

AMP – Spain: Liquidity Contracts

Description of the National AMP:

A company (the issuer) - whose shares are admitted to trading on a regulated market in Spain – can sign a contract (Liquidity contract) with an Investment firm or a credit institution (Financial Intermediary). Within the Liquidity contract it shall be defined the conditions under which the Financial Intermediary will act on behalf of the issuer, buying or selling shares of the latter, with the only aim of enhancing the liquidity of the transactions and the regularity of the quotation of the shares of the issuer within the limits established in the authorisation from the Shareholders General Meeting to transact business on the own shares of the issuer.

The issuer is only allowed to sign a contract with a single Financial Intermediary for each category of shares.

The Financial Intermediary must not be instructed by the issuer in its activity on the issuer's shares.

All the transactions under the Liquidity contract must be carried out in the regulated markets where the shares are admitted to trading and all the transactions must be registered in a specific account opened in the name of the issuer by the Financial Intermediary.

Trades performed under a liquidity contract must be registered by the Financial Intermediary in two accounts: a securities account and a corresponding cash account, both opened in the name of the Issuer and used solely for these transactions.

Both accounts must be balanced and the balances of the accounts associated with the Contract must maintain an equilibrium and be proportional to the goals pursued by the contract.

To ensure compliance with the principle of proportionality, the liquidity contract will establish the conditions in which the Financial Intermediary may, simultaneously or in succession:

- a) Buy or sell the Issuer's shares in order to ensure an equilibrium between the balance of shares and cash, having regard to the outlook for performance of the liquidity contract.
- b) Transfer a certain amount from the cash account to another account designated by the Issuer.

Where, at the time of entering into a liquidity contract, the Issuer does not deposit shares into the securities account or deposits a number that is insufficient to enable operations to commence under the contract, there must be an initial period during which the Financial Intermediary may only buy shares of the Issuer until it attains the volume that is pre-determined in the contract. Such acquisitions will be for the sole purpose of enabling the Financial Intermediary to commence operations under the Contract, they will not be subject to the provisions of section 1 of the Third Rule of Circular 3/2007, and they must be performed in the Issuer's best interests but without interfering with or hampering normal market operations and without misleading third parties.

Where the initial period concludes and the volume referred to in the preceding section has not been attained, the Issuer and the Financial Intermediary may:

- a) Extend the initial period by a length of time not greater than the initially-established period.
- b) Terminate the Contract.
- c) Establish a lower number of shares.

When the liquidity contract is terminated, regardless of the reason, the accounts associated with it must be cancelled.

In the course of discharging its obligation to provide liquidity, the Financial Intermediary must trade in Spanish official secondary markets through the main market in accordance with the trading rules and within the standard trading hours of those markets.

However, in the cases where the provisions of this section do not apply, the Financial Intermediary may not buy or sell shares by means of Volume Weighted Average Price (VWAP) block trades.

The Financial Intermediary may not, at any time, occupy a dominant position in trading in the Issuer's shares. For these purposes, it may not in any event exceed 25% of average daily trading in the main market in the official secondary market in the previous 30 sessions.

During the auction periods, and particularly during the closing auction, the Financial Intermediary must take great care to ensure that its actions do not have a decisive influence on share price performance.

In any case, trades by a Financial Intermediary in the framework of a liquidity contract must not create artificial changes in the share price with respect to the market trend, or hamper the market's normal operation, or mislead third parties. To that end:

- a) Buy orders must be made at a price not greater than the price of the last trade in the market between independent parties and the highest price of a buy order in the market order book, whichever is higher.
- b) Sell orders must be made at a price not lower than the price of the last trade in the market between independent parties and the lowest price contained in a sell order in the market order book, whichever is lower.

The Issuer must, at all times, comply with the regulations on own shares, as regulated in Legislative Royal Decree 1564/1989, of 22 December, which approved the Consolidated Text of the Corporations Law. In particular, in accordance with its article 79, the political and economic rights of the shares deposited in the securities account will be suspended and, consequently, the Issuer and the Financial Intermediary undertake to take all the necessary measures to guarantee that the aforementioned suspension is complied with, particularly with regard to dividend payments.

Reporting requirements

Reporting between the Issuer and the Financial Intermediary

The Issuer and the Financial Intermediary must send each other the necessary information so that each of them may fulfil their respective legal obligations, particularly the rules on inside information established in Title VII of the Securities Market Law (Law 24/1988, of 28 June).

Public Information

In addition to the reporting obligations with regard to own shares to which listed companies are subject, any Issuer that enters into a liquidity contract must disclose the following by means of a regulatory disclosure to the CNMV:

- a) Before the liquidity contract comes into force, the identity of the Financial Intermediary with which it has been arranged, the share and the market where the trades are to be made, the duration of the contract, and the number of shares and the amount of cash allocated to the securities and cash accounts, respectively.
- b) Each quarter, and when the liquidity contract is terminated, the Issuer must disclose the transactions in own shares made under the contract, detailing the number of own shares that were purchased and sold, the amount of cash paid and received, and the balance of the securities and cash accounts at the end of the reporting period and on signature of the contract.
- c) In the event of termination of the liquidity contract, in addition to complying with the provisions of paragraph b) above, the Issuer must disclose the termination.
- d) Any change in the information referred to in paragraph a) above must be disclosed within the following five stock market sessions.
- e) Details of the trades made by the Financial Intermediary in the cases referred to balance both accounts assigned to the Contract must be disclosed by the Issuer within the following five stock market sessions.

These disclosures may be viewed on the web sites of the CNMV and the Issuer.

Information to be presented to the CNMV

An Issuer that enters into a liquidity contract, in addition to fulfilling the reporting requirements described above, must present a copy of the contract to the CNMV when it is signed.

Restrictions

The issuer may not, directly or indirectly, engage in any other trades in its own shares while the liquidity contract is in force except for those made under the cases referred to below, where the contract is suspended. In no case may the Issuer use the securities account to acquire shares in order to increase its balance of own shares.

The operation of the liquidity account must be suspended in the following cases:
In the event of primary and secondary public offerings of the Issuer's shares, in the 30 calendar days following the date upon which they commence trading.

From the date of the announcement of a takeover bid for the Issuer's shares, up until its settlement date.

During share buyback programmes, except where they comply with the provisions of Regulation (EC) 2273/2003, in which case the trades under that programme will count for the purposes of the daily trading limits mentioned above, the Issuer being responsible for compliance with those limits.

Rationale for why the practice would constitute manipulation

This practice cannot benefit from the exemption to the prohibitions of Directive 2003/6/EC as provided for by Article 8 since its objective doesn't meet the conditions set forth by Regulation (EC) n°2273/2003.

In addition, the enhancement of liquidity in this way could potentially lead to misleading signals, while the dampening of price movements by the enhanced liquidity could be construed as leading to an artificial price level.

List of Factors

Commission Directive 2004/72/EC Article 2

Non-exhaustive list of factors to be taken into account by Competent Authorities when assessing particular practices whether they occur on a regulated market or an OTC market:

- The level of transparency of the relevant market practice to the whole market(art 2(1) (a))

Transparency of market practices by market participants is crucial for considering whether a particular market practice can be accepted by competent authorities. The less transparent a practice is, the more likely it is not to be accepted. However, practices on non regulated markets might for structural reasons be less transparent than similar practices on regulated markets. Such practices should not be in themselves considered as unacceptable by competent authorities. (preamble 2)

Conclusion regulator:

In addition to the reporting obligations with regard to own shares to which listed companies are subject, any Issuer that enters into a liquidity contract must disclose the following by means of a regulatory disclosure to the CNMV:

- a) Before the liquidity contract comes into force, the identity of the Financial Intermediary with which it has been arranged, the share and the market where the trades are to be made, the duration of the contract, and the number of shares and the amount of cash allocated to the securities and cash accounts, respectively.
- b) Each quarter, and when the liquidity contract is terminated, the Issuer must disclose the transactions in own shares made under the contract, detailing the number of own shares that were purchased and sold, the amount of cash paid and received, and the balance of the securities and cash accounts at the end of the reporting period and on signature of the contract.
- c) In the event of termination of the liquidity contract, in addition to complying with the provisions of paragraph b) above, the Issuer must disclose the termination.
- d) Any change in the information referred to in paragraph a) above must be disclosed within the following five stock market sessions.
- e) Details of the trades made by the Financial Intermediary in the cases referred to balance both accounts assigned to the Contract must be disclosed by the Issuer within the following five stock market sessions.

These disclosures may be viewed on the web sites of the CNMV and the Issuer.

An Issuer that enters into a liquidity contract, in addition to fulfilling the reporting requirements described above, must present a copy of the contract to the CNMV when it is signed.

- the need to safeguard the operation of market forces and the proper interplay of the forces of supply and demand; (art 2(1) (b))

Market practices inhibiting the interaction of supply and demand by limiting the opportunities for other market participants to respond to transactions can create higher risks for market integrity and are, therefore, less likely to be accepted by competent authorities. (preamble 1)

Conclusion regulator:

This practice does not inhibit the interaction of supply and demand. Trades carried out by a Financial Intermediary under this practice are reactions to orders, which, considering the volumes and size of the market, create an imbalance between supply and demand. Liquidity contracts help and may even be a key factor in the interaction of supply and demand since they aim to ensure regular quotations for an otherwise illiquid share.

- the degree to which the relevant market practice has an impact on market liquidity and efficiency. (art 2(1) (c))

Market practices which enhance liquidity and efficiency are more likely to be accepted than those reducing them. (Preamble 1)

Conclusion regulator:

The objective of this practice is precisely to improve market liquidity and efficiency.

- the degree to which the relevant practice takes into account the trading mechanism of the relevant market and enables market participants to react properly and in a timely manner to the new market situation created by that practice(art 2(1) (d)).

Conclusion regulator:

In the course of discharging its obligation to provide liquidity, the Financial Intermediary must trade in Spanish official secondary markets through the main market in accordance with the trading rules and within the standard trading hours of those markets.

- the risk inherent in the relevant practice for the integrity of, directly or indirectly, related markets, whether regulated or not, in the relevant financial instrument within the whole Community. (art 2(1) (e))

Particular market practices in a given market should not put at risk market integrity of other, directly or indirectly, related markets throughout the Community, whether those markets be regulated or not. Therefore, the higher the risk for market integrity on such a related market is within the Community, the less those practices are likely to be accepted by competent authorities. (Preamble 3)

Conclusion regulator:

A great care has been put into mechanisms to protect the integrity of the market. These mechanisms range from measures to ensure independence and minimize conflicts of interest to provisions designed to avoid undesired price effects of the trades done under the Contract.

The liquidity contract must establish the Financial Intermediary's independence, as a provider of liquidity, vis-à-vis the Issuer, and the latter may not give the former any instructions aimed at guiding its intervention in buying or selling the Issuer's shares.

To that end, the Financial Intermediary must have an internal organisation structure that ensures that its employees entrusted with making the decisions regarding trades under the liquidity contract are independent of the areas handling the proprietary account, third-party portfolio management and processing of third-party orders.

Additionally, trades by a Financial Intermediary in the framework of a liquidity contract must not create artificial changes in the share price with respect to the market trend, or hamper the market's normal operation, or mislead third parties.

- the outcome of any investigation of the relevant market practice by any competent authority or other authority mentioned in Article 12(1) of Directive 2003/6/EC, in particular whether the relevant market practice breached rules or regulations designed to prevent market abuse, or codes of conduct, be it on the market in question or on directly or indirectly related markets within the Community; (art 2(1) (f))

Conclusion regulator:

An almost identical AMP has been established by the competent authority in France, the AMF, and a similar one is also in the process of being approved by the competent authority in The Netherlands, the AFM.

The AMF's conclusion: "There haven't been any adverse results of any investigation that might question this practice."

From the experience of the CNMV in its investigations, we have not had any adverse result that might question this practice either.

- the structural characteristics of the relevant market including whether it is regulated or not, the types of financial instrument traded and the type of market participants, including the extent of retail investors participation in the relevant market; (art 2(1) (g))

Conclusion regulator:

This practice concerns only equities traded on cash regulated markets where retail investors involvement may be significant. Nevertheless the involvement of retail investors does not represent a risk since this practice enables retail investors to buy and sell shares within reasonable conditions of liquidity. This practice is therefore favourable to retail investors.

Overriding Principles

Overriding principles to be observed by Competent Authorities to ensure that accepted market practices do not undermine market integrity, while fostering innovation and the continued dynamic development of financial markets:

- new or emerging accepted market practices should not be assumed to be unacceptable by the Competent Authority simply because they have not been previously accepted by it;



- Practising fairness and efficiency by market participants is required in order not to create prejudice to normal market activity and market integrity.
- Competent Authorities should analyse the impact of the relevant market practice against the main market parameters such as weighted average price of a single session, daily closing price, specific market conditions, before carrying out the relevant market practice.

Conditional elements

The CNMV has taken into account these principles when accepting the market practice described in this document.

The CNMV shall supervise the transactions performed under the new accepted market practice to analyse its impact against the main market parameters.

According to Spanish legislation, the market practice shall be approved by the CNMV through a Circular (CNMV's Regulation approved by the Board) that is enclosed to this paper as an Annex.



Circular 3/2007, of 19 December, by the Comisión Nacional del Mercado de Valores on Liquidity Contracts for the purposes of their acceptance as a market practice

Illiquidity in equities hampers the market's proper development and operation and may be detrimental to investors and intermediaries. In line with the decisions by other securities supervisors in the European Union, certain mechanisms aimed at increasing a security's liquidity may be appropriate if they minimise misleading signals and do not impair the orderly working of the market.

Royal Decree 1333/2005, of 11 November, which implemented the Securities Market Law (Law 24/1988, of 28 June) in the area of market abuse, established the procedure and factors to be considered in order for the Comisión Nacional del Mercado de Valores to declare a practice to be accepted market practice for the purposes of considering that there is no market abuse, provided that such practice is conducted for legitimate reasons.

The liquidity contracts referred to in this Circular involve an intermediary providing liquidity on behalf of an issuer by buying and selling that issuer's shares in the secondary market. Nevertheless, this practice may extend in the future to other securities and other trading systems.

Since that activity might entail market manipulation as defined in article 83 ter.1 of the Securities Market Law (Law 24/1988, of 28 June) and in Directive 2003/6/EC, this Circular seeks to determine the limits and conditions in which the transactions carried out under such contracts may be classified as an accepted practice for the purposes of the provisions of the aforementioned article 83.ter.1.a) of Law 24/1988.

Other European supervisors have already accepted, or are in the process of accepting, liquidity contracts as standard market practice for the purposes of article 2 of Directive 2004/72/EC.

In compliance with the provisions of article 5.2 of Royal Decree 1333/2005, once this Circular has been published in Spain's Official Gazette, it will be remitted to the Committee of European Securities Regulators for publication on its web site.

Note that transactions carried out under a liquidity contract that does not fulfil the conditions established in the Circular should not be classified automatically as market abuse. They fall under the scope of the securities market regulations, particularly Directive 2003/6/EC and the regulations transposing it (article 83.ter.1 of the Securities Market Law (Law 24/1988, of 28 June) and Royal Decree 1333/2005, of 11 November) and, consequently, may be subject to penalties or administrative measures if the Comisión Nacional del Mercado de Valores decides that the transactions in question constitute market abuse.

For the purposes of acceptance of this practice, the Comisión Nacional del Mercado de Valores has taken account of the degree of transparency of the activity regulated by liquidity contracts, its influence on the interplay between supply and demand, the need to preserve market forces, the degree to which these contracts conform to the trading mechanisms, the risk they may represent for market integrity, as well as the market's structural characteristics and the supervisor's experience.

Accordingly, the Board of the Comisión Nacional del Mercado de Valores, in conformity with articles 83.ter.1.a) of the Securities Market Law (Law 24/1988, of 28 June) and articles 4 and 5 of the aforementioned Royal Decree 1333/2005, of 11 November, and following a report by its Advisory Board, has decided as follows:

First Rule. *Description of the market practice.*

1. In conformity with articles 4 and 5 of Royal Decree 1333/2005, of 11 November, which implements the Securities Market Law (Law 24/1988, of 28 June) in the area of Market Abuse, transactions conducted under a liquidity contract will be considered as acceptable market practice provided that they fulfil the requirements established in this Circular.
2. Companies whose shares are listed in a Spanish official secondary market (hereafter "Issuer") may enter into a liquidity contract with an investment firm or credit institution (hereafter, "Financial Intermediary").
3. The liquidity contract must define the conditions in which the Financial Intermediary will trade on behalf of the Issuer by buying and selling the Issuer's shares with the sole purpose of favouring liquidity and regular trading in the share, within the limits established in the authorisation granted by its Shareholders' Meeting for the acquisition of own shares.
4. The Issuer may sign a liquidity contract with only one Financial Intermediary for each class of share.

Second Rule. *Requirements for Liquidity Contracts.*

The Liquidity Contracts covered by this Circular must fulfil the following requirements in all cases:

1. Sole purpose: The liquidity contract must have, as its sole purpose, that mentioned in section 3 of the First Rule of this Circular.
2. Independence of the Financial Intermediary: The liquidity contract must establish the Financial Intermediary's independence, as a provider of liquidity, vis-à-vis the Issuer, and the latter may not give the former any instructions aimed at guiding its intervention in buying or selling the Issuer's shares.

To that end, the Financial Intermediary must have an internal organisation structure that ensures that its employees entrusted with making the decisions regarding trades under the liquidity contract are independent of the areas handling the proprietary account, third-party portfolio management and processing of third-party orders.

The liquidity contract will establish the conditions for the remuneration payable by the Issuer to the Financial Intermediary, which may not impair the latter's independence nor encourage it to artificially influence the share price and/or trading volume through trades in the shares.

In no event may the Financial Intermediary use its own funds to engage in trades under the liquidity contract nor may its remuneration be based on the number of transactions performed, without prejudice to it being reimbursed for the expenses incurred in such trades.

3. Actions in the official secondary markets: The transactions performed under a liquidity contract may only be conducted in official secondary markets where the Issuer's shares are listed, using their electronic trading means.

In providing liquidity, the Financial Intermediary must trade on Spanish official secondary markets in line with the trading rules and within the standard trading hours established by the markets.

4. Identification: Trades performed under a liquidity contract must be registered by the Financial Intermediary in two accounts: a securities account and a corresponding cash account, both opened in the name of the Issuer and used solely for these transactions.

5. Continuity of the activity: The liquidity contract must be executed in such a way as to ensure its continuity. To that end, the Financial Intermediary may decide not to trade if, as a result of trading, the continuity of the provision of this service might be jeopardised due to exhausting the shares or cash provided by the Issuer.

When the balances in the accounts associated with the liquidity contract are insufficient to enable trades to be performed, the Financial Intermediary will consult with the Issuer to determine the measures to be adopted to remedy this situation. In particular, the Issuer may decide to make additional contributions to both accounts.

When the balances of both accounts are excessive, the Issuer, in consultation with the Financial Intermediary, may reduce the balance, this being the only case where the Issuer may make withdrawals of cash. Regarding the securities account, the Issuer may withdraw the surplus balance up to at most the number of shares contributed less the number withdrawn, if any, up to that date.

The Financial Intermediary, by agreement with the Issuer, will sell on the market any surplus shares not withdrawn by the Issuer, making the sale in the Issuer's best interests but without interfering with or hampering normal market operation and without misleading third parties.

Sales made by the Financial Intermediary to eliminate a surplus of shares deposited in the securities account will not be subject to the provisions of section 1 of the Third Rule of this Circular.

6. Non-withdrawal of shares: The own shares allocated by the Issuer to the liquidity contract or acquired under such a contract may only be withdrawn from the securities account as a result of transactions carried out under the liquidity contract.

7. Proportionality: The balances of the accounts associated with the Contract must maintain an equilibrium and be proportional to the goals pursued by the contract.

Notwithstanding the provisions of section 1 of the Second Rule, to ensure compliance with the principle of proportionality, the liquidity contract will establish the conditions in which the Financial Intermediary may, simultaneously or in succession:

- a) Buy or sell the Issuer's shares in order to ensure an equilibrium between the balance of shares and cash, having regard to the outlook for performance of the liquidity contract.
- b) Transfer a certain amount from the cash account to another account designated by the Issuer.

Where, at the time of entering into a liquidity contract, the Issuer does not deposit shares into the securities account or deposits a number that is insufficient to enable operations to commence under the contract, there must be an initial period during which the Financial Intermediary may only buy shares of the Issuer until it attains the volume that is pre-determined in the contract. Such acquisitions will be for the sole purpose of enabling the Financial Intermediary to commence operations under the Contract, they will not be subject to the provisions of section 1 of the Third Rule of this Circular, and they must be performed in the Issuer's best interests but without interfering with or hampering normal market operations and without misleading third parties.

Where the initial period concludes and the volume referred to in the preceding section has not been attained, the Issuer and the Financial Intermediary may:

- a. Extend the initial period by a length of time not greater than the initially-established period.
- b. Terminate the Contract.
- c. Establish a lower number of shares.

8. Cancellation of the accounts associated with the liquidity contract: When the liquidity contract is terminated, regardless of the reason, the accounts associated with it must be cancelled in accordance with the following procedure:

- a. Cash account: the Financial Intermediary will immediately transfer the balance to another account designated by the Issuer.
- b. Securities account: The Financial Intermediary will immediately sell the shares in the account at that time. Such sales will not be subject to the provisions of section 1 of the Third Rule of this Circular, and they must be performed in the Issuer's best interests but without interfering with or hampering normal market operations and without misleading third parties.

Nevertheless, the provisions of paragraph b. of this Rule will not apply where:

- The shares are transferred to another Financial Intermediary entrusted with applying another liquidity contract that fulfils the requirements of section 2 above.
- The Issuer wishes to recover a number of shares, in which case that number may not exceed the number of shares deposited by the Issuer, net of any withdrawals.

Third Rule. Conditions for trading

1. In the course of discharging its obligation to provide liquidity, the Financial Intermediary must trade in Spanish official secondary markets through the orders market in accordance with the trading rules and within the standard trading hours of those markets.

2. However, in the cases where the provisions of this section do not apply, the Financial Intermediary may not buy or sell shares by means of block trades where the counterparty is unwinding a position established previously by means of trades on the orders market and which it offers at the weighted average price of such trades.

3. The Financial Intermediary may not, at any time, occupy a dominant position in trading in the Issuer's shares. For these purposes, it may not in any event exceed 25% of average daily trading in the orders market in the official secondary market in the previous 30 sessions.

4. During the auction periods, and particularly during the closing auction, the Financial Intermediary must take great care to ensure that its actions do not have a decisive influence on share price performance.

5. In any case, trades by a Financial Intermediary in the framework of a liquidity contract must not create artificial changes in the share price with respect to the market trend, or hamper the market's normal operation, or mislead third parties. To that end:

- a) Buy orders must be made at a price not greater than the price of the last trade in the market between independent parties and the highest price of a buy order in the market order book, whichever is higher.
- b) Sell orders must be made at a price not lower than the price of the last trade in the market between independent parties and the lowest price contained in a sell order in the market order book, whichever is lower.

6. The Issuer must conform at all times to the rules on trading in own shares as regulated in Legislative Royal Decree 1564/1989, of 22 December, which approved the Consolidated Text of the Corporations Law, and in particular, the limit on acquisition established in its Additional Provision One.

Fourth Rule. Reporting requirements

1. Reporting between the Issuer and the Financial Intermediary: The Issuer and the Financial Intermediary must send each other the necessary information so that each of them

may fulfil their respective legal obligations, particularly the rules on inside information established in Title VII of the Securities Market Law (Law 24/1988, of 28 June).

2. Public Information: In addition to the reporting obligations with regard to own shares to which listed companies are subject, any Issuer that enters into a liquidity contract must disclose the following by means of a regulatory disclosure to the CNMV:

- a) Before the liquidity contract comes into force, the identity of the Financial Intermediary with which it has been arranged, the share and the market where the trades are to be made, the duration of the contract, and the number of shares and the amounts allocated to the securities and cash accounts, respectively.
- b) Each quarter and, in any event, when the liquidity contract is terminated, the Issuer must disclose the transactions in own shares made under the contract, detailing the number of own shares that were purchased and sold, the amount of cash paid and received, and the balance of the securities and cash accounts at the end of the reporting period and on signature of the contract.
- c) In the event of termination of the liquidity contract, in addition to complying with the provisions of paragraph b) above, the Issuer must disclose the termination.
- d) Any change in the information referred to in paragraph a) above must be disclosed within the following five stock market sessions.
- e) Details of the trades made by the Financial Intermediary in the cases referred to in section 7 of the Second Rule must be disclosed by the Issuer within the following five stock market sessions.

These disclosures may be viewed on the web sites of the CNMV and the Issuer.

3. Information to be presented to the CNMV: An Issuer that enters into a liquidity contract must, in addition to fulfilling the reporting requirements established in section 2 of this Rule, present a copy of the contract to the CNMV when it is signed.

Fifth Rule. Restrictions

1. The issuer may not engage, directly or indirectly, in any other trades in its own shares while the liquidity contract is in force except for those made under the cases referred to in the following paragraph, where the contract is suspended. In no case may the Issuer use the securities account to acquire shares in order to increase its balance of own shares.
2. The operation of the liquidity account must be suspended in the following cases:
 - 4.1 In the event of primary and secondary public offerings of the Issuer's shares, in the 30 calendar days following the date upon which they commence trading.
 - 4.2 From the date of the announcement of a takeover bid for the Issuer's shares, up until the date of settlement.
 - 4.3 During share buyback programmes, except where they comply with the provisions of the aforementioned Regulation (EC) 2273/2003, in which case the trades under that programme will count for the purposes of the limits established in section 3 of the Third Rule of this Circular, the Issuer being responsible for compliance with those limits.

Sixth Rule. Standard Form of Liquidity Contract

The Comisión Nacional del Mercado de Valores recommends the use of the Standard Form of Liquidity Contract that conforms to the requirements of this Circular, which is attached in Annex I, for the purposes of proper interpretation.

Final Rule.

This Circular will come into force on the date following its publication in the Official State Gazette.



Standard Form of Liquidity Contract

STANDARD FORM OF LIQUIDITY CONTRACT

(PLACE) (DATE).

PARTIES

On the one hand, [company particulars and registration details] (hereafter, the "Issuer"), represented by [full name and particulars]

On the other hand, [company particulars and registration details] (hereafter, the "Financial Intermediary"), represented by [full name and particulars]

WHEREAS

7. This Liquidity Contract (hereafter, the "Contract") is entered into under the provisions of Circular 3/2007 and other applicable regulations.
8. The Issuer has capital stock amounting to [amount]€, represented by [number] shares of [amount] par value each which are listed and traded in [regulated markets], where the transactions covered by this Contract are to be carried out.
9. The Issuer states that it has obtained all the legally-required permits to enter into this Contract.
10. The Financial Intermediary is an entity that is legally authorised to perform the transactions referred to in this Contract on behalf of the Issuer.
11. The Issuer may not, directly or indirectly, engage in any other trades in its own shares while this Contract is in force except for the cases referred to in clause 14, where the contract is suspended.

Accordingly, the Parties enter into this Contract under the following

CLAUSES

Clause 1. Purpose of this Contract

The Contract establishes the conditions under which the Financial Intermediary will trade on behalf of the Issuer, buying and selling the latter's own shares, with the sole purpose of favouring liquidity and regularity of trading within the limits established in the authorisation granted to the Issuer by its Shareholders' Meeting for this purpose.

Clause 2. Securities account and cash account associated with the Contract

1. Securities account number [number] and cash account number [number] in the Issuer's name, at [name of bank(s)], are designated for the purposes of performing this Contract and will be used exclusively for those purposes.
2. In order to enable the Financial Intermediary to carry out the transactions regulated in this contract, the Issuer will deposit [number] shares in the securities account and [amount] euro in the cash account.

Clause 2bis¹. Prior acquisition of shares to deposit in the securities account

1. In a period of [...] days (hereafter, the "initial period") from signature of this Contract, the Financial Intermediary will buy shares of the Issuer on behalf of the latter up to at most [number] shares or at most [amount] euro.

Such acquisitions will be for the sole purpose of enabling the Financial Intermediary to commence operations under this Contract, they will not be subject to the provisions of section 1 of the Third Rule of Circular 3/2007, and they must be performed in the Issuer's best interests but without interfering with or hampering normal market operations and without misleading third parties.

2. The shares acquired in the initial period will be deposited in the securities account referred to in clause 2.

3. The Financial Intermediary may not sell any of the Issuer's shares deposited in the securities account until the initial period concludes or until it attains either of the limits (shares or cash) established in clause 2bis.1.

4. When any of the limits established in clause 2bis.1 of this contract is attained, the Financial Intermediary will immediately notify the Issuer, detailing the conditions under which the shares were acquired.

Starting from the trading day immediately following the date of that notification, the transactions performed by the Financial Intermediary in the Issuer's shares will be subject to the provisions of clause 3 of this Contract.

5. In the event that the initial period concludes and neither of the limits referred to in clause 2bis.1 have been attained, the parties may:

- a. Extend the initial period by [number] days.
- b. Terminate the Contract.
- c. Reduce the aforementioned limits.

Clause 3. Conditions governing trades in the Issuer's shares by the Financial Intermediary

The Financial Intermediary must perform the transactions covered by this Contract in Spanish official secondary markets through the orders market in accordance with the trading rules and within the standard trading hours of those markets, as provided by the Third Rule of Circular 3/2007.

Clause 4. Independence of the Financial Intermediary

2.1 The Financial Intermediary will carry out the transactions covered by this contract with total independence from the Issuer, and neither party may request or give, respectively, any type of instruction in this respect. In particular, the Financial Intermediary will have sole discretion as to the timing of transactions in the Issuer's shares with the following goals:

- a. Favour liquidity and regularity of trading.
- b. Guarantee the continuity of this Contract, in terms of the number of shares and the amount of cash available in the securities account and cash account referred to in clause 2 of this Contract.

2.2 The Financial Intermediary guarantees that the employees entrusted with making decisions about trades under this Contract will be independent of the areas in charge of managing:

¹ For cases where the Issuer does not deposit shares in the securities account or deposits a number insufficient for operations to commence under this Contract.

- a. Its proprietary account
- b. Third-party portfolios
- c. Third-party orders

2.3 The Financial Intermediary may not use its own funds to engage in trades under this Contract.

Clause 5. Reporting obligations

The parties undertake to send each other the necessary information so that each of them may fulfil their respective legal obligations, particularly the rules on inside information established in Title VII of the Securities Market Law (Law 24/1988, of 28 June).

In particular, the Financial Intermediary will send to the Issuer, with sufficient detail and sufficiently in advance, the necessary information to enable it to fulfil its obligations to report to the market in connection with the trades conducted under this Contract.

The Issuer must notify the Financial Intermediary to suspend operations under this contract in accordance with the provisions of clause 14.

Clause 6. Political and economic rights of the shares deposited in the securities account

In accordance with the provisions of article 79 of Legislative Royal Decree 1564/1989, of 22 December, which approved the Consolidated Text of the Corporations Law, the political and economic rights of the shares deposited in the securities account will be suspended, apart from the right to allocation of new shares free of charge. Consequently, both parties undertake to take all the necessary measures to guarantee that the aforementioned suspension is complied with, particularly with regard to dividend payments.

Clause 7. Equilibrium and proportionality in the accounts associated with the Contract

a. When the balances of the two accounts are imbalanced such as to prevent the continuity of the operations regulated by this Contract, the Issuer empowers the Financial Intermediary to buy or sell shares, as necessary, in order to restore an equilibrium between the balances of those accounts.

b. The Financial Intermediary will purchase or sell shares as referred to in the preceding paragraph but without interfering with or hampering normal market operation and without misleading third parties.

Clause 8. Subsequent contributions to the accounts associated with the Contract

a) When the balances in the two accounts are insufficient to enable the trades addressed by this Contract to be performed, the Financial Intermediary will consult with the Issuer to determine the measures to be adopted to remedy this situation.

b) In particular, the Issuer may decide to make additional contributions to both accounts.

Clause 9. Withdrawals from the accounts associated with the Contract

a. When the balances of both accounts are excessive for the purposes of the trades addressed by this Contract, the Issuer, by agreement with the Financial Intermediary, may reduce the balance, this being the only case where the Issuer may make withdrawals from the cash account.

b. Regarding the securities account, the Issuer may withdraw the surplus balance up to at most the number of shares contributed less the number withdrawn, if any, up to that date.

The Financial Intermediary, by agreement with the Issuer, will sell on the market any surplus shares not withdrawn by the Issuer, making the sale in the Issuer's best interests but without

interfering with or hampering normal market operation and without misleading third parties.

Sales made by the Financial Intermediary to eliminate a surplus of shares deposited in the securities account will not be subject to the provisions of section 1 of the Third Rule of Circular 3/2007.

Clause 10. Cancellation of the accounts associated with the Contract

When the Contract is terminated, regardless of the reason, the parties will cancel the associated accounts in accordance with the following procedure:

1. Cash account: the Financial Intermediary will immediately transfer the balance to another account designated by the Issuer.
2. Securities account: The Financial Intermediary will immediately sell the shares in the account at that time. Such sales will not be subject to the provisions of section 1 of the Third Rule of Circular 3/2007, and they must be performed in the Issuer's best interests but without interfering with or hampering normal market operations and without misleading third parties.

Nevertheless, the provisions of this section will not apply where:

- a. The shares are transferred to another Financial Intermediary entrusted with applying another liquidity contract that fulfils the requirements of the Second Rule of Circular 3/2007.
- b. The Issuer wishes to recover a number of shares, which may not exceed the number of shares deposited by the Issuer under clauses 2 and 8 of this Contract, net of any withdrawals made under clause 9.

Clause 11. Economic terms of the Contract

For performing the services regulated in this Contract, the Financial Intermediary will collect [detail, among other items: rate of remuneration, frequency of payment, and cases of suspension of the contract]

Clause 12. Confidentiality

All information exchanged between the parties under this Contract will be treated as confidential. Nevertheless, this will not prevent this information from being given to the competent authorities that request it, particularly the CNMV, in accordance with the applicable current legislation.

Clause 13. Duration of the Contract

The Contract will have a duration of [12 or 18] months from the date of signature, and will be renewed tacitly for the same length of time unless the parties indicate otherwise.

Clause 14. Suspension of the Contract

The performance of transactions envisaged in this Contract will be suspended in the following cases:

1. In the event of primary and secondary public offerings of the Issuer's shares, in the 30 calendar days following the date upon which they commence trading.
2. From the date of the announcement of a takeover bid for the Issuer's shares, up until the date of settlement.
3. During share buyback programmes, except where they comply with the provisions of Regulation (EC) 2273/2003, in which case the trades under that programme will count for the

purposes of the limits established in section 3 of the Third Rule of Circular 3/2007, the Issuer being responsible for compliance with those limits.

Clause 15. Termination of the Contract

1. The Issuer may terminate the Contract unilaterally at any time and request the cancellation of its associated accounts, in accordance with the conditions established in clause 10 of this Contract.
2. The Financial Intermediary may terminate this Contract by giving the Issuer notice [time period (days, weeks, months, etc.)] in advance.
3. The Issuer and the Financial Intermediary may agree to terminate this contract in accordance with the provisions of clause 2bis.5.b).

Clause 16. Jurisdiction and Governing law

This contract will be governed by Spanish law.

In the event of a dispute, the parties undertake to first seek a friendly agreement. In the final instance, they will resort to the courts and tribunals of the city of [city], and expressly waive any other venue to which they might be entitled.

In witness whereof, the parties sign this document on each page, in two counterparts, each an original, in [place] on [date].

Issuer

Financial Intermediary