

Royal Decree 1517/2011 of 31 October 2011, wherein the Regulation that develops the consolidated text of the Law on Auditing approved by Royal Legislative Decree 1/2011 of 1 July 2011, is approved.

I

The purpose of this royal decree is to comply with the terms of the fifth final provision, section 1, of Royal Legislative Decree 1/2011 of 1 July 2011, wherein the consolidated text of the Law on Auditing was approved, authorising the government, at the proposal of the Minister for the Economy and Finance, to introduce the regulations required to implement the provisions of this law. This consolidated text was enacted under the aegis of the regulatory authorisation laid down in the second final provision of Law 12/2010 of 30 June 2010 which amended Law 19/1988 of 12 July 1988, on Auditing, Law 24/1988 of 28 July 1988, on the Securities Market, and the consolidated text of the Spanish Companies Act approved by Royal Legislative Royal 1564/1989 in order to bring it in line with Community regulations, which authorised the government to regulate, clarify and harmonise any legal texts that regulated auditing and which need to be reworded.

Law 19/1988 of 12 July 1988, on Auditing, incorporated into the Spanish legal system Council Directive 84/253/EEC of 10 April 1984, on the approval of persons responsible for performing audits of accounting documents, thereby regulating the audit activity for the first time in Spain, and shaping this activity as one which, through the use of certain review and verification techniques, is able to issue a report that contains a technical and independent opinion on the reliability of the economic-financial information audited, thus complying with a public interest function, pursuant to the regulation laid down both in law as well as in the aforementioned consolidated text. This has been recognised by the Constitutional Court when it ruled on the constitutionality of the Law on Auditing.

This law has been subject to amendments, prominent among which are those performed through Law 44/2002 of 22 September 2002, on Measures for Reform of the Financial System, which responded to the need to move forward and assist in improving the quality of audits as well as reinforcing the credibility of the audit activity and help the market economy work better, and foregoing Law 12/2010 of 30 June 2010, to bring into our internal regulations Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated annual accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.

The foregoing Law 19/1988 of 12 July 1988, developed in Royal Decree 1636/1990 of 20 December 1990, has been the object of two partial amendments. The first amendment was introduced through Royal Decree 180/2003 of 14 February 2003, implementing the provisions laid down in Law 19/1988 of 12 July 1988, on the obligation of submitting accounts for auditing when these have been prepared by certain entities on the grounds of their size and activity, and on the coordination procedures between public institutions or bodies with legal powers of control and supervision over companies and entities that submit their annual accounts for auditing and the auditors of these companies and entities. The second amendment was introduced through Royal Decree 1156/2005 of 30 September 2005, to include the regulations on the frequency of official announcements for examination of the professional competence required for access to the Official Register of Auditors and on the composition and operation of the tribunal, in accordance with Law 44/2002 of 22 September 2002, and changing the requirements concerning the guarantee legally required to be given by those who perform audits.

II

The amendment introduced through Law 12/2010 of 30 June 2010 brought with it the obligation to adapt the regulation that developed the Law on Auditing, approved by Royal Decree 1636/1990 of 20 December 1990, to current legislation, as well as implementing those specific aspects required by legal mandate. Simultaneously, the reform was used to incorporate technical improvements as a result of experience and practice since Royal Decree 1636/1990 came into force, and it was therefore opportune to enact a new regulation to develop the foregoing law and to repeal this one. As a result, those defining aspects of the audit activity which make up a corpus of modern regulation are implemented, and this corpus provides a profile and details on the system of public supervision within the international context and how to put this into practice effectively.

In terms of its structure, this Regulation follows the same system and organisation of items as the one contained in the consolidated text of the Law on Auditing that it develops, except for those legal precepts that do not require regulatory implementation.

Chapter I "Auditing" includes a set of provisions, broken down into seven sections, for the purpose of defining the audit activity to which this Regulation applies, from a dual perspective: positive, on implementing the different subjective and objective components that define the audit activity and its modalities; and negative, through the express delimitation of those works that lack this nature and which are therefore outside the scope of public supervision legally established over this activity. In the positive definition, it is emphasized the need to subject the object of the audit to a regulatory framework, that is: annual accounts, financial statements or accounting

documents drawn up within the regulatory framework that is applicable, appropriately prepared , signed and formally accepted by those in charge. And the negative definition expressly excludes from this consideration those works that involve a specific checking of specific facts and the issue of certifications, which requires work with a different scope and the issue of an opinion with a significantly lower degree of reliability. Also of prominence is the consideration of those works which do not involve auditing and will therefore not be subject to control of the activity, and which are legally attributed to auditors. It is anticipated that these works will be subject to the appropriate guidelines approved by the corporations of auditors, pursuant to the same procedure as the one designed for audit regulations.

In this regard, it can be highlighted the inclusion of the express ban on limiting the distribution or use of the audit report , consistent with the public relevance of this activity as a result of possible effects with third parties that all reports may have; as well as the development of the legally established power not to issue the audit report or to withdraw from the letter of engagement, setting criteria to be followed as well as the line that separates this power with the obligation to issue a report with a disclaimer of opinion, when there are technical circumstances that prevent the application of audit procedures to obtain evidence in accordance with auditing standards.

Likewise, given that the group auditor legally accepts, by legal mandate, full responsibility for the report issued, the scope and extension of the group auditor's obligation to review and assess the work performed by the auditors that make up this group is specified, and the content and scope of this is determined through the provisions laid down in the corresponding auditing standard.

For the exclusive purposes of the consolidated text developed, the entities considered of public interest given their significant public importance are defined, using the particular activity they perform and their size as the defining criterion. So, on one hand, these include the entities that have the corporate purpose of attracting funds, goods or rights or savings from the public for management or investment, which exceeds certain thresholds referring to the number of members or investors and the assets managed, as well as those entities that have a notable impact on the stability of the financial system and on the proper performance of the payments system. The aim of including these entities in this category is to help the markets in which they operate to perform better, and also contribute to the system of supervision to which these entities are subject through the corresponding public bodies.

This chapter is completed with a definition of the rules applicable to audit activity, as well as the definition of the requirements, criteria and formalities that regulate the activity of the auditor or the audit firm once they are authorised to perform this activity, and which are contained in the consolidated text of the Law on Auditing, in this Regulation, as well as in the auditing standards, the ethical standards and the internal quality assurance standards for auditors and audit firms, the adoption of which is the ultimate responsibility of the system of public supervision attributed through the consolidated text to the Accounting and Auditing Institute. An integral feature of this regulation are the auditing standards which must be heeded in the performance of all audit work that supports the technical opinion expressed with regard to the information audited. These standards will be the ones contained in the international auditing standards adopted by the EU Commission. Where these fail to adopt or regulate, the technical auditing standards will apply under the terms established in this Regulation. Lastly, it defines the ethical principles to be enacted and heeded in the performance of the activity and which must be implemented in the corresponding ethical standards that are approved. This regulates the basic content and procedural system for drawing up these standards.

III

Chapter II " Access to Perform the Audit Activity" regulates, in sections 1 and 2, concerning the Official Register of Auditors and the system of authorisation to perform audits, the set of requirements to access the Official Register of Auditors, in any of the situations envisaged for auditors that are natural persons or audit firms and, definitively, the system to legally be entitled to conduct audit activity regulated in the consolidated text of the Law on Auditing.

With regard to the foregoing register, there are two points that deserve special mention as they represent new items introduced by the foregoing consolidated text. The former refers to the inclusion of those auditors which, without being partners of an audit firm, may be expressly designated to sign audit reports in their name, whereby the audit entity must report any such designations. The latter refers to the obligatory registration, separately, of certain auditors and audit firms from third countries.

With regard to the training required to perform the activity, this specifies the number of hours required to satisfy the practical training requirement in order to be registered with the Official Register of Auditors as well as the obligation to provide certain information, without prejudice to the rules on calculation and distribution as determined through the decision of the Accounting and Auditing Institute, with the participation of the corporations that represent auditors. Similarly, given the new legal framework enacted through Law 12/2010 and the system of university teaching considered in Organic Law 6/2001 of 21 December 2001, on Universities, only those who have an official university qualification that is valid throughout Spain will be excused from the first stage of the examination. However, for the purpose of combining academic excellence with proven practical training of those

that perform audit activity, it is expected that universities will have the collaboration of corporations that represent auditors as part of the postgraduate degree courses.

Compared with the former system, new measures geared at facilitating public supervision of training will be included. This occurs with the criteria required to comply with the foregoing practical training requirements; the minimum information to be reported to the Official Register of Auditors; and the greater detail of this information on personnel not registered or registered as non-practitioner with the register and that provide services in the sphere of audit activity, in order to be aware of the period of practical training for the purpose of possible future registration with the register or application to become a practitioner. .

In addition to the ordinary system of access, there are a further three methods of access that are implemented: two, applicable to auditors authorised in Member States of the European Union and in third countries, for which there is a competence examination designed by an Evaluation Committee made up in the same way as the Tribunal for ordinary access, and the third, which applies to certain personnel at the service of the Public Administration to perform public functions through the performance of audits or review or control of audits, whether in regard to the public sector or with regard to banks and insurance companies, and which lay down specific criteria for the purpose of satisfying the legally imposed requirements.

IV

Chapter III on "Performing the Audit Activity" is structured into six sections. The first section regulates the obligation for continuing education, to maintain the appropriate level of requirements with regard to updating knowledge, within a financial and mercantile setting in continuous change and progressively more complex, laying down the form and conditions required to comply with the minimum continuing education, in terms of hours, to be followed and substantiated by practitioners auditors and by non-practitioner auditors that provide services on behalf of others, through a series of activities.

The second section develops the legal system of independence for those that perform audit activity, which was substantially amended by Laws 44/2002 and 10/2010, in order to reinforce the need to observe this with regard to setting up the fundamental medium to demonstrate objectiveness so that users of audited economic and financial information accept this information as verified objectively by an independent third party and have the utmost confidence in this information. To this end, the reference in the regulation dealt with here uses the set of fundamental requirements of independence and of circumstances susceptible to threatening this situation contained in the Commission Recommendation of 16 May 2002, on Statutory Auditors' independence in the European Union, which basically led to reform of Law 44/2002. The aim is to ensure that this system remains in force, as well as convergence within the European Union sphere, given that in accordance with Directive 2006/43/EC, the Commission may base itself on this Recommendation to adopt measures of enforcement concerning independence. Of particular note is the fact that the auditor's responsibility implies an attitude of vigilance and alertness in detecting possible threats to their independence and in taking the necessary safeguard measures to reduce these and, if appropriate, remove them.

Based on this, for the purpose of ensuring the objective and comprehensive performance of all audits, it firstly highlights the obligation of the auditor to refrain from operating whenever there are relations, situations or services that threaten or compromise their independence, even when they incur any of the situations of incompatibility laid down in the regulation. By the same token, it lays down minimum actions to be performed by auditors to ensure their objectivity and thus avoid those facts or circumstances that could represent threats to the duty of independence. These situations or threats may be of different kinds, such as self-review, self-interest, advocacy, familiarity, trust, or intimidation. With regard to these, auditors must establish and apply the safeguard measures – written policies, communications, procedures, bans, restrictions, etc.– which, for these purposes, are deemed necessary, and which must include refraining from performing audits whenever they detect significant situations or threats that seriously compromise their objectivity, of such a kind that they are susceptible to causing an informed third party to conclude that the auditor is incapable of giving an objective and impartial opinion on the matters dealt with during the audit and which, therefore, compromise the auditor's independence.

Moreover, with regard to the legal grounds of incompatibility, the regulation i develops the consolidated text in order to clarify or detail all those circumstances, relations or interests susceptible to representing a threat or risk to the auditor's independence and, therefore, from giving the objective and impartial report all auditors have to give. Most of the content of this chapter deals with this issue, and implements points concerning the holding of positions, the consideration of a significant financial interest, the delimitation of services declared incompatible in accordance with the provisions laid down in the legal system, if appropriate, as well as those that refer to their impact measured in terms of materiality on the audited accounts, and the concentration of fees in order to prevent financial dependence with regard to the audited entity. It also gives the causes of incompatibility stemming from situations that affect those that are in certain conditions or situations with regard to the auditors, audit firms and audited entities. In this regard, it details the situations that could lead to two entities becoming involved in a situation of bonding, consistent with the parameters given in the Commercial Code and other mercantile regulations in force, as well as the group of persons that are associated to the auditors or audit firms, and referring to the foregoing Recommendation and to the particularities regulated in the consolidated text of the Law on Auditing.

And lastly, with regard to the period of contracting, it clarifies the way in which tacit extension is substantiated, as well as the sphere of application for the obligation of rotation imposed on auditors in order to attenuate and, to the extent possible, avoid the existence of prolonged and close relations with the audited entity and its personnel, which leads to an excessive reliance on this entity by the auditor and which could compromise the independence or lead a third party to question such independence.

The remaining sections of this chapter regulate the set of obligations to be complied with by auditors or audit firms: the duty to provide a guarantee that provides a permanent, individualised and sufficient surety of compensation for damages caused as a result of breach of their obligations, the duty to request whatsoever information as required to perform the audit, the duty to maintain secrecy, to safeguard and conserve, and the annual transparency report to be published by those who audit the entities defined as being of public interest and the audit firms of third countries. With regard to this report, as a new item included in Law 12/2010, it implements certain issues concerning the minimum legally established content in order to favour greater disclosure of the essential aspects of the structure, organisation and activity of auditors, which enable their commitment to the public interest function to be known.

V

As an integral part of the public supervision system, chapter IV " Supervision of Audit Activity", distributed into four sections, defines the purpose of this activity, as well as the different ways of carrying it out, and lays down that the performance and exercise of these actions must enable the improvement, overall, in the quality of audit work, to ensure, to the extent possible, through rational and efficient use of the resources available, that the review of those works includes all those who are legally qualified to audit.

It also regulates how these control activities are initiated, the plan of control used as the basis of these actions, the way in which they are to be performed, checking the actions and results obtained and finalisation of the control actions. Technical control actions, to be performed on audits, in total or with regard to certain parts, or to specific aspects of audit activity, are for the purpose of performing the opportune investigations to find out those elements of opinion which, if appropriate, can be used as the basis for the initiation of the corresponding disciplinary procedure. The quality assurance actions involve preventive review of those that exercise this activity and under the principles of periodicity and generality. It introduces here the procedure targeted mainly at formulating requests and monitoring these. In summary, both forms of action respond to a different objective and purpose that clearly affect the approach and the orientation of the review; so, while the technical control actions aim to eliminate or confirm the existence of possible breaches of the audit regulations, the quality assurance actions are essentially aimed at improving the internal quality assurance procedures of the auditor and how these function in the development of the audit activity, in general, and in the performance of works, in particular, by making requests for improvement.

The chapter finishes off with a fourth section that regulates the content of the information that must be periodically sent to the Accounting and Auditing Institute to improve the development of the powers of supervision and control actions attributed to this institute and, more specifically, the special duty this body has with regard to observing independence. It should be highlighted the good work performed by the Accounting and Auditing Institute in maintaining the Official Register of Auditors as a basic component of the public supervision system and, consequently, in the availability and processing of information provided by auditors in different spheres and issues concerning their activity, which has led to greater knowledge and transparency of the audit activity.

VI

Chapter V "Violations and Sanctions and the Disciplinary Procedure" includes three sections with the specifications of some of the circumstances typified as a violation, the criteria used to decide the amount of sanctions and certain special standards referring to compliance with the sanctions, to treatment as an ongoing violation through the commissioning of several unlawful acts, the concurrence or de facto unity of violations and the cancellations of sanctions registered in the Official Register of Auditors.

Moreover, it lays down a set of provisions that apply to the disciplinary administrative procedure targeted at the defence of general interests, through application of the corresponding corrective measures whenever those that perform audits breach the audit regulations, who are the only ones involved in this kind of procedure. Under all circumstances, it is hereby placed on record that Royal Decree 1398/1993 of 4 August 1993, which approves the Regulations of the Disciplinary Procedure, maintains its supplementary nature, while the specialities of this disciplinary procedure stemming from the activity penalised here are regulated.

These specialities include those concerning the reporting, without binding effect with regard to the implementation of the disciplinary procedure, the processing of which is subordinate, through the efficient and effective use and organisation of the means available, to due compliance with the audit control powers legally attributed to the Accounting and Auditing Institute; to the attribution of powers to agree an extension of deadlines to resolve and to put forward arguments; to performing the preliminary actions regulated in this Regulation; to the agreement to initiate the disciplinary proceedings; to the faculties of the party in charge of the dossier to compile

reports; to the resolution of the proceedings, having taken into consideration the criteria of the Audit Committee of the Accounting and Auditing Institute in the case of very serious or serious violations; and the possibility of performing supplementary actions; and to the processing or accumulation, for certain cases, of a single dossier.

VII

Chapter VI "International Cooperation", divided into three sections, specifies the mechanisms for collaboration with the competent authorities of other EU Member States, whereby this collaboration may involve the exchange of information, in the so-called joint inspections that involve assistance in performing acts of control, and in the obligation to make certain communications. The same is established with regard to the competent authorities of third countries, whose mechanisms will be those set through the corresponding cooperation agreements.

The last chapter "Corporations Representing Auditors", contains a set of requirements to be satisfied by these corporations and the duties they must perform, modifying those functions resulting from the current legal framework with regard to the former system. Thus it highlights the obligations imposed with regard to the proposal and holding of the professional competence examination; continuing education; as well as the drawing up of teaching rules and codes of conduct, verification of the practices and internal procedures included in the aforementioned standards; the performance of quality assurance of the auditors when this is agreed by the Accounting and Auditing Institute.

Lastly, additional provisions one to four and eight of the Regulation includes provisions contained in the Regulation approved by Royal Decree 1636/1990 which is repealed. The purpose of these provisions is to develop the content of the first additional provision of the consolidated text of the Law on Auditing, with regard to submitting annual accounts to auditing, and of the final provision one of the foregoing consolidated text, concerning coordination between public institutions and bodies and the auditors of these companies and entities and the possibility that these institutions request auditors to draw up a supplementary report to the audit report of the annual accounts. Simultaneously, with the aim of enabling such public bodies and institutions to obtain more and better information regarding the situation and operation of the entities under their supervision, and thereby make their inspection and monitoring standards more effective, aspects concerning the auditors' obligations laid down in paragraphs two and three of the foregoing first final provision of the consolidated text are implemented.

Through the fifth additional provision, the work performed by auditors of the public sector entities subject to specific regulations are separated from those performed at these entities by auditors that are registered with the Official Register of Auditors and in accordance with the rules applicable to auditing.

Furthermore, new aspects included through Law 12/2010 are regulated, such as those that refer to the minimum content of the annual report published by the Accounting and Auditing Institute, pursuant to the mandate of transparency and publicity laid down in the fifth additional provision of the consolidated text of the Law on Auditing, and the mandatory publicity to be given with regard to the information exchange agreements adopted by third countries.

The remaining provisions include aspects regulated in the Regulation that is repealed, such as the system of inquiries with the Accounting and Auditing Institute, the publication and distribution of the Gazette of this Institute, the composition of the collegiate bodies of this, and those that are considered to be a corporation representing auditors.

This regulation is completed with a set of transitory provisions mainly for the purpose of facilitating the changeover to the new system incorporated herein.

This Regulation has been subject to a prior report from the Spanish Data Protection Agency.

In view of the foregoing and at the proposal of the Minister for the Economy and Finance with the prior approval of the Minister for Territorial Policy and Public Administration, in accordance with the State Council and following the Council of Ministers' deliberations of 28 September 2011,

I HEREBY PROVIDE:

Sole Article. Approval of the Regulation that implements the Law on Auditing

The Regulation that develops the consolidated text of the Law on Auditing, approved by Royal Legislative Decree 1/2011 of 1 July 2011, which is inserted below, is hereby approved.

Sole repeal provision. Regulatory repeal

All provisions of an equal or lower rank that oppose the terms of this royal decree are hereby repealed, and more specifically:

a) Royal Decree 1636/1990 of 20 December 1990, which approves the Regulation that develops the Law on Auditing.

b) The fourth additional provision of Royal Decree 296/2004 of 20 February 2004, which approves the simplified accounting system.

First final provision. Legislative competence

The Regulation that develops the consolidated text of the Law on Auditing is enacted by virtue of the legislative powers vested in the State with regard to mercantile legislation, pursuant to the terms of article 149.1.6. of the Spanish Constitution.

Second final provision. Effective date

This Royal Legislative Decree and the Regulation it approves shall come into force on the day immediately after that of its publication in the Official State Gazette (BOE).

Madrid, 31 October 2011.

JUAN CARLOS R.

The Vice-President of the Government for Economic Affairs and Minister for the Economy and Finance.
ELENA SALGADO MÉNDEZ

**REGULATION THAT DEVELOPS THE CONSOLIDATED TEXT OF THE LAW ON AUDITING,
APPROVED BY ROYAL LEGISLATIVE DECREE 1/2011 OF 1 JULY 2011**

CHAPTER I

Auditing

Article 1. Scope of application

Article 1. Concept

1. In accordance with the provisions laid down in article 1.2 of the consolidated text of the Law on Auditing, approved by Royal Legislative Decree 1/2011 of 1 July 2011, auditing will be understood to be the activity of reviewing and checking annual accounts, as well as other financial statements or accounting documents, prepared in accordance with the applicable regulatory framework for financial reporting, as long as the aim of said activity is to issue a report on the reliability of said documents which can have legal effects against third parties.

Using the appropriate review and verification techniques, this activity will involve analysing the economic-financial information of the accounting documents examined, to issue a report targeted at declaring a technical opinion on the reliability of this information.

2. Auditing must be performed by an auditor in accordance with the provisions laid down in the regulation of audits defined in Article 6 of the consolidated text of the Law on Auditing.

3. The referrals given in this Chapter I to auditors will be understood as likewise made to audit firms, as well as to the partner in an audit firm or auditor designated expressly to perform the work and to sign the audit report on behalf of the foregoing firms.

Article 2. Types of auditing

1. Depending on the financial statements or accounting documents subject to examination, auditing will refer to one of the following types:

- a) Auditing of annual accounts.
- b) Auditing of other financial statements or accounting documents.

2. For these purposes, other financial statements or accounting documents refer to those prepared in accordance with the principles and standards laid down in the applicable regulatory framework of financial reporting *le.*

More specifically, this concept includes the accounting documents or statements that form part of the annual accounts that are prepared separately, or even prepared together, but which refer in this case to a period of less than the financial year.

These statements or documents must be signed or formally accepted by those who have the responsibility for their formulation, signature or issue, as provided for in the commercial legislation for the preparation of annual accounts. If appropriate, the document that contains the foregoing formal acceptance must accompany the corresponding accounting documents or financial statements.

Article 3. Delimitation of the scope of application

1. The work conducted on annual accounts, financial statements or accounting documents that involves the specific checking of concrete facts, the issuing of certificates or the review or application of procedures with a limited scope that is less than what is required by the regulations of audits for the purpose of issuing a technical audit opinion will not be included in any of the types of audits established in section 1 of the previous article.

These works and reports will not be considered as auditing regulated in this Regulation.

2. Similarly, those works which fail to satisfy the characteristics and conditions of work of this type, but which are attributed to auditors registered with the Official Register of Auditors by legal provisions will not be considered as auditing .

All works which, although not considered auditing, are legally attributed to auditors that are registered with the Official Register of Auditors will be subject to the provisions laid down in the corresponding legal provisions and in the guides which, if appropriate, are approved jointly by the corporations that represent auditors and, in their absence, to the uses and standard practice in performing the kind of work in question. The provisions laid down in Section seven of Chapter I of this Regulation will apply in the preparation and publication of these guides. Under no circumstances will these works be subject to application of the supervision and control system laid down in the rules applicable to the audit activity.

3. The report issued by auditors concerning works not included in the types of auditing referred to in Article 2 cannot be identified as audit reports. Moreover, their drafting or presentation must not generate confusion with regard to the type of audit works performed in accordance with the regulations applicable to audit activity as defined in Article 6 of the consolidated text of the Law on Auditing.

Section 2 Auditing of annual accounts

Article 4. Definition of auditing of annual accounts

1. Auditing of annual accounts will involve checking and making a decision as to whether said accounts show a true and fair view of equity, the financial situation, earnings and, if appropriate, cash flows of the audited entity, in accordance with the applicable regulatory framework for financial reporting and, in particular, with the accounting principles and criteria contained therein.

2. In addition, when the audited entity is obliged to issue the management report, or had voluntarily done so, the auditors will verify that the figures in this match the figures of the annual accounts that have been examined.

Article 5. Audit report on the annual accounts

1. The audit report on the annual accounts must be issued by the auditors in accordance with the content, requirements and formalities laid down in the regulations of the audit activity.

2. In accordance with the provisions laid down in article 3.1 of the consolidated text of the Law on Auditing, the audit report on the annual accounts is a commercial document that will at least contain the following details, in addition to those required in accordance with the regulations referred to in the previous section:

a) Identification of the audited entity, the annual accounts being audited, the regulatory framework for financial reporting that was applied in preparing these accounts, the natural or legal persons that performed the work and, where appropriate, the persons for whom it is intended; as well as the indication that the annual accounts were prepared by the administrative body of the audited entity.

b) A general description of the scope of the audit performed, with reference to the audit rules under which it was performed and, where appropriate, the procedures provided for in these rules that could not be applied as a result of any limitation revealed during the audit. It will also provide information on the responsibility of the auditor or audit firm to express an opinion on the aforementioned accounts in their entirety.

c) A technical opinion with the content and scope laid down in the following article.

d) An opinion on whether or not the management report is in accordance with the annual accounts corresponding to the same financial year, in the event that the aforementioned management report accompanies the annual accounts.

e) Date and signature of the person or persons who carried it out. The date of the audit report will be that on which the auditor completed the audit procedures required to form an opinion on the annual accounts.

3. The date of the audit report cannot be prior to the formulation of the annual accounts by the board of directors.

In those cases in which the date of the audit report does not match the date when it is handed to the audited entity, there must be a documentary record of this delivery and the date thereof on the auditor's working papers.

4. Similarly, if appropriate, the audit report will contain an explicit declaration of any reservations or qualifications detected during the audit, as well as any aspect which, whilst not representing a qualification or

reservation, the auditor believes or deems necessary to mention in the report in accordance with the regulations applicable to audit activity.

5. The audit report cannot contain any restrictions on its use.

6. The audit report on annual accounts must be accompanied by all of the documents that make up the audited accounts and, where appropriate, the management report. Under no circumstances may an audit report be published in part, in short-form, or separately from the audited annual accounts. Neither may the audit report on the annual accounts be accompanied by other unaudited information that is not clearly distinguished from the audited annual accounts, unless this information is identified as not audited.

Article 6. Auditor's technical opinion on the audit report on annual accounts

1. In the report, the auditor must give a clear and accurate technical opinion on the annual accounts for a specific financial year, stating that they provide a true and fair view of the equity and the financial situation of the audited entity, at the close of the financial year, as well as the results of its operations and, if appropriate, of the cash flows corresponding to the year that ended on that date, in accordance with the applicable regulatory framework of financial reporting.

2. The auditor's opinion can be unmodified, qualified, adverse or disclaimer of opinion. When there are no reservations or qualifications the opinion will be unmodified. In the event that reservations exist, all of these reservations should be stated in the report, specifying the type in the opinion paragraph, and the technical opinion will be 'qualified', or 'adverse', pursuant to the provisions laid down in the auditing standards.

3. If during the activity regulated by this Regulation the auditor discovers reasons to refrain from giving an opinion, this must be placed on record in the audit report, providing whatsoever supplementary details and information as are required. In this event, the audit report will contain a "disclaimer of opinion".

Article 7. Obligation to issue the report and failure to issue it or refusal of the engagement letter

1. The audit report must be issued by the auditor in accordance with the terms laid down in the regulations applicable to audit activity and in the engagement letter signed to that end.

The issue of the report and its delivery to the audited entity must be performed on contractually agreed dates, to comply with the purpose for which the audit was contracted. For these purposes, the audit report will be understood as having complied with the purpose for which it was contracted when it contains a technical opinion from among those given in Article 6, so that it may be known and assessed by the audited entity and by third parties that may have dealings with the former, as well as enabling compliance with the legal and statutory requirements demanded of the audited entity in this regard.

Notwithstanding the foregoing, if during his work the auditor detects circumstances, not attributable to this party, that could affect the date initially scheduled for issuing the report, the auditor will provide details in an official letter, which must be sent to the party that commissioned the audit, explaining the circumstances and the possible effects of issuing the audit report. This official letter must be documented on the working papers.

2. Pursuant to the provisions laid down in article 3.2 of the consolidated text of the Law on Auditing, the non-issuance of an audit report or the refusal to continue with the letter of engagement can only occur due to a just cause or in the event of one of the following circumstances:

a) Existence of threats that could seriously compromise the independence or objectivity of the auditor or audit firm according to the provisions of Section I of Chapter III.

b) When it is absolutely impossible to perform the work entrusted to the auditor or audit firm due to causes not attributable to them.

For these purposes, the absolute impossibility to perform the audit will be understood as existing:

1. When the entity fails to provide the auditor with the formulated annual accounts, subject to examination, having been requested in writing to do so. This handover will be understood as not having occurred more than a year has elapsed from the reference date of the foregoing annual accounts.

2. When, exceptionally, other circumstances that are not attributable to the auditor and which are not of a technical nature, prevent substantial aspects of the audit from being conducted. In particular and for these purposes, absolute impossibility to conduct an audit will not exist when the auditor is unable to apply those audit procedures necessary to obtain evidence of auditing with regard to the information of the annual accounts, in which case the audit report will be issued in accordance with the provisions laid down in the auditing standards.

3. In the cases referred to in the previous section, the auditor will provide full details in an official letter with regard to all of the circumstances that make it impossible to issue the report or that make the auditor to refuse the engagement letter. This official letter must be sent to the audited entity within a deadline of fifteen (15) business days from the date on which the auditor became aware of the foregoing circumstance, and always prior to the date on which the audit report should have been issued to comply with the purpose for which it was contracted, without prejudice to the possibility of refusal to continue the engagement letter.

Moreover, when the audit is mandatory, this communication must be sent to the Accounting and Auditing Institute and to the Companies Register pertaining to the address of the audited entity and within the deadline given in the previous paragraph.

4. Once the actions referred to in this article have been performed, the auditor's obligations may be understood as finalised with regard to the audit to be performed on the annual accounts for the financial year with regard to which the circumstances laid down in section 2 of this article concurred.

Article 8. Annual accounts engagement letter

1. Prior to the audit, an engagement letter must be signed between the audited entity and the auditor.

The annual accounts engagement letter must be formalised in writing and, in accordance with the regulations applicable to the audit activity, and must at least contain the identification of the annual accounts to be audited and the relevant aspects of the audit work to be performed, referring to the contracted period, the fees, purpose and reason why the assignment is performed and the deadline for receiving the audit report. No restrictions on the audit work may be established or any stipulations contrary to the provisions laid down in the foregoing regulations or restrictions on distribution or use of the audit report.

2. At the time of signing the engagement letter and, under all circumstances at the time of accepting the assignment, the auditor must be registered as a practitioner as referred to in Article 27.a). If the engagement letter is signed with a legal person, this party must be registered at that time as an audit firm with the Official Register of Auditors.

Article 9. Joint audits

When several auditors are appointed to perform an audit, there will just be one audit report and it will be issued under the responsibility of all auditors, who will sign the audit report and who will be subject to the provisions laid down in the rules applicable to auditing.

The relations between the auditors appointed and the actions to be performed with regard to the audit will be performed in accordance with the specific auditing standards.

In the cases referred to in this article, the appointed auditors will be responsible for the custody and conservation of all the audit working papers.

Section 3. Auditing of other financial statements or accounting documents

Article 10. Definition of auditing of other financial statements or accounting documents

1. The auditing of other financial statements or accounting documents as referred to in Article 2.1.b) will involve verifying and determining whether these financial statements or accounting documents express the true and fair view or have been prepared, as appropriate, in accordance with the regulatory framework of financial reporting expressly laid down for the compilation of these documents or statements.

2. The provisions laid down in Section 2 of this Chapter I for audit works and the audit report on the annual accounts will apply, with the corresponding adaptation and for anything not expressly regulated in this section, to the audit reports and works on other financial statements or accounting documents.

Article 11. Audit report on the other financial statements or accounting documents

The audit report on the other financial statements or accounting documents will at least contain the following:

- a) Identification of the entity to which the financial statement or accounting document refers.
- b) Identification of the party(ies) that commissioned the work and, if appropriate, the recipient(s).
- c) Identification of the financial statements or accounting documents that accompany the report.

d) Reference to the fact that the financial statements or accounting documents have been signed or accepted formally by those with powers to sign or issue them, as well as reference to the regulatory framework and financial reporting applied in drawing up these statements or documents.

e) Reference to the regulations of audits applied to the work performed and, if appropriate, to the procedures laid down that have not been possible to apply as a consequence of any auditing restriction. There will also be mentioned the auditor's responsibility for issuing a technical opinion on the financial statements or accounting documents as a whole.

f) If appropriate, an explicit declaration of any reservations or qualifications detected in the performance of the work.

g) Technical opinion, with the content and scope laid down in the following article.

h) If appropriate, an explicit declaration on any aspect which, whilst not representing a reservation or qualification, the auditor believes should be mentioned in the report in accordance with the provisions laid down in the regulations of audits..

i) Signature of the auditor or auditors, including the date on which the report is issued.

Article 12. Technical opinion of the auditor in the audit report on other financial statements or accounting documents

1. The form of the technical opinion referred to against letter g) in the previous article will depend on the kind of regulatory framework of financial reporting applicable, in accordance with the provisions laid down in this article.

If the applicable regulatory framework of financial reporting is a framework of a true and fair view, the technical opinion will be in accordance with Article 6.1 of this Regulation for annual accounts, although it will refer to the information in the specific financial statement or accounting document audited.

When the applicable regulatory framework of financial reporting is a framework of compliance, the technical opinion must be given on whether the financial statements or accounting documents audited have been drawn up, in all significant aspects, in accordance with the regulatory framework of financial reporting expressly laid down for the preparation of these documents or statements.

2. A framework of financial reporting will be considered to be a true and fair view when, in addition to requiring the application of certain accounting principles and standards, it explicitly provides for the possibility of including supplementary information required to achieve this true and fair view and, in exceptional cases, the right not to use those applicable accounting principles and standards that are incompatible with this.

Should the applicable regulatory framework of financial reporting require compliance with certain accounting principles and standards, without the possibility of applying the provisions referred to in the previous paragraph, this framework will be considered as a framework of compliance.

Section 4. Audit of consolidated accounts

Article 13. Documentation on the review and assessment of the work performed by auditors and audit firms

1. In accordance with the provisions laid down in Article 5, Sections 2 and 3, of the consolidated text of the Law on Auditing, the auditor that carries out the audit of the consolidated annual accounts or other consolidated financial statements or accounting documents is fully liable for the audit report issued, even when the audit of the annual accounts of investee companies has been performed by other auditors. Moreover, he or she will be obliged to collect the information required, if appropriate, from those that conducted the audit of entities that form part of the consolidable group, who will be obliged to provide any information requested.

2. For the purposes of the provisions laid down in article 5.4 of the consolidated text of the Law on Auditing, the auditor of the consolidated annual accounts must have the documentation concerning the review and assessment of the audit performed by other auditors with regard to the audit of entities that form part of the consolidable group, with the content and detail laid down in the auditing standards.

3. The detail of the documentation referred to in the previous section will depend on the characteristics and circumstances of the consolidation group and on the relative importance of each separate entity, in accordance with the provisions laid down in the auditing standards.

4. The reference in this section to consolidated annual accounts must also be understood as referring to other consolidated financial statements or accounting documents. Similarly, the reference to other auditors includes auditors or audit firms and other audit entities of the European Union and third countries.

Article 14. Access to documentation from auditors of third countries with which there is no information exchange agreement

1. If the annual accounts or financial statements or accounting documents of an entity that forms part of a consolidable group and is significant for the group—bearing in mind the concept of materiality in auditing—are audited by auditors or audit firms and other audit entities that are registered or authorised in third countries with which there is no arrangement to exchange information on the basis of reciprocity, the auditor of the consolidated accounts will be responsible for applying the procedures required to ensure that the Accounting and Auditing Institute has access to the documentation of the audit work performed by these auditors or audit firms and other audit entities registered or authorised in third countries, including the pertinent working papers for the group audit.

2. To this end, the auditor of consolidated accounts must adopt one of the following measures:

a) Keep a copy of the documentation for the work performed by the auditors or audit firms and other audit entities registered and authorised in third countries.

b) Agree, in writing, with the auditors or audit firms and other audit entities registered or authorised in third countries, the appropriate and unrestricted access to documentation on the work performed by these parties, so that the auditor of the consolidated accounts can forward all documentation required by the Accounting and Auditing Institute.

To this end, the auditor of consolidated accounts must apply one of the following procedures:

1. Make contact in writing with the auditor of the third country, notifying this party that in accordance with current legislation in Spain there is an obligation to provide the Accounting and Auditing Institute with access to the documentation on the work performed by the auditor of the third country within the framework of auditing consolidated accounts.

2. She or he shall request written confirmation as to whether there are any legal impediments or any other reason preventing the working papers from being sent and, if applicable, a detailed explanation about these impediments together with legal justification for the same. In the event that any impediments exist, he or she will assess whether to notify this situation to the Accounting and Auditing Institute.

3. When there are legal or other kinds of impediments that prevent the forwarding of documentation on the work performed by auditors or audit firms and other audit entities registered and authorised in third countries, the auditor of the consolidated accounts must keep the documentation concerning the procedures applied to access this documentation and the aforementioned impediments. If the impediments are not legal, the auditor of the consolidated accounts must document the evidence that demonstrates these impediments.

The existence of such impediments does not represent a case of absolute impossibility to perform the audit of consolidated accounts, as laid down in Article 7 of this Regulation.

Section 5. Public interest entities

Article 15. Public interest entities

1. For the exclusive purpose of the provisions laid down in the regulations of audits, the following will be considered as public interest entities:

a) Entities that issue securities that trade on regulated stock markets, as well as credit institutions and insurance companies subject to the supervision and control of the Bank of Spain and the Directorate-General of Insurance and Pension Funds and the regional bodies with the authority to organise and supervise insurance companies, as referred to in Article 2.5.a) of the consolidated text of the Law on Auditing.

b) Undertakings for collective investment which, for two consecutive years, on the closing date of each year, have a minimum of 150 members or shareholders, the companies that manage these undertakings, as well as the investment services companies.

c) Reciprocal guarantee companies, payment entities and electronic money entities.

b) Pension funds which, for two consecutive years, on the closing date of each year, have a minimum of 500 members and the management companies that manage these funds.

e) Those entities other than the ones mentioned in the previous paragraphs whose net turnover or average workforce for two consecutive years, on the closing date of each year, is greater than 200,000,000 euros or 1,000 employees, respectively.

f) Groups of companies that include the entities considered in the previous paragraphs.

2. The entities mentioned in Sections b), d) and e) of this article will not be considered public interest entities if they no longer satisfy the requirements laid down in these sections for two consecutive years, on the closing date of each year.

In the event that this is the first year of incorporation, transformation or merger, the entities referred to in this section will be considered public interest entities if they satisfy the requirements laid down in the previous section on the closing date of that year.

Section 6. Regulations of the audit activity

Article 16. Regulations of the audit activity

The regulations of the audit activity contain the principles and requirements that auditors must observe in practising the activity.

The regulations of the audit activity will be understood as the content of the consolidated text of the Law on Auditing and this Regulation, as well as auditing standards, ethical standards and internal quality assurance standards of auditors.

Article 17. Auditing standards

1. The auditing standards referred to in Article 6.2 of the consolidated text of the Law on Auditing represent the principles and requirements to be observed by auditors when performing audit work and on which the actions required to express a responsible and independent technical opinion must be based.

2. The purpose of the technical standards on auditing is to regulate those aspects not considered by the International Standards on Auditing adopted by the European Union.

By the same token, until the International Standards on Auditing are adopted by the European Union, the technical standards on auditing represent the principles and requirements to be observed by auditors when performing audit work and on which the actions required to express a responsible and independent technical opinion must be based.

In exceptional cases of circumstances not envisaged in the regulations of the audit activity, these will be considered as the standard usage or practices of auditors, understood as repeated, constant and generalised acts they observe in the performance of audit activities, and providing these do not contradict the provisions laid down in the foregoing regulation.

Article 18. Exceptions and additional requirements

1. The Accounting and Auditing Institute, having consulted its Audit Committee, will decide, if appropriate, on the exceptional circumstances in which all or part of the International Standards on Auditing adopted by the European Union referred to in this article are not applicable, when this is a result of the legal or regulatory provisions relating to the audit scope, as long as they meet the requirements and notification procedure provided for in Article 26, sections 2 and 3, of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.

In these exceptional cases, the Accounting and Auditing Institute will inform the European Commission and other Member States of the national legal or regulatory provisions and justification for these, at least six months prior to their approval and coming into force or, in the event of a legal or regulatory provision that already existed at the time that the EU adopted the International Standards on Auditing, within a deadline of three months from the date of this adoption of the International Standards on Auditing.

Once the foregoing notification has been made, those exceptional cases in which the International Standards on Auditing or part thereof, adopted by the European Union, do not apply, in accordance with the provisions laid down in this section, these will be published through a resolution of the Accounting and Auditing Institute.

2. Requirements, in addition to the International Standards on Auditing adopted by the European Union, in accordance with applicable Community regulations, may be imposed.

The Accounting and Auditing Institute will be responsible for ruling on those exceptional cases, as well as notifying any additional requirements to the European Commission and Member States before they are adopted.

The adoption of these additional requirements will be instrumented through a resolution of the Accounting and Auditing Institute declaring the validity of the sections on the technical auditing standards prior to the European Union adopting the International Standards on Auditing in the same area, or by publication of new technical auditing standards limited to the aforementioned additional requirements, in accordance with the provisions laid down in Section 6 of this Chapter.

Article 19. Ethical standards

1. The responsibility and actions of auditors must be guided by the principle of public interest that affects the audit activity. In this regard, in practising their activity, auditors must act in accordance with the following ethical principles: professional competence, due diligence, integrity and objectivity, without prejudice to the provisions laid down with regard to the duty to independence described in Section 2 of Chapter III of the consolidated text of the Law on Auditing:

a) Professional competence: Auditors must keep their theoretical and practical knowledge at the level required to make sure that the audited entities and the users of the financial information are fully confident of receiving an optimum service.

This acquired knowledge must be maintained and auditors therefore require continuing education and re-training.

b) Due diligence particularly refers to the duty of care and attention of auditors on knowing and applying the regulations of audits, so that the conclusions drawn in the audit are duly supported and justified.

c) For auditors, objectivity means acting with impartiality and without conflicts of interest that could compromise their independence. Under no circumstances may auditors compromise their actions through improper influences, favouritism or prejudice, or have outside interest that could affect the method of conducting an audit, which could affect the impartial opinion to be formed.

d) The principle of integrity means that auditors are obliged to be honest in practising their activity. Integrity also requires auditors to act with rectitude and commitment in any circumstance that could represent a conflict of interest.

2. Auditors must act in accordance with the regulations applicable to the audit activity, heeding not only the letter but also the spirit of these.

Auditors and audit firms will foster a working and corporate environment of integrity and respect of ethical principles and standards that govern the audit activity.

Article 20. Internal quality assurance standards of auditors and audit firms

The aim of the internal quality assurance standards is to lay down the principles and requirements to be followed by auditors in setting up an internal quality assurance system that reasonably enables them to be sure that the audit activity is performed in accordance with the requirements of the consolidated text of the Law on Auditing, this Regulations and the auditing and ethical standards.

Section 7. Drawing up technical, ethical and internal quality assurance standards

Article 21. Initiative and elaboration

1. In accordance with article 6.4 of the consolidated text of the Law on Auditing, the technical auditing standards, ethical standards and internal quality assurance standards will be drawn up, adapted and reviewed, in accordance with the general principles and commonly accepted practice in European Union Member States as well as the International Standards on Auditing adopted by the European Union, by the corporations that represent auditors, and under the responsibility of the public supervision system referred to in article 27.3 of the consolidated text of the Law on Auditing.

2. Notwithstanding the provisions laid down in the previous section, the technical auditing standards, ethical standards and internal quality assurance standards that are drawn up, adapted or reviewed by the foregoing public law corporations will not be valid until they are published by the Accounting and Auditing Institute in its Official Gazette.

Article 22. Public information

1. Both in cases of drawing up technical standards of auditing, ethical standards or internal quality assurance standards, and in any adaptations or reviews of these, the Accounting and Auditing Institute will submit these to public information by publishing them in the Official State Gazette and in the Official Gazette of the Accounting and Auditing Institute.

2. This information will be made public for two months and during this period the file will be available for any interested party to examine it, both at the Accounting and Auditing Institute as well as at the corporations that represent auditors, and these interested parties may make any pertinent arguments. This two-month information period may be extended in accordance with the importance and exceptional circumstances of a specific standard.

Article 23. Publication and effective date

1. Within a deadline of three months from the end of the public information period or, if appropriate, from submission of the corresponding adaptation or review, the Accounting and Auditing Institute will publish its resolution in the corresponding publications of its Official Gazette in order to bring it into force, or it will notify the corporations that represent auditors of the reasons why it is not publishing this, proposing any pertinent modifications if appropriate.

2. If the proposed modifications are accepted by the corporations that represent auditors, the Accounting and Auditing Institute will proceed to the publication referred to in the previous section.

3. In addition, the Accounting and Auditing Institute will send the resolution to be inserted in the appropriate part of the Official State Gazette.

Article 24. Supervision by the Accounting and Auditing Institute

1. As the body in charge of public supervision, the Accounting and Auditing Institute may request corporations that represent auditors to draw up, adapt or review the technical standards of auditing, the ethical standards and the internal quality assurance standards whenever it believes such action is necessary.

2. Should six months elapse from the date of this request without the aforementioned corporations heeding the same, it will be understood that these accept the application of the International Standards on Auditing adopted by the European Union, or the practice of which is commonly accepted in the European Union. This will come into force through publication of the resolution of the Accounting and Auditing Institute, pursuant to the responsibility attributed in article 27.3.b) of the consolidated text of the Law on Auditing.

This resolution will be adopted, following a favourable report from the Auditing Committee of the Accounting and Auditing Institute, and providing the failure to heed the request referred to in section 1 entails the non-existence of standards or the existence of standards that contravene EU regulations or that regulate the audit activity as per the consolidated text of the Law on Auditing and this Regulation.

CHAPTER II

Access to Perform the Audit Activity

Section 1. Official Register of Auditors

Article 25. Performing audit activity

1. The public supervision system is responsible for the management and control of access to perform the audit activity.

2. The audit activity may be performed by those natural or legal persons who, duly satisfying the requirements referred to respectively in Articles 8 to 10 of the consolidated text of the Law on Auditing, are registered as practitioners in the case of natural persons in the Official Register of Auditors of the Accounting and Auditing Institute and have paid the guarantee to cover the damages that could arise through breach of their obligations.

Article 26. Sections of the Register

The Official Register of Auditors has three sections: one referring to natural persons, another to firms and a third to auditors, audit firms and other audit entities of third countries referred to in Article 30.

For these purposes, the Accounting and Auditing Institute will issue a resolution to establish the application forms for registration in these sections.

Article 27. Natural persons

The natural persons section will be for registration of auditors, specifying their situation, based on their relationship with the audit activity , as one of the following:

- a) Practitioner .
- b) Non-practitioner , providing services on behalf of others.
- c) Non-practitioner .

Article 28. Situations

1. Only auditors that are registered as practitioners can take responsibility for and sign audits as defined in Article 1 of the consolidated text of the Law on Auditing.

Practitioner auditors must be registered as such in one or more of the following modalities: individually, as a partner of an audit firm or auditor expressly designated by an audit firm to sign audit reports on behalf of this firm .

2. Registration as a practitioner requires a written application to be sent to the Accounting and Auditing Institute, accompanied by the documentation substantiating the requirements required in article 8.1 of the consolidated text of the Law on Auditing, as well as the guarantee required and set up as per article 55 of this Regulation and, if appropriate, the continuing education as per article 40 of this Regulation. When these are practitioner audit partners of an audit firm or auditors designated expressly by the firm to sign audit reports on its behalf, the audit firm will be responsible for sending the substantiating documentation.

3. In the situation of a non-practitioner auditor that provides services on behalf of others, those that actively collaborate with a practitioner auditor, or with an audit firm in performing tasks directly related to the audit activity, may choose to be registered.

This registration requires an application to be sent in writing to the Accounting and Auditing Institute.

In the event of not exercising this option or failing to substantiate compliance with the requirements referred to in the previous section, registration will be as a non-practitioner.

4. Auditors that do not perform the audit activity under the terms referred to in foregoing Section 1 of this article or who have chosen not to be registered in the situation described in foregoing section 3 will be registered as non-practitioners. Registration under this situation must be requested in writing from the Accounting and Auditing Institute, if appropriate, along with evidence, if appropriate, of compliance with the requirements laid down in article 8.1 of the consolidated text of the Law on Auditing.

Article 29. Firms in the Official Register of Auditors

1. Audit firms with address in Spain or in an EU Member State may be registered in the Official Register of Auditors by providing the Accounting and Auditing Institute with the corresponding application and documentation to prove compliance with the requirements laid down in Article 10.1 of the consolidated text of the Law on Auditing.

2. Audit firms must inform the Accounting and Auditing Institute of any appointments of auditors to perform audits or issue audit reports on their behalf, as well as any changes. They must also notify the parties designated, at all times, to represent audit firms in their dealings with the Official Register of Auditors. Those that have not been notified to the Accounting and Auditing Institute will be understood as not designated.

3. Unless there is a declaration to the contrary, practitioner auditors will be understood as designated to perform audits and sign reports on behalf of the firm.

4. Communications from the Accounting and Auditing Institute in the exercise of its terms of reference to audit partners and auditors expressly designated to perform audits and sign reports on behalf of the audit firm will be sent to the address given to the Official Register of Auditors, unless a different address is provided.

Article 30. Separate registration of certain auditors, audit firms and other audit entities of third countries

Auditors and audit firms and other audit entities of third countries that issue audit reports on annual accounts or consolidated annual accounts of an entity incorporated outside the European Union and whose securities are

accepted for trading on a market regulated in Spain will be registered in a separate section in the Official Register of Auditors, in accordance with the provisions laid down in Articles 9.3 and 10.4 of the consolidated text of the Law on Auditing.

Registration under this situation must be requested in writing from the Accounting and Auditing Institute, , along with evidence, , of compliance with the requirements laid down in Article 9.3 of the consolidated text of the Law on Auditing.

Article 31. List of auditors

1. The Accounting and Auditing Institute will publish an updated list of auditors at least every year. This list will specify the name, address, registration number, situation under which the auditor is registered and, in the case of practitioners, the professional address, website and registration number of the audit firm or firms with which she or he is related, the public corporation to which he or she belongs, if appropriate, and all other registrations as auditor with the competent authorities of other Member States and as an auditor in third countries, specifying the competent authorities for registration and, if appropriate, the registration numbers.

2. The Accounting and Auditing Institute will publish an updated list of registered audit firms at least every year. This list must include the following information for each of them :

a) Name, company address, legal form, addresses of each of its operating offices, registration number and website address.

b) Full name, address and registration number of each of the partners, stating the person or persons who perform the duties of administration or management.

c) Full name, address and registration number of the auditors that work for the audit firm , identifying those who are expressly designated to perform audits and sign audit reports on behalf of the firm and the validity period of said designation.

d) If the firm is linked to the entities referred to in Articles 17 and 18 of the consolidated text of the Law on Auditing, it should provide information of the names and addresses of said entities, or indicate the website where this information is shown.

e) All other registrations as an audit firm with the competent authorities of other Member States and third countries, indicating the competent authorities with which they are registered and, if applicable, the registration number.

f) Public corporations to which they belong, if appropriate.

3. At least every year, the Accounting and Auditing Institute will publish a separate list of auditors and audit firms and other audit entities of third countries, as referred to respectively in Articles 9.3 and 10.4 of the consolidated text of the Law on Auditing, stating that these are not authorised to perform the audit activity in Spain. This list will include, at least, information on the name or trade name and address of each of them, without prejudice to the provisions laid down in EU regulations in this regard.

4. The Accounting and Auditing Institute will send the list of auditors and audit firms referred to in articles 355 and 356 respectively, of the Regulations of the Mercantile Register, approved by the Royal Decree 1784/1996 of 19 July 1996 to the Central Mercantile Register and to the Directorate General of Registers and Notary Affairs. In addition to the audit firms , these lists will include those auditors registered as practitioners and who have not expressly declared their wish to be excluded from these lists.

5. Furthermore, the Accounting and Auditing Institute will provide the Deanship of the Courts with the lists of natural persons, practitioners and providing services on behalf of others, and legal persons registered with the Official Register of Auditors that have declared their availability to be appointed as receivers, in accordance with the provisions laid down in Article 27 of Law 22/2003 of 9 July 2003.

Article 32. Withdrawal from the Register

1. Auditors will withdraw temporarily or permanently from the Official Register of Auditors under the following circumstances:

d) Death.

a) Due to a breach of any of the requirements established in Articles 8 and 9 of the consolidated text of the Law on Auditing.

b) Voluntary withdrawal.

d) Sanction.

Auditors that fail to maintain the guarantee will automatically be registered as non-practitioners.

2. In addition to the cases specified in points c) and d) of the previous section, audit firms will be removed from the Official Register of Auditors when they breach any of the requirements laid down in Article 10.1 of the consolidated text of the Law on Auditing, as well as cases of dissolution of the firm or failing to provide the guarantee required in Article 55 of this Regulation or if this guarantee is insufficient, without prejudice to the provisions laid down in Article 11.2 of the consolidated text of the Law on Auditing.

3. The application for voluntary withdrawal from the Official Register of Auditors will be addressed to the Chairperson of the Accounting and Auditing Institute. The form and conditions to make online applications will be in accordance with the resolution referred to in Article 26.

The processing of the corresponding request will be subject to the provisions laid down in Law 30/1992, of 26 November, on the Legal Regime of Public Administration and Common Administrative Procedure.

Section 2. Approval to perform the audit activity.

Article 33. Approval.

1. The approval referred to in Article 8 of the consolidated text of the Law on Auditing shall be granted to those who meet and accredit the following conditions:

a) Hold a university degree.

b) Have attended theoretical educational courses.

c) Have acquired practical experience.

d) Have passed a professional competence examination organised and endorsed by the State.

2. Those who meet the university admission requirements provided for under current regulations shall be exempt from meeting the requirement set out in paragraph 1.a), provided that the practical experience acquired, which is referred to in point c) in the previous paragraph, meets the provisions of Article 35.2.

3. The application for approval and registration in the Official Register of Auditors shall be addressed to the Chairperson of the Accounting and Auditing Institute. The manner and conditions for submitting the application electronically may be established through the resolution referred to in Article 26.

With regard to everything not established in this Regulation, the processing of the corresponding application shall be subject to the provisions contained in Law 30/1992 of 26 November 1992 on the Legal Regime of Public Administration and Common Administrative Procedure.

Article 34. Theoretical educational programmes.

1. The theoretical education programmes required in paragraph b) of Article 8.2 of the consolidated text of the Law on Auditing shall address the following matters:

a) Regulatory framework of financial reporting.

b) Financial analysis based on financial statements.

c) Analytical cost accounting and management accounting.

d) Risk management and internal monitoring.

e) Audit activity and rules of access.

f) Regulations applicable to monitoring audit activity, auditors, and audit firms.

g) International Standards on Auditing.

h) Standards on ethics and independence.

i) And to the extent that they are required to carry out audits:

1. Law on companies, other entities, and governance; insolvency, tax, civil and commercial law; social security and employment law; information technology and computer systems.

2. General, business, and financial economy; mathematics and statistics, and basic principles of the financial management of undertakings.

2. The aforementioned programmes shall be organised and taught by Universities or by the corporations that represent auditors. In every case, these programmes must be approved in advance by the Accounting and Auditing Institute. To this end, the aforesaid body, once the Audit Committee has been heard, shall establish, through a resolution published in its Gazette, the characteristics and conditions that the aforementioned programmes must meet for approval.

Subsidiarily, the Accounting and Auditing Institute shall be responsible for organising and teaching these programmes.

3. For the purpose of deeming that the requirement to take theoretical educational programmes has been met, the public or civil servants referred to Article 8.4 of the consolidated text of the Law on Auditing must accredit the passing of the corresponding competitive examinations, and the knowledge required to pass those examinations must sufficiently cover the subjects listed in paragraph 1 of this article.

The Accounting and Auditing Institute shall issue a resolution establishing the requirements that the aforementioned competitive examinations must meet in order to recognise the people who take them for the purposes provided for in this paragraph.

Article 35. Practical training.

1. In accordance with Article 8.2.b) of the consolidated text of the Law on Auditing, practical training must be for a minimum period of three years working in the financial and accounting sector, and shall relate specifically to annual accounts, consolidated accounts, or similar financial statements. At least two years of the aforesaid practical training must be performed with an auditor or an audit firm authorised to carry out audits, in the exercise of this activity in any of the Member States of the European Union and in relation to the tasks associated with the different phases of the aforesaid activity.

For this purpose, the aforementioned practical training requirement shall not be understood to have been met until at least 5,100 hours performing actual tasks in this field have been accredited, of which 3,400 must correspond to tasks related to the different phases of the audit activity. Up to 20 percent of the latter number of hours may be justified by doing other tasks related to the audit activity.

The practical training to be carried out with an auditor or an audit firm, as well as the tasks related with the different phases of the aforesaid activity, shall generally be carried out after completion of the theoretical educational programme governed by the preceding article. To this end, only a maximum of 425 hours before the completion of that programme and a maximum of 850 hours during its execution may be counted towards the practical training for the audit activity and the substantial completion of all audit-related tasks.

The provisions of this paragraph shall be without prejudice to the stipulations of the second transitional provision of these Regulations.

2. For those people who meet all of the other requirements established in Article 8.1 of the consolidated text of the Law on Auditing and meet the requirements for university admission provided under current regulations but lack a university degree, the practical training must be for a minimum period of eight years working in the financial and accounting sector, especially with regard to monitoring annual accounts, consolidated accounts, or similar financial statements, at least five years of which have been working with a person authorised to exercise the audit activity and in the exercise of this activity.

To this end, the aforementioned practical training requirement shall not be understood to have been met until at least 8,500 hours executing actual audit work and the substantial performance of all audit-related tasks have been accredited. Up to 20 percent of the aforesaid hours may be justified by doing other tasks related to the audit activity. Likewise, in this case, at least 50 percent of the hours of practical training must be done after the theoretical educational programmes regulated in the preceding article have been completed in full.

The provisions of this paragraph shall be without prejudice to the stipulations of the second transitional provision of these Regulations.

3. Auditors and audit entities must provide the Accounting and Auditing Institute with information annually on the practical training completed by people in their service, with the detail and breakdown and within the term that is to be determined by resolution of the Accounting and Auditing Institute.

4. The certifications that are issued to accredit the requirement for practical training with a person authorised to carry out audits in order to take the professional competence examination regulated in the following article must make reference to any contractual relationship that may have existed, as well as to the actual time working on audit activities, in accordance with the detail and content provided in the resolution referred to in the preceding paragraph, and without

prejudice to the powers of verification that may be exercised during the examination notification process referred to in Article 37.2.

5. For the purpose of considering the practical training requirement to have been met, the public or civil servants referred to Article 8.4 of the consolidated text of the Law on Auditing must provide a certificate issued by the competent body of the centre, organisation, or public entity that has been legally assigned the audit functions referred to in the aforesaid paragraph, which accredits, in sufficient detail, three years of actual work auditing the annual accounts, consolidated accounts, or similar financial statements of public sector entities, financial or insurance entities, or directly supervising or monitoring the audits and auditors of such documents.

Article 36. Competence examination.

1. The professional competence examination is designed to thoroughly check the candidate's ability to carry out audits and shall consist of two phases:

a) The first phase shall check the level of theoretical knowledge with respect to the subjects referred to in Article 34.1.

b) The second phase, which may only be taken by those who have passed the first phase of the examination, shall determine the ability to apply theoretical knowledge to the practice of the audit activity.

2. Those who hold one of the official qualifications valid throughout national territory referred to in Article 34 of Organic Law 6/2001 of 21 December, on Universities shall be exempted from the theoretical educational programmes and from the first phase of the examination in those subjects in which they have successfully completed the studies required to obtain such qualifications under the established manner and conditions. Universities may request the cooperation of a corporation that represents auditors for the delivery of such qualifications.

Once the Audit Committee has been heard, the Accounting and Auditing Institute, through a resolution published in its Gazette, shall be responsible for establishing the conditions of the aforementioned exemption.

3. The requirement related with passing the professional competence examination by public or civil servants within the scope of Article 8.4 of the Law on Auditing shall be understood to have been fulfilled with the accreditation referred to in Article 34.3.

Article 37. Examination notice and panel.

1. Pursuant to Article 8.2.c) of the consolidated text of the Law on Auditing, the professional competence examination shall be held as a one-time examination, proposed jointly by the corporations that represent auditors, and secondarily, by the Accounting and Auditing Institute, subject in all circumstances to the approval of the aforementioned Institute of the examination in question, notice of which shall be published by means of an order from the Minister of Economy and Finance. The content of the programme shall be as set out in each examination notice order.

The management and execution of each examination notice shall be jointly undertaken by the aforementioned corporations, and secondarily, if applicable, by the Accounting and Auditing Institute. The rules and criteria governing coordination between the corporations shall be stipulated either by means of a specific ministerial order or in each examination notice order.

2. Examinations shall generally be called on a biennial basis and only those individuals who have met and accredited the requirements established in Article 8.1a) and b) and 8.2.a) and b) of the consolidated text of the Law on Auditing may be eligible for the examinations. To that end, the panel appointed for this purpose may require as much documentation as necessary to verify compliance with the aforementioned requirements.

3. The panel shall be appointed in each examination notice order and shall be responsible for developing and marking the competence examination in accordance with that order.

It shall be comprised of a chairperson, who shall be a representative of the Accounting and Auditing Institute appointed from amongst its deputy general managers, an even number of members, and a secretary.

Such members must include at least one representative from each corporation that represents auditors, as proposed by each corporation from among its members.

In addition, at the corporations' proposal, the members shall include a university professor who is an expert in the fields of knowledge related to one or more of the subjects in the programme, as well as representatives of the Accounting and Auditing Institute from among its officers, such that the number of members representing the aforesaid Institute, along with the university professor is equal to the number of members representing the corporations that represent auditors.

The Secretary, who shall have the right to speak but not to vote, shall be appointed at the corporations' proposal. If the corporations are unable to reach a unanimous agreement regarding a proposed expert or secretary, this shall be decided by the Accounting and Auditing Institute.

4. All examination notice orders must include the appointment of a substitute panel.

5. Any aspects related to the operating regulations of the panel which are not covered in this Article or in the orders mentioned in Section 1 shall be governed by the provisions stipulated for the collegiate bodies of public administrations in Articles 22 et seq. of Law 30/1992 of 26 November 1992 on the Legal Regime of Public Administration and Common Administrative Procedure.

Article 38. Authorisation of auditors from other Member States of the European Union.

1. The competence examination that auditors authorised in the other Member States of the European Union referred to in Article 9.1 of the consolidated text of the Law on Auditing must pass in order to register in the Official Register of Auditors shall cover Spanish regulations applicable to audits, including the subjects established in Article 34.1 of these regulations, the knowledge and application of which are specifically required to carry out audit activities in Spain, to the extent that the aforesaid knowledge has not been accredited in the Member State where the auditor has been authorised.

2. For this purpose, an Evaluation Committee shall be appointed by the Ministry of Economy and Finance, which shall be responsible for verifying the auditor's status in the Member State of origin, the design of the competence examination based on the applicable Spanish regulations referred to in Article 34, its assessment, and the proposal of authorisation to access the Official Register of Auditors to the Accounting and Auditing Institute. The resolution appointing the aforesaid committee shall establish the examination fees to be paid in order to take the competence examination, as well as the appropriate administration and notification regulations.

3. The Evaluation Committee shall be comprised in the manner provided for the Panel referred to in Article 37 above.

4. Any aspects related to the operating regulations of the Evaluation Committee which are not provided for in this Article shall be governed by the provisions stipulated for the collegiate bodies of the public administrations in Articles 22 et seq. of Law 30/1992 of 26 November on the Legal Regime of Public Administration and Common Administrative Procedure.

5. In general, the competence examination shall be held biennially according to the number of applications submitted. In any case, no more than twelve months may elapse from the submission of the application to take the examination by an individual who has accredited his or her status as an authorised auditor in a Member State of the European Union until the resolution of that application by either granting or denying the right to take the competence examination.

Article 39. Authorisation of third country auditors.

To obtain authorisation from the Accounting and Auditing Institute, provided that reciprocal conditions exist and that they accredit the fulfilment of requirements equivalent to those set forth in Articles 8.1, a) and c) and 8.2 a), b), and c) of the consolidated text of the Law on Auditing, as well as the requirements for continuing education, tenure of residence or permanent establishment in Spain, or of a representative residing in Spain referred to Article 9.2 of the consolidated text of the Law on Auditing, third country auditors must pass the competence examination referred to in Article 38 above.

Verification of having met the requirements, the design of the competence examination, its assessment, as well as the proposed authorisation of registration in the Official Register of Auditors, shall be the responsibility of the Evaluation Committee referred to in the previous article.

CHAPTER III

Performing Audit Activity

Section 1. Continuing education

Article 40. Continuing education.

1. For the purposes of the provisions of Article 7.7 of the consolidated text of the Law on Auditing, auditors registered as practitioners in the Official Register of Auditors, with the exception of those referred to in Article 9.3 of the aforesaid consolidated text, or as non-practitioners who provide services for third parties, must complete continuing education equivalent to at least one hundred and twenty hours within a three-year period, with a minimum of thirty hours annually.

2. Auditors registered as non-practitioners in the Official Register of Auditors shall not have to fulfil this requirement as long as they retain that status. When a non-practitioner applies for becoming a practitioner, she or he must accredit having completed the one hundred twenty hours of continuing education within the three-year period ending on the date of the aforesaid application, of which at least fifty hours must be justified as having been done within twelve months of the aforementioned date.

Additionally, during the period between their registration as practitioner and the end of the corresponding annual calculation period, auditors must complete a minimum number of hours equal to the proportion of one year's minimum obligations that this interval represents.

3. The minimum continuing education requirement shall be waived for those auditors who have recently been granted access for the period between their registration in the Official Register of Auditors and the date on which the information was first presented (under one year).

4. In the event that the auditor is unable to meet the obligation referred to in paragraph 1 of this Article for a period greater than two months due to *force majeure*, at the auditor's request, the Accounting and Auditing Institute may waive the proportion of the minimum continuing education requirement that corresponds to the aforesaid period, provided that it is accredited during the following year and the auditor provides documentary evidence of the aforesaid inability.

Article 41. Continuing education activities.

1. The continuing education requirement referred to in the preceding article shall be understood to have been satisfied by performing the following activities, which cover the subjects referred to in Article 34.1:

a) Participation in courses, seminars, conferences, conventions, workshops, or meetings, whether as speaker or attendee.

b) Participation in committees, commissions, or working groups related to accounting and auditing principles, standards, and practices.

c) Participation in examination panels or competence tests that must be passed in order to qualify as an auditor.

d) Publication of books, articles, or other documents on matters related to the basic subjects that constitute an auditor's core knowledge.

e) Undertaking teaching activities at Universities referred to in the Organic Law on Universities and auditor training courses approved by the Accounting and Auditing Institute.

f) Completion of self-study courses, whether through electronic or other means, provided that the organiser of the course has established adequate controls to ensure their completion, development, and improvement.

g) Completion of specialised studies leading to a certificate awarded by a University, in accordance with the provisions of the Organic Law on Universities.

2. At least 20 hours of continuing education within one year and 85 hours within a three-year period must be completed on subjects related with accounting and audit activity.

3. The activities indicated in paragraphs a), e), and f) of the preceding paragraph shall be organised and administered, if applicable, by the corporations that represent auditors. Likewise, they may be organised by Universities and by those centres, institutions, audit firms, or auditors groups with at least fifteen individuals that have been recognised by the Accounting and Auditing Institute.

Subsidiarily, the Accounting and Auditing Institute shall be responsible for organising and conducting these activities.

4. The activities indicated in paragraphs b) to d) of subsection 1 must be justified before the corporation that represents auditors that the auditor in question is affiliated with.

The activities included in paragraphs a), b), c), and f) must be certified by the competent person from the organising entity or by the panel. The activities indicated in paragraph d) shall be accredited through the presentation of the mentioned publication.

5. Once the Audit Committee has been heard, the Accounting and Auditing Institute may issue a resolution to establish the rules for calculating the activities indicated in paragraph 1 of this Article, for modifying the list of these activities, and for establishing the conditions that centres, institutions, and groups of auditors must meet in order to conduct the continuing education activities referred to in this Section, including those related with the committees, commissions, and working groups referred to in paragraph 1.b), as well as the manner and term for submitting the corresponding information to the aforesaid Institute.

6. Participating as an assistant in continuing education activities that include an assessment of the knowledge obtained shall be counted as 150 percent of the eligible attendance time for calculation purposes. This point shall be indicated in the examination notice and in the declaration certifying the score or marks obtained.

Participating as a speaker in teaching activities shall be counted as double the time that they have entailed on the first occasion that they are given.

Article 42. Presentation of information.

1. In November of each year, the corporations that represent auditors, universities, as well as the centres, institutions, and groups of auditors authorised to conduct continuing education activities, as provided for in the previous article, shall present the Accounting and Auditing Institute with an annual statement of the activities that have been completed during the twelve months prior to 30 September of each year, as well as of the activities referred to in paragraphs b) to d) of Article 41, which the auditors have justified to their respective corporation during that period. Likewise, the auditors shall present the Accounting and Auditing Institute with an annual statement of the continuing education activities that have been carried out that differ from those referred to in the preceding paragraph, are complementary to those undertaken under that paragraph, or that prove necessary to complete, justify, or correct the aforementioned information under the terms provided for by the resolution referred to in the preceding article.

2. Through the resolution referred to in the preceding article, the Accounting and Auditing Institute shall establish the terms, manner, and models for the statements referred to in paragraph 1 above.

3. Auditors must keep the documentation that records the continuing education activities conducted over the past five years.

4. The Accounting and Auditing Institute may carry out the appropriate checks, requiring any information necessary from the corporations that represent auditors, the universities, centres, institutions, or groups of recognised auditors, as well as from auditors, in order to verify the documentation that records the continuing education activities. These actions may include the physical presence of staff from the Accounting and Auditing Institute during the execution of the activities.

If the checks of a certain activity determine that there is non-compliance with the conditions and requirements set out in these regulations, the Accounting and Auditing Institute might not recognise that activity for the purposes of fulfilling the continuing education requirement governed by this section.

Section 2. Independence

Article 43. General principle of independence.

1. In accordance with the provisions of Article 12 of the consolidated text of the Law on Auditing, auditors and audit firms must be independent from the audited entities in the exercise of their function and must abstain from acting when their independence may be compromised in relation to the review and verification of annual accounts, financial statements, or other accounting documents.

Auditors and audit firms must abstain from taking part in the audited entity's decision-making process under the terms provided for in Article 13 of the Law on Auditing.

In any case, it shall be understood that the auditor or audit firm has taken part in the audited entity's decision-making process when they have collaborated with or formed part of the aforesaid entity's decision-making body, or when a decision has been based on reports, work, or recommendations made by the auditor or the audit firm.

Additionally, and in any case, auditors or audit firms shall abstain from conducting the audit in those cases in which there are causes of incompatibility according to the provisions of law and these Regulations.

2. In any case, independence is understood as the absence of any interests or influences that could undermine the auditor's objectivity in performing his or her audit work.

Auditors and audit firms must abstain from carrying out an audit if there is any financial, economic, employment, family, or any other type of relationship, including if non-audit services have been provided to the audited entity, between the auditor or the audit firm and the audited entity, in such a manner that could be understood to compromise their independence.

Auditors must maintain an attitude of professional scepticism, whereby they must always be alert to situations that may pose a threat to their independence, and they must continually consider their independence in relation to the audited entity.

3. In the event that auditors or audit firms must abstain from conducting an audit in accordance with the provisions of this Section, they must also make the communications referred to in Article 7.2.

4. The references made in this Section to audited entities and auditors shall be understood to be made to the persons and entities, respectively, referred to in Articles 15 to 18 of the consolidated text of the Law on Auditing.

5. For the purposes provided for in this Section, in the case that there are changes in the conditions or registration status in the Official Register of Auditors, the provisions of the transmission and succession regulations contained in the Fourth Additional Provision of the consolidated text of the Law on Auditing shall apply.

Article 44. Threats to independence.

1. In order that the independence of auditors and audit firms is not compromised, they must implement the necessary procedures to detect and identify threats to their independence which arise or may arise from the

circumstances, including the causes of incompatibility provided for in Article 13 of the consolidated text of the Law on Auditing, which exist with regard to the audited entity, as well as existing relationships with persons or entities, within the time period referred to in Articles 14 to 18 of the consolidated text of the Law on Auditing.

2. The independence of auditors and audit firms may be affected by the following types of threats, amongst others:

a) Self-interest: due to the existence of a financial or other manner of conflict, including those brought about due to the existence of common relationships or economic interests.

b) Self-review: due to the need to carry out procedures during the execution of an audit that entail reviews or evaluations of results, judgements, or criteria issued by the auditor previously in relation to the data or information that the audited entity considered when making decisions that impact the financial information contained in the audited accounts, documents, or statements.

c) Advocacy: due to maintaining a position in favour of or against the audited entity, including positions maintained in relation to third parties.

d) Familiarity or trust: due to excessive influence and proximity arising from the characteristics, conditions, and circumstances of a relationship with the shareholders, managers, or directors of the audited entity.

e) Intimidation: due to the potential to be deterred or influenced by improper pressures from the audited entity.

To identify the existence of different types of threats to independence, the auditor and the audit firm must analyse and evaluate the activities and services, as well as the different situations and circumstances, that give rise to such threats, according to their true nature and an assessment of the risk associated with each of them.

3. Once the threats to independence have been identified in accordance with the provisions of the preceding paragraphs, auditors and audit firms must evaluate their significance in order to determine, separately and jointly, the degree of risk of their independence being compromised.

The significance of the threats depends on factors, whether quantifiable or not, such as the status, position, or influence of the persons or entities involved, the nature of the factor or circumstance giving rise to the threat, the occurrence of other circumstances that may arise from other threats, the services and relationships maintained with the audited entity, and the context in which the audit is performed.

A threat is deemed significant if, according to the factors that are present, whether separately or jointly, the degree of risk is increased to the extent that independence is compromised.

Once the assessment described above has been carried out, in the event that the auditor reaches the conclusion that the identified threat to his objectivity is not significant, it shall not be necessary to apply the safeguards referred to in the following article, without prejudice to the obligation to document the procedures and evaluations made in this regard in its working papers.

Article 45. Safeguards.

1. In accordance with the previous article, in those cases in which auditors and audit firms have identified threats to their objectivity that they consider significant, they must establish and implement the necessary safeguards to eliminate the aforementioned threats, or where appropriate, to reduce them to an acceptably low level. For this purpose, the safeguards that may be provided by the management and control structure of the audited entity shall also be taken into consideration.

In any case, the safeguards to be applied must be commensurate with and proportional to the nature and level of significance associated with the identified threat.

In the event that the safeguards applied do not eliminate the threats detected to independence or reduce the risk of a lack of independence to an acceptably low level, the auditors and audit firms must abstain from conducting the audit and act in accordance with the provisions of Article 43, paragraphs 2 and 3.

For this purpose, it is understood that the risk of a lack of independence has been reduced to an acceptably low level in those cases in which, in accordance with the circumstances and factors that arise in relation to the audited entity, the specific audit, and the training and knowledge required on the matter, it may be concluded that the auditor is capable of exercising objective and impartial judgement over the matters addressed during the execution of the audit, and therefore, the auditor's independence has not been compromised.

2. The measures and procedures for detecting and communicating threats to independence, as well as those related with potentially applicable safeguards which are part of the quality control systems and procedures, must be formalised by the auditors and audit firms in writing and must be communicated to the persons and entities referred to in Article 17 and 18 of the consolidated text of the Law on Auditing, as well as to the rest of the personnel that provide professional services of any nature to the audited entity, regardless of their contractual relationship.

3. In any case, the procedures for identifying threats and the adoption of safeguards must be applied for each audit and must be documented and incorporated into the working papers for that job. Such documentation must include the justification and conclusions reached with regard to the significance of the threats detected to independence and the resulting assessment of the degree of risk of a lack of independence. Likewise, the details of the safeguards applied to eliminate, or where appropriate, to reduce the risk to independence to an acceptably low level must be documented.

Article 46. Causes of incompatibility.

1. Performance of jobs:

For the purposes of the provisions of Article 13.a) of the consolidated text of the Law on Auditing, the terms below are understood as follows:

a) Administrative job: that performed in the entity by someone who forms part of the governing body or equivalent of the audited entity, in accordance with the regulations that apply due to its legal nature.

b) Managerial job: that performed by someone who belongs to the managing body of the audited entity, or who holds powers of responsibility, regardless of the legal relationship with the entity, in direct hierarchical and functional dependency to the board of directors of the audited entity or its managing director or equivalent position.

c) Employee position: that occupied by those who provide paid services for another, within the scope of the organisation and direction of another person, whether natural or legal, in accordance with labour laws.

d) Internal oversight position: that performed by someone who has been granted authority to guide and review or control the policy and procedures of the audited entity.

2. Financial interest:

For the purposes of the provisions of Article 13.b) of the consolidated text of the Law on Auditing, a direct financial interest is understood as shareholding or the commitment to hold a share in the audited entity, the holding or commitment to hold securities issued by the audited entity, the acceptance of rights to participate in the benefits or profits of the audited entity, as well as the ownership of derivative financial instruments and economic interests of any nature related with the aforementioned shares, securities, and benefits. Likewise, any voting rights which may be controlled or exercised, the concession or guarantee of loans to the audited entity, as well as the acceptance of loans or guarantees from the audited entity if it is not a financial institution, are also understood as included.

The term indirect financial interest refers to situations in which the auditor, or the persons or entities referred to in Articles 50 and 51, have any of the financial interests referred to in the preceding paragraph in entities other than the audited entity, which in turn have any of those financial interests in the audited entity, or in entities, including hedge funds, in which the audited entity has such interests.

Auditors and audit firms must evaluate whether the direct or indirect financial interest is significant for any of the parties, and therefore, whether it affects their independence.

In any case, it shall be considered that the financial interest is significant when any of the following circumstances apply:

a) When it entails more than 10% of the auditor's personal assets.

b) When it reaches at least 5% of the share capital, voting rights or assets of the audited entity, whether directly or indirectly, or 0,5% when the audited entity is considered a public interest entity.

That calculation shall be subject to the criteria contained in Article 3 of the Regulations for Preparing Consolidated Annual Accounts, approved by Royal Decree 1159/2010 of 17 September 2010.

c) Even if the percentage referred to in point b) is not reached when the potential exists to influence the management of the audited entity or the outcome of the audit as a result of the aforesaid interest and by means of the entities linked to the audited entity or to the auditing entity.

Save evidence to the contrary, it shall be presumed that the independence of the auditor and of the audit firm has not been compromised by holding an indirect financial interest in the audited entity through a pension fund, hedge fund, or equivalent investment vehicle, provided that the auditor or audit firm has no relationship with the audit of the annual accounts or financial statements of the fund manager or administrator and that the auditor or audit firm does not have and could not have the capacity to influence investment decisions.

Likewise, it shall be presumed that the independence of the auditor and of the audit firm is not compromised by obtaining or maintaining a loan granted by the audited entity, provided that it falls within the corporate purpose of the aforesaid entity and is carried out under normal market conditions. In this case, the auditor or audit firm must evaluate

the consequences of its debt, and whether it represents an excessive volume in relation to its assets, for the purpose of determining whether there are threats that compromise independence.

3. Positions responsible for the financial-economic department:

For the purposes provided for in Article 13.c) of the consolidated text of the Law on Auditing, the people responsible for the financial-economic department of the audited entity are understood to be those who hold a position of responsibility in relation to the management or supervision of the aforesaid department, or those who, regardless of their legal relationship or position in the entity, are able to exercise a decisive influence over the accounting policies of the audited entity.

4. Record-keeping or preparation of financial statements or other accounting documents:

For the purposes of the provisions of Article 13.d) of the consolidated text of the Law on Auditing, record-keeping or the preparation of financial statements or other accounting documents is understood to include any service or activity related with the preparation of such accounting statements or documents, as well as cooperation or participation in their drafting or preparation or in that of the data or information which served as the basis for preparing those statements or documents.

5. Valuation services:

For the purposes provided for in Article 13.e) of the revised text of the Law on Auditing, valuation services involve making suppositions based on the application of certain methodologies and techniques, or a combination of both, in order to establish or attribute a certain value or range of values to an asset, a commitment, or to a business activity as a whole. Likewise, it shall be understood that a valuation service leads to the evaluation of amounts in the annual accounts, financial statements or other accounting documents when that service and its results have provided the basis for the accounting record or the justification for the valuation attributed to an asset, a liability, or to any combination thereof in the annual accounts, financial statements or other accounting documents of the audited entity.

For the same purposes, it is considered that valuation services lead to the determination of significant amounts when:

a) Whether separately or jointly, they exceed the levels or figures of relative importance to be determined by the auditor or audit firm when carrying out the audit of the aforementioned annual accounts or other financial statements and for issuing the corresponding audit report, in accordance with the provisions of auditing standards; or

b) The option applied during the evaluation, rather than another alternative, causes the difference between the amounts arising from both alternatives not to exceed the aforesaid levels or figures.

The valuation does not entail a significant degree of subjectivity when the elements used in the valuation are predetermined by regulatory provisions, provided that they do not allow the option of distinct alternatives, hypotheses, or methodologies that could lead to substantially different results.

6. Internal audit services:

For the purpose of accrediting that the provision of the internal audit services referred to in Article 13.f) of the consolidated text of the Law on Auditing does not, in principle, create incompatibility between the auditor and the audit firm, they must indicate in the audit contract executed to that effect that the audited entity assumes responsibility for establishing and maintaining an internal control system, for determining the scope, risk and frequency of internal audit procedures, for considering, rendering a decision over, and implementing the results and recommendations provided by the internal audit, and that the auditor does not participate in making decisions with regard to the management and control of the provision of internal audit services.

The provisions of this subsection are without prejudice to the possibility of the auditor and the audit firm reviewing the results provided by the internal audit of the entity for the purpose of the audit.

7. Advocacy services:

For the purposes of the provisions of Article 13.g) of the consolidated text of the Law on Auditing, it is understood that two Boards of Directors are not different when the majority of their members coincide. In the event that the two Boards of Directors are comprised of an even number of members, they shall be considered different when at least half of the members of one of them constitutes half of the other Board.

8. Fees with a significant percentage:

For the purposes of the provisions of Article 13.h) of the consolidated text of the Law on Auditing, the provision of services by the auditor or audit firm should not result in the creation of actual or apparent financial dependence with the audited entity.

In this regard, it shall be understood that a significant percentage of the total annual revenue of the auditor or audit firm exists when the fees received from the audited entity, and from the entities referred to in Article 48 of these Regulations, entail over 15 percent of total annual revenue based on the average from the last three years. This percentage shall be 20 percent for individual auditors and for audit firms that have fewer than six associates, provided that they have not audited public interest entities in any of the aforementioned last three years.

In the case of audit firms or auditors who are beginning their activity with their registration in the Official Register of Auditors with practitioner status, during the first three years of exercising the activity it shall be understood that the percentage is significant when the fees received from the audited entity and from the entities referred to in Article 48 of these Regulations entail more than 40 percent of total annual revenue based on the average from the first three years.

9. Financial information technology systems:

For the purposes of accrediting that the provision of services referred to in Article 13.i) of the consolidated text of the Law on Auditing does not, in principle, create incompatibility for the auditor and the audit firm, they must indicate in the contract executed to that effect that the audited entity assumes responsibility for the global internal control system, or that the service is provided in accordance with the specifications established by the aforesaid entity, and likewise, that it assumes responsibility for the design, implementation, and evaluation process, including any decisions to that effect, and for operating the financial information technology system used to generate the assessments or data that comprise the annual accounts or other financial statements.

In addition, documentary evidence of the instructions and specifications provided by the audited entity shall be recorded in the event that services are provided for the design and implementation of these systems.

To this end, it shall be considered that there is no incompatibility provided that the audited entity assumes the responsibility, the evaluation of the internal controls of the system in terms of its design, implementation, and execution by a third party for an audited entity, or by the audited entity itself, whether as part of the audit or to propose recommendations to the management of the audited entity.

Article 47. Elimination of financial interest.

1. In the event that there are financial interests under the terms contained in Article 46.2, the auditor and the audit firm must adopt the appropriate measures and procedures to liquidate, undo, or eliminate the aforesaid interest prior to accepting the appointment or designation in order to meet the independence requirement, and therefore, to be able to accept the audit engagement.

2. In the event that a financial interest has been acquired for any reason after acceptance of the engagement, the auditor or audit firm must proceed to liquidate, undo, or eliminate the aforesaid interest within the term of one month after becoming aware of the aforesaid circumstances. In the event that it is not possible to resolve the aforesaid interest within the aforementioned term due to circumstances not attributable to the auditor, this period may be extended, but in any case, it must be resolved before the audit report is issued. If it is not possible to proceed in this manner, they must abstain from carrying out the audit and must make the communication provided for under Article 43, subsections 2 and 3.

Article 48. Links to the audited entity.

1. For the purposes of the provisions of Article 12 of the consolidated text of the Law on Auditing, auditors and audit firms must consider and evaluate the existence of entities linked to the audited entity, as provided for in the following subsection, in accordance with the action criteria and procedures referred to in Articles 44 and 45.

In the event that threats are detected to their independence, auditors and audit firms may take into account the significance, as measured in terms of relative importance, relationships of control, the decision-making unit, and the significant influence referred to in the following paragraph in order to evaluate the importance of the aforesaid threats, and therefore, to consider the degree of risk of independence being compromised.

2. For the purposes of the provisions of Articles 13 and 15 of the consolidated text of the Law on Auditing, it is understood that an entity is linked to the audited entity when any of the following circumstances apply:

a) There is a relationship of control, as determined by the existence of a group in the case of the control relationships referred to in Article 42.1 of the Commercial Code, and in accordance with the rules and presumptions contained in Articles 2 and 3 of the Regulations for Preparing Consolidated Annual Accounts, approved by Royal Decree 1159/2010 of 17 September 2010.

b) There is a decision-making unit, under the terms provided in the General Accounting Plan approved by Royal Decree 1514/2007 of 16 November 2007, specifically, in paragraph 1 of the 13th Regulation for Preparing Consolidated Annual Accounts and paragraph 24.5 of the content of the report, as well as the rules decreed during its development.

c) There is joint control or significant influence over its management when two of the requirements and presumptions set out in Articles 4 and 5 of the Regulations for Preparing Consolidated Annual Accounts approved by Royal Decree 1159/2010 of 17 September 2010 are met.

Article 49. Incompatibilities derived from situations involving close family members of the signing auditor.

1. For the purposes of the provisions of Article 16.2.b) of the consolidated text of the Law on Auditing, it shall be considered that holding positions of employment affects the preparation of significant information contained in the audited annual accounts, financial statements, or other audited accounting documents, when the figures or data corresponding to the balances, entries, or areas subject to the aforesaid preparation or information exceed the levels or figures of relative importance determined by the auditor and audit firm during the audit of those statements or documents, and for the issuance of the corresponding audit report, in accordance with the provisions of auditing standards.

2. For the purposes of the provisions of Article 16.2.c) of the consolidated text of the Law on Auditing, it shall be considered that a linked entity is not significant for the audited entity when the figures or information that correspond to the share or control that the audited entity has in that entity do not exceed the figures or levels of relative importance that are to be determined by the auditor or audit firm during the audit of the audited entity and for the issuance of the corresponding audit report, in accordance with the provisions of auditing standards.

Article 50. Incompatibilities derived from situations involving persons or entities directly related to the auditor or audit firm.

1. For the purposes of the provisions of Article 17.1) of the consolidated text of the Law on Auditing, the partners who belong to the same audit firm, as well as those auditors or audit firms which do not belong to the same firm but are linked by any type of agreement, arrangement, or provision of services between them or for third parties, shall be understood to be linked to the signing auditor.

Likewise, it shall be considered that audit firms are linked in the case of the relationships and presumptions referred to in Article 48.

2. For the purposes of the provisions of Article 17.1.b) of the consolidated text of the Law on Auditing, the following persons are presumed to have the capacity and potential to influence the valuation and outcome of the audit:

a) Those who participate directly and in a relevant manner in the acceptance and implementation of a certain audit, that is, in every case, the signing auditor or the auditor designated to carry out the audit on behalf of an audit firm, the manager or managers, the partners, who may be professionals from other disciplines that have provided decisive services or services with significant results for the audit, as well as those persons responsible for quality control of the audit.

b) The partners, whether auditors or not, who have direct supervision, management, or assessment responsibility over the execution of the audit, including those which may prepare, review, or directly influence the valuation of the work and the conclusions reached by the persons referred to in point a) above.

3. For the purpose of the provisions of Article 17.2.a) of the consolidated text of the Law on Auditing, it shall be understood that the auditor or audit firm does not enjoy sufficient independence when the people referred to in Article 17.1 of the consolidated text of the Law on Auditing incur the circumstances provided for in Article 13.c) of the aforesaid consolidated text, provided that links or close ties may exist between the signing auditor or audit firm and those auditors who have such links due to the structure and size of the audit firm, in such a manner that it could be concluded that the audit or its result might have been different from what could have been reached in the absence of such links.

In any case, it is understood that these links or ties exist when any of the following circumstances arise between the signing auditor or audit firm and the auditor who incurs these links:

a) When they do not belong to the same audit firm and are directly or indirectly linked by any type of agreement or arrangement of a professional nature or service provision relationship between themselves or for third parties, regardless of its duration.

b) When they belong to or are linked to the same audit firm which has less than six partners.

c) When they belong to or are linked to the same audit firm that provides services, whether permanently or occasionally, in the same office or in the same field.

d) When the auditor which has incurred the aforementioned links has direct supervision, management, valuation or any other manner of responsibilities referred to in paragraph 2b) of this Article.

Article 51. Incompatibilities derived from situations involving persons or entities that belong to the network of the auditor or audit firm.

1. For the purposes of the provisions of Article 18 of the consolidated text of the Law on Auditing, it shall be understood that an entity or person is part of the same network as the signing auditor or the audit firm in whose name the audit is performed when any of the following circumstances apply:

a) They form part of the same group due to the existence of a relationship of control referred to in Article 42 of the Commercial Code, and in accordance with the rules and presumptions contained in Articles 2 and 3 of the Regulations for Preparing Consolidated Annual Accounts, approved by Royal Decree 1159/2010 of 17 September 2010.

b) When they are subject to or form part of the same decision-making unit, under the terms provided in the General Accounting Plan approved by Royal Decree 1514/2007 of 16 November 2007, specifically, in paragraph 1 of the 13th Regulation for Preparing Consolidated Annual Accounts, and subsection 24.5 of the content of the annual report, as well as the rules that are decreed during its development.

c) When they are linked due to the existence of joint control or significant influence over its management, in accordance with Articles 4 and 5 of the Regulations for Preparing Consolidated Annual Accounts, approved by Royal Decree 1159/2010 of 17 September 2010.

2. For the purposes of the provisions of Article 18.2, points a) and b) of the consolidated text of the Law on Auditing, the provisions of Articles 49.1 and 50.3, respectively, shall be applicable.

Article 52. Extension and termination of audit contracts.

1. Once the periods for which the auditors and audit firms have been contracted to perform the audit has come to an end, they may be expressly extended, even in a successive manner, for maximum periods of three years.

2. For the audit contract to be automatically extended for a three-year period, it shall be necessary that the auditor or audit firm and the audited entity do not express their volition to the contrary prior to the end of the last fiscal year that was originally contracted, or any prior extensions, without prejudice to the reporting of the aforesaid extension to the General Partners' Meeting. The foregoing is not a release from the obligation to communicate this fact to the Mercantile Register corresponding to the corporate domicile of the audited entity through an agreement or certificate signed by a person with the legal or statutory competency in the audited entity, within a term that may not exceed the date on which the audited annual accounts for the last year of the contract period are filed for deposit.

3. The termination of the audit contract or the revocation of an auditor's appointment by the competent agencies must be based on just cause, without prejudice to the circumstances that could result in the non-issuance of the audit report or refusal to continue with the audit contract under the provisions of Article 7. In accordance with the provisions of Article 19.1 of the consolidated text of the Law on Auditing, differences of opinion on accounting treatments or audit procedures are not just cause.

In the event of the termination of the audit contract or of the revocation of an auditor's appointment as established in Article 19.1 of the consolidated text of the Law on Auditing and in Articles 264.3 and 266 of the consolidated text of the Law on Capital Corporations, approved by Royal Legislative Decree 1/2010 of 2 July 2010, auditors and audit firms, as well as the audited entities, must inform the Accounting and Auditing Institute of such circumstances within the term of fifteen days of their occurrence.

Article 53. Rotation.

For the purposes of the provisions of Article 19.2 of the consolidated text of the Law on Auditing, the rotation of the auditor signing the audit report for the consolidated annual accounts shall be mandatory once seven years have elapsed since the first year or fiscal year in which the aforesaid accounts were audited, and they correspond to the group of companies that are considered public-interest entities, or if the net turnover of the group is over 50,000,000 euros.

In the event that the auditor signing the audit report for the consolidated annual accounts has to be rotated or replaced in accordance with this article, and likewise, it was the auditor of the controlling company that prepared the aforementioned consolidated annual accounts, rotation shall also be required in relation to this controlling company.

Article 54. Prohibitions after the audit has been concluded.

1. In accordance with the provisions of Article 20 of the consolidated text of the Law on Auditing, the auditors signing the audit report and the audit firms in whose name the audit is carried out, for two years after the completion of the audit, may not form part of the administrative or management bodies of the audited entity, hold positions or have a direct or indirect financial interest in the audited entity which is significant for either of the parties in accordance with the terms provided for in Article 46.2 of these Regulations.

Nor shall such situations be permitted in relation to entities linked to the audited entity under the terms provided for in Article 48.2, points a) and b).

2. For the purposes of the provisions of Article 20.1.a) of the consolidated text of the Law on Auditing, the prohibition provided for in the preceding paragraph shall also apply to the partners of the audit firm, whether they are auditors or not, who have the capacity and potential to influence the valuation and final outcome of the audit carried out, in accordance with the provisions of Article 50.2.

3. For the purposes of the provisions of Article 20.1.b) of the consolidated text of the Law on Auditing, it shall be understood that there are reciprocal influences between the designated partners of the audit firm or auditors which have ceased to have a link with or interest in the audit firm before incurring in the prohibitions referred to in the aforementioned article on one hand, and on the other hand, the signing auditor or audit firm in whose name the report was signed, which compromises their objectivity, when any of the following circumstances apply:

a) When, not belonging to the same audit firm, the aforementioned partners and the signing auditor or the audit firm in whose name the report is signed, are directly or indirectly linked by any type of agreement or arrangement of a professional nature or service provision relationship between themselves or with third parties, regardless of its duration.

b) When the aforementioned partners and the signing auditor belonged to or were linked to the audit firm in whose name the report was signed, provided that it had less than six partners.

c) When, belonging to or being linked to the same audit firm, provided services, whether permanently or occasionally, in the same office, or in the same field.

d) When the aforementioned partners have direct supervision, management, valuation, or any other manner of responsibilities referred to in paragraph 50.2.b) of this Article.

Section 3. Guarantee

Article 55. Guarantee.

1. The guarantee referred to in Article 23 of the consolidated text of the Law on Auditing shall be established in the form of cash deposits, public debt securities, bank bonds recorded in the special registries of the Ministry of Economy and Finance and the Bank of Spain, or civil liability insurance, and must cover the compensation for direct personal liability arising from any economic damages or losses that the auditors or audit firms could cause, up to the limit that results from applying the provisions of the following paragraphs 2, 3, and 4, and which arise from any non-compliance with the obligations acquired during the exercise of the audit due to any claims filed within the limitation period.

The established guarantee must be sufficient, and if necessary, must be updated, in order to meet the limit called for in paragraphs 2 and 3 below at all times, and must be kept in effect during the period within which claims for liability may be exercised. In the event that audit activities are ceased, the auditor or audit firm likewise must maintain the established guarantee for the aforementioned period, but may request that it be returned once that period has elapsed.

2. In the case of natural persons, the guarantee shall be 300,000 euros for the first year of activity, which shall be considered the minimum for successive years. In the case of audit firms, that amount shall be multiplied by the number of partners, regardless of whether or not they are auditors, and auditors designated to sign audit reports on behalf of the firm, which shall likewise be considered the minimum for successive years.

3. After the first year of activity, the minimum guarantee referred to in the preceding paragraph shall be increased by 30 per cent of the turnover in excess of the amount equivalent to that of the aforesaid minimum guarantee which corresponds to the audit activity from the previous year.

4. In the event that the guarantee is established through an individual or collective civil liability insurance policy, in which case the corresponding individual certificate of insurance shall be provided, it must specifically cover civil liability as it is defined in Article 22 the consolidated text of the Law on Auditing and under the terms and conditions set forth in this article.

The coverage must be individualised for each insured party and for the exercise of the audit activity, and any clauses specifying coverage below the limit that results from the application of paragraphs 2 and 3 above for each claim shall not be admissible, regardless of whether the aforesaid limit is covered jointly.

5. Auditors or audit firms must justify the validity and sufficiency of the established guarantee within the period referred to in Article 79.1 annually. Likewise, they must report any circumstances that result in the termination, loss, or reduction of the effectiveness of the guarantee, as well as any modification made to the initially agreed terms, within the term of fifteen days from the occurrence of the aforesaid circumstance.

The Accounting and Auditing Institute may carry out the appropriate checks for the purposes of verifying the validity or sufficiency of the guarantee.

6. The insufficiency of the guarantee, regardless of the manner in which it was established, or its lack of validity, as the case may be, shall be cause for automatically prohibiting the exercise of audit activities and shall lead to natural persons being registered as non-practitioner and audit firms being removed from the Official Register of Auditors three months after the occurrence of such a circumstance, or after the term for remedying the situation required by the

Accounting and Auditing Institute referred to in Article 11.2 of the consolidated text of the Law on Auditing, without prejudice to the infractions, if any, which could be committed in accordance with the provisions of Article 34.h of the aforesaid consolidated text.

7. The amount and form of the guarantee referred to in this article may be modified by Order of the Ministry of Economy and Finance.

Section 4. Information to be requested

Article 56. Duty to request and provide information.

Audited entities shall be obligated to provide all of the information needed for the audit to be performed; likewise, those who perform the aforesaid audits are obligated to request all of the information that they need to issue the audit report.

In those cases in which auditors or audit firms are not able to obtain the required information and the aforesaid information is relevant for carrying out the audit of accounts and for issuing the report, they must keep documentary evidence of having made the request for information in their working papers, and where applicable, of the audited entity's responses to that request.

Section 5. Duties of custody and secrecy

Article 57. Duty of secrecy.

The duty of secrecy provided for in Article 25 of the consolidated text of the Law on Auditing shall apply even after the auditor or audit firm, as well as its partners, have been removed from the Official Register of Auditors or the link with the auditors or audit firms has been terminated by the people involved in conducting the audit.

Article 58. Duty of preservation and custody.

1. Auditors and audit firms shall keep all documentation for each audit conducted on file for five years following the date of the audit report, including the auditor's working papers, which constitutes the evidence and supporting documentation for the conclusions reached in the report. In the event of any claim, lawsuit, or litigation in connection with the audit report, or in which the corresponding documentation referred to in this subsection could constitute evidence, provided that the auditor or audit firm is aware of such circumstances, the term shall be extended until its resolution, final verdict, or the completion of the procedure, or until five years have elapsed since the auditor's last communication or intervention related with the dispute in question.

During the periods referred to in the foregoing paragraph, auditors and audit firms shall be responsible for adopting the measures necessary to safeguard and preserve the documentation related with each audit.

2. The obligation referred to in the preceding paragraph shall also apply to auditors and audit firms who are removed from the Official Register of Auditors in accordance with the provisions of the consolidated text of the Law on Auditing and these Regulations.

3. The loss or deterioration of the documentation related with each audit, as well as the reasons for it, shall be reported to the Accounting and Auditing Institute within ten days of the incident.

Article 59. Protection of personal data.

The processing of personal data by auditors and audit firms as a result of the exercise of their activity, including the data contained in the documents or working papers used for that purpose, is subject to the provisions of Law 15/1999 of 13 December 1999 on the protection of personal data and its implementing provisions.

In preserving the data referred to in the preceding article, auditors and audit firms shall implement the security measures provided for in the implementing regulations of Organic Law 15/1999 of 13 December 1999.

In the event that auditors and audit firms outsource the documentation preservation and custody services, the provisions of Article 12 of Organic Law 15/1999 must be observed.

Section 6. Annual transparency report

Article 60. Annual transparency report.

1. The annual transparency report is an informative document on the key aspects of the structure and activity of the auditor or audit firm that are relevant for understanding the organisation, level of activity, and control processes of the auditor or audit firm for the purpose of becoming familiar with their commitment to work in the public interest.

It shall be drafted in a descriptive format, stating objective facts without reference to opinions or value judgements that could sway the impression being offered.

2. The annual transparency report must be published within three months of the end of the calendar year in the case of auditors, or of the fiscal year in the case of audit firms. In accordance with the provisions of Article 26 of the consolidated text of the Law on Auditing, the annual transparency report shall contain at least the following information:

a) In the case of an audit firm, it shall indicate the company's legal status.

The ownership structure shall be described, indicating the percentages of corporate capital shareholding and voting rights of all of the partner auditors registered in the Official Register of Auditors as well as non-auditor partners.

b) When the auditor or audit firm is linked to the entities or persons that are part of its network, a description of those entities or persons, as well as the circumstances, agreements, or statutory clauses regulating the relationship must be included.

c) An indication of the structure of the governing bodies of the audit firm.

The identity of its members, their assigned functions, and the positions that they hold in the company, if any, shall be indicated, as well as a description of the operating regulations of the governing body.

d) Description of the internal quality assurance system of the auditor or audit firm in relation to the audit activity.

A summary of the organisational structure tasked with implementing the internal quality assurance system must be included which identifies the person responsible, the methodology applied, and its scope.

A statement by the auditor or the governing body of the audit firm on the effective operation of the quality assurance system shall be included. Likewise, the date on which the last quality assurance referred to in Section Three of Chapter IV of these Regulations was undertaken must be indicated.

e) List of public-interest entities for which audits have been done during the last fiscal year, indicating which fiscal year the annual accounts or financial statements or other audited accounting documents correspond to.

f) Information on the procedures and protocols followed by the auditor or the audit firm to guarantee their independence, including internal reviews conducted to ensure compliance with the obligation to remain independent.

g) Information on the policy followed by the auditor or audit firm with regard to continuing education.

The activities and continuing education courses carried out during the last fiscal year in order to maintain and update the theoretical knowledge and skills necessary to carry out their activity, in accordance with the provisions of Article 41, shall be reported.

h) Information on the total volume of annual business, with a breakdown of revenues from auditing as well as from other services aside from auditing.

i) Information concerning the basis for partner compensation, specifying the criteria for determining fixed and variable compensation, if applicable, and their relationship with the achievement of quality objectives.

3. The content and structure of the transparency report may be developed by resolution of the Accounting and Auditing Institute.

4. The provisions of this Article shall also apply when an auditor or audit firm publishes an annual transparency report voluntarily. In that case, the aforesaid report must be published for at least three consecutive years.

CHAPTER IV.

Controlling Audit Activity.

Section 1. General provisions

Article 61. Purpose and nature of control over the audit activity.

1. The Accounting and Auditing Institute shall be responsible for exercising controls over the audit activity through technical control actions or investigations and quality assurance or inspection actions in order to ensure that the auditor or audit firm adheres to the regulations governing such activity.

2. The exercise of control over the activity is designed to meet the objectives set out in the second and third sections of this chapter, which are devoted to technical and quality assurance actions, respectively.

3. The initiation of actions to control the activity does not presuppose the existence of irregularities by the auditor or audit firm that is investigated or inspected.

Article 62. Applicable regulations.

The actions to control the audit activity are governed by the specific provisions on this subject in the regulations governing the audit activity, and failing that, by Law 30/1992 of 26 November 1992 on the Legal Regime of Public Administration and Common Administrative Procedure.

Article 63. Scope of control over the audit activity.

1. All auditors and audit firms registered in the Official Register of Auditors are subject to actions to control their activity in accordance with the criteria of the audit activity control plan referred to in Article 64.

2. The control of the audit activity may refer to the internal quality assurance system of auditors and audit firms, to certain aspects of audit activities, or to specific audit tasks, whether considered as a whole or referring to specific parts thereof.

Article 64. Audit activity control plan.

1. Considering the available technical and human resources, the Accounting and Auditing Institute shall prepare an annual audit activity control plan which shall include the technical control and quality assurance plans.

2. The technical control plan shall provide for investigations based on the following criteria:

a) Results or other information that arises from quality assurance actions.

b) Objective data resulting from the information provided to the Accounting and Auditing Institute by auditors and audit firms.

c) Data obtained through complaints or any other type of information that the Institute may be aware of, including that which arises from the corporations that represent auditors and other public bodies or institutions.

The technical control plan may be reviewed as necessary due to the existence of facts which entail significant modifications to the information available for the configuration of the plan, facts that arise from changes in auditing legislation, or those which cause or generate distrust of the economic and financial information that is to be provided by the companies or entities, and from those arising from potential risks not contemplated at the time of its preparation.

3. The quality assurance plan shall schedule inspections of auditors and audit firms considering the guiding principles for these actions established in Article 74 and according to the needs to monitor compliance with the requirements for improvement.

4. The activity control plan shall be approved by the President of the Accounting and Auditing Institute once it is submitted for consideration by the Audit Committee and published in the report referred to in the next subsection. In the event that the aforesaid plan cannot be adopted or issued, the one for the immediately preceding fiscal year shall be extended, provided that the aforesaid extension does not contravene the minimum anticipated frequency of quality assurance reviews.

5. The Accounting and Auditing Institute shall include the annual audit activity control plan, the results of implementing the technical control and quality assurance plans, and the conclusions reached from the control system in the report referred to in the seventh additional provision of these Regulations.

Article 65. Powers to exercise control actions.

1. In developing the audit activity control actions, in addition to the working papers, the Accounting and Auditing Institute may request and examine any book, record, or document, regardless its medium, or any other information that, in accordance with the intended purpose, the aforesaid Institute considers necessary for the proper performance of its duties, and which shall be subject to the provisions of Article 58. The auditor or audit firm, and if applicable, the entities referred to in Articles 17 and 18 of the consolidated text of the Law on Auditing, shall be obligated to facilitate and collaborate with the Accounting and Auditing Institute in the aforesaid control activities.

In every case, the Accounting and Auditing Institute and the public servants of the aforesaid Institute shall be subject to the obligation to maintain the secrecy of all of the information that they learn during the exercise of such activity.

2. The corporations that represent auditors participating in quality assurance activities in accordance with the third additional provision of the consolidated text of the Law on Auditing shall have the same powers and duties in exercising that function as the staff of the Accounting and Auditing Institute referred to in the preceding subsection.

Article 66. Initiation of control actions.

1. The controls over the audit activity shall be initiated automatically by resolution of the President of the Accounting and Auditing Institute, under the framework of the control plan referred to in Article 64.

2. The initiation resolution shall specify the purpose and scope of the control actions under the terms set out in Articles 71 and 75. Likewise, it must also designate the person or persons responsible for carrying out the control actions.

This resolution may be adopted individually, for an auditor or audit firm, or jointly for several auditors or audit firms. The date of initiation shall be communicated to the auditor or audit firm by the staff designated for the corresponding investigation or inspection.

3. Prior to the resolution to initiate the control, the Accounting and Auditing Institute may carry out the necessary actions to determine, through the means available to them, the facts or circumstances which they have become aware of by any means and that could be cause for a resolution to initiate control.

Article 67. Development of control actions.

1. The auditor or audit firm must make available or send all of the working papers, and if applicable, the books, records, documentation or information that is required based on the intended purpose, to the staff of the Accounting and Auditing Institute designated for that purpose within the term established in each case. When the information is in electronic form, the Accounting and Auditing Institute must be provided with the appropriate means to allow the examination and verification of the aforesaid information.

During the controls of the audit activity, it shall be understood that no further documentation or information exists in relation to that previously requested by the Accounting and Auditing Institute other than that provided by the auditor or audit firm. To that end, and through the appropriate record, the working papers or documents delivered or sent shall be identified.

2. During the development of the control actions, it may be required that the auditor or audit firm subject to the control actions make clarifications or explanations with regard to the working papers or other documents submitted as appropriate.

3. At any time during the development of the control actions, the auditor or audit firm subject to the control may request information with regard to the processing status of these actions.

Article 68. Time and place of control actions.

Audit control activities will be developed in the places and at the times indicated in Article 28.2 of the consolidated text of the Law on Auditing.

Whenever control actions of the activity may be carried out at the registered corporate address, agencies, subsidiaries, affiliates, offices, branches or at any other place where the activity of an auditor or audit firm subject to control actions may be carried out or wherever the required documentation may be located, and, if applicable, in the case of the entities described in Articles 17 and 18 of the consolidated text of the Law on Auditing, they will provide the personnel designated to carry out the audits with the necessary physical space and auxiliary means to facilitate carrying out the aforesaid actions.

Article 69. Documentation of control actions.

1. Auditing control actions will be documented, mainly, through communications, records and reports.

2. Communications are documents whereby the start of actions or other events or circumstances pertaining to the development thereof are notified or whereby requests for information or other requests are made of auditors and audit firms.

3. Records are documents that are issued to record events, requests or statements of the persons with whom the actions are conducted. Communications may be incorporated in the records that may be issued.

A copy of the records that are drawn up will be given to the person with whom the actions are carried out. If the aforesaid person refuses to accept it, it will be sent to the person by any means allowed by law, and if the person refuses to sign the record, or cannot, this circumstance will be recorded in the document, without prejudice to delivering the corresponding duplicate to the aforesaid person.

4. Control reports will contain the results of the technical and quality assurance actions carried out.

Section 2. Technical control actions.

Article 70. Definition and purpose of technical control actions.

In accordance with the provisions set forth in Article 28.1 of the consolidated text of the Law on Auditing, technical control will consist of investigating certain auditor works or aspects of the audit activity to determine events or circumstances that could constitute a failure of the audit activity or auditor work to abide by the terms of the standards on audit activity.

Investigations may refer to certain aspects of the audit activity or to specific auditor works, considered as a whole or referring to specific parts of the same, and they will be conducted by personnel of the Accounting and Auditing Institute appointed for such purpose.

Article 71. Scope of technical control actions.

In accordance with the purpose provided for in Article 28.1 of the consolidated text of the Law on Auditing, in technical control actions the personnel of the Accounting and Auditing Institute may use the techniques and procedures that they deem most appropriate according to the circumstances, with the necessary scope in each case, in order to determine the existence or not of facts or circumstances that may represent a breach of standards on audit activity.

Article 72. End of technical control actions.

1. Investigations will be documented by issuing a report, which will be forwarded to the auditor or audit firm so that, if applicable, they can put forth the arguments they deem appropriate within a period of fifteen days.

The aforesaid report, considering the scope and extent of the conducted actions, will at least contain a description of the checks and reviews conducted and the general conclusions reached, therein highlighting, if applicable, any possible breaches of the standards on audit activity that might be detected.

2. Once the period described in the aforementioned section has elapsed and after having analysed the submitted arguments, if applicable, the Chairperson of the Accounting and Auditing Institute will adopt a resolution that will contain any of the following decisions:

a) Shelving the technical control actions, with no further action.

b) Initiating the corresponding sanctioning procedure when, from the actions conducted, it is deduced that there are signs that any of the violations classified in the consolidated text of the Law on Auditing has been committed.

3. The decision of the Chairperson of the Accounting and Auditing Institute described in the preceding section 2 will be notified to the auditor or audit firm.

Section 3. Quality assurance actions.

Article 73. Definition and purpose of quality assurance actions.

In accordance with the provisions set forth in Article 28.1 of the consolidated text of the Law on Auditing, quality assurance will consist of periodically inspecting or reviewing the work of auditors or audit firms in order to improve the quality of audit works, primarily by means of formulating requirements for improvement.

Article 74. Guiding principles of quality assurance actions.

1. Inspections will be ordered according to the principles of generality and frequency, and they will be preventive in nature.

In compliance with the aforesaid principles, all practitioners and audit firms will be subject to a periodic review of quality assurance. The aforesaid frequency will be at least every three years with respect to auditors and audit firms that conduct audit works for the entities considered to be of public interest described in Article 15. All other practitioners and audit firms will be subject to a quality assurance review at least every six years. Personnel of the Accounting and Auditing Institute will be responsible for directing and supervising and, if applicable, executing the aforesaid quality assurance reviews.

Inspections may be performed more often than the frequency established in the preceding paragraph when, in the opinion of the Accounting and Auditing Institute, the dimension of the audit activity or audit firm or the volume of the audit activity or other circumstances may require it.

2. By virtue of the preventive nature of inspections, in no event will they be directed at determining facts or circumstances that may constitute violations of the standards on audit activity, and they will give rise to the formulation of improvement requirements.

3. Whenever the execution of inspections is agreed with corporations that represent auditors or with third parties under the terms set forth in the third additional provision of the consolidated text of the Law on Auditing, the principle of independence of the persons who conduct the inspections with respect to the auditors or audit firms that are the object of the quality assurance must be guaranteed.

Article 75. Scope of quality assurance actions.

1. Inspections will at least include verification of the internal quality assurance system of auditors and audit firms, a review of the procedures documented in the auditing files for the purpose of verifying suitable implementation of the aforesaid control system and, if applicable, the review and verification of the annual report of transparency described in Article 26 of the consolidated text of the Law on Auditing.

2. Inspections may be conducted with a general or partial scope.

3. Improvement of the quality of the internal control system of auditors and audit firms will be endeavoured by formulating improvement requirements under the terms set forth in the following article.

Article 76. End of quality assurance actions.

1. Investigations will be documented by issuing a provisional report, which will be forwarded to the auditor or audit firm so that, if applicable, they can put forth the arguments they deem appropriate within a period of no less than fifteen days.

The aforesaid report, considering the scope and extent of the conducted actions, will at least contain a description of the checks and reviews conducted and the general conclusions reached, therein highlighting, if applicable, the deficiencies detected in the internal quality assurance system of the auditor or audit firm, and the provisional improvement requirements, if applicable.

2. Once the period described in the preceding section has elapsed, and after having analysed the submitted arguments, if applicable, a final report will be issued, which will contain the aspects described in the preceding section that may be applicable in each circumstance.

3. The Chairperson of the Accounting and Auditing Institute, considering the final report, will adopt a resolution that will contain any of the following decisions:

a) Shelving the quality assurance actions, with no further action.

b) Demanding compliance with the improvement requirements within the periods that may be established for such purpose, follow-up on which will be conducted under the terms described in the following article.

For these purposes, the inspected auditor or audit firm may submit an action plan that details the necessary policies and procedures for compliance with the improvement requirements within the periods indicated in the Chairperson's resolution. In such an event, the aforesaid plan will be sent to the Accounting and Auditing Institute within the period indicated in the resolution, which may not be less than one month.

Likewise, any of the reports and decisions described in this article may include other recommendations referring to aspects detected in the internal quality assurance system that, without giving rise to improvement requirements, should be perfected or modified. These recommendations will not be subject to the follow-up described in the following article.

4. The decision of the Chairperson of the Accounting and Auditing Institute described in the preceding section 3 will be notified to the auditor or audit firm.

5. Without prejudice to the provisions set forth in the preceding sections, whenever quality assurance actions concern auditors or audit firms that do not conduct audits of the entities considered to be of public interest described in Article 15, a single report with the content described in section 2 can be issued, after having confirmed the conclusions with the auditors and audit firms before issuing the report. Arguments against the aforesaid report may be made within a period of no less than fifteen days. After having seen the report and the arguments, if applicable, or once the period for submitting arguments has elapsed without receiving any arguments, the Chairperson of the Accounting and Auditing Institute will adopt the resolution described in section 3 of this Article.

The provisions set forth in the preceding paragraph may be applicable whenever quality assurance or other inspections are conducted partially, as described in Article 75.2.

Article 77. Follow-up on improvement requirements.

1. For the purpose of the provisions set forth in the preceding article, auditors and audit firms must, within the indicated periods, justify implementation of the improvement requirements that may have been formulated, if applicable.

2. Follow-up on the aforesaid requirements will be conducted within the framework of the control plan described in Article 64, and it will give rise to a report that will be communicated to the auditor or audit firm so that they may put forth the arguments deemed appropriate within a period of no less than fifteen days.

3. In view of the report mentioned in the preceding section, the Chairperson of the Accounting and Auditing Institute will adopt any of the following decisions:

- a) Shelving the quality assurance actions, with no further action.
- b) Initiating the corresponding sanctioning procedure.

The decision of the Chairperson of the Accounting and Auditing Institute described in this section will be communicated to the auditor or audit firm.

An appeal against the decision of the Chairperson of the Accounting and Auditing Institute may be filed at the Ministry of Economy and Finance in accordance with the provisions set forth in Law 30/1992 of 26 November 1992, on the Legal Regime of Public Administration and Common Administrative Procedure. The appeal resolution will put an end to administrative channels.

Section 4. Complaints and information duty.

Article 78. Public complaint.

1. Any person may, in writing, make the Accounting and Auditing Institute aware of the existence of acts that could constitute a violation classified in the consolidated text of the Law on Auditing by providing any information and data that they may have in their possession and expressly referring to the standards on audit activity that may have been violated in an action by an auditor or audit firm.

2. The decision will be made to shelve complaints when they are deemed to be baseless or whenever the reported facts are of insufficient magnitude or importance or are impossible to investigate.

The Accounting and Auditing Institute may, according to the selective criteria of efficiency, relevance and meaning, establish the orientation of its control activity with respect to complaints about the actions of the same auditors or audit firms regarding the accounts of the same entity corresponding to the same fiscal year or different periods.

3. The party filing the complaint may be asked to provide other data or means of proof in their possession.

4. The party filing the complaint will not be considered to be an interested party in the administrative action that is initiated because of the complaint, nor will they be recognised to file appeals regarding the results of the same.

5. Public law corporations representing auditors must notify the Accounting and Auditing Institute of the facts about which they may have had knowledge and which could constitute violations of the standards on audit activity. The principles of the preceding sections will be applied to the processing of these notifications.

Without prejudice to the instruments and procedures of cooperation between Public Administrations, public bodies and institutions in general will cooperate with the Accounting and Auditing Institute to facilitate the exercise of its control and disciplinary powers over auditors and audit firms.

Article 79. Information to be sent to auditors and audit firms.

1. Auditors recorded in the Official Register of Auditors as practitioners will, during the month of October every year, send the following information to the Accounting and Auditing Institute regarding the twelve preceding months:

a) Professional residence, address of the offices that they keep open and their web page address or, in default thereof, their e-mail address.

b) The public law corporation that they may belong to, if applicable.

c) The names and surnames of the auditors who, under their service, are recorded in the Official Register of Auditors, thereby indicating their entry number, the corporation that they belong to (if applicable) and the nature and mode of the corresponding contractual relationship.

d) The names and surnames of the persons who, not being recorded in the Official Register of Auditors, have provided their service within the scope of the audit activity, thereby indicating the period or periods in which they have

provided the aforesaid services, as well as the hours effectively engaged in the audit activity and specifying the nature and mode of the corresponding contractual relationship.

e) The corporate name and registration number of the audit firm or firms with which they are related. The names and surnames or corporate names of the persons or entities that belong to the same network described in Articles 50 and 51 or an indication of the place where the aforesaid information may be obtained.

f) All other registrations as an auditor with the competent authorities of other Member States and as a third country auditor, thereby indicating the competent authorities with which they are registered and, if applicable, the registration numbers.

g) The turnover coming from the audit activity, by hours and euros invoiced.

h) A list of audited entities, the contractual period, the date of the audit report, the signing auditor, the type of opinion and the hours and fees billed, thereby distinguishing among the following:

1. Those that correspond to auditing of other different services provided to both the audited entity and to entities related to the audited entity, as described in Article 48 of these Regulations.

2. Those corresponding to services provided to the audited entity by persons or entities that belong to the network of the auditor or audit firm, as described in Articles 50 and 51.

In particular, notification will be sent to internal auditing services and services for the design and implementation of financial information technology systems that may be provided to the entities whose accounts are audited.

The list described under this letter will be drafted while separately indicating the audited entities that may be considered to be entities of public interest.

i) Indication, if applicable, of the Internet address or web page where the annual report of transparency is expressly displayed, in accordance with the provisions set forth in Article 60.

2. Audit firms will, during the month of October every year and regarding the twelve preceding months, send to the Accounting and Auditing Institute the information described in letters b) to i) of the preceding section, as well as the following:

a) The registered corporate address, legal scheme, address of each office where they perform their business activity and the web page or, in default thereof, the e-mail address.

b) The names and surnames of the partners, thereby indicating, for those that belong to the Official Register of Auditors, their registration number and the public law corporation that they may belong to, if applicable.

c) The share capital, thereby indicating the distribution among the partners and, if applicable, the part of the capital represented by shares without a right to vote.

d) The names and surnames of the administrators and directors.

e) Identification of the auditors in service to the firm who are expressly designated to conduct audits and sign audit reports on behalf of the company and the validity period for the aforesaid designation.

f) All amendments of by-laws that may have been made.

3. Any variation that may occur during the year with respect to the information indicated in section 1, a), b) and f) and in section 2 must be reported to the Accounting and Auditing Institute within a period of fifteen (15) days as from the moment when such variation may have occurred or, if applicable, as from the moment that it may give rise to legal effects, regardless of any de-registration from the Official Register of Auditors that may be involved, in accordance with the provisions set forth in Article 11 of the consolidated text of the Law on Auditing, whenever the variation involves a breach of any of the requirements set forth in Articles 8 and 9, for auditors who are natural persons, and in Article 10, for audit firms, of the aforesaid consolidated text.

The information described in section 1.h) may be required of auditors and audit firms with a greater frequency.

4. Without prejudice to the provisions set forth in community legislation, auditors and audit firms and all other audit entities of third countries described in Articles 9.3 and 10.4 of the consolidated text of the Law on Auditing will send the same information and at the same frequency described in the preceding sections, except for those that come from third countries whose supervisory systems have been declared by the European Union to be equivalent, which will send the information with the content and at the frequency that may be established by a resolution of the Accounting and Auditing Institute.

5. The models to be completed with respect to the aforementioned information and the periods for sending in the aforesaid information will be approved by a resolution. These models will be completed by auditors and audit firms and will be sent to the Accounting and Auditing Institute by electronic means.

6. The Accounting and Auditing Institute, for adequate and necessary compliance with the duties that it has legally attributed, may request from auditors and audit firms, at any time, any information that may be legally demanded or required according to regulations, as well as all information of a public nature that may be deemed appropriate regarding the audited entities.

CHAPTER V

Violations and Sanctions and the Sanctioning Procedure.

Section 1. General provisions.

Article 80. Applicable legislation.

The Accounting and Auditing Institute will have sanctioning power with respect to the liable parties provided for in Article 31 of the consolidated text of the Law on Auditing and will exercise it in accordance with the provisions set forth in Chapter IV of the aforesaid consolidated text and in Title IX of Law 30/1992 of 26 November 1992, on Legal Regime of Public Administration and Common Administrative Procedure.

Where these Regulations may be silent, the Regulations of the Procedure for Exercising the Sanctioning Power will be applied secondarily, approved by Royal Decree 1398/1993 of 4 August 1993.

Section 2. Violations and sanctions.

Article 81. Exception, refusal of or resistance to the control action.

When qualifying the violations classified in Articles 33.c) and 34.l) of the consolidated text of the Law on Auditing, the following criteria will be applied.

1. All actions and omissions of the entities or persons described in Article 31.1, sections a), b) and c) of the consolidated text of the Law on Auditing that tend to unduly delay, hinder or prevent the exercise of the attributed control and disciplinary powers over the audit activity will be considered to be refusal or resistance to exercising the control or disciplinary powers, in addition to the failure to send in the documentation or information required for exercising the same.

2. In any event, the following will be considered to be refusal or resistance to the exercise of control or disciplinary powers:

a) The failure to appear of the person summoned by the Accounting and Auditing Institute or of the person designated for conducting the control actions, in accordance with the provisions set forth in Chapter IV of these Regulations, at the place, day and time that had been indicated on time and in the manner for the start, development or termination of the actions, unless there is a sufficient, duly justified cause.

b) Unduly refusing or obstructing access or permanence by the personnel designated to conduct control actions at the registered corporate address, premises and offices where the business activity of the person or entity subject to control is carried out or where the required documentation is located, as well as hindering the ability to locate the aforesaid places.

c) Attitudes that may represent threats against or coercion of the personnel designated to conduct the control actions or that unduly delay the aforesaid actions.

3. In any event, the following will be considered to be the failure to send in documentation or information required for exercising the powers attributed to the Accounting and Auditing Institute:

a) The refusal to show or make available any kind of documents that may be required and that are required to conduct the control actions provided for in Chapter IV of these Regulations.

b) The omission or refusal to send or make available any books, records, documents or information that may be necessary for conducting the control actions provided for in Chapter IV of these Regulations and that may be required by the personnel who are entrusted with performing the control actions, as well as any alteration or manipulation of the same.

Article 82. Breach of the obligation to conduct an audit in certain circumstances.

The violation classified in Article 34.a) of the consolidated text of the Law on Auditing will not be considered to have been committed whenever the circumstances of Article 7 are present.

Article 83. Breaches of auditing standards regarding an audit report.

A breach or a set of breaches of auditing standards that may be declared to be proved with respect to an audit work constitutes a single violation of those violations considered in Article 34.b) of the consolidated text of the Law on Auditing whenever they may be likely to have a significant effect on the result of the auditor work and, therefore, on the report.

Article 84. Identification of the auditor in his or her work.

The violation classified in Article 34.g) of the consolidated text of the Law on Auditing will be considered to have been committed when the issued report does not correspond to one of the works included in the auditing types described in Article 2, whenever the execution thereof has not been attributed to an auditor or audit firm by the legal provisions in force.

The mere mention of the condition of auditor in any type of report that does not correspond to any of the works included in the auditing types described in Article 2 will be not be deemed to constitute a violation, as long as the drafting or presentation thereof cannot give rise to confusion about the nature of the work.

In any event, confusion about the nature of the work or report will not be deemed to have been generated when a reference therein to the condition of auditor is stated for merely informative purposes, and it is expressly indicated that an auditor work included in the audit activity types described in Article 2 has not been performed.

It will be understood that confusion about the nature of the work or report may be generated when, due to the content, drafting or presentation thereof, it might be understood that an audit report of those regulated in Articles 5 and 6 or 10 and 11 is being issued.

Article 85. Performing audit work without being registered as a practitioner in the Official Register of Auditors.

1. The serious violation classified in Article 34.h) of the consolidated text of the Law on Auditing will be understood as having been committed from the moment of accepting an auditing appointment without being registered as a practitioner in the Official Register of Auditors.

2. When the serious violation described in the preceding section 1 is committed, if the violator obtains the condition of practitioner auditor prior to signing the audit report and prior to notification that a control action has been initiated, for the purpose of grading the sanction to be applied, the attenuating circumstance of having proceeded to take actions, at the auditor's own initiative, directed at correcting the violation or mitigating the effects thereof should be taken into consideration, which circumstance is established in Article 37.1 g) of the consolidated text of the Law on Auditing.

Article 86. Sanction grading criteria.

1. The sanctions provided for in Article 36 of the consolidated text of the Law on Auditing that may be applicable to each violator will be divided into three degrees, from highest to lowest, called upper, middle and lower, respectively, according to the following criteria:

a) When the sanction provided for correcting a certain violation may consist of withdrawing authorisation and definitive de-registration from the Official Register of Auditors, of suspension of authorisation and temporary de-registration from the aforesaid Register or of imposition of a fine, the aforesaid three types of sanctioning measures will initially constitute the upper, middle and lower degrees, respectively, of the applicable sanction.

b) When the sanction provided for correcting a certain violation may consist of suspension of authorisation and temporary de-registration from the Official Register of Auditors or of imposition of a fine, the first type of sanctioning measure will, in general, constitute the upper degree of the applicable sanction, and that of a monetary nature will be considered to be split into two equal brackets, which will, initially and according to the amounts, constitute the middle and lower degrees, respectively, of the applicable sanction.

c) When the sanction provided for correcting a certain violation is exclusively of a monetary nature, it will be considered to be split into three equal brackets, which will constitute, according to the amounts, the upper, middle and lower degrees, respectively, of the applicable sanction.

The criteria contemplated in this section will be applied while taking into account the circumstances that may be present in the committed violations and the parties that are liable.

2. The sanction that may be imposed upon each violator must be framed within one of the three degrees indicated in the preceding section, thereby considering the nature and importance of the committed violation and applying, if

applicable, all other grading criteria provided for in Article 37.1 of the consolidated text of the Law on Auditing that may be applicable.

3. Without prejudice to the provisions set forth in other precepts of these Regulations, for the individualised determination of the sanction to be applied, the following criteria will be taken into account, among others:

a) For the purposes of determining the application of the aggravating circumstances set forth in Article 37.1.f) of the consolidated text of the Law on Auditing, consideration will be given solely the existence of sanctions imposed upon the violator to date that are recorded in the Official Register of Auditors, where they must be cancelled due to the lapse of the periods provided for in Article 88.

b) The exclusive presence of attenuating factors must give rise to imposition of a sanction in the degree immediately below the one initially applicable.

Article 87. Special standards.

1. When a party is liable for two or more violations, all the sanctions corresponding to the aforesaid violations will be imposed upon the same, for simultaneous compliance therewith when applicable due to the nature of the violations.

In the event that simultaneous compliance with the imposed sanctions is not possible due to the nature and effects thereof, they will be complied with successively, beginning with the more severe sanction, and within the sanction prescription period described in Article 40 of the consolidated text of the Law on Auditing.

In any event, the sanctions provided for in Article 36 of the consolidated text of the Law on Auditing and the sanction of the prohibition to audit contemplated in Article 37.3 of the consolidated text of the Law on Auditing will be considered subject to simultaneous compliance.

2. The provisions in the preceding section notwithstanding, breaches of the duty of independence regarding the same audited entity will be sanctioned as a continuous violation, which breaches are classified as a very serious or serious violation in Articles 33.b) and 34.c) of the consolidated text of the Law on Auditing, respectively, when they refer to the issuance of two or more annual audit reports, financial statements or accounting documents formulated by the aforesaid entity and they correspond to the same successive fiscal years, whenever the aforesaid violations result from the same and sole occasion or situation or from a pre-conceived plan.

In such a case, the applicable sanction must be imposed in its upper half.

3. In the case that a single event may constitute two or more violations or when one violation is a necessary means for committing another, the sanction provided for the more severe violation will be applied in its upper half, but the sanction resulting from the sum of those that would be applicable to apply if the aforesaid violations were sanctioned separately cannot be exceeded. Whenever a sanction thus calculated exceeds this limit, the sanction will be the sum of those that would be applicable to impose for the violations separately.

4. For the purposes of determining the existence of a single event, the acts of execution that constitute the breaches of auditing standards corresponding to the violations committed must be identical.

5. For the purpose of the provisions set forth in Article 31.2 of the consolidated text of the Law on Auditing, it will be understood that, among other things, there is a reasonably justified legal or technical discrepancy whenever actions may have been adapted to the criteria stated or published by the Accounting and Auditing Institute in the resolutions and replies to consultations that refer to the same or similar circumstances as those contemplated in the technical auditing standards with respect to which the discrepancy is posed.

Article 88. Cancellation of the recording of sanctions in the Official Register of Auditors.

1. All recordings, in the Official Register of Auditors, of sanctions imposed due to the commission of very serious violations, except for the sanction of withdrawal of authorisation and definitive de-registration from the Register, will be officially cancelled once three years have elapsed after compliance therewith.

2. All recordings, in the Official Register of Auditors, of sanctions imposed due to the commission of serious violations will be officially cancelled once two years have elapsed after compliance therewith.

3. All recordings, in the Official Register of Auditors, of sanctions imposed due to the commission of minor violations, except for the sanction of private warnings, which will not be recorded in any circumstance, will be officially cancelled once one year has elapsed after compliance therewith.

4. Sanctions will be considered to have been complied with, for the purpose of initiating the period for calculating the cancellation of recordings in the Official Register of Auditors, as from the end of the de-registration period or as from payment of the fine through ordinary or enforcement channels in the case of monetary sanctions.

5. An auditor or audit firm may request, in the Official Register of Auditors, cancellation of the recorded sanctions once the periods for compliance therewith described in the preceding sections have elapsed.

Section 3. Sanctioning procedure.

Article 89. Expiry period of the procedure and extension of periods.

1. The total period for resolving and notifying the sanctioning procedure will be one year as from adoption of the resolution to initiate the procedure by the Chairperson of the Accounting and Auditing institute, in accordance with the provisions set forth in Article 30.3 of the consolidated text of the Law on Auditing, without prejudice to suspension of the procedure and to a possible extension of the aforesaid total period and of the partial periods provided for the different sections of the procedure, in accordance with the provisions set forth in Articles 42.6 and 49 of Law 30/1992 of 26 November 1992, on Public Administrations and Common Administrative Procedure.

2. In the events described in the preceding section, the Chairperson of the Accounting and Auditing Institute will hold the authority to decide on an extension of the total period for resolving and notifying.

3. In the cases of prescription of the violation and in the cases of expiration of the procedure due to a lapse of the total period of one year, plus the extensions provided for in Article 30.3 of the consolidated text of the Law on Auditing, or due to a lapse of the period of six months provided for in Article 39.2 of the aforesaid consolidated text when the aforesaid expiry would have likewise determined the prescription of the violation, an express resolution that contains a declaration of the circumstances that are present must be issued, thereby indicating the events that have occurred and the applicable standards. The resolution will be communicated to the auditor or audit firm subject to the procedure.

4. The authority to resolve an extension of the different partial periods for processing the procedure, including a hearing after formulating the motion for a resolution, will correspond to the examiner.

Article 90. Prior actions and prescription.

1. Prior to initiating a sanctioning procedure, the Chairperson of the Accounting and Auditing Institute may order that any necessary prior actions be conducted in order to preliminarily determine if the circumstances that justify the initiation thereof are present.

2. Whenever reasonable and duly documented signs of a violation may be discerned during the course of any auditing control action, the sanctioning procedure may be initiated without finalising the processing thereof.

3. Whenever, from the prior control actions, it may be concluded that the violation has lapsed, the Chairperson of the Accounting and Auditing Institute will resolve to shelve the actions and determine whether the sanctioning procedure may be applied, and the interested parties will be notified of the adopted decision or resolution. For these purposes, interested parties are considered to be those who are identified in the initiation decision as those who are presumably liable.

Article 91. Resolution to initiate a sanctioning procedure.

1. The Chairperson of the Accounting and Auditing Institute will have the power to issue a resolution to initiate a sanctioning procedure. The decision on the resolution to initiate a sanctioning procedure is pursuant to the contents of Article 13.1 of the Rules of Procedure for Exercising the Sanctioning Power, with the following special circumstances:

a) The appointed examiner must be a civil servant assigned to the Accounting and Auditing Institute. The civil servant who conducted the prior control actions may be appointed as the examiner.

b) If the complexity of the proceedings so advise it, the Chairperson of the Accounting and Auditing Institute, when issuing the resolution to initiate a sanctioning procedure, or at any time during the investigation proceedings, may appoint one or several deputy examiners. The deputy examiners will be under the guidance of the main examiner, and they must meet identical conditions as those required for the sole or main examiner. The interested parties must be notified of the appointment thereof under the same terms as the appointment of the former, thereby expressly indicating the scheme established for challenges.

2. The resolution to initiate a sanctioning procedure will be communicated to the appointed examiner and only the interested parties will be notified. The interested parties are considered to be those who are identified in the resolution as those who are presumably liable.

3. If applicable, the complainant will be notified of the resolution to initiate a sanctioning procedure, whenever the complainant may have requested the aforesaid resolution.

4. Whenever the party presumably liable is an auditor or audit firm originally authorised in a Member State of the European Union, the appropriate supervisory authority of the aforesaid State of origin will be notified that the initiation of a sanctioning procedure has been resolved.

Article 92. Powers of the examiner.

The examiner may request that as many technical or legal reports as necessary be issued, depending on the complexity of the procedure, in order to successfully investigate the same.

Article 93. Motion for a resolution.

1. Once a case has been investigated, the examiner will formulate a motion for a resolution, which will give the grounds for the facts that are declared to be proved, the legal qualification thereof and the violation that, if applicable, those facts could constitute, the declaration of the persons or entities that are liable and the sanction that may be proposed; or else, the declaration of the non-existence of a violation or liability.

2. In the event that deputy examiners have been appointed, the motion for a resolution will be formulated by the main examiner.

3. The interested parties will be notified of the motion for a resolution, agreeing upon proceedings for the hearing. A list of the documents included in the procedure will be attached with the notification so that the interested parties can obtain the copies they deem to be pertinent.

4. Once the hearing proceeding has concluded, the examiner will forward the corresponding motion for a resolution, together with all actions, to the Chairperson of the Accounting and Auditing Institute.

Article 94. Resolution.

1. The Chairperson of the Accounting and Auditing Institute will, subject to submitting the case to the consideration of the Audit Committee in those cases in which the violations may be qualified as serious or very serious, issue a resolution within a period of three months as from the meeting date of the aforesaid Committee.

2. The Chairperson of the Accounting and Auditing Institute may order that additional actions be undertaken, in accordance with the provisions set forth in Article 20.1 of the Rules of Procedure for Exercising the Sanctioning Power, both before and after submitting the case to the consideration of the Audit Committee in the event that the aforesaid proceeding is applicable. Additional actions must be carried out within a period of no more than one month, and the interested parties will have a hearing period of seven days as from the day following the notification day of the result of the aforesaid additional actions. The aforesaid result will be submitted to the consideration of the Audit Committee, if the aforesaid committee has thus required it in advance.

The period for resolving the procedure will be suspended as from the date of the decision to undertake the additional actions until the meeting date of the Audit Committee, and the period for issuing the resolution referenced in the proceeding section will start as from the aforesaid meeting date.

3. Facts other than those determined in the motion for a resolution will not be considered in the resolution, except for those that result from the additional actions undertaken, if applicable, in accordance with the provisions set forth in the preceding section and without prejudice to the different legal assessment that could be made with respect to the one made in the motion for a resolution.

4. In any event, whenever the Chairperson of the Accounting and Auditing Institute deems, both before and after submitting the case to the consideration of the Audit Committee, in the event that the aforesaid proceeding is deemed applicable, that the violation is more serious than what is determined in the motion for a resolution, the interested parties will be notified so that, within a period of fifteen (15) days, they can submit all arguments they deem pertinent. The aforesaid circumstance will be deemed applicable:

a) Whenever behaviour is deemed to be subject to sanction which was not considered subject to sanction in the motion for a resolution.

b) Whenever the qualification of a violation may be changed from minor to serious or very serious or from serious to very serious.

Article 95. Accumulation of cases and grouping of violators.

1. As many sanctioning procedures will be initiated as there are audit works for which signs of a violation have been determined. Nevertheless, whenever there may be a similarity of motives or circumstances that may determine several violations, the initiation and investigation of the different procedures may be accumulated.

2. The sanctions imposed upon audit firms and upon the auditor signing the report on their behalf who is jointly liable may be moved in the same resolution, resulting in a single procedure, when the sanctions are derived from the same violation, in accordance with Articles 31 and 36 of the consolidated text of the Law on Auditing.

The same procedure may be followed for imposing sanctions upon several auditors or audit firms that may have worked together when the sanctions are derived from the same violation.

Cooperation with Member States of the European Union and International Cooperation.

Section 1. Duty of cooperation with the competent authorities of Member States of the European Union

Article 96. Duty of cooperation on the exchange of information.

1. The Accounting and Auditing Institute will cooperate with the competent authorities of other Member States through the exchange of the necessary information for performing their duties, in accordance with the provisions set forth in Article 42.1 of the consolidated text of the Law on Auditing.

2. Such necessary information shall include, among other, the information contained in the following documents:

a) Required data of the auditor or audit firm for registration in the Official Register of Auditors of the Accounting and Auditing Institute.

b) The registration date in the register and other relevant information.

c) The de-registration date from the register, the reasons for de-registration and other relevant information.

d) Reports and documentation related to inspections of the quality assurance systems that are being carried out or that have ended.

e) Reports and documentation related to the investigations that are being carried out or that have ended.

f) Information about sanctioning processes that are being carried out or that have ended.

Article 97. Request for information.

1. A request to exchange information must include an explanation of the reasons that justify such a request and of the purpose for which the exchanged information is going to be used, and it must refer to the information that is necessary for compliance with the requesting party's functions and that cannot be obtained by other means.

2. The information to be exchanged will be sent in the manner and within the maximum term as has been established between the competent authorities of the Member States.

3. In the event that the Accounting and Auditing Institute receives a request for information, the aforesaid information to be exchanged will be sent in the language stated in the original document to be sent. In the cases in which it is thus established between the competent authorities of the Member States, it will be accompanied by an unofficial translation into English.

Article 98. Use of exchanged information.

1. Without prejudice to the established legal provisions, the Accounting and Auditing Institute may only use the information received for exercising its authorities and according to the purposes for which the competent authority that sent the information may have given its consent.

Whenever the Accounting and Auditing Institute, in compliance with the duty of cooperation established in applicable laws, must send the information received from a competent authority of another Member State to another competent authority in Spanish territory, it is necessary to previously notify the competent authority from which the information has been received.

If the information received contains personal data, it must also be compliant with the provisions set forth in Organic Law 15/1999 of 13 December 1999, on Data Protection, and the implementing provisions thereof.

2. When the received information is requested by another competent authority of another Member State, the Accounting and Auditing Institute may send the aforesaid information only with the prior consent of the Member State from which it has received the information to be transmitted.

3. The Accounting and Auditing Institute may not send the information received from a competent authority of another Member State to a competent authority of a third country.

In this case, the request will be transferred to the competent authority from which the requested information originates.

Article 99. Cooperation on conducting control actions.

1. Whenever the Accounting and Auditing Institute may resolve, at the request of the competent authority of another Member State, to conduct a control action or allow personnel of the aforesaid competent authority to participate in a

control action together with personnel of the Accounting and Auditing Institute, this Institute will be responsible for deciding whether it exercises management over the corresponding action that is carried out in Spanish territory.

2. In any event, the competent authority that has requested the control action will be notified of the result of the actions that may be developed.

Article 100. Refusal to send information or to conduct a control action.

In those circumstances contained in Article 43.2 of the consolidated text of the Law on Auditing in which the Institute does not provide the information requested by the competent authorities of other Member States, or it does not conduct a control action or does not allow personnel of the competent authority of another Member State to participate in a control action together with personnel of the Accounting and Auditing Institute, the latter must notify the competent authority making the request of the reasons for such a circumstance, within a period of one (1) month as from receipt of the request.

Article 101. Communication duties.

1. Whenever it may be resolved to de-register an auditor or audit firm from the Official Register of Auditors of the Accounting and Auditing Institute, the latter will notify the competent authorities of the Member States in which the auditor or audit firm may be authorised to practice the audit activity of such de-registration and the reasons for the same.

The aforesaid notification will be made within a period of fifteen (15) days as from recording in the Official Register of Auditors.

2. Whenever the Accounting and Auditing Institute may reach the conclusion that activities that are contrary to the national provisions for the transposition of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts are being carried out or have been carried out in another Member State, it will notify the competent authority of the aforesaid Member State within a maximum period of fifteen (15) days as from reaching the conclusion that such actions could be contrary to applicable provisions, and without prejudice to the powers that could be exercised by the Accounting and Auditing Institute.

3. When the Accounting and Auditing Institute is notified by the competent authority of another Member State about possible actions in Spain that are contrary to the consolidated text of the Law on Auditing, contrary to these Regulations and contrary to the implementing provisions hereof, it must take the appropriate actions, without prejudice to having to inform the aforesaid competent authority about the results of its actions.

Section 2. Supervision of auditors, audit firms and all other audit entities of third countries.

Article 102. Exemptions.

The auditors of third countries described in Article 9.3 of the consolidated text of the Law on Auditing, as well as the audit firms and all other audit entities of third countries described in Article 10.4, may be exempt from the quality assurance actions attributed to the Accounting and Auditing Institute in Article 28 of the aforesaid consolidated text, on the condition of reciprocity whenever they are subject to systems of public supervision, quality assurance and investigation and sanctions that may have been declared to be equivalent by the European Commission, under the terms set forth in the corresponding cooperation agreements.

Section 3. Coordination with competent authorities in third party countries.

Article 103. Exchange of information.

1. The exchange of information described in Article 43.1 of the consolidated text of the Law on Auditing, as well as cooperation for conducting control actions, will be performed according to the content, terms and forms established in the corresponding cooperation agreement. The cooperation agreement may establish that a control action be carried out or, when thus provided for in the corresponding Decision of the European Union and under the terms contained therein, it may permit personnel of the competent authority of a third country to participate in a control action together with personnel of the Accounting and Auditing Institute.

The cooperation agreement must provide for the guarantees that the standards on audit activity contemplate with respect to the protection of personal data and the duty of secrecy.

2. Every request for information received from a competent authority of a third country will be evaluated to determine if the request for sending information can be met, and if not, thereby indicating the information that can be provided.

3. To prevent unnecessary delays, parts of the information can be sent if the availability thereof allows and if the transmission thereof is adequate.

4. A request for information must be rejected when:

a) Access to the request for information is contrary to legal or regulatory provisions or other provisions that may be applicable.

b) Sending the information may be considered contrary to public interest.

c) Sending the information may jeopardise sovereignty, security or public order.

d) Court proceedings over the same facts and against the same auditors or audit firms have been initiated before Spanish authorities.

5. In the event that a request for information cannot be met, the requesting competent authority will be informed, thereby indicating the causes for the impossibility to do so.

6. Whenever the Accounting and Auditing Institute may agree with the competent authority of a third country to conduct a control action or may allow personnel of the aforesaid competent authority to participate in a control action together with personnel of the Accounting and Auditing Institute, the aforesaid control action will generally be developed under the management of the Accounting and Auditing Institute when it is carried out in Spanish territory.

CHAPTER VII

Public Law Corporations that Represent Auditors.

Article 104. Public law corporations that represent auditors.

Entities of public law of which auditors and audit firms form a part and which meet each and every one of the following requisites are considered to be corporations that represent auditors:

a) Account auditing is recorded as the sole activity or as one of the activities of its members in the by-laws thereof.

b) At least 10 percent of the auditors recorded in the Official Register of Auditors belong to the corporation.

c) At least 15 percent of the auditors recorded in the Official Register of Auditors in the situation set forth in Article 27.a) are members of the corporation.

Article 105. Functions.

The following functions correspond to corporations that represent auditors:

a) Prepare, adapt and review auditing, ethical and internal quality assurance standards, on their own initiative or at the request of the Accounting and Auditing Institute.

b) Propose and jointly perform the examinations of professional competence described in Article 36 and in accordance with the provisions set forth in Article 37.

c) Organise and, if applicable, run the theoretical training courses described in Article 34.2, after becoming officially approved by the Accounting and Auditing Institute.

d) Organise and, if applicable, provide continuous training activities that must be taken by auditors, under the terms set forth in Article 41, as well as make the checks and communications described in the aforesaid article and in Article 42.

e) Foster cooperation among its members in the practical training required for examining professional competence, thereby ensuring adequate compliance therewith, in accordance with the provisions set forth in Article 35, wherefore they must approve the certificates issued by their members when thus provided for in regulatory provisions.

f) Prepare the ethical standards and codes of conduct that their members must abide by.

g) Verify observance of the practices and internal action procedures of their members in the exercise of the audit activity if failure to observe the same involves disciplinary measures in their respective by-laws.

h) Bring a motion to initiate a sanctioning procedure before the Accounting and Auditing Institute under the terms described in Article 78.5 or, if applicable, notify the Institute of those questions or matters detected in the exercise of their functions that may mean a breach of standards on audit activity.

i) Cooperate with the Accounting and Auditing Institute on all matters related to the audit activity. In particular, they may exercise, under the supervision and guidance of the Accounting and Auditing Institute, quality assurance over auditors and audit firms when it is thus resolved by the aforesaid Institute, as long as the persons directly in charge of a quality assurance action over an auditor or audit firm have not cooperated on implementing and designing the internal quality assurance system of the same auditors or audit firms during the three years immediately prior to executing the quality assurance action.

j) Any other functions provided for in their by-laws that have the purpose of best compliance with the provisions set forth in the consolidated text of the Law on Auditing and in these Regulations.

Article 106. Access to documentation and the communication duty of public law corporations representing auditors.

1. For the purposes of the provisions set forth in the preceding Article 105, letters g) and i), corporations that represent auditors may access the documentation referring to each audit, for which they are subject to the obligation set forth in Article 25.2 of the consolidated text of the Law on Auditing.

2. Corporations that represent auditors must make the Accounting and Auditing Institute aware of the action plans and initiated actions described in letters g) and i) of the preceding article, as well as the result of the same.

First additional provision. Audits of the annual accounts of entities due to their size.

Pursuant to the first additional provision, section 1.f) of the consolidated text of the Law on Auditing, and without prejudice to the provisions set forth in other legal provisions, all entities, regardless of their legal nature and whenever they must formulate annual accounts in accordance with the framework of financial information legislation that may be applicable to them, will be bound to submit for an audit, under the terms provided for in Article 1.2 of the aforesaid consolidated text of the Law on Auditing, the annual accounts of the corporate fiscal years in which, in accordance with the provisions set forth in Article 257 of the consolidated text of the Limited Liability Companies Law approved by Royal Legislative Decree 1/2010 of 2 July, the circumstances provided for being able to formulate an abbreviated balance sheet are not present, wherefore they must do so using the normal model.

Second additional provision. Audit of annual accounts of entities receiving subsidies or aid charged to the budgets of Public Administrations or to funds of the European Union.

1. Pursuant to the provisions set forth in section 1.e) of the consolidated text of the Law on Auditing, and without prejudice to the provisions set forth in other legal provisions, all entities, regardless of their legal nature and whenever they are under the obligation to formulate annual accounts within the framework of financial information legislation that may be applicable to them, which during a fiscal year have received subsidies or aid from the budgets of the public administration or from funds of the European Union for a total accumulated sum of over 600,000 euros, are bound to submit their annual accounts for that year, and for those years in which operations or investments relating to the aforementioned subsidies or aid are carried out, to an audit, in accordance with the terms set forth in Article 1.2 of the aforementioned consolidated text of the Law on Auditing.

2. For the purposes of this provision, subsidies or aid will be deemed to have been received as soon as they have to be recorded in a company's or entity's accounting books, in accordance with the relevant provisions set forth in applicable accounting legislation.

3. For the purposes of this provision, subsidies or aid will be understood as the subsidies or aid that are considered as such in Article 2 of Law 38/2003 of 17 November 2003, the General Law on Subsidies.

Third additional provision. Audits of annual accounts of entities that contract in the public sector.

1. Pursuant to the provisions set forth in the first additional provision, section 1.e), of the consolidated text of the Law on Auditing, and without prejudice to the provisions set forth in other legal provisions, all entities, regardless of their legal nature and whenever they are under an obligation to formulate annual accounts within the framework of financial information legislation that may be applicable to them, which during the fiscal year have entered into contracts with the Public Sector as described in Article 2 of Law 30/2007 of 30 October 2007, on Contracts in the Public Sector, for an amount exceeding 600,000 euros; and if this amount represents more than 50% of the net amount of their annual turnover, such entities will be bound to submit their annual accounts for that year and for the following year, to an audit, in accordance with the terms set forth in Article 1.2 of the aforementioned consolidated text of the Law on Auditing.

2. For the purposes of this provision, the actions described in the preceding section will be deemed to have been carried out at the moment when the corresponding collection right must be recorded in the entity's accounting books, in accordance with the relevant provisions set forth within the applicable legislative framework on financial information.

Fourth additional provision. Appointment of auditors at entities that are subject to the obligation to audit their annual accounts due to the circumstances provided for in the first, second and third additional provisions of these Regulations.

The appointment of auditors at entities that are subject to the obligation to have their annual accounts audited due to the circumstances set forth in the first, second and third additional provisions of these Regulations will be made by the persons or entities who hold such authority, in accordance with the standards that are applicable to each one of them according to their legal nature, before the end of the fiscal year to be audited.

The periods for appointing and contracting auditors will be governed by the provisions set forth for this purpose in Article 19 of the consolidated text of the Law on Auditing. Auditors' appointments may not be revoked before the end of the term for which they were appointed, unless there are sufficient grounds to do so; in any event, the termination of the obligation to audit an entity's annual accounts will be considered sufficient grounds for revocation.

Fifth additional provision. Audits at public sector entities.

1. Auditor work on the annual accounts or other financial statements or accounting documents of entities that form part of the state, regional or local public sector and that are legally subordinated to public bodies with supervisory or inspection powers of the economic-financial management of the public sector is governed by the specific laws thereof, and the provisions set forth in standards on audit activity are not applicable to the aforesaid work.

The provisions set forth in the preceding paragraph are likewise applicable to the cooperation work that could be conducted by auditors or audit firms recorded in the Official Register of Auditors by virtue of the contracts signed by the aforesaid public bodies with supervisory or inspection powers and in execution of the annual audit planning of the aforesaid bodies.

The reports described in this section that could be issued by auditors or audit firms regarding public entities may not be identified as account audits, and neither the drafting nor the presentation thereof may generate confusion with respect to their nature as auditor work.

2. The provisions set forth in the preceding section notwithstanding, in those cases in which the aforesaid contracts signed between public bodies with supervisory or inspection powers and auditors recorded in the Official Register of Auditors may include, together with cooperation when conducting the public audit, the issue of an audit report as provided for in Article 1 of the consolidated text of the Law on Auditing designed to comply with certain requirements provided for in sector laws or for other reasons of a commercial or financial nature, such as tendering in international invitations to tender or to obtain funds in financial markets, the audit reports that may be issued by the auditors or audit firms for these purposes will be subject to the provisions set forth in standards on audit activity.

3. The audit work conducted by an auditor or audit firm registered in the Official Register of Auditors on the annual accounts or financial statements or other accounting documents of entities integrated in the state, regional or local public sector that, in accordance with the applicable legislation thereof, are legally bound to submit their annual accounts to the audit provided for in Article 1 of the consolidated text of the Law on Auditing, is subject to the provisions set forth in standards on audit activity. In particular, this section includes the audit work conducted by an auditor or audit firm registered in the Official Register of Auditors on the annual accounts of commercial enterprises belonging to the aforesaid public sector that are subject to the obligation to submit their annual accounts to an audit in accordance with commercial legislation.

Sixth additional provision. Belonging to several Corporations that represent auditors and admission of certain corporations in the Register.

1. Whenever auditors or audit firms simultaneously belong to more than one corporation that represents auditors, they must choose one of them for the purpose of the provisions set forth in these Regulations. The information that is requested in sections 1.b) and 2.b) of Article 79 must only mention corporation that has been selected.

2. Natural persons will be admitted into the Official Register of Auditors, which reports to the Consejo Superior de Colegios Oficiales de Titulados Mercantiles de España [Council of Associations of Qualified Financial and Economic Experts of Spain], by sitting and passing the examination of professional competence, which is developed in Chapter II, Section 2 of these Regulations, by those who meet the requirements set forth in Article 8 of the consolidated text of the Law on Auditing.

Audit firms that meet the requirements set forth in Article 10 of the consolidated text of the Law on Auditing may also be recorded in the aforesaid Official Register of Auditors.

3. Natural persons will be admitted into the Official Register of Auditors, which reports to the Consejo General de Colegios de Economistas de España [General Council of Economists' Associations of Spain], by taking and passing the examination of professional competence, which is developed in Chapter II, Section 2 of these Regulations, by those who meet the requirements set forth in Article 8 of the consolidated text of the Law on Auditing.

Audit firms that meet the requirements set forth in Article 10 of the consolidated text of the Law on Auditing may also be recorded in the aforesaid Official Register of Auditors.

Seventh additional provision. Transparency and advertising.

The Accounting and Auditing Institute will prepare and annually publish a report that reflects its actions, in both the accounting area and the auditing area, as well as the management thereof.

Regarding the audit activity, at least the following will be included:

- a) The action programmes or plans of the Accounting and Auditing Institute.
- b) An annual report of activities that will include the general results and conclusions reached regarding control of the activity and an explanatory summary of the actions developed in the exercise of its disciplinary authority.
- c) Its situation and evolution.

Eighth additional provision. Coordination mechanisms with public bodies or institutions with supervisory or inspection powers.

1. Pursuant to the provisions set forth in paragraph one of the first final provision of the consolidated text of the Law on Auditing, and without prejudice to any other legal provisions, it is hereby established that one of the coordination systems or procedures between public institutions or bodies that hold legal powers to monitor and supervise companies and entities that must submit their annual accounts to an audit and monitor and supervise the auditors of such companies and entities, is the authority to require that such companies and entities, subject to a request from their auditors (which circumstance must be stated in the annual account audit contract), provide them with a complementary report to the annual audit report in order to improve the performance of the aforesaid supervisory and inspection roles. Wherefore, auditors must draw up the aforementioned complementary report to the annual account audit report, which will be developed within the scope of the audit and which will be drawn up, in each case, in accordance with the relevant technical auditing standard.

2. The obligation of auditors of entities that are subject to the supervision system to give prompt written notification to the Bank of Spain, the National Securities Market Commission and the Directorate General for Insurance and Pension Funds, as well as to the regional bodies with jurisdiction over the operation and supervision of insurance entities, as applicable, regarding any relevant facts or decisions relating to the audited entity or institution mentioned in paragraph two of the first final provision of the consolidated text of the Law on Auditing, must be complied with within a maximum of ten days as from the moment when they become effectively aware that such facts or decisions have occurred.

3. Likewise, auditor's obligation described in paragraph three of the first final provision of the consolidated text of the Law on Auditing to send a copy of the annual account audit report to the supervisory authorities mentioned in the preceding paragraph, if the period of one (1) week has elapsed as from the delivery of the aforesaid audit report to the audited entity by the auditor and the auditor has not sent it to the aforesaid authorities, must be complied with within ten (10) days following the end of that week.

4. All data, reports, background and other information obtained by public bodies and institutions in accordance with the provisions set forth in this additional provision may only be used for the monitoring and supervision purposes entrusted to the aforesaid institutions. Any information that public institutions and bodies, in order to comply with their duties, must provide to auditors of companies and entities that are subject to the supervision and control system will be exempt from the duty of secrecy to which, if applicable, such bodies and institutions may be subject in accordance with the legislation that is respectively applicable to them.

Ninth additional provision. Formulating consultations.

1. Persons with the authority to formulate or check annual accounts may make duly documented consultations of the Accounting and Auditing Institute with respect to application of the standards contained in the applicable legislative framework of financial information and the legislative framework of standards on audit activity, within the scope of jurisdiction of the aforesaid institute.

2. The consultation will have to include all the necessary background and circumstances so that the Accounting and Auditing Institute can formulate the due opinion. Otherwise, the aforesaid body may reject the consultations that are formulated.

3. The reply will be merely informative. In no event will it constitute an administrative act, and interested parties may not file any appeal against the same.

4. The Chairperson of the Accounting and Auditing Institute will have the authority to resolve consultations, who may, due to the relevance and interest of the questions arising in a certain consultation, submit them to the consideration of the Audit Committee or the Accounting Board within the framework of their respective authorities.

5. Without prejudice to the fact that repeated consultations about the same matter may move the Accounting and Auditing Institute to prepare a resolution that is applicable in general, consultations may be published in the gazette of the institute or on its web page whenever it may be deemed to be of general interest.

The publication of such resolutions or consultations will not, in any event, contain data referring to the registered address of private legal persons, individual business owners or professionals affected by the resolution or consultation.

Tenth additional provision. Official Gazette of the Accounting and Auditing Institute.

1. The Accounting and Auditing Institute is responsible for editing, publishing and distributing the Official Gazette of the body, and in this regard it holds the technical, financial and administrative duties.

2. The aforesaid Gazette will contain the following:

a) All data whose publication therein may be required by the consolidated text of the Law on Auditing, by these Regulations or by any other provision.

b) Information pertaining to the Official Register of Auditors.

c) All information that may be deemed of interest by the Institute due to its pertinence to accounting and auditing, which will include the provisions pertaining to such matters.

3. The Gazette will be published at least on a quarterly basis, and it will be done using the media that facilitate greatest access to the content thereof.

4. In the event that the Gazette is published electronically, the necessary technical measures will be adopted to prevent indexing and the automated recovery of publications through Internet search engines.

Eleventh additional provision. Agreements for the exchange of information with third countries, adhering to the principle of reciprocity.

The Accounting and Auditing Institute will publish, in its Official Gazette and on its web page, a list of the third countries with which there may be agreements for the exchange of information, based on reciprocity, in accordance with the provisions set forth in Article 43 of the consolidated text of the Law on Auditing.

Twelfth additional provision. Composition of the collective bodies within the Accounting and Auditing Institute.

1. The Audit Committee will be presided over by the Chairperson of the Accounting and Auditing Institute, and it will be comprised of the Chairperson and 13 members designated by the Minister of Economy and Finance, with the following distribution:

a) At the proposal of the President of the Court of Auditors, one representative from the aforesaid body.

b) At the proposal of the Minister of Economy and Finance, one representative from the Office of the State's Inspector General.

c) At the proposal of the Minister of Justice, one member of the judiciary or a prosecutor or lawyer of the state or a companies registrar.

d) At the proposal of the Governor of the Bank of Spain, one representative from the aforesaid institution.

e) At the proposal of the President of the National Securities Market Commission, one representative from the aforesaid body and an investment analyst.

f) At the proposal of the Director General of Insurance and Pension Funds, one representative from the aforesaid Directorate General.

g) At the proposal of the presidents of the corporations representing auditors, four representatives from the aforesaid corporations.

h) At the proposal of the Chairperson of the Accounting and Auditing Institute, one full university professor and one expert of recognised prestige on accounting and auditing.

The General Secretary of the Accounting and Auditing Institute will act as the secretary to the Audit Committee, with the right to speak but not to vote.

Whenever she or he may deem it appropriate, the Chairperson may invite suitable experts to meetings of the Audit Committee.

2. The Accounting Board will be presided over by the Chairperson of the Accounting and Auditing Institute, who will hold the deciding vote, and it will be composed of the Chairperson and four members designated by the Minister of Economy and Finance, with the following distribution:

a) At the proposal of the Governor of the Bank of Spain, one representative from the aforesaid institution.

b) At the proposal of the President of the National Securities Market Commission, one representative from the same.

c) At the proposal of the Director General of Insurance and Pension Funds, one representative from the aforesaid Directorate General.

d) At the proposal of the Minister of Economy and Finance, one representative from the aforesaid department, who will attend meetings with a right to speak but not to vote.

The Deputy Director of Standardisation and Accounting Techniques of the Accounting and Auditing Institute will act as the secretary to the Accounting Board.

3. The Accounting Consultancy Committee will be presided over by the Chairperson of the Accounting and Auditing Institute, and it will be composed of the Chairperson and a maximum of twenty members designated by the Minister of Economy and Finance, with the following distribution:

a) At the proposal of the Minister of Justice, one representative from the aforesaid department.

b) At the proposal of the Minister of Economy and Finance, one representative from the Office of the State's Inspector General and one representative from the General of Taxation.

c) At the proposal of the Governor of the Bank of Spain, one representative from the aforesaid institution.

d) At the proposal of the President of the National Securities Market Commission, one representative from the aforesaid commission, one representative of users of accounting information and one representative from the representative associations or organisations of issuers of financial information on companies.

e) At the proposal of the President of the National Statistics Institute, one representative from the aforesaid institute.

f) At the proposal of the Director General of Insurance and Pension Funds, one representative from the aforesaid Directorate General.

g) At the proposal of the Chairperson of the General Council of Economists' Associations of Spain, one representative from the aforesaid council.

h) At the proposal of the Chairperson of the Council of Associations of Qualified Financial and Economic Experts of Spain, one representative from the aforesaid council.

i) At the proposal of the Chairperson of the Instituto de Censores Jurados de Cuentas de España [Spanish Institute of Chartered Accountants], one auditing professional.

j) At the proposal of the Chairperson of the Accounting and Auditing Institute, one representative from the aforesaid institute, one representative from the university, one representative from associations that issue accounting principles and criteria and a maximum of five people of recognised prestige in the field of accounting.

A civil servant of the Accounting and Auditing Institute, designated by the Chairperson, will act as the secretary to the Accounting Consultancy Committee.

4. The collective bodies recognised in this additional provision will be governed by the provisions set forth in Chapter II of Heading II of Law 30/1992 of 26 November 1992, on Legal Regime of Public Administration and Common Administrative Procedure.

First transitional provision. Theoretical training courses.

1. For the purposes of deeming that the requirement pertaining to follow-up on theoretical education courses described in Article 34 of these Regulations has been complied with, the auditor training courses officially approved by the Accounting and Auditing Institute will be admitted, in accordance with the preceding legislation, without prejudice to the obligation of the persons who have taken the courses to update the acquired knowledge and to take the first phase of the exam on the subjects that they have not studied.

2. Those who hold the degrees cited in the third transitional provision of the consolidated text of the Law on Auditing may complete their education, depending on the corresponding degree, and obtain the exemption described in Article 36 of these Regulations, for which they must demonstrate, by an academic certificate of studies, that they have passed the necessary subjects that are given in an official degree that is valid throughout national territory and that are included in Article 34 of Organic Law 6/2001 of 21 December 2001, on Universities, as long as such a possibility is included in the official ratification issued by the Accounting and Auditing Institute.

3. Until such time as the International Standards on Auditing described in Article 34.1 of these Regulations are adopted by the European Union, theoretical training courses must promote the general knowledge thereof.

Second transitional provision. Practical experience.

The provisions set forth in Article 35 of these Regulations pertaining to the duty to acquire practical experience will be required as from 1 January 2015.

The practical experience acquired to date must be accredited in accordance with legislation in force up to the entry into force of these Regulations, which is contained in Article 25.3 of Royal Decree 1636/1990 of 20 December 1990, which approves the Regulation that implements the Law on Auditing.

Third transitional provision. Information to provide.

The obligation to provide information to the Institute of Accounting and Auditing by electronic means, described in Article 79 of these Regulations, will be required as from 1 January 2013.

Fourth transitional provision. Guarantee.

1. Auditors and audit firms must comply with the duty to provide a guarantee in accordance with the scheme contemplated in Article 55 as from 1 January 2013.

2. The civil liability insurance policies that may be signed as from the entry into force of these Regulations may not cease to cover the liability corresponding to the account audit reports signed to date, within the limits provided for in sections 2 and 3 of Article 35 of the Auditing Regulations, approved by Royal Decree 1636/1990 of 20 December 1990.

Fifth transitional provision. Frequency of quality assurance.

The frequency described in Article 74.1 of these Regulations will start to be counted as from the start of the year following the entry into force of these Regulations.

Sixth transitional provision. Works other than auditing entrusted to auditors by legal provisions.

All works that, while not classified as audit activity, may be attributed by legal provisions to auditors registered in the Official Register of Auditors, will continue to be performed, thereby applying the specific technical standards published by resolution of the Accounting and Auditing Institute until the guides described in Article 3.2 of this Regulation are jointly approved by the corporations that represent auditors and are published by the Accounting and Auditing Institute.

Seventh transitional provision. Sanctioning procedures.

The administrative sanctioning procedures that are regulated in this Regulation and that are initiated prior to the date that these regulations enter into force will continue to be governed by the standards contained in the preceding scheme, without prejudice to the provisions set forth in Article 128 of Law 30/1992 of 26 November 1992, on Public Administrations and Common Administrative Procedure.

Eighth transitional provision. Continuing education.

The obligation contained in Article 42 of this Regulation to render information on continuing education activities and courses will be required as from 1 October 2013 and for the twelve preceding months.

Single final provision. Public law corporations that represent auditors and audit firms.

Insofar as the requirements set forth in Article 104 of this Regulation are met, at least the following will be considered to be representative for the purposes of the provisions set forth in standards on audit activity:

- a) The General Council of Economists' Associations of Spain.
- b) The Council of Associations of Qualified Financial and Economic Experts of Spain.
- c) The Spanish Institute of Chartered Accountants.

d) The General Council of Economists' Associations, which is constituted in accordance with the second transitional provision of Law 30/2011 of 4 October 2011, on the creation of the General Council of Economists' Associations, in substitution of the corporations described in letters a) and b), which will be dissolved in accordance with the aforesaid provision.