

**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.

## **Report to Article 116BIS of the Spanish Law on the Securities Market**

### **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 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 transfer of securities**

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

The above notwithstanding, the Securities Market Act empowers the 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 implements 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 Royal Decree, the CNMV must be informed beforehand of any acquisition of shares in BME which take an investor's stake in the capital or voting rights above one of the following percentage thresholds: 1%, 5%, 10%, 15%, 20%, 25%, 33%, 40% or 50%.

The CNMV has two months from the date it is notified to oppose the acquisition. If the CNMV fails to respond within this time the transaction is deemed to have been accepted.

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

Also, 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 purchaser, or of whoever directly or indirectly controls the purchaser.

In addition to these specific rules, as it is a listed company, acquisitions of major shareholdings in BME must be notified to the issuer and to the CNMV in accordance with Article 53 of the Securities Market Act, developed by Royal Decree 1362/2007, dated 19 December, regarding the transparency requirements for information about

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, for the Directors and executives, for transactions by the issuer in its own shares, and other standard forms.

### c. Major direct and indirect shareholdings

As at 31 December 2008 the owners of significant shareholdings were as follows:

Nombre o denominación social del accionista	Número de derechos de voto directos	Número de derechos de voto indirectos (*)	% sobre el total de derechos de voto
Banco Bilbao Vizcaya Argentaria, S.A.	4.596.803	0	5,498
Banco de España	4.460.913	0	5,335
Banco Santander,S.A.	2.253.754	1.966.269	5,047
Caja de Ahorros y Pensiones de Barcelona	0	4.189.512	5,010
Caja de Ahorros y Monte de Piedad de Madrid	0	3.990.837	4,773
BNP Paribas, Société Anonyme	0	2.534.080	3,03

(\*) through:

Nombre o denominación social del accionista	Nombre o denominación social del titular directo de la participación	Número de derechos de voto directos	% sobre el total de derechos de voto
Caja de Ahorros y Pensiones de Barcelona	Criteria Caixacorp, S.A.	4.189.139	5,010
Caja de Ahorros y Pensiones de Madrid	Corporación Financiera Caja de Madrid, S.A.	2.955.318	3,534

(\*\*) In respect of the indirect interest held by BNP Paribas, the shareholdings held by Group companies in their capacity as custodians on behalf of third parties were not included. To the best of BME's knowledge, none of these third parties holds an ownership stake of over 3%.

Also, as at 31 December 2008 Chase Nominees Limited and State Street Bank are listed in the shareholder register as having stakes of 4.807% and 3.031%, respectively. However, the Company understands that these shares are held in custody on behalf of third party investors, none of which, to the best of BME's knowledge, holds an ownership interest of greater than 3% in the Company's capital or voting rights.

#### **d. Restrictions on voting rights**

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

Article 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 9 of this report.

#### **e. Shareholders agreements**

BME has no knowledge of any shareholder agreement affecting the Company.

#### **f. Rules governing the appointment and removal of Directors and amendments to the Articles of Association**

##### *Rules governing the appointment and removal of Directors*

The procedures for appointing, re-electing, assessing and removing Directors are set out in Articles 26, 36 and 38 of the Articles of Association and 6, 18, 20 and 21 of the Board of Directors' regulations.

##### **1.- Appointment.**

A.- Competence.- Shareholders set the number of Directors of the Company at the Shareholders' Meeting within the maximum (20) and minimum (12) set by the Company's Articles of Association.

Under the resolution approved at the Extraordinary Shareholders' Meeting of 5 June 2006, the Board has 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 these circumstances, the appointment needs to be ratified at the next Shareholders' Meeting.

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 professional reputation, who also have the experience and knowledge appropriate to the performance of their duties.

Those proposed as Directors must not be in any way incompatible to hold or forbidden from holding the positions by the terms of the Company's Articles of Association and the Board of Directors' Regulations.

Directors need not be shareholders unless appointed by co-option.

Article 21.b) of the Board of Directors' Regulations requires that independent Directors must not be directors of 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 cannot be directors of any other listed company.

C.- Term of appointment.- Directors 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.- Appointments proposed by the Board of Directors to the Shareholders' Meeting and appointments made by the Board by co-option must be preceded by the appropriate report by the Appointments and Remunerations Committee confirming the candidate qualifies as one of the types envisaged in Article 6 of the Regulations and assessing the impact of their appointment on the structure and composition of the Board.

In all cases it is the Appointments and Remunerations Committee that proposes to the Board the appointment or re-election of independent Directors, to be subsequently put to the Shareholders' Meeting, as well as their provisional appointment by co-option.

E. - Proportions of different types of Director. - 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. Notwithstanding the above, the Board must always submit its proposals to the Shareholders Meeting and the appointments by co-option 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.

Proposals to re-elect Directors, in addition to going through the same formalities as appointments, are subject to an assessment of the quality of the services provided by the Director and their dedication during the previous term. For these purposes, the Director concerned must refrain from taking part in any discussions and decisions that may affect them.

## 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 Shareholders' Meeting so resolves.

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 Director fails to fulfil the duties inherent to his post, or becomes incompatible in any way to remain independent.

If a Director should leave their post before the end of their 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 Board of Directors' Regulations provide that the 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 or the Board of Directors' Regulations.
- Directors representing the owners, whenever the shareholders they represent sells all of its shareholding. The number of representative Directors shall be reduced proportionately whenever the shareholder sells part of their 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 governing changes to the Articles of Association.*

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

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

- a) The Directors 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 clearly stated in the notice calling the meeting.
- c) The notice calling the meeting must state that all shareholders have the right to examine the full 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 resolution must be approved at the Shareholders' Meeting in accordance with the rules on quorum and majorities laid down in Article 103 of the Corporations Act. Thus, in accordance with the terms of this Article, for Shareholders' Meetings to be able to validly decide to make any change to the Company's Articles of Association, the quorum of shareholders represented in person or by proxy at first call must be at least 50% of the subscribed voting capital. At second call, a quorum of 25% is sufficient. In this case, if shareholders present account for less than 50% of voting capital, changes to the Articles of Association may only be validly carried by a vote of two-thirds of the capital represented at the meeting in person or by proxy.

As well as being subject to the normal rules governing Spanish public limited companies ("sociedades anónimas"), as a holding company for companies that manage the securities

registration, settlement and clearing systems for securities and secondary markets in Spain, BME is subject to Additional Provision Seventeen of the Securities Market Act, which states that changes in its Articles of Association must be authorised by the CNMV.

#### **g. Powers of board members and in particular the power to issue or buy back shares**

##### **Powers of board members**

As at 31 December 2008, the Chairman of the Board of Directors of BME, Antonio J. Zoido Martínez, held the powers of attorney needed for the ordinary management of the company. These included powers to represent the Company in commercial and judicial matters, powers to represent the Company at the Shareholders' Meetings and on the Boards of Directors and similar bodies of the companies in which the Company is a shareholder, power to set up companies, associations, foundations and legal entities of any kind, powers to contract and dismiss employees, set their duties and remuneration, to enter into contracts of any kind on behalf of the Company, to execute deeds to grant powers of attorney to any persons as he considers convenient and all other powers needed in order to manage the business.

##### **Share issue**

The extraordinary Shareholders' Meeting held on 5 June 2006, in accordance with the terms of Article 153.1 b) of the Corporations Act, delegated 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 under this delegation of powers 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 under this resolution for up to five years from the date of its approval.

As at the date of this report, the Board of Directors has made no use of this delegation of powers.

The same extraordinary Shareholders' Meeting delegated powers to the Board of Directors, in accordance with Article 319 of the Mercantile Register Regulations and the general rules on bond issues, to issue, among other types of bonds, bonds exchangeable into shares in the Company or in any other company, irrespective of whether or not it belongs to its Group, and/or convertible into shares in the Company.

Bonds may be issued under this resolution for up to five years from the date of its approval.

As at the date of this report, the Board of Directors has made no use of the powers delegated to it by the extraordinary Shareholders' Meeting.

### Share buybacks

The ordinary Shareholders' Meeting held on 30 April 2008 authorised the Board of Directors to buy back its own shares, in accordance with Article 75 of the Corporations Act. The shares may be acquired directly by the Company itself or indirectly through its investee companies, by purchase, swap or given as payment, on one or more occasions, provided that the shares acquired, when added to those already held by the Company and its investee companies, do not exceed 5% of the Company's share capital.

The term of the authorisation is eighteen months from the date of the ordinary Shareholders' Meeting.

In exercise of the above authorisation the BME Board of Directors, at its meeting of 31 July 2008, resolved to buy 337,333 shares in the Company, equivalent to 0.40% of the total shares comprising the share capital.

These shares, which at the date of this report remain on the Company's balance sheet, correspond to the maximum number of shares that may be due to members of the executive team, including the Executive Directors, if the conditions set out in the medium-term remuneration plan for the Company and its subsidiaries are met, as approved at the ordinary Shareholders' Meeting of 30 April 2008.

#### **h. Significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company arising from a takeover bid and the effects thereof except where such disclosure could pose a serious risk to the company.**

BME has not entered into any agreements that would take effect, be altered 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 board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment relation ends following a takeover bid.**

##### 1.- Directors.

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

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

*"The Shareholders' 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 Shareholders' Meeting 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 resolution is subject to the suspensive condition that the Company makes the Offer that is the object of Resolution Two and the effective listing of the shares of the Company on the Securities Markets in accordance with the terms of Resolution Three hereabove.*

*This resolution 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 resolution of the Shareholders' Meeting 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 approved by the Board of Directors of the Company.

#### 2.- Senior management.

Two senior managers are entitled to receive severance pay equal to 24 months' salary, and one is entitled 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.