



continue to engage in investment management activities as described in your letter; (iv) BBVA Seguros, S.A., a corporation organized under the laws of Spain ("Insurance Company"), be permitted to continue to engage in activities in connection with investment selections made by purchasers of insurance products as described in your letter; and (v) the Brokerage Units and the International Brokerage Units be permitted to continue to engage in unsolicited brokerage activities as described in your letter.

You also seek an exemption to permit certain BBVA affiliates, each operating as a separate division of BBVA, to conduct specified transactions in the United States in the ordinary shares of BBVA during the distribution of BBVA's shares to the shareholders of Compass. Specifically, you request that BBVA Securities, Inc., BBVA's affiliated U.S. broker-dealer ("U.S. Brokerage Unit"), be permitted to continue to engage in unsolicited brokerage activities in the United States as described in your letter.

We have attached a copy of your letter to avoid reciting the facts that it presents. Unless otherwise noted, each defined term in this letter has the same meaning as defined in your letter.

**Response:**

Based on the facts presented and representations made in your letter, but without necessarily concurring in your analysis, the Commission hereby grants BBVA an exemption from Rules 101 and 102 of Regulation M to permit the Global Companies to engage in the transactions described in your letter. In particular, in your letter you make the following key representations:

- During 2006, the average daily trading volume in the BBVA Shares on the Spanish Exchanges was approximately €592.6 million (\$780.5 million at current exchange rates), and BBVA's market capitalization at December 31, 2006 was approximately €64.8 billion (\$85.3 billion at current exchange rates), the second largest of any Spanish bank and the third largest of any Spanish company, representing 12.6% of the IBEX 35 Index;

The average daily trading volume in the BBVA Shares on the Spanish Exchanges in 2007 (until May 31, 2007) was approximately €895.0 million (\$1,204.1 million), and BBVA's market capitalization at May 31, 2007 was approximately €66.7 billion (\$89.7 billion), the second largest of any Spanish bank and the third largest of any Spanish company, representing 12.1% of the IBEX 35 Index;

- During 2006, the average daily trading volume of the ADSs on the NYSE was approximately \$7.8 million, and the average daily trading volume in the BBVA Shares on the Frankfurt, Milan, Zurich, London and Mexican stock exchanges was approximately €0.8 million (\$1.1 million at current exchange rates) in the aggregate;

The average daily trading volume of the ADSs on the NYSE during 2007 (until May 31, 2007) was approximately \$26.0 million. The average daily trading volume of the BBVA shares on the Frankfurt, Milan, Zurich, London and Mexican stock exchanges during 2007 was approximately €0.7 million (\$1.0 million at the current exchange rates) in the aggregate;

- The principal trading market for BBVA Shares is Spain;
- The number of BBVA Shares to be delivered to Compass shareholders through the Acquisition will represent approximately 5.52% of the BBVA Shares currently outstanding;
- Each of the Global Companies operates as a separate division of BBVA, and there are established "Chinese Wall" procedures to prevent price-sensitive information relating to BBVA Shares and information relating to the Acquisition from passing between the sales/trading areas of these companies and other areas, including any investment oversight committees, of these companies;
- The Market-Making Subsidiary conducts its market-making activities outside the United States, and during 2006 the Market-Making Subsidiary's market making activities accounted for approximately 0.46% of the average daily trading volume in BBVA Shares on the Spanish Exchanges;
- Each of the Trading Units, the International Trading Units, the Brokerage Units and the International Brokerage Units conducts its derivative hedging activities outside the United States, and during 2006, the derivatives hedging activities of the Trading Units and the Brokerage Units accounted for approximately 3.11% of the average daily trading volume in BBVA Shares on the Spanish Exchanges;
- Each of the Asset Managers and the International Asset Managers conducts its investment management activities outside the United States;
- The Insurance Company sells insurance products and conducts activities in connection with investment selections made by purchasers of such insurance products outside the United States;
- Each of the Brokerage Units and the International Brokerage Units conducts its unsolicited brokerage activities outside the United States, and during 2006, the unsolicited brokerage activities of the Brokerage Units (excluding trades executed by the Market-Making Subsidiary) accounted for approximately 6.66% of the average daily trading volume in BBVA Shares on the Spanish Exchanges;
- In the aggregate, BBVA's market activities represented 10.23% of the average daily trading volume in BBVA Shares on the Spanish Exchanges during 2006, making BBVA, on an aggregate basis, the second largest participant in the market

for BBVA Shares on the Spanish Exchanges and the only market maker in such shares;

- The withdrawal of the Market-Making Subsidiary as the most important market participant and the only market maker in BBVA Shares in the primary market for those shares, which are among the most actively traded in Spain, for an extended period of time would have serious harmful effects in the home market, and, indirectly, in the U.S. market, for the BBVA Shares, including a significant imbalance of buy and sell orders, particularly given the large number of shares to be distributed in the Acquisition, and thus greater volatility and reduced liquidity;
- As of December 31, 2006, 38.6% of BBVA Shares were held by customers of BBVA and its affiliates in securities accounts at BBVA and its affiliates in Spain. In view of the leading position of BBVA and its subsidiaries in maintaining the accounts in which BBVA Shares are held and executing trades in BBVA Shares on the Spanish Exchanges, BBVA believes significant market disruption could occur if the Brokerage Units could no longer execute trades in BBVA Shares requested by clients;
- Each of the Brokerage Units, the International Brokerage Units, the Trading Units, the International Trading Units, the Asset Managers, the International Asset Managers and the Insurance Company has confirmed that the activities for which it is requesting relief will be conducted in the ordinary course of business and not for the purpose of facilitating the Acquisition, in accordance with applicable law in the European Union, Spain and the other markets outside the United States which permit such activities during a distribution;
- In the United States, BBVA conducts a securities business through a separate subsidiary, the U.S. Brokerage Unit, which is registered with the Commission as a broker-dealer and is a member of the NASD; and
- The U.S. Brokerage Unit will not engage in any market-making, derivatives hedging, investment management or insurance activities, but rather will only engage in unsolicited brokerage activities in the normal course of business with its customers.

This exemption is subject to the following conditions:

1. None of the transactions of the Global Companies described in your letter shall occur in the United States, with the exception of the transactions of the U.S. Brokerage Unit described in your letter;
2. All of the transactions described in your letter shall be effected in the ordinary course of business and not for the purpose of facilitating the Acquisition;























effected on the NYSE, in the over-the-counter market and, occasionally, through the AQS in Spain. In addition, the International Brokerage Units also engage in unsolicited brokerage transactions with their customers in their respective jurisdictions, each of which is outside the United States. The personnel of BBVA Securities, Inc. and the International Brokerage Units have been instructed not to make any investment recommendations to their customers with respect to either BBVA Shares or ADSs or Compass' shares during the restricted period.

Significance to Market. As noted above, during 2006, the Market-Making Subsidiary's market-making activities accounted for 0.46% of the average daily trading volume in BBVA Shares on the Spanish Exchanges, while the derivatives hedging activities of the Trading Unit and the Brokerage Units and the unsolicited brokerage activities of the Brokerage Units (excluding trades executed on behalf of the Market-Making Subsidiary) represented approximately 3.11% and 6.66%, respectively, of such average 2006 trading volume. In the aggregate, these activities represented approximately 10.23% of the average daily trading volume in BBVA Shares on the Spanish Exchanges during 2006, making BBVA, on an aggregate basis, the second largest participant in the market for BBVA Shares on the Spanish Exchanges and the only market maker in such shares. The largest participant in the market for BBVA Shares on the Spanish Exchanges is Banco Santander Central Hispano S.A., a general banking Spanish company, with a 15.72% of the average daily trading volume in BBVA Shares on the Spanish Exchanges in 2006.

Chinese Walls. BBVA has established "Chinese Wall" procedures to prevent price-sensitive information from passing between any area in which market-making, derivatives hedging, asset management (including any investment oversight committee), insurance or brokerage activities of the Global Companies are conducted and any other area of BBVA in which price-sensitive information relating to BBVA Shares, including information relating to the Acquisition, would be available. Accordingly, during restricted periods prior to announcements of earnings results or other material developments that have not yet become public, the Global Companies are generally able to continue their respective market activities. BBVA will continue to maintain these "Chinese Wall" procedures during the Acquisition distribution. Furthermore, the Global Companies will continue to conduct their market activities free of direction from senior management of BBVA, including management with responsibility for the Acquisition.

### **III. The BBVA/Compass Acquisition**

On February 16, 2007, BBVA and Compass entered into a Transaction Agreement (the "**Transaction Agreement**") pursuant to which Compass will be acquired by BBVA. Under the Transaction Agreement, BBVA will form a new wholly owned subsidiary (the "**BBVA Texas Sub**") as a Texas corporation under and in accordance with the Texas Business Corporation Act (the "**TCBA**") and Compass will form a new, wholly owned subsidiary as a Virginia corporation (the

















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If you have any questions about this request, please do not hesitate to contact me at +44-20-7418-1038, Andres V. Gil at 212-450-4779 or John K. Doulamis at +44-20-7418-1394. We appreciate your assistance in this matter.

Very truly yours,



John K. Knight

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