



Agreement of the Executive Committee of the CNMV on naked short selling, adopted on September 22nd 2008

The Executive Committee of the CNMV, on an extraordinary session held today, recognizing the exceptional circumstances of securities markets and the initiatives taken by securities supervisors in other jurisdictions, on short selling, has agreed to:

1. Remind all regulated market members of the existence of rules that prohibit and penalize naked short sales and the need to observe them tightly. To this end, taking into account article 64 of the Stock Exchange Regulation, regulated market members are urged to use the powers that article 39 of the Securities Markets Act confers to them to ensure that their clients hold the securities before processing their orders to sell, either by relying on their own registers if they act as their custodians or by obtaining the explicit assurance by the client that they are not conducting a naked short sale.
2. Watch closely the observance of these rules by members of regulated markets and their clients to avoid any conduct that might alter the orderly functioning of markets or constitute market abuse.
3. After establishing the limitations of the accuracy of existing public information on securities lending, the CNMV considers it necessary adopt temporary measures, in the current market context, aimed at reinforcing the public information on short positions. Therefore, according to article 85.5 of the Securities Markets Act (SMA), we have agreed to require any natural or legal person holding short positions over shares or *cuotas participativas* issued by the issuers listed in Annex 1 (that might be modified at any time by the CNMV) to disclose any short position exceeding 0.25% of the listed stock of any of those issuers. Increases or decreases of those short positions from 0.25% are also subject to public disclosure before 19:00h of the day after each change. This agreement will be forwarded to all members of regulated markets, investment firms, collective investment managing companies with the Central Securities Depository (CSD) forwarding it, immediately, to all their clients or participants.

The disclosure mentioned above will be made through a statement addressed to the Dirección General de Mercados (General Markets Directorate) of the CNMV, stating the date, the entity making the disclosure and the resulting net positions, expressed in number of securities and percentage of the listed capital (or *cuotas*).

This measure is adopted on a temporary basis, starting at 00:01 h Madrid time of the 24th September and it will be maintained until market conditions that motivated it fade away and the CNMV so declares.

4. For the purpose of this agreement, a *naked short sale* is a sale in which the seller does not hold previously the securities it is selling, either by means of a previous purchase, a securities loan agreed or signed before the sale or the previous irrevocable exercise of a convertible security, option or any kind of derivative instrument. In particular, at the settlement level, a sale justified on its theoretical settlement date with a securities loan registered after the sale date will be considered a naked short sale unless the seller demonstrates sufficient holding of the relevant securities before the order to sell was placed.

For the sole purposes of point 3, a short position will be the net result of all positions in financial instruments, including shares or *cuotas* and any derivative that has them as underlying, that give the firm or person a positive (profit) exposure to downward movements in the price of the shares (or *cuotas*) over which the disclosure is required.

5. The content of this agreement is without prejudice to the mechanisms established by Iberclear (Spanish CSD) to ensure settlement finality, including penalties for undelivered sales.
6. Hiding disclosable short positions and transmitting false information to market members regarding the fact that the client is not conducting a naked short sale will be regarded by the CNMV as an indication of a possible market manipulation. To this effect, the CNMV will take into account the operating needs of market makers and liquidity providers, understood as firms that trade on a principal basis to provide liquidity, hedge or process clients trades and hedging of derivative instruments positions.

Without prejudice to the above mentioned measures, the CNMV will reinforce its supervision and monitoring powers on financial instruments trading conducts and in particular those that could constitute market abuse.

Any clarification request in relation to this agreement can be sent to the Secondary Markets Directorate of the CNMV.

In Madrid, on September 22nd 2008

Annex 1

List of issuers of shares or *cuotas participativas* for the communication of short positions, according to the agreement of the Executive Committee of the CNMV of September 22 2008:

Banco de Andalucía
Banco de Castilla
Banco de Crédito Balear
Banco de Galicia
Banco Guipuzcoano
Banco Pastor
Banco Popular Español
Banco Sabadell
Banco Santander
Banco de Valencia
Banco de Vasconia
Banco Español de Crédito
Bankinter
BBVA
Caja de Ahorros del Mediterráneo
Grupo Catalana Occidente
Mapfre
Inverfiatc
Bolsas y Mercados Españoles
Renta 4