



**REPORT ISSUED BY THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTION TO BE SUBMITTED AT THE COMPANY'S ORDINARY GENERAL SHAREHOLDERS' MEETING AS ITEM SEVEN ON THE AGENDA IN RELATION TO DELEGATION TO BOARD OF DIRECTORS OF THE POWER TO INCREASE SHARE CAPITAL, WITH AN ATTACHED POWER TO WAIVE PRE-EMPTIVE SUBSCRIPTION RIGHTS.**

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

This report is drawn up in compliance with the provisions of articles 286, 296.1, 297.1.b), and 506.2, of Royal Legislative Decree 1/2010 of 2 July, approving the Companies Act (Companies Act) to explain and provide grounds for the proposal submitted for approval at the Ordinary General Shareholders' Meeting of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (the Company), relating to the delegation of powers to the Board of Directors, with express power of substitution in favour of the Executive Committee, to increase share capital on one or more occasions up to a figure no greater than 50% of the capital existing at the date the agreement was adopted, at any time during a period of five years, with an attached power to waive pre-emptive subscription rights, and to amend article 5 of the Articles of Association in relation to share capital.

Therefore, article 286 of the Companies Act, governing the amendment of Articles of Association, in relation to articles 296 and 297, establishes the legal obligation of the Directors to prepare a written report explaining and providing grounds for the proposal, and article 506, relating to the delegation of an attached power to waive pre-emptive subscription rights in the event of issuance of new shares, establishes the legal obligation to make available to shareholders a Directors' report explaining and providing grounds for the proposal to delegate said power.

**II.- Applicable legislation.**

Article 297,1.b) of the Companies Act provides that the General Meeting may, in accordance with the requirements established, amend the Articles of Association, delegate to members of the Board of Directors the power to resolve to increase share capital on one or more occasions, up to a specified amount at the time and amount they deem to be appropriate, without consulting the General Meeting. These amounts may not individually or collectively exceed 50% of the Company's capital at the time of the authorisation and must be made by means of non-cash contributions within a maximum term of five years from the resolution adopted by the General Meeting.

Additionally, article 506.1 of the Companies Act stipulates that for listed companies, when the General Meeting delegates to members of the Board of Directors the power to increase share capital, it may also delegate an attached power to waive pre-emptive subscription rights in the event of the issuance of shares that may be delegated if it is in the interest of the company to do so.

As established in aforementioned article 506.2, in any call for a General Meeting at which a proposal will be submitted to delegate to Directors the power to increase share capital, express mention must also be made of the proposal to waive pre-emptive subscription rights.

In this respect, Recommendation 5 of the Good Governance Code of Listed Companies proposes that the Board of Directors of a listed company should not make a proposal to the General Meeting for the delegation of power to issue convertible securities without pre-emptive subscription rights for an amount exceeding 20% of share capital at the time of such delegation.

Furthermore, 506.3 of the Companies Act states that for each resolution to increase capital made as a result of delegating powers to the Directors, said Directors must draw up a report to explain in detail the proposal and the amount to be satisfied by the new shares, in addition to the corresponding auditors' report referred to in article 308.2.a), of the Companies Act. These reports shall be made available to shareholders and disclosed at the first General Meeting held after the resolution to raise capital, as required under article 506.4 of the aforementioned Act.

Recommendation 5 of the Good Governance Code of Listed Companies stipulates that when the Board of Directors approves any share issue that waives pre-emptive subscription rights, the Company should immediately publish on its website the reports relating to this exclusion referred to in commercial law.

Article 5.4 of the Articles of Association also regulates the possibility of the General Meeting delegating to the Board of Directors the power to increase share capital, in addition to the power to fully or partially waive pre-emptive subscription rights in the interest of the company and under the terms provided by Law.

### **III.- Explanatory report on the resolution to delegate the power to increase capital.**

It is currently required to submit to the General Shareholders' Meeting the proposal to renew the aforementioned delegation agreement before its expiry, on the established date of the General Meeting, of the five year period during which the resolution adopted by the General Shareholders' Meeting on 28 April 2011, giving the Board of Directors the power to increase capital, was in force.

The Board of Directors considers that the expiry of this resolution justifies the submission of a proposal for its renewal to the Ordinary General Shareholders' Meeting, thereby allowing the Board of Directors to maintain this facility, delegated to it to address potential financing needs that the Company may require or needs, also bearing in mind that on many occasions velocity of execution is especially important for capital increases performed by listed companies.

Therefore, pursuant to the terms of the aforementioned article 297.1.b), of the Companies Act, under which the General Meeting is authorised to delegate to the Board of Directors the power to resolve to increase share capital on one or more occasions, within a period of five years, through cash contributions up to an amount no higher than 50% of the Company's capital at the date said delegation of power is made, the proposed resolution is hereby submitted to the General Shareholders' Meeting as item seven on the agenda.

With regard to the amount of the capital increases that could be carried out by the Board of Directors under the terms of this delegation of power, if the resolution is adopted by the General Meeting, and in order to ensure there is adequate coordination to issue, among other instruments, convertible bonds and/or warrants, this limit shall be understood to include

the amount of the share capital increases that may be carried out to cover the conversion of convertible bonds and/or warrants as described in the resolution presented as item eight on the agenda and any other resolution adopted by the General Meeting in this area.

The resolution considers the possibility of the Board of Directors setting the terms and conditions of each capital increase made as a result of this delegation of power, particularly including the power to freely offer the new shares not subscribed during the pre-emptive subscription period or periods; to cancel the capital increase if the subscription is incomplete or to increase capital only in the amount of the subscriptions made, in accordance with the provisions of article 311 of the Companies Act.

Further, the Board of Directors is also delegated the necessary power, so that if necessary it may draft a new version of article 5 of the Articles of Association in relation to share capital and request the admission to trading of the new shares on the stock markets.

The Board of Directors considers it extremely convenient to have a mechanism in place under current legislation, that allows it to be in the position to at any time perform capital increases, within the limits, terms and conditions imposed by the General Meeting, that may be necessary to address the Company's interests, without the prior need to call and hold a General Meeting.

Therefore, the future obligation of all companies, particularly listed companies, will be to ensure its governing and management bodies are always able to make use of all the possibilities open to them under the regulatory framework to respond rapidly and efficiently to the funding needs arising in the course of trade. These needs may include providing the company with fresh financial resources, which is usually achieved through new capital contributions.

Therefore, the aim of this delegation is to furnish the Company's management body with the most suitable tools to enable it to respond rapidly to market needs at all times, as it is not usually possible to foresee a Company's capital requirements, as the success of a strategic initiative or financial transaction often depends on the possibility of these being carried out without the delays and costs that calling and holding a General Meeting would entail.

The need for an instrument of these characteristics is reflected in the fact that this delegation is a proposal that is included habitually among the resolutions submitted to the General Meetings of all the major entities trading on the continuous market.

BME's Board of Directors has applied this method of delegating power to increase capital from the time its shares were admitted for trading on the market, i.e. 2006, although it has not made use of the facility to date.

### **III.- Explanatory report on the resolution to delegate the power to waive pre-emptive subscription rights**

Further, pursuant to the provisions of article 506.1 of the Spanish Companies Act and article 5.4 of the Articles of Association, the resolution allows the Board of Directors to waive pre-emptive subscription rights.

Therefore, article 5.4.2 of the Articles of Association states that the Company's interests may be invoked as grounds for eliminating pre-emptive subscription rights when it is necessary to do so in order to facilitate (i) the acquisition by the Company of assets, including shares or equity interests in companies, that are conducive to the accomplishment of the corporate purpose; (ii) the placement of the new shares on foreign markets that give access to sources

of financing; (iii) the raising of funds by using placement techniques based on research into demand aimed at maximising the share issue price; (iv) the admission of industrial, technological or financial partners, or of partners whose admission is of particular interest to the Company due in general to their activities, and (v) in general, the performance of any operation that is to the Company's advantage.

The Board of Directors considers that the resolution to delegate the power to waive pre-emptive subscription rights is justified by the flexibility and rapidity with which it is necessary to act in the financial markets today in order to take advantage of times when conditions are more favourable, because this may be necessary when funds are being raised in the international markets, providing access to new sources of financing, or using bookbuilding techniques.

The waiving of pre-emptive subscription rights aims to maximise the funds raised while at the same time reducing the costs associated with the operation, especially fees paid to financial entities taking part in the issue, in comparison with an issue with pre-emptive subscription rights, and at the same time it is less likely to distort trading in Company shares as the issuance period for the new shares is shorter, and accelerated placements can be made, and market risk reduced in the execution of the operation.

Nonetheless, the Board of Directors wishes to state that the full or partial waiving of pre-emptive subscription rights is only a power that the General Meeting invests in the Board of Directors, and the exercise of this power lies in the Board of Directors' decision to do so, on the basis of the circumstances in play and in compliance with legal requirements.

Further, in line with the best corporate governance practices, and particularly with the provisions of Recommendation 5 of the Good Governance Code, the proposal that the Board of Directors submits to the General Meeting to waive pre-emptive subscription rights is limited to capital increases that are not individually or collectively for an amount higher than 20% of the share capital at the time of the delegation of power.

The proposal also stipulates that this limit is understood to extend to capital increases, that, in order to cover the conversion of convertible bonds and/or warrants that waive pre-emptive subscription rights, are carried out pursuant to the resolution adopted under item eight of the agenda or any other resolution that may be adopted by the General Meeting with regard to this subject.

However, if the Board of Directors decides to waive pre-emptive subscription rights in relation to a specific capital increase, pursuant to the provisions of article 308.2.a), in relation the aforementioned article 506.3 of the Companies Act, at the time a resolution is passed a detailed report shall be issued explaining the specific reasons that justify the measure in the interests of the Company and describing the type of issue. This will also be set down in the corresponding report made by an auditor other than the Company's auditor, appointed by the relevant Companies Register.

Both reports will be published on the corporate website as quickly as possible and made available to shareholders and issued at the first General Meeting held after the capital increase resolution, in accordance with article 506.4 of the Companies Act.

If approved, the proposal submitted will replace and annul the resolution approved by the Ordinary General Shareholders' Meeting held on 28 April 2011.