

CIRCULAR 4/2016

**RULES AFFECTING HEDGE FUNDS AND FUNDS OF HEDGE FUNDS WHOSE
SECURITIES ARE ADMITTED TO THE MERCADO ALTERNATIVO BURSÁTIL**

Collective Investment Institutions (hedge funds) and the funds of hedge funds are subject to Articles 73 and 74 of the enabling Regulations of Law 35/2003, of Collective Investment Institutions, approved by Royal Decree 1082/2012 on 13 July.

These institutions have certain special features vis-a-vis other general collective investment institutions, such as, among others, the frequency the net asset value is calculated and a specific redemption system establishing a maximum redemption amount, a minimum amount of time for being a shareholder or unitholder, notices for subscription and redemption and the possibility of not permitting redemptions on all dates when the net asset value is calculated.

Given the special features of the hedge funds and funds of hedge funds, it is advisable to adapt the regulations laid out in the Market for SICAVs to these institutions.

This Circular outlines the aspects to be included in the specific regulation for securities issued by hedge fund and funds of hedge funds, both shares (in the case of investment companies) and holdings (in the case of investment funds), to be admitted to trading on the MAB, based on the remaining aspects of the system that have been applied to general SICAVs. It will therefore detail the admission procedures for these securities and the information to be supplied to the Market.

The MAB market model for securities issued by these institutions is based on a system whereby prices are set at a point where supply and demand meet in a fixing period, within a distinct trading segment and trading procedures for subscription and redemption at net asset value. Its trading procedures for SICAV segments, securities issued by VCCs admitted to the Market, and shares issued by hedge funds and funds of hedge funds are regulated by a single Trading Regulations Circular.

**One. Requirements and procedures for hedge fund and funds of hedge funds
securities admitted to trading**

The Market Circular 1/2016 issued on 5 January, regarding the requirements and procedures applicable to SICAV shares admitted to the MAB, shall be applied with the following exceptions:

1. References to SICAVs shall be deemed executed regarding the hedge fund and funds of hedge fund securities, according to the terms defined in Articles 73 and 74 of the implementing Regulation of the Law 35/2003, approved by Royal Decree 1082/2012 on 13 July.
2. Hedge funds and funds of hedge funds must be registered in the special registry of the CNMV prior to being admitted to the Market.

Two. Supply and dissemination of information regarding hedge funds and funds of hedge funds whose securities are admitted to trading on the MAB

Market Circular 2/2016, of 5 January, on information regarding SICAVs with shares admitted to trading on the MAB, shall be applied to hedge funds and funds of hedge funds whose securities are admitted to trading on the Market with the following exceptions:

1. References to SICAVs shall be deemed executed regarding the hedge fund and funds of hedge fund securities, according to the terms defined in Articles 73 and 74 of the implementing Regulation of the Law 35/2003, approved by Royal Decree 1082/2012 on 13 July.
2. Hedge funds and funds of hedge funds shall inform the Market of the net asset value of their shares and holdings with the frequency established by the prospectus, according to the procedures and timelines set by the Market.

Hedge funds shall inform the Market of all corporate or financial transactions that affect the securities listed on the Market, holders' rights or the exercise of the rights resulting from these securities, specifying the relevant dates for recognising, exercising, complying with and paying the relevant rights and obligations to holders of the securities in question.

As a general rule, reporting shall be completed in the shortest time possible and sufficiently in advance for the dissemination thereof through the resources available to this Market.

In the case of dividend payment, it shall be communicated as soon as agreed and at least two (2) months in advance of the date on which it will take place.

Three. Delisting

In accordance with the provisions of Article 24 of the Market Regulations, and notwithstanding any decisions taken in this regard by the CNMV, securities may be delisted where the Board of Directors should so decide, with justified reasons, in the following cases:

1. Serious and repeated breach of the duties incumbent on the issuer, especially with regard to the supply and publication of information. As a preliminary measure, a written warning may be served on the issuer, aimed at obtaining the corresponding corrective measures.
2. Request by the issuer.
3. Issuer fails to comply with the requirements or conditions for admission of securities it has issued for the corresponding segment of the Market.
4. Issuer fails to comply with the condition required of it for admission to the Market.
5. Admission to trading on an official Spanish secondary market.
6. Where the securities traded on the Market are delisted from any non-Spanish regulated markets where they are also traded.
7. In cases where the issuer is in a situation where the settlement phase has been opened in accordance with the Spanish Insolvency Act or the issuer is in the corporate settlement phase in accordance with the Spanish Companies Act.

If the issuer requests delisting from the market, it shall publish a significant event, indicating a timeframe, no fewer than 15 days from publication, so that investors may be properly informed before the exclusion is executed.

Before adopting the delisting agreement, according to Article 20 of the Market Regulations, the Board of Directors shall report the request for delisting from the CNMV. The delisting agreement shall indicate the execution date of the delisting once the period of time set by the issuer has transpired.

Four. Date of application and replacement of Circular 4/2010

This Circular shall be applicable starting 9 March 2016 inclusive, from which time it shall repeal and replace Circular 4/2010 of 4 January 2010.

Madrid, 5 February 2016

THE SECRETARY

Ignacio Olivares Blanco

The English translation is for the convenience of English-speaking readers. However, only the Spanish text has any legal value. Consequently, the translation may not be relied upon to sustain any legal claim, nor should it be used as the basis of any legal opinion. Bolsas y Mercados Españoles, Sistemas de Negociación, S.A., expressly disclaims all liability for any inaccuracy herein.