

Commission Delegated Regulation (EU) 2016/960 of 17 May 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the appropriate arrangements, systems and procedures for disclosing market participants conducting market soundings (Text with EEA relevance)

COMMISSION DELEGATED REGULATION (EU) 2016/960

of 17 May 2016

supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the appropriate arrangements, systems and procedures for disclosing market participants conducting market soundings

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC⁽¹⁾, and in particular the third subparagraph of Article 11(9) thereof,

Whereas:

- (1) Appropriate arrangements, procedures and record keeping requirements are necessary to ensure that market sounding activities are managed and controlled effectively. As part of the appropriate arrangements, disclosing market participants should establish procedures describing the manner in which market soundings are conducted. Such procedures should set out a standard set of information to be provided to and requested from the persons receiving the market sounding, ensuring that no unnecessary potentially sensitive information is disseminated and that all the persons receiving the market sounding receive the same level of information.
- (2) It is necessary to provide certainty as to the content of the information communicated in the course of market soundings. Therefore, where the market soundings are conducted by telephone and the disclosing market participant has access to recorded telephone lines, the disclosing market participant should use those lines. Where market soundings are conducted through channels other than by recorded telephone lines, records of the market sounding communications should be kept in the form of audio or video recordings or in written form. For personal data protection reasons, when the market sounding is made by recorded telephone lines or audio or video recording is being used, a consent to the recording should be obtained from the person receiving the market sounding.

Changes to legislation: Commission Delegated Regulation (EU) 2016/960 is up to date with all changes known to be in force on or before 18 May 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) EUR 2016 No. 960 may be subject to amendment by EU Exit Instruments made by the Financial Conduct Authority under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (S.I. 2018/1115), regs. 2, 3, Sch. Pt. 1. These amendments are not currently available on legislation.gov.uk. Details of relevant amending instruments can be found on their website/s. (See end of Document for details) View outstanding changes

- (3) To facilitate the conduct of investigations by competent authorities on suspected market abuse, disclosing market participants should, for each market sounding, keep a record of the persons who received the market sounding.
- (4) In order to minimise the risk of improper disclosure of inside information, a disclosing market participant should keep a record of the potential investors that have informed it that they are not willing to receive market soundings. Potential investors should be able to express their wish not to receive market soundings in relation to all potential transactions or only particular types of transactions.
- (5) When conducting a market sounding the disclosing market participants should be able to benefit from a presumption that inside information is disclosed in the normal exercise of a person's employment, profession or duties for the purposes of Article 10(1) of Regulation (EU) No 596/2014. In this respect, the disclosing market participant should be considered to be acting within the normal course of employment, profession or duties only in so far as it complies with all requirements, including record-keeping requirements set out in Article 11 of Regulation (EU) No 596/2014 and this Regulation.
- (6) Given that an assessment of what constitutes inside information, undertaken in accordance with Article 11(3) of Regulation (EU) No 596/2014, can be complex, disclosing market participants should keep records of all market soundings, including the ones that are considered by the disclosing market participant not to involve disclosure of inside information. Such records assist disclosing market participants in providing evidence of proper conduct to the competent authorities, in particular where the nature of the information changes after the market sounding or where the competent authority would like to review the process of categorisation of the information.
- (7) This Regulation is based on the draft regulatory technical standards submitted by the European Securities and Markets Authority to the Commission.
- (8) The European Securities and Markets Authority has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Securities Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council⁽²⁾.
- (9) In order to ensure the smooth functioning of the financial markets, it is necessary that this Regulation enters into force as a matter of urgency and that the provisions laid down in this Regulation apply from the same date as those laid down in Regulation (EU) No 596/2014,

HAS ADOPTED THIS REGULATION:

Modifications etc. (not altering text)

- C1** The “appropriate regulator” has power to make such provision as they consider appropriate by means of an instrument in writing to prevent, remedy or mitigate any failure of the provisions of this Regulation to operate effectively or any other deficiency arising from the withdrawal of the United Kingdom from the EU, see The Financial Regulators' Powers (Technical Standards etc.) (Amendment

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C2 Regulation: power to modify conferred (11.7.2023) by Financial Services and Markets Act 2023 (c. 29), ss. 3, 86(3), Sch. 1 Pts. 1, 3; S.I. 2023/779, reg. 2(d)

Article 1

General requirements

Disclosing market participants shall ensure that the arrangements and procedures they establish to comply with paragraphs 4, 5, 6 and 8 of Article 11 of Regulation (EU) No 596/2014 are regularly reviewed and updated where necessary.

Article 2

Procedures for the purposes of conducting market soundings

1 Disclosing market participants shall establish procedures describing the manner in which market soundings are conducted.

Disclosing market participants may communicate information for the purposes of market sounding to the persons receiving the market sounding orally, in physical meetings, in audio or video telephone calls, or in writing, by mail, fax or electronic communications.

2 Disclosing market participants shall establish procedures for conducting market soundings by telephone ensuring that recorded telephone lines are used where the disclosing market participant has access to such lines and the persons receiving the market sounding have given their consent to the recording of the conversation.

3 The procedures referred to in paragraphs 1 and 2 shall ensure that persons working for a disclosing market participant under contract of employment or otherwise only use equipment provided by the disclosing market participant when sending and receiving telephone calls and electronic communications for the purposes of market soundings.

Article 3

Standard set of information for the communications to persons receiving the market sounding

1 Disclosing market participants shall have in place procedures to exchange a standard set of information with the persons receiving the market sounding during market soundings, in a pre-determined sequence.

2 The standard set of information referred to in paragraph 1 shall be determined by the disclosing market participant for each market sounding, prior to conducting that market sounding. The disclosing market participant shall use that standard set of information with all the persons receiving that market sounding.

3 Where disclosing market participants consider that the market sounding will involve the disclosure of inside information, the standard set of information referred to in paragraph 1 shall include and be limited to the following, in the stated order:

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- a a statement clarifying that the communication takes place for the purposes of a market sounding;
 - b where the market sounding is conducted by recorded telephone lines, or audio or video recording is being used, a statement indicating that the conversation is recorded and the consent of the person receiving the market sounding to be recorded;
 - c a request for and a confirmation from the contacted person that the disclosing market participant is communicating with the person entrusted by the potential investor to receive the market sounding and the reply to that request;
 - d a statement clarifying that, if the contacted person agrees to receive the market sounding, that person will receive information that the disclosing market participant considers to be inside information and a reference to the obligation laid down in Article 11(7) of Regulation (EU) No 596/2014;
 - e where possible, an estimation of when the information will cease to be inside information, the factors that may alter that estimation and, in any case, information about the manner in which the person receiving the market sounding will be informed of any change in such an estimation;
 - f a statement informing the person receiving the market sounding about the obligations laid down in Article 11(5) subparagraph 1 points (b), (c) and (d) of Regulation (EU) No 596/2014;
 - g a request for the consent of the person receiving the market sounding to receive inside information, as referred to in Article 11(5) subparagraph 1 point (a) of Regulation (EU) No 596/2014 and the reply to that request;
 - h where the consent required under point (g) is given, the information being disclosed for the purposes of the market sounding, identifying the information considered by the disclosing market participant to be inside information.
- 4 Where the disclosing market participant considers that the market sounding will not involve the disclosure of inside information, the standard set of information referred to in paragraph 1 shall include and be limited to the following, in the stated order:
- a a statement clarifying that the communication takes place for the purposes of a market sounding;
 - b where the market sounding is conducted by recorded telephone lines or audio or video recording is being used, a statement indicating that the conversation is recorded and the consent of the person receiving the market sounding to be recorded;
 - c a request for and a confirmation from the contacted person that the disclosing market participant is communicating with the person entrusted by the potential investor to receive the market sounding and the reply to that request;
 - d a statement clarifying that, if the contacted person agrees to receive the market sounding, that person will receive information that the disclosing market participant considers not to be inside information and a reference to the obligation laid down in Article 11(7) of Regulation (EU) No 596/2014;
 - e a request for the consent of the person receiving the market sounding to proceed with the market sounding and the reply to that request;
 - f where the consent required under point (e) is given, the information being disclosed for the purposes of the market sounding.
- 5 The disclosing market participant shall ensure that the same level of information is communicated to each person receiving the market sounding in relation to the same market sounding.

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Article 4

Data regarding persons receiving the market sounding

1 For each market sounding conducted, the disclosing market participant shall draw up a list containing the following information:

- a the names of all natural and legal persons to whom information has been disclosed in the course of the market sounding;
- b the date and time of each communication of information which has taken place in the course of or following the market sounding;
- c the contact details of the persons receiving the market sounding used for the purposes of the market sounding.

2 Disclosing market participants shall draw up a list of any potential investors that have informed them that they do not wish to receive market soundings, in relation to either all potential transactions or particular types of potential transactions. The disclosing market participant shall refrain from communicating information for the purposes of market soundings to such potential investors.

Article 5

Procedure for notifying where the information has ceased to be inside information

Where disclosing market participants assess as referred to in Article 11(6) of Regulation (EU) No 596/2014, that the inside information disclosed in the course of a market sounding has ceased to be inside information, they shall provide the person having received the market sounding with the following information:

- (a) the identity of the disclosing market participant;
- (b) an identification of the transaction subject to the market sounding;
- (c) the date and time of the market sounding;
- (d) the fact that the information disclosed has ceased to be inside information;
- (e) the date on which the information ceased to be inside information.

Article 6

Record keeping requirements

1 Disclosing market participants shall ensure that records of the following are kept on a durable medium that ensures their accessibility and readability over the period of retention laid down in Article 11(8) of Regulation (EU) No 596/2014:

- a the procedures referred to in Articles 1 and 2;
- b the standard set of information determined for each market sounding in accordance with Article 3;
- c the data regarding persons receiving the market sounding referred to in Article 4;
- d all communications of information which have taken place between the disclosing market participant and all persons that received the market sounding for the purposes

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- of the market sounding, including any documents provided by the disclosing market participant to the persons receiving the market sounding;
- e the information leading to the assessment that the information communicated during the market sounding has ceased to be inside information and the relevant notifications referred to in Article 5.
- 2 For the purposes of Article 6(1)(d), the disclosing market participant shall keep:
 - a where the communication of information has taken place by telephone on recorded lines, recordings of telephone conversations provided that the persons to whom the information is communicated have given their consent to such a recording;
 - b where the communication of information has taken place in writing, a copy of the correspondence;
 - c where the communication of information has taken place during video or audio recorded meetings, the recordings of those meetings provided that the persons to whom the information is communicated have given their consent to such a recording;
 - d where the communication of information has taken place during unrecorded meetings or telephone conversations, the written minutes or notes of those meetings or telephone conversations.
 - 3 The written minutes or notes referred to in paragraph 2(d), shall be drawn up by the disclosing market participant and duly signed by both the disclosing market participant and the person receiving the market sounding and shall include:
 - a the date and time of the meeting or telephone conversation and the identity of the participants;
 - b the details of the information related to the market sounding which were exchanged between the disclosing market participant and the person receiving the market sounding in the course of the market sounding, including information provided to the person receiving the market sounding and requested from the person receiving the market sounding in accordance with the standard set of information referred to in Article 3;
 - c any document and material provided by the disclosing market participant to the person receiving the market sounding in the course of the market sounding.

Where the disclosing market participant and the person receiving the market sounding have not agreed within 5 working days after the market sounding on the content of the written minutes or notes, the disclosing market participant shall record both a version of the written minutes or notes signed by the disclosing market participant and a version thereof signed by the person having received the market sounding.

Where the person having received the market sounding has not provided the disclosing market participant with a signed version of the written minutes or notes within 5 working days after the market sounding, the disclosing market participant shall keep a copy of the written version of the minutes or notes signed by the disclosing market participant.

- 4 The records referred to in paragraphs 1, 2 and 3 shall be made available to the competent authority upon request.

Article 7

Entry into force

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

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It shall apply from 3 July 2016.

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

Done at Brussels, 17 May 2016.

For the Commission

The President

Jean-Claude JUNCKER

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(1) [OJ L 173, 12.6.2014, p. 1.](#)

(2) 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](#)).

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Changes and effects yet to be applied to :

- Regulation revoked by [2023 c. 29 Sch. 1 Pt. 13](#)