

Circular 1/2017 of 11 April, amending Circular 14/2016 of 26 July

On April 11, the Alternative Equities Market (MAB) published Circular 1/2017, amending Circular 14/2016, on the applicable requirements and procedure for joining and being excluded from the Alternative Equities Market of shares issued by Expanding Companies and Publicly Traded Limited Liability Companies in the Real Estate Market (SOCIMIs). Circular 1/2017 will enter into force on 1 August 2017.

Circular 1/2017 imposes more demanding conditions upon newly created SOCIMIs wishing to join the securities market. Thus, requirements for SOCIMIs to join the MAB have been modified as previous experience suggests that it is unclear whether is necessary for SOCIMIs to enjoy benefits different from those enjoyed by other companies that can access this segment of expanding companies.

Circular 1/2017 focuses on calculating the circulation of shares that can be incorporated. Prior to this, to join the MAB and remain in the same, SOCIMIs had to invest 25% of their capital (or shares amounting to €2 million) among minority shareholders, with an equity holding of less than 5% each. The regulation previously allowed, for the purpose of calculating the 25% of shares, calculating those shares that had been made available to the so-called "Liquidity Provider" (the bank or manager of the investment), which would subsequently place them among investors in the market. SOCIMIs had a period of one year for the effective circulation of those securities.

However, this new circular removes some of the more lax requirements for SOCIMIs, specifically:

- The possibility that the 25% calculation of shares referenced in the preceding paragraph could include those made available to the Liquidity Provider.
- The possibility that the effective circulation of shares can be done within the maximum period of one year as from the incorporation of the SOCIMI in the market.

Consequently, **from 1 August 2017, SOCIMIs that wish to join in order to trade on the MAB must initiate their activity in the stock market having complied with the circulation requirements.** Among others, these requirements include **placing 25% of their capital or shares amounting to two €2 million among minority shareholders (with a percentage of less than 5% of shares each)**, without the possibility of deferring compliance over time and without being able to calculate the shares in the hands of the Liquidity Provider for such purpose.

The aforementioned notwithstanding, those financial investment vehicles that may have initiated the process of joining the MAB prior to 1 August 2017 will continue to enjoy the requirements for joining that are in force prior to this modification.