



**REPORT SUBMITTED BY THE BOARD OF DIRECTORS AT THE ORDINARY GENERAL SHAREHOLDERS' MEETING AS ITEM FOUR ON THE AGENDA CONCERNING THE MODIFICATION OF THE ARTICLES OF ASSOCIATION.**

---

**I.- Purpose of the report.**

This report has been drawn up pursuant to the provisions of article 286 of *Royal Decree 1/2010, of 2 July, approving the Ley de Sociedades de Capital* (the "Companies Act") to explain and justify the proposal submitted for approval to the Ordinary General Shareholders' Meeting of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME or the Company), to amend various articles of the Articles of Association in force.

The proposed resolution that the Board of Directors submits to the Ordinary General Shareholders' Meeting contains the complete text of the proposed amendments.

To help the shareholders compare the new version of the articles the Board is proposing to be amended, with the current version, as an Annexe to this report, for information purpose, is a literal transcription of both texts, in two columns, side by side, highlighting in the right side column the proposed amendments to the text currently in force which is transcribed in the left side column.

**II.- Applicable legislation.**

Section 1 of article 285 of the Companies Act provides that any amendment to the Articles of Association is within the remit of the General Shareholders' Meeting.

In relation to the modification of the Articles of Association, pursuant to article 286 of the Companies Act the Directors must draft the complete text of the proposed amendment and, in the case of joint stock companies, a written report justifying the change.

In accordance with the provisions of article 287, the notice of the General Shareholders' Meeting must clearly state which items are to be amended, as well as the authorisation entitling the shareholders to examine, at the Company's registered address, the full text of the proposed changes and, in the case of joint stock companies, the report on those changes, and to ask for these documents to be delivered or sent to them free of charge.

Proposals of amendments to the Articles of Association are subject to authorisation from the *Comisión Nacional del Mercado de Valores* (the Spanish Securities Market Commission, "CNMV"), pursuant to additional provision no. 17 of Law 24/1988 of 28 July on the Securities Market.

**III.- Explanatory report on the proposal to amend the Articles of Association.**

After the last modification of the Articles of Association approved by the Ordinary General Shareholders' Meeting on 28 April 2011, Law 25/2011 was published on 1 August. This law modified the prevailing Companies Act, which affected the regulations governing listed companies.

The entry into effect of this law has led the Board of Directors to propose a series of amendments to the current text of the Articles of Association. An amendment to the Company's corporate purpose was also incorporated to adapt it to the terminology used in the Securities Market Act as set out in Law 42/2007, of 19 December, and Law 32/2011, of 4 October.

The Articles of Association were also analysed with the aim of improving the degree of compliance with the recommendations of the Unified Code of Good Governance, and in particular with Recommendation 17, which is applicable when the Chairman of the Board of Directors is also the Chief Executive Officer of the Company.

Below is a detailed justification for the proposal to amend the Articles of Association. In this proposal, in accordance with section 2 of article 19 of the General Shareholders' Meeting Regulations and in keeping with Recommendation 5 a) of the Unified Code of Good Governance, the articles or groups of articles that are substantially independent from each other are presented in such manner as to be voted on separately.

### **III.1 Justification for the proposal to amend article 2, on corporate purpose, to bring it in line with the latest wording of the Securities Market Act.**

Since the Articles of Association were approved, various new laws have been published amending the Securities Market Act, such as Law 47/2007, of 19 December, and Law 32/2011, of 4 October. These have introduced into Spanish legislation new concepts, such as multilateral trading facilities and, more recently, central counterparties for post-trade services.

As long as these new systems and entities affect the corporate name and business that some of the BME Group businesses are involved in, the aim of this amendment is to improve article 2 of the Articles of Association, to bring it in line with the terminology used in the Securities Market Act, with regard to business activities that BME conducts via its subsidiaries.

### **III.2 Justification for the proposal to amend section 3 of article 11 in relation to the shareholders' right to request the publication of a supplementary notice to the notice calling the Ordinary General Shareholder's Meeting.**

The new article 519, section 1, of the Companies Act, introduced by Law 25/2011, of 1 August, incorporates a special clause for listed companies in relation to the possibility of requesting a supplementary notice to the notice of meeting in listed companies, limiting this right to the calling of Ordinary General Shareholders' Meetings and specifying that under no circumstances can the right be exercised for Extraordinary General Shareholders' Meetings.

The purpose of the proposed amendment to section 3 of article 11 of the Articles of Association is to adapt the article to the aforementioned article 519, section 1, of the Companies Act, and clarify that shareholders representing at least 5% of the share capital may only request the publication of a supplementary notice of meeting for the Ordinary General Shareholders' meeting.

### **III.3 Justification for the proposal to amend sections 1 and 2 of article 12 in relation to the publication of notice of the General Shareholders' Meeting.**

The new article 516 of the Companies Act specifically regulates the publication of the notice of the General Shareholders' Meeting of a listed company, and specifies that the announcement of the meeting should be publicised, at least, in the following media: in the *Boletín Oficial del*

*Registro Mercantil* (Official Gazette of the Companies Register, or “BORME”); in one of the daily newspapers with the highest circulation in Spain; on the CNMV's website; and on the Company's website.

The purpose of the amendment to section 1 of article 12 of the Articles of Association is to include the CNMV website among the methods of publicising the notice calling a meeting, whilst maintaining the requirement to publicise it in a newspaper, but specifying that it must be a paper issued in Spain, and the compulsory channels of the BORME and the Company's website.

In relation to the timeframe for announcing the calling of the General Shareholders' Meeting, in those cases where the meeting has not been held at first call and the date of the second call had not been announced, the new wording of section 3 of article 177 of the Companies Act, as set out in Law 25/2011, establishes that the notice of the second call must be published within 15 days of the Meeting which was not held and at least 10 days in advance of the date that has been set for the meeting, instead of the period of 8 days in advance stipulated in the previous wording of the Companies Act.

The purpose of the proposed amendment to section 2 of article 12 of the Articles of Association is to adapt the timeframe for the second call of the General Shareholders' Meeting in cases mentioned above to the new wording of article 177, section 3, of the Companies Act.

#### **III.4 Justification for the proposal to amend article 16 in relation to the shareholders' right to be represented at the General Meeting**

The purpose of this proposed amendment is to adapt this article of the Articles of Association to the new articles 522, 523 and 526 of the Companies Act.

The new article 522 of the Companies Act, introduced by Law 25/2011, of 1 August, establishes, in section 1, that bylaws that limit a shareholder's right to be represented by any person at General Shareholders' Meetings shall be void.

The purpose of the proposed amendments to sections 1 and 2 of article 16 of the Articles of Association is to adapt the representation regime at General Shareholders' Meetings established in the previously mentioned article of law, and to place on record that all shareholders entitled to attend may appoint any other person to represent them at the General Meeting, even if that person is not a shareholder in the Company.

On the other hand, following the amendment made by Law 25/2011, article 526 of the Companies Act, in relation to article 523 of the same legal text, regulates the exercising of voting rights by a Director who has publicly solicited appointment as a proxy and faces a conflict of interest.

The purpose of the elimination of section 3 of article 16 of the Articles of Association which regulated the activities of Directors who have publicly solicited appointment as a proxy and face a conflict of interest, is to remove an unnecessary reiteration, given that the new wording of the Companies Act now regulates these cases.

#### **III.5 Justification for the proposal to amend section 1 of article 27, and section 1 of article 29 in relation to the power to convene a meeting of the Board of Directors.**

Law 25/2011, of 1 August, incorporated, among other things, an amendment to article 246 of the Companies Act, in which section 2 included the power of a third of all board members to

convene a meeting of the Board of Directors if after requesting the Chairman to do so, the Chairman, without just cause, had failed to convene a meeting within one month.

The proposed amendment of section 1 of article 27 of the Articles of Association aims to adapt it to the wording established in article 246 of the Act, by empowering a third of the members of the Board of Directors to convene the Board of Directors as stipulated by the law, and eliminating the powers to call a meeting granted by the Articles of Association when four members of the Board requested a meeting.

In addition, with the aim of increasing the degree to which the Recommendations of the Unified Code of Good Governance are followed, this same section empowers the Deputy Chairman who is an independent director to request the calling of a Board meeting. This amendment will increase the degree to which Recommendation 17 of the Unified Code of Good Governance is followed, which is applicable when the Chairman of the Board is also the Chief Executive Officer of the Company.

In line with previous amendments that empower people other than the Chairman or Deputy Chairman to call Board meetings in the event of their death, absence, incapacity or inability, it is necessary to amend section 1 of article 29 of the Articles of Association, to eliminate the reference stating that Board meetings are called by the Chairman or Deputy Chairman.

### **III.6 Justification for the proposal to amend section 2 of article 48 in relation to the regime governing the liability of liquidators.**

The new wording of article 397 of the Companies Act amends the situations in which the liquidators of a public company will be accountable to the partners and creditors for damages caused by their actions.

The previous wording of the Companies Act made liquidators liable in the event of fraud or gross negligence in the performance of their functions, and following the new amendment incorporated by Law 25/2011, they will be liable for damages caused by bad faith or negligence in the performance of their functions.

The proposed amendment aims to modify the wording of section 2 of article 48 and state that the regime governing liability is that established by the current legislation at any given time.

**COMPLETE TEXT OF THE MODIFICATIONS TO THE ARTICLES OF ASSOCIATION  
PROPOSED TO THE ORDINARY GENERAL SHAREHOLDERS MEETING**

OLD VERSION	NEW VERSION PROPOSED
<p><b>Article 2º.- Corporate purpose</b></p> <p>The corporate purpose shall be to:</p> <p>(i) hold, directly or indirectly, shares and ownership interest securities of companies that administer securities registration, clearing and settlement systems and secondary markets.</p> <p>(ii) be responsible for ensuring that the securities registration, clearing and settlement systems and the secondary markets referred to in paragraph (i) above work in concert in terms of actions, decisions and strategic coordination, by implementing to this end operational, functional and structural enhancements that are consistent with attaining higher standards of overall efficiency and with raising the public profile of such systems and markets, without prejudice to the individual investees of the Company maintaining their own identity, operating capacity, governing bodies and managerial and general staff.</p> <p>Under no circumstances shall the corporate purpose be deemed to include any activities for which the Law requires any kind of licence not held by the Company.</p>	<p><b>Article 2º.- Corporate purpose</b></p> <p>The corporate purpose shall be to:</p> <p>(i) hold, directly or indirectly, shares and ownership interest securities of companies that administer securities registration, clearing and settlement systems, <u><b>central counterparties, and</b></u> secondary markets <u><b>and multilateral trading facilities.</b></u></p> <p>(ii) be responsible for ensuring that the securities registration, clearing and settlement systems, <u><b>central counterparties, and</b></u> the secondary markets <u><b>and multilateral trading facilities</b></u> referred to in paragraph (i) above work in concert in terms of actions, decisions and strategic coordination, by implementing to this end operational, functional and structural enhancements that are consistent with attaining higher standards of overall efficiency and with raising the public profile of such systems and markets, without prejudice to the individual investees of the Company maintaining their own identity, operating capacity, governing bodies and managerial and general staff.</p> <p>Under no circumstances shall the corporate purpose be deemed to include any activities for which the Law requires any kind of licence not held by the Company.</p>
<p><b>Article 11º.- Calling General Shareholders' Meetings</b></p> <p>[...]</p> <p>3. Shareholders representing at least 5% of the share capital may request publication of a supplementary Meeting notice adding one or more items to the agenda. This right must be exercised by submitting due notice thereof to the Company's registered office within five days of publication of the notice of the Meeting. The supplementary Meeting notice must be published at least fifteen days before the date set for the Meeting.</p>	<p><b>Article 11º.- Calling General Shareholders' Meetings</b></p> <p>[...]</p> <p>3. Shareholders representing at least 5% of the share capital may request publication of a supplementary Meeting notice <u><b>of the ordinary General Shareholders' Meeting,</b></u> adding one or more items to the agenda. This right must be exercised by submitting due notice thereof to the Company's registered office within five days of publication of the notice of the Meeting. The supplementary Meeting notice must be published at least fifteen days before the date set for the Meeting.</p>
<p><b>Article 12º.- Publication of notice of Meetings</b></p> <p>1. Notice of the General Shareholders' Meeting must be published in the Boletín Oficial del Registro Mercantil, on the Company's website and in one of the provincial daily newspapers</p>	<p><b>Article 12º.- Publication of notice of Meetings</b></p> <p>1. Notice of the General Shareholders' Meeting must be published in the Boletín Oficial del Registro Mercantil, <u><b>on the Company's website and</b></u> in one of the <u><b>leading provincial</b></u> daily</p>

<p>with the highest circulation at least one month before the date set for the meeting, except in those cases in which a different period of notice is required by law..</p> <p>2. This notice shall specify the date of the meeting at first call and all of the business to be discussed thereat. It may also specify the date on which, if applicable, the meeting shall be held at second call. There must be an interval of at least twenty-four hours between the first and second calls.</p> <p>If the duly called General Shareholders' Meeting is not held at first call and the notice did not specify the date of the meeting at second call, the latter must be called, subject to the same requirements for publication of the notice, within fifteen days of the date of the meeting that did not take place, and at least eight days before the date set for the meeting.</p> <p>[...]</p>	<p>newspapers with the highest circulation <u>in Spain, and on the Company's websites and the CNMV's website</u>, at least one month before the date set for the meeting, except in those cases in which a different period of notice is required by law.</p> <p>2. This notice shall specify the date of the meeting at first call and all of the business to be discussed thereat. It may also specify the date on which, if applicable, the meeting shall be held at second call. There must be an interval of at least twenty-four hours between the first and second calls.</p> <p>If the duly called General Shareholders' Meeting is not held at first call and the notice did not specify the date of the meeting at second call, the latter must be called, subject to the same requirements for publication of the notice, within fifteen days of the date of the meeting that did not take place, and at least <del>eight</del> <u>ten</u> days before the date set for the meeting.</p> <p>[...]</p>
<p><b>Article 16<sup>o</sup>.- Proxies</b></p> <p>1. 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 appointed in writing or by remote communication means as laid down herein, specifically for each Meeting, and in compliance with any other applicable provisions.</p> <p>2 A proxy appointment is understood to be without prejudice to the legal provisions regulating representation by a relative, the granting of general powers of attorney and public solicitation of appointment as a proxy. In any event, regardless of whether proxies are voluntary or legal or in response to public solicitation, shareholders may only be represented at a Meeting by one proxyholder.</p>	<p><b>Article 16<sup>o</sup>.- Proxies</b></p> <p>1. All shareholders entitled to attend the Shareholders' Meeting may appoint another <del>person shareholder with the right to attend</del> to represent them thereat, <u>even if that person is not a shareholder, or including</u> any member of the Board of Directors or the Secretary or Deputy Secretaries to the Board, whether they are directors or not.</p> <p><u>2. Proxies must be appointed in writing or by remote communication means as laid down herein, specifically for each Meeting, and in compliance with any other applicable provisions. Regardless of whether proxies are voluntary or appointed in response to public solicitation, shareholders may only be represented at a General Shareholders' Meeting by one proxy holder.</u></p> <p><u>2 A proxy appointment is understood to be without prejudice to the legal provisions regulating representation by a relative, the granting of general powers of attorney and public solicitation of appointment as a proxy. 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.</u></p> <p><u>3 In cases where a Director has publicly solicited appointment as a proxy and faces a conflict of interest when exercising the right to vote of the shares for which he holds the</u></p>

<p>3 In cases where a Director has publicly solicited appointment as a proxy and faces a conflict of interest when exercising the right to vote of the shares for which he holds the proxy with regard to the draft resolution being put to the vote, the proxy grantor may resolve this situation by giving instructions for the substitution of the proxyholder.</p> <p>The Chairman and the Secretary of the Shareholders' Meeting shall have the broadest powers granted by law to admit the validity of the document or other method of accrediting the proxy, considering invalid only those that fail to meet the essential minimum requirements and provided that the flaws cannot be remedied.</p>	<p><del>proxy with regard to the draft resolution being put to the vote, the proxy grantor may resolve this situation by giving instructions for the substitution of the proxy holder.</del></p> <p><del>3. –4.</del> The Chairman and the Secretary of the Shareholders' Meeting shall have the broadest powers granted by law to admit the validity of the document or other method of accrediting the proxy, considering invalid only those that fail to meet the essential minimum requirements and provided that the flaws cannot be remedied.</p>
<p><b>Article 27<sup>o</sup>.- Calling Board Meetings.</b></p> <p>1. Board meetings shall be called by the Chairman, or in the event of the Chairman's death, absence, incapacity or disability, by a Deputy Chairman, whenever they consider it to be necessary or advisable. A Board meeting must necessarily be called when at least four members of the Board of Directors request one, and 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, then the meeting must be called by a Deputy Chairman.</p> <p>[...]</p>	<p><b>Article 27<sup>o</sup>.- Calling Board Meetings.</b></p> <p>1. Board meetings shall be called by the Chairman, or in the event of the Chairman's death, absence, incapacity or disability, by a Deputy Chairman, whenever they consider it to be necessary or advisable. <u>A Board meeting must necessarily be called whenever at least four members of the Board of Directors request one, and 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, then the meeting must be called by a Deputy Chairman</u></p> <p><u>The Deputy Chairman who is an independent director may request the calling of a Board meeting.</u></p> <p><u>Directors representing at least one third of all Board members may call a meeting, giving details of the agenda, if the Chairman has failed to call the meeting within one month from the date this was requested, without just cause for said failure.</u></p> <p>[...]</p>
<p><b>Article 29<sup>o</sup>.- Board Meetings and quorum.</b></p> <p>1. The Board of Directors shall ordinarily meet at least nine times each year and, in any event, whenever a meeting is called by the Chairman or a Deputy Chairman in the terms envisaged in Article 27 above.</p> <p>[...]</p>	<p><b>Article 29<sup>o</sup>.- Board Meetings and quorum.</b></p> <p>1. The Board of Directors shall ordinarily meet at least nine times each year and, in any event, whenever a meeting is called <u>by the Chairman or a Deputy Chairman</u> in accordance with the terms envisaged in Article 27 above.</p> <p>[...]</p>
<p><b>Article 48<sup>o</sup>.- Supervening assets and liabilities</b></p>	<p><b>Article 48<sup>o</sup>.- Supervening assets and liabilities</b></p>

<p>[...]</p> <p>2. The former shareholders shall be liable jointly and severally for unpaid corporate debts up to the limit of what they received as their liquidating distribution, without prejudice to the liability of the liquidators in the event of fraud or gross negligence in the performance of their functions.</p> <p>[...]</p>	<p>[...]</p> <p>2. The former shareholders shall be liable jointly and severally for unpaid corporate debts up to the limit of what they received as their liquidating distribution, without prejudice to the liability of the liquidators <b><u>in the event of fraud or gross negligence in the performance of their functions as provided in current legislation.</u></b></p> <p>[...]</p>
--	---