



**REPORT PRESENTED AT THE GENERAL SHAREHOLDERS MEETING BY THE BOARD  
OF DIRECTORS PURSUANT TO ARTICLE 116BIS OF THE SPANISH LAW ON THE  
SECURITIES MARKET**

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Article 116bis of Law 24/1988, of 28 July 1988 on the Securities Market, inserted by Law 6/2007 of 12 April 2007 reforming the Law on the Securities Market in order to modify the regime governing takeover bids and issuer transparency, states that companies whose shares are listed on an official securities market must include information on the following aspects in their Management Reports:

- "a) The capital structure, including the securities that are not listed on a regulated EU market, indicating, as appropriate, the different classes of shares and for each class of shares the rights and obligations conferred and the percentage of share capital represented.*
- b) Any restriction on the transferability of securities.*
- c) The direct and indirect significant shareholdings.*
- d) Any restriction on voting rights.*
- e) The pacts between shareholders.*
- f) The rules applicable to the appointment and replacement of members of the board of directors and the amendment of the company's articles of association.*
- g) The powers of the members of the board of directors and, in particular, those relating to the possibility of issuing or buying back shares;*
- h) Any significant agreements entered into by the company that enter into force, are amended or terminate in the event of a change in control of the company or as a result of a takeover bid, and the effects thereof, except when such disclosure would be seriously detrimental to the company. This exception shall not apply when the company is legally obliged to disclose this information.*
- i) The agreements between the company and its officers and executives or employees that provide for the payment of compensation when the latter resign or are unfairly dismissed or their employment is terminated as a result of a takeover bid."*

This same article requires the Board of Directors to present an annual explanatory report at the General Shareholders Meeting on the various elements set forth in the article.

In compliance with the provisions of the aforementioned article of the Law on the Securities Market, at its meeting on 25 March 2008, the Board of Directors of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME), approved the following explanatory report on the aspects included in the Management Report for 2007, which will be made available to the shareholders together with the notice of the ordinary General Shareholders Meeting.

**a) Capital structure.**

Article 5 of the Company's Articles of Association, concerning "share capital and shares", provides that the share capital is two hundred and seventy million, seventy-eight thousand, two hundred and fifty-two euros and thirty four cents (270,078,252.34 euros), divided up into 83,615,558 shares, each having a par value of 3.23 euros, numbered 1 through 83,615,558, fully subscribed and paid in, belonging to the same class and series.

No securities have been issued that are convertible into BME shares.

**b) Restrictions on the transferability of the securities.**

The Articles of Association of BME lay down no restrictions on the acquisition or transfer of holdings in its share capital.

The above notwithstanding, the Securities Market Act empowers the National Securities Market Commission (CNMV) to oppose the acquisition of major holdings in BME's share capital and companies of its group in accordance with the terms of Royal Decree 361/2007, dated 16 March, which develops the Securities Market Act, Law 24/1988, dated 28 July, regarding holdings in the capital of the companies that manage secondary securities markets and companies that administer registration, clearing and settlement systems for securities.

Under the terms of said Royal Decree, the CNMV must be informed beforehand of any acquisition of shares in BME as a result of which the following holdings in capital or voting rights are attained: 1, 5, 10, 15, 20, 25, 33, 40 or 50 percent.

The CNMV shall have two months as from the date it is so informed to oppose the acquisition. In the event that the CNMV says nothing by the end of said period, it shall be deemed to have accepted the proposed acquisition.

This period is shorter for acquisitions of major holdings equal or higher than 1 percent but lower than 5 percent in the Company's capital, in which case the CNMV shall be deemed not to have opposed the proposed acquisition if it fails to say anything within ten business days after being informed or as from when any further information that the CNMV may have called for has been completed.

Furthermore, the Ministry for the Economy and Finance may, on the CNMV's proposal, oppose the acquisition of a major holding in BME's share capital whenever it deems that it has to do so in order to ensure the proper operating of the markets or to prevent distortions in the markets, or because Spanish companies do not get equivalent treatment in the country of origin of the acquirer, or of whosoever controls the acquirer directly or indirectly.

In addition to these specific rules, as it is a listed company, acquisitions of major shareholdings must be notified to the issuer and to the CNMV in accordance with the terms laid down in Section 53 of the Securities Market Act, developed by Royal Decree 1362/2007, dated 19 December, regarding the transparency requirements to be met for information about the issuers whose securities are listed on an official secondary market or on any other organised market in the European Union and CNMV Circular 2/2007, dated 19 December,

which approved the standard forms for disclosing major holdings, about the directors and executives, the operations of the issuer on its own shares, and other standard forms.

**c) Major direct or indirect holdings in the share capital.**

As at 31 December 2007, the following companies held major holdings in the company's share capital:

<b>Name or Corporate Name</b>	<b>Number of Direct Vote Righths</b>	<b>Number of Indirect Vote Righths (*)</b>	<b>Total percentage of ownership</b>
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	4,683,949	0	5.6018%
BNP PARIBAS, SOCIÉTÉ ANONYME	0	2,677,004	3.2016%
BANCO DE ESPAÑA	4,460,913	0	5.3350%
CHASE NOMINEES LTD	4,290,528	0	5.1313%
BANCO SANTANDER, S.A.	509,886	3,775,855	5.1255%
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	2,232,101	1,758,736	4.7728%
CAJA DE AHORROS Y PENSIONES DE BARCELONA	0	2,953,813	3.5326%

(\*) Via:

<b>Name or Corporate Name</b>	<b>Number of Direct Vote Righths</b>	<b>Total percentage of ownership</b>
CRITERIA CAIXACORP, S.A.	2,953.259	3.5319%
Total:	2,953,259	3.5319%

The notification submitted by Chase Nominees Ltd to the CNMV stated that it was acting as an intermediary. BNP Paribas's indirect holding does not include the information about the companies in the group which are acting as custodians on behalf of third parties. None of these third parties has, according to BME's information, a holding of more than 3 percent.

**d) Restrictions on voting rights.**

The Articles of Association of BME lay down no restrictions on the voting rights held by the shareholders.

Section 69.8 of the Securities Market Act restricts the exercising of this right in cases of improper acquisition of major shareholdings, i.e. holdings acquired without being properly authorised by the CNMV, in accordance with the terms set out in section b) of this Report.

**e) Para-social agreements.**

As far as BME knows, there is no para-social agreement that affects the Company.

**f) Rules applying to the appointment and replacement of members of the governing body and to changes in the company's articles of association.**

Rules applying to the appointment and dismissal of members of the Board of Directors.

The procedures for appointing, re-electing, assessing and removing the Members of the Board are described in Articles 26, 36 and 38 of the Articles of Association, and Articles 6, 18, 20 and 21 of the Board of Directors Regulations.

1.- Appointment.

A.- Competence.- The General Meeting of Shareholders has competence to set the number of Members of the Board of Directors of the Company within the maximum (20) and minimum (12) set by the Company's Articles of Association.

The Extraordinary General Meeting of Shareholders held on 5 June 2006 decided that the Board of Directors shall have 15 members.

However, in the event of vacancies, the Board of Directors, using the powers of co-option legally attributed to it, may designate the persons who are to fill the vacancies from among the shareholders. In such an event, the appointment needs to be ratified at the next General Meeting of Shareholders.

B.- Requirements for appointment.- Proposals to appoint or re-elect Members of the Board made by the Board of Directors must be for persons of recognised prestige, solvency and honourability, who also have the experience and knowledge suited to performing their duties.

The Members of the Board who are proposed must not be in any way incompatible to hold or forbidden from holding the positions as provided for in the Company's Articles of Association and the Regulations of the Board of Directors.

It is not necessary to be a shareholder to be appointed as a Member of the Board, except in cases of appointments by co-option, when appointees must be shareholders.

Article 21.b) of the Regulations of the Board of Directors require that independent Directors must not hold the position of administrators in more than four companies whose shares are listed on Spanish or foreign stock markets. Neither may they hold their position as Director for more than twelve years without a break.

This Article also provides that executive Directors may not hold the position of administrator in any other listed company.

C.- Duration of the position.- The Members of the Board shall hold their position for terms of four years, and may be re-elected one or more times for further four-year terms, except in the case of independent Directors, who may not be re-elected for more than two consecutive terms.

D.- Procedure.- The proposed appointments put by the Board of Directors to the General Meeting of Shareholders and the appointment decisions taken by the Board by co-option must be subject to the corresponding prior report of the Appointments and Remunerations Committee, in which the Board Member must be classified as one of the types envisaged in

Article 6 of the Regulations and, therefore, the effect of his or her appointment on the structure and make-up of the Board must be assessed.

In any case, the Appointments and Remunerations Committee shall make the proposal to the Board to appoint or re-elect independent Directors, to be subsequently put to the General Meeting of Shareholders, as well as for their provisional appointment by co-option.

E.- Proportion of Directors based on their definition.- The Board of Directors must ensure that the number of Directors is divided up into the different types or classes in the proportion that is most suitable at the time in view of the shareholder structure and object of the Company and of the companies of the Group, although, in any case, the Board must make its proposals to the General Meeting of Shareholders and the appointments by cooption in such a way that the outside, non-executive Directors represent a majority over the executive Directors, and there is a significant presence of independent Directors.

## 2.- Re-election.

With regard to the proposals for re-electing the Members of the Board, in addition to going through the same formalities as for appointments, the quality of the services provided by the Board Member and his or her dedication during his previous term shall be assessed. For these purposes, the Member of the Board affected must refrain from taking part in the debates and decisions that may affect him or her.

## 3.- Dismissal and removal.

The Members of the Board shall leave their position at the end of the term for which they were appointed, unless they are re-elected, and whenever the General Meeting of Shareholders so decides.

The Board of Directors may not propose the dismissal of any independent Director before the statutory term for which that Director has been appointed expires, unless there are due grounds, as assessed by the Board on a proposal made by the Appointments and Remunerations Committee. Due grounds shall be deemed to exist when the Member of the Board fails to fulfil the duties inherent to his post, or becomes incompatible in any way to remain independent.

In the event that a Director were to leave his or her position before the end of his or her term for any reason, the Director shall explain the reasons for doing so in a letter sent to all the members of the Board.

The Company's Articles of Association and the Regulations of the Board of Directors provide that the Members of the Board of Directors of BME shall be required to resign:

- Whenever they become incompatible in any way or become legally prohibited from holding the positions under the terms of the Company's Articles of Association and the Regulations of the Board of Directors.
- The owner Members of the Board, whenever the shareholders they represent sells all of its shareholding or by the corresponding number whenever said shareholder reduces its shareholding.
- And, in general, whenever the Company's interests may be endangered by the Director remaining on the Board.

Whenever the cases referred to affect the private individual representing a Director that is a legal entity, said legal entity must replace the person who is acting as its representative forthwith.

#### Rules applying to changes in the company's Articles of Association.

The Company's Articles of Association and the Regulations of the General Meeting of Shareholders provide for no special rules for changes to the Articles of Association.

The procedure for changing the Company's Articles of Association is governed by Section 144 of the Companies Act, according to which changes in the Company's Articles of Association must be decided by the General Meeting of Shareholders and the following requirements must be met:

- a) The administrators or, as the case may be, the shareholders who make the proposal draw up a written report to justify their proposal.
- b) The items that are to be changed must be stated sufficiently clearly in the notice calling the meeting.
- c) The notice calling the meeting must state the right all the shareholders have to examine the entire text of the proposed change and of the Report thereon at the company's registered address and to ask for said documents to be delivered or sent free of charge.
- d) The decision must be taken by the General Meeting in accordance with the rules on quorum and majorities laid down in Section 103 of the Companies Act. Thus, in accordance with the terms of this Section, for General Meetings to be able to validly decide to make any change to the Company's Articles of Association, the quorum of shareholders present or represented required when the meeting is called for the first time shall be at least fifty per cent of the subscribed voting capital. When the meeting is called for the second time the quorum shall be twenty-five percent of said capital. In this case, whenever shareholders representing less than fifty percent of the subscribed voting capital are present, decisions to make changes to the Articles of Association may only be taken when two-thirds of the capital present or represented at the Meeting vote for the decision.

In addition to the rules laid down for Spanish public limited companies ("sociedades anónimas"), as the company is subject to the supervision of the National Securities Market Commission, Additional Provision Seventeen of the Securities Market Act provides that changes in the Articles of Association of BME must be authorised by the CNMV.

#### **g) Powers of the members of the board of directors and, in particular, those relating to the possibility of issuing or buying back shares.**

##### Powers of the members of the Board of Directors.

As at 31 December 2007, the Chairman of the Board of Directors of BME, Antonio J. Zoido Martínez, and the Second Deputy Chairman of the Board, Manuel Pizarro Moreno, held the powers of attorney needed for the ordinary management of the company, which included in particular the powers of attorney to represent the Company in commercial and judicial matters; powers of attorney to represent the Company at the General Meetings of

Shareholders and in the Boards of Directors and similar bodies of the companies in which the Company is a shareholder; the power to set up companies, associations, foundations and legal entities of any kind; the power to contract and dismiss employees, set their duties and remunerations; to enter into contracts of any kind on behalf of the Company; to execute deeds to grant powers of attorney to any persons they deem advisable and all other powers needed in order to manage the business.

Manuel Pizarro Moreno submitted his resignation from the Board at the meeting of the Board of Directors held on 24 January 2008.

#### Share issue.

The extraordinary General Meeting of Shareholders held on 5 June 2006, in accordance with the terms of Section 153.1 b) of the Companies Act, delegate powers to the Board of Directors to increase share capital, once for the entire amount or in several, successive, partial increases, for a nominal amount equal to half the Company's share capital on the date of said decision, which amounted to 270,078,252.34 euros. The new shares issued as a result of the capital increase or increases which are decided to be made under the terms of this delegation may be ordinary shares or non-voting, preference or redeemable shares, which shall be issued at the rate of their par value or with whatever share premium may be decided in each case.

Shares may be issued in accordance with the terms of this decision within five years at the most as from when the decision is adopted.

As at the date of this report, the Board of Directors has not made any use of this delegation of powers.

The same extraordinary General Meeting of Shareholders delegated powers to the Board of Directors, in accordance with the terms of Article 319 of the Mercantile Register Regulations and the general rules on debenture issues, to issue, inter alia, bonds that may be exchanged for shares of the Company, or of any other company, irrespective of whether or not it belongs to its Group, and/or convertible into shares of the Company.

The term for making the bond issue under the terms of this decision is five years at the most as from the date the decision is adopted.

As at the date of this report, the Board of Directors has not made use of the powers delegated to it by the extraordinary General Meeting of Shareholders.

#### Decisions to buy back shares.

The ordinary General Meeting of Shareholders held on 26 April 2007 authorised the Board of Directors to buy back its own shares, in accordance with the terms set out in Section 75 of the Companies Act. The shares may be acquired directly by the Company itself or indirectly through its investee companies, as a purchase and sale, swap or given as payment, one or more times, provided that the shares acquired, when added to those already held by the Company and its investee companies, does not exceed 5 percent of the Company's share capital.

The term of the authorisation is eighteen months as from the date the ordinary General Meeting of Shareholders was held.

**h) Major decisions entered into by the company that come into force, are changed or terminate in the event that the control of the company changes as a result of a takeover bid, and its effects, except when disclosing them would seriously damage the company's interests.**

BME has not entered into any agreements that come into force, are changed or terminate in the event of a change in control of the Company as a result of a Takeover Bid.

**i) Agreements between the company and its administrative and management officers or employees which provide for severance payments when they resign or are dismissed improperly or in the event that the employment relationship ends as a result of a takeover bid.**

1.- Directors.

The governing bodies of BME have taken no decisions that provide for benefits for the Directors, except for the Chairman.

In this regard, the extraordinary General Meeting of Shareholders of BME held on 5 June 2006 adopted, under item ten on the agenda, the following decision:

*"The General Meeting hereby decides that in the event that the Chairman of the Board of Directors leaves his position, he shall be entitled to be paid an amount equal to three times the fixed annual remuneration set for him by the General Meeting of Shareholders at that moment in time. Payment of this amount carries with it the obligation on the part of the Chairman not to compete, for three years, in any company outside the Bolsas y Mercados Group that has the same or a similar corporate object or activity. In the event of breach of this obligation, the Chairman must return the amount received.*

*The aforementioned payment to the Chairman shall not have to be made in the event that he voluntarily leaves his position, fails to fulfil his duties or any of the cases needed for Bolsas y Mercados Españoles to be able to take corporate action against him for liability concur.*

*This decision is subject to the suspensive condition that the Company makes the Offer that is the object of Decision Two and the effective listing of the shares of the Company on the Securities Markets in accordance with the terms of Decision Three hereabove.*

*This decision shall automatically lapse and cease to have any effect in the event that, as at 31 December 2006, the shares of the Company have not been listed on said Securities Markets, through the Stock Market Inter-connection System."*

The terms of this decision of the General Meeting of Shareholders have been set out in the service agreement entered into between BME and Antonio J. Zoido Martínez, after a report by the Appointments and Remunerations Committee, and approval by the Board of Directors of the Company.

2.- Top management.

Two top managers are entitled to receive severance equal to 24 months' salary, and one of them to 36 months' salary.



### 3.- Employees.

The employment contracts entered into by BME and its employees are drawn up in accordance with the terms of the Workers' Statute, which shall apply to cases of termination of employment.