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**INFORMATION NOTE**

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from: General Secretariat  
to: Permanent Representatives Committee/Council  
Subject: Proposal for a Regulation of the European Parliament and of the Council on  
insider dealing and market manipulation (market abuse)  
– Outcome of the European Parliament's first reading  
(Strasbourg, 9 to 12 September 2013)

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**I. INTRODUCTION**

The Parliament's Committee on Economic and Monetary Affairs tabled two amendments (amendments 1 and 2) to the Commission's proposal. Amendment 2 was intended to supersede amendment 1.

## II. VOTE

When it voted on 10 September 2013, the plenary adopted amendment 2. No other amendments were adopted. The Parliament also adopted its legislative resolution.

The text of the Parliament legislative resolution is annexed to this note. The legislative resolution does not set out the adopted amendment itself, but rather the Parliament's first-reading position - which is the text of the Commission's proposal as modified by the amendment <sup>1</sup>.

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<sup>1</sup> The version of the Parliament's position in the legislative resolution has been marked up to indicate the changes made by the amendments to the Commission's proposal. Additions to the Commission's text are highlighted in *bold and italics*. The symbol "■" indicates deleted text. The symbol "||" indicates changes of a linguistic or clerical nature.

## **Insider dealing and market manipulation (market abuse) \*\*\*I**

**European Parliament legislative resolution of 10 September 2013 on the proposal for a regulation of the European Parliament and of the Council on insider dealing and market manipulation (market abuse) (COM(2011)0651 – C7-0360/2011 – 2011/0295(COD))**

**(Ordinary legislative procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to Parliament and the Council (COM(2011)0651) and the amended Commission proposal to Parliament and the Council (COM(2012)0421),
  - having regard to Article 294(2) and Article 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0360/2011),
  - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
  - having regard to the opinion of the European Central Bank of 22 March 2012<sup>1</sup>,
  - having regard to the opinion of the European Economic and Social Committee of 28 March 2012<sup>2</sup>,
  - having regard to the undertaking given by the Council representative by letter of 26 June 2013 to approve Parliament's position, in accordance with Article 294(4) of the Treaty on the Functioning of the European Union,
  - having regard to Rule 55 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Environment, Public Health and Food Safety and of the Committee on Legal Affairs (A7-0347/2012),
1. Adopts its position at first reading hereinafter set out;
  2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
  3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

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<sup>1</sup> OJ C 161, 7.6.2012, p. 3.

<sup>2</sup> OJ C 181, 21.6.2012, p. 64.

**Position of the European Parliament adopted at first reading on 10 September 2013 with a view to the adoption of Regulation (EU) No .../2013 of the European Parliament and of the Council on insider dealing and market manipulation (market abuse)\***

**(Text with EEA relevance)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank<sup>1</sup>,

Having regard to the opinion of the European Economic and Social Committee<sup>2</sup>,

Acting in accordance with the ordinary legislative procedure<sup>3</sup>,

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\* TEXT HAS NOT YET UNDERGONE LEGAL-LINGUISTIC FINALISATION.

<sup>1</sup> OJ C 161, 7.6.2012, p. 3.

<sup>2</sup> OJ C 181, 21.6.2012, p. 64.

<sup>3</sup> Position of the European Parliament of 10 September 2013.

Whereas:

- (1) A genuine *internal* market for financial services is crucial for economic growth and job creation in the Union.
- (2) An integrated, efficient *and transparent* financial market requires market integrity. The smooth functioning of securities markets and public confidence in markets are prerequisites for economic growth and wealth. Market abuse harms the integrity of financial markets and public confidence in securities and derivatives.
- (3) Directive 2003/6/EC of the European Parliament and of the Council<sup>1</sup> completed and updated the Union's legal framework to protect market integrity. However, given the legislative, market and technological developments since then that have resulted in considerable changes to the financial landscape, that Directive should now be replaced to ensure that it keeps pace with these developments. A new legislative instrument is also needed to ensure uniform rules and clarity of key concepts and to ensure a single rulebook in line with the conclusions of the High Level Group on Financial Supervision<sup>2</sup>.

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<sup>1</sup> Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse) (OJ L 96, 12.4.2003, p. 16).

<sup>2</sup> *Report of the High-Level Group on Financial Supervision in the EU*, Brussels, 25.2.2009.

- (4) There is a need to establish a *more* uniform *and stronger* framework in order to preserve market integrity and to avoid potential regulatory arbitrage *and to ensure accountability in the event of attempted manipulation*, as well as to provide more legal certainty and less regulatory complexity for market participants. This directly applicable legal act aims at contributing in a determining manner to the smooth functioning of the internal market and should, consequently, be based on the provisions of Article 114 TFEU, as interpreted in accordance with the consistent case-law of the Court of Justice of the European Union.

- (5) In order to remove the remaining obstacles to trade and significant distortions of competition resulting from divergences between national laws and to prevent any further likely obstacles to trade and significant distortions of competition from arising, it is therefore necessary to adopt a Regulation establishing *a more uniform interpretation of the EU market abuse framework which more clearly defines* rules applicable in all Member States. Shaping market abuse requirements in the form of a Regulation should ensure that those requirements will be directly applicable. This should ensure uniform conditions by preventing diverging national requirements as a result of the transposition of a directive. This Regulation should entail that all persons follow the same rules in all the Union. A Regulation should also reduce regulatory complexity and firms' compliance costs, especially for firms operating on a cross-border basis, and contribute to eliminating competitive distortions.

- (6) The Commission Communication on "A Small Business Act for Europe"<sup>1</sup> calls on the Union and its Member States to design rules in order to reduce administrative burdens, to adapt legislation to the needs of issuers on markets for small and medium sized enterprises and to facilitate the access to finance of those issuers. A number of provisions in Directive 2003/6/EC impose administrative burdens on issuers, notably those whose financial instruments are admitted to trading on SME growth markets, that should be reduced.
- (7) Market abuse is the concept that encompasses ■ unlawful behaviour in the financial markets and for the purposes of this Regulation it should be understood to consist of insider dealing or the misuse of inside information and market manipulation. Such behaviours prevent full and proper market transparency, which is a pre requisite for trading for all economic actors in integrated financial markets.

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<sup>1</sup> Commission Communication 'Think Small First' - A 'Small Business Act' for Europe, COM(2008)0394.



- (8) The scope of Directive 2003/6/EC focused on financial instruments admitted to trading on regulated markets *or for which a request for admission to trading on such a market had been made*. However, in recent years financial instruments have been increasingly traded on multilateral trading facilities (MTFs). There are also financial instruments which are only traded on other types of organised trading facilities (OTFs) or only traded over the counter. The scope of this Regulation should therefore include any financial instrument traded on a *regulated market*, MTF or an OTF, or any other conduct or action which can have an effect on such a financial instrument *irrespective of whether it takes place on a trading venue*. *In the case of certain types of MTFs which, like regulated markets, help companies raise equity finance, the prohibition against market abuse equally applies when a request for admission to trading on such a market has been made; therefore, the scope of this Regulation should include the period beginning when an application for admission to trading on a MTF has been made*. This should improve investor protection, preserve the integrity of markets and ensure that market manipulation of such instruments is clearly prohibited.

**(8a) *For transparency purposes, operators of a regulated market, a MTF or an OTF should notify without delay to their competent authority details of their financial instruments which they have admitted to trading, for which there has been a request for admission to trading or that have been traded on their trading venue. A second notification should also be made when the instrument ceases to be admitted to trading. Such an obligation should also apply to financial instruments for which there has been a request for admission to trading on their trading venue, financial instruments that have been admitted to trading prior to the entry into force of this Regulation. Based on these notifications, which should be notified to ESMA by the competent authorities, ESMA should publish a list of all of these financial instruments. This Regulation should apply to such financial instruments whether or not they are included in the list published by ESMA..***

*(8b) Certain financial instruments which are not traded on a trading venue may be used for market abuse. This includes financial instruments the price or value of which depends on or has an effect on financial instruments traded on a trading venue, or the trading of which has an effect on the price or value of other financial instruments traded on a trading venue. Examples may include inside information relating to a share or bond, which can be used to buy a derivative of that share or bond, or an index the value of which depends on that share or bond. When a financial instrument is used as a reference price, an OTC traded derivative can be used to benefit from manipulated prices, or be used to manipulate the price of a financial instrument traded on a venue. A further example is the planned issuance of a new tranche of securities that are not otherwise within the scope of this Regulation, but where trading in those instruments could affect the price or value of existing listed securities that are within the scope of this Regulation. This Regulation also covers the possible situation where the price or value of the instrument traded on a trading venue depends on the OTC traded instrument. The same principle should apply to spot commodity contracts the price of which is based on that of a derivative, as well as to the buying of spot commodity contracts to which financial instruments are referenced.*

- (8c) *Activities of trading in own shares in buy-back programmes and of stabilisation of a financial instrument which would not benefit from the exception of the prohibitions of this Regulation as provided for by Article 3, should not in themselves be deemed to constitute market abuse.*
- (9) *Trading in securities or associated instruments for the stabilisation of securities or trading in own shares in buy-back programmes can be legitimate, in certain circumstances, for economic reasons and should not, therefore, in themselves be regarded as market abuse provided the actions are carried out under the necessary transparency, where relevant information regarding the stabilisation or buy-back programme is disclosed.*

- (10) Member States, *members of* the European System of Central Banks, *ministries* and other agencies or special purpose vehicles of one or several Member States, *or* as well as the Union and certain other public bodies *or persons acting on their behalf* should not be restricted in carrying out monetary, exchange-rate or public debt management policy *insofar as they are undertaken in the public interest and solely in pursuit of these policies. Neither should transactions, orders or behaviours carried out by the Union, a special purpose vehicle for one or several Member States, the European Investment Bank, the European Financial Stability Facility, the European Stability Mechanism or an international financial institution established by two or more Member States be restricted in mobilising funding and provide financial assistance to the benefit of its members. This exclusion from the scope of the Regulation may, in accordance with this Regulation, be extended to certain public bodies charged with or intervening in the management of the public debt and central banks of third countries. At the same time, these exemptions for monetary, exchange-rate or public debt management policy should not extend to cases when those public bodies engage in transactions, orders or behaviours which are not in the pursuit of these policies or when persons working for those bodies engage in transactions, orders or behaviours on their own account.*

- (11) Reasonable investors base their investment decisions on information already available to them, that is to say, on ex ante available information. Therefore, the question whether, in making an investment decision, a reasonable investor would be likely to take into account a particular piece of information should be appraised on the basis of the ex ante available information. Such an assessment has to take into consideration the anticipated impact of the information in light of the totality of the related issuer's activity, the reliability of the source of information and any other market variables likely to affect the financial instruments, the related spot commodity contracts, or the auctioned products based on the emission allowances in the given circumstances.
- (12) Ex post information may be used to check the presumption that the ex ante information was price sensitive, but should not be used to take action against persons who drew reasonable conclusions from ex ante information available to them.

***(12a) When inside information concerns a process which occurs in stages, each stage of the process as well as the overall process could constitute inside information. An intermediate step in a protracted process may in itself constitute a set of circumstances or an event which exists or where there is a realistic prospect that they will come into existence or occur, on the basis of an overall assessment of the factors existing at the relevant time. However, that notion should not be interpreted as meaning that the magnitude of the effect of that set of circumstances or that event on the prices of the financial instruments concerned must be taken into consideration. An intermediate step maybe inside information if it, by itself, meets the criteria set forth in this Regulation for inside information.***

- (13) Legal certainty for market participants should be enhanced through a closer definition of two of the elements essential to the definition of inside information, namely the precise nature of that information and the significance of its potential effect on the prices of the financial instruments, the related spot commodity contracts, or the auctioned products based on the emission allowances. For derivatives which are wholesale energy products, notably information required to be disclosed according to Regulation (EU) No 1227/2011 of the European Parliament and of the Council<sup>1</sup> should be considered as inside information.

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<sup>1</sup> Regulation (EU) No 1227/2011 of the European Parliament and of the Council of ... on Wholesale Energy Market Integrity and Transparency (OJ L ...).



- (14) *Information which relates to an event or set of circumstances which is an intermediate stage in a protracted process, may constitute inside information as defined in this regulation. Such inside information may relate, for example, to the state of contract negotiations, terms provisionally agreed in contract negotiations, the possibility of the placement of financial instruments, conditions under which financial instruments will be marketed, ■ provisional terms for the placement of financial instruments, the consideration of the inclusion of a financial instrument in a major index or the deletion of a financial instrument from such index.*
- (14a) *This Regulation is not intended to prohibit discussions of a general nature regarding the business and market developments between shareholders and management concerning an issuer. Such relationships are essential for the efficient functioning of markets and should not be prohibited by this Regulation.*

- (15) Spot markets and related derivative markets are highly interconnected and global, and market abuse may take place across markets as well as across borders ***which can lead to significant systemic risks***. This is true for both insider dealing and market manipulation. In particular, inside information from a spot market can benefit a person trading on a financial market. ***The*** definition of inside information in relation to ***a derivative of a commodity*** should ***be*** information which ***both meets the general definition of inside information in relation to financial markets and which is required to be made public in accordance with legal or regulatory provisions at the Union or national level, market rules, contracts or customs on the relevant commodity derivative or spot market. Notable examples of such rules are REMIT for the energy market and the JODI database for oil. Such information may serve as the basis of market participants' decisions to enter into commodity derivatives or the related spot commodity contracts and therefore constitutes inside information required to be made public, where it is likely to have a significant effect on the prices on such derivatives or related spot commodity contracts.*** Moreover, manipulative strategies can also extend across spot and derivatives markets. Trading in financial instruments, including commodity derivatives, can be used to manipulate related spot commodity contracts and spot commodity contracts can be used to manipulate related financial instruments. The prohibition of market manipulation should capture these inter-linkages. However, it is not appropriate or practicable to extend the scope of the Regulation to behaviour that does not involve financial instruments, for example, to trading in spot commodity contracts that only affects the spot market. In the specific case of wholesale energy products, the competent authorities should take into account the specific characteristics of the definitions of Regulation (EU) No 1227/2011 when they apply the definitions of the inside information, insider dealing and market manipulation of this Regulation to financial instruments related to wholesale energy products.

(16) *Pursuant to Directive 2003/87/EC of the European Parliament and of the Council<sup>1</sup>, the Commission, Member States and other officially designated bodies are inter alia responsible for the technical issuance of emission allowances, their free allocation to eligible industry sectors and new entrants and more generally the development and implementation of the Union's climate policy framework which underpins the supply of emission allowances to compliance buyers of the Union's emissions trading scheme (EU ETS ). In the exercise of those duties, those public bodies may inter alia have access to price-sensitive, non-public information and pursuant to Directive 2003/87/EC they may need to perform certain market operations in relation to emission allowances. As a consequence of the classification of emission allowances as financial instruments as part of the review of the Markets in Financial Instruments Directive, those instruments will also come within the scope of this Regulation. In order to preserve the ability of the Commission, Member States and other officially designated bodies to develop and execute the Union's climate policy, the activities of those public bodies, insofar as they are undertaken in the public interest and explicitly in pursuit of that policy and concerning emission allowances, should be exempt from the application of this Regulation. Such exemption should not have a negative impact on overall market transparency, as those public bodies have statutory obligations to operate in a way that ensures orderly, fair and non-discriminatory disclosure of, and access to, any new decisions, developments and data that have a price-sensitive nature. Furthermore, safeguards of fair and non-discriminatory disclosure of specific price-sensitive information held by public authorities exist under Directive 2003/87/EC and the implementing measures adopted pursuant thereto. At the same time, the exemption for public bodies acting in pursuit of the Union's climate policy should not extend to cases when those public bodies engage in conduct or in transactions which are not in the pursuit of the Union's climate policy or when persons working for those bodies engage in conduct or in transactions on their own account.*

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<sup>1</sup> *Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).*

(16a) Moreover, the duty to disclose inside information needs to be addressed to the participants in *the carbon* market in general. *In* order to avoid exposing the market to reporting that is not useful and as well as to maintain cost-efficiency of the measure foreseen, it appears necessary to limit the regulatory impact of that duty to only those EU ETS operators, that – by virtue of their size and activity – can reasonably be expected to be able to have a significant effect on the price of emission allowances. *The Commission should adopt measures establishing a minimum threshold for the purposes of application of this exemption by means of a delegated act. The information to be disclosed should concern the physical operations of the disclosing party and not own plans or strategies for trading emission allowances.* Where emission allowance market participants already comply with equivalent inside information disclosure duties, notably pursuant to Regulation (EU) No 1227/2011, the obligation to disclose inside information concerning emission allowances should not lead to the duplication of mandatory disclosures with substantially the same content. *In the case of emission allowance market participants with aggregate emissions or rated thermal input at or below the threshold set, since the information about their physical operations is deemed to be non-material for the disclosure purposes, it should also be deemed not to have a significant effect on the price of emission allowances, auctioned products based thereon or on the prices of related derivative financial instruments. Such emission allowance market participants should nevertheless be covered by the prohibition of insider dealing in relation to any other information they have access to and which is inside information.*

***(16b) Pursuant to Article 43 of the TFEU or for the implementation of international agreements concluded under the TFEU, the Commission, Member States and other officially designated bodies are inter alia responsible for the pursuit of the Union's Common Agricultural Policy and the Union's Common Fisheries Policy. In the exercise of those duties, those public bodies undertake activities and take measures aiming at the management of the agricultural markets and fisheries, including those of public intervention, imposition of additional or suspension of import duties. Bearing in mind the scope of this Regulation, applying also to spot commodity contracts which have or are likely to have an effect on financial instruments and financial instruments the value of which depends on the value of spot commodity contracts and which have or are likely to have an effect on spot commodity contracts, it is necessary to ensure that the activity of Member States, the Commission and other officially designated bodies in the pursuit of the Union's Common Agricultural Policy and Common Fisheries Policy, is not restricted. In order to preserve the ability of the Commission, Member States and other officially designated bodies to develop and execute the Union's Common Agricultural Policy and Common Fisheries Policy, their activities, insofar as they are undertaken in the public interest and solely in pursuit of those policies, should be exempted from the application of this Regulation. Such exemption should not have a negative impact on overall market transparency, as those public bodies have statutory obligations to operate in a way that ensures orderly, fair and non-discriminatory disclosure of, and access to, any new decisions, developments and data that have a price-sensitive nature. At the same time, the exemption for public bodies acting in pursuit of the Union's Common Agricultural Policy and Common Fisheries Policy should not extend to cases when those public bodies engage in conduct or in transactions which are not in the pursuit of these common Policies of the Union or when persons working for those bodies engage in conduct or in transactions on their own account.***

**(16c) *The essential characteristic of insider dealing consists in an unfair advantage being obtained from inside information to the detriment of third parties who are unaware of it and, consequently, the undermining of the integrity of financial markets and investor confidence. Consequently, the prohibition on insider dealing applies where an insider who is in a possession of inside information takes unfair advantage of the benefit gained from that information by entering into market transactions in accordance with that information by acquiring or disposing of, or attempting to acquire or dispose of, or by cancelling or amending or attempting to cancel or amend an order to acquire or dispose, for his own account or for the account of a third party, either directly or indirectly, financial instruments to which that information relates. Use of inside information can also consist of trading in emission allowances and derivatives thereof and of bidding in the auctions of emission allowances or other auctioned products based thereon that are held pursuant to Commission Regulation (EU) No 1031/2010<sup>1</sup>.***

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<sup>1</sup> ***Commission Regulation (EU) No 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community (OJ L 302, 18.11.2010, p. 1).***

*(16d) A person in possession of inside information who carries out any transaction related to that information shall be presumed to have used that information. Orders placed before a person possesses inside information should not be presumed to be insider dealing, but when a person has received inside information, any subsequent change related to that information to these orders, including the cancellation or amendment of an order, or an attempt to cancel or amend an order, should be presumed to constitute insider dealing. The presumption may, however, be rebutted if the person establishes that he did not use the inside information in carrying out the transaction.*

- (16e) When a legal or natural person in possession of inside information, acquires or disposes of, or attempts to acquire or dispose of, for his own account or for the account of a third party, either directly or indirectly, financial instruments to which that information relates it should be implied that the person has “used that information”. This presumption is without prejudice to the rights of defence. The question whether a person has infringed the prohibition on insider dealing or attempt to commit insider dealing should be analysed in the light of the purpose of this Regulation, which is to protect the integrity of the financial market and to enhance investor confidence, which is based, in turn, on the assurance that investors will be placed on an equal footing and protected from the misuse of inside information.***
- (16f) Use of inside information can consist in the acquisition or disposal of a financial instrument, or an auctioned product based on emission allowances, or in the cancellation or amendment of an order, or in an attempt to acquire or dispose of a financial instrument or to cancel or amend an order, by a person who knows, or ought to have known, that the information possessed constitutes inside information. In this respect, the competent authorities should consider what a normal and reasonable person would know or should have known in the circumstances.***



**(16g) This Regulation should be interpreted in a manner consistent with the measures adopted by the Member States to protect the interests of holders of transferable securities carrying voting rights in a company (or which may carry such rights as a consequence of the exercise of rights or conversion) when the company is subject to a public take-over bid or other proposed change of control. In particular this Regulation should be interpreted in a manner consistent with the laws, regulations and administrative provisions adopted in relation to takeover bids, merger transactions and other transactions affecting ownership or control of companies regulated by the supervisory authorities appointed by Member States pursuant to Article 4 of Directive 2004/25/EC of the European Parliament and of the Council<sup>1</sup>.**

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<sup>1</sup> **Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (OJ L 142, 30.4.2004, p. 12).**

- (16h) Research and estimates developed from publicly available data, should not be regarded in itself as inside information and, therefore, any transaction carried out on the basis of such research or estimates should not in itself be deemed to constitute the use of inside information. An example of where this information may constitute inside information is where the information's publication or distribution is routinely expected by the market and it contributes to the price-formation process of financial instruments, or the information provides views from a recognised market commentator or institution which may inform the prices of related financial instruments. Market actors must therefore consider the extent to which the information is non-public and the possible effect on financial instruments if they were to trade on this in advance of its publication or distribution, to establish whether they would be trading on the basis of inside information.*
- (16i) In order to avoid inadvertently prohibiting forms of financial activity which are legitimate, namely where there is no effect of market abuse, it is necessary to recognise certain legitimate behaviours. This may include, for example, recognising the role of market makers, when acting in the legitimate capacity of providing market liquidity.*

**(16j) *The mere fact that market makers or persons authorised to act as counterparties, confine themselves to pursuing their legitimate business of buying or selling financial instruments or that persons authorised to execute orders on behalf of third parties with inside information confine themselves to carrying out cancelling or amending an order dutifully, should not be deemed, in itself, to constitute use of such inside information. However, the protections in this Regulation to market makers, bodies authorised to act as counter parties or persons authorised to execute orders on behalf of third parties with inside information do not extend to activities clearly prohibited under this Regulation including, for example the practice commonly known as “front-running”. Another example may be the situation where legal persons have taken all reasonable measures to prevent abuse from occurring but nevertheless natural persons within their employment commit abuse on behalf of the legal person. Another example may be transactions conducted in the discharge of a prior obligation that has become due. Having access to inside information relating to another company and using it in the context of a public take-over bid for the purpose of gaining control of that company or proposing a merger with that company should not be deemed, in itself, to constitute insider dealing.***

***(16k) Since the acquisition or disposal of financial instruments necessarily involves a prior decision to acquire or dispose taken by the person who undertakes one or other of these operations, the carrying out of this acquisition or disposal should not be deemed in itself to constitute the use of inside information. Acting on the basis of one's own plans and strategies for trading should not be considered as using inside information. However, none of these persons, either legal or natural persons as appropriate, will be protected by virtue of their professional function; they will only be protected if they act in a fit and proper manner, meeting both the standards expected of their profession and of this Regulation namely market integrity and investor protection. A breach could still be deemed to have occurred if the competent authority established that there was an illegitimate reason behind these transactions, orders to trade or behaviours or that the person used inside information.***

**(16l) *Market soundings are interactions between a seller of financial instruments and one or more potential investors, prior to the announcement of a transaction, in order to gauge the interest of potential investors in a possible transaction and its pricing, size and structuring. Market soundings may involve an initial or secondary offer of relevant securities, and are distinct from ordinary trading. They are a highly valuable tool to gauge the opinion of potential investors, enhance shareholder dialogue, ensure that deals run smoothly, and that the views of issuers, existing shareholders and potential new investors are aligned. They may be particularly beneficial when markets lack confidence or a relevant benchmark, or are volatile. Thus the ability to conduct market soundings is important for the proper functioning of capital markets and market soundings should not in themselves be regarded as market abuse.***

*(16m) Examples of market soundings would include, but are not limited to, where the sell-side firm has been in discussions with an issuer about a potential transaction, and it has decided to gauge potential investor interest in order to determine the terms that will make up a transaction; where an issuer intends to announce a debt issuance or additional equity offering and key investors are contacted by a sell-side firm and given the full terms of the deal to obtain a financial commitment to participate in the transaction; or where the sell-side is seeking to sell a large amount of securities on behalf of an investor and seeks to gauge potential interest in these securities from other potential investors.*

***(16n) Conducting market soundings may require disclosure to potential investors of inside information. There will generally only be the potential to benefit financially from trading on the basis of inside information passed in a market sounding where there is an existing market in the financial instrument that is the subject of the market sounding or in a related financial instrument. Given the timing of such discussions, it is possible that inside information may be disclosed to the potential investor in the course of the market sounding after a financial instrument has been admitted to trading on a regulated market or traded on a MTF or OTF. Before engaging in a market sounding, the disclosing market participant must assess whether that market sounding will involve the disclosure of inside information.***

**(16o) *Inside information should be deemed as being disclosed legitimately if it is disclosed in the normal course of the exercise of a person’s employment, profession or duty. Where a market sounding involves the disclosure of inside information, the disclosing market participant will be considered to be acting within the course of his employment, profession or duty where, at the time of making the disclosure, he informs and receives the consent of the person to whom the disclosure is made that he may be given inside information; that he will be restricted by the provisions of this Regulation from trading or acting on that information; that reasonable steps must be taken to protect the ongoing confidentiality of the information; and that he must inform the disclosing market participant of the identities of all natural and legal persons to whom the information is disclosed in the course of developing a response to the market sounding. The disclosing market participant must also comply with the obligations, to be set out in detail in regulatory technical standards, regarding the maintenance of records of information disclosed. Market participants who do not comply with the detailed provisions of this Regulation when conducting a market sounding should not be presumed to have improperly disclosed inside information but they cannot take advantage of the exemption given to those who have complied with such provisions. The question whether they have infringed the prohibition on improper disclosure of inside information should be analysed in light of all the relevant provisions of this Regulation, and all disclosing market participants are under an obligation to record in writing their assessment, before engaging in a market sounding, whether that market sounding will involve the disclosure of inside information.***



- (16p) *Potential investors who are the subject of a market sounding in turn should consider if the information disclosed to them amounts to inside information which would prohibit them from dealing on the basis of it or further disclosing the inside information. Potential investors remain subject to insider dealing and improper disclosure rules, as set out in this Regulation. In order to assist potential investors in their considerations and as regards what steps they should take so as not to contravene the provisions of this Regulation, ESMA shall issue guidelines.*
- (17) Commission Regulation (EU) No 1031/2010 provided for two parallel market abuse regimes applicable to the auctions of emission allowances. However, as a consequence of the classification of emission allowances as financial instruments, this Regulation should constitute a single rulebook of market abuse measures applicable to the entirety of the primary and secondary market in emission allowances. The Regulation shall also apply to the auctioning of emission allowances or other auctioned products based thereon pursuant to Commission Regulation (EU) No 1031/2010.

- (18) This Regulation should provide measures regarding market manipulation that are capable of being adapted to new forms of trading or new strategies that may be abusive. To reflect the fact that trading of financial instruments is increasingly automated, it is desirable that *the definition of* market manipulation *provides* examples of specific abusive strategies that may be carried out by *any available means of* trading including *algorithmic and* high frequency trading. The examples provided are neither intended to be exhaustive nor are they intended to suggest that the same strategies carried out by other means would not also be abusive.
- (18a) *The prohibitions on insider dealing and market manipulation should also cover those persons who act in collaboration to commit market abuse. Examples may include, but are not limited to, brokers who devise and recommend a trading strategy designed to result in market abuse, persons who encourage a person with inside information to disclose that information improperly, persons who develop software in collaboration with a trader for the purpose of facilitating market abuse.*

- (18b) *To ensure that liability is conferred on both the legal person and any natural person who participates in the decision making of the legal person, it is necessary to give recognition of the different national legal mechanisms in Member States. This relates directly to the methods of attribution of liability in national law.*
- (19) In order to complement the prohibition of market manipulation, this Regulation should include a prohibition against attempting to engage in market manipulation **■**. *An attempt to engage in market manipulation should be distinguished from **actual behaviour which is likely to result in market manipulation as both activities are prohibited under this Regulation. Such an attempt may include, but not be limited to, situations where the activity is started but not completed, for example as a result of failed technology or an instruction to trade which is not acted upon. Prohibiting attempts to engage in market manipulation is necessary to enable competent authorities to sanction such attempts, even in the absence of an identifiable effect on market prices.***

- (19a) Without prejudice to the aim of this Regulation and its directly applicable provisions, a person who enters into transactions or issues orders to trade which may be deemed to constitute market manipulation may be able to establish that his reasons for entering into such transactions or issuing orders to trade were legitimate and that the transactions and orders to trade were in conformity with accepted practice on the market concerned. An accepted market practice can only be established by the competent authority responsible for the market abuse supervision of the market concerned. A practice that is accepted in a particular market cannot be considered applicable to other markets unless the competent authorities of such other markets have officially accepted that practice. A breach could still be deemed to have occurred if the competent authority established that there was an illegitimate, reason behind these transactions or orders to trade.***
- (20) This Regulation should also clarify that engaging in market manipulation or attempting to engage in market manipulation in a financial instrument may take the form of using related financial instruments such as derivative instruments that are traded on another trading venue or over the counter.

(20a) Many financial instruments are priced by reference to benchmarks. The actual or attempted manipulation of benchmarks, **including** interbank offer rates, can have a serious impact on market confidence and may result in significant losses to investors or distort the real economy. Therefore, specific provisions in relation to benchmarks are required in order to preserve the integrity of the markets and ensure that competent authorities can enforce a clear prohibition of the manipulation of benchmarks. ***These provisions should cover all published benchmarks including those accessible through the internet whether free of charge or not such as CDS benchmarks and indices of indices.*** It is necessary to complement the general prohibition of market manipulation by prohibiting the manipulation of the benchmark itself and ***the*** transmission of false or misleading information, provision of false or misleading inputs, or any other action that manipulates the calculation of a benchmark, ***where calculation is broadly defined to include the receipt and evaluation of all data which relates to the calculation of that benchmark and include in particular trimmed data, and*** including the benchmark's methodology, ***whether algorithmic or judgement based in whole or in part.*** Those rules are in addition to Regulation (EU) No 1227/2011 which prohibits the deliberate provision of false information to undertakings which provide price assessments or market reports on wholesale energy products with the effect of misleading market participants acting on the basis of those price assessments or market reports.

- (21) In order to ensure uniform market conditions between trading venues and facilities subject to this Regulation, **any person who operates the business** of regulated markets, MTFs and OTFs should be required to adopt **effective arrangements, systems and procedures** aimed at preventing and detecting market manipulation **and abusive** practices.
- (22) Manipulation or attempted manipulation of financial instruments may also consist in placing orders which may not be executed. Further, a financial instrument may be manipulated through behaviour which occurs outside a trading venue. **Persons** who professionally arrange or execute transactions ■ are required to have **and maintain effective arrangement, systems and procedures** in place to detect and report suspicious transactions. **This** should also **include reporting** suspicious orders and suspicious transactions that take place outside a trading venue.

(23) Manipulation or attempted manipulation of financial instruments may also consist in disseminating false or misleading information. The spreading of false or misleading information can have a significant impact on the prices of financial instruments in a relatively short period of time. It may consist in the invention of manifestly false information, but also the wilful omission of material facts, as well as the knowingly inaccurate reporting of information. This form of market manipulation is particularly harmful to investors, because it causes them to base their investment decisions on incorrect or distorted information. It is also harmful to issuers, because it reduces the trust in the available information related to them. A lack of market trust can in turn jeopardise an issuer's ability to issue new financial instruments or to secure credit from other market participants in order to finance its operations. Information spreads through the market place very quickly. As a result, the harm to investors and issuers may persist for a relatively long-time until the information is found to be false or misleading, and can be corrected by the issuer or those responsible for its dissemination. It is therefore necessary to qualify the spreading of false or misleading information, including rumours and false or misleading news, as being a breach of this Regulation. It is therefore appropriate not to allow those active in the financial markets to freely express information contrary to their own opinion or better judgement, which they know or should know to be false or misleading, to the detriment of investors and issuers.

- (23a) *Given the rise in the use of websites, blogs and social media, it is important to clarify that disseminating false or misleading information via the internet, including through social media sites or unattributable blogs, should be considered for the purposes of this Regulation in the same way as doing so via more traditional communication channels.*
- (24) The public disclosure of inside information by an issuer is essential to avoid insider trading and ensure that investors are not misled. Issuers should therefore be required to inform the public as soon as possible of inside information. ***However this obligation may under special circumstances prejudice the legitimate interests of the issuer. In such circumstances, delayed disclosure should be permitted provided that the delay would not be likely to mislead the public and the issuer is able to ensure the confidentiality of the information. The issuer of a financial instrument is only under an obligation to disclose inside information if it has requested or approved admission of the financial instrument to trading.***
- (24a) *For the purposes of applying paragraph 12(3) and 12(4) of this Regulation, legitimate interests may, in particular, relate to the following non-exhaustive circumstances:*



- (a) *negotiations in course, or related elements, where the outcome or normal pattern of those negotiations would be likely to be affected by public disclosure. In particular, in the event that the financial viability of the issuer is in grave and imminent danger, although not within the scope of the applicable insolvency law, public disclosure of information may be delayed for a limited period where such a public disclosure would seriously jeopardise the interest of existing and potential shareholders by undermining the conclusion of specific negotiations designed to ensure the long-term financial recovery of the issuer;*
- (b) *decisions taken or contracts made by the management body of an issuer which need the approval of another body of the issuer in order to become effective, where the organisation of such an issuer requires the separation between these bodies, provided that a public disclosure of the information before such approval together with the simultaneous announcement that this approval is still pending would jeopardise the correct assessment of the information by the public.*

- (25) *In order to protect the public interest, to preserve the stability of the financial system and for example to avoid that liquidity crises in financial institutions turn into solvency crises due to a sudden withdrawal of funds, it may be appropriate to allow, in exceptional circumstances, the delay of the disclosure of inside information for credit institutions or other financial institutions. In particular, this may apply to information pertinent to temporary liquidity problems, where they need to receive central banking lending including emergency liquidity assistance from a central bank where disclosure of the information would have a systemic impact. This delay should be conditional upon the issuer obtaining the consent of the relevant competent authority and it being clear that the wider public and economic interest in delaying disclosure outweighs the interest of the market in receiving the information which is subject to delay.*

- (25a) In respect to financial institutions, notably where they receive central bank lending, including emergency liquidity assistance, the assessment of whether the information is of systemic importance and whether delay of disclosure is in the public interest should be made by the competent authority, after consulting as appropriate with the central bank, the macro-prudential authority or any other relevant national authority.*
- (25b) The use or attempted use of inside information to trade either on one's own account or on the account of a third party should be clearly prohibited. Use of inside information can also consist of trading in emission allowances and derivatives thereof and of bidding in the auctions of emission allowances or other auctioned products based thereon that are held pursuant to Regulation (EU) No 1031/2010 by persons who know, or ought to know, that the information they possess constitutes inside information. Information regarding the market participant's own plans and strategies for trading should not be considered as inside information, although information regarding a third party's plans and strategies for trading may amount to inside information.*

- (26) The requirement to disclose inside information can be burdensome for *small and medium-sized enterprises, [as defined by Directive .../.../EU of the European Parliament and of the Council<sup>1</sup> (new MiFID)]*, whose financial instruments are admitted to trading on SME growth markets, given the costs of monitoring information in their possession and seeking legal advice about whether and when information needs to be disclosed. Nevertheless, prompt disclosure of inside information is essential to ensure investor confidence in those issuers. Therefore, the European Securities and Markets Authority (ESMA) should be able to issue guidelines which assist issuers to comply with the obligation to disclose inside information without compromising investor protection.

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<sup>1</sup> *Directive .../.../EU of the European Parliament and of the Council of ... (OJ L ...).*

(27) Insider lists are an important tool for regulators when investigating possible market abuse, but national differences in regards to data to be included in those lists impose unnecessary administrative burdens on issuers. Data fields required for insider lists should therefore be uniform in order to reduce those costs. ***It is important that persons included on insider lists are informed of that fact and its implications under this Regulation and Directive .../.../EU of the European Parliament and of the Council<sup>1</sup> [new MAD].*** The requirement to keep and constantly update insider lists imposes administrative burdens specifically on issuers on SME growth markets. As competent authorities are able to exercise effective market abuse supervision without having those lists available at all times for those issuers they should be exempt from this obligation in order to reduce the administrative costs imposed by this Regulation. ***However, such issuers should provide an insider list to the competent authorities upon request.***

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<sup>1</sup> ***Directive .../.../EU of the European Parliament and of the Council of ... (OJ L ...).***

*(27a) The establishment, by issuers or any person acting on their behalf or account, of lists of persons working for them under a contract of employment or otherwise and having access to inside information relating, directly or indirectly, to the issuer, is a valuable measure for protecting market integrity. These lists may serve issuers or such persons to control the flow of inside information and thereby help manage their confidentiality duties. Moreover, these lists may also constitute a useful tool for competent authorities to identify any person who has access to inside information and the date on which they gained access. Access to inside information relating, directly or indirectly, to the issuer by persons included on such a list is without prejudice to their duty to refrain from insider dealing.*

- (28) Greater transparency of transactions conducted by persons discharging managerial responsibilities at the issuer level and, where applicable, persons closely associated with them, constitutes a preventive measure against market abuse, ***particularly insider dealing***. The publication of those transactions on at least an individual basis can also be a highly valuable source of information to investors. It is necessary to clarify that the obligation to publish those managers' transactions also includes the pledging or lending of financial instruments, ***as the pledging of shares can result in a material and potentially destabilising impact on the company in the event of a sudden, unforeseen disposal. Without disclosure, the market would not know that there was the increased possibility of, for example, a significant future change in share ownership; increase in the supply of shares to the marketplace; or loss of voting rights in that company. For this reason, notification under this Regulation will be required where the pledge of the securities is made as part of a wider transaction in which the manager pledges the securities as collateral to gain credit from a third party. Additionally, full and proper market transparency is a prerequisite for the confidence of market actors and, in particular, the confidence of a company's shareholders. It is also necessary to clarify that the obligation to publish those managers' transactions includes*** transactions by another person exercising discretion for the manager. In order to ensure an appropriate balance between the level of transparency and the number of reports notified to competent authorities and the public, ***thresholds*** should be introduced in this Regulation below which transactions shall not be notified.

*(28a) The notification of transactions conducted by a person discharging managerial responsibilities within an issuer on their own account, or by person closely associated with them, is not only valuable information for market participants, but also constitutes an additional means for competent authorities to supervise markets. The obligation to notify transactions is without prejudice to the duty to refrain from insider dealing.*

*(28b) Notification of transactions should be in accordance with the rules on transfer of personal data laid down in Directive 95/46/EC of the European Parliament and of the Council<sup>1</sup>.*

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<sup>1</sup> *Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on protection of individuals with regard to the processing of personal data and on the movement of such data (OJ L 281, 23.11.1995, p. 31).*



- (28c) *Persons discharging managerial responsibilities within an issuer should be prohibited from trading before the announcement of an interim financial report or a year-end report which the relevant issuer is obliged to make public according to the rules of the trading venue where the issuer's shares are admitted to trading or according to national law, unless specific and restricted circumstances exist which would justify a permission of trading by the issuers. However, any such permission by the issuer is without prejudice to the duty of the persons discharging managerial responsibilities to refrain from insider dealing.*
- (29) A set of effective tools and powers *and resources* for the competent authority of each Member State guarantees supervisory effectiveness. *This Regulation therefore in particular foresees a minimum set of supervisory and investigative powers competent authorities of Member States should be entrusted with in accordance with national law. Those powers should be exercised, where the national law so requires, by application to the competent judicial authorities. When exercising their powers under this Regulation competent authorities should act objectively and impartially and remain autonomous in their decision making.*

**(29a)** Market undertakings and all economic actors should also contribute to market integrity. In this sense, the designation of a single competent authority for market abuse should not exclude collaboration links or delegation under the responsibility of the competent authority, between that authority and market undertakings with a view to guaranteeing efficient supervision of compliance with the provisions in this Regulation. *Where persons who produce or disseminate investment recommendations or other information recommending or suggesting an investment strategy in one or more financial instruments also deal on own account in such instruments, the competent authorities should, inter alia, be able to require or demand from such persons any information necessary to determine whether the recommendations produced or disseminated by that person are compliant with this Regulation.*

- (30) For the purpose of detecting cases of insider dealing and market manipulation, it is necessary for competent authorities to have, *in accordance with national law*, the *ability* access to *the premises of natural and legal persons in order to* seize documents. The access to *such* premises is necessary *when there is reasonable suspicion that documents and other data related to the subject matter of an investigation exist and may be relevant to prove a case of insider dealing or market abuse. Additionally the access to such premises is necessary* where: the person to whom a demand for information has already been made fails (wholly or in part) to comply with it; or where there are reasonable grounds for believing that if a demand were to be made, it would not be complied with, or that the documents or information to which the information requirement relates, would be removed, tampered with or destroyed. *If prior authorisation is needed from the judicial authority of the Member State concerned, in accordance with national law, such power for access into premises shall be used after having obtained that prior judicial authorisation.*

(31) Existing *recordings of telephone conversations* and data traffic records from investment firms executing *and documenting the executions of* transactions, *as well as* existing telephone and data traffic records from *telecommunications* operators constitute crucial, and sometimes the only, evidence to detect and prove the existence of insider dealing and market manipulation. Telephone and data traffic records may establish the identity of a person responsible for the dissemination of false or misleading information *or* that persons have been in contact at a certain time, and that a relationship exists between two or more people. *Therefore, competent authorities should be able to require existing recordings of telephone conversations, electronic communications and data traffic records held by an investment firm or credit institution in accordance with Directive .../.../EU [new MiFID]. Access to data and telephone records is necessary to provide evidence and investigate leads on possible insider dealing or market manipulation, and therefore for the detection and sanctioning of market abuse.* In order to introduce a level playing field in the Union in relation to the access **■** to telephone and existing data traffic records held by a telecommunication operator or *the existing recordings of telephone conversations and data traffic held* by an investment firm, competent authorities should *in conformity with national law* be able to require existing telephone and existing data traffic records held by a telecommunication operator *insofar as permitted under national law and existing recordings of telephone conversations as well as data traffic held* by an investment firm, *in those cases* where a reasonable suspicion exists that such records related to the subject-matter of the inspection *or investigation* may be relevant to prove insider dealing or market manipulation **■** in violation of this Regulation **■**. *Access to telephone and data traffic records held by a telecommunications operator do not encompass the content of voice communications by telephone.*

*(31a) While this Regulation specifies a minimum set of powers competent authorities should have, these powers are to be exercised within a complete system of national law which guarantees the respect for fundamental rights, including the right to privacy. For the exercise of those powers, which may amount to serious interferences with the right to respect private and family life, home and communications, Member States should have in place adequate and effective safeguards against any abuse, for instance, where appropriate prior authorisation from the judicial authorities of a Member State concerned. Member States should allow the possibility for competent authorities to exercise such intrusive powers to the extent necessary for the proper investigation of serious cases where there are no equivalent means for effectively achieving the same result.*

- (32) Since market abuse can take place across borders and markets, *in all but exceptional circumstances* competent authorities should be required to cooperate and exchange information with other competent and regulatory authorities, and with ESMA, in particular in relation to investigation activities. Where a competent authority is convinced that market abuse is being, or has been, carried out in another Member State or affecting financial instruments traded in another Member State, it should notify that fact to the competent authority and ESMA. In cases of market abuse with cross-border effects, ESMA should be *able* to coordinate the investigation if requested to do so by one of the competent authorities concerned.
- (32a) *It is necessary for competent authorities to have the necessary tools for effective cross market order-book surveillance. Pursuant to [Article 51(7)] of Directive .../.../EU [MiFID], competent authorities are able to request and receive data from other competent authorities relating to the order book to assist in monitoring and detecting market manipulation on a cross border basis.*

- (33) In order to ensure exchanges of information and cooperation with third country authorities in relation to the effective enforcement of this Regulation, competent authorities should conclude cooperation arrangements with their counterparts in third countries. Any transfer of personal data carried out on the basis of those agreements shall comply with Directive 95/46/EC and with Regulation (EC) No 45/2001 of the European Parliament and of the Council<sup>1</sup>.

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<sup>1</sup> Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.1.2001, p. 1).

- (34) A sound prudential and conduct of business framework for the financial sector should rest on strong supervisory, *investigatory* and sanctioning regimes. To this end, supervisory authorities should be equipped with sufficient powers to act and should be able to rely on equal, strong and deterrent sanctions regimes against all financial misconduct, sanctions which should be enforced effectively. However, the High Level Group considered that none of these elements is currently in place. A review of existing sanctioning powers and their practical application aimed at promoting convergence of sanctions across the range of supervisory activities has been carried out in the Commission Communication of 8 December 2010 on reinforcing sanctioning regimes in the financial sector<sup>1</sup>.

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<sup>1</sup> European Commission, Communication on *Reinforcing sanctioning regimes in the financial sector*, COM(2010)0716, 8 December 2010.



(35) Therefore, **■** a set of administrative measures, sanctions and fines should be *provided for* to ensure a common approach in Member States and to enhance their deterrent effect. *The possibility of a disbarment from management functions within investment firms should be available to the competent authority. Sanctions applied in specific cases should be determined taking into account where appropriate factors such as the disgorgement of any identified financial benefit, the gravity and duration of the breach, any aggravating or mitigating factors, the need for fines to have a deterrent effect and, where appropriate, include a discount for cooperation with the competent authority. In particular, the actual amount of administrative fines to be imposed in a specific case may reach the maximum level provided for in this Regulation, or the higher level provided for in national law, for very serious breaches, while fines significantly lower than the maximum level may be applied to minor breaches or in case of settlement. The possibility of a disbarment from management functions within investment firms should be available to the competent authority. This regulation should not limit Member States in their ability to provide for higher levels of administrative sanctions.*

**(35a) *Even though nothing prevents Member States from laying down rules for administrative sanctions as well as criminal sanctions on the same infringements, Member States should not be required to lay down rules for administrative sanctions on the infringements of this Regulation which are already subject to national criminal law by ...\* . In conformity with national law, Member States are not obliged to impose both administrative and criminal sanctions for the same offence, but they can do so if their national law permits them. However, the maintenance of criminal sanctions instead of administrative sanctions for violations of this Regulation or of Directive .../.../EU [New MAD] should not reduce or otherwise affect the ability of competent authorities to cooperate, access and exchange information in a timely way with competent authorities in other Member States for the purposes of this Regulation, including after any referral of the relevant infringements to the competent judicial authorities for criminal prosecution.***

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**\* *OJ: Please insert date: 24 months after the date of entry into force of this Regulation.***

***(35b) In order to ensure that decisions made by competent authorities have a dissuasive effect on the public at large, they should normally be published. The publication of decisions is also an important tool for competent authorities to inform market participants of what behaviour is considered to be a violation of this Regulation and to promote wider good behaviour amongst market participants. If such publication causes disproportionate damage to the persons involved, jeopardises the stability of financial markets or an ongoing investigation the competent authority should publish the sanctions and measures on an anonymous basis in a manner which is in conformity with national law or delay the publication. Competent authorities should have the option not to publish sanctions where anonymous or delayed publication is considered insufficient to ensure that the stability of financial markets will not be jeopardised. Competent authorities are also not required to publish measures which are deemed to be of a minor nature where publication would be disproportionate.***

(36) Whistleblowers bring new information to the attention of competent authorities which assists them in detecting and sanctioning cases of insider dealing and market manipulation. However, whistleblowing may be deterred for fear of retaliation, or for lack of incentives. ***Reporting of violations of this Regulation is necessary to ensure that a competent authority may detect and sanction market abuse. Measures on whistleblowing are necessary to facilitate detection of market abuse and to ensure the protection and the respect of the rights of the whistleblower and the accused person.*** This Regulation should therefore ensure that adequate arrangements are in place to ***enable*** whistleblowers to alert competent authorities to possible breaches of this Regulation and to protect them from retaliation. ***Member States may provide for financial incentives for those persons who offer salient information about potential breaches of this Regulation.*** However, whistleblowers should only be eligible for those incentives where they bring to light new information which they are not already legally obliged to notify and where this information results in a sanction for a breach of this Regulation. Member States should also ensure that whistleblowing schemes they implement include mechanisms that provide appropriate protection of ***an accused*** person, particularly with regard the right to the protection of his personal data and procedures to ensure the right of the ***accused*** person of defence and to be heard before the adoption of a decision concerning him as well as the right to seek effective remedy before a court against a decision concerning him.

- (37) Since Member States have adopted legislation implementing Directive 2003/6/EC, and since delegated acts and implementing technical standards are foreseen which should be adopted before the framework to be introduced can be usefully applied, it is necessary to defer the application of the substantive provisions of this Regulation for a sufficient period of time.
- (38) In order to facilitate a smooth transition to the entry into application of this Regulation, market practices existing before the entry into force of this Regulation and accepted by competent authorities in accordance with Commission Regulation (EC) No 2273/2003<sup>1</sup> for the purpose of applying point 2(a) of Article 1 of Directive 2003/6/EC, may remain applicable until one year after the date specified for effective application of this Regulation provided that they are notified to ESMA.

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<sup>1</sup> Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments (OJ L 336, 23.12.2003, p. 33).

- (39) This Regulation respects the fundamental rights and observes the principles recognised in the Charter of Fundamental Rights of the European Union. *Accordingly, this Regulation should be interpreted and applied in accordance with those rights and principles. Notably, when this Regulation refers to rules governing the freedom of the press and the freedom of expression in other media and the rules or codes governing the journalist professions, consideration should be given to these freedoms as they are guaranteed in the Union and in the Member States and as recognised under Article 11 of the Charter of Fundamental Rights and other relevant provisions.*
- (39a) *In order to increase transparency and to better inform the operation of the sanctions regimes, competent authorities should provide anonymised and aggregated data to ESMA on an annual basis. This data should comprise of the number of investigative case that have been opened, the number that are ongoing and the number that have been closed during the relevant period.*

- (40) Directive 95/46/EC and Regulation (EC) No 45/2001 govern the processing of personal data carried out by ESMA within the framework of this Regulation and under the supervision of the Member States competent authorities, in particular the public independent authorities designated by the Member States. Any exchange or transmission of information by competent authorities should be in accordance with the rules on the transfer of personal data as laid down in Directive 95/46/EC. And any exchange or transmission of information by ESMA should be in accordance with the rules on the transfer of personal data as laid down in Regulation (EC) No 45/2001.
- (41) This Regulation, as well as the delegated acts, standards and guidelines adopted in accordance with it, are without prejudice to the application of the Union rules on competition.

(42) The Commission should be empowered to adopt delegated acts in accordance with Article 290 *TFEU*. In particular, delegated acts should be adopted ***to extend the exclusion from the scope of the Regulation to certain public bodies and central banks of third countries and to certain designated public bodies of third countries that have a linking agreement with the EU in the meaning of Article 25 of Directive 2003/87/EC***, in respect of **■** the indicators for manipulative behaviour listed in the Annex to this Regulation, the ***thresholds*** for determining the application of the public disclosure obligation to emission allowance market participants ***and the circumstances under which trading during a closed period may be permitted***. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and Council.



- (43) In order to ensure uniform conditions for the implementation of this Regulation in respect of procedures for the reporting of violations of this Regulation implementing powers should be conferred on the Commission *to specify the procedures, including the modalities for following up of the reports and measures for the protection of persons working under a contract of employment and measures for the protection of personal data*. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council<sup>1</sup>.
- (44) Technical standards in financial services should ensure uniform conditions across the Union in matters covered by this Regulation. As a body with highly specialised expertise, it would be efficient and appropriate to entrust ESMA, with the elaboration of draft regulatory technical standards and draft implementing technical standards which do not involve policy choices, for submission to the Commission.

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<sup>1</sup> Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

(45) The Commission should adopt the draft regulatory technical standards developed by ESMA *to specify the content of notifications that will have to be made by the operators of regulated markets, MTFs and OTFs concerning the financial instruments that are admitted to trading traded or for which a request for admission to trading in their venue has been made, the manner and conditions of compilation, publication and maintenance of the list of these instruments by ESMA, to specify the conditions that buy back programmes and stabilisation measures must meet including conditions for trading, time and volume restrictions, disclosure and reporting obligations and price conditions for the stabilisation*, in relation to procedures and arrangements *systems* for trading venues aimed at preventing and detecting market abuse and of systems and templates to be used by persons in order to detect and notify suspicious orders and transactions, *to specify appropriate arrangements, procedures and record-keeping requirements in the process of market soundings* and in respect of technical arrangements for categories of persons for objective presentation of information recommending an investment strategy and for disclosure of particular interests or indications of conflicts of interest by means of delegated acts pursuant to Article 290 TFEU and in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council<sup>1</sup>. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level.

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<sup>1</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

- (46) The Commission should also be empowered to adopt implementing technical standards by means of implementing acts pursuant to Article 291 TFEU and in accordance with Article 15 of Regulation (EU) No 1093/2010. ESMA should be entrusted with drafting implementing technical standards for submission to the Commission with regard to public disclosure of inside information, formats of insider lists and formats and procedures for the cooperation and exchange of information of competent authorities among themselves and with ESMA.
- (47) Since the objective of the proposed action, namely to prevent market abuse in the form of insider dealing and market manipulation, cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale and effects of the measures, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

- (48) The provisions of Directive 2003/6/EC being no longer relevant and sufficient, that Directive should be repealed from ...<sup>\*</sup>. The requirements and prohibitions of this Regulation are strictly related to those in the MiFID, therefore they should enter in to application on the date of entry into application of the MiFID review.
- (49) *For the correct application of this Regulation, it is necessary that certain provisions of this Regulation, namely Articles 16, 17, 26, 29 and 30a, are implemented by Member States before entry into application of this Regulation.*
- (49a) *The European Data Protection Supervisor delivered an opinion on 10 February 2012<sup>1</sup>,*

HAVE ADOPTED THIS REGULATION:

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<sup>\*</sup> OJ: Please insert date: 24 months after the date of entry into force of this Regulation.

<sup>1</sup> *OJ C 177, 20.6.2012, p. 1.*

CHAPTER 1  
GENERAL PROVISIONS

SECTION 1

SUBJECT MATTER AND SCOPE

Article 1

Subject matter

This Regulation establishes a common regulatory framework on *insider dealing, misuse of inside information and market manipulation as well as measures to prevent* market abuse to ensure the integrity of financial markets in the Union and to enhance investor protection and confidence in those markets.

## Article 2

### Scope

1. This Regulation applies to the following:
  - (a) financial instruments admitted to trading on a regulated market or for which a request for admission to trading on a regulated market has been made;
  - (b) financial instruments traded, *admitted to trading or for which a request for admission to trading* on a MTF *has been made*;
  - (ba) financial instruments traded on an OTF;*
  - (c) *financial instruments not covered by points (a) or (b) or (ba) the price or value of which depends on or has an effect on the price or value of a financial instrument referred to in those points, including, but not limited to, credit default swaps and contracts for difference.*

*This Regulation also applies to* bids, relating to the auctioning of emission allowances or other auctioned products based thereon pursuant to Regulation (EU) No 1031/2010. Without prejudice to any specific provisions referring to bids submitted in the context of an auction, any requirements and prohibitions in this Regulation referring to orders to trade shall apply to such bids.

2. *Market operators of regulated markets and investment firms and market operators operating an MTF or an OTF shall without delay, notify their competent authority of each financial instrument the first time that is admitted to trading, has been traded or for which there has been a request for admission to trading on their trading venue. A second notification shall be made when the instrument in question ceases to trade or be admitted to trading. Where the date when the instrument in question will cease to trade or be admitted to trading is known and included in the first notification, no second notification shall be required.*

*Such notifications shall include, in particular, details of the names and numbers of the instruments, and the date and time at which the first trade was entered into, or the request for admission to trading or the admission to trading was made.*

*Market operators and investment firms shall also transmit to their competent authority all information required under the previous paragraphs for the financial instruments which are admitted to trading or for which a request for admission to trading on their trading venue has been made prior to the entry into force of this Regulation.*

*These notifications shall be transmitted by competent authorities without delay to ESMA, which shall publish them immediately on its website, in the form of a list. ESMA shall update this list immediately on receipt of a notification from a competent authority. This list shall not limit the scope of this Regulation.*



*This list shall contain:*

- (a) names and numbers of the instruments which are traded, admitted to trading or for which a request for admission to trading has been made on regulated markets, MTFs and OTFs, on the basis of the information provided by competent authorities in accordance with the fourth subparagraph;*
- (b) the date and time at which the first trade, request for admission to trading or the admission to trading was made;*
- (c) details of the trading venues on which these instruments have been traded for the first time, or where they were first admitted to trading, or where a request for admission to trading has been made, and*
- (d) the date and time at which the instrument in question ceases to trade or be admitted to trading.*

3. Articles 8 and 10 *shall* also apply to █ :

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(b) spot commodity contracts, which are not wholesale energy products, where the transaction, order or behaviour has or is likely or intended to have an effect on *the price or value of* a financial instrument referred to in paragraph 1 of this Article; or

(c) types of financial instruments, including derivative contracts or derivative instruments for the transfer of credit risk where the transaction, order, *bid* or behaviour has or is likely █ to have an effect on *the price or value of a* spot commodity *contract where the price or value depends on the price or value of those financial instruments.*

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- 3a. *Articles 8 and 10 shall also apply to behaviour in relation to benchmarks.*
4. *This Regulation applies to any transaction, order or behaviour concerning the financial instruments as defined in paragraphs 1 and 3 of this Article, irrespective of whether or not such transaction, order or behaviour takes place on a trading venue.*
5. The prohibitions and requirements in this Regulation shall apply to actions *and omissions*, carried out in the Union or outside the Union, concerning instruments referred to in paragraphs 1 to 3.

6. *Power is conferred on the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council<sup>1</sup> regarding:*
- (a) *the content of the notifications under paragraph 2;*
  - (b) *the manner and conditions of the compilation, publication and maintenance of the list.*
7. *Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1095/2010 defining the timing and the format and template of the notifications under paragraph 2 [pertaining to the list of the financial instruments].*

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<sup>1</sup> *Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).*

## SECTION 2

### EXCLUSION FROM THE SCOPE

#### Article 3

##### Exemption for buy-back programmes and stabilisation

1. The prohibitions in Articles 9 and 10 of this Regulation do not apply to trading in own shares in buy-back programmes when the full details of the programme are disclosed prior to the start of trading, trades are reported as being part of the buy-back programme to the competent authority and subsequently disclosed to the public, and adequate limits with regards to price and volume are respected. ***Such trading must be carried out in accordance with the objectives specified in paragraph 1a and the regulatory technical standards referred to in paragraph 2c of this Article.***

*1a. In order to benefit from the exemption provided for in this Article, a buy-back programme shall comply with conditions for buy-back programmes laid down in the regulatory technical standards referred to in paragraph 3b. In addition, the sole purpose of that buy-back programme must be to reduce the capital of an issuer (in value or in number of shares) or to meet obligations arising from any of the following:*

*(a) debt financial instruments exchangeable into equity instruments;*

*(b) share option programmes or other allocations of shares, to employees or to members of the administrative management or supervisory bodies of the issuer or of an associate company.*

***1b. The issuer must have in place the mechanisms ensuring that it fulfils trade reporting obligations to the competent authority of the regulated market on which the shares have been admitted to trading. These mechanisms must record each transaction related to "buy-back" programmes, including the information specified in Article 20(1) of Council Directive 93/22/EEC<sup>1</sup>.***

**2.** The prohibitions in Articles 9 and 10 of this Regulation do not apply to trading in ***securities or associated instruments*** for the stabilisation of ***securities*** when stabilisation is carried out for a limited time period, when relevant information about the stabilisation is disclosed, ***notified to the competent authority***, and adequate limits with regards to price are respected ***and provided that such trading it complies with the conditions for stabilisation laid down in the regulatory technical standards referred to in paragraph 2c of this Article.***

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<sup>1</sup> ***Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field (OJ L 141, 11.6.1993, p. 27).***

**2a. For the purposes of this Article, “securities” shall mean:**

**(a) shares and other securities equivalent to shares;**

**(b) bonds and other forms of securitised debt, or**

**(c) securitised debt convertible or exchangeable into shares or into other securities equivalent to shares.**

**2b. Without prejudice to Article 17(1) of this Regulation, the details of all stabilisation transactions must be notified by issuers, offerors, or entities undertaking the stabilisation acting, or not, on behalf of such persons, to the competent authority of the relevant market no later than the end of the seventh daily market session following the date of execution of such transactions.**



**2c. ESMA shall develop draft regulatory technical standards to specify the conditions that buy-back programmes and stabilisation measures referred to in paragraphs 1 and 3 must meet, including conditions for trading, restrictions regarding time and volume, disclosure and reporting obligations, and price conditions.**

**ESMA shall submit those draft regulatory technical standards to the Commission by**

**... \***

**Power is conferred to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.**

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**\* OJ: Please insert date: 24 months after the date of entry into force of this Regulation.**

## Article 4

### Exclusion for monetary and public debt management activities and climate policy activities

1. This Regulation does not apply to transactions, orders or behaviours carried out in pursuit of monetary, exchange rate or public debt management policy by a Member State, by *the members of* the European System of Central Banks (*ESCB*), ■ by any other ministry, agency or special purpose vehicle of *one or several* Member *States*, or by any person acting on their behalf and, in the case of a Member State that is a federal state, to such transactions, orders or behaviours carried out by a member making up the federation. It shall also not apply to ■ transactions, orders or behaviours carried out by the *European Commission or any other officially designated body or by any person acting on its behalf, in pursuit of public debt management policy*.

- 1a. This Regulation shall also not apply to transactions, orders or behaviours carried out by the Union, a special purpose vehicle for one or several Member States, the European Financial Stability Facility, European Stability Mechanism, the European Investment Bank or an international financial institution established by two or more Member States, which has the purpose to mobilise funding and provide financial assistance to the benefit of its members that are experiencing or threatened by severe financing problems* ■ .
2. This Regulation does not apply to the activity of a Member State, the European Commission or any other officially designated body, or of any person acting on their behalf, which concerns emission allowances and which is undertaken in the pursuit of the Union's climate policy *in accordance with Directive 2003/87/EC*.

*2a. This Regulation does not apply to the activity of a Member State, the European Commission or any other officially designated body, or of any person acting on their behalf, which is undertaken in the pursuit of the Union's Common Agricultural Policy or in the pursuit of the Union's Common Fisheries Policy in accordance with acts adopted or international agreements concluded under the Treaty.*

*2b. The Commission shall be empowered to adopt delegated acts in accordance with Article 32 to extend the exclusion set out in paragraph 1 to certain public bodies and central banks of third countries.*

*To that end, the Commission shall prepare and present to the European Parliament and the Council a report by ...<sup>\*</sup> assessing the international treatment of public bodies charged with or intervening in the management of the public debt and central banks in third countries.*

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<sup>\*</sup> *OJ: Please insert date: 24 months after the date of entry into force of this Regulation.*

*The report shall include a comparative analysis of the treatment of those bodies and of central banks within the legal framework of third countries, and the risk management standards applicable to the transactions entered into by those bodies and the central banks in those jurisdictions. If the report concludes, in particular in regard to the comparative analysis, that the exemption of the monetary responsibilities of those third-country central banks from the obligations and prohibitions of this Regulation is necessary the Commission shall include them in the list set out in subparagraphs 1 and 2.*

- 2c.** *The Commission shall also be empowered to adopt delegated acts in accordance with Article 32 to extend the exclusion set out in paragraph 2 to certain designated public bodies of third countries that have a linking agreement with the EU in the meaning of Article 25 of Directive 2003/87/EC.*

- 2d. Paragraphs 1 to 2c shall not apply to persons working under a contract of employment or otherwise for the bodies referred to in paragraphs 1 to 2c when they engage in transactions, orders or behaviours, directly or indirectly, on their own account.*

### SECTION 3

#### DEFINITIONS

##### Article 5

##### Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) "financial instrument" means any instrument within the meaning of *Article 4(2)(14)* of Directive .../.../EU [*new MiFID*].
- (1a) "*investment firm*" means any person within the meaning of *Article 2(1)(1)* of *Regulation (EU) No .../... [MiFIR]*.

- (1b) ***"credit institution or other financial institutions" means a credit institution or other financial institutions within the meaning [of Article 4 Directive 2006/48/EC of the European Parliament and of the Council]<sup>1</sup>.***
- (2) "regulated market" means a multilateral system in the Union within the meaning of Article 2(1)(5) of Regulation (EU) No .../... [MiFIR].
- (3) "multilateral Trading Facility (MTF)" means a multilateral system in the Union within the meaning of Article 2(1)(6) of Regulation (EU) No .../... [MiFIR].
- (4) "organised Trading Facility (OTF)" means a system or facility in the Union referred to in Article 2(1)(7) of Regulation (EU) No .../... [MiFIR].
- (4a) ***"accepted market practices" means specific market practices that are accepted by the competent authority of a given Member State in accordance with Article 8a of this Regulation.***

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<sup>1</sup> Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (OJ L 177, 30.6.2006, p. 1).

- (4b) *"stabilisation" means any purchase or offer to purchase relevant securities, or any transaction in associated instruments equivalent thereto, by investment firms or credit institutions, which is undertaken in the context of a significant distribution of such relevant securities exclusively for supporting the market price of these relevant securities for a predetermined period of time, due to a selling pressure in such securities.*
- (4c) *"associated instruments" means the following financial instruments (including those which are not admitted to trading on a regulated market, or for which a request for admission to trading on such a market has not been made, provided that the relevant competent authorities have agreed to standards of transparency for transactions in such financial instruments):*
- (a) *contracts or rights to subscribe for, acquire or dispose of relevant securities;*
  - (b) *financial derivatives on relevant securities;*



- (c) *where the relevant securities are convertible or exchangeable debt instruments, the securities into which such convertible or exchangeable debt instruments may be converted or exchanged;*
- (d) *instruments which are issued or guaranteed by the issuer or guarantor of the relevant securities and whose market price is likely to materially influence the price of the relevant securities, or vice versa;*
- (e) *where the relevant securities are securities equivalent to shares, the shares represented by those securities (and any other securities equivalent to those shares).*

- (5) "trading venue" means a system or facility in the Union referred to in **Article 2(1)(25)** of Regulation (EU) No .../... [MiFIR].
- (5a) *"Significant distribution" means an initial or secondary offer of securities that is distinct from ordinary trading both in terms of the amount in value of the securities to be offered and the selling method to be employed.*
- (6) "SME growth market" means a MTF in the Union within the meaning of **Article 4(2)(11)** of Directive .../.../EU [new MiFID].
- (7) "competent authority" means the competent authority designated in accordance with Article 16.
- (8) "person" means any natural or legal person.

- (9) "commodity" means a commodity within the meaning of Article 2(1) of Commission Regulation (EC) No 1287/2006<sup>1</sup>.
- (10) "spot commodity contract" means any contract for the supply of a commodity traded on a spot market which is promptly delivered when the transaction is settled, *as well as other contracts for the supply of a commodity (such as physically settled forward contracts) that are not financial instruments.*
- (11) "spot market" means any commodity market in which commodities are sold for cash and promptly delivered when the transaction is settled, *as well as other non financial markets, such as forward markets for commodities.*

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<sup>1</sup> Commission Regulation (EC) No 1287/2006 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive (OJ L 241, 2.9.2006, p. 1).

- (12) "buy-back programme" means trading in own shares in accordance with *Articles 21 to 27 of Directive 2012/30/EU of the European Parliament and of the Council*<sup>1</sup>.
- (13) "algorithmic trading" means trading of financial instruments using computer algorithms within the meaning of *Article 4(2)(30)* of Directive .../.../EU [new MiFID].
- (14) "emission allowance" means a financial instrument as defined in point (11) of Section C of Annex I of Directive .../.../EU [new MiFID].
- (15) "emission allowance market participant" means any person who enters into transactions, including the placing of orders to trade, in emission allowances.

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<sup>1</sup> Directive 2012/30/EU of the European Parliament and of the Council of 25 October 2012 on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 54 of the Treaty on the Functioning of the European Union, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent (OJ L 315, 14.11.2012, p. 74).

(16) "issuer of a financial instrument" means *a legal entity governed by private or public law, which issues or proposes to issue financial instruments, the issuer being, in case of depository receipts representing financial instruments, the issuer of the financial instrument represented.*

■

(18) "wholesale energy product" has the same meaning as in Article 2(4) of Regulation (EU) No 1227/2011 .

(19) "national regulatory authority" has the same meaning as in *Article 2(10)* of Regulation (EU) No 1227/2011.

**(19a)** *"commodity derivatives" means commodity derivatives within the meaning of Article 2(1)(15) of Regulation (EU) No .../... [MiFIR].*

**(19b)** *"Person discharging managerial responsibilities within an issuer" shall mean a person who is:*

**(a)** *a member of the administrative management or supervisory bodies of the issuer,*

**(b)** *a senior executive, who is not a member of the bodies as referred to in point (a), having regular access to inside information relating, directly or indirectly, to the issuer, and the power to make managerial decisions affecting the future developments and business prospects of this issuer.*

**(19c)** *"Persons closely associated with another" shall mean:*

- (a)** *the spouse of the person, or any partner of that person considered by national law as equivalent to the spouse;*
- (b)** *according to national law, dependent children;*
- (c)** *other relatives of the person, who have shared the same household as that person for at least one year on the date of the transaction concerned;*

*(d) Any legal person, trust or partnership, whose managerial responsibilities are discharged by a person referred to in point (21) of this Article or in letters (a), (b) and (c) of this point, or which is directly or indirectly controlled by such a person, or that is set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such person.*

*(19d) "data traffic records" means the records of "traffic data" as defined in Article 2 point (b) of Directive 2002/58/EC of the European Parliament and the Council<sup>1</sup>.*

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<sup>1</sup> Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications) (OJ L 201, 31.7.2002, p. 37).



- (19e) *"persons professionally arranging or executing transactions in financial instruments" means a person, professionally engaged in the reception and transmission of orders or in the execution of transactions in financial instruments.*
- (20) "benchmark" means any *rate*, index or **■** figure, *made available to the public or published that is periodically or regularly determined* by the application of a formula to, *or on the basis of:* the value of one or more underlying assets or prices, including estimated prices, *actual or estimated* interest rates or other values, or surveys, *and* by reference to which the amount payable under a financial instrument *or the value of a financial instrument* is determined.
- (20a) *"market maker" means a person within the meaning of Article 4(2)(6) of Directive .../.../EU [new MiFID].*

## SECTION 4

### INSIDE INFORMATION, INSIDER DEALING AND MARKET MANIPULATION

#### Article 6

##### Inside information

1. For the purposes of this Regulation, inside information shall comprise the following types of information:
  - (a) information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments, and which if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments;

- (b) in relation to derivatives on commodities, information of a precise nature, which has not been made public, relating, directly or indirectly ■ to one or more such derivatives or *relating directly* to the related spot commodity contract, and which, if it were made public, would be likely to have a significant effect on the prices of such derivatives or related spot commodity contracts *and where this is* information which is *reasonably expected to be disclosed or* required to be disclosed in accordance with legal or regulatory provisions at the Union or national level, market rules, contracts, *practices* or customs, on the relevant commodity derivatives or spot markets.
- (c) in relation to emission allowances or auctioned products based thereon, information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more such instruments, and which, if it were made public, would be likely to have a significant effect on the prices of such instruments or on the prices of related derivative financial instruments.

- (d) for persons charged with the execution of orders concerning financial instruments, it also means information conveyed by a client and related to the client's pending orders in financial instruments, which is of a precise nature, which relates, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments, the price of related spot commodity contracts, or on the price of related derivative financial instruments.

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2. For the purposes of applying paragraph 1, information shall be deemed to be of a precise nature if it indicates a set of circumstances which exists or may reasonably be expected to come into existence or an event which has occurred or may reasonably be expected to do so and if it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments, the related spot commodity contracts, or the auctioned products based on the emission allowances. *In this*

*respect in the case of a protracted process intended to bring about, or that results in, a particular circumstance or a particular event, not only may that future circumstance or future event be regarded as precise information, but also the intermediate steps of that process which are connected with bringing about or resulting in that future circumstance or event.*

*2a. An intermediate step in a protracted process can be inside information if, by itself, it satisfies the criteria of inside information as referred to in this article.*

3. For the purposes of applying paragraph 1, information which, if it were made public, would be likely to have a significant effect on the prices of ■ financial instruments, ■ related spot commodity contracts, or ■ auctioned products based on ■ emission allowances shall mean information a reasonable investor would be likely to use as part of the basis of his investment decisions.

*In the case of emission allowance market participants with aggregate emissions or rated thermal input at or below the threshold set in accordance with the third subparagraph of Article 12(2), information about their physical operations shall be deemed not to have a significant effect on the price of emission allowances, auctioned products based thereon or on the prices of related derivative financial instruments.*

- 3a. ESMA shall issue guidelines to establish a non exhaustive indicative list of information which reasonably expected or required to be disclosed in accordance with legal or regulatory provisions at the Union or national level, market rules, contracts, practices or customs, on the relevant commodity derivatives or spot markets as referred to in paragraph 1, point (b), of this Article. ESMA shall dully take into account specificities of these markets.*

## Article 7

### Insider dealing

1. For the purposes of this Regulation, insider dealings arises where a person possesses inside information and uses that information by acquiring or disposing of, for his own account or for the account of a third party, either directly or indirectly, financial instruments to which that information relates. The use of inside information **by cancelling or amending** an order concerning a financial instrument to which the information relates where the order was placed before the person concerned possessed the inside information, shall also be considered as insider dealing. ***In relation to auctions of emission allowances or other auctioned products based thereon that are held pursuant to Regulation (EU) No 1031/2010, the use of inside information shall also comprise submitting, modifying or withdrawing a bid by a person for its own account or for the account of a third party.***

3. For the purposes of this Regulation, *recommending that* another person *engages* in insider dealing, *or inducing another person to engage in insider dealing, arises where* the person possesses inside information and:

(a) recommends, *on the basis of that information, that* another person **█** acquire or dispose of financial instruments to which that information relates, *or induces that person to make such an acquisition or disposal, or*

(b) *recommends, on the basis of that information, that another person cancel or amend an order concerning a financial instrument to which that information relates, or induces that person to make such a cancellation or amendment.*

3a. *The use of the recommendations or inducements referred to in paragraph 3 amounts to insider dealing when the person using the recommendation or inducement knows or ought to know, that it is based upon insider information.*

**█**



5. ***This Article applies*** to any ***legal or natural*** person who possesses inside information as a result of any of the following situations:

- (a) being a member of the administrative, management or supervisory bodies of the issuer;
- (b) having a holding in the capital of the issuer;
- (c) his having access to the information through the exercise of ***an employment, profession or duties*** ;
- (d) being involved in criminal activities.

***This Article*** also ***applies*** to any ***legal or natural person who has obtained*** inside information under circumstances other than those referred to in ***the first subparagraph where that*** person knows or ought to know ***that it*** is inside information.

6. *In conformity with national law, where* the person referred to in *this Article* is a legal person, the provisions ■ shall also apply to the natural persons who *participate* in ■ the decision to carry out, ■ the acquisition or disposal *or cancellation or amendment of an order* for the account of the legal person concerned.

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#### *Article 7a*

#### *Legitimate behaviour*

1. *For the purposes of Articles 7 and 9, a legal person in possession of inside information shall not, in itself, be deemed to have used that information or consequently to have engaged in insider dealing on the basis of an acquisition or disposal, where the legal person:*

- (a) *had established, implemented and maintained adequate and effective internal arrangements and procedures that effectively ensure that neither the natural person who made the decision on its behalf to acquire or dispose of financial instruments to which the information relates, nor any other natural person who may have had any influence on that decision was in possession of the inside information; and*
- (b) *did not encourage, recommend to, induce or otherwise influence the natural person who on behalf of the legal person acquired or disposed of financial instruments to which the information relates.*

2. *For the purposes of Articles 7 and 9, a person in possession of inside information shall not, in itself, be deemed to have used that information or consequently to have engaged in insider dealing on the basis of an acquisition or disposal where that person:*
- (a) is a market maker for the financial instrument to which that information relates or a person authorised to act as a counterparty for the financial instrument to which that information relates and the acquisition or disposal of financial instruments to which that information relates is made legitimately in the normal course of the exercise of their function as a market maker or a counter party for that financial instrument; or*
  - (b) is authorised to execute orders on behalf of third parties, and the acquisition or disposal of financial instruments to which the order relates is made to carry out such an order legitimately in the normal course of the exercise of his/her employment, profession or duties.*

3. *For the purposes of Articles 7 and 9, a person in possession of inside information shall not, in itself, be deemed to have used that information or consequently to have engaged in insider dealing on the basis of an acquisition or disposal where that person conducts a transaction to acquire or dispose of financial instruments where that transaction is carried out in the discharge of an obligation that has become due in good faith and not to circumvent the prohibition of insider dealing and:*
- (a) that obligation results from an order placed or an agreement concluded before the person concerned possessed inside information; or*
  - (b) is to satisfy a legal or regulatory obligation that arose, before the person concerned possessed inside information.*

4. *Insider dealing shall be deemed not to arise in itself where a person possessing inside information obtained in the conduct of a public takeover or merger with a company, uses that information solely for the purpose of proceeding with that merger or public takeover, provided that at the point of approval of the merger or acceptance of the offer by the shareholders of that company, any inside information has been made public or has otherwise ceased to be inside information.*

*This paragraph does not apply to stakebuilding using inside information.*

*Stakebuilding using inside information shall not be deemed to constitute a legitimate behaviour in accordance with this paragraph. “Stakebuilding” means an acquisition of securities in a company which does not trigger a legal or regulatory obligation to make an announcement of a takeover bid in relation to that company.*

5. *The mere fact that a person uses their own knowledge that they have decided to acquire or dispose of financial instruments in the acquisition or disposal of those financial instruments shall not in itself constitute the use of inside information.*
6. *Notwithstanding paragraphs 1, 2, 3, 4 and 5, a breach of the prohibition of insider dealing set out in Article 9 can still be deemed to have occurred if the competent authority establishes that there was an illegitimate reason behind the orders to trade, transactions or behaviours concerned.*

#### *Article 7b*

##### *Improper disclosure of inside information*

1. *For the purposes of this Regulation improper disclosure of inside information arises where a person that possesses inside information discloses that information to any other person, except where the disclosure is made in the normal course of the exercise of an employment, profession or duties.*

*This paragraph applies to any natural or legal person in the situations or circumstances referred to in Article 7(5).*

2. *For the purposes of this Regulation the onward disclosure of recommendations or inducements referred to in Article 7(3) amounts to improper disclosure of inside information under this Article when the person disclosing the recommendation or inducement knows or ought to know that it was based on inside information.*

#### *Article 7c*

##### *Market soundings*

1. *A market sounding comprises the communication of information, prior to the announcement of a transaction, to one or more potential investors:*
  - (a) *by an issuer of a financial instrument;*



- (b) *by a secondary offeror of a financial instrument, in such quantity or value that the transaction is distinct from ordinary trading and involves a selling method based on the prior assessment of potential interest from potential investors;*
- (c) *by an emission allowance market participant; or*
- (d) *by a third party acting on behalf of or on the account of any of (a) to (c) above, in order to gauge the interest of potential investors in a possible transaction and the conditions relating to it such as its potential size or pricing.*

2. *Without prejudice to Article 17(5), disclosure of inside information by a person intending to make a takeover bid for the securities of a company or a merger with a company to parties entitled to the securities, shall also constitute a market sounding, provided that:*

- (a) *the information is necessary to enable the parties entitled to the securities to form an opinion on their willingness to offer their securities, and*
  - (b) *the willingness of parties entitled to the securities to offer their securities is reasonably required for the decision to make the takeover bid or merger.*
- 3. *In this Regulation, the expression “a disclosing market participant” shall refer to a natural or legal person falling into any of the categories set out in points (a) to (d) of paragraph 1 and paragraph 2, who discloses information in the course of a market sounding.*
- 4. *A disclosing market participant shall, prior to conducting a market sounding, specifically consider whether the market sounding will involve the disclosure of inside information. The disclosing market participant shall make a written record of its conclusion and the reasons for that conclusion. It shall provide the records to the competent authority upon request. This obligation shall apply separately to each disclosure of information throughout the course of the market sounding and the records referred to in this paragraph shall be updated accordingly.*

5. *For the purposes of Article 7b(1), a disclosure of inside information made in the course of a market sounding shall be deemed to have been made in the normal course of the exercise of a person's employment, profession or duty where:*
- (a) the disclosing market participant has complied with the obligations set out in paragraph 4 above; and*
  - (b) the disclosing market participant complies with the conditions set out in paragraph 6 of this Article.*
6. *In order for paragraph 5 to apply, the disclosing market participant must:*
- (a) before making the disclosure:*
    - (i) obtain the consent of the person receiving the market sounding to receive inside information;*

- (ii) inform the person receiving the market sounding that he will be prohibited from using that information, or attempting to use that information, by acquiring or disposing of, for his own account or for the account of a third party, financial instruments relating to that information;*
- (iii) inform the person receiving the market sounding that he will be prohibited from using that information, or attempting to use that information, by cancelling or amending an order which has already been placed concerning a financial instrument to which the information relates;*
- (iv) inform the person receiving the market sounding that by agreeing to receive the information he is also agreeing to, and must, keep the information confidential;*

*and*

*(b) make and maintain a record of all information given to the person receiving the market sounding, including the information given in accordance with points (i) to (iv) of point (a), and the identity of the potential investors to whom the information has been disclosed, including but not limited to the legal persons and the natural persons acting on behalf of the potential investor, and the date and time of each disclosure. It shall provide the record to the competent authority as soon as possible upon its request.*

*7. Where information has been disclosed to a person in the course of a market sounding and the information disclosed ceases to be inside information according to the assessment of the disclosing market participant, the latter shall inform that person that the information he has received is no longer inside information, as soon as possible. The disclosing market participant shall maintain a record of the information given in accordance with this paragraph and shall provide it to the competent authority as soon as possible upon its request.*

8. *Notwithstanding the provisions of this Article, the person receiving the market sounding shall determine for itself whether it is in possession of inside information or when it ceases to be in possession of inside information.*
9. *The records referred to in this Article shall be kept by the disclosing market participant for a period of at least 5 years after being created.*
10. *ESMA shall develop draft regulatory technical standards to determine appropriate arrangements, procedures and record keeping requirements for persons to comply with the requirements established by paragraphs 5 to 9 of this Article.*

*ESMA shall submit the draft regulatory technical standards to the Commission by ...\*.*

*Power is conferred to the Commission to adopt the regulatory technical standards in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.*

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\* *OJ: Please insert date: 24 months after the date of entry into force of this Regulation.*

**11. ESMA shall develop draft implementing technical standards to specify the systems and notification templates to be used by persons to comply with the requirements established by paragraphs 5 to 9 of this Article, particularly the precise format of the records referred to in paragraphs 5 to 9 and the technical means for appropriate communication of the information referred to in paragraph 7 to the person receiving the market sounding.**

**ESMA shall submit the draft implementing technical standards to the Commission by ...\*.**

**Power is conferred to the Commission to adopt the implementing technical standards in accordance with Article 15 of Regulation (EU) No 1095/2010.**

**12. ESMA shall issue guidelines addressed to persons receiving the market sounding in accordance with Article 16 of Regulation (EU) No 1095/2010 regarding:**

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\* **OJ: Please insert date: 24 months after the date of entry into force of this Regulation.**

- (a) the factors a person receiving the market sounding should take into account when information is disclosed to him as part of a market sounding in order for him to consider whether the information may amount to inside information;*
- (b) the steps that a person receiving the market sounding ought to take if inside information has been disclosed to him in order to comply with the provisions of Articles 7 and 7b of this Regulation; and*
- (c) the records a person receiving the market sounding should maintain in order to demonstrate that he has complied with the provision of Articles 7 and 7b of this Regulation.*

## Article 8

### Market manipulation

1. For the purposes of this Regulation, market manipulation shall comprise the following activities:



- (a) 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 or a related spot commodity contract; or
  - █ secures, or is likely to secure, the price of one or several financial instruments or a related spot commodity contracts at an abnormal or artificial level;

*unless the person who entered into the transactions or issued the orders to trade establishes that his reasons for so doing are legitimate, and that these transactions or orders to trade are in conformity with accepted market practices; or*

- (b) entering into a transaction, placing an order to trade or any other **activity or** behaviour **which affects or is likely to affect** the price of one or several financial instruments or a related spot commodity contract, which employs a fictitious device or any other form of deception or contrivance; ■
  
- (c) disseminating information through the media, including the internet, or by any other means, which **gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument or a related spot commodity contract or secures, or is likely to secure, the price of one or several financial instruments or a related spot commodity contracts at an abnormal or artificial level, including the dissemination of rumours** where the person who made the dissemination knew, or ought to have known, that the information was false or misleading ■ ;

- (d) transmitting false or misleading information *or* providing false or misleading inputs *where the person who made the transmission or provided the input knew or ought to have known that it was false or misleading*, or any *other behaviour* which manipulates the calculation of a benchmark.

■

3. The following behaviour shall, *inter alia*, be considered as market manipulation ■ :

- (a) conduct by a person, or persons acting in collaboration, to secure a dominant position over the supply of or demand for a financial instrument or related spot commodity contracts which has, *or is likely to have*, the effect of fixing, directly or indirectly, purchase or sale prices *creates, or is likely to create*, other unfair trading conditions,

- (b) the buying or selling of financial instruments, at the *opening or* close of the market, *which has or is likely to have* the effect of misleading investors acting on the basis of *the prices displayed, including the opening or closing prices,*
- (c) the *placing* of orders to a trading venue, *including any cancellation or modification thereof,* by *any available* means of trading, including *electronic means, such as algorithmic and high frequency trading strategies, and which has one of the effects referred to in paragraph 1, point (a) or point (b), by:*
- disrupting or delaying the functioning of the trading system of the trading venue *or which is likely to do so;*
  - making it more difficult for other persons to identify genuine orders on the trading system of the trading venue *or which is likely to do so, including by entering orders which result in the overloading or destabilisation of the order book;* or

- creating *or being likely to create* a false or misleading *signal* about the supply of or demand for, *or price of* a financial instrument, *in particular by entering orders to initiate or exacerbate a trend.*
- (d) taking advantage of occasional or regular access to the traditional or electronic media by voicing an opinion about a financial instrument or related spot commodity contract (or indirectly about its issuer) while having previously taken positions on that financial instrument or related spot commodity contract and profiting subsequently from the impact of the opinions voiced on the price of that instrument or related spot commodity contract, without having simultaneously disclosed that conflict of interest to the public in a proper and effective way.

- (e) the buying or selling on the secondary market of emission allowances or related derivatives prior to the auction held pursuant to Regulation (EU) No 1031/2010 with the effect of fixing the auction clearing price for the auctioned products at an abnormal or artificial level or misleading bidders bidding in the auctions.
4. For the purposes of applying *paragraph 1, point (a) and point (b)*, and without prejudice to the forms of behaviour set out in paragraph 3, the Annex defines non-exhaustive indicators related to the employment of fictitious devices or any other form of deception or contrivance, and non-exhaustive indicators related to false or misleading signals and to price securing.
- 4a. *In conformity with national law, where the person referred to in this Article is a legal person, the provisions shall also apply to the natural persons who participate in the decision to carry out, activities for the account of the legal person concerned.***

5. The Commission may adopt, by means of delegated acts in accordance with Article 32, measures specifying the indicators laid down in the Annex, in order to clarify their elements and to take into account technical developments on financial markets.

*Article 8a*

*Accepted market practices*

1. *The prohibition in Article 10 shall not apply to the activities indicated Article 8(1), point (a), provided that the person entering into a transaction, placing an order to trade or any other behaviour establishes that such transaction, order or behaviour have been carried out for legitimate reasons, and are in conformity with accepted market practices, established in accordance with this Article.*

2. *Competent authorities shall be able to establish an accepted market practice taking into account the following criteria:*
- (a) *the specific market practice has a substantial level of transparency to the market;*
  - (b) *the specific market practice ensures a high degree of safeguards to the operation of market forces and the proper interplay of the forces of supply and demand;*
  - (c) *the specific market practice has a positive impact on market liquidity and efficiency;*
  - (d) *the specific market practice takes into account the trading mechanism of the relevant market and enable market participants to react properly and in a timely manner to the new market situation created by that practice;*



- (e) *the specific market practice does not create risks for the integrity of, directly or indirectly, related markets, whether regulated or not, in the relevant financial instrument within the Union;*
- (f) *the outcome of any investigation of the relevant market practice by any competent authority or other authority, in particular whether the relevant market practice breached rules or regulations designed to prevent market abuse, or codes of conduct, be it on the market in question or on directly or indirectly related markets within the Union;*
- (g) *the structural characteristics of the relevant market including 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.*

*A practice that is accepted in a particular market shall not be considered applicable to other markets unless the competent authorities of such other markets have officially accepted that practice.*

- 3. Before establishing an accepted market practice in accordance with paragraph 1, the competent authorities shall notify ESMA and the other competent authorities of the intention to establish an accepted market practice and provide details of the assessment made according to the criteria laid down in paragraph 2. Such notification shall be made not less than 3 months before the accepted market practice is intended to take effect.*

4. *Within 2 months following receipt of the notification, ESMA shall issue an opinion to the competent authority in question assessing the compatibility of each accepted market practice with the requirements established in paragraph 1 and specified in the regulatory technical standards adopted pursuant to paragraph 7. Such opinion shall also consider whether the establishment of the accepted market practice would not threaten the market confidence in the Union's financial market. The opinion shall be published on ESMA's website.*
  
5. *Where a competent authority establishes an accepted market practice contrary to an ESMA opinion issued in accordance with paragraph 4, it shall publish on its website within 24 hours of establishing the accepted market practice a notice setting out in full its reasons for doing so, including why the accepted market practice does not threaten market confidence.*

6. *Where a competent authority considers that another competent authority has not met the requirements of paragraph 2 in establishing an accepted market practice, ESMA shall assist those authorities in reaching an agreement in accordance with its powers under Article 19 of Regulation (EU) No 1095/2010.*

*If the competent authorities concerned fail to reach an agreement, ESMA may take a decision in accordance with Article 19(3) of Regulation (EU) No 1095/2010.*

7. *In order to ensure consistent application of this Article, ESMA shall develop draft regulatory technical standards specifying the criteria, the procedure and the requirements for establishing an accepted market price under paragraphs 2, 3 and 4 as well as for maintaining or not or modifying the conditions for its acceptance.*

*ESMA shall submit those draft regulatory technical standards to the Commission by*

*... \**

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\* *OJ: Please insert date: 24 months after the date of entry into force of this Regulation.*

*Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.*

- 8. Competent authorities shall review regularly and at least every two years, the accepted market practices they have established, in particular taking into account significant changes to the relevant market environment, such as changes to trading rules or to market infrastructures, with a view to decide whether or not to maintain it or to modify the conditions for its acceptance.*
- 9. ESMA shall publish on its website a list of accepted market practices and in which Member States they are applicable.*
- 10. ESMA shall monitor the application of the accepted market practices and shall submit an annual report to the Commission on how they are applied in the markets concerned.*

*11. Competent authority shall submit accepted market practices established by them before the entry into force of this Regulation to ESMA within three months of the adoption by the Commission of the regulatory technical standards under paragraph 7.*

*Such accepted market practices shall continue to apply in the Member State concerned until the competent authority has made a decision regarding the continuation of this practice following ESMA's opinion according to paragraph 4.*

## CHAPTER 2

### INSIDER DEALING AND MARKET MANIPULATION

#### Article 9

Prohibition of insider dealing and of improperly disclosing inside information

A person shall not:

- (a) engage or attempt to engage in insider dealing;

- (b) recommend *that* another person *engages* in insider dealing *or induce another person to engage in insider dealing*; or
- (c) improperly disclose inside information.

Article 10

Prohibition of market manipulation

A person shall not engage in market manipulation or attempt to engage in market manipulation.

Article 11

Prevention and detection of market abuse

1. *Market operators and investment firms that operate* a trading venue shall *establish* and maintain effective arrangements, *systems* and procedures *aimed at preventing and detecting market abuse and attempts to engage in market abuse* in accordance with [Articles 31 and 56] of Directive .../.../EU [new MiFID] ■ .

*Any person referred to in the first subparagraph shall report orders and transactions that might constitute insider dealing, market manipulation or an attempt to engage in insider dealing or market manipulation to the competent authority without delay.*

2. Any person professionally arranging or executing transactions in financial instruments shall *establish and maintain effective arrangements*, systems *and procedures* to detect and report *suspicious* orders and transactions **■**. *Whenever such a person has a reasonable suspicion* that an order or transaction in any financial instrument, whether placed or executed on or outside a trading venue, might constitute insider dealing, market manipulation or an attempt to engage in *insider dealing or* market manipulation **■**, the person shall notify the competent authority without delay.



*2a. Without prejudice to Article 16 of this Regulation, persons professionally arranging transactions shall be subject to the rules of notification of the Member State in which they are registered or have their head office, or in the case of a branch, the Member State where the branch is situated. The notification shall be addressed to the competent authority of this Member State.*

*Member States shall ensure that competent authorities receiving the notification of suspicious transactions transmit such information immediately to the competent authorities of the regulated markets concerned.*

3. ESMA shall develop draft regulatory technical standards to determine:

(a) appropriate arrangements, *systems* and procedures for persons to comply with the requirements established in *paragraphs 1 and 2*;

(b) *the* notification templates to be used by persons to comply with the requirements established in *paragraphs 1 and 2*.

ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by ...\*.

Power is conferred to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

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\* *OJ: Please insert date: 24 months after the date of entry into force of this Regulation.*

CHAPTER 3  
DISCLOSURE REQUIREMENTS

Article 12

Public disclosure of inside information

1. An issuer of a financial instrument shall inform the public as soon as possible of inside information, which directly concerns *said* issuer.

*The issuer shall ensure that the inside information is made public in a manner which enables fast access and complete, correct and timely assessment of the information by the public and, where applicable, in the Officially Appointed Mechanism referred to in Directive .../.../EU [Transparency Directive]. The issuer must not combine the disclosure of inside information to the public with the marketing of its activities. The issuer shall post and maintain on its official website for a period of at least five years, all inside information it is required to disclose publicly.*

*This article shall apply to issuers who have requested or approved admission of their financial instruments to trading on a regulated market in a Member State or, in the case of instruments only being traded on a MTF or an OTF, issuers who have approved trading of their financial instruments on a MTF or an OTF or have requested admission to trading of their financial instruments on a MTF in a Member State.*

2. An emission allowance market participant shall publicly, effectively and in a timely manner disclose inside information concerning emission allowances which it holds in respect of its business, including aviation activities as specified in Annex I of Directive 2003/87/EC or installations within the meaning of Article 3(e) of the same Directive which the participant concerned, or parent undertaking or related undertaking, owns or controls or for which the participant, or its parent undertaking or related undertaking, is responsible for operational matters, either in whole or in part. With regard to installations, such disclosure shall include relevant information to the capacity and utilisation of installations, including planned or unplanned unavailability of such installations.

The first subparagraph shall not apply to an emission allowance market participant where the installations or aviation activities that it owns, controls or is responsible for, in the preceding year have had emissions not exceeding a minimum threshold of carbon dioxide equivalent and, where they carry out combustion activities, have had a rated thermal input not exceeding a minimum threshold.

The Commission shall adopt, by means of a delegated act in accordance with Article 32, measures establishing a minimum threshold of carbon dioxide equivalent and a minimum threshold of rated thermal input for the purposes of application of the exemption provided for in the second subparagraph.

*The Commission shall adopt, by means of a delegated act in accordance with Article 32, measures establishing a minimum threshold of carbon dioxide equivalent and a minimum threshold of rated thermal input for the purposes of application of the exemption provided for in the second subparagraph of paragraph 2 of the present article and to specify the competent authority for the notifications of paragraphs 3 and 4 of the present article.*

3. *An issuer of a financial instrument or an emission allowance market participant, not exempted pursuant to the second subparagraph of paragraph 2 of this Article, may under his own responsibility delay the public disclosure of inside information, as referred to in paragraph 1, provided that all of the following conditions are met:*

- the immediate disclosure would likely prejudice his legitimate interests;*
- the omission would not be likely to mislead the public;*
- the issuer of a financial instrument or emission allowance market participant is able to ensure the confidentiality of that information.*

*Subject to the conditions referred to above, in the case of a protracted process, which occurs in stages, intended to bring about or which results in a particular circumstance or a particular event, an issuer may under his own responsibility delay the public disclosure of inside information relating to this process.*

*Where an issuer of a financial instrument or emission allowance market participant has delayed the disclosure of inside information under this paragraph, it shall inform the competent authority that disclosure of the information was delayed and provide in writing an explanation on how the conditions were met, immediately after the information is disclosed to the public. National law may alternatively provide that a record of such explanation may be submitted only upon request of the competent authority.*

4. *In order to preserve the stability of the financial system, an issuer of a financial instrument which is a credit institution or other financial institution, may under its own responsibility delay the public disclosure of inside information, including, but not limited to, information which is related to a temporary liquidity problem, including the need to receive temporary liquidity assistance from a central bank or lender of last resort, provided that all the following conditions are satisfied:*

- (a) the disclosure of the information entails a risk of undermining the financial stability of the issuer and of the financial system;*
- (b) it is in the public interest to delay the disclosure;*
- (c) the confidentiality of that information can be ensured; and*
- (d) the competent authority has consented to the delay on the basis that the conditions at points (a) to (c) are met.*

*In order to satisfy the conditions at points (a) to (c), the issuer shall notify the competent authority of its intention to delay the disclosure of the inside information referred to in the firstsubparagraph and provide evidence that the conditions set out in points (a) to (c) are met. The competent authority shall consult as appropriate the central bank and or the macro-prudential authority where instituted or, otherwise the following authority:*



- *if the issuer is a credit institution or an investment firm the Authority determined according to Article 124a (1a) of Directive .../.../EU [New CRD IV];*
- *in other cases the authority responsible for the supervision of the issuer.*

*The competent authority shall ensure that the delay is only for such period as is necessary in the public interest. The competent authority shall as a minimum evaluate on a weekly basis if the conditions set out in points (a) to (c) are met.*

*If the competent authority does not consent to the delay, the issuer shall disclose the information immediately.*

*This paragraph shall apply to cases where the issuer decides not to delay the disclosure of inside information according to paragraph 3.*

*Reference to the competent authority in this paragraph is without prejudice to the ability of the competent authority to exercise its functions in any ways referred to in Article 17(1).*

- 4a. If the confidentiality of inside information not disclosed under the conditions of paragraphs 3 or 4, is no longer ensured, the issuer has to inform the public of this information as soon as possible. This includes situations where a rumour explicitly relates to a piece of inside information which has not been disclosed under paragraphs 3 or 4 when that rumour is sufficiently accurate to indicate that the confidentiality of that information is no longer ensured.*

**I**

6. Where an issuer of a financial instrument or an emission allowance market participant, not exempted pursuant to the second subparagraph of paragraph 2 of this article, or a person acting on their behalf or for their account, discloses any inside information to any third party in the normal *course of the* exercise of *an* employment, profession *or duty*, as referred to in Article 7b(1), *they* must make complete and effective public disclosure of that information, simultaneously in the case of an intentional disclosure, and promptly in the case of a non-intentional disclosure. This paragraph shall not apply if the person receiving the information owes a duty of confidentiality, regardless of whether such duty is based on a law, on regulations, on articles of association, or on a contract.
7. Inside information relating to issuers ■ , whose financial instruments are admitted to trading on an SME growth market, may be posted by the trading venue on its website instead of on the website of the issuer where the trading venue chooses to provide this facility for issuers on that market. ■

■

9. ***ESMA shall develop draft implementing technical standards to determine:***
- the technical means for appropriate public disclosure of inside information as referred to in paragraphs 1, 6 and 7;
  - the technical means for delaying the public disclosure of inside information as referred to in paragraphs 4 and 5.

***ESMA shall submit the draft implementing technical standards referred to in the first subparagraph to the Commission by ...*** \* .

***Power is conferred to the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1095/2010.***

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\* ***OJ: Please insert date: 24 months after the date of entry into force of this Regulation.***

10. *ESMA shall issue guidelines to establish a non-exhaustive indicative list of the legitimate interests of the issuer and of situations where the omitted disclosure is likely to mislead the public as referred to in paragraph 3.*

Article 13

Insider lists

1. Issuers of a financial instrument or **■** any person acting on their behalf or on their account, shall:
- (a) draw up a list of all persons *who have access to inside information, where such persons are* working for them under a contract of employment, or otherwise *performing tasks through which they* have access to inside information, *such as advisers, accountants or credit rating agencies;*

- (b) *promptly* update the list *in accordance with paragraph 1c*; and
- (c) provide the list to the competent authority as soon as possible upon its request.

***1a. Issuers of a financial instrument or any person acting on their behalf or on their account, shall take all reasonable steps to ensure that any person on the list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to the misuse or improper disclosure of such information.***

*Where another person acting on behalf or the account of the issuer assumes the task of drawing up and updating the insider list, the issuer remains fully responsible for compliance with the obligation under this Article. The issuer shall always retain a right of access to the list.*

*1b. The insider list shall include at least:*

- (a) the identity of any person having access to inside information;*
- (b) the reason for including that person in the list;*
- (c) the date and time at which such person obtained access to inside information;*
- (d) the date at which the insider list was created;*

*1c. The insider list shall be promptly updated, including the date of the update in the following circumstances:*

- (a) when there is a change in the reason for including a person already on the list;*

*(b) when there is a new person who has access to inside information and needs, therefore, to be added to the list;*

*(c) when a person ceases to have access to inside information.*

*Each update shall specify the date and time when the change triggering the update occurred.*

*1d. The insider list shall be retained by the issuers and any person acting on their behalf or account for a period of at least 5 years after being drawn up or updated.*

2. Issuers ■ whose financial instruments are admitted to trading on an SME growth market shall be exempt from drawing up such a list, *if the following conditions are met:*

*(a) the issuer takes all reasonable steps to ensure that any person with access to inside information acknowledges the legal and regulatory duties entailed and is aware of the sanctions applicable to the misuse or improper circulation of such information, and*



*(b) the issuer is able to provide the competent authority, upon request, with the insider list of this article.*

3. This Article shall apply to issuers who have requested or approved admission of their financial instruments to trading on a regulated market in a Member State or, in the case of an instrument only traded on a MTF or an OTF, have approved trading of their financial instruments on a MTF or an OTF *or have requested admission to trading of their financial instruments on a MTF* in a Member State.

■

- 6. *Paragraphs 1 to 1d of this Article shall also apply to emission allowance market participants, not exempted pursuant to the second subparagraph of paragraph 2 of Article 12 in relation to inside information concerning emission allowances and auctioned products based thereon that arises in relation to the physical operations of that emission allowance market participant.*

*Paragraphs 1 to 1d of this Article shall also apply to any auction platform, auctioneer and auction monitor in relation to auctions of emission allowances or other auctioned products based thereon that are held pursuant to Regulation (EU) No 1031/2010.*

6. ESMA shall develop draft implementing technical standards to determine the precise format of insider lists and the format for updating insider lists referred to in this Article.

*ESMA shall submit the draft implementing technical standards referred to in the first subparagraph to the Commission by ...\*.*

*Power is conferred to the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1095/2010.*

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\* *OJ: Please insert date: 24 months after the date of entry into force of this Regulation.*

## Article 14

### Manager's transactions

1. Persons discharging managerial responsibilities within an issuer of a financial instrument **■**, as well as persons closely associated with them, shall ***notify the issuer and the competent authority*** about the existence of ***every transaction*** conducted on their own account relating to the shares ***or debt instruments*** of that issuer, or to derivatives or other financial instruments linked to them, or in emission allowances ***or related derivatives***.

***Such notifications shall be made promptly and no later than 3 business days after the transaction.***

***This obligation applies once the total amount of the transactions has reached the threshold set in paragraph 3 within a calendar year.***

*1a. For the purposes of applying paragraph 1 of this Article, and without prejudice to the right of Member States to provide for other notification obligations than those covered by this Article, Member States shall ensure that all transactions related to shares admitted to trading on a regulated market, or to derivatives or other financial instruments linked to them, conducted on the own account of persons referred paragraph 1 above, are notified to the competent authorities. The rules of notification to which those persons have to comply with shall be those of the Member State where the issuer is registered. The notification shall be made within three working days of the transaction date to the competent authority of that Member State. When the issuer is not registered in a Member State, this notification shall be made to the competent authority of the Member State in which it is required to file the annual information in relation to the shares in accordance with Article 10 of Directive 2003/71/EC of the European Parliament and of the Council<sup>1</sup>.*

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<sup>1</sup> *Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (OJ L 345, 31.12.2003, p. 64).*

*1b. The issuer shall ensure that the information, notified in accordance with paragraph 1 is made public promptly and no later than 3 business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis in accordance with the standards referred to the first indent of Article 12(9)*

*The issuer shall use such media as may reasonably be relied upon for the effective dissemination of information to the public throughout the Community, and, where applicable, it shall use the officially appointed mechanism referred to in Directive .../.../EU [transparency directive].*

*National law may alternatively provide that a competent authority may itself make public the information.*

*1c. This Article shall apply to issuers who have requested or approved admission of their financial instruments to trading on a regulated market in a Member State or, in the case of an instrument only traded on a MTF or an OTF, have approved trading of their financial instruments on a MTF or an OTF or have requested admission to trading of their financial instruments on a MTF in a Member State.*

*1d. Issuers shall notify the persons discharging managerial responsibilities within that issuer of their obligations under this article in writing. Issuers shall draw up a list of all persons discharging managerial responsibilities and persons closely associated with them.*

*Persons discharging managerial responsibilities within an issuer shall notify the persons closely associated with them of their obligations under this article in writing and shall keep a copy of this notification.*

*1e. The notification of transactions referred to in paragraph 1 shall contain the following information:*

*(a) Name of the person;*

*(b) Reason for notification;*

*(c) Name of the relevant issuer;*

*(d) Description and identity of the financial instrument;*

*(e) Nature of the transaction(s) (e.g. acquisition or disposal), indicating whether it is linked to the exercise of share option programmes or to the specific examples set out in paragraph 2;*

- (f) *Date and place of the transaction(s); and*
- (g) *Price and volume of the transaction(s). In the case of a pledge whose terms provide for its value to change, this should be disclosed together with its value at the date of the pledge.*

2. For the purposes of paragraph 1 transactions that must be notified shall *also* include:

- (a) the pledging or lending of financial instruments by or on behalf of a person referred to in paragraph 1;
- (b) transactions undertaken by *any person professionally arranging or executing transactions* or *by any* other person on behalf of a person *discharging managerial responsibilities or a person closely associated with such person* referred to in paragraph 1 including where discretion is exercised ■ .



(c) *transactions made under a life insurance policy, defined in accordance with Directive 2009/138/EC of the European Parliament and of the Council<sup>1</sup>, where:*

- the policyholder is a person discharging managerial responsibilities within an issuer of a financial instrument or a person closely associated with such person,*
- the investment risk is born by the policyholder, and*
- the policyholder has the power or discretion to make investment decisions regarding specific instruments in that life insurance policy or to execute transactions regarding specific instruments for that life insurance policy.*

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<sup>1</sup> *Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).*

*For the purposes of point (a) a pledge, or other similar security interest, of securities in connection with the depositing of the securities in a custody account does not need to be notified, unless and until such time that such pledge or other security interest is designated to secure a specific credit facility.*

*Insofar as a policyholder of an insurance contract is required to notify transactions according to this paragraph, an obligation to notify is not incumbent on the insurance company.*

3. Paragraph 1 shall **■** apply to *any subsequent transaction once a total amount of EUR 5 000 has been reached within* a calendar year. *The threshold of EUR 5 000 shall be calculated by adding without netting all transactions mentioned in paragraph 1.*

- 3a. *A competent authority may decide to increase the threshold set in paragraph 3 to EUR 20 000 and shall inform ESMA of its decision and the justification of its decision with specific reference to market conditions, to adopt the higher threshold prior to its application. ESMA shall publish on its website the list of thresholds that apply in accordance with this article and the justifications provided by competent authorities for such thresholds.*
4. *This Article shall also apply to persons discharging managerial responsibilities within emission allowance market participants, not exempted pursuant to the second subparagraph of Article 12(2), as well as persons closely associated with them in so far as their transactions involve emission allowances, derivatives thereof or auctioned products based thereon.*

*This Article shall also apply to persons discharging managerial responsibilities within any auction platform, auctioneer and auction monitor involved in the auctions held under Regulation (EU) No 1031/2010 as well as to persons closely associated with them in so far as their transactions involve emission allowances, derivatives thereof or auctioned products based thereon.*

- 4a. *Without prejudice to the general prohibition of insider dealing and market manipulation, a person discharging managerial responsibilities within an issuer shall not conduct any trading on the person's account or for the account of a third party directly or indirectly, relating to the shares or debt instruments of the issuer or to derivatives or other financial instruments linked to them, during a closed period of thirty calendar days before the announcement of an interim financial report or a year-end report which the relevant issuer is obliged to make public according to the rules of the trading venue where the issuer's shares are admitted to trading, or according to national law unless a set of circumstances exists where dealing during this closed period may be permitted by the issuer, either on a case by case basis due to the existence of exceptional circumstances which require the immediate sale of shares, such as severe financial difficulty, or due to the characteristics of the dealing involved for dealings made under or related to an employee's share scheme, saving schemes, qualification or entitlements of shares or dealings where the beneficial interest in the relevant security does not change.***

**4b. *The Commission shall be empowered to adopt delegated acts in accordance with Article 32 specifying the circumstances under which trading during a closed period may be permitted by the issuer, as referred to in paragraph 4a, including the circumstances that would be considered as exceptional and the types of dealings that would justify the permission for trading.***

**█**

6. The Commission shall adopt, by means of delegated acts in accordance with Article 32, measures specifying the █ characteristics of a transaction referred to in paragraph 2 which trigger that duty █ .

**6a. *In order to ensure uniform application of paragraph 1, ESMA may develop draft implementing technical standards concerning the format [template] in which the information referred to in paragraph 1 is to be notified and made public.***

***ESMA shall submit those draft implementing technical standards to the Commission by ... \****

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\* ***OJ: Please insert date: 24 months after the date of entry into force of this Regulation.***

*Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1095/2010.*

Article 15

Investment recommendations and statistics

1. Persons who produce or disseminate **■** investment *recommendations or other information recommending or suggesting an investment* strategy, *as defined in the second subparagraph* shall take reasonable care to ensure that such information is objectively presented, and to disclose their interests or indicate conflicts of interest concerning the financial instruments to which that information relates.

*For the purposes of applying this Article:*

- (a) investment recommendations means any information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuers of financial instruments, including any opinion as to the present or future value or price of such instruments, intended for distribution channels or for the public;*
- (b) recommending or suggesting an investment strategy means:*
  - (i) information produced by an independent analyst, an investment firm, a credit institution, any other person whose main business is to produce investment recommendations or a natural person working for them under a contract of employment or otherwise, that, directly or indirectly, expresses a particular investment proposals in respect of a financial instrument or an issuer of financial instruments;*

(ii) *information produced by persons other than the persons referred to in point (a) which directly proposes a particular investment decision in respect of a financial instrument.*

2. Public institutions disseminating statistics *or forecasts* liable to have a significant effect on financial markets shall disseminate them in an objective and transparent way.
3. ESMA shall develop draft regulatory technical standards to determine the technical arrangements, for the various categories of person referred to in paragraph 1, for objective presentation of *investment recommendations or other* information recommending *or suggesting* an investment strategy and for disclosure of particular interests or indications of conflicts of interest.



ESMA shall submit *those* draft regulatory technical standards **█** to the Commission by

... \*

Power is conferred to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

*The technical arrangements laid down in the regulatory technical standards referred to in paragraph 3 shall not apply to journalists subject to equivalent appropriate regulation in the Member States, including equivalent appropriate self-regulation, provided that such regulation achieves similar effects as those technical arrangements. The text of that equivalent national regulation shall be notified to the Commission.*

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\* *OJ: Please insert date: 24 months after the date of entry into force of this Regulation.*

*Article 15a*

*Disclosure or dissemination of information in the media*

*For the purpose of applying Articles 7b, 8(1)(c) and 15 where information is disclosed or disseminated and where recommendations are produced or disseminated for the purpose of journalism or other form of expression in the media such disclosure or dissemination of information shall be assessed taking into account the rules governing the freedom of the press and freedom of expression in other media and the rules or codes governing the journalist profession, unless:*

- (a) the persons concerned or persons closely associated with them derive, directly or indirectly, an advantage or profits from the disclosure or the dissemination of the information in question; or*
- (b) the disclosure or the dissemination is made with the intention of misleading the market as to the supply of, demand for, or price of financial instruments.*

CHAPTER 4  
ESMA AND COMPETENT AUTHORITIES

Article 16  
Competent authorities

Without prejudice to the competences of the judicial authorities, each Member State shall designate a single administrative competent authority for the purpose of this Regulation.

■ Member States shall inform the Commission, ESMA and the competent authorities of other Member States *of same. The competent authority shall ensure that the provisions of this regulation are applied on its territory, regarding all actions carried out on its territory, and those actions carried out abroad relating to instruments admitted to trading on a regulated market, for which a request for admission to trading on such market has been made, or which are traded on a MTF or OTF or for which a request for admission to trading has been made on a MTF operating, within its territory.*

Article 17

Powers of competent authorities

1. Competent authorities shall exercise their functions *and powers* in any of the following ways:
  - (a) directly;
  - (b) in collaboration with other authorities or with the market undertakings;
  - (c) under their responsibility by delegation to such authorities or to market undertakings;
  - (d) by application to the competent judicial authorities.

2. In order to fulfil their duties under this Regulation, competent authorities shall have, in conformity with national law, at least the following supervisory and investigatory powers:
- (a) **have** access to any document **and other data** in any form, and to receive or take a copy thereof;
  - (b) **require or demand** information from any person, including those who are successively involved in the transmission of orders or conduct of the operations concerned, as well as their principals, and if necessary, to summon and question any such person with a view to obtain information;
  - (c) in relation to *commodity derivatives*, request information from market participants on related spot markets according to standardized formats, obtain reports on transactions, and have direct access to traders' systems;

- (d) carry out on-site inspections, *or investigations* at sites other than *the private residences of natural persons*;
- (e) *enter premises of natural and legal persons in order to seize documents and other data in any form* where a reasonable suspicion exists that documents *and other data* related to the subject-matter of the inspection *or investigation* may be relevant to prove a case of insider dealing or market manipulation in violation of this Regulation. *Where prior authorisation is needed from the judicial authority of the Member State concerned, in accordance with national law, such power shall only be used after having obtained that prior authorisation*;
- (ea) *refer matters for criminal investigation*;

- (f) require existing *recordings of telephone conversations, electronic communications or other* data traffic records held by ■ investment *firms, credit institutions or other financial institutions*;
- (fa) *require, insofar as permitted by national law, existing data traffic records held by a telecommunication operator, where there is a reasonable suspicion of a breach and where such records may be relevant to the investigation of insider dealing or market manipulation in violation of this Regulation*;
- (fb) *request the freezing and/ or sequestration of assets*;
- (fc) *suspend trading of the financial instrument concerned*;
- (fd) *require the temporary cessation of any practice that the competent authority considers contrary to the provisions of this Regulation*;

*(fe) impose a temporary prohibition on the exercise of professional activity;*

*(fg) take all necessary measures to ensure that the public is correctly informed, including the correction of false or misleading disclosed information, including by requiring an issuer or other person who has published or disseminated false or misleading information to publish a corrective statement.*

**I**

5. Member States shall ensure that appropriate measures are in place so that competent authorities have all the supervisory and investigatory powers that are necessary to fulfil their duties.



*This Regulation is without prejudice to laws, regulations and administrative provisions adopted in relation to takeover bids, merger transactions and other transactions affecting the ownership or control of companies regulated by the supervisory authorities appointed by Member States pursuant to Article 4 of Directive 2004/25/EC that impose requirements in addition to the requirements of this Regulation.*

- 5a. A person making information available to the Competent Authority in accordance with this Regulation shall not be considered in breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, and shall not involve the person notifying in liability of any kind related to such notification.*

Article 18  
Cooperation with ESMA

1. The competent authorities shall cooperate with ESMA for the purposes of this Regulation, in accordance with Regulation (EU) No 1095/2010.
2. The competent authorities shall, without delay, provide ESMA with all information necessary to carry out its duties, in accordance with Article 35 of Regulation (EU) No 1095/2010.
3. ESMA shall develop draft implementing technical standards to determine the procedures and forms for exchange of information as referred to in paragraph 2.

ESMA shall submit *those* draft implementing technical standards ■ to the Commission by ...\* .

Power is conferred to the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1095/2010.

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\* ***OJ: Please insert date: 24 months after the date of entry into force of this Regulation.***

## Article 19

### Obligation to co-operate

1. Competent authorities shall cooperate with each other and ESMA where it is necessary for the purposes of this Regulation, ***unless one of the exceptions in paragraph 1a apply***. In particular, competent authorities shall render assistance to competent authorities of other Member States and ESMA. ***In particular, they shall*** exchange information, ***without undue delay***, and cooperate in investigation, ***supervision*** and enforcement activities.

***The obligation to cooperate and assist laid down in the first subparagraph*** shall also apply as regards the Commission in relation to the exchange of information relating to commodities which are agricultural products listed in Annex I to the ***TFEU***.

***The cooperation between the competent authorities and ESMA shall be done in accordance with Regulation (EU) No 1095/2010, in particular its Article 35.***

*Where Member States have chosen, in accordance with Article 26(1), second subparagraph, to lay down criminal sanctions for the breaches of the provisions of this Regulation referred to in that Article, they shall ensure that appropriate measures are in place so that competent authorities have all the necessary powers to liaise with judicial authorities within their jurisdiction to receive specific information related to criminal investigations or proceedings commenced for possible violations of this Regulation and provide the same to other competent authorities and ESMA to fulfil their obligation to cooperate with each other and ESMA for the purposes of this Regulation.*

- 1a. A competent authority may refuse to act on a request for information or request to cooperate with an investigation in the following exceptional circumstances:*
- (a) Communication might adversely affect the security of the Member State addressed, in particular the fight against terrorism and other serious crimes;*

- (b) Complying would be likely to adversely affect its own investigation or enforcement activities or where applicable, a criminal investigation;*
- (c) Judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the Member State addressed; or*
- (d) a final judgment has already been delivered in relation to such persons for the same actions in the Member State addressed.*

2. Competent authorities and ESMA shall cooperate with *the Agency for the Cooperation of Energy Regulators (ACER), established under Regulation (EC) No 713/2009 of the European Parliament and of the Council*<sup>1</sup> and the national regulatory authorities of the Member States to ensure that a coordinated approach is taken to the enforcement of the relevant rules where transactions, orders to trade or other actions or behaviours relate to one or more financial instruments to which this Regulation applies and also to one or more wholesale energy products to which Article 3, 4 and 5 of Regulation (EU) No 1227/2011 apply. Competent authorities shall consider the specific characteristics of the definitions of Article 2 of Regulation (EU) No 1227/2011 and the provisions of Article 3, 4 and 5 of Regulation (EU) No 1227/2011 when they apply Articles 6, 7 and 8 of this Regulation to financial instruments related to wholesale energy products.

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<sup>1</sup> Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (OJ L 211, 14.8.2009, p. 1).

3. Competent authorities shall, on request, immediately supply any information required for the purpose referred to in paragraph 1.
4. Where a competent authority is convinced that acts contrary to the provisions of this Regulation are being, or have been, carried out on the territory of another Member State or that acts are affecting financial instruments traded on a trading venue situated in another Member State, it shall give notice of that fact in as specific a manner as possible to the competent authority of the other Member State and to ESMA and, in relation to wholesale energy products, to ACER. The competent authorities of the various Member States involved shall consult each other and ESMA and, in relation to wholesale energy products, ACER, on the appropriate action to take and inform each other of significant interim developments. They shall coordinate their action, in order to avoid possible duplication and overlap when applying administrative measures, sanctions and fines to those cross border cases in accordance with Articles 26, 27 and 28, and assist each other in the enforcement of their decisions.

5. The competent authority of one Member State may request assistance of the competent authority of another Member State with regard to on-site inspections or investigations.

The *requesting* competent authority *may* inform ESMA of any request referred to in the first subparagraph. In case of an investigation or an inspection with cross-border effect, ESMA shall if requested to do so by one of the competent authorities coordinate the investigation or inspection.

Where a competent authority receives a request from a competent authority of another Member State to carry out an on-site inspection or an investigation, it may do any of the following:

- (a) carry out the on-site inspection or investigation itself;
- (b) allow the competent authority which submitted the request to participate in an on-site inspection or investigation;



- (c) allow the competent authority which submitted the request to carry out the on-site inspection or investigation itself;
- (d) appoint auditors or experts to carry out the on-site inspection or investigation;
- (e) share specific tasks related to supervisory activities with the other competent authorities.

***Competent authorities may also cooperate with competent authorities of other Member States with respect to facilitating the recovery of pecuniary sanctions.***

6. Without prejudice to Article 258 TFEU, a competent authority whose request for information or assistance in accordance with paragraphs 1, 2, 3 and 4 is not acted upon within a reasonable time or whose request for information or assistance is rejected may refer that rejection or absence of action within a reasonable timeframe to ESMA.

In those situations, ESMA may act in accordance with Article 19 of Regulation (EU) No 1095/2010, without prejudice to the possibility of ESMA acting in accordance with Article 17 of Regulation (EU) No 1095/2010.

7. Competent authorities shall cooperate and exchange information with relevant national and third country regulatory authorities responsible for the related spot markets where they have reasonable grounds to suspect that acts, which constitute market abuse in *violation of this Regulation*, are being, or have been, carried out. This cooperation shall ensure a consolidated overview of the financial and spot markets, and detect and sanction cross-market and cross-border market abuses.

In relation to emission allowances, the co-operation and exchange of information provided for under the preceding subparagraph shall also be ensured with:

- (a) the auction monitor, with regard to auctions of emission allowances or other auctioned products based thereon that are held pursuant to Regulation (EU) No 1031/2010;
- (b) competent authorities, registry administrators, including the Central Administrator, and other public bodies charged with the supervision of compliance under Directive 2003/87/EC.

ESMA shall perform a facilitation and coordination role in relation to the cooperation and exchange of information between competent authorities and regulatory authorities in other Member States and third countries. Competent authorities shall wherever possible conclude cooperation arrangements with third country regulatory authorities responsible for the related spot markets in accordance with Article 20.

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9. ESMA shall develop draft implementing technical standards to determine the procedures and forms for exchange of information and assistance as referred to in this Article.

ESMA shall submit *those* draft implementing technical standards ■ to the Commission by ...\* .

Power is conferred to the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1095/2010.

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\* ***OJ: Please insert date: 24 months after the date of entry into force of this Regulation.***

## Article 20

### Cooperation with third countries

1. The competent authorities of Member States shall where necessary conclude cooperation arrangements with *supervisory* authorities of third countries concerning the exchange of information with *supervisory* authorities in third countries and the enforcement of obligations arising under this Regulation in third countries. These cooperation arrangements shall ensure at least an efficient exchange of information that allows the competent authorities to carry out their duties under this Regulation.

A competent authority shall inform ESMA and other competent authorities of Member States where it proposes to enter into such an arrangement.

2. ESMA shall, *wherever possible, facilitate and* coordinate the development of cooperation arrangements between the competent authorities of Member States and the relevant *supervisory* authorities of third countries. ■ ESMA shall *develop draft regulatory technical standards containing* a template document for cooperation arrangements that *are to* be used by competent authorities of Member States *where possible. ESMA shall submit those draft regulatory technical standards to the Commission by ...* \* .

*Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.*

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\* *OJ: Please insert date: 24 months after the date of entry into force of this Regulation.*

ESMA shall also, *whenever possible, facilitate and* coordinate the exchange between competent authorities of Member States of information obtained from *supervisory* authorities of third countries that may be relevant to the taking of measures under Articles 26, 27 and 28.

3. The competent authorities shall conclude cooperation arrangements on exchange of information with the *supervisory* authorities of third countries only where the information disclosed is subject to guarantees of professional secrecy which are at least equivalent to those set out in Article 21. Such exchange of information must be intended for the performance of the tasks of those competent authorities.

■

## Article 21

### Professional secrecy

1. Any confidential information received, exchanged or transmitted pursuant to this Regulation shall be subject to the conditions of professional secrecy laid down in paragraph 2 ■ .
  - 1a. *All the information exchanged between the competent authorities under this Regulation that concerns business or operational conditions and other economic or personal affairs shall be considered confidential and shall be subject to the requirements of professional secrecy, except where the competent authority states at the time of communication that such information may be disclosed or such disclosure is necessary for legal proceedings.*
2. The obligation of professional secrecy applies to all persons who work or who have worked for the competent authority or for any authority or market undertaking to whom the competent authority has delegated its powers, including auditors and experts contracted by the competent authority. Information covered by professional secrecy may not be disclosed to any other person or authority except by virtue of provisions laid down by law.

■



## Article 22

### Data protection

With regard to the processing of personal data ■ within the framework of this Regulation, competent authorities shall *carry out their tasks for the purposes of this Regulation in accordance with national law implementing* Directive 95/46/EC. With regard to the processing of personal data by ESMA within the framework of this Regulation, ESMA shall comply with the provisions of Regulation (EC) No 45/2001.

Personal data shall be retained for a maximum period of 5 years.

## Article 23

### Disclosure of personal data to third countries

1. The competent authority of a Member State may transfer personal data to a third country provided the requirements of Directive 95/46/EC ■ are fulfilled and only on a case-by-case basis. The competent authority ■ shall ensure that the transfer is necessary for the purpose of this Regulation *and* that the third country does not transfer the data to another third country unless it is given express written authorisation and complies with the conditions specified by the competent authority of the Member State. ■

2. The competent authority of a Member State shall only disclose *personal data* received from a competent authority of another Member State to a *supervisory* authority of a third country where the competent authority of the Member State concerned has obtained express agreement *from* the competent authority which transmitted the *data* and, where applicable, the *data* is disclosed solely for the purposes for which that competent authority gave its agreement.
3. Where a cooperation agreement provides for the exchange of personal data, it shall comply with Directive 95/46/EC *as implemented in national law*.

CHAPTER 5  
ADMINISTRATIVE MEASURES AND SANCTIONS



Article 26

Administrative measures and sanctions

1. Without prejudice *to criminal sanctions and without prejudice* to the supervisory powers of competent authorities in accordance with Article 17, **Member States** shall, in conformity with national law, *provide for competent authorities to* have the power to *take appropriate administrative measures and* impose at least the following administrative measures and sanctions *for*:
  - (a) *the breaches of articles 9, 10, 11(1), 11(2), 12(1), 12(2), 12(3), 12(4), 12(5), 12(6), 13(1), 13(2), 13(3), 13(4), 13(5), 14(1), 14(2), 14(3), and 15(1) of this Regulation; and*
  - (b) *failure to cooperate or comply in an investigation or with an inspection or request covered by Article 17(2).*

*Member States may decide not to lay down rules for administrative sanctions according to the first subparagraph where those breaches are already subject to criminal sanctions in their national law by ...\* . In this case, Member States shall notify in detail to the Commission and ESMA of the relevant criminal law rules.*

*By ...\* , Member States shall notify in detail the rules referred to in the first subparagraph to the Commission and ESMA. They shall notify the Commission and ESMA without delay of any subsequent amendment thereto.*

- 1a. In case of a breach referred to in paragraph 1, first subparagraph, point (a), Member States shall, in conformity with national law, provide for competent authorities to have the power to take and or impose at least the following administrative measures and sanctions:*

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\* *OJ: Please insert date: 24 months after the date of entry into force of this Regulation.*

(a) an order requiring the person responsible for the breach to cease the conduct and to desist from a repetition of that conduct;

■

*(ba) the disgorgement of the profits gained or losses avoided because of the breach where those can be determined;*

■

(d) a public **warning** which indicates the person responsible and the nature of the breach ■ ;

■

(g) withdrawal **or suspension** of the authorisation of an investment firm as defined in Article 4(1) of Directive .../.../EU [new MiFID];

- (h) a temporary ban against any *person discharging managerial responsibilities in* an investment *firm* or any other natural person, who is held responsible, *from exercising management* functions in investment firms;
- (ha) *In the event of repeated breaches of Article 9 or 10, a permanent ban against any person discharging managerial responsibilities in an investment firm or any other natural person who is held responsible, from exercising management functions in investment firms;*
- (hb) *a temporary ban against any person discharging managerial responsibilities in an investment firm or any other natural person who is held responsible, from dealing on own account;*

■

- (k) **maximum** administrative pecuniary sanctions of at least **three** times the amount of the profits gained or losses avoided because of the breach where those can be determined;
- (l) in respect of a natural person, **maximum** administrative pecuniary sanctions of **at least**:
  - (i) **for breaches of Articles 9 and 10**, EUR 5 000 000 or in the Member States where the Euro is not the official currency, the corresponding value in the national currency on the date of entry to force of this Regulation; or
  - (ii) **for breaches of articles not covered by articles 9, 10, 13, 14 and 15 EUR 1 000 000 or in the Member States where the Euro is not the official currency, the corresponding value in the national currency on the date of entry to force of this Regulation;**

(iii) *for breaches of articles 13, 14 and 15 EUR 500 000 or in the Member States where the Euro is not the official currency, the corresponding value in the national currency on the date of entry into force of this Regulation.*

(2) in respect of a legal person, *maximum* administrative pecuniary sanctions of *at least*:



- (i) *for breaches of Articles 9 and 10, EUR 15 000 000 or 15 % of its total annual turnover according to the last available accounts approved by the management body; where the legal person is a parent undertaking or a subsidiary of a parent undertaking which has to prepare consolidated financial accounts according to* [as defined in Articles 1 and 2 of Council Directive 83/349/EEC<sup>1</sup>], the relevant total annual turnover shall be the total annual turnover *or the corresponding type of income according to the relevant accounting directives [Council Directive 86/635/EEC<sup>2</sup> for banks, Council Directive 91/674/EEC<sup>3</sup> for insurance companies] according to the last available consolidated accounts approved by the management body of the ultimate parent undertaking; or*

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<sup>1</sup> Seventh Council Directive 83/349/EEC of 13 June 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts (OJ L 193, 18.7.1983, p. 1).

<sup>2</sup> Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986, p. 1).

<sup>3</sup> Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings (OJ L 374, 31.12.1991, p. 7).

- (ii) *for breaches not covered by Articles 9, 10, 13, 14 and 15 EUR 2 500 000 or 2 % of its total annual turnover according to the last available accounts approved by the management body; where the legal person is a parent undertaking or a subsidiary of a parent undertaking which has to prepare consolidated financial accounts according to [as defined in Directive 83/349/EEC], the relevant total annual turnover shall be the total annual turnover or the corresponding type of income according to the relevant accounting directives [Directive 86/635/EEC for banks, Directive 91/674/EEC for insurance companies] according to the last available consolidated accounts approved by the management body of the ultimate parent undertaking; or*
- (iii) *for breaches of Articles 13, 14 and 15 EUR 1 000 000 or in the Member States where the Euro is not the official currency, the corresponding value in the national currency on the date of entry into force of this Regulation.*

*References to the competent authority in this paragraph are without prejudice to the ability of the competent authority to exercise its functions in any ways referred to in Article 17(1).*

2. *Member States may provide competent authorities under national law have other sanctioning powers in addition to those referred to in paragraph 1a and may provide for higher levels of* **■** *sanctions than those established in that paragraph.*

**■**

#### Article 27

##### *Exercise of supervisory and sanctioning powers*

1. *Member States shall ensure that, when determining the type and level of administrative* **■** *sanctions, competent authorities* **■** *take into account all relevant circumstances, including where appropriate:*

- (a) the gravity and duration of the breach;
- (b) the degree of responsibility of the responsible person;
- (c) the financial strength of the responsible person, as indicated *notably* by the total turnover of the responsible legal person or the annual income of the responsible natural person;
- (d) the importance of the profits gained or losses avoided by the responsible person, insofar as they can be determined;
- (e) the level of cooperation of the responsible person with the competent authority, without prejudice to the need to ensure disgorgement of profits gained or losses avoided by that person;
- (f) previous breaches by the ■ person concerned;

(g) *measures taken, after the breach, by a responsible person to prevent the repetition of the breach.*

█

2. *In the exercise of their sanctioning powers under circumstances defined in Article 26 competent authorities shall cooperate closely to ensure that the supervisory and investigative powers and administrative sanctions produce the desired results of this Regulation. They shall also coordinate their action in order to avoid possible duplication and overlap when applying supervisory and investigative powers and administrative sanctions and fines to cross border cases in accordance with Article 19.*

█

Article 29

Reporting of violations

1. Member States shall ***ensure that competent authorities establish*** effective mechanisms to ***enable*** reporting of ***actual or potential*** breaches ***of the provisions*** of this Regulation to competent authorities.

***1a. The mechanisms referred to in paragraph 1 shall include*** at least:

- (a) specific procedures for the receipt of reports of breaches and their follow-up, ***including the establishment of secure communication channels for such reports;***
- (b) ***within their employment,*** appropriate protection for persons ***working under a contract of employment,*** who report ***breaches or are accused of breaches,*** ***against retaliation, discrimination or other types of unfair treatment at a minimum;***

- (c) protection of personal data ■ both *of* the person who reports the *breach* and the *natural* person *who is allegedly responsible for it, including protections in relation to preserving the confidentiality of the identity of the relevant persons, at all stages of the procedure without prejudice to such disclosures being required by national law in the context of investigations or subsequent judicial proceedings.*

■

- 1b. Member States shall require employers engaging in activities that are regulated for financial services purposes, to have in place appropriate procedures for their employees to report breaches internally.*
2. *Member States may provide for financial* incentives to persons who offer salient information about potential breaches of this Regulation *to* be granted in conformity with national law where such persons do not have *other* pre-existing legal or contractual *duties* to report such information, *and provided* that the information is new, and it results in the imposition of an administrative sanction or measure or a criminal sanction for a breach of this Regulation.

3. The Commission shall adopt, by means of implementing acts in accordance with Article 33, measures to specify the procedures referred to in paragraph 1, including the modalities of reporting and the modalities for following-up of reports, **and** measures for the protection of persons ***working under a contract of employment and measures for the protection of personal data.***

#### Article 30

##### Exchange of information with ESMA

1. Competent ■ authorities shall provide ESMA annually with aggregated information regarding all administrative measures, sanctions and fines imposed ***by the competent authority*** in accordance with Articles ■ 26, 27, 28 and 29. ESMA shall publish this information in an annual report. ***Competent authorities shall also provide ESMA annually with anonymised and aggregated data regarding all administrative investigations undertaken in accordance with the above mentioned Articles.***



- 1a. Where Member States have chosen, in accordance with Article 26(1), second subparagraph, to lay down criminal sanctions for the breaches of the provisions of this Regulation referred to in that Article, their competent authorities shall provide ESMA annually with anonymised and aggregated data regarding all criminal investigations undertaken and criminal penalties imposed by the judicial authorities in accordance with Articles 26, 27, 28 and 29. ESMA shall publish data on criminal sanctions imposed in an annual report.*
2. Where the competent authority has disclosed administrative measures, sanctions, fines *and criminal penalties* to the public, it shall simultaneously report those administrative measures, sanctions, fines *and criminal penalties* to ESMA.

3. Where a published administrative measure, sanction, fine *and criminal penalty* relates to an investment firm authorised in accordance with Directive .../.../EU [new MiFID], ESMA shall add a reference to the published sanction in the register of investment firms established under Article 5(3) of Directive .../.../EU [new MiFID].
4. ESMA shall develop draft implementing technical standards to determine the procedures and forms for exchange of information as referred to in this Article.

ESMA shall submit the draft implementing technical standards referred to in the first subparagraph to the Commission by ...\*.

Power is conferred to the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1095/2010.

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\* *OJ: Please insert date: 24 months after the date of entry into force of this Regulation.*

**CHAPTER 5a**

**Article 30a**

**Publication of decisions**

- 1. A decision imposing an administrative sanction or measure for breach of this Regulation shall be published by competent authorities on their official website immediately after the person sanctioned is informed of that decision. The publication shall include at least information on the type and nature of the breach and the identity of the persons responsible. This obligation does not apply to decisions imposing measures that are of an investigatory nature.*

*However, where the publication of the identity of the legal persons or personal data of natural persons is considered by the competent authority to be disproportionate following a case-by-case assessment conducted on the proportionality of the publication of such data, or where publication jeopardises the stability of financial markets or an on-going investigation, competent authorities shall either:*

- (a) delay the publication of the decision to impose a sanction or a measure until the moment where the reasons for non publication cease to exist;*
- (b) publish the decision to impose a sanction or a measure on an anonymous basis in a manner which is in conformity with national law, if such anonymous publication ensures an effective protection of the personal data concerned; In the case of a decision to publish a sanction or measure on an anonymous basis the publication of the relevant data may be postponed for a reasonable period of time if it is foreseen that within that period the reasons for anonymous publication shall cease to exist;*
- (c) not publish the decision to impose a sanction or measure at all in the event that the options set out in (a) and (b) above are considered insufficient to ensure:*

- (i) *that the stability of financial markets would not be put in jeopardy; or*
- (ii) *The proportionality of the publication of such decisions with regard to measures which are deemed to be of a minor nature.*

2. *Where the decision to impose a sanction or measure is subject to an appeal before the relevant judicial, or other authorities, competent authorities shall also publish, immediately, on their official website such information and any subsequent information on the outcome of such appeal. Moreover, any decision annulling a previous decision to impose a sanction or a measure shall also be published.*
3. *Competent authorities shall ensure that any publication, in accordance with this Article, shall remain on their official website for a period of at least five years after its publication. Personal data contained in the publication shall only be kept on the official website of the competent authority for the period which is necessary in accordance with the applicable data protection rules.*

CHAPTER 6  
DELEGATED ACTS

■

Article 32

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The delegation of power shall be conferred for an indeterminate period of time from the date referred to in Article 36(1).
3. The delegation of power may be revoked at any time by the European Parliament or by the Council. A decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of 3 months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by 3 months at the initiative of the European Parliament or the Council.

CHAPTER 7  
IMPLEMENTING ACTS

Article 33  
Committee procedure

1. For the adoption of implementing acts under Article 29(3) the Commission shall be assisted by the European Securities Committee established by Commission Decision 2001/528/EC<sup>1</sup>. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, *Article 5* of Regulation (EU) No 182/2011 shall apply, having regard to the provisions of Article 8 thereof.

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<sup>1</sup> Commission Decision 2001/528/EC of 6 June 2001 establishing the European Securities Committee (OJ L 191, 13.7.2001, p. 45).



CHAPTER 8  
TRANSITIONAL AND FINAL PROVISIONS

Article 34

Repeal of Directive 2003/6/EC

Directive 2003/6/EC *and its implementing measures* shall be repealed with effect from ... \* .  
References to Directive 2003/6/EC shall be construed as references to this Regulation.



*Article 35a*

*Report*

*By ... \*\* , the Commission shall report to the European Parliament and the Council on the application of this Regulation and, if necessary, on the need to review it, including with regard to:*

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\* OJ: Please insert date: 24 months after the date of entry into force of this Regulation.

\*\* *OJ: Please insert date: 3 years after application into force of this Regulation.*

- (a) *the appropriateness of introducing common rules on the need for all Member States to provide for administrative sanctions for insider dealing and market manipulation;*
- (b) *whether the definition of inside information is sufficient to cover all information relevant for competent authorities to effectively combat market abuse;*
- (c) *the appropriateness of the conditions under which the prohibition on trading is mandated in accordance with Article 14(4a) with a view to identifying whether there are any further circumstances under which the prohibition should apply;*
- (d) *assessing the possibility of establishing an EU framework for cross market order book surveillance in relation to market abuse, including recommendations for such a framework; and*
- (e) *the scope of the application of the benchmark provisions.*

*In order to inform point (a) above, ESMA shall undertake a mapping exercise of the application of administrative sanctions and, where Member States have chosen, in accordance with Article 26(1), second subparagraph, to lay down criminal sanctions for the breaches of this Regulation referred to in that article, the application of such criminal sanctions within Member States. This exercise shall also include any data made available under Article 30(1) and 30(1a).*

*The Commission shall submit its report accompanied, if appropriate, by a legislative proposal.*

#### Article 36

##### Entry into force and application

1. This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

2. It shall apply from ...\* except for Articles 3(2), 8(5), 11(3), 12(9), ■ , 13(6), ■ , 14(6), 15(3), ■ 19(9) ■ and 29(3) which shall apply immediately following the entry into force of this Regulation.
3. ***By ...\* Member States shall implement into national law: Article 16, Article 17, Article 26, Article 29 and Article 30a.***

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at ...

*For the European Parliament*

*For the Council*

*The President*

*The President*

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\* OJ: Please insert date: 24 months after the date of entry into force of this Regulation.

\* ***OJ: Please insert date: 24 months after the date of entry into force of this Regulation.***

## ANNEX

### **A. Indicators of manipulative behaviour related to false or misleading signals and to price securing**

For the purposes of applying point (a) of paragraph 1 of Article 8 of this Regulation, and without prejudice to the forms of behaviour set out in paragraph 3 thereof, the following non-exhaustive indicators, which should not necessarily be deemed in themselves to constitute market manipulation, shall be taken into account when transactions or orders to trade are examined by market participants and competent authorities:

- (a) the extent to which orders to trade given or transactions undertaken represent a significant proportion of the daily volume of transactions in the relevant financial instrument, related spot commodity contract, or auctioned product based on emission allowances, in particular when these activities lead to a significant change in their prices;

- (b) the extent to which orders to trade given or transactions undertaken by persons with a significant buying or selling position in a financial instrument, a related spot commodity contract, or a auctioned product based on emission allowances, lead to significant changes in the price of that financial instrument, related spot commodity contract, or auctioned product based on emission allowances;
- (c) whether transactions undertaken lead to no change in beneficial ownership of a financial instrument, a related spot commodity contract, or a auctioned product based on emission allowances;
- (d) the extent to which orders to trade given or transactions undertaken *or orders cancelled* include position reversals in a short period and represent a significant proportion of the daily volume of transactions in the relevant financial instrument, a related spot commodity contract, or a auctioned product based on emission allowances, and might be associated with significant changes in the price of a financial instrument, a related spot commodity contract, or a auctioned product based on emission allowances;

- (e) the extent to which orders to trade given or transactions undertaken are concentrated within a short time span in the trading session and lead to a price change which is subsequently reversed;
- (f) the extent to which orders to trade given change the representation of the best bid or offer prices in a financial instrument, a related spot commodity contract, or a auctioned product based on emission allowances, or more generally the representation of the order book available to market participants, and are removed before they are executed;
- (g) the extent to which orders to trade are given or transactions are undertaken at or around a specific time when reference prices, settlement prices and valuations are calculated and lead to price changes which have an effect on such prices and valuations.

## **B. Indicators of manipulative behaviours related to the employment of fictitious devices or any other form of deception or contrivance**

For the purposes of applying point (b) of paragraph 1 of Article 8 of this Regulation, and without prejudice to the forms of behaviour set out in the second paragraph of point (3) thereof, the following non-exhaustive indicators, which should not necessarily be deemed in themselves to constitute market manipulation, shall be taken into account when transactions or orders to trade are examined by market participants and competent authorities:

- (a) whether orders to trade given or transactions undertaken by persons are preceded or followed by dissemination of false or misleading information by the same persons or persons linked to them;
- (b) whether orders to trade are given or transactions are undertaken by persons before or after the same persons or persons linked to them produce or disseminate investment recommendations which are erroneous or biased or demonstrably influenced by material interest.