Update on the implementation of Royal Decree (RD) 1145/2011 on Spanish bonds

Further to our Custody News dated November 17, 2011 we would like to inform you about the latest developments regarding the Royal Decree 1145/2011 on Spanish bonds.

Spanish domestic government bonds and bonds issued by autonomous Spanish communities
Since Bolsa de Barcelona as paying agent has announced to implement RD 1145/2011 for its Spanish bonds, all interest payments on Spanish domestic government bonds incl. Treasury Bills (so-called Letras del Tesoro) and bonds issued by autonomous Spanish communities are now paid under the new RD 1145/2011 regime.

For non-resident investors, the interest is paid without deduction of Spanish withholding tax. A disclosure on investor level is no longer necessary.

For resident investors subject to Spanish corporate income tax, the interest is paid without deduction of Spanish withholding tax. The investors have to be disclosed to the Spanish tax authority on a mandatory basis.

For resident investors subject to Spanish individual income tax, the interest is paid after deduction of Spanish withholding tax of 19%. The investors have to be disclosed to the Spanish tax authority on a mandatory basis.

The disclosure has to be made prior of each interest payment and will include the following investor information:
- Name
- Full resident address
- Tax identification number (CIF/NIF)
- Holding position

Spanish domestic corporate bonds
As the Spanish tax authority, Interbolsa as registrar and the issuers have not yet reached a decision, such bonds are still paid under the old regime. Statutory withholding tax rate is 19%. Relief at source for eligible investors is possible if documentation is in place.

Bonds of issuing companies domiciled in Spain but issued outside of Spain (Eurobonds)
The current transition period as described in our Custody News dated November 17, 2011, during which issuers may decide whether to pay interests according to the old regime (19% tax deduction) or according to the new regime RD 1145/2011 (without tax deduction and no documentation requirements for any investor), is still in place.

There is currently an unofficial confirmation that following issuers will pay interest on their Eurobonds according to the RD 1145/2011:
- BBVA
- Santander
- Telefonica

Further information from other issuers is currently not available and the regime to pay interest is sometimes announced only two days before interest payment date. Therefore, enquiries have to be handled on a case by case basis.

Impact
Clients may receive interest payments on Spanish bonds with different tax treatment until the implementation of RD 1145/2011 has been finalized by all Spanish market participants.

Source: SIX SIS, Clearstream Banking

Should you have any questions, please contact your UBS - Custody Relationship or Account Manager.

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