

# annual report on corporate governance

BME IS FIRMLY COMMITTED TO COMPLYING  
WITH THE MOST STRINGENT CORPORATE  
GOVERNANCE PRACTICES





# A

## OWNERSHIP STRUCTURE

### A.1. Complete the following table on the company's share capital:

DATE OF LAST MODIFICATION	SHARE CAPITAL (€)	NUMBER OF SHARES
14/06/2006	270,078,252.34	83,615,558

### If there are different types of shares, please list them in the table below:

TYPE	NUMBER OF SHARES	FACE VALUE
ALL THE SAME CLASS	83,615,558	3.23

### A.2. List the direct and indirect holders of significant holdings in your company at the end of the year, excluding members of its Board of Directors:

NAME OR CORPORATE NAME OF SHAREHOLDER	NUMBER OF SHARES	NUMBER OF SHARES	% TOTAL OF
	HELD DIRECTLY	HELD INDIRECTLY (*)	SHARE CAPITAL
BANCO SANTANDER CENTRAL HISPANO, S.A.	1,084,188	6,144,503	8.645%
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	4,516,458	-	5.401%
BANCO DE ESPAÑA	4,460,913	-	5.335%

### (\*) Through:

NAME OR CORPORATE NAME OF DIRECT SHAREHOLDER	NUMBER OF SHARES	% OF
	HELD DIRECTLY	SHARE CAPITAL
SANTANDER INVESTMENT BOLSA SV S.A.	2,738,486	3.275%
HUALLE, S.A.	2,196,847	2.627%
SANTANDER INVESTMENT S.A.	949,816	1.136%
SCH SEGUROS Y REASEGUROS COMPAÑIA ASEGURADORA, S.A.	182,000	0.218%
BANCO ESPAÑOL DE CRÉDITO, S.A.	45,567	0.054%
BANCO BANIF, S.A.	27,787	0.033%
BANCO SANTANDER DE NEGOCIOS PORTUGAL	4,000	0.005%
Total	6,144,503	

### Indicate the most significant movements in the ownership structure during the year:

NAME OR CORPORATE NAME OF SHAREHOLDER	DATE OF THE OPERATION	DESCRIPTION OF THE OPERATION
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There have been no significant changes in the ownership structure of "Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A." (hereinafter BME) since its shares were admitted to trading on the stock markets on 14 July 2006.

**A.3. Complete the following tables on company shares held by directors:**

NAME OR CORPORATE NAME OF DIRECTOR	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT	NUMBER OF SHARES HELD DIRECTLY	NUMBER OF SHARES HELD INDIRECTLY (*)	% OF TOTAL SHARE CAPITAL
Antonio J. Zoido Martínez	15/02/2002	24/11/2005	704	-	0.001
Javier Alonso Ruiz-Ojeda	21/09/2006	21/09/2006	1	-	0.000
Joan Hortalá i Arau	15/02/2002	24/11/2005	704	-	0.001
José Antonio Álvarez Álvarez	21/09/2006	21/09/2006	100	-	0.000

**(\*) Through:**

NAME OR CORPORATE NAME OF DIRECT SHAREHOLDER	NUMBER OF SHARES HELD DIRECTLY
TOTAL:	
% of total share capital held by the Board of Directors	0.002% (*)

(\*) This figure does not include the share capital held by shareholders represented on the Board of Directors, eight of whose members are classified as external non-independent Board members. At 31 December 2006, the stake held by these shareholders was 30.992%.

Based on the above, the total share capital represented by the Board of Directors at 31 December 2006 stood at 30.994%.

**Complete the following tables on company share options held by directors:**

NAME OR CORPORATE NAME OF SHAREHOLDER	NUMBER OF SHARE OPTIONS HELD DIRECTLY	NUMBER OF SHARE OPTIONS HELD INDIRECTLY	NUMBER OF EQUIVALENT SHARES	% OF TOTAL SHARE CAPITAL

**A.4. Where applicable indicate any family, commercial, contractual or corporate relationships between owners of significant shareholdings as they become known to the company, unless they are insignificant or derive from ordinary trading or exchange activities:**

RELATED NAME OR CORPORATE NAME	TYPE OF RELATIONSHIP	BRIEF DESCRIPTION

**A.5. Where applicable indicate any commercial, contractual or corporate relationships between owners of significant shareholdings as they become known to the company, unless they are insignificant or derive from ordinary trading or exchange activities:**

RELATED NAME OR CORPORATE NAME	TYPE OF RELATIONSHIP	BRIEF DESCRIPTION

**A.6. Indicate any shareholders agreements that have been reported to the company:**

PARTICIPANTS IN SHAREHOLDERS' AGREEMENT	% OF SHARE CAPITAL AFFECTED	BRIEF DESCRIPTION OF THE AGREEMENT

**Indicate any concerted actions among shareholders of which the company is aware:**

PARTICIPANTS IN CONCERTED ACTIONS	% OF SHARE CAPITAL AFFECTED	BRIEF DESCRIPTION OF THE CONCERTED ACTION

Expressly indicate any amendment to or termination of such agreements or concerted actions during the year.

**A.7. Indicate whether any person or company exercises control or may exercise control over the company under the terms set forth in article 4 of the Securities' Market Law:**

NAME OR CORPORATE NAME
COMMENTS

**A.8. Complete the following tables about the company's treasury stock:**

At year end:

NUMBER OF SHARES HELD DIRECTLY	NUMBER OF SHARES HELD INDIRECTLY (*)	% OF TOTAL SHARE CAPITAL
0	22	0.000

(\*) Through:

NAME OR CORPORATE NAME OF DIRECT SHAREHOLDER	NUMBER OF SHARES HELD DIRECTLY
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U.	22
Total:	22

List any significant changes occurring during the year, as defined by Royal Decree 377/1991:

DATE	NUMBER OF SHARES HELD DIRECTLY	NUMBER OF SHARES HELD INDIRECTLY	% OF TOTAL SHARE CAPITAL
INCOME FROM TREASURY STOCK TRANSACTIONS OBTAINED DURING THE YEAR (THOUSANDS OF EUROS)			
COMMENTS			

**A.9. Detail the terms and conditions of any authorisation(s) conferred on the Board of Directors by the General Shareholders' Meeting to purchase and/or transfer the treasury stock described in section A.8. above.**

With regard to the derivative acquisition of shares in 2006, the following resolutions were adopted at BME's General Shareholders' Meeting:

At the General Shareholders' Meeting held on 27 April 2005 the following resolution (among others) was approved:

*Four.- Authorisation of the Company's Board of Directors for the derivative acquisition of treasury shares up to the limit of 5 per cent of share capital.*

*Following the Secretary's speech it was agreed to set aside the authorisation of the derivative acquisition of shares given at the General Shareholders' Meeting on 28 April 2004.*

*It was also agreed to authorise the derivative acquisition of the Company's own shares by the Board of Directors subject to the following terms:*

- The acquisition may be in the form of a trade, swap or dation in payment, in one or more instalments, provided that the shares acquired do not amount to more than 5% of the share capital when added to those already owned by the Company.*
- The authorisation shall be valid for 18 months from the day after the date of this resolution.*
- The minimum price shall be 1 euro and the maximum price shall be the underlying book value per share at the time of acquisition."*

At the General Shareholders' Meeting held on 25 April 2006 the following resolution (among others) was approved:

*Five.- Authorisation of the Company's Board of Directors for the derivative acquisition of treasury shares up to the limit of 5 per cent of share capital.*

*It is unanimously agreed to set aside the authorisation of the derivative acquisition of shares granted at the General Shareholders' Meeting held on 27 April 2005.*

*It is unanimously agreed to authorise the derivative acquisition of the Company's own shares by the Board of Directors subject to the following terms:*

- The acquisition may be in the form of a trade, swap or dation in payment, in one or more instalments, provided that the shares acquired do not amount to more than 5% of the share capital when added to those already owned by the Company.*
- The authorisation shall be valid for 18 months from the day after the date of this resolution.*
- The minimum price shall be 1 euro and the maximum price shall be the underlying book value per share at the time of acquisition."*

At the General Shareholders' Meeting held on 5 June 2006 the following resolution (among others) was approved:

*Thirteen.- Authorisation of the Company's Board of Directors for the derivative acquisition of treasury shares up to the*

limit of 5 per cent of share capital.

*It is unanimously agreed to authorise the derivative acquisition of the Company's own shares by the Board of Directors after the date they are admitted for trading on the stock markets or the date of the share offer operation mentioned in the second resolution, under the terms indicated below:*

- a) The acquisition may be carried out either directly by the Company itself or indirectly through its subsidiaries.*
- b) The acquisition may be in the form of a trade, swap or dation in payment, in one or more instalments, provided that the shares acquired do not amount to more than 5% of the share capital when added to those already owned by the Company.*
- c) The authorisation shall be valid for 18 months from the day after the date of this resolution.*
- d) The minimum price shall be 1 euro and the maximum price shall be 105% of the share price traded on the Spanish electronic trading system (Sistema de Interconexión Bursátil) at the time of the acquisition or on the date of the share offer operation referred to the second resolution.*

*Therefore, for the purposes of sub-paragraph 2, paragraph 1 of article 75 of the Companies Law, authorisation to acquire the Company's own shares is hereby expressly granted to any subsidiary on the same terms under this resolution.*

*It is hereby expressly stated that the shares so acquired may be sold, redeemed or used as remuneration as described in sub-paragraph 3, paragraph 1, article 75 of the Companies Law.*

*This authorisation shall replace and render null and void, in the amount not used, the authorisation given at the General Shareholders' Meeting held on 25 April 2006.*

*This resolution shall automatically be rendered null and void if on 31 December 2006 the Company's shares have not been admitted for trading on the afore-mentioned stock markets via the electronic trading system."*

#### **A.10. Indicate any restrictions under law or the company's articles of association on exercising voting rights and any legal restrictions on the acquisition and/or transfer of stakes in the share capital.**

##### 1. Voting rights:

There are no existing restrictions on voting rights under law or under the company's Articles of Association.

In accordance with article 6.1 of the Company's Articles of Association, shares confer to the relevant holders the right to attend and vote at the General Shareholders' Meeting, as stipulated by the Companies Law and BME's Articles of Association.

Each share confers the right to one vote, and there are no restrictions on the maximum number of votes which may be cast by each shareholder or companies belonging to the same group, in the case of corporate entities.

##### 2. Acquisition or transfer of company stock:

There are no restrictions on the acquisition or transfer of BME's share capital.

Notwithstanding the above, Spanish Securities Market Law grants the Spanish regulator, the Comisión Nacional del Mercado de Valores (CNMV) the power to oppose the acquisition of significant stakes in the capital of BME and group companies, pursuant to Royal Decree 361/2007 of 16 March, which amended Securities Market Law 24/1988 of 28 July, in matters related to the capital stock of companies which manage secondary markets or securities registration, clearing and settlement systems.

In accordance with the afore-mentioned Royal Decree, the CNMV shall be previously informed of any acquisition of BME shares which would imply and of the following percentages of its capital or voting rights: 1%, 5%, 10%, 15%, 20%, 25%, 33%, 40% or 50%. The CNMV shall have two months - from the date the information is relayed - to oppose the acquisition. If, during this time, the CNMV issues no statement, the operation will be deemed to be approved.

This period is reduced for acquisitions of a significant stake equal to or higher than 1% but lower than 5% of the Company's capital. If the CNMV does not issue a statement within ten working days after the date the information is relayed or from the date any additional information required by the entity is delivered, the acquisition will be understood to have been approved.

Furthermore, the Ministry of Economy and Finance, may, following the proposal of the CNMV, oppose the acquisition of a significant stake in BME's capital if it deems this to be necessary to ensure the smooth operation of the markets and to avoid distortions, or if Spanish companies are not provided equivalent treatment in the acquirer's country of origin, or that of the entity which directly or indirectly controls the acquirer.

## B

## STRUCTURE OF CORPORATE ADMINISTRATION

## B.1 The Board of Directors

## B.1.1. List the maximum and minimum number of directors provided in the articles of association:

MAXIMUM NUMBER OF DIRECTORS	MINIMUM NUMBER OF DIRECTORS
20	12

## B.1.2. Complete the following table with Board members' details:

NAME OR CORPORATE NAME OF DIRECTOR	POSITION ON THE BOARD	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT	ELECTION PROCEDURE
Antonio J. Zoido Martínez	Chairman	15/02/2002	24/11/2005	Shareholders' Meeting
José María Abril Pérez	First Vice-Chairman	15/02/2002	24/11/2005	Shareholders' Meeting
Manuel Pizarro Moreno	Second Vice-Chairman	15/02/2002	24/11/2005	Shareholders' Meeting
Tomás Muniesa Arantegui	Third Vice-Chairman	27/04/2005	27/04/2005	Shareholders' Meeting
Margarita Prat Rodrigo	Fourth Vice-Chairman	05/06/2006 (*)	05/06/2006	Shareholders' Meeting
Javier Alonso Ruiz-Ojeda	Director	21/09/2006	21/09/2006	Board of Directors (Co-option)
José Antonio Álvarez Álvarez	Director	21/09/2006	21/09/2006	Board of Directors (Co-option)
José A. Barreiro Hernández	Director	28/04/2004	28/04/2004	Shareholders' Meeting
Ignacio Benjumea Cabeza de Vaca	Director	15/09/2003	15/09/2003	Shareholders' Meeting
Álvaro Cuervo García	Director	05/06/2006 (*)	05/06/2006	Shareholders' Meeting
Joan Hortalá i Arau	Director	15/02/2002	24/11/2005	Shareholders' Meeting
Karel Lannoo	Director	05/06/2006 (*)	05/06/2006	Shareholders' Meeting
Ramiro Mato García-Ansorena	Director	15/02/2002	24/11/2005	Shareholders' Meeting
Manuel Olivencia Ruiz	Director	05/06/2006 (*)	05/06/2006	Shareholders' Meeting
Carlos Vela García-Noreña	Director	15/02/2002	24/11/2005	Shareholders' Meeting
<b>Total number of Directors</b>	<b>15</b>			

(\*) These appointments were conditioned to BME's shares being admitted for trading on the Stock Exchanges.

Indicate any directors leaving the Board during this period:

NAME OR CORPORATE NAME OF DIRECTOR	LEAVING DATE
José Luis Damborenea Ortiz de Zárate	14/07/2006
Angel Torre González	14/07/2006
Juan Carlos Ureta Domingo	14/07/2006
Francisco Gómez Roldán	29/07/2006
Javier Ariztegui Yáñez	1/08/2006

**B.1.3. Complete the following tables on Board members and their directorships:**

#### Executive directors

NAME OR CORPORATE NAME OF DIRECTOR	COMMITTEE PROPOSING THE APPOINTMENT	POST HELD IN THE COMPANY
Antonio J. Zoido Martínez	(1)	Chairman
Joan Hortalá i Arau	(1)	Director

#### Non-independent external directors

NAME OR CORPORATE NAME OF DIRECTOR	COMMITTEE PROPOSING THE APPOINTMENT	NAME OR CORPORATE NAME OF SIGNIFICANT SHAREHOLDER REPRESENTED OR PROPOSING THE APPOINTMENT
José María Abril Pérez	(1)	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
Javier Alonso Ruiz-Ojeda	(2)	BANCO DE ESPAÑA
José Antonio Álvarez Álvarez	(2)	BANCO SANTANDER CENTRAL HISPANO, S.A.
José A. Barreiro Hernández	(1)	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
Ignacio Benjumea Cabeza de Vaca	(1)	BANCO SANTANDER CENTRAL HISPANO, S.A.
Ramiro Mato García-Ansorena	(1)	BNP PARIBAS, SUCURSAL EN ESPAÑA
Tomás Muniesa Arantegui	(1)	CAJA DE AHORROS Y DE PENSIONES DE BARCELONA
Carlos Vela García-Noreña	(1)	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID



## Independent external directors

NAME OR CORPORATE NAME OF DIRECTOR	COMMITTEE PROPOSING THE APPOINTMENT	BACKGROUND
Margarita Prat Rodrigo	(1)	Graduate in Law from Madrid's Universidad Complutense in 1971 and in Economics and Business from Madrid's Universidad Pontificia Comillas in 1982, receiving an extraordinary prize. She obtained a PhD in Economics and Business in 1989. Ms. Prat has also published several works and articles since 1989. She was Director of the Financial Management Department in the Economics and Business faculty of Madrid's Universidad Pontificia Comillas from 1984 to 2000, Vice Dean at the same university from 1990 to 1993 and Dean from 1993 to 2002. She was also a visiting lecturer at the Universidad de Deusto in San Sebastian, Instituto Tecnológico de Monterrey in Mexico and Universidad Católica Argentina in Buenos Aires. She is currently a member of the Institute of Internal Auditors in Spain and sits on its Executive Committee, a member of the Institute of Financial Analysts, Director of Internal Audit and Professor at Madrid's Universidad Pontificia Comillas and is a member of various doctoral thesis tribunals and academic committees.
Álvaro Cuervo García	(1)	Professor of Business Economics at Madrid's Universidad Complutense, winner of the Rey Jaime I Economics Prize (1992), the Castilla-León "Infanta Cristina" Economics Prize (1999) and recipient of honorary doctorates from the universities of Oviedo, León and Castilla-La Mancha. He is a member of the Board of Directors of ACS, S.A., and of SONAE SGPS, S.A. (Portugal), Vice-Chairman of TAFISA and member of the Spanish government's Consultative Committee on Privatisations. Member of the Executive Committee of Spain's Business Economics and Management Scientific Association, Deputy Chairman of the Executive Committee of the European Association for Business Economics and Management, member of the Valencia regional government's high consultative council on research and development. Also a member of the following: the academic board of trustees of the Royal Complutense College at Harvard, the board of trustees of the Banco Herrero Foundation, the board of trustees of the Endesa Foundation and the advisory board of the Rafael del Pino Foundation as well as a Director of Sonae Industria, S.A., BAVidrio, S.A. and ThyssenKrupp, S.A.
Karel Lannoo	(1)	Graduate in Philosophy and History from Leuven University (Belgium) and a Master in European Studies from Nancy University (France). An expert in European monetary policy, banking and financial markets, financial market regulation, European Union business policies and corporate governance. Has published a prolific amount of articles and reports in European journals and newspapers. He has chaired various working groups at the Centre for European Policy Studies and has taken part in several studies and working groups for Spanish and European organisations (European institutions, the OECD, the Asian Development Bank and the World Bank). He previously worked at the Ferruzzi group. CEO of the Centre for European Policy Studies since 2000 and Director of both Lannoo publishing, S.A. and Distrimedia, S.A.
Manuel Olivencia Ruiz	(1)	Graduate in Law, winning the Extraordinary Graduation Prize, from Seville University (1951), with a doctorate in law from Bologna University (1953); and author of numerous scientific works. He has been decorated with four Great Crosses (the Isabel la Católica, Alfonso X el Sabio, San Raimundo de Peñafort and Military Merit crosses). Dean of the Law Faculty (1968-1971) and Economics and Business Faculty (1971-1975) at Seville University, Undersecretary for Education (1975-1976), Director of the Bank of Spain (1982-1991) and Chairman of the Special Committee for Drafting the Code of Good Governance (1998). Professor of Commercial Law at Seville University since 1960 where he is currently professor emeritus. Permanent member of the General Codification Committee and of the Royal Academy of Jurisprudence and Legislation and the Royal Seville Academies of Fine Arts and Legislation and Jurisprudence. He is also an Extraordinary Ambassador for Spain, a Delegate on the United Nations International Law Commission and a specialist arbitration lawyer.

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## Other external directors

NAME OR CORPORATE NAME OF DIRECTOR	COMMITTEE PROPOSING THE APPOINTMENT
Manuel Pizarro Moreno	(1)

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(1) The Appointments and Remuneration Committee was created pursuant to article 36 of the Company's Articles of Association and article 18 of the Board of Directors' Regulations which came into force on 14 July 2006. Therefore, all appointments made prior to this date were neither communicated nor proposed by this committee.

(2) As, under article 18.2.b) of the Board of Directors' Regulations, these directors are classified as independent, their appointment has been previously reported by the Appointments and Remuneration Committee.

### List the reasons why they may not be considered independent directors:

Manuel Pizarro Moreno is not an independent director despite his relationship with BME's shareholder "Endesa, S.A.", as this company does not hold a significant number of shares.

### List any changes in the classification of each director which have occurred during the period:

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NAME OR CORPORATE NAME OF DIRECTOR	DATE OF CHANGE	PREVIOUS TYPE	CURRENT TYPE
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### B.1.4. Indicate whether the type of directorships mentioned in the previous point corresponds to the distribution established in the Board of Directors' Regulations.

The classification of BME Board members corresponds to the criteria established in article 6 of its Board of Directors' Regulations:

*"Article 6 of the Board of Directors' Regulations. - Composition of the Board of Directors.*

*(...)*

*2. Candidates proposed by the Board of Directors for appointment or re-election as Directors must be persons of high standing, integrity and reputability, who also have the necessary expertise for the performance of their functions.*

*Proposals shall be made bearing in mind the existence of the following types of Directors:*

*a) Executive or internal directors, i.e. senior executives or employees of the Company or any other group or associate company.*

*b) Non-independent external directors, i.e. directors who are shareholders or who represent or have a professional or personal relationship with shareholders.*

*c) Independent external directors, i.e. directors with no personal or professional connection with the Company, its shareholders or management.*

*d) Other external directors, i.e. directors who are not non-independent directors but who for some reason cannot be classified as independent directors, whose appointment is proposed by the Appointments and Remuneration Committee due to attributes which make them especially suitable for a directorship because of their outstanding professional track record in the stock markets and related areas. Such proposals must be backed up by a report from the Appointments and Remuneration Committee which shall be duly presented at the General Shareholders' Meeting.*

*(...)"*

### B.1.5. Indicate, where applicable, any powers delegated to managing directors:

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NAME OR CORPORATE NAME OF DIRECTOR	BRIEF DESCRIPTION
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The Company has no managing director.

However, BME's chairman and first and second vice-chairmen hold the power required to ensure the day-to-day running of the company. These powers include the commercial and legal representation of the Company, representation of the Company at Shareholders' meetings and meetings of the Board of Directors and similar boards of companies in which it holds a stake; the power to incorporate companies, associations, foundations and all types of legal entities; the power to hire and lay off employees, establish their duties and compensation; draw up all types of contracts in the name of the company; delegate power to whoever they see fit and other powers necessary to ensure the day-to-day running of the business.

**B.1.6. Identify, where appropriate, any Board members holding senior management or directive positions in other companies belonging to the listed company's group:**

NAME OR CORPORATE NAME OF DIRECTOR	NAME OF GROUP COMPANY	POST
Antonio J. Zoido Martínez	Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.	Chairman
Antonio J. Zoido Martínez	Sociedad de Bolsas, S.A.	Chairman
Manuel Pizarro Moreno	Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.	Vice-chairman
Tomás Muniesa Arantegui	MEFF AIAF SENAF Holding de Mercados Financieros, S.A.U.	Chairman
Tomás Muniesa Arantegui	MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Variable, S.A.U.	Chairman
Tomás Muniesa Arantegui	MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Fija, S.A.U.	Chairman
Tomás Muniesa Arantegui	MEFF Euroservices, S.A.U., S.V.	Chairman
Ignacio Benjumea Cabeza de Vaca	Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U.	Director
Joan Hortalá i Arau	Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U.	Chairman
Joan Hortalá i Arau	Sociedad de Bolsas, S.A.	Vice-chairman

During 2006 the following members of BME's Board of Directors were members of the Board of Directors of the following BME group companies:

- \* Javier Alonso Ruiz-Ojeda held the post of Director at "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) until 20 September 2006.
- \* José A. Barreiro Hernández was Chairman of "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) until 30 May 2006.

The Directors leaving their posts during 2006 were, and are, members of the Board of Directors of the following BME group companies:

- \* José Luis Damborenea Ortiz de Zárate: Board member of "Sociedad Rectora del Bolsa de Valores de Bilbao, S.A.U." and Secretary Director of "Sociedad de Bolsas, S.A.".
- \* Angel Torre González: Chairman of the Board of "Sociedad Rectora del Bolsa de Valores de Bilbao, S.A.U." and Board member of "Sociedad de Bolsas, S.A.".
- \* Juan Carlos Ureta Domingo: Board member of "Sociedad Rectora del Bolsa de Valores de Madrid, S.A.U.".

**B.1.7. List, where appropriate, all board members who are also members of the board of directors of other companies listed on official securities markets in Spain, other than your own group, that have been reported to the company:**

NAME OR CORPORATE NAME OF DIRECTOR	LISTED COMPANY	POST
Manuel Pizarro Moreno	ENDESA, S.A.	Chairman
Álvaro Cuervo García	Actividades de Construcción y Servicios, S.A. (ACS) Tableros de Fibras, S.A. (TAFISA)	Director Vice-chairman
Carlos Vela García-Noreña	Indra Sistemas, S.A.	Vice-chairman

**B.1.8. Complete the following tables indicating the aggregate remuneration paid to directors during the year**

A breakdown of the remuneration received by members of the company's Board of Directors can be found in the annual report.

**a) For directors of the company subject to this report:**

CONCEPT	AMOUNTS IN THOUSANDS OF EUROS
Fixed remuneration	0
Variable remuneration	0
Per diems	298
Statutory compensation	1,076
Options on shares and/or other financial instruments	0
Other	0
<b>TOTAL:</b>	<b>1,374</b>

  

OTHER BENEFITS	AMOUNTS IN THOUSANDS OF EUROS
Advances	0
Loans granted	0
Funds and pension plans: contributions	0
Funds and pension plans: obligations	0
Life insurance premiums	0
Guarantees issued by the company in favour of directors	0

**b) For directors belonging to other boards of directors and/or holding senior management posts in group companies:**

CONCEPT	AMOUNTS IN THOUSANDS OF EUROS
Fixed remuneration	210
Variable remuneration	0
Per diems	210
Statutory compensation	274
Options on shares and/or other financial instruments	0
Other	0
<b>TOTAL:</b>	<b>694</b>

OTHER BENEFITS	AMOUNTS IN THOUSANDS OF EUROS
Advances	0
Loans granted	0
Funds and pension plans: contributions	0
Funds and pension plans: obligations	0
Life insurance premiums	50
Guarantees issued by the company in favour of directors	0

**c) Total remuneration by type of directorship:**

TYPE OF DIRECTORSHIP	COMPANY	GROUP
Executive	1,049	615
Non-independent external directors	280	79
Independent external directors	45	0
Other external directors	0	0
<b>Total</b>	<b>1,374</b>	<b>694</b>

For the purposes of this table, Messrs. Damborenea, Torre and Ureta, former Board members who left their posts before BME's shares were admitted for trading on the Spanish stock markets, have been classified in accordance with the classification criteria established in the Company's Board of Directors' Regulations, even though this was not in force at the time they held the post of Director.

The following classification has been established:

- Executive directors: Mr. Damborenea and Mr. Torre;
- Non-independent external director: Mr. Ureta.

**d) Remuneration as a percentage of parent company attributable profit:**

Total remuneration received by directors (in thousands of euros)	2,068
Total remuneration received by directors/ parent company attributable profit (%)	1,580

**B.1.9. List senior management who are not executive directors and indicate the total remuneration accruing to them during the year:**

The total remuneration received by senior management includes remuneration received from both BME and other group companies.

NAME OR CORPORATE NAME	POST
Ramón Adarraga Morales	Director of International Co-Ordination
Jaime Aguilar Fernández-Hontoria	Director of Legal Council
Luis María Cazorla Prieto	General Secretary and Secretary to the Board
Gabriel Domínguez de la Rosa	Director of Human Resources
Antonio Giralt Serra	Chairman of M.A.B. and Head of Listing
Javier Hernani BurzaKo	Finance Director
José Massa Gutiérrez del Álamo	Chairman of IBERCLEAR and Head of Clearing and Settlement
Francisco Nicolás Tahoces	Technology Director
Francisco Oña Navarro	Chairman of AIAF and SENAF, Executive vice-chairman of MEFF and Head of Fixed Income and Derivatives
Jaime Sanz Sanz	Director of Corporate Communication
Jorge Yzaguirre Scharfhausen	Head of Equities
<b>Total remuneration received by senior directors (in thousands of euros)</b>	<b>4,251</b>

**B.1.10. Identify in aggregate terms any guarantee or protective clauses benefiting senior management (including executive directors) of the company or its group. Indicate whether these clauses have to be reported to and/or authorised by the governing bodies of the company or its group:**

Number of beneficiaries		
	BOARD OF DIRECTORS	SHAREHOLDERS' MEETING
Body authorising clauses		
	Yes	No
Is the General Shareholders' meeting informed of these clauses?		

1.- Executive directors.

BME's governing bodies have made no agreements which include benefits for executive directors except for the Chairman.

In this regard, BME's Extraordinary General Shareholders' Meeting held on 5 June 2006 the following resolution was adopted under item 10 of the Agenda:

*"It is agreed at the Shareholders' Meeting that in the event of the Chairman of the Board of Directors being removed from his post, he will have the right to receive an amount equivalent to three times his annual fixed compensation established by the Shareholders' Meeting at the time of this event. This payment will have a non-competition condition and the Chairman shall not be permitted to work for a period of three years in any other company with a similar or identical corporate purpose or activity as BME. If this obligation is not met, the Chairman shall return the amount received. The Chairman shall not be paid the amount mentioned above if he voluntarily leaves his post, breaches his contract or if, due to a combination of circumstances, Bolsas y Mercados Españoles may be entitled to exercise the corporate liability action against him.*

*This agreement is subject to the Company making the share offer operation mentioned in the second resolution and its shares being effectively admitted to trading on the stock markets in accordance with the terms specified in the third resolution.*

*This agreement shall automatically be rendered null and void if on 31 December 2006 the Company's shares have not been admitted for trading on the afore-mentioned stock markets via the electronic trading system."*

2.- Senior management.

Two senior directors have the right to receive compensation equivalent to 24 months of their salary and another has the right to receive compensation equivalent to 36 months of his salary.

**B.1.11. Indicate the procedures for establishing board members' remuneration and any relevant clauses in the Articles of Association regarding this payment**

Article 40 of the Company's Articles of Association and article 29 of the Board of Directors' Regulations establish that the post of director shall be remunerated, and that this remuneration shall comprise a fixed amount and per diems for attending meetings and be set on an annual basis by the General Shareholders' Meeting.

Article 18.2 c) of the Board of Directors' Regulations states that the Appointments and Remuneration Committee is responsible for reporting on proposals for directors' remuneration submitted by the Board at the Shareholders' Meeting or those approved by the Board itself.

In this regard, Article 29 of the Board of Directors' Regulations stipulates that any resolution relating to Directors' remuneration shall be implemented on the basis of a previous report made by the Appointments and Remuneration Committee. This previous report shall take into account to corporate governance standards and market conditions, bearing in mind the Company's nature and activity and the Director's commitment.

In any event, the Board of Directors must express an opinion on the amount of the fixed remuneration and the per diems for attendance at Board and Committee meetings, the items of any type of variable remuneration, the terms and conditions that must be laid down in the contracts entered into by the Company and Directors performing senior management functions and, where applicable, benefit schemes.

If the Board's proposal to the General Shareholders' Meeting is for a fixed annual amount to be set for the whole Board, the distribution among the Board members of such amount shall be approved by the Board of Directors on the basis of some criteria as those set forth above.

Article 29 also states that it shall be the responsibility of the Board of Directors to submit to the General Shareholders' Meeting for approval any remuneration additional to that relating to their status as Directors payable to Directors with executive functions in the Company, based on service provision, senior management or similar contracts entered into by the Company and said Directors.

**B.1.12. Indicate, where appropriate, the identity of any board members who sit on board(s) of directors or hold senior management posts in companies having significant shareholdings in the listed company and/or its group companies:**

NAME OR CORPORATE NAME OF DIRECTOR	NAME OR CORPORATE NAME OF SIGNIFICANT SHAREHOLDER	POST
Javier Alonso Ruiz-Ojeda.	Banco de España	Managing Director of Operations, Markets and Payment Systems
José Antonio Álvarez Álvarez	Banco Santander Central Hispano, S.A.	Managing Director (Financial Management and Investor Relations)
José A. Barreiro Hernández	Banco Bilbao Vizcaya Argentaria, S.A.	Managing Director (global business division) and member of the Management Committee
Ignacio Benjumea Cabeza de Vaca	Banco Santander Central Hispano, S.A.	Managing Director and General Secretary and Secretary to the Board

**List, if appropriate, any relevant relations other than those indicated in the section above that link members of the board of directors with significant shareholders and/or their group companies:**

NAME OR CORPORATE NAME OF DIRECTOR	NAME OR CORPORATE NAME OF SIGNIFICANT SHAREHOLDER	RELATIONSHIP
José Antonio Álvarez Álvarez	Banco Santander Central Hispano, S.A.	Director of "Santander Consumer Finance, S.A."

**B.1.13. Indicate any changes made to board regulations during the year**

BME's Board of Directors' Regulations came into force on 14 July 2006, date on which its shares were admitted for trading on the stock exchanges. No modifications have been made since this date.

**B.1.14. Indicate the procedures for the appointment, re-election, assessment and removal of directors. List the competent bodies, the steps to be followed and the criteria to be applied in each procedure**

Procedures for the appointment, re-election, assessment and removal of Directors are described in articles 26, 36 and 38 of the Company's Articles of Association and articles 6, 18, 20 and 21 of its Board of Directors' Regulations.

1.- Appointment.

1.A.- Responsibility.

The number of Company Directors shall be established at the General Shareholders' Meeting, and shall be within the maximum (20) and minimum (12) set by the Articles of Association.

However, should any vacancies arise, the Board of Directors may, given its legal powers of co-option, select from among the Company's shareholders persons to fill these vacancies. Such appointments must then be ratified at the next General Shareholders' Meeting.

1.B.- Appointment requirements.

Candidates proposed by the Board of Directors for appointment or re-election as Directors must be persons of high standing, integrity and reputability, who also have the necessary expertise for the performance of their functions. The proposed candidates must not be affected by any incompatibility or prohibition pursuant to the Company's Articles of Association and Board of Directors' Regulations.

To be a shareholder is not a requirement to be appointed director except in the event of appointment by co-option when it does become a requirement.

According to article 21 b) of the Board of Directors' Regulations independent directors may not hold directorships at more than four companies whose shares are listed on Spanish or foreign stock markets, nor may they serve as Directors for more than 12 years without a break.

1.C.- Term of office.

Directors shall hold office for four-year terms and may be re-elected one or more times for terms of equal duration, except for independent directors who may not be re-elected for more than two consecutive terms.

1.D.- Procedures.

Appointment proposals that the Board of Directors submits to the General Shareholders Meeting, and any resolutions on appointments by co-option adopted by the Board, must be preceded by a report from the Appointments and Remuneration Committee which must assign new Directors to one of the categories envisaged in the Board Regulations and also assess their impact on the structure and composition of the Board.

In any case, the Appointments and Remuneration Committee shall be responsible for submitting to the Board all proposals for the appointment or re-election of independent Directors for subsequent discussion at the General Shareholders' Meeting, and for their provisional appointment by co-option.

1.E.- Breakdown of Directorships by type.

The Board of Directors shall seek to distribute its members among the different types of director in the manner most fitting to the Company's ownership structure and its corporate purpose and the purpose of group companies. However, the Board shall be obliged to submit its proposals at the General Shareholders' Meeting and appointments by co-option in such a way that external or non-executive Directors are a majority over executive Directors and that there is a significant presence of independent Directors.

2.- Re-election.

Proposals for the re-election of Directors shall be subject to the same rules as for their appointment, taking into particular account the quality of services rendered by Directors and their commitment during the previous term of office.

Directors standing for re-election shall not take part in any discussions or decisions concerning their re-election.

3.- Removal.

Directors shall vacate office at the end of the term for which they were appointed, unless they are re-elected, and when it is so decided at the General Shareholders' Meeting.

The Board of Directors may not propose the removal of any independent Director before the end of the term for which they were appointed unless they have valid grounds for doing so on the basis of a proposal from the Appointments and Remuneration Committee. Valid grounds shall be deemed to exist when Directors have failed to perform the functions inherent to their office or they are affected by any of the circumstances that are incompatible with their status as independent Directors.

Any Directors vacating office before the end of their term, and for whatever reason, must explain these reasons in a letter sent to all Board Members.

**B.1.15. Indicate the circumstances under which directors would be obliged to resign**

Under article 38.3 of the Company's Articles of Association and articles 20.3 and 20.4 of the Board of Directors' Regulations members of BME's Board of Directors must tender their resignation in the following circumstances:

- In cases of incompatibility or prohibition stipulated by the Company's Articles of Association and Board of Directors' Regulations.
- In the case of external non-independent Directors, when the shareholder whom they represent sells their entire shareholding, or in the appropriate numerical proportion to any reduction in that shareholder's stake.
- In general, when their continuation as Board members could jeopardise the Company's interests.

When the afore-mentioned circumstances affect an individual representing a legal entity that is a Director, the latter must proceed immediately to replace that representative.

In addition to the above, the Board of Directors shall propose the removal of independent Directors when they have failed to perform the functions inherent to their office or they are affected by any of the circumstances that are incompatible with their status as independent Directors.

**B.1.16. Explain whether the duties of chief executive officer fall upon the Chairman of the Board. If so, indicate the measures taken to limit the risk of powers accumulating in a single person:**

Yes  No

**RISK-LIMITATION MEASURES**

Article 25 of the Company's Articles of Association and article 12 of the Board of Directors' Regulations state that the Chairman of the Board of Directors shall represent the Company and be the guiding force behind it and group companies, also promoting the Board's functions of driving, directing and supervising the Company's ordinary business activity and watching over the Board's responsibilities with regard to relations with shareholders and the markets. The Chairman shall also direct the Company's management team, in accordance with the decisions and criteria established at the General Shareholders' Meeting and by the Board of Directors within the scope of their respective powers.

The Board of Directors, which is the Company's highest decision-making body, except for issues falling within the remit of the Shareholders' Meeting, shall entrust the running of the Company's ordinary business to the Board Committees, executive members and senior management team, as stipulated in article 7 of the Board of Directors' Regulations.

In addition to limiting the risk of accumulating powers in a single person as a result of the powers attributed to the Board of Directors and entrusting the ordinary management of the Company to its senior management team, the following specific measures have been adopted:

- The appointment of a vice-chairman of the Board of Directors who shall be an independent director, as established by article 13.2 of the Articles of Association.
- A significant presence and proportional representation of non-executive directors on Board Committees has been ensured. Therefore, the Audit Committee and the Appointments and Remuneration Committee shall be made up exclusively of non-executive Directors and chaired, in any event, by an independent director (articles 35 and 36 of the Articles of Association and articles 17 and 18 of the Board of Directors' Regulations).
- The Board of Directors shall be in charge of the general function of driving, directing and supervising matters that are of particular importance to the company, undertaking in this respect as general tasks, among others, those of defining the general strategy and management guidelines of the Company, giving impetus to and overseeing the senior management, establishing the basis of the corporate organisation in order to ensure its maximum efficiency, monitoring the transparency and veracity of the information released by the Company in its relations with investors and with the markets in general, identifying the Company's main risks and supervising the internal control systems, as well as organising its own operation. The Board of Directors shall also establish adequate coordination between group companies for their own benefit and mutual interest and those of the Company.
- Additional to the competencies assigned to the Chairman relating to the convening of meetings and establishing the Agenda for these meetings, article 10 of the Board of Directors' Regulations stipulates that the Board of Directors shall ordinarily meet every month and in any event shall hold at least nine meetings per year; and the schedule for ordinary meetings shall be established by the Board of Directors itself at the commencement of each financial year.

Also, under article 27 of the Company's Articles of Association members of the Board of Directors may request the Chairman to call a Board meeting and a Board meeting must necessarily be called when at least four members of the Board of Directors request one. Also the Agenda must include the items requested by them. If the Chairman fails to call a meeting in the fifteen calendar days following receipt of the request, the meeting must then be called by a Vice Chairman.

Directors may request the Chairman to include items on the Agenda and the Chairman is obliged to do so when they are requested by at least four Directors at least 10 days in advance of the scheduled date of the meeting, as established by article 10.2 of the Board of Directors' Regulations.

**B.1.17. Are qualified majorities, other than those established by law, required for certain decisions?:**

Yes  No

**Indicate how the Board of Directors adopts resolutions, including at least the minimum quorum of attendees and the types of majorities required to pass resolutions:**

ADOPTING RESOLUTIONS		
DESCRIPTION OF RESOLUTION	QUORUM	TYPE OF MAJORITY
Resolutions are approved by absolute majority of Directors present at the meeting in person or represented by proxy. For resolutions involving the permanent delegation of power to the Executive Committee or the CEO and for the appointment of Directors for these posts, the vote in favour of two thirds of the Board members shall be required.	Half plus one	Absolute majority. The Chairman of the Board of Directors shall hold the casting vote in the event of a tie.

**B.1.18. Explain if there are any requirements, other than those for Directors, for being appointed Chairman**

Yes  No

**DESCRIPTION OF REQUIREMENTS**



**B.1.19. Indicate whether the chairman has the casting vote:**

Yes  No

**SUBJECTS FOR WHICH A CASTING VOTE IS REQUIRED**

Under article 30 of the Company's Articles of Association and article 12 of the Board of Directors' Regulations, the Chairman of the Board of Directors shall hold the casting vote in the event of a tie.

**B.1.20. Indicate whether the Articles of Association or the Board of Directors' Regulations establish an age limit for Directors:**

Yes  No

Age limit for Chairman

Age limit for CEO

Age limit for Directors

**B.1.21. Indicate whether the Articles of Association or the Board of Directors' Regulations establish a limit on the term of office held by independent Directors:**

Yes  No

MAXIMUM NUMBER OF YEARS IN OFFICE

8

**B.1.22. Indicate whether there are any formal processes for proxy voting on the Board of Directors. If so, list briefly**

Article 29.2 of the Company's Articles of Association and article 11 of the Board of Directors' Regulations stipulate that in the event of Directors being unable to attend a meeting in person they may appoint another Director to represent them.

Representatives must be appointed in writing specifically for each meeting and the appropriate instructions as to how to represent the Director appointing them must be given. Directors may be appointed and act as proxies for more than one other Director.

**B.1.23. Indicate the number of sessions held by the Board of Directors during the year. Likewise, indicate the number of times, if any, the Board has met in the absence of its Chairman:**

Number of Board meetings	16
Number of Board meetings held at which the Chairman was absent	0

**Indicate the number of Board Committee meetings held during the year:**

Number of Executive committee meetings	17
Number of Audit committee meetings	8
Number of Appointments and Remuneration committee meetings	12
Number of Strategy and Investments committee meetings	0
Number of Markets and Systems Operating Procedures committee meetings	5

**B.1.24. Indicate whether the individual and consolidated accounts are certified prior to their formulation by the Board of Directors:**

Yes  No

**Identify, if appropriate, the person(s) certifying the individual and consolidated accounts for their formulation by the Board:**

NAME	POST

**B.1.25. Explain the mechanisms, if any, established by the Board of Directors to ensure the individual and consolidated accounts are not presented at the General Shareholders' Meeting with qualifications in the auditor's report**

The mechanisms established by the Company to ensure the individual and consolidated accounts formulated by the Board of Directors are not presented at the General Shareholders' meeting with qualifications in the auditor's report are established in article 35 of the Company's Articles of Association and articles 8, 17 and 31 of the Board of Directors' Regulations.

Specifically, article 8 of the Board of Directors' Regulations states that the Board of Directors shall be responsible for ensuring that the Company's annual financial statements - both individual and consolidated - and management report give a true and fair view of its net worth, financial situation and results, according to legal requirements. Furthermore, each of the Directors should have access to all the necessary information before they put their signature to the financial statements.

The Board of Directors shall be assisted in this function by the Audit Committee which, among other duties, under article 35 of the Company's Articles of Association and articles 17 and 31 of the Board of Directors' Regulations, shall be responsible for liaising with the external auditors in order to receive information on any issues connected with the auditing procedure, and to maintain with the auditors the communications envisaged in audit legislation and in the technical auditing regulations. The Committee shall also receive information from the external auditors on a regular basis regarding the audit plan and the results of its execution, ensuring that the auditors' recommendations are taken into consideration by senior management.

Also, pursuant to article 8.1 of the Board of Directors' Regulations, in the event that the auditors' report on the financial statements contains reservations or qualifications, the Chairman of the Audit Committee and the auditors themselves shall explain to shareholders and the markets the content and scope of such reservations and qualifications.

**B.1.26. List the measures adopted to ensure that information disclosed to the securities markets is transmitted equitably and symmetrically**

The necessary measures adopted to ensure that information disclosed to the securities markets is transmitted equitably and symmetrically are disclosed in articles 7.1 (paragraph 2), 7.2, 8.2 and 30 of the Board of Directors' Regulations. The Board of Directors is therefore responsible for:

- Monitoring the transparency and veracity of the information released by the Company in its relations with investors and with the markets in general.
- Establishing the general policy for information and communication with shareholders, the markets and public opinion.
- Supervising all periodic financial reports and in general the information released to the financial markets on all events, decisions and circumstances that may affect the Company's share price performance.
- Immediately informing the public of any significant event which may materially affect the formation of the Company's share price, and of any substantial changes in the shareholder structure it becomes aware of or any material amendment to the Company's rules of governance.
- And adopting the necessary measures to ensure that the half-yearly, quarterly, and any other financial reporting that is made available to the markets is prepared in accordance with the same principles and practices as those used in the preparation of the Company's annual accounts, and is equally reliable.

The Audit Committee shall monitor all briefings held by the Board of Directors relating to the Company's performance, taking particular care to ensure that all the shareholders and the market in general have access to the same information regarding the performance of the Company and its group, so that the afore-mentioned briefings in no way violate the principle of equal treatment of shareholders by granting some a position of privilege or an advantage over others.

More specifically, regulation IX of the Internal Regulations of Conduct of "Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A." approved at the Board of Directors' meeting held on 15 June 2006, establishes the rules that the Company shall follow with regard to releasing material information. Material information is any information the knowledge of which may reasonably affect an investor when buying or selling securities or financial instruments and which, therefore, may have a material impact on the price of such securities or financial instruments on a secondary market or organised trading system. The rules are:

- The Company is obliged to immediately disclose all material information to the market by filing a notice with the Spanish Securities & Exchange Commission (CNMV). If the Company considers that the material information should not be made public because it affects its legitimate interests, it must immediately notify the CNMV.
- The notice must be filed with the CNMV prior to dissemination by any other means and as soon as the event is known, the decision is adopted or the agreement or contract with third parties is signed, as the case may be.
- The Company shall inform the market immediately and in the same way of any significant change in the material information disseminated.

The Internal Regulations of Conduct also closely regulate, among other issues, (i) the treatment that should be afforded to inside information to which the persons affected by these Internal Regulations have access and (ii) the measures to be adopted during the analysis and negotiation phases of any material information.

Lastly, the Company's corporate website ([www.bolsasymercados.es](http://www.bolsasymercados.es)), where access to all the material information relating to the Company is available, is one of its main means of communication with investors and the securities markets in general.

**B.1.27. Is the Secretary of the Board also a Director?:**

Yes  No

**B.1.28. Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies**

In accordance with articles 7.4 and 31 of the Board of Directors' Regulations the Board of Directors, acting in full and through its committees, is responsible for ensuring the external auditor is both independent and professionally acceptable.

Article 35 of the Company's Articles of Association and article 17 of the Board of Directors' Regulations establish that the Audit Committee shall liaise with external auditors in order to receive information in regard to matters which could jeopardise their independence, which it shall duly report to the Board of Directors during the course of the year. One of the mechanisms established by the Company to preserve the independence of its auditor included in the scope of afore-mentioned article 31 of the Board of Directors' Regulations stipulates that the Board of Directors shall, in the manner laid down by law, publish the fees that the Company has paid to the audit firm both for audit and other services, including the companies in the group to which the auditors belong.

**B.1.29. Indicate whether the auditing firm does any non-audit work for the company and/or its group. If so, state the fees it receives for such work and the percentage such fees represent of the total fees invoiced to the company and/or its group**

Yes  No

	COMPANY	GROUP	TOTAL
Fees for non-audit work (thousands of euros)	246	0	246
Fees for non-audit work / total amount invoiced by the auditor (%)	84.540	0.000	38.740

**B.1.30. Indicate how many consecutive years the current auditing firm has been auditing the annual accounts of the company and/or its group. Likewise, indicate how many years the current auditing firm has been auditing the accounts as a percentage of the total number of years over which the annual accounts have been audited:**

	COMPANY	GROUP
Number of consecutive years	5	5

	COMPANY	GROUP
Number of years audited by current audit firm /Number of years the company accounts have been audited (%)	100%	100%

**B.1.31. List the stock holdings of the members of the company's Board of Directors in other companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the company and/or its group, and which have been reported to the company. Likewise, list the posts or duties they hold in such companies:**

NAME OR CORPORATE NAME OF DIRECTOR	NAME OF THE COMPANY	% HOLDING	POST OR DUTIES

**B.1.32. Indicate, where appropriate, and give details of any procedures through which Directors may receive external advice:**

Yes  No

DETAILS OF THE PROCEDURE
Article 29.3 of the Company's Articles of Association establishes that the Chairman of the Board of Directors "may invite to attend the meetings and have the right to speak but not to vote, Company executives and technical staff, as well as directors and executives from Group companies, and any expert or third party that he considers appropriate, based on the matters to be discussed at the meeting."

**B.1.33. Indicate and, where appropriate, give details on whether there are procedures for Directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:**

Yes  No

**DETAILS OF THE PROCEDURE**

Article 25 of the Company's Articles of Association establishes that notice of Board meetings and the necessary documentation for these meetings shall be sent by the Secretary of the Board of Directors by letter, fax, telegram or e-mail, in accordance with the instructions received from each of the Board members, at least forty-eight hours before the date set for the meeting.

Furthermore, under article 22 of the Board of Directors' Regulations Directors shall have the broadest powers to obtain information on any aspect of the Company and its group, and shall be granted access to any documents, registers, past records or any other information they may require. All requests for information shall be addressed to the Chairman and shall be dealt with by the Secretary of the Board who shall directly provide the information required or put the Director in contact with the appropriate person within the Company, while ensuring that the necessary measures are taken to guarantee that the Directors' right to information is met to their full satisfaction.

**B.1.34. Indicate whether there is liability insurance for company Directors:**

Yes  No

**B.2. Board of Directors' Committees**

**B.2.1. List the governing bodies:**

NAME OF GOVERNING BODY	NUMBER OF MEMBERS	DUTIES
EXECUTIVE COMMITTEE	7	SEE SECTION B.2.3.
AUDIT COMMITTEE	3	SEE SECTION B.2.3.
APPOINTMENTS AND REMUNERATION COMMITTEE	3	SEE SECTION B.2.3.
MARKETS AND SYSTEMS OPERATING PROCEDURES COMMITTEE	3	SEE SECTION B.2.3.

Up until BME's shares were admitted for trading on 14 July 2006, the Executive Committee had six members.

**B.2.2. List the Board committees and their members:**

**Executive committee**

NAME	POST
Antonio J. Zoido Martínez	CHAIRMAN
José María Abril Pérez	MEMBER
Javier Alonso Ruiz-Ojeda	MEMBER
Ignacio Benjumea Cabeza de Vaca	MEMBER
Álvaro Cuervo García	MEMBER
Tomás Muniesa Arantegui	MEMBER
Margarita Prat Rodrigo	MEMBER
Luis María Cazorla Prieto	SECRETARY NON-MEMBER

**Audit committee**

NAME	POST
Margarita Prat Rodrigo	CHAIRWOMAN
Álvaro Cuervo García	MEMBER
Ramiro Mato García-Ansorena	MEMBER
Luis María Cazorla Prieto	SECRETARY NON-MEMBER

**Appointments and remuneration committee**

NAME	POST
Manuel Olivencia Ruiz	CHAIRMAN
José Antonio Álvarez Álvarez	MEMBER
José A. Barreiro Hernández	MEMBER
Luis María Cazorla Prieto	SECRETARY NON-MEMBER

**Markets and systems operating procedures committee**

NAME	POST
Joan Hortalá i Arau	CHAIRMAN
Karel Lannoo	MEMBER
Carlos Vela García-Noreña	MEMBER
Luis María Cazorla Prieto	SECRETARY NON-MEMBER

**B.2.3. Describe the organisational and operational rules and the responsibilities attributed to each of the Board committees:**

1.- Executive Committee

The Executive Committee is regulated by article 34 of the Articles of Association and article 16 of the Board of Directors Regulations.

1.1 Organisation and operation

- The Executive Committee shall be composed by at least three and not more than seven Directors designated by the Board of Directors. The Company shall endeavour to ensure that the size and composition of the Executive Committee complies with criteria of efficiency and reflects the basic structure of the Board's composition.
- The Chairman and Secretary of the Board of Directors shall act as Chairman and Secretary of the Executive Committee and the system for their substitution shall be that established for the Board itself; the Chairman shall also hold the casting vote in the event of a tie.
- The Chairman shall call a meeting of the Executive Committee at least once a month, or whenever a meeting is requested by at least two of its members.
- At each meeting of the Board of Directors the Executive Committee shall report on the topics discussed and resolutions adopted at the meetings it has held since the previous Board meeting.

1.2 Responsibilities.

The Executive Committee has the following responsibilities, without prejudice to any other delegated to it by the Board of Directors.

- a) The continuous monitoring and supervision of the administration and day-to-day management of the Company, also ensuring that there is adequate coordination between group companies for their mutual benefit and that of the Company.
- b) Analysing and proposing to the Board of Directors the guidelines that are to define the Company's strategy, and supervising their implementation.
- c) Discussing and reporting to the Board of Directors on all issues relating to the following:
  - The Company's individual and consolidated annual budget.
  - Significant tangible or financial investments and their corresponding economic rationale.
  - Collaboration agreements with other companies which, due to their size or nature, are significant for the Company.
  - Financial operations of important economic scope for the Company.
  - Assessing the extent to which the Company is meeting its targets.
- d) Adopting resolutions relating to the acquisition or disposal of the Company's own shares, as authorised at the General Shareholders' Meeting, with the option of appointing a Committee member to execute decisions to buy and sell treasury stock.

In addition to the responsibilities described above, all the Board's powers have been delegated in the Executive Committee, except for those which cannot be delegated, in accordance with the resolution adopted by the Board of Directors at its meeting held on 27 July 2006.

2.- Audit Committee

The Audit Committee is regulated by both article 35 of the Articles of Association and article 17 of the Board of Directors' Regulations.

2.1 Organisation and operation

- The Audit Committee shall be composed by a minimum of three and a maximum of five Directors, who shall be appointed and removed by the Board of Directors. All of the Committee members must be non-executive Directors, and most of them must be independent Directors.
- The Chairman of the Audit Committee shall be appointed by the Board of Directors from among the independent Directors and must be replaced every four years and is eligible for re-election one year after completing his term. In the event of the absence or temporary inability of the Chairman, his place shall be taken by the independent Director Committee member who has been designated for that purpose by the Board of Directors and, in his absence, by the eldest independent Director Committee member and, if the independent members are the same age, by the one chosen by lot.
- The Secretary to the Committee shall be appointed by the Board of Directors from among the Committee members and shall draw up the Minutes of the resolutions adopted, and report on the resolutions to the Board. The Board may also appoint the Board Secretary or any of the Deputy Secretaries as Secretary to the Committee even if they are not Committee members, as well as a member of the Company's Legal Advisory Services, in which cases the Secretary may speak at meetings but may not vote.
- The Audit Committee shall meet whenever it is convened by the Chairman or a meeting is requested by at least two of its members, and at the request of the Board of Directors.
- Resolutions must be adopted with the favourable vote of the majority of the members who are present or represented at the meeting by proxy. When there is a tie in voting, the Chairman, or the person standing in for him, shall have the casting vote.
- In order to perform its tasks the Committee may seek the assistance and collaboration of independent experts and request the attendance at its meetings of Company or group executives.

2.2 Responsibilities.

The Audit Committee shall have the following responsibilities:

- a) Report, via its Chairman, to the General Shareholders' Meeting in regard to the matters raised therein by shareholders concerning issues that fall within the Committee's remit.

- b) To propose to the Board of Directors the appointment of the external auditors referred to in article 204 of the consolidated text of the Spanish Public Companies Law, as approved by Royal Legislative Decree 1564/1989, of 22 December 1989, and, if applicable, the terms of their engagement, the scope of their professional remit, and the termination or renewal of their appointment. Should the external auditors relinquish their appointment, the Committee shall examine the reasons why.
- c) Supervise the Company's internal audit services which shall be answerable to the Audit Committee, reporting to the Board of Directors. To this end, the Committee shall monitor the independence and efficiency of the internal audit functions, proposing the selection, appointment, re-election and termination of the head of the internal audit service, as well as the budget for the service, receiving periodical information in regard to its activities and verifying that senior management takes into consideration the conclusions and recommendations of its reports. It shall also establish and supervise the proceedings whereby Company personnel may anonymously report any irregularity in the internal control and risk management systems.
- d) To be cognisant with the Company's financial reporting procedures and internal control systems. To this end, the internal control and risk management systems shall be reviewed by the Committee at least once a year, to ensure that the main risks are adequately identified, managed and reported.
- e) To liaise with the external auditors in order to receive information on any issues that might jeopardise the latter's independence, and any others connected with the auditing procedure, and to maintain with the auditors the communications envisaged in audit legislation and in the technical auditing regulations. The Committee shall also receive information from the external auditors on a regular basis regarding the audit plan and the results of its execution, ensuring that the auditors' recommendations are taken into consideration by senior management. The Committee shall also monitor compliance with the regulations in force concerning the provision of non-auditing services, the limits in regard to business concentration of the auditor and, in general, any other rules aimed at ensuring the auditors' independence.
- f) Any other tasks relating to reporting and proposals commissioned to it by the Board of Directors generally or specifically. In addition to these responsibilities, the Audit Committee also has the following duties as stipulated by the Board of Directors' Regulations:

- Issue a favourable report in the event of Directors wishing to use Company assets other than in return for adequate valuable consideration, as established by article 24 of the Board of Directors' Regulations.
- Issue a prior report to the Board of Directors authorising Directors to invest or perform commercial or other transactions that they have knowledge of in the performance of their duties using the information resources of the Company or group companies, as stipulated in article 26 of the Board of Directors' Regulations.

Directors must notify the Audit Committee before accepting any directorship or management position in another company or entity, as established in article 27 of the Board of Directors' Regulations.

Lastly, in relation to information relayed to the market, under article 30 of the Board of Directors' Regulations, the Audit Committee shall monitor all briefings held by the Board of Directors concerning the Company's performance, and ensure that the afore-mentioned briefings in no way violate the principle of equal treatment of shareholders by granting some a position of privilege or an advantage over others.

### 3.- Appointments and Remuneration Committee

The Appointments and Remunerations Committee is regulated by both article 36 of the Articles of Association and article 18 of the Board of Directors Regulations.

#### 3.1 Organisation and operation

- The Appointments and Remuneration Committee shall be composed by at least three and a maximum of five Directors, appointed by the Board of Directors from among its non-executive members. The members of the Appointments and Remuneration Committee shall remain in office for as long as they remain Company Directors, unless the Board of Directors resolves to remove them.
- The Chairman shall be appointed by the Board of Directors from among its independent members.
- The Board of Directors shall also appoint a committee Secretary, an office which need not be held by a member of the Board and may be filled by the Board Secretary or any of the deputy secretaries, as well as by a member of the Company's Legal Advisory Services, in which cases the Secretary may speak at meetings but not vote.
- The Committee shall meet as often as is necessary in the Chairman's opinion for the performance of its functions, at the request of the Board of Directors and whenever a meeting is requested by at least two Committee members.
- There shall be a quorum at Committee meetings when a majority of Committee members are present or represented by proxy, and resolutions shall be adopted by an absolute majority of the members who are present or represented. When there is a tie in voting, the Chairman shall have the casting vote.
- The Committee shall report to the Board on the performance of its functions and tasks in the course of each year and the committee Secretary shall send a copy of the minutes of all Appointments and Remuneration committee meetings to all Board members.

#### 3.2. Responsibilities:

The Appointments and Remuneration Committee is a non-executive body, empowered to report, advise and submit proposals to the Board on matters within its remit. The Appointments and Remuneration Committee is responsible for reporting to the Board of Directors on the following matters:

- a) Compliance with the requirements laid down by law and under the Articles of Association and the Board of Directors' Regulations regarding any proposed appointment of a Director by co-option and in relation to any proposals to be made by the Board to the General Shareholders' Meeting regarding the appointment, ratification or removal of Directors. Such proposals must be preceded by the relevant report by the Committee which must assign the new Director to one of the

categories envisaged by the Regulations and also assess his impact on the structure and composition of the Board, ensuring that the process for the selection of Directors does not discriminate on the basis of gender. In any event, the Appointments and Remuneration Committee shall be responsible for submitting to the Board all proposals for the appointment or re-election of independent Directors for submission at the General Shareholders' Meeting, and for their provisional appointment by co-option.

- b) Under article 20.3 of the Board of Directors' Regulations, the Appointments and Remuneration Committee may propose to BME's Board of Directors the removal of an independent Director prior to the completion of the term for which he was appointed provided that there are valid grounds for doing so.
- c) Compliance with the Articles of Association and the Board of Directors' Regulations regarding the appointment, re-election and removal of members of the Board of Directors whose names are put forward to sit on any of the Board Committees, as well as to hold any office thereon.
- d) Proposals on the Directors' remuneration to be submitted by the Board to the General Shareholders' Meeting or to be approved by the Board in accordance with the relevant shareholders' resolution. These should consider, among other aspects, the type of Director and the offices, functions and commitment of each of the Directors on the Board and the Board Committees.

The Appointments and Remuneration Committee shall also be cognisant with the structure and policy for the senior management pay and incentives, and monitor the decisions taken and criteria applied regarding this matter at group companies. Additionally, at the request of the Board of Directors, it shall supervise compliance with the rules of corporate governance. Lastly, according to article 21 of the Board of Directors' Regulations, Directors may not hold office or perform the functions of director, representative, manager, advisor or service provider at competing companies or companies wielding a dominant or controlling position thereupon, without the express and justified authorisation of the Board of Directors subject to a prior report by the Appointments and Remunerations Committee.

4. - Markets and Systems Operating Committee

The Markets and Systems Operating Committee is regulated by article 37 of the Articles of Association and article 19 of the Board of Directors Regulations.

4.1 Organisation and operation

- The Markets and Systems Operating Committee shall be composed by a minimum of three and a maximum of five Directors, who shall be appointed, re-elected and removed by the Board of Directors.
- The Board of Directors shall appoint the Chairman of the Markets and Systems Operating Committee from among its members.
- The Board of Directors shall also appoint a committee Secretary, an office which need not be held by a member of the Board and which may be filled by the Board Secretary or any of the deputy secretaries, as well as by a member of the Company's Legal Advisory Services, in which cases the Secretary may speak at meetings but not vote.
- The Markets and Systems Operating Committee shall meet whenever it is convened by the Chairman and there shall be a quorum when a majority of Committee members are present or represented by proxy.
- Resolutions shall be adopted with the favourable vote of the majority of the members who are present or represented at the meeting. When there is a tie in voting, the Chairman shall have the casting vote.
- The Markets and Systems Operating Committee shall report to the Board of Directors in regard to the performance of its tasks, and shall draft the reports and proposals in this regard as requested by the Board of Directors.

4.2 Responsibilities

The Markets and Systems Operating Committee shall have the following responsibilities:

- a) To analyse and monitor the procedures and regulations laid down by Group companies for the proper functioning of the markets and systems they manage.
- b) To be cognisant with the procedures established so that normal market conditions and the principle of equal treatment are applied to the transactions, operations and actions which the Company, its Directors or shareholders with significant and stable capital shareholdings perform as issuers, clients or users in the markets and systems managed by Group companies.
- c) To be cognisant with the application of the Internal Regulations of Conduct of the Company, periodically receiving information in this regard from the Standards of Conduct Committee or equivalent body as envisaged in the afore-mentioned Regulations, and also reporting prior to any amendment of the Regulations submitted to the Company's Board of Directors for approval.

**B.2.4. Indicate, where appropriate, any advisory or consulting powers and, where applicable, the powers delegated to each of the committees:**

NAME OF COMMITTEE	BRIEF DESCRIPTION
EXECUTIVE COMMITTEE	SEE SECTION B.2.3.
AUDIT COMMITTEE	SEE SECTION B.2.3.
APPOINTMENTS AND REMUNERATION COMMITTEE	SEE SECTION B.2.3.
MARKETS AND SYSTEMS OPERATING PROCEDURES COMMITTEE	SEE SECTION B.2.3.

**B.2.5. Indicate, if applicable, any regulations governing the Board committees, where they are made available for consultation and any amendments to the same made during the financial year. Indicate whether any annual report has been voluntarily drawn up on the activities of each committee.**

Regulations governing the composition and operations of Board committees are detailed in the Board of Directors' Regulations. The Board of Directors' Regulations are available on the Company's corporate website: [www.bolsasymercados.es](http://www.bolsasymercados.es).

Notwithstanding the above, within the scope of article 15.4 of the Board of Directors' Regulations the Markets and Systems Operating Committee has drawn up a list of regulations governing the organisation and operation of the committee. This regulation was approved by the Board of Directors at its meeting of 25 January 2007.

Article 10.3 of BME's Board of Directors' Regulations establishes that the Board of Directors in full must annually assess the efficiency of the operation and quality of work of its committees based on the reports they prepare concerning the performance of their tasks. All of BME's Board committees have issued an activity report for 2006, which shall be published on the Company's corporate website: [www.bolsasymercados.es](http://www.bolsasymercados.es).

**B.2.6. If there is an Executive Committee, explain the degree of powers and the independence it has to adopt resolutions on the company administration and management in the performance of its duties**

The powers delegated to the Executive Committee are described in section B.2.3.

**B.2.7. Indicate whether the composition of the Executive Committee reflects the participation within the Board of the different types of directors:**

Yes  No

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IF THE ANSWER IS NO, DESCRIBE THE COMPOSITION OF THE EXECUTIVE COMMITTEE

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**B.2.8. If there is an Appointments committee, indicate whether all its members are external directors:**

Yes  No





# C

## RELATED PARTY TRANSACTIONS

**C.1. List any relevant transactions entailing a transfer of resources or obligations between the company or its group companies and the significant shareholders in the company:**

NAME OR CORPORATE NAME OF SIGNIFICANT SHAREHOLDER	NAME OR CORPORATE NAME OF THE COMPANY OR GROUP COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT (THOUSANDS OF EUROS)

**C.2. List any relevant transactions entailing the transfer of resources or obligations between the company or its group companies and the company's managers or directors:**

NAME OR CORPORATE OF COMPANY MANAGERS OR DIRECTORS	NAME OR CORPORATE NAME OF THE COMPANY OR GROUP COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT (THOUSANDS OF EUROS)

**C.3. List any relevant transaction undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose object and conditions set them apart from the company's habitual trading activities:**

NAME OF GROUP COMPANY	BRIEF DESCRIPTION OF THE TRANSACTION	AMOUNT (THOUSANDS OF EUROS)

**C.4. Identify, where appropriate, any conflicts of interest affecting company Directors pursuant to Article 127 of the Companies Law**

In 2006 no conflicts of interest have occurred affecting company Directors. The mechanisms described in the following section were applied on a regular basis, particularly, Directors have abstained from participating in discussions and voting procedures carried out by the Board of Directors and or Board Committee dealing with issues in respect of which the Director or persons linked thereto incurred in conflict of interest.

**C.5. List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its Directors, management or significant shareholders**

1.- Conflicts of interest between the company and/or its group and its Directors.

Article 21.c) of the Board of Directors' Regulations states that Directors must not participate in discussions and votes by the Board of Directors and any of its Committees that refer to matters in respect of which the Directors or their related parties have a direct conflicting interest, and they must notify the Board of any such situations.

Non-independent Directors must not participate in votes on matters in which the shareholders who proposed their appointment and the Company have a direct conflicting interest.

Article 26 of these Regulations also establishes that Directors may not use the Company's name or invoke their status as director to perform transactions on their own account or on the account of related parties. Furthermore, as mentioned in section B.2.3 above, any use of Company assets by Directors which is not made in return for adequate valuable compensation shall require prior report from the Audit Committee.

Notwithstanding, members of the Company's Board of Directors are also affected by the obligations established in this respect by the Internal Regulations of Conduct for employees described below.

2.- Conflicts of interest between the company and its group and its Directors and employees.

BME's Internal Regulations of Conduct apply to all employees and members of the Boards of Directors of the Company and its group companies. Rule V of these Regulations establishes that individuals affected must act with due impartiality and in no case place their own interests before those of the Company and their decisions shall be based on what best serves the interests and legally attributed functions of BME and its group.

Section B of Rule V of the Internal Regulations of Conduct states that BME's Directors, senior management and employees shall endeavour to avoid conflicts of interest with BME shareholders, members of or participants in the markets or systems governed or managed by companies belonging to the BME group, or with the issuers of the securities affected listed on those markets or systems or which have applied for listing.

If affected by a conflict of interest, they shall refrain from intervening in or influencing the discussion and taking of decisions concerning the persons or entities to which the direct interest in conflict refers, and shall notify whoever is responsible for decision-making accordingly. Notwithstanding the foregoing, the individuals affected may participate in the discussion and approval of any rules, instructions or decisions that will apply generally to all investors, market members or companies with securities admitted to trading.

All individuals affected by the Internal Regulations of Conduct, employees and members of the Board of Directors must notify the Standards of Conduct Unit of any possible conflicts of interest, which may affect them or related parties, as stipulated by the same Internal Regulations of Conduct.

The existence of any conflict of interest must be notified within five days of the moment it becomes known and notification must be given before any decision or measure is taken which may be affected by the existence of this conflict of interests. Individuals affected must keep the information they supply up to date, giving notice of the termination of or any change in the situation of conflict and the emergence of new situations of this type.

Section G of Rule V of the Internal Regulation of Conducts governs the mechanism any affected individuals may use to obtain advice.

# D

## RISK CONTROL SYSTEMS

### D.1. Give a general description of risk policy in the company and/or its group, detailing and evaluating the risks hedged by the system, as well as an explanation of how far these systems match the profile of each type of risk

BME is the owner of companies operating in securities registration, clearing and settlement systems and secondary markets in Spain, responsible for the unity of action, decision and strategic co-ordination of the afore-mentioned companies. The Company is run via seven business units, which do not correspond exactly with the legal entities making up the BME group:

- Equities: Trading of securities through the electronic trading platform (Sistema de Interconexión Bursátil) or on the stock-exchange floor and all corresponding post-trade activities;
- Derivatives: Trading, counterparty management and settlement of derivatives products;
- Fixed income: Trading of private fixed income and public debt securities;
- Settlement: Registration, clearing and settlement of equity, private fixed income and public debt trades;
- Dissemination of information: Dissemination of information as a primary source and commercial provider services;
- Listing: Listing and maintenance services for issuers on the equities and private fixed income markets; and,
- IT and Consulting: Production and sale of software, global access, advisory and training services.

As a result of this, the management of risks deriving from BME's various activities is carried out on two fronts: Firstly, each business unit has its own systems in place for identifying, measuring, evaluating and managing the risk it incurs. Also, from a corporate management standpoint the Company's global position is monitored and decisions are taken from a consolidated angle. Specifically, the Internal Audit Department keeps a detailed Global Risk Map for the Company, which it submits to BME's Audit Committee for its knowledge and review. In order to fully monitor the risks affecting the group detailed in the Global Risk Map, in 2005 BME's Audit Committee created an internal working group, currently still running, comprised of experienced personnel with knowledge of the Company's various business, including a legal advisor.

BME is present throughout the whole value chain in the management of several financial markets, exposing it to a variety of risks:

- Operating risks: The risk of direct or indirect losses caused by inadequacies or faults committed by procedures, personnel or internal systems or due to external events. Operating risks can be classified according to whether they affect the BME group as a whole or whether they apply exclusively to one of its business areas.  
Operating risks affecting all BME business groups include:
- Risk of fraud: The risk of action being committed to bypass the law, causing damage to third parties or to the group itself.
- IT risk: The risk of faults occurring in the IT and electronic systems used by the group, either internally or affecting the market. Such faults could be caused by errors in communications, or hardware or software malfunctions. Risks also include alterations and violations of the Company's security systems. Given the nature of its operations, this is considered one of the main risks for the BME group.
- Risk of administrative errors: These include errors resulting from miscalculations, deficient execution procedures, manual errors or the failure to keep data bases up to date. They also include errors in invoicing or following up payments.

Operating risks relating to specific business units:

- Settlement Unit. The objective of both IBERCLEAR (the business unit responsible for the registration, clearing and settlement of equity and fixed income securities), and MEFF (the unit responsible for the clearing and settlement of trades made on financial derivatives) is to adhere to the best practice recommendations for securities settlement systems put forward by the Bank for International Settlements (BIS) and the International Organization of Securities Commissions (IOSCO).
  - Depository risk. As a depository entity for equity securities, IBERCLEAR should be able to guarantee the protection of its customers' securities. Therefore, accounting practices and depository procedures are used which fully protect the customers' securities.
  - Reliability in clearing and settlement activities. This may be affected by the risk that the confirmation of trades fails to take place in D+0 and never later than D+1 and that the settlement confirmation takes place never later than D+3.
- Information Unit. Risks deriving from errors in the collection and dissemination of market information. Such errors may

occur if there have been previous IT glitches in communication or production.

- **Market risks:** These are the current or potential risk posed by unfavourable movements in interest rates or changes in prices or share prices, or in variations in trading volumes.
- **Liquidity or solvency risk:** The risk that a group company is unable to meet its payments commitments.
- **Credit or counterparty risk:** The risk of a company debtor failing to meet its payment commitments or a deterioration of its credit rating. We identify two main risks affecting the BME group:

**Risks affecting the securities settlement system.** Risks affecting the settlement guarantee system in the event of failure to meet the cash payments or the delivery of securities by the participating entity buying or selling the securities or financial derivatives. Key risks include:

- MEFF's exposure to this risk as central counterparty.
- Risk relating to the securities lending system. In the event of an unusually large short-sell on a limited number of securities, IBERCLEAR may not have sufficient securities on loan to cover the short-sell.
- Risk relating to the securities buy-back system. If insufficient securities are on loan, a buy-back plan shall be implemented. If the number of securities required to be purchased is excessive, it will be impossible to buy back shares without this affecting the share price.

**Risk deriving from non-payment of invoices or fees.**

- Risks relating to regulatory changes, the Company's reputation, sector competency, relations with shareholders, the political, economic, legal and tax environment, and significant regulatory changes.

## **D.2. Indicate the control systems established to assess, mitigate and reduce the main risks affecting the company and its group**

The BME group has adopted a series of measures to mitigate and reduce the risks described above. The key measures adopted for each type of risk are the following:

- **Operating risks:** In order to reduce operating risk the group has adopted internal control measures and specific contingency plans for each of its business units, in which priority is given to the implementation of automatic procedures over manual procedures and procedures are supervised and revised by independent departments.

With regard to **IT risk**, given the critical role played by IT security in group operations, a large number of ad hoc measures have been established. The primary aim of these measures is risk prevention, i.e. to prevent the aforementioned risk from materialising and minimising its impact in the event that it does materialise. Now that these measures have been introduced, there is currently a very low level of IT risk and the group strives constantly to meet the most demanding standards and put the sector's best practices into operation. Therefore, measures are being adopted to involve the company's entire staff in IT risk prevention, and a section called "information security" has been added on the corporate intranet, incorporating the group's General Security management policy.

Pursuant to ISO/IEC 27001, BME has created a Security Committee made up of senior managers from the following departments: Human Resources, Finance, Technology, Legal, Internal Auditing and the head of the security team. The Committee has set up a team to monitor information security and this team is responsible for implementing and supervising the policies put forward by the Security committee.

Directive 2004/39/CE governing Markets in Financial Instruments (MIFID), which is currently being developed, and the new Basel II legislation establish contingency solutions to ensure the continuous operation of the business. To do this, the BME group has created an immediate response service for the Spanish securities market. This platform allows market members to continue with their normal operations in the event of an emergency.

To detect the vulnerability of the system from the outside and therefore avoid restricted information being obtained, an external technological audit company has been set up to detect at system level the vulnerability of all machines which are visible from the internet.

To reduce the **risk of fraud**, BME's Board of Directors drew up the Company's Internal Regulations of Conduct. This code applies to all members of the Boards of Directors and employees of all group companies, and establishes the duties they are liable to perform in the area of confidentiality and integrity. The Company has also taken out a specific insurance policy to provide coverage in the case of claims in this area.

Additionally, the integration of financial and accounting information systems, with the application of common criteria and defined operating procedures, using a common ERP software platform for the whole group, ensures the integrity, reliability and traceability of the information sent to supervisory bodies, investors and market analysts.

With regard to **operating risks affecting depository procedures**, balances are controlled through security codes and participating entities throughout the whole settlement process and conciliation procedures established with participants with regard to the balances registered in their respective accounts and those of third parties. In addition to the information on balances mentioned above, IBERCLEAR keeps a file containing the register references for the balances of each security held by the participating entity (on their own account or for third parties), allowing each transaction to be individually identified. Furthermore, each participating entity is obliged to keep a register showing the same details, assigning to each owner the corresponding securities balances and register references.

With regard to **the reliability of clearing and settlement operations**, the sources of risk deriving from the clearing and settlement process are identified and minimised via the implementation of the appropriate systems, controls and procedures. The systems are reliable and secure, and have sufficient capacity to process a large volume of trades. Contingency plans have been established along with back-up systems to recover trades and finalise the settlement process.

- **Liquidity and solvency risk:** Liquidity management is standard throughout the BME group and the criteria established by the Company's Board of Directors is followed. This specifies the conditions under which the Company should effect the purchase of assets; the terms of these operations and authorisation levels. The main objective is to prioritise security and minimise investment risk, and this rules out the possibility of effecting speculative operations.

- **Credit or counterparty risk:**

**Risks inherent to settlement systems:**

This category of risk includes:

- Risks incurred by IBERCLEAR (settlement business unit) due to the settlement of equity spot trades.
- Risks incurred by IBERCLEAR (settlement business unit) due to the settlement of fixed income spot trades.
- Risks incurred by MEFF (derivative business unit) deriving from the counterparty management of derivative products, options and futures.

At IBERCLEAR, with the objective of ensuring the correct settlement of all trades effected on the stock market, the "delivery vs. payment principle" is used. In other words, IBERCLEAR ensures that the participant delivers the corresponding securities or cash at settlement prior to payment being made.

To ensure correct registration in the book entry register and to avoid dual entries or erroneous breakdowns, IBERCLEAR has established controls over the balances via security codes and participating entities throughout the settlement process.

To eliminate the risk of settlement not being carried out, the following mechanisms have been designed to ensure the correct working of the system:

- IBERCLEAR keeps four credit lines opened whose amounts are automatically put at the disposal of the Bank of Spain in the event of insufficient funds (article 60.3 of Royal Decree 116/98, governing book entries).
- Deposits and guarantees of each participating entity are used first and foremost to cover the obligations that the participant takes out with the settlement system; and secondly, if this is not sufficient, the amount acts as guarantee for the rest of the participants on a pro-rata basis in accordance with the sums contributed by each one (article 63 of Royal Decree 116/98, governing book entries).
- On the other hand, the centralised securities lending facility allows participants subscribing securities loan agreements with IBERCLEAR to put these at the disposal of the latter in the event that securities are not delivered by another participant (article 57 of Royal Decree 116/98, governing book entries).
- If at D+4 the seller has not confirmed the securities sold, IBERCLEAR shall buy back these securities on the market, with all costs deriving from this operation borne by the seller.

IBERCLEAR's public debt and fixed income trades do not entail any risk whatsoever, as transfer operations involving delivery on payment are bilateral and if either of the two parties does not fulfil the conditions of contract there is no settlement.

MEFF is a central counterparty, and therefore, in the event that settlement does not occur, the positions held by the member failing to meet its obligations are closed. If these are negative, they shall be covered using the guarantees the member in breach of contract has delivered to MEFF. If these guarantees are not sufficient, the settlement must be covered using cash resources available to MEFF, financed with its own equity or that of the BME group or by means of external financial facilities for which it will have to bear the cost. To calculate guarantees correctly, in case the risk of the position is exceeded, extraordinary amounts are required at real time.

**D.3. If any of the risks facing the group and/or its companies have materialised, indicate the circumstances and whether the established control systems worked adequately**

No significant risk materialised during 2006.

**D.4. Indicate whether there is a committee or other governing body in charge of establishing and supervising these control systems and explain its duties**

The Board of Directors is the Company's most senior governing and administrative body in charge of the general function of driving, directing and supervising matters that are of particular importance to the group, pursuant to article 7 of the Board of Directors' Regulations which refers to the general duties of this governing body.

Among these functions, according to this article of the Board of Directors' Regulations, the Board of Directors shall be responsible for identifying the Company's main risks and supervising the internal control systems, as well as the internal audit system.

To carry out this function the Board of Directors has the support of the Audit Committee. Articles 35 and 17 of the Company's Articles of Association and Board of Directors' Regulations respectively stipulate that this committee is responsible for the Company's internal control systems. Therefore, the internal control and risk management systems shall be reviewed by the committee at least once a year to ensure that the main risks are adequately identified, managed and reported.

These articles also stipulate that the Audit Committee is responsible for supervising the Company's internal audit services. As indicated in section D.1. above, the Internal Audit Department is responsible for keeping the group's Global Risk Map up to date, which is regularly reviewed by the Audit Committee.

The Audit Committee shall also receive regular reports on the Internal Audit Department whose activities include the identification of risk in the BME group's various business lines.

**D.5. Identify and describe the processes for compliance with the regulations applicable to the company and/or its group**

Each business unit is responsible for compliance with regulations applicable to the sector and has developed the legally-required internal rules and procedures to ensure this compliance. Specifically, the Secretary of the Board of Directors, the Finance Director and the Head of the Internal Audit Department are responsible for ensuring compliance with the rules and recommendations of good governance, as required by Company regulations.

## E

## THE GENERAL SHAREHOLDERS' MEETING

**E.1. Indicate the quorum required for constitution of the General Shareholders' Meeting established in the Company's Articles of Association. Describe any differences from the minimum regime set out in the Companies law**

Article 14 of the Company's Articles of Association and article 13 of the Regulations of the Shareholders' Meeting stipulate that the quorum for the shareholders' meeting shall be that established by the Companies Law.

**E.2. Explain the rules governing the adoption of corporate resolutions. Describe any differences from the provisions established in the Companies Law**

Article 22 of the Company's Articles of Association and article 19 of the Shareholders' Meeting regulations establish the process for adopting resolutions at the Shareholders' Meeting, which does not differ from the process described in the Companies Law.

**E.3. List all shareholders' rights regarding the General Shareholders' Meetings other than those established under the Companies Law**

Shareholders' rights under the Company's Articles of Association and the Shareholders' Meeting regulations are the same as those established by the Companies Law.

The main rights of BME's shareholders are as follows:

**1. Right to information once a General Shareholders' Meeting has been called**

As stipulated by article 13 of the Company's Articles of Association and sections 1 and 2 of article 11 of the Shareholders' Meeting Regulations, once a shareholders' meeting has been called, any shareholder may:

- obtain from the Company at its registered office, immediately and free of charge, the annual financial statements, the proposed distribution of earnings, the directors' report, the auditors' report and the annual report on corporate governance.
- examine at the Company's registered office the draft resolutions, the reports and the other documentation that must be made available in accordance with the Articles of Association and applicable legislation, as well as the text of any other draft resolutions approved by the Board of Directors at that time or, if applicable, presented by the shareholders requesting the General Meeting to be called as required by law.

Also, article 13 of the Company's Articles of Association and section 3 of article 11 of the Shareholders' Meeting Regulations establish that from the date of publication of the notice calling the Shareholders' Meeting to the seventh day before the date set for the meeting at first call, shareholders may:

- request in writing such information or clarification as they deem necessary, or submit such written questions as they see fit, on the items included on the Agenda.
- request information or clarifications or submit written questions on any publicly accessible information furnished by the Company to the CNMV since the date of the preceding General Shareholders' Meeting.

In requests for information, shareholders shall include their full name and provide proof of the number of shares held in order to match this with the information in the Company's shareholder register, as provided for in the Articles of Association. The onus will be on the shareholder to prove that the request was sent to the Company in due time and form.

Directors must furnish the information requested pursuant to the preceding paragraphs in the form and within the period established by law, except in the cases where (i) it has been requested by shareholders representing less than twenty-five percent (25%) of share capital and, in the opinion of the Chairman, disclosure of the information could be detrimental to the Company's interests; (ii) the request for information or clarification does not refer to items on the Agenda or the publicly available information provided by the Company to the Spanish Securities&Exchange Commission since the date of the preceding Shareholders' Meeting; (iii) for any reason, the information requested is considered abusive; or (iv) if there is no legal or statutory requirement to do so.

All such requests for information may be delivered at the registered office or sent to the Company by mail, and must be requested by shareholders in accordance with the stipulations of the Articles of Association and Shareholders' Meeting regulations.

If thus established in the call notice, requests for information may also be made electronically, including the qualified electronic signature used by the applicant, or such other type of mechanisms as the Board of Directors considers, in a resolu-

tion adopted previously to this effect, so long as it provides adequate safeguards for the authenticity and identification of the shareholder exercising the right to information. In this case, the information regarding these mechanisms shall be included on the Company's website.

Pursuant to article 10 of the Shareholders' Meeting Regulations, the Company's website shall contain all information relative to calling of the General Shareholders' meeting.

#### 2.- Right of attendance

As stipulated in Article 12.1 of the General Shareholders' Meeting Regulations all Company shareholders may attend the General Shareholders' Meeting regardless of the number of shares they own.

#### 3.- Voting rights

Shareholders entitled to attend and vote may cast their votes on resolutions relating to business on the Agenda by mail or electronic communication, as provided for in the Articles of Association, these Regulations, and in such supplemental and enabling provisions as may be established by the Board of Directors.

Furthermore, pursuant to Article 21.3 of the Company's Articles of Association and Article 19.8 of the Shareholders' Regulations, shareholders may cast their votes on resolutions relating to business on the Agenda by mail or electronic communication.

In this regard, the Board of Directors has adopted the appropriate rules, measures and procedures to supplement the provisions of the Shareholders' Meeting Regulations for exercising the right to vote by means of remote communication, and has ruled that from the next General Shareholders' Meeting shareholders shall be able to exercise this right by mail or electronic means.

All information regarding the procedures established by the Company for exercising this right via means of remote communication shall be made available to shareholders from the date the General Shareholders' Meeting is announced on the Company's corporate website: [www.bolsasymercados.es](http://www.bolsasymercados.es).

#### 4.- Rights of representation

According to article 12.3 of the Shareholders' Meeting Regulations, all shareholders entitled to attend the Shareholders' Meeting may appoint another shareholder with the right to attend to represent them thereat, or any member of the Board of Directors or the Secretary or Deputy Secretaries to the Board, whether they are directors or not.

Proxies must be granted in writing specifically for each Meeting, using the formula specified by the Company for each Meeting and detailed on the attendance card or, as appropriate, by means of remote communication.

Furthermore, as indicated above the Board of Directors has adopted the appropriate rules, measures and procedures to supplement the provisions of the Shareholders' Meeting Regulations to allow representation by means of remote communication, in the same terms established for exercising voting rights by means of remote communication.

### **E.4. Indicate, where appropriate, the measures adopted to encourage the participation of shareholders in the General Shareholders' Meetings**

The Company approved its General Shareholders' Meeting regulations at its General Shareholders' Meeting held on 5 June 2006. In accordance with article 1 of these Regulations, BME's aim is to guarantee and assist the exercising of the shareholders' rights in relation to the General Shareholders' Meeting.

The Board of Directors has an express duty to facilitate shareholder participation in General Shareholders' Meetings under the Company's General Shareholders' Meeting Regulations. Article 30 of these Regulations stipulates that the Board of Directors is responsible for ensuring that it makes all the information required by law and under the Articles of Association available to shareholders when a General Shareholders' Meeting is called. Similarly, it shall respond with the utmost diligence to all requests for information submitted prior to the General Shareholders' Meeting or in questions asked at the Meeting thereat.

For the same purpose, the Secretary of the Board of Directors shall issue an attendance card using information from the shareholders' register.

As mentioned above, to encourage participation in General Shareholders' Meetings from the next General Meeting, shareholders shall be able to exercise their voting rights and appoint proxies by remote means of communication pursuant to article 21.3 of the Company's Articles of Association and article 19.8 of the General Shareholders' Meeting Regulations, and the rules and procedures approved by the Board of Directors for this purpose.



**E.5. Indicate whether the General Shareholders' Meeting is presided by the Chairman of the Board of Directors. List the measures, if any, adopted to guarantee the independence and correct operation of the General Shareholders' Meeting**

Yes  No

**DESCRIBE THE MEASURES**

Article 18 of the Articles of Association and article 14 of the Shareholders' Meeting Regulations stipulate that the General Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors.

To guarantee the independence and correct operation of the General Shareholders' Meeting, the General Shareholders' Meeting held on 5 June 2006 approved the General Shareholders' Meeting Regulations which came into force on 14 July 2006, the date BME's shares were admitted for trading.

The object of these Regulations is to establish the principles of organisation and operation of the Company's General Shareholders' Meeting in order for it to fulfil its functions as the Company's supreme governing body as well as to guarantee and assist the exercising of the shareholders' rights in relation to the General Shareholders' Meetings.

The specific measures implemented by the Company include the procedures with regard to the exercising of voting rights and appointment of proxies using remote means of communication at the next General Shareholders' Meeting, which will be the first since the Company's stock market flotation.

**E.6. Indicate the amendments, if any, made to the General Shareholders' Meeting Regulations during the year**

BME's General Shareholders' Meeting Regulations came into force on 14 July 2006, the date its shares were admitted for trading on the stock exchanges. No modifications have been made since this date.

**E.7. Indicate the attendance figures for General Shareholders' Meetings held in 2006:**

DATE OF GENERAL SHAREHOLDERS' MEETING	% ATTENDING IN PERSON	% BY PROXY	% REMOTE VOTING	TOTAL
25/04/2006	56.830%	30.120%	0%	86.950%
05/06/2006	80.580%	10.310%	0%	90.890%

The two General Shareholders' Meeting in question were held prior to the date on which BME's shares were admitted for trading.

**E.8. Briefly describe the resolutions adopted at the General Shareholders' Meetings held during the year and the percentage of votes by which each resolution was adopted**

Two General Shareholders' Meetings were held in 2006 prior to the stock market flotation of the Company:

**Ordinary general shareholders' meeting 25 april 2006**

RESOLUTIONS	VOTES IN	VOTES	ABSTENTIONS
	FAVOUR	AGAINST	
Approval of the annual accounts (balance sheet, income statement and notes to the financial statements) and the management report, both individual and consolidated, and of the distribution of earnings and performance of the Board of Directors for the year ended 31 December 2005	100%	0%	0%
Capital reduction via the decrease in the face value of the shares with a charge to unrestricted reserves, and modification of Article 5 of the Articles of Association.	100%	0%	0%
Renewal of external auditors.	100%	0%	0%
Authorisation for the Board of Directors to effect the derivative acquisition of treasury shares.	100%	0%	0%
Directors' remuneration.	100%	0%	0%

**Extraordinary general shareholders' meeting, 5 june 2006**

RESOLUTIONS	VOTES IN	VOTES	ABSTENTIONS
	FAVOUR	AGAINST	
Public offering of the Company's shares for and on behalf of its shareholders.	100%	0%	0%
Application for the Company's shares to be admitted for trading on the stock markets.	100%	0%	0%
Extraordinary dividend distribution.	100%	0%	0%
Amendment of the transitional provisions contained in the Articles of Association.	100%	0%	0%
Adoption of resolutions on the Company's new Articles of Associations.	100%	0%	0%
Adoption of resolutions on the Shareholders' Meeting Regulations.	100%	0%	0%
Report on the Board of Directors Regulations.	100%	0%	0%
Resolutions on the appointment of Board Members.	88.75%	0%	11.25%
Approval of the systems and amount of the Directors' remuneration.	100%	0%	0%
Grant to the Board of Directors of the authority to make a capital increase and to waive pre-emptive subscription rights in relation thereto.	98.95%	0%	1.05%
Authorisation for the Board of Directors to issue debentures, bonds and other fixed income securities, be they ordinary, exchangeable and/or convertible into shares, promissory notes, warrants and preferred shares, and to waive pre-emptive subscription rights in relation thereto, and authorisation for the Company to guarantee securities issues made by its subsidiaries.	98.95%	0%	1.05%
Authorisation of the Company's Board of Directors for the derivative acquisition of treasury shares up to the limit of 5 percent of share capital.	100%	0%	0%

**E.9. Indicate, if appropriate, the number of shares required to attend the General Shareholders' Meeting and whether the Company's Articles of Association establish any restrictions in this regard**

As stipulated in Article 15 of the Articles of Association and Article 12 of the General Shareholders' Meeting Regulations, all Company shareholders may attend the General Shareholders' Meeting regardless of the number of shares they own.

**E.10. Indicate and explain the policies pursued by the company with reference to proxy voting at the General Shareholders' Meeting**

The rights of shareholders to attend the General Shareholders' Meeting by proxy are set out in Article 16 of the Company's Articles of Association and Article 12 of the General Shareholders' Meeting Regulations.

All shareholders entitled to attend the Shareholders' Meeting may appoint another shareholder with the right to attend to represent them thereat, or any member of the Board of Directors or the Secretary or Deputy Secretaries to the Board, whether they are directors or not. Proxies must be granted in writing specifically for each Meeting, using the formula specified by the Company for each Meeting and detailed on the attendance card or, as appropriate, by means of remote communication as provided for herein and under the supplementary rules thereon for each Meeting.

In any event, regardless of whether proxies are voluntary or legal or appointed in response to public solicitation, shareholders may only be represented at a General Shareholders' Meeting by one proxy holder. However, when legally possible, provided there are sufficient guarantees of transparency and security, the Company may allow votes to be split so that the proxies attending and recognised as shareholders but acting on behalf of their clients, may cast votes as per their instructions.

A proxy may be revoked at any time. Personal attendance at the Shareholders' Meeting by the grantor of a proxy shall be deemed to constitute a revocation of the proxy.

In the event of public solicitation of proxy appointment, the document recording the appointment must contain the Agenda or have it attached to it, together with the request for instructions for exercising the right to vote and the indication of how the proxy holder will vote if precise instructions are not given. A public solicitation will be deemed to have taken place when a single person represents more than three shareholders.

The proxy appointment may also include any business that, even if not included in the Agenda, may be legally transacted at the meeting.

If there are no voting instructions because resolutions to be adopted at the Meeting are on matters that legally do not have to be included in the Agenda, proxy holders may cast their vote in the manner they considers best suits the interests of the shareholder they represents. The attendance card also permits shareholders to instruct their proxies to abstain from questions not included in the Agenda.

If the grantor of the proxy has issued instructions, the proxy holder may vote otherwise should circumstances arise that were not known at the time the instructions were given and there is a risk of jeopardising the interests of the proxy grantor.

In both these cases, the proxy holder must inform the proxy grantor immediately, in writing, explaining the reasons for the vote.

In cases where Directors have made the public request for representation and are in a situation of conflict of interest with respect to exercising their right to vote in relation to the shares held on the proposal put to vote, the proxy grantor may resolve this situation by instructing the substitution of the proxy. This instruction may be included in the attendance card.

As indicated above, in accordance with Article 21.3.b) of the Company's Articles of Association and Article 19.8.c) of the General Shareholders' Meeting Regulations, shareholders may appoint proxies using remote means of communication at the 2007 Ordinary General Shareholders' Meeting.

**E.11. Indicate whether the company is aware of the institutional investors' policy on whether or not to participate in the company's decision-making**

Yes  No

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DESCRIBE THE POLICY

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**E.12. Indicate the address and mode of access to corporate governance content on your website**

The address of BME's corporate website is [www.bolsasymercados.es](http://www.bolsasymercados.es); the "Information for shareholder and investors" section contains all relevant information on corporate governance.

# F

## DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

**Indicate the degree of the company's compliance with Corporate Governance recommendations or, where applicable, where it has not followed such recommendations.**

**Should the company not comply with any of the afore-mentioned recommendations, explain the recommendations, rules, practices or criteria the company applies.**

**Until the single document referred to in the ORDER ECO/3722/2003 of 26 December is completed, the recommendations of the Olivencia and Aldama Reports should be used as a reference in completing this section.**

On 22 May 2006 the CNMV approved, by government commission, the Unified Code of Good Corporate Governance of Listed Companies, which includes good corporate governance recommendations, pursuant to section 1.f) of the order ECO/3722 of 26 December.

According to the provisions of the afore-mentioned Code, this must be used by listed companies as a reference. When presenting their 2007 Annual Corporate Governance Report in the first half of 2008.

In this regard, BME, in the process of obtaining a listing for its shares, included the recommendations of the Unified Code of Good Corporate Governance in its internal regulations, Articles of Association, General Shareholders' Meeting Regulations and Board of Directors Regulations and applied these to the structure of its Board of Directors and Board committees.

Therefore BME has used the Unified Code of Good Governance as a reference for this Annual Corporate Governance Report and considers it complies with all its recommendations, with the following qualifications:

- Recommendation 13 (*"That the number of independent Directors should represent at least one third of the total number"*); at present four of the Company's 15 Board members are independent. The Company has not fully complied with this recommendation as the ownership structure of BME made it advisable to incorporate independent Directors more slowly. In any event, as a newly-listed company BME considers four to be an appropriate number of independent directors, without prejudice to subsequent resolutions adopted in this regard, to comply with Article 6.3 of its Articles of Association: *"The Board of Directors shall seek to distribute its members among the different types of director in the manner most fitting to the Company's ownership structure and its corporate purpose and the purpose of group companies. However, the Board shall be obliged to submit its proposals at the General Shareholders' Meeting and appointments by co-option in such a way that external or non-executive Directors are a majority over executive Directors and that there is a significant presence of independent Directors."*
- Recommendation 12 (*"That among the external directors, the ratio of non-independent Directors to independent Directors shall reflect the ratio between the capital of the company represented by the non-independent Directors and the rest of the capital"*). BME has eight non-independent and four independent Directors. The Company has not fully complied with this recommendation as the ownership structure of BME made it advisable to incorporate independent directors more slowly. In any event, BME, as a newly-listed company and without prejudice to subsequent resolutions adopted in this regard, regards the ratio of non-independent to independent Directors as adequate to comply with the afore-mentioned article 6.3 of its Articles of Association.
- Recommendation 17 (*"That, when the Chairman of the Board of Directors is also the Chairman of the company, one of the independent Directors may be authorised to request a Board Meeting or the inclusion of new items on the Agenda; to coordinate and express the concerns of the non-independent Directors; and to oversee the assessment by the Board of its Chairman"*). The Company has not complied with this recommendation since it does not consider it appropriate to assign these special duties to any of its Directors or independent Directors at present. However, BME considers its decision to appoint an independent Director as Vice-Chairman strength that the position of its independent Directors.
- Recommendation 54 (*"That a majority of the members of the Appointments and Remunerations Committee should be independent Directors"*). BME has not complied with this recommendation to ensure that tasks are initially assigned in an appropriate and proportionate manner, without prejudice to any adaptations agreed subsequently, among the four independent Directors. In any event, BME has put in place measures to ensure that all the members of its Appointments and Remuneration Committee are external Directors and its Chairman independent. BME regards this as sufficient guarantee that it currently complies with the aims of the afore-mentioned recommendation.

BME is firmly committed to complying with the most stringent corporate governance practices and, to this end, has put in place a regime in accordance with its Articles of Association. These state "When approving and, as appropriate, making subsequent amendments to the Board of Directors' Regulations, the Board shall take into consideration the guidance contained in the most widely recognised good governance recommendations, assessing them on the basis of the characteristics of the Company and its group." In this regard, BME has made clear its commitment to adapt to recognised good governance recommendations at any given time, assessing them on the basis of the characteristics of the Company and its group.

This annual corporate governance report was approved by the Company's Board of Directors at its session held on March 20, 2007.



THE YEAR IN PICTURES

Historic year for IPOs on the Stock Exchange. Ten companies were floated on the market in 2006.