circular.
6. VCCs, their management companies, or any Market Member may request admission to trading for their securities in writing to the MAB. These applications must be signed by an authorised signatory. This application form shall include the commitment to supply the information referred to in section 4, as well as any other technical information which the Board of Directors deems relevant.

Once the application form has been received, it will be sent to the Coordination and Admissions Committee that will determine which securities seeking admission for trading meet the necessary requirements. The MAB shall then notify the CNMV that it has received the application form and the documentation referred to in sections 2, 3, 4 and 5.

The Coordination and Admissions Committee shall submit the evaluation report to the Board of Directors, together with a recommendation as to listing.

The Board of Directors shall then authorise, or reject, the admission to trading of said securities.

Resolutions approving the listing of securities on the Market shall be published in the Market Bulletin and reported to the CNMV in accordance with the regime laid down in the Market Regulations.

New admissions shall be recorded in the pertinent public registry which is available to all interested parties.

At the proposal of the Market's Coordination and Admission Committee and the Market's various divisions, the Board of Directors shall establish the necessary administrative and technical procedures in order to successfully comply with the rules and regulations.

**Two. Supply and distribution of information regarding VCCs whose securities are admitted to trading on the MAB**

1. The VCC or its management company shall provide the MAB with the information referred to in Chapter III of Section I of Law 25/2005.

This information shall include, at least, a prospectus, annual financial statements and directors' report as well as the auditor's report, which shall be sent to the MAB within four months of the close of the financial year.

Should the auditor's report be qualified or have limited scope, the issuer must inform the MAB, by means of a significant event, of the reasons for this, the steps to be taken, and the timeframe.

It must also provide the CNMV with details of all significant events which may affect the securities' value as well as any acquisitions or disposals of significant stakes as established by the law.

The attached appendix details a list of circumstances which significantly affect the value of the securities or stakes and which would need to be communicated by means of a significant event.

With regard to significant stakes, the issuer shall notify the authorities of the percentage of capital or assets when a single shareholder or unitholder, personally or

as a custodian, holds between 20 per cent and 100 per cent of the capital following acquisitions or transactions involving shares or units, as established by Law. This shall be notified within ten working days following the acquisition or transfer.

2. The management company or VCC shall submit to the Market on a quarterly basis all information regarding investments and disposals carried out, a description of investees and their investments and the net asset value of its portfolio within four months of the close of each quarter.

They must also submit short-form half-yearly financial statements of the VCC and directors' report within four months of the close of each half.

Information for the second half of the year may be replaced with the pertinent annual reports.

Information for the second quarter may be included in the half-yearly information. Likewise, information for the fourth quarter may be included in the information for the second half of the year or the information for the full year.

3. Failure to submit either the above mentioned information, additional information or a rectification within the specified timeframe as well as submitting incomplete information, a qualified audit report or insufficient explanatory information may lead to suspension of listing as per article 18 of the Market Regulations.
4. The Coordination and Admissions Committee shall propose the appropriate technical procedures to be followed so that the significant events are released to the Market to coincide with the CNMV's actions in this respect.

All relevant information concerning the securities listed and the issuers of the said securities shall be held at the corresponding public registry of the Market available to any interested parties.

### **Three. Liquidity and counterparty commitments. Specialists**

1. Securities issued by a VCC must have the backing of a specialist who shall make a public statement concerning the adequate liquidity and counterparty commitments for each security. The Market's Supervisory Committee may exempt a VCC from this requirement depending on the size of the fund or company and the breadth of its dissemination.
2. The specialist will have to provide bid and ask positions for a minimum cash amount with a maximum spread between bid and ask prices with regard to each security's

reference price. An Operating Instruction shall establish the minimum amount and maximum spread.

3. The Specialist may request that it be exempt from meeting certain obligations under the following circumstances:
- An excess daily ask or bid balance relative to a specified amount.
  - Should the specialist exceed the agreed general total limit regarding the VCC's size.
  - in cases of high volatility

In this event the Market's Supervisory Committee shall notify the CNMV and the information shall be released into the public domain to inform all intermediaries and investors.

#### **Four. Delisting**

In accordance with the provisions of article 20 of the Market Regulations, and notwithstanding any decisions taken in this regard by the CNMV, securities may be delisted where the Board of Directors should so decide, with justified reasons, in the following cases:

1. Serious or repeated failure to comply with the obligations required from the issuer, particularly regarding the sending and publication of information and the maintenance of the Specialist. As a preliminary measure, a written warning may be served on the VCC, aimed at obtaining the corresponding corrective measures.
2. Request by the issuer.
3. VCC fails to comply with the requirements or conditions for admission of securities it has issued for the corresponding segment of the Market.
4. Issuer fails to comply with the condition required of it for admission to the Market.
5. Where the securities traded on the Market are delisted from any regulated markets where they are also traded.

In the event of an issuer requesting delisting from the Market, and prior to agreeing to a delisting agreement as per article 20 of the Market Regulations, the Market's Board of

Directors shall inform the CNMV and ensure a sufficient timeframe between publishing the significant event and the official delisting.

**Five. Date of application**

This Circular shall be applicable starting the date on which it is announced by way of an Operational Instruction.

Madrid, 4 January 2010

THE SECRETARY

Ignacio Olivares Blanco

**APPENDIX TO CIRCULAR 3/2010 RULES AFFECTING VCCs WHOSE SHARES ARE  
ADMITTED TO TRADING ON THE MAB**

**EXAMPLES OF SITUATIONS REQUIRING THE PUBLICATION OF A SIGNIFICANT  
EVENT**

1. Decisions to carry out investment and disposal plans or financial asset plans such as acquisitions or sales of significant shareholdings in other companies or VCCs, provided they represent at least 5% of the VCC's assets.
2. Decisions to carry our financing plans or reorganising permanent resources such as capital reductions or increases, loans or credits, bonds issuance, early redemptions or security offerings.
3. Changes to the issuer's articles of association arising from a decision to carry out a capital increase/reduction, stock splits or reverse splits or changes to the shares' face value.
4. Information and, where applicable, the timeframe of possible qualifications or restrictions in the audit report.
5. Changes to the VCC's management company and/or management conditions.
6. Approval and payment of dividends or distribution of other funds to shareholders
7. Decisions regarding the VCC's portfolio or plans to acquire treasury shares.
8. Decisions regarding mergers or spin-offs involving the VCC.
9. Calling General Shareholders' Meetings.
10. Approving preliminary results and, if applicable, definitive annual results.
11. Information regarding the auditor's definitive conclusions concerning his review of the annual financial statements.
12. Request for delisting from the Market.