

TELEFONICA S A
Form F-3ASR
April 20, 2018
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As filed with the Securities and Exchange Commission on April 20, 2018

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-3

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

TELEFÓNICA, S.A.

(Exact Name of Registrant as Specified in its Charter)

The Kingdom of Spain

(State or Other Jurisdiction of
Incorporation or Organization)

Distrito Telefónica,

Ronda de la Comunicación, s/n

28050 Madrid

Spain

+34 91 482 3733

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Not Applicable

(I.R.S. Employer
Identification Number)

TELEFÓNICA EMISIONES, S.A.U.

(Exact Name of Registrant as Specified in its Charter)

The Kingdom of Spain	Distrito Telefónica,	Not Applicable
(State or Other Jurisdiction of Incorporation or Organization)	Ronda de la Comunicación, s/n	(I.R.S. Employer Identification Number)
	28050 Madrid	
	Spain	
	+34 91 482 3733	
	(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)	

CT Corporation System

111 Eighth Avenue (13th floor)

New York, New York 10011

(212) 894-8940

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copy to:

Michael J. Willisch

Davis Polk & Wardwell LLP

Paseo de la Castellana, 41

28046 Madrid

Spain

+34 91 768 9600

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

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If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act .

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered/Proposed Maximum Offering Price Per Unit/Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Ordinary Shares of Telefónica, S.A., par value 1.00 per share (1)	(2)	(3)
Rights to subscribe for Ordinary Shares of Telefónica, S.A. (4)	(2)	(3)
Guaranteed Debt Securities	(2)	(3)
Guarantees of the Debt Securities (5)	(2)	(6)

- (1) A separate registration statement on Form F-6 (Registration No. 333-181584) has been filed with respect to the American Depositary Shares issuable upon deposit of the ordinary shares registered hereby. Each American Depositary Share represents one ordinary share of Telefónica, S.A.
- (2) An indeterminate aggregate initial offering price or amount of securities of each identified class is being registered as may from time to time be offered at indeterminate prices. Separate consideration may or may not be received for securities that are issuable on exercise, conversion or exchange of other securities or that are issued in units or represented by depositary shares.
- (3) In accordance with Rules 456(b) and 457(r), the Registrants are deferring payment of all registration fees with respect to these securities.
- (4) No separate consideration will be received for the rights.
- (5) No separate consideration will be received for the guarantees issued by Telefónica, S.A. in connection with the Debt Securities issued by Telefónica Emisiones S.A.U.
- (6) Pursuant to Rule 457(n), no separate fee for the guarantees is payable.

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PROSPECTUS

Ordinary Shares of Telefónica, S.A.

Rights to subscribe for Ordinary Shares of Telefónica, S.A.

Debt Securities of Telefónica Emisiones, S.A.U.,

which are fully and unconditionally guaranteed by Telefónica, S.A.

Telefónica, S.A. may offer from time to time ordinary shares, including in the form of American Depositary Shares (ADSs), or rights to subscribe for ordinary shares of Telefónica, S.A., in one or more offerings.

Telefónica Emisiones, S.A.U. may offer from time to time in one or more series Debt Securities (as defined herein), which are fully and unconditionally guaranteed by Telefónica, S.A.

This prospectus describes the general terms of these securities and the general manner in which Telefónica, S.A. and Telefónica Emisiones, S.A.U. may offer these securities. Telefónica, S.A. and/or Telefónica Emisiones, S.A.U. will provide the specific terms of the securities, and the specific manner in which they are offered, in one or more supplements to this prospectus. Such prospectus supplements may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement, together with the additional information described under the heading *Where You Can Find More Information* and the information incorporated by reference in this prospectus that is described under the heading *Incorporation by Reference* before investing in our securities. The amount and price of the offered securities will be determined at the time of the offering.

The ordinary shares of Telefónica, S.A. are currently listed on each of the Madrid, Barcelona, Bilbao and Valencia stock exchanges (the *Spanish Stock Exchanges*) and are quoted through the Automated Quotation System of the Spanish Stock Exchanges under the symbol *TEF* . The ordinary shares of Telefónica, S.A. are also listed on the London and Buenos Aires stock exchanges. The ordinary shares of Telefónica, S.A. in the form of ADSs are listed on the New York Stock Exchange and the Lima (Peru) Stock Exchange. If Telefónica, S.A. and/or Telefónica Emisiones, S.A.U. decide to list any of the other securities that may be offered hereunder on a national stock exchange upon issuance, the applicable prospectus supplement to this prospectus will identify the exchange and the expected date for commencement of trading.

Investing in these securities involves risks. See Risk Factors .

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Telefónica, S.A. and Telefónica Emisiones, S.A.U. may sell these securities on a continuous or delayed basis directly, through agents or underwriters as designated from time to time, or through a combination of these methods, and reserve the sole right to accept, and together with

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any agents, dealers and underwriters, reserve the right to reject, in whole or in part, any proposed purchase of securities. If any agents, dealers or underwriters are involved in the sale of any securities, the applicable prospectus supplement will set forth any applicable commissions or discounts. The net proceeds from the sale of securities will also be set forth in the applicable prospectus supplement.

The date of this prospectus is April 20, 2018.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Telefónica, S.A. and Telefónica Emisiones, S.A.U. filed with the United States Securities and Exchange Commission (the SEC) using the shelf registration process. Under the shelf registration process, Telefónica, S.A. and/or Telefónica Emisiones, S.A.U. may sell any combination of the securities described in this prospectus from time-to-time in the future in one or more offerings.

This prospectus provides you with a general description of the securities that can be offered. Each time the securities described herein are offered under this prospectus, Telefónica, S.A. and/or Telefónica Emisiones, S.A.U., as the case may be, will provide prospective investors with a prospectus supplement that will contain specific information about the terms of the securities. A prospectus supplement may also add to or update or change information contained in this prospectus. Accordingly, to the extent inconsistent, information in this prospectus is superseded by the information in any prospectus supplement. You should read both this prospectus and any prospectus supplement together with the additional information described in [Where You Can Find More Information](#) and the information incorporated by reference that is described in [Incorporation by Reference](#).

A prospectus supplement to be attached to the front of this prospectus will describe, among other matters, the terms of the offering, including the amount and detailed terms of the securities, the public offering price, net proceeds to us, the expenses of the offering, the terms of offers and sales outside of the United States, if any, our capitalization, the nature of the plan of distribution, the other specific terms related to such offering, and any U.S. federal income tax consequences and Spanish tax considerations applicable to the securities being offered.

In this prospectus and any prospectus supplements, Telefónica Emisiones refers to Telefónica Emisiones, S.A.U. and Telefónica, S.A., the Group, the Telefónica Group and the Guarantor refer to Telefónica, S.A. and, where applicable, its consolidated subsidiaries, unless the context otherwise requires. We use the words we, us and our to refer to Telefónica Emisiones and/or Telefónica, as the context requires. We use the word you to refer to prospective investors in the securities. We use the term Debt Securities to refer collectively to any debt securities to be issued by Telefónica Emisiones and guaranteed by the Guarantor pursuant to this prospectus.

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INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information Telefónica files with, or furnishes to, the SEC, which means that we can and do disclose important information to you by referring you to those documents that are considered part of this prospectus. Information that Telefónica files with, or furnishes to, the SEC in the future and that we incorporate by reference will automatically update and supersede the previously filed information. We incorporate by reference the following documents:

Telefónica's annual report on Form 20-F for the year ended December 31, 2017 and filed with the SEC on February 22, 2018 (the Form 20-F). The consolidated financial statements included in the Form 20-F have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), which do not differ for the purposes of the Group from IFRS as adopted by the European Union;

Telefónica's report on Form 6-K furnished to the SEC on February 28, 2018;

Telefónica's two reports on Form 6-K furnished to the SEC on March 13, 2018;

Telefónica's report on Form 6-K furnished to the SEC on March 15, 2018;

Telefónica's report on Form 6-K furnished to the SEC on March 21, 2018;

Telefónica's report on Form 6-K furnished to the SEC on March 22, 2018; and

Telefónica's report on Form 6-K furnished to the SEC on April 5, 2018.

We also incorporate by reference in this prospectus all subsequent annual reports of Telefónica filed with the SEC on Form 20-F under the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and those of Telefónica's periodic reports submitted to the SEC on Form 6-K that we specifically identify in such form as being incorporated by reference in this prospectus after the date hereof and prior to the completion of an offering of securities under this prospectus. This prospectus is part of a registration statement filed with the SEC. See [Where You Can Find More Information](#).

As you read the above documents, you may find inconsistencies in information from one document to another. If you find inconsistencies you should rely on the statements made in the most recent document. All information appearing in this prospectus is qualified in its entirety by the information and financial statements, including the notes thereto, contained in the documents that we have incorporated by reference.

You should rely only on the information incorporated by reference or provided in this prospectus and in any prospectus supplement. We have not authorized anyone else to provide you with different information. In particular, no dealer, salesperson or other person is authorized to give you any information or to represent anything not contained in this prospectus or that is incorporated by reference herein. This prospectus is an offer to sell or to buy only the securities referred to herein, but only under circumstances and in jurisdictions where it is lawful to do so. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents.

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WHERE YOU CAN FIND MORE INFORMATION

Telefónica files annual and periodic reports and other information with the SEC. You may read and copy any document that Telefónica files with, or furnishes to, the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1 (800) SEC-0330 for further information on the operation of the public reference rooms. Telefónica's SEC filings and submissions are also available to the public over the Internet at the SEC's website at <http://www.sec.gov>.

Telefónica makes available free of charge through Telefónica's website, accessible at <http://www.telefonica.com>, certain of Telefónica's reports and other information filed with or furnished to the SEC.

With the exception of the reports specifically incorporated by reference in this prospectus as set forth above, material contained on or accessible through Telefónica's website is specifically *not* incorporated into this prospectus. See **Incorporation by Reference.**

You may also request a copy of Telefónica's filings at no cost, by writing or calling Telefónica at the following addresses:

Telefónica, S.A.
Distrito Telefónica, Ronda de la Comunicación, s/n
28050 Madrid
Spain
Attention: Investor Relations
+34 91 482 8700

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THE TELEFÓNICA GROUP

Telefónica, S.A. is a corporation duly organized and existing under the laws of the Kingdom of Spain, incorporated on April 19, 1924. The Telefónica Group:

is a diversified telecommunications group which provides a comprehensive range of services through one of the world's largest and most modern telecommunications networks;

is focused on providing telecommunications services; and

operates principally in Europe and Latin America.

Telefónica, S.A.'s principal executive offices are located at Distrito Telefónica, Ronda de la Comunicación, s/n, 28050 Madrid, Spain, and its registered offices are located at Gran Vía, 28, 28013 Madrid, Spain. Its telephone number is +34 900 111 004.

TELEFÓNICA EMISIONES, S.A.U.

Telefónica Emisiones is a wholly-owned subsidiary of Telefónica, S.A. It was incorporated on November 29, 2004 as a company with unlimited duration and with limited liability and a sole shareholder under the laws of the Kingdom of Spain (*sociedad anónima unipersonal*). The share capital of Telefónica Emisiones is 62,000 divided into 62,000 ordinary shares of par value 1 each, all of them duly authorized, validly issued and fully paid and each of a single class. It is a financing vehicle for the Telefónica Group.

The principal executive offices of Telefónica Emisiones are located at Distrito Telefónica, Ronda de la Comunicación, s/n, 28050 Madrid, Spain, and its registered offices are located at Gran Vía, 28, 28013 Madrid, Spain. Its telephone number is +34 900 111 004.

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RISK FACTORS

You should carefully consider the risk factors contained in the applicable prospectus supplement and in the documents incorporated by reference into this prospectus, including but not limited to, those risk factors in Item 3.D in the Form 20-F, in deciding whether to invest in the securities being offered pursuant to this prospectus. We may include further risk factors in subsequent reports on Form 20-F or Form 6-K incorporated into this prospectus. You should carefully consider all these risk factors in addition to the other information presented or incorporated by reference in this prospectus.

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The following table sets forth Telefónica's consolidated ratio of earnings to fixed charges using financial information compiled in accordance with IFRS as issued by the IASB for the years ended December 31, 2013, 2014, 2015, 2016 and 2017.

	Year ended December 31,				
	2013	2014	2015	2016	2017
Ratio of earnings to fixed charges (1)	2.8	2.2	1.2	1.7	2.4

- (1) For the purpose of calculating the ratio of earnings to fixed charges, earnings consist of profit before tax from continuing operations, plus share of income or loss of investments accounted for by the equity method, dividends from joint ventures and investments accounted for by the equity method, fixed charges and capitalized interest net of amortization. Fixed charges consist of finance costs, including amortization of debt expense and similar charges, and capitalized interest.

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DESCRIPTION OF TELEFÓNICA S ORDINARY SHARES

Our shares are governed by our bylaws (*estatutos*) and by Spanish law, namely, the Spanish Corporation Act (*Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010 of July 2, as amended (the Spanish Corporation Act), Spanish Securities Market Act (*Texto refundido de la Ley del Mercado de Valores*) approved by Royal Legislative Decree 4/2015 of October 23, as amended (the Spanish Securities Market Act), and by ancillary provisions further developing those pieces of legislation. Shareholders' rights are principally governed by the Spanish Corporation Act and Telefónica's bylaws (*Estatutos Sociales*) and regulations on the general shareholders' meeting (*Reglamento de la Junta General de Accionistas*).

The following summary describes the material considerations concerning the capital stock of Telefónica and briefly describes the material provisions of Telefónica's bylaws and relevant Spanish law. This summary does not include all the provisions of our bylaws nor of the Spanish laws mentioned herein and is qualified in its entirety by reference to the detailed provisions thereof.

A copy of Telefónica's bylaws has been filed with the SEC as an exhibit to the registration statement of which this prospectus is a part.

General

As of April 20, 2018, Telefónica's paid in share capital was 5,192,131,686, represented by a single class of 5,192,131,686 ordinary shares with a nominal value of 1.00 each. As of December 31, 2017, Telefónica's paid in share capital was 5,192,131,686, represented by a single class of 5,192,131,686 ordinary shares with a nominal value of 1.00 each.

Our shareholders have delegated to the Board of Directors the authority to increase the share capital up to a maximum nominal amount of 2,469,208,757 new ordinary shares (equal to half of Telefónica's share capital on June 12, 2015, the date of the authorization). The Board of Directors is authorized to exclude preemptive rights, in whole or in part, pursuant to the applicable provisions of the Spanish Corporation Act. The Board's authorization to issue new shares expires on June 12, 2020. Telefónica's Board has already utilized part of this authorization and, as of the date of this prospectus, it is authorized to issue share capital up to 2,469,208,757 pursuant to this authorization.

Attendance and Voting at Shareholders' Meetings

We hold our ordinary general shareholders' meeting during the first six months of each fiscal year on a date fixed by the Board of Directors. Extraordinary general shareholders' meetings may be called, from time to time, at the discretion of our Board of Directors or upon the request of shareholders representing at least 3% of our paid-in share capital. The minimum percentage required to exercise this right was lowered from 5% to 3% by Law 31/2014.

We publish notices of all ordinary and extraordinary general shareholders' meetings in the Official Gazette of the Commercial Registry or in one of the more widely circulated newspapers in Spain, on the website of the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores* (the CNMV)), and on our web site in due time pursuant to the Spanish Corporation Act, being on a general basis at least one month before the relevant meeting. Furthermore, the Board of Directors may publish notices in other media, if deemed appropriate to ensure the public and effective dissemination of the notice meeting.

Each share of Telefónica, S.A. entitles the holder to one vote. However, only registered holders of at least 300 shares are entitled to attend a general shareholders' meeting. Holders of a lesser number of shares may grant a proxy in respect thereof to a shareholder having the right to attend, as well as group together with other shareholders in the same situation until reaching the required number of shares, following which a proxy must be granted by the shareholders so grouped together to one of such shareholders. The grouping must be carried out specifically for each general shareholders' meeting and be recorded in writing.

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However, under our bylaws, the maximum number of votes that a shareholder may cast is capped at 10% of our total outstanding voting capital. In determining the maximum number of votes that each shareholder may cast, only the shares held by such shareholder are counted, disregarding those that correspond to other shareholders who have appointed such shareholder as his or her proxy, in spite of applying the limit individually to each of the represented shareholders. This cap will also apply to the maximum number of votes that may be collectively or individually cast by two or more shareholder companies belonging to the same group of entities, as well as to the maximum number of votes that may be cast by an individual or corporate shareholder and the entity or entities that are shareholders themselves and which are directly or indirectly controlled by that individual or corporate shareholder. Moreover, in accordance with the Spanish Corporation Act, such cap would become ineffective where the bidder reaches, as a consequence of a tender offer, a percentage equal to or greater than 70% of the share capital carrying voting rights, unless the bidder (or those acting in concert with the bidder) is not subject to equivalent neutralization measures or has not adopted them.

In addition, according to Article 34 of Spanish Royal Decree-Law 6/2000 of June 23 on urgent measures to improve competition in the goods and services markets, individuals and legal entities directly and indirectly holding more than 3% of the total share capital or voting rights of two or more principal operator companies in Spain in, among other markets, the fixed-line and mobile-line telephony markets, may not exercise their voting rights in excess of 3% of the total in more than one company, except with the prior authorization of the Spanish National Markets and Competition Commission (*Comisión Nacional de los Mercados y la Competencia* (the CNMC)). Principal operators are defined as one of the five operators with the largest market share in the corresponding market (Principal Operators). In addition, no individual or legal entity is allowed to appoint, directly or indirectly, members of the management body of more than one Principal Operator in, among others, the fixed-line or mobile-line telephony markets, except with the prior authorization of the CNMC. Additionally, individuals or legal entities considered Principal Operators are not allowed to exercise more than 3% of the voting rights of another Principal Operator nor to appoint, directly or indirectly, members of the management body of any Principal Operator, except, in both cases, with the prior authorization of the CNMC. Telefónica is considered a Principal Operator for the purposes of Article 34 of Royal Decree-Law 6/2000 of June 23 in the Spanish fixed-line and mobile-line telephony markets.

Any share may be voted by proxy. The proxies may be granted in writing or electronically and are valid only for a single meeting, unless the proxy-holder is the granting shareholder's spouse, ascendant or descendant, or holds a general power of attorney granted in a public instrument with powers to manage all of the assets held by the shareholder granting the proxy in Spain.

Only holders of record five days prior to the day on which a general meeting of shareholders is scheduled to be held may attend and vote at the meeting.

According to the Spanish Corporation Act the general shareholders' meeting will be quorate on first call if the shareholders present, in person or by proxy, hold at least 25% of the subscribed share capital carrying voting rights. On second call, the meeting will be quorate regardless of the capital in attendance.

However, if the agenda of the meeting includes resolutions on the amendment of the bylaws, including an increase or reduction of share capital, the transformation, merger, split-off, the *en bloc* assignment of assets and liabilities, the migration of the registered office abroad, the issuance of debentures or the exclusion or limitation of pre-emptive rights, the required quorum on first call must be met by the attendance of shareholders representing at least 50% of the subscribed share capital carrying voting rights (each a Special Resolution). On second call, the attendance of 25% of the subscribed share capital carrying voting rights will suffice.

As a general rule, resolutions at the general shareholders' meeting will be passed by a simple majority of votes cast at such meeting (i.e., provided that the votes for outnumber the votes against the relevant resolution).

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In contrast, in order to approve any Special Resolution, if the capital present or represented at the general shareholders meeting exceeds 50% of the subscribed share capital carrying voting rights, the favorable vote of the absolute majority (that is, if the votes in favor exceed 50% of the votes corresponding to capital present and represented at the shareholders meeting) will be required. If, on second call, shareholders representing 25% or more of the subscribed share capital carrying voting rights are present or represented but fail to reach the 50% threshold, the favorable vote of at least two-thirds of the share capital present or represented at the meeting will be required.

Preemptive Rights

Pursuant to the Spanish Corporation Act, shareholders have preemptive rights to subscribe for any new shares in capital increases with issuances of new shares with a charge to monetary contributions and in issuances of debentures convertible into shares. Such rights may be excluded (partially or totally) under special circumstances by virtue of a resolution passed at a general shareholders meeting in accordance with Articles 308, 504 and 506 of the Spanish Corporation Act, or by the Board of Directors, if previously authorized at a general shareholders meeting in accordance with Article 506 (for capital increases) and Articles 417 and 511 (for issuances of debentures convertible into shares) of the Spanish Corporation Act. Such preemptive rights will not be available in the event of an increase in capital to meet the requirements of a convertible bond issue or a merger of another entity into Telefónica or of all or part of the assets split from another company, in which shares are issued as consideration or, in general, when the increase is carried out as consideration in exchange for non-cash contributions. Such rights are transferable, may be traded on the Automated Quotation System and may be of value to existing shareholders because new shares may be offered for subscription at prices lower than prevailing market prices.

Form and Transfer

Ordinary shares are in book-entry form and are indivisible. Joint holders must nominate one person to exercise their rights as shareholders, though joint holders are jointly and severally liable for all obligations arising from their status as shareholders. Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear), which manages the clearance and settlement system of the Spanish Stock Exchanges, maintains the central registry of ordinary shares reflecting the number of ordinary shares held by each of its participant entities (*entidades participantes*) as well as the number of such shares held by registered legal owners. Each participant entity in turn maintains a register of the owners of such shares.

Transfers of Telefónica's ordinary shares quoted on the Spanish Stock Exchanges must be made by book-entry registry or delivery of evidence of title to the buyer through, or with the participation of, a member of the Spanish Stock Exchanges that is an authorized broker or dealer. Transfers of Telefónica's ordinary shares may also be subject to certain fees and expenses.

Reporting Requirements

According to Royal Decree 1362/2007 of October 19 on the disclosure of significant stakes in listed companies (Royal Decree 1362/2007), modified by Royal Decree 878/2015, of October 2 (Royal Decree 878/2015), the acquisition or disposition of shares of Telefónica must be reported within four trading days of the acquisition or disposition to Telefónica and the CNMV, where:

in the case of an acquisition, the acquisition results in that person or group holding a number of voting rights in Telefónica that reaches or surpasses 3% (or 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 60%, 70%, 75%, 80% or 90%) of Telefónica's total number of voting rights; or

in the case of a disposal, the disposition reduces the number of voting rights held by a person or group below a threshold of 3% (or 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 60%, 70%, 75%, 80% or 90%) of Telefónica's total number of voting rights.

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Royal Decree 878/2015 established a new approach for calculating whether these thresholds are reached, surpassed or fell short, which requires adding the voting rights corresponding to shares and financial instruments. Royal Decree 878/2015 also expanded the definition of financial instruments which should be reported, including financial instruments having a similar economic effect as the shares of a company, whether the instruments are cash or physically settled, including convertible securities, options, forwards, futures, swaps, contracts for differences (CFDs) or any other type of instrument which grants the holder the right to acquire shares or a right to receive an equivalent cash settlement amount. Additionally, Royal Decree 878/2015 amended the calculation rules of the voting rights attributable to a financial instrument which, among other changes, is now calculated on a daily basis.

The reporting requirements referred to above apply not only to the acquisition or transfer of shares, but also when, without an acquisition or transfer of shares, the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the threshold that triggers the obligation to report as a consequence of a change in the total number of voting rights of Telefónica on the basis of the information reported to the CNMV and disclosed by it, in accordance with the Royal Decree 1362/2007 (as amended).

Regardless of the actual ownership of the shares, any individual or legal entity with a right to acquire, transfer or exercise voting rights granted by the shares, and any individual or legal entity who owns, acquires or transfers, whether directly or indirectly, other securities or financial instruments which grant a right to acquire shares carrying voting rights (such as transferable securities, options, futures, swaps, forwards and other derivative contracts), will also have an obligation to notify the Company and the CNMV of the holding of a significant stake in accordance with the above-mentioned regulations.

Stricter disclosure obligations apply if the person obligated to disclose has residency in a country considered a tax haven by the Spanish authorities, a zero-taxation country or territory or a country or territory that does not share information with the Spanish authorities, in which cases the initial threshold for disclosure is reduced to 1% (and successive multiples of 1%).

Our directors must report to us and the CNMV the percentage and number of voting rights in Telefónica held by them at the time of becoming or ceasing to be a member of the Board of Directors. Furthermore, all members of the Board must report any change in the percentage of voting rights they hold, as a result of any acquisition or disposition of our shares or voting rights, or financial instruments which carry a right to acquire or dispose of shares which have voting rights attached, including any stock-based compensation that they may receive pursuant to any of our compensation plans. Members of our senior management must also report any stock-based compensation that they may receive pursuant to any of our compensation plans or any subsequent amendment to such plans. Royal Decree 1362/2007 (as amended) refers to the definition given by Royal Decree 1333/2005 of November 11, which develops the Spanish Securities Market Act, regarding market abuse, which defines senior management (*directivos*) as those high-level employees in positions of responsibility with regular access to insider information (*información privilegiada*) related, directly or indirectly, to the issuer and that, furthermore, are empowered to adopt management decisions affecting the future development and business perspectives of the issuer .

In addition, pursuant to Royal Decree 1333/2005 of November 11 (as amended), any member of our Board and our senior management, or any parties closely related to any of them, as such terms are defined therein, must report to the CNMV any transactions carried out with respect to our shares or derivatives or other financial instruments relating to our shares. The notification of the transaction must include particulars of, among others, the type of transaction, the date of the transaction and the market in which the transactions were carried out, the number of shares traded and the price paid.

These disclosure obligations are primarily regulated by Royal Decree 1362/2007 (as amended) and by Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, on market abuse (the Market Abuse Regulation), which repeals Directive 2003/6/EC of the European Parliament and of the Council

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and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC. Both establish a detailed set of rules on this legal framework (including, *inter alia*, rules determining the persons subject to disclosure obligations, the different types of situations triggering disclosure and corresponding exceptions, specific attribution and aggregation rules, the deadlines to notify the transactions, triggering disclosure obligations and incorporation of notices submitted to the CNMV's public registry).

Disclosure of Net Short Positions

In accordance with Regulation (EU) No. 236/2012 of the European Parliament and of the European Council of March 14, 2012 on short selling and certain aspects of credit default swaps (as further supplemented by several delegated regulations regulating technical aspects necessary for its effective enforceability and to ensure compliance with its provisions), net short positions on shares listed on the Spanish Stock Exchanges equal to, or in excess of, 0.2% of the relevant issuer's share capital and any increases or reductions thereof by 0.1% are required to be disclosed to the CNMV by no later than the first trading day following the transaction. If the net short position reaches 0.5%, and also at every 0.1% above that, the CNMV will disclose the net short position to the public.

Notification is mandatory even if the same position has been already notified to the CNMV in compliance with reporting requirements previously in force in Spain.

The information to be disclosed is set out in Table 1 of Annex I of Delegated Regulation 826/2012, according to the format approved as Annex II of this Regulation. The information will be published, where appropriate, on a web page operated or supervised by the corresponding authority.

Moreover, pursuant to Regulation (EU) No. 236/2012, where the CNMV considers that (i) there are adverse events or developments that constitute a serious threat to financial stability or to market confidence (serious financial, monetary or budgetary problems, which may lead to financial instability, unusual volatility causing significant downward spirals in any financial instrument, etc.); and (ii) the measure is necessary and will not be disproportionately detrimental to the efficiency of financial markets in view of the advantages sought, it may, following consultation with the European Securities and Market Authority (ESMA), take any one or more of the following measures:

impose additional notification obligations by either (a) reducing the thresholds for the notification of net short positions in relation to one or several specific financial instruments; and/or (b) requesting the parties involved in the lending of a specific financial instrument to notify any change in the fees requested for such lending; and

restrict short selling activity by either prohibiting or imposing conditions on short selling.

In addition, according to Regulation (EU) No. 236/2012, where the price of a financial instrument has fallen significantly during a single day in relation to the closing price on the previous trading day (10% or more in the case of a liquid share), the CNMV may prohibit or restrict short selling of financial instruments for a period not exceeding the end of the trading day following the trading day on which the fall in price occurs.

Finally, Regulation (EU) No. 236/2012 also vests powers to ESMA in order to take measures similar to the ones described above in exceptional circumstances, when the purpose of these measures is to deal with a threat affecting several EU member states and the competent authorities of these member states have not taken adequate measures to address it.

Shareholder Agreements

Article 531 *et seq.* of the Spanish Corporation Act require parties to disclose those shareholders' agreements in respect of Spanish listed companies that affect the exercise of voting rights at a general shareholders' meeting

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or contain restrictions or conditions on the transferability of shares or bonds that are convertible or exchangeable into shares. If any shareholders enter into such agreements with respect to Telefónica's shares, they must disclose the execution, amendment or extension of such agreements to Telefónica and the CNMV (together with the clauses of said agreements) and file such agreements with the appropriate Commercial Registry. Failure to comply with these disclosure obligations renders any such shareholders' agreement unenforceable and constitutes a violation of the Spanish Securities Market Act.

Acquisition of Own Shares

Pursuant to Spanish corporate law, we may only repurchase our own shares within certain limits and in compliance with the following requirements:

the repurchase must be authorized by the general shareholders' meeting by a resolution establishing the maximum number of shares to be acquired, the minimum and maximum acquisition price and the duration of the authorization, which may not exceed five years from the date of the resolution; and

the repurchase, including any shares already held by us or a person acting on our behalf, must not bring our net worth below the aggregate amount of our share capital and legal reserves.

For these purposes, net worth means the amount resulting from the application of the criteria used to draw up the financial statements, subtracting the amount of profits directly imputed to that net worth, and adding the amount of share capital subscribed but not called and the share capital par and issue premiums recorded in our accounts as liabilities. In addition:

the aggregate par value of the shares directly or indirectly repurchased, together with the aggregate par value of the shares already held by us and our subsidiaries, must not exceed 10% of our share capital; and

the shares repurchased must be fully paid and must be free of ancillary contributions (*prestaciones accesorias*).

Voting rights attached to treasury shares will be suspended and economic rights (*e.g.*, the right to receive dividends and other distributions and liquidation rights), except the right to receive bonus shares, will accrue proportionately to all of our shareholders. Treasury shares are counted for the purpose of establishing the quorum for shareholders' meetings and majority voting requirements to pass resolutions at shareholders' meetings.

The Market Abuse Regulation establishes rules in order to ensure the integrity of European Community financial markets and to enhance investor confidence in those markets. This regulation maintains an exemption from the market manipulation rules regarding share buyback programs by companies listed on a stock exchange in an EU Member State. In particular, Article 5 of the Market Abuse Regulation states that in order to benefit from the exemption, a buyback program must comply with certain requirements established under such regulation and the sole purpose of the buyback program must be to reduce the share capital of an issuer (in value or in number of shares) or to meet obligations arising from either of the following:

debt financial instruments exchangeable into equity instruments; or

employee share option programs or other allocations of shares to employees of the issuer or an associated company.

Commission Delegated Regulation (EU) 2016/1052, of March 8, supplementing Regulation (EU) 596/2014 with regard to regulatory technical standards for the conditions applicable to buyback programs and stabilization measures, set forth certain conditions that transactions relating to buyback programs shall meet in order to benefit from the exemption laid down in Article 5 of Regulation (EU) 596/2014, as well as certain disclosure and reporting obligations that the issuer must comply with for such purposes.

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In addition, in order to comply with the Market Abuse Regulation, on April 26, 2017, the CNMV issued Circular 1/2017, replacing Circular 3/2007 and setting out the requirements to be met by liquidity contracts entered into by issuers with financial institutions for the management of its treasury shares to constitute an accepted market practice and, therefore, be able to rely on a safe harbor for the purposes of the Market Abuse Regulation.

If an acquisition or series of acquisitions of shares of Telefónica reaches or exceeds or causes Telefónica and its affiliates' holdings to reach or exceed 1% of Telefónica's voting shares, Telefónica must notify its final holding of treasury stock to the CNMV. If such threshold is reached as a result of a series of acquisitions, such reporting obligation will only arise after the closing of the acquisition which, taken together with all acquisitions made since the last of any such notifications, causes the Telefónica and its affiliates' holdings to exceed, 1% of Telefónica's voting shares. Sales and other dispositions of Telefónica's treasury stock will not be deducted in the calculation of such threshold. This requirement also applies if the stock is acquired by a majority-owned subsidiary of Telefónica.

Moreover, pursuant to Spanish corporate law, the audited financial statements of a company must include a reference regarding any treasury shares.

Change of Control Provisions

Certain antitrust regulations may delay, defer or prevent a change of control of Telefónica or any of its subsidiaries in the event of a merger, acquisition or corporate restructuring. In Spain, the application of both Spanish and European antitrust regulations requires that prior notice of domestic or cross-border merger transactions be given in order to obtain a non-opposition ruling from antitrust authorities.

Tender Offers

Tender offers are governed in Spain by the Spanish Securities Markets Act and Royal Decree 1066/2007, of July 27 (as amended), which implemented Directive 2004/25/EC of the European Parliament and of the European Council of April 21. Tender offers in Spain may qualify as either mandatory or voluntary offers.

Mandatory public tender offers must be launched for all the shares of the target company or other securities that might directly or indirectly give the right to subscription thereto or acquisition thereof (including convertible and exchangeable bonds) at an equitable price and not subject to any conditions when any person acquires control of a Spanish company listed on the Spanish Stock Exchanges, whether such control is obtained:

by means of the acquisition of shares or other securities that directly or indirectly give voting rights in such company;

through agreements with shareholders or other holders of said securities; or

as a result of other situations of equivalent effect as provided in the regulations (i.e., indirect control acquired through mergers, share capital decreases, target's treasury stock variations or securities exchange or conversion, etc.).

A person is deemed to have obtained the control of a target company, individually or jointly with concerted parties, whenever:

it acquires, directly or indirectly, a percentage of voting rights equal to or greater than 30%; or

it has acquired a percentage of less than 30% of the voting rights and appoints, in the 24 months following the date of acquisition of said percentage, a number of directors that, together with those already appointed, if any, represent more than one-half of the members of the target company's board of directors. Regulations also set forth certain situations where directors are deemed to have been appointed by the bidder or persons acting in concert therewith unless evidence to the contrary is provided.

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Notwithstanding the above, Spanish regulations establish certain exceptional situations where control is obtained but no mandatory tender offer is required, including, among others:

subject to the CNMV's approval,

acquisitions or other transactions resulting from the conversion or capitalization of credits into shares of listed companies, the financial feasibility of which is subject to serious and imminent danger, even if the company is not undergoing bankruptcy proceedings, provided that such transactions are intended to ensure the company's financial recovery in the long term; or

in the event of a merger, provided that those acquiring control did not vote in favor of the merger at the relevant general shareholders' meeting of the offeree company and provided also that it can be shown that the primary purpose of the transaction is not the takeover but an industrial or corporate purpose; and

when control has been obtained after a voluntary bid for all of the securities, if either the bid has been made at an equitable price or has been accepted by holders of securities representing at least 50% of the voting rights to which the bid was directed.

For the purposes of calculating the percentages of voting rights acquired, the regulations establish the following rules:

percentages of voting rights corresponding to (i) companies belonging to the same group of the bidder; (ii) members of the board of directors of the bidder or of companies of its group; (iii) persons acting for the account of or in concert with the bidder (a concert party shall be deemed to exist when two or more persons collaborate under an agreement, be it express or implied, oral or written, in order to obtain control of the offeree company); (iv) voting rights exercised freely and over an extended period by the bidder under proxy granted by the actual holders or owners of such rights in the absence of specific instructions with respect thereto; and (v) shares held by a nominee, such nominee being understood as a third party whom the bidder totally or partially covers against the risks inherent in acquisitions or transfers of the shares or the possession thereof, will be deemed to be held by the bidder (including the voting rights attaching to shares that constitute the underlying asset or the subject matter of financial contracts or swaps when such contracts or swaps cover, in whole or in part, against the risks inherent in ownership of the securities and have, as a result, an effect similar to that of holding shares through a nominee);

both the voting rights arising from the ownership of shares and those enjoyed under a usufruct or pledge or upon any other title of a contractual nature will be counted towards establishing the number of voting rights held;

the percentage of voting rights shall be calculated based on the entire number of shares carrying voting rights, even if the exercise of such rights has been suspended; voting rights attached to treasury shares shall be excluded; and non-voting shares shall be taken into consideration only when they carry voting rights pursuant to applicable law; and

acquisitions of securities or other financial instruments giving the right to the subscription, conversion, exchange or acquisition of shares which carry voting rights will not result in the obligation to launch a tender offer either until such subscription, conversion, exchange or acquisition occurs.

Notwithstanding the foregoing, upon the terms established in the regulations, the CNMV will conditionally dispense with the obligation to launch a mandatory bid when another person or entity, individually or jointly in concert, directly or indirectly holds an equal or greater voting percentage than the potential bidder in the target company.

The price of the mandatory tender offer is deemed equitable when it is at least equal to the highest price paid or agreed by the bidder or by any person acting in concert therewith for the same securities during the 12 months

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prior to the announcement of the tender offer. When the mandatory tender offer must be made without the bidder having previously acquired the shares over the above-mentioned 12-month period, the equitable price shall not be less than the price calculated in accordance with other rules set forth in the regulations. In any case, the CNMV may change the price so calculated in certain circumstances (extraordinary events affecting the price, evidence of market manipulation, etc.).

Mandatory offers must be launched within one month from the acquisition of the control of the target company.

Voluntary tender offers may be launched when a mandatory offer is not required. Voluntary offers are subject to the same rules established for mandatory offers except for the following:

they may be subject to certain conditions (such as amendments to the bylaws or adoption of certain resolutions by the target company, acceptance of the offer by a minimum number of securities, approval of the offer by the shareholders' meeting of the bidder and any other deemed by the CNMV to be in accordance with law), provided that such conditions can be met before the end of the acceptance period of the offer; and

they may be launched at any price, regardless of whether it is lower than the above-mentioned equitable price. However, if they are not launched at an equitable price and if the tender offer shares representing at least 50% of the voting rights are tendered in the offer (excluding voting rights already held by the bidder and those belonging to shareholders who entered into an agreement with the bidder regarding the tender offer), the bidder may become obliged to launch a mandatory tender offer.

In any case, according to the Spanish Securities Market Act, the price in a voluntary tender offer must be the higher of (i) the equitable price and (ii) the price resulting from an independent valuation report, and must at least consist of cash as an alternative if certain circumstances have occurred during the two years prior to the announcement of the offer (basically, the trading price for the shares being affected by price manipulation practices, market or share prices being affected by natural disasters, *force majeure*, or other exceptional events, or the target company being subject to expropriation or confiscation resulting in a significant impairment of the company's real value).

Spanish regulations on tender offers set forth further provisions, including:

subject to shareholder approval within 18 months from the date of announcement of the tender offer, the board of directors of a target company will be exempt from the rule prohibiting frustrating action against a foreign bidder whose board of directors is not subject to an equivalent passivity rule;

defensive measures included in a listed company's bylaws and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the company is the target of a tender offer, unless the shareholders resolve otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected will be entitled to compensation at the target company's expense); and

squeeze-out and sell-out rights will apply provided that following a tender offer for all the target's share capital, the bidder holds securities representing at least 90% of the target company's voting capital and the tender offer has been accepted by the holders of securities representing at least 90% of the voting rights other than those held by or attributable to the bidder previously to the offer.

Foreign Investment and Exchange Control Regulations

Restrictions on Foreign Investment

Exchange controls and foreign investment were, with certain exceptions, completely liberalized by Royal Decree 664/1999, of April 23, which was approved in conjunction with Law 18/1992 (the Spanish Foreign Investment Law) to bring the existing legal framework in line with the provisions of the Treaty of the European Union.

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According to regulations adopted under the Spanish Foreign Investments Law, and subject to the restrictions described below, foreign investors may invest freely in shares of Spanish companies as well as transfer invested capital, capital gains and dividends out of Spain without limitation (subject to applicable taxes and exchange controls). Foreign investors who are not resident in a tax haven are required to notify the Spanish Registry of Foreign Investments (*Registro Nacional de Inversiones Extranjeras*) maintained by the General Bureau of International Commerce and Investments (*Dirección General de Comercio Internacional e Inversiones*) (a department of the Ministry of Economy, Industry and Competitiveness (*Ministerio de Economía, Industria y Competitividad*)) following an investment or divestiture, and such notification is for the purpose of promoting foreign investments and for statistical, economic and administrative purposes. Where the investment or divestiture is made in shares of a Spanish company listed on any of the Spanish Stock Exchanges, the duty to provide notice of a foreign investment or divestiture lies with the relevant entity with which the shares (in book-entry form) have been deposited or that has acted as an intermediary in connection with the investment or divestiture.

If the foreign investor is a resident of a tax haven, as defined under Spanish law (Royal Decree 1080/1991 of July 5), notice must be provided to the Registry of Foreign Investments prior to making the investment, as well as after the transaction has been completed. However, prior notification is not necessary in the following cases:

investments in listed securities, whether or not trading on an official secondary market;

investments in participations in investment funds registered with the CNMV; and

foreign shareholdings that do not exceed 50% of the capital of the Spanish company in which the investment is made.

Additional regulations to those described above apply to investments in some specific industries, including air transportation, gambling, mining, manufacturing and sales of weapons and explosives for civil use and national defense, radio, television and telecommunications. These restrictions do not apply to investments made by EU residents, other than investments by EU residents in activities relating to the Spanish defense sector or the manufacturing and sale of weapons and explosives for non-military use.

The Spanish Council of Ministers (*Consejo de Ministros*), acting on the recommendation of the Ministry of Economy, Industry and Competitiveness, may suspend the aforementioned provisions relating to foreign investments for reasons of public policy, health or safety, either generally or in respect of investments in specified industries, in which case any proposed foreign investments falling within the scope of such a suspension would be subject to prior authorization from the Spanish government, acting on the recommendation of the Ministry of Economy, Industry and Competitiveness.

Law 19/2003 of July 4 (as amended), which has as its purpose the establishment of a regulatory regime relating to capital flows to and from legal or natural persons abroad and the prevention of money laundering, generally provides for the liberalization of the regulatory environment with respect to acts, businesses, transactions and other operations between residents and non-residents of Spain in respect of which charges or payments abroad will occur, as well as money transfers, variations in accounts or financial debit or credits abroad. These operations must be reported to the Ministry of Economy, Industry and Competitiveness and the Bank of Spain only for informational and statistical purposes. The most important developments resulting from Law 19/2003 are the obligations on financial intermediaries to provide to the Spanish Ministry of Economy, Industry and Competitiveness and the Bank of Spain information corresponding to client transactions.

In addition to the notices relating to significant shareholdings that must be sent to Telefónica, the CNMV and the relevant Spanish Stock Exchanges, as described in this section under Reporting Requirements, foreign investors are required to provide such notices to the Registry of Foreign Investments.

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Exchange Control Regulations

Pursuant to Royal Decree 1816/1991 of December 20, as amended by Royal Decree 1360/2011 of October 7, relating to economic transactions with non-residents, and EC Directive 88/361/EEC, receipts, payments or transfers between non-residents and residents of Spain must be made through registered entities (*entidades registradas*), such as banks and other financial institutions properly registered with the Bank of Spain and/or the CNMV, through bank accounts opened with foreign banks or foreign branches of registered entities or in cash or by a check payable to bearer.

Payment of Taxes

Holders of ordinary shares will be responsible for any taxes or other governmental charges payable on their ordinary shares, including any taxes payable on transfer. The paying agent or the transfer agent, as the case may be, may, and upon instruction from Telefónica, will:

refuse to effect any registration of transfer of such ordinary shares or any split-up or combination thereof until such payment is made;
or

withhold or deduct from any distributions on such ordinary shares or sell for the account of the holder thereof any part or all of such ordinary shares (after attempting by reasonable means to notify such holder prior to such sale), and apply, after deduction for its reasonable expenses incurred in connection therewith, the net proceeds of any such sale to payment of such tax or other governmental charge. The holder of such ordinary shares will remain liable for any deficiency.

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DESCRIPTION OF AMERICAN DEPOSITARY SHARES

Telefónica may offer from time to time ordinary shares in the form of ADSs. Our ADSs are listed on the New York Stock Exchange under the symbol "TEF". Citibank, N.A. acts as the Depositary pursuant to the deposit agreement dated as of November 13, 1996, as amended as of December 3, 1999 and as further amended as of June 23, 2000 and as of March 9, 2007 among Telefónica, the Depositary and the holders from time to time of ADSs.

For certain information on our ADSs, see Items 10 and 12.D of our Form 20-F, which is incorporated herein by reference. An applicable prospectus supplement for an offering of our ADSs will include a description of the ADSs and a description of the terms of any offering of ADSs, among other matters.

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DESCRIPTION OF RIGHTS TO SUBSCRIBE FOR ORDINARY SHARES

We may issue rights to subscribe for ordinary shares of Telefónica. The applicable prospectus supplement will describe the specific terms relating to such subscription rights and the terms of the offering, including, where applicable, some or all of the following, among other matters:

the title of the subscription rights;

the exercise price for the shares subscribed pursuant to the subscription rights;

the aggregate number of subscription rights issued;

a discussion of the material U.S. federal, Spanish or other income tax considerations, as well as considerations under the U.S. Employee Retirement Income Security Act of 1974, as amended (ERISA), applicable to the issuance of ordinary shares together with statutory subscription rights or the exercise of the subscription rights;

any other terms of the subscription rights, including terms, procedures and limitations relating to the exercise of the subscription rights;

the terms of the ordinary shares issuable upon exercise of the subscription rights;

information regarding the trading of subscription rights, including the stock exchanges, if any, on which the subscription rights will be listed;

the record date, if any, to determine who is entitled to the subscription rights and the ex-rights date;

the period during which the subscription rights may be exercised;

the extent to which the offering includes a contractual over-subscription privilege with respect to unsubscribed securities; and

the material terms of any standby or other underwriting arrangement we enter into in connection with the offering.

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DESCRIPTION OF DEBT SECURITIES AND GUARANTEES

Telefónica Emisiones may issue Debt Securities fully and unconditionally guaranteed by Telefónica under an indenture (the Base Indenture), dated April 20, 2018 among Telefónica Emisiones, the Guarantor and The Bank of New York Mellon, as trustee, as supplemented by a supplemental indenture with respect to each series of securities issued pursuant to the Base Indenture among Telefónica Emisiones, the Guarantor and the Bank of New York Mellon, as trustee, transfer agent, registrar and paying agent (the Base Indenture, as supplemented, the Indenture). The Base Indenture has been filed with the SEC as an exhibit to the Registration Statement of which this prospectus is a part and is incorporated by reference herein. Except as otherwise specified in the applicable prospectus supplement, the Debt Securities will constitute the direct, unconditional, unsubordinated and unsecured obligation of the issuer and will rank *pari passu* without any preference among themselves and, subject to any applicable statutory exceptions, the issuer's payment obligations under the Debt Securities will rank at least *pari passu* with all of its other unsecured and unsubordinated indebtedness, present and future, except as its obligations may be limited by Spanish bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally in the Kingdom of Spain.

The applicable prospectus supplement will describe the specific terms relating to such Debt Securities and the related guarantees and the terms of the offering, including, where applicable, some or all of the following, among other matters:

the title and the series of the securities;

the terms of the related guarantees of the securities;

any limit on the aggregate principal amount of the securities;

whether the securities may be converted into or exercised or exchanged for other debt or equity securities of Telefónica or one or more third parties and the terms on which conversion, exercise or exchange may occur;

the price or prices (expressed as a percentage of the aggregate principal amount) at which the securities will be issued;

the denomination and currency in which the securities will be issuable;

the date or dates on which the principal of the offered securities is payable, or the method, if any, by which such date or dates will be determined and, if other than the full principal amount, the portion payable or the method by which the portion of the principal amount of the securities payable on that date is determined;

the rate or rates (which may be fixed or variable) at which the offered securities will bear interest, if any, or the method by which such rate or rates will be determined and the manner upon which interest will be calculated;

the date or dates from which interest on the securities, if any, will accrue or the method, if any, by which such date or dates will be determined;

the date or dates on which such interest, if any, will be payable, the date or dates on which payment of such interest, if any, will commence and the regular record dates for the interest payment dates, if any;

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whether and under what circumstances additional amounts on the securities must be payable;

whether and under what circumstances the securities may be redeemed;

the notice, if any, to holders of the notes regarding the determination of interest on a floating rate note and the manner of giving such notice;

if any securities are to be issuable upon the exercise of warrants, the time, manner and place for such securities to be authenticated and delivered;

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whether any of the securities will be issued as original issue discount notes;

if other than the applicable trustee, the identity of each security registrar, paying agent and authenticating agent;

any material U.S. federal or Spanish income tax considerations applicable to the securities;

information regarding the trading of securities, including the stock exchanges, if any, on which the securities will be listed;

any restrictions applicable to the sale and delivery of the securities; and

any other terms of the securities and the related guarantees, which shall not be inconsistent with the provisions of the Indenture.

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ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

Telefónica is a limited liability company (*sociedad anónima*) organized under the laws of the Kingdom of Spain. Telefónica Emisiones, a wholly-owned subsidiary of Telefónica, is a limited liability company with a sole shareholder (*sociedad anónima unipersonal*) organized under the laws of the Kingdom of Spain. All of the directors of Telefónica Emisiones and the executive officers and directors of Telefónica, and certain of the experts named in this prospectus, are not residents of the United States. All or a substantial portion of the assets of Telefónica Emisiones and those of Telefónica and such persons are located outside the United States. As a result, it may be difficult for you to file a lawsuit against either Telefónica Emisiones or Telefónica or such persons in the United States with respect to matters arising under the federal securities laws of the United States. It may also be difficult for you to enforce judgments obtained in U.S. courts against either Telefónica Emisiones or Telefónica or such persons based on the civil liability provisions of such laws. Provided that United States case law does not prevent the enforcement in the U.S. of Spanish judgments (as in such case, judgments obtained in the U.S. shall not be enforced in Spain), if a U.S. court grants a final judgment in an action based on the civil liability provisions of the federal securities laws of the United States, enforceability of such judgment in Spain will be subject to satisfaction of certain factors. Such factors include the absence of a conflicting judgment by a Spanish court (or a conflicting judgment by a foreign court, provided such judgment meets the requirements to be enforced in Spain) or of an action pending in Spain among the same parties and arising from the same facts and circumstances, the Spanish courts' determination that the U.S. courts had jurisdiction, that process was appropriately served on the defendant, the regularity of the proceeding followed before the U.S. courts, the authenticity of the judgment and that enforcement would not violate Spanish public policy or mandatory provisions, including the legality of the obligation to be fulfilled in Spain, and that such judgment is final and conclusive. In general, the enforceability in Spain of final judgments of U.S. courts does not require retrial in Spain. If an action is commenced before Spanish courts with respect to liabilities based on the U.S. federal securities laws, there is a doubt as to whether Spanish courts would have jurisdiction. Spanish courts may enter and enforce judgments in foreign currencies.

Telefónica Emisiones and Telefónica have expressly submitted to the exclusive jurisdiction of any state or federal court in the Borough of Manhattan, the City of New York and any appellate court from any such court thereof for the purpose of any suit, action or proceeding arising out of or in connection with the Debt Securities described herein and have appointed CT Corporation System as our agent to accept service of process in any such action.

LEGAL MATTERS

Certain legal matters with respect to Spanish law will be passed upon for us by Uría Menéndez Abogados, S.L.P., our Spanish counsel. Certain legal matters with respect to United States and New York law will be passed upon for us by Davis Polk & Wardwell LLP, our U.S. counsel.

EXPERTS

The consolidated financial statements as of December 31, 2017 and for the year ended December 31, 2017 and management's assessment of the effectiveness of Telefónica's internal control over financial reporting (which is included in Management's Annual Report on Internal Control over Financial Reporting) as of December 31, 2017, each incorporated into this Prospectus by reference to Telefónica's Annual Report on Form 20-F for the year ended December 31, 2017, have been so incorporated in reliance on the report of PricewaterhouseCoopers Auditores, S.L., an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting. In addition, the adjustments to the 2016 consolidated financial statements to retrospectively reflect the change in presentation of the segment information, as described in Note 4 to the consolidated financial statements of Telefónica included in its Annual Report on Form 20-F for the year ended December 31, 2017, have been audited by PricewaterhouseCoopers Auditores, S.L., as set forth in their report.

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The consolidated financial statements as of December 31, 2016 and for each of the two years in the period then ended, before the effects of the retrospective adjustments related to the 2016 segment disclosures described in Note 4 (the Unadjusted 2016 and 2015 Consolidated Financial Statements), appearing in the Form 20-F, have been audited by Ernst & Young, S.L., independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. The Unadjusted 2016 and 2015 Consolidated Financial Statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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PART II

INFORMATION NOT REQUIRED IN A PROSPECTUS

Item 8. Indemnification of Directors and Officers

Telefónica, S.A.

Indemnification under Telefónica Bylaws and Spanish Law.

Under Spanish law the directors of Telefónica shall be jointly and severally liable to the company, the shareholders and the creditors of the company for any damage they cause through acts contrary to the law or the bylaws, or acts carried out without the diligence with which they ought to perform their duties. Under Spanish law there is a rebuttable presumption of negligence in actions brought against directors alleging acts contrary to the law or our bylaws. No provision of our bylaws provides for the indemnification of the directors with respect to such liabilities.

Telefónica D&O Insurance.

Telefónica maintains an insurance policy that protects its officers and the members of its Board of Directors from liabilities incurred as a result of actions taken in their official capacity.

Telefónica Emisiones, S.A.U.

Indemnification under Telefónica Emisiones S.A.U. s Bylaws and Spanish Law.

Under Spanish law the directors of Telefónica Emisiones S.A.U. shall be jointly and severally liable to the company, the shareholders and the creditors of the company for any damage they cause through acts contrary to the law or the bylaws, or acts carried out without the diligence with which they ought to perform their duties. Under Spanish law there is a rebuttable presumption of negligence in actions brought against directors alleging acts contrary to the law or our bylaws. No provision of Telefónica Emisiones S.A.U. s bylaws provides for the indemnification of the directors with respect to such liabilities.

Telefónica Group D&O Insurance.

Telefónica maintains an insurance policy that protects officers and members of the boards of directors of companies constituting the Telefónica Group, including Telefónica Emisiones, S.A.U., from liabilities incurred as a result of actions taken in their official capacity.

Table of Contents**Item 9. Exhibits**

Exhibit Number	Description
1.1*	Form of underwriting agreement for ordinary shares.
1.2*	Form of underwriting agreement for Debt Securities.
3.1**	<u>Amended and restated bylaws (English translation) (previously filed as Exhibit 1.1 to the Form 20-F of Telefónica, S.A. filed on February 22, 2018 (Accession No. 0000814052-18-000019)).</u>
4.1	<u>Debt indenture including form of Debt Securities of Telefónica Emisiones, S.A.U. and guarantees relating thereto between Telefónica Emisiones, S.A.U., Telefónica, S.A., as Guarantor, and The Bank of New York Mellon as trustee.</u>
4.2**	<u>Deposit Agreement of Telefónica, S.A. (formerly Telefónica de España, S.A.) and Citibank, N.A., as depositary, and holders of American Depositary Receipts (previously filed as Exhibit 99.(a)(v) to the Registration Statement on Form F-6 filed on May 22, 2012, Registration No. 333-181584).</u>
4.3**	<u>Amendment No. 1 to Deposit Agreement of Telefónica, S.A. and Citibank, N.A., as depositary, and holders from time to time of American Depositary Receipts (previously filed as Exhibit 99.(a)(iv) to the Registration Statement on Form F-6 filed on May 22, 2012, Registration No. 333-181584).</u>
4.4**	<u>Amendment No. 2 to Deposit Agreement of Telefónica, S.A. and Citibank, N.A., as depositary, and all holders of American Depositary Receipts (previously filed as Exhibit 99.(a)(iii) to the Registration Statement on Form F-6 filed on May 22, 2012, Registration No. 333-181584).</u>
4.5**	<u>Amendment No. 3 to Deposit Agreement of Telefónica, S.A. and Citibank, N.A., as depositary, and all holders of American Depositary Receipts (previously filed as Exhibit 99.(a)(ii) to the Registration Statement on Form F-6 filed on May 22, 2012, Registration No. 333-181584).</u>
4.6**	<u>Form of American Depositary Receipt (previously filed as Exhibit 99.(a)(i) to the Registration Statement on Form F-6 filed on May 22, 2012, Registration No. 333-181584).</u>
5.1	<u>Opinion of Davis Polk & Wardwell LLP.</u>
5.2	<u>Opinion of Uría Menéndez Abogados, S.L.P.</u>
12.1	<u>Statement regarding the computation of consolidated ratios of earnings to fixed charges.</u>
23.1	<u>Consent of PricewaterhouseCoopers Auditores, S.L., independent registered public accounting firm.</u>
23.2	<u>Consent of Ernst & Young, S.L., independent registered public accounting firm.</u>
23.3	<u>Consent of Davis Polk & Wardwell LLP (included in its opinion filed as Exhibit 5.1).</u>
23.4	<u>Consent of Uría Menéndez Abogados, S.L.P. (included in its opinion filed as Exhibit 5.2).</u>
24.1	<u>Powers of Attorney of the registrants (included on the signature pages).</u>
25.1	<u>Statement of eligibility of The Bank of New York Mellon, as trustee, under the Trust Indenture Act of 1939 on Form T-1 relating to the debt indenture.</u>

- * To be filed by Telefónica, S.A. on a Form 6-K depending on the nature of the offering, if any, pursuant to this registration statement.
- ** Incorporated by reference.

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Item 10. Undertakings

Each of the undersigned registrants hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any plan of distribution or any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs 1(i), 1(ii) and 1(iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by Telefónica pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Securities Act of 1933 or Rule 3-19 of Regulation S-X if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by Telefónica pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by a registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

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(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which the prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(6) That, for the purpose of determining liability of a registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, each undersigned registrant undertakes that in a primary offering of securities of an undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of an undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of an undersigned registrant or used or referred to by an undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about an undersigned registrant or its securities provided by or on behalf of an undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by an undersigned registrant to the purchaser.

(7) That, for purposes of determining any liability under the Securities Act of 1933, each filing of Telefónica's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(8) To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act.

(9) In the event that the securities being registered are to be offered to existing security holders pursuant to warrants or rights and any securities not taken by security holders are to be re-offered to the public, to supplement the prospectus, upon the expiration of the subscription period, in order to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by the

underwriters, and the terms of any subsequent re-offering thereof. The registrants further undertake that if any public offering by the underwriters is to be made on terms differing from those set forth on the cover page of the prospectus, the registrants shall file a post-effective amendment to set forth the terms of such offering.

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Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of each registrant pursuant to the foregoing provisions, or otherwise, each registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by a registrant of expenses incurred or paid by a director, officer or controlling person of a registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, that registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

Table of Contents**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, Telefónica, S.A. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Madrid, Spain, on April 20, 2018.

TELEFÓNICA, S.A.

By: /s/ Laura Abasolo García de Baquedano
 Laura Abasolo García de
 Name: Baquedano
 Title: Chief Finance and Control Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each of the individuals whose signature appears below (whether as a member of the Board of Directors or officer of Telefónica, S.A., as authorized representative of Telefónica, S.A. or otherwise) constitutes and appoints Laura Abasolo García de Baquedano, Jesús Romero Albarracín and Eduardo José Álvarez Gómez, and each of them (with full power to each of them to act alone), his or her true and lawful attorneys-in-fact and agent, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) and supplements to this registration statement or any registration statement in connection herewith that is to be effective upon filing pursuant to Rule 462 (b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ José María Álvarez-Pallete López	Chairman of the Board of Directors and Chief Executive Officer	April 20, 2018
José María Álvarez-Pallete López		
/s/ Laura Abasolo García de Baquedano	Chief Finance and Control Officer	April 20, 2018
Laura Abasolo García de Baquedano		
/s/ Francisco Javier Ariza Garrote	Chief Accounting Officer	April 20, 2018
Francisco Javier Ariza Garrote		

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/s/ José María Abril Pérez		April 20, 2018
José María Abril Pérez	Vice Chairman of the Board of Directors	
/s/ Ángel Vilá Boix	Director	April 20, 2018
Ángel Vilá Boix		
/s/ Ignacio Moreno Martínez	Director	April 20, 2018
Ignacio Moreno Martínez		

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Signature	Title	Date
/s/ José Javier Echenique Landiribar José Javier Echenique Landiribar	Director	April 20, 2018
/s/ Peter Erskine Peter Erskine	Director	April 20, 2018
/s/ Carmen García de Andrés Carmen García de Andrés	Director	April 20, 2018
/s/ Jordi Gual Solé Jordi Gual Solé	Director	April 20, 2018
/s/ Francisco Javier de Paz Mancho Francisco Javier de Paz Mancho	Director	April 20, 2018
/s/ Donald J. Puglisi Donald J. Puglisi	Authorized Representative of Telefónica, S.A. in the United States	April 20, 2018

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Table of Contents**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, Telefónica Emisiones, S.A.U. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Madrid, Spain, on April 20, 2018.

TELEFÓNICA EMISIONES, S.A.U.

By: /s/ Eduardo José Álvarez Gómez
 Name: Eduardo José Álvarez Gómez
 Title: Authorized Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each of the individuals whose signature appears below (whether as a Director or officer of Telefónica Emisiones, S.A.U. as authorized representative of Telefónica Emisiones, S.A.U. or otherwise) constitutes and appoints Eduardo José Álvarez Gómez and Francisco Javier Ariza Garrote and each of them (with full power to each of them to act alone), his true and lawful attorneys-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) and supplements to this registration statement or any registration statement in connection herewith that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Eduardo José Álvarez Gómez		
Eduardo José Álvarez Gómez	Director	April 20, 2018
/s/ Francisco Javier Ariza Garrote		
Francisco Javier Ariza Garrote	Director	April 20, 2018
/s/ Donald J. Puglisi	Authorized Representative of	April 20, 2018
Donald J. Puglisi	Telefónica Emisiones, S.A.U. in the United States	

>

[Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018](#)

License Agreement

We have entered into a license agreement with Raymond James, under which we obtained the right to use the stocks discussed herein in connection with our issuance of the Notes. Under the license agreement, we agreed to pay Raymond James a fee of up to 0.67% of the principal amount of the Notes.

The license agreement requires this section to state as follows:

Solely by participating in this offering, Raymond James makes no representation or warranty, express or implied, to the holders of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly or the ability of the Basket to track general or industry-specific stock market performance. Raymond James and its third party licensors have no obligation to take the needs of CIBC or the holders of the Notes into consideration in determining, composing or calculating the Basket. CIBC is the Calculation Agent for the Notes and will have discretion in making various determinations that affect the Notes and Raymond James is not responsible for any such calculations or determinations. Raymond James has no obligation or liability in connection with the administration or trading of the Notes.

Raymond James has licensed certain of its trademarks to us.

The mark **Raymond James** is a trademark of Raymond James & Associates, Inc. and/or its affiliates, and has been licensed for our use.

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

THE REFERENCE SHARES

Acadia Healthcare Company, Inc.

Acadia Healthcare Company, Inc. operates a network of behavioral health centers. The company provides psychiatric and chemical dependency services, inpatient psychiatric hospitals, residential treatment centers, outpatient clinics, and therapeutic school based programs. Its common stock trades on the Nasdaq Global Select Market (NASDAQ) under the symbol ACHC.

Historical Information of the Common Stock of Acadia Healthcare Company, Inc.

The following table sets forth the high and low Closing Prices of this Reference Share from the first quarter of 2012 through the Pricing Date.

		High (\$)	Low (\$)
2012	First Quarter	16.38	9.77
	Second Quarter	18.03	14.84
	Third Quarter	23.85	15.57
	Fourth Quarter	24.14	20.16
2013	First Quarter	29.39	23.64
	Second Quarter	35.43	28.55
	Third Quarter	40.65	32.13
	Fourth Quarter	48.46	38.25
2014	First Quarter	53.55	44.53
	Second Quarter	47.98	40.21
	Third Quarter	52.17	45.06
	Fourth Quarter	64.06	47.53
2015	First Quarter	73.68	57.30
	Second Quarter	78.33	66.50
	Third Quarter	82.97	63.69
	Fourth Quarter	73.69	56.90
2016	First Quarter	64.23	50.27
	Second Quarter	63.73	51.03
	Third Quarter	56.50	47.51
	Fourth Quarter	49.51	33.10
2017	First Quarter	45.53	32.89
	Second Quarter	49.60	41.31
	Third Quarter (through the Pricing Date)	50.90	47.77

Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

Allergan plc

Allergan plc manufactures specialty pharmaceuticals. The company develops, manufactures, and distributes generic, brand, and over-the-counter products. Its ordinary shares trade on the NYSE under the symbol AGN.

Historical Information of the Ordinary Shares of Allergan plc

The following table sets forth the high and low Closing Prices of this Reference Share from the first quarter of 2012 through the Pricing Date.

		High (\$)	Low (\$)
2012	First Quarter	67.06	55.89
	Second Quarter	76.16	65.85
	Third Quarter	85.16	74.69
	Fourth Quarter	90.85	82.72
2013	First Quarter	92.11	83.10
	Second Quarter	130.20	92.46
	Third Quarter	144.30	122.08
	Fourth Quarter	168.00	137.30
2014	First Quarter	227.26	167.93
	Second Quarter	224.21	188.83
	Third Quarter	248.00	202.72
	Fourth Quarter	270.61	217.24
2015	First Quarter	317.06	255.17
	Second Quarter	313.08	282.86
	Third Quarter	339.50	252.10
	Fourth Quarter	322.49	253.04
2016	First Quarter	308.73	266.30
	Second Quarter	277.55	201.65
	Third Quarter	260.24	230.31
	Fourth Quarter	242.65	188.47
2017	First Quarter	249.32	210.80
	Second Quarter	248.91	218.73
	Third Quarter (through the Pricing Date)	250.97	240.69

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

Becton, Dickinson and Company

Becton, Dickinson and Company is a medical technology company engaged principally in the development, manufacture, and sale of medical devices, instrument systems, and reagents used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry, and the general public. Its common stock trades on the NYSE under the symbol BDX.

Historical Information of the Common Stock of Becton, Dickinson and Company

The following table sets forth the high and low Closing Prices of this Reference Share from the first quarter of 2012 through the Pricing Date.

		High (\$)	Low (\$)
2012	First Quarter	80.53	72.69
	Second Quarter	78.45	72.18
	Third Quarter	79.49	73.17
	Fourth Quarter	79.46	74.63
2013	First Quarter	95.61	79.45
	Second Quarter	101.92	93.58
	Third Quarter	104.50	97.14
	Fourth Quarter	110.60	98.33
2014	First Quarter	117.08	105.40
	Second Quarter	120.33	111.18
	Third Quarter	120.21	112.63
	Fourth Quarter	141.26	113.60
2015	First Quarter	149.50	138.08
	Second Quarter	145.57	137.93
	Third Quarter	153.86	130.40
	Fourth Quarter	156.53	132.19
2016	First Quarter	152.54	132.88
	Second Quarter	172.19	152.86
	Third Quarter	181.55	169.64
	Fourth Quarter	179.19	162.80
2017	First Quarter	185.34	164.80
	Second Quarter	195.15	177.07
	Third Quarter (through the Pricing Date)	205.30	194.63

Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

Celgene Corporation

Celgene Corporation is a global biopharmaceutical company. The company focuses on the discovery, development, and commercialization of therapies designed to treat cancer and immune-inflammatory related diseases. Its common stock trades on the NASDAQ under the symbol CELG.

Historical Information of the Common Stock of Celgene Corporation

The following table sets forth the high and low Closing Prices of this Reference Share from the first quarter of 2012 through the Pricing Date.

		High (\$)	Low (\$)
2012	First Quarter	39.25	33.61
	Second Quarter	40.15	29.73
	Third Quarter	38.64	31.48
	Fourth Quarter	41.04	35.65
2013	First Quarter	57.96	40.55
	Second Quarter	65.09	56.10
	Third Quarter	77.31	59.46
	Fourth Quarter	85.39	72.23
2014	First Quarter	85.97	69.65
	Second Quarter	86.80	68.45
	Third Quarter	96.21	83.13
	Fourth Quarter	118.68	86.38
2015	First Quarter	128.50	110.51
	Second Quarter	120.34	107.54
	Third Quarter	139.01	104.79
	Fourth Quarter	127.20	106.55
2016	First Quarter	117.96	96.69
	Second Quarter	110.57	94.85
	Third Quarter	116.27	100.25
	Fourth Quarter	124.16	97.63
2017	First Quarter	126.88	111.53
	Second Quarter	134.31	114.41
	Third Quarter (through the Pricing Date)	137.74	130.18

Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

Envision Healthcare Corporation

Envision Healthcare Corporation provides surgery, pharmacy, medical imaging, emergency care and other related health care services. Its common stock trades on the NYSE under the symbol EVHC.

Historical Information of the Common Stock of Envision Healthcare Corporation

The following table sets forth the high and low Closing Prices of this Reference Share from the first quarter of 2012 through the Pricing Date.

		High (\$)	Low (\$)
2012	First Quarter	28.15	24.89
	Second Quarter	29.98	26.57
	Third Quarter	32.01	27.63
	Fourth Quarter	30.47	25.98
2013	First Quarter	33.64	29.41
	Second Quarter	36.74	32.01
	Third Quarter	40.60	35.29
	Fourth Quarter	48.32	39.72
2014	First Quarter	47.08	40.40
	Second Quarter	52.36	40.38
	Third Quarter	54.03	46.55
	Fourth Quarter	55.21	48.66
2015	First Quarter	64.75	53.10
	Second Quarter	72.38	60.70
	Third Quarter	86.05	68.87
	Fourth Quarter	87.21	66.20
2016	First Quarter	77.15	61.46
	Second Quarter	82.55	72.83
	Third Quarter	80.54	62.60
	Fourth Quarter	71.75	63.29
2017	First Quarter	72.48	61.32
	Second Quarter	63.36	54.54
	Third Quarter (through the Pricing Date)	62.94	20.58

Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

ICU Medical, Inc.

ICU Medical, Inc. develops, manufactures, and sells disposable medical connection systems for use in intravenous therapy applications. The company's products are designed to prevent accidental disconnection of intravenous lines and to protect healthcare workers and their patients from the spread of infectious disease. Its common stock trades on the NASDAQ under the symbol ICU.

Historical Information of the Common Stock of ICU Medical, Inc.

The following table sets forth the high and low Closing Prices of this Reference Share from the first quarter of 2012 through the Pricing Date.

		High (\$)	Low (\$)
2012	First Quarter	49.57	44.41
	Second Quarter	54.08	47.56
	Third Quarter	61.94	51.20
	Fourth Quarter	62.61	57.10
2013	First Quarter	63.91	56.07
	Second Quarter	75.70	58.34
	Third Quarter	75.90	67.84
	Fourth Quarter	68.74	60.86
2014	First Quarter	66.20	56.75
	Second Quarter	61.56	54.19
	Third Quarter	65.23	57.07
	Fourth Quarter	85.71	63.81
2015	First Quarter	93.14	80.47
	Second Quarter	98.36	84.21
	Third Quarter	123.09	95.24
	Fourth Quarter	119.03	103.10
2016	First Quarter	108.39	86.47
	Second Quarter	112.75	99.34
	Third Quarter	127.70	111.50
	Fourth Quarter	151.75	125.70
2017	First Quarter	158.30	131.88
	Second Quarter	174.75	146.30
	Third Quarter (through the Pricing Date)	176.20	169.45

Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

INC Research Holdings, Inc.

INC Research Holdings, Inc. is a clinical research organization. The company provides phase I to phase IV clinical development services to pharmaceutical, biotechnology, and medical device companies. Its common stock trades on the NASDAQ under the symbol INCR.

Historical Information of the Common Stock of INC Research Holdings, Inc.

The following table sets forth the high and low Closing Prices of this Reference Share from November 7, 2014 through the Pricing Date.

		High (\$)	Low (\$)
2014	Fourth Quarter (from November 7, 2014)	26.66	20.49
2015	First Quarter	33.08	22.63
	Second Quarter	42.05	29.64
	Third Quarter	50.15	39.30
	Fourth Quarter	49.52	38.24
2016	First Quarter	47.23	35.44
	Second Quarter	50.34	36.93
	Third Quarter	46.79	37.83
	Fourth Quarter	52.60	41.45
2017	First Quarter	56.55	43.45
	Second Quarter	60.65	40.90
	Third Quarter (through the Pricing Date)	58.50	56.45

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

Laboratory Corporation of America Holdings

Laboratory Corporation of America Holdings is a clinical laboratory company that offers clinical laboratory tests used by the medical profession in routine testing, patient diagnosis, and in the monitoring and treatment of disease. The company develops specialty testing operations, such as oncology testing, HIV genotyping, and phenotyping, diagnostic genetics, and clinical trials. Its common stock trades on the NYSE under the symbol LH.

Historical Information of the Common Stock of Laboratory Corporation of America Holdings

The following table sets forth the high and low Closing Prices of this Reference Share from the first quarter of 2012 through the Pricing Date.

		High (\$)	Low (\$)
2012	First Quarter	93.09	86.40
	Second Quarter	94.23	82.37
	Third Quarter	95.25	84.09
	Fourth Quarter	94.02	82.40
2013	First Quarter	91.63	86.41
	Second Quarter	100.96	90.63
	Third Quarter	101.39	95.72
	Fourth Quarter	107.39	87.75
2014	First Quarter	98.64	87.86
	Second Quarter	104.67	98.21
	Third Quarter	108.25	101.75
	Fourth Quarter	109.58	97.81
2015	First Quarter	128.18	110.60
	Second Quarter	126.93	116.30
	Third Quarter	127.35	106.86
	Fourth Quarter	125.32	109.51
2016	First Quarter	122.89	100.94
	Second Quarter	131.48	117.30
	Third Quarter	140.98	130.73
	Fourth Quarter	139.82	121.63
2017	First Quarter	144.27	129.07
	Second Quarter	154.14	137.51
	Third Quarter (through the Pricing Date)	156.55	150.99

Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

Mallinckrodt PLC

Mallinckrodt PLC develops, manufactures, and markets specialty pharmaceutical products and diagnostic imaging agents. The company specializes in the manufacturing of pain management medications. Its ordinary shares trade on the NYSE under the symbol MNK.

Historical Information of the Ordinary Shares of Mallinckrodt PLC

The following table sets forth the high and low Closing Prices of this Reference Share from June 28, 2013 through the Pricing Date.

		High (\$)	Low (\$)
2013	Second Quarter (from June 17, 2013)	45.43	42.94
	Third Quarter	47.16	41.51
	Fourth Quarter	53.47	42.01
2014	First Quarter	72.81	50.70
	Second Quarter	82.70	60.28
	Third Quarter	90.15	68.12
2015	Fourth Quarter	99.73	83.19
	First Quarter	132.51	93.89
	Second Quarter	130.18	113.18
2016	Third Quarter	126.51	57.96
	Fourth Quarter	76.66	53.41
	First Quarter	73.20	53.42
2017	Second Quarter	66.27	54.05
	Third Quarter	83.06	60.22
	Fourth Quarter	71.17	49.51
2017	First Quarter	54.74	42.54
	Second Quarter	46.92	39.63
	Third Quarter (through the Pricing Date)	47.42	41.86

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

Premier, Inc.

Premier, Inc. provides health care services, including clinical and financial database, peers, food and drug administration, drug surveillance, pharmacy, health insurance, and healthcare consultancy. Its common stock trades on the NASDAQ under the symbol PINC.

Historical Information of the Common Stock of Premier, Inc.

The following table sets forth the high and low Closing Prices of this Reference Share from September 26, 2013 through the Pricing Date.

		High (\$)	Low (\$)
2013	Third Quarter (from September 26, 2013)	31.70	30.65
	Fourth Quarter	38.25	30.26
2014	First Quarter	38.44	32.83
	Second Quarter	33.20	26.92
	Third Quarter	32.91	28.14
	Fourth Quarter	34.57	30.00
2015	First Quarter	38.71	31.88
	Second Quarter	39.00	36.37
	Third Quarter	38.80	33.40
	Fourth Quarter	36.92	33.41
2016	First Quarter	35.71	29.91
	Second Quarter	34.79	30.58
	Third Quarter	34.02	30.85
	Fourth Quarter	32.41	28.51
2017	First Quarter	32.77	29.85
	Second Quarter	36.00	31.67
	Third Quarter (through the Pricing Date)	36.43	35.22

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

Sage Therapeutics, Inc.

Sage Therapeutics, Inc. develops treatments for central nervous system disorders. The company provides treatments for schizophrenia, major depressive disorder, pain, and traumatic brain injury conditions. Its common stock trades on the NASDAQ under the symbol SAGE.

Historical Information of the Common Stock of Sage Therapeutics, Inc.

The following table sets forth the high and low Closing Prices of this Reference Share from July 18, 2014 through the Pricing Date.

		High (\$)	Low (\$)
2014	Third Quarter (from July 18, 2014)	33.40	25.86
	Fourth Quarter	43.75	30.50
2015	First Quarter	53.38	36.99
	Second Quarter	86.71	46.26
	Third Quarter	76.98	40.75
	Fourth Quarter	60.95	41.09
2016	First Quarter	56.51	28.63
	Second Quarter	39.42	26.96
	Third Quarter	46.78	31.10
	Fourth Quarter	55.68	38.71
2017	First Quarter	71.07	46.01
	Second Quarter	84.94	64.75
	Third Quarter (through the Pricing Date)	83.61	79.15

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

STERIS plc

STERIS plc manufactures surgical appliances. The company supplies surgical equipment, hand sanitizers, sterilization systems, sterile processing solutions, laboratory medical equipment, and equipment decontamination systems. The company caters to the healthcare, pharmaceutical, defense, biotechnology, and industrial sectors worldwide. Its ordinary shares trade on the NYSE under the symbol STE.

Historical Information of the Ordinary Shares of STERIS plc

The following table sets forth the high and low Closing Prices of this Reference Share from the first quarter of 2012 through the Pricing Date.

		High (\$)	Low (\$)
2012	First Quarter	32.27	28.10
	Second Quarter	31.53	29.01
	Third Quarter	36.12	29.96
	Fourth Quarter	36.63	32.37
2013	First Quarter	41.61	35.11
	Second Quarter	46.34	39.02
	Third Quarter	45.85	40.76
	Fourth Quarter	48.32	43.24
2014	First Quarter	49.76	43.58
	Second Quarter	55.01	47.64
	Third Quarter	57.14	50.43
	Fourth Quarter	67.71	53.90
2015	First Quarter	70.38	63.28
	Second Quarter	70.76	63.12
	Third Quarter	69.40	61.96
	Fourth Quarter	77.73	65.19
2016	First Quarter	74.41	62.47
	Second Quarter	72.94	63.28
	Third Quarter	73.90	67.79
	Fourth Quarter	72.23	64.40
2017	First Quarter	72.17	66.32
	Second Quarter	83.11	69.22
	Third Quarter (through the Pricing Date)	82.96	80.83

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

TG Therapeutics, Inc.

TG Therapeutics, Inc. is a clinical-stage biopharmaceutical company focused on the acquisition, development, and commercialization of innovative pharmaceutical products for the treatment of cancer and other therapeutic needs. The company is developing two therapies targeting hematological malignancies. Its common stock trades on the Nasdaq Capital Market under the symbol TGTX.

Historical Information of the Common Stock of TG Therapeutics, Inc.

The following table sets forth the high and low Closing Prices of this Reference Share from the first quarter of 2012 through the Pricing Date.

		High (\$)	Low (\$)
2012	First Quarter	33.19	2.02
	Second Quarter	7.31	5.62
	Third Quarter	6.25	2.24
	Fourth Quarter	3.70	1.90
2013	First Quarter	6.40	3.50
	Second Quarter	7.49	5.26
	Third Quarter	6.87	5.04
	Fourth Quarter	5.16	3.17
2014	First Quarter	7.59	4.10
	Second Quarter	9.93	4.51
	Third Quarter	11.93	7.37
	Fourth Quarter	18.25	9.38
2015	First Quarter	18.82	12.77
	Second Quarter	17.17	13.24
	Third Quarter	18.74	9.76
	Fourth Quarter	14.42	10.22
2016	First Quarter	11.41	7.83
	Second Quarter	10.23	5.97
	Third Quarter	7.98	5.49
	Fourth Quarter	9.33	4.65
2017	First Quarter	14.45	4.20
	Second Quarter	13.85	9.90
	Third Quarter (through the Pricing Date)	12.20	10.10

Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

UnitedHealth Group Incorporated

UnitedHealth Group Incorporated owns and manages organized health systems in the United States and internationally. The company provides employers products and resources to plan and administer employee benefit programs. The company also serves the health needs of older Americans, provides specialized care services, and provides healthcare information and research to providers and payers. Its common stock trades on the NYSE under the symbol UNH.

Historical Information of the Common Stock of UnitedHealth Group Incorporated

The following table sets forth the high and low Closing Prices of this Reference Share from the first quarter of 2012 through the Pricing Date.

		High (\$)	Low (\$)
2012	First Quarter	58.94	50.35
	Second Quarter	60.26	53.99
	Third Quarter	56.35	51.00
	Fourth Quarter	57.97	51.25
2013	First Quarter	57.77	51.40
	Second Quarter	66.09	58.54
	Third Quarter	75.18	65.27
	Fourth Quarter	75.30	66.94
2014	First Quarter	81.99	69.74
	Second Quarter	82.34	74.95
	Third Quarter	88.56	79.26
	Fourth Quarter	103.04	82.16
2015	First Quarter	121.00	98.92
	Second Quarter	123.25	111.40
	Third Quarter	125.86	109.98
	Fourth Quarter	123.99	110.63
2016	First Quarter	129.83	109.23
	Second Quarter	141.20	125.68
	Third Quarter	143.69	133.62
	Fourth Quarter	163.94	133.92
2017	First Quarter	171.78	157.62
	Second Quarter	186.50	164.96
	Third Quarter (through the Pricing Date)	191.78	185.48

Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

USE OF PROCEEDS AND HEDGING

The net proceeds from the sale of the Notes will be used as described under "Use of Proceeds" in the accompanying Prospectus Supplement and the Prospectus and to hedge market risks of the Bank associated with its obligation to pay the amount due at maturity of the Notes.

We may hedge our obligations under the Notes by, among other things, purchasing securities, futures, options or other derivative instruments with returns linked or related to changes in the value of the Reference Shares, and we may adjust these hedges by, among other things, purchasing or selling securities, futures, options or other derivative instruments at any time. Our cost of hedging will include the projected profit that our counterparty expects to realize in consideration for assuming the risks inherent in hedging our obligations under the Notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our counterparty's control, such hedging may result in a profit that is more or less than expected, or could result in a loss. It is possible that we could receive substantial returns from these hedging activities while the value of the Notes declines.

We expect to hedge our obligations under the Notes through one of our affiliates and/or another unaffiliated counterparty.

We have no obligation to engage in any manner of hedging activity and we will do so solely at our discretion and for our own account. No holder of the Notes will have any rights or interest in our hedging activity or any positions we or any unaffiliated counterparty may take in connection with our hedging activity. The hedging activity discussed above may adversely affect the value of the Notes from time to time. See "Additional Risk Factors: The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Issue Price Is Likely to Adversely Affect Secondary Market Prices" and "Certain Business and Trading Activities May Create Conflicts With Your Interests and Could Potentially Adversely Affect the Value of the Notes" in this Pricing Supplement.

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

THE BANK'S ESTIMATED VALUE OF THE NOTES

The Bank's estimated value of the Notes set forth on the cover of this Pricing Supplement is equal to the sum of the values of the following hypothetical components: (1) a fixed-income debt component with the same maturity as the Notes, valued using our internal funding rate for structured debt described below, and (2) the derivative or derivatives underlying the economic terms of the Notes. The Bank's estimated value does not represent a minimum price at which CIBCWM or any other person would be willing to buy your Notes in any secondary market (if any exists) at any time. The internal funding rate used in the determination of the Bank's estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. The discount is based on, among other things, our view of the funding value of the Notes as well as the higher issuance, operational and ongoing liability management costs of the Notes in comparison to those costs for our conventional fixed-rate debt. For additional information, see **Additional Risk Factors The Bank's Estimated Value Was Not Determined by Reference to Credit Spreads for Our Conventional Fixed-Rate Debt** in this Pricing Supplement. The value of the derivative or derivatives underlying the economic terms of the Notes is derived from the Bank's or a third party hedge provider's internal pricing models. These models are dependent on inputs such as the traded market prices of comparable derivative instruments and on various other inputs, some of which are market-observable, and which can include volatility, dividend rates, interest rates and other factors, as well as assumptions about future market events and/or environments. Accordingly, the Bank's estimated value of the Notes was determined based on market conditions and other relevant factors and assumptions on the Pricing Date. See **Additional Risk Factors The Bank's Estimated Value Does Not Represent Future Values of the Notes and May Differ from Others' Estimates** in this Pricing Supplement.

The Bank's estimated value of the Notes is lower than the original issue price of the Notes because costs associated with selling, structuring and hedging the Notes are included in the original issue price of the Notes. These costs include the selling commissions paid to the Bank and other affiliated or unaffiliated dealers, the projected profits that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the Notes and the estimated cost of hedging our obligations under the Notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss. We or one or more of our affiliates will retain any profits realized in hedging our obligations under the Notes. See **Additional Risk Factors The Bank's Estimated Value of the Notes Is Lower Than the Original Issue Price (Price to Public) of the Notes** in this Pricing Supplement.

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion supplements the discussion in the section called "Material Income Tax Consequences - United States Taxation" in the accompanying Prospectus, and is subject to the limitations and exceptions set forth therein. Capitalized terms used in this section without definition shall have the respective meanings given such terms in the accompanying Prospectus. This discussion is only applicable to you if you are a U.S. Holder. If you are not a U.S. Holder, please consult your own tax advisor.

The following summary describes certain U.S. federal income tax consequences relevant to the purchase, ownership, and disposition of the Notes. This summary applies only to holders that acquire their Notes in this offering for a price equal to the original offering price, which we understand will be at par, and hold such Notes as capital assets. This discussion is based upon current provisions of the Code, existing and proposed Treasury Regulations thereunder, current administrative rulings, judicial decisions and other applicable authorities. All of the foregoing are subject to change, which change may apply retroactively and could affect the continued validity of this summary. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the U.S. federal government. This discussion also does not purport to be a complete analysis of all tax considerations relating to the Notes. You should consult your tax advisor concerning the U.S. federal income tax and other tax consequences of your investment in the Notes in your particular circumstances, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.

U.S. Holders

The U.S. federal income tax consequences of your investment in the Notes are uncertain. No statutory, judicial or administrative authority directly discusses how the Notes should be treated for U.S. federal income tax purposes. We intend to treat the Notes as pre-paid cash-settled derivative contracts. Pursuant to the terms of the Notes, you agree to treat the Notes in this manner for all U.S. federal income tax purposes. If your Notes are so treated, you should generally recognize capital gain or loss upon the sale, exchange or payment on maturity in an amount equal to the difference between the amount you receive at such time and the amount that you paid for your Notes. Such gain or loss should generally be long-term capital gain or loss if you have held your Notes for more than one year. Capital gain recognized by an individual U.S. holder is generally taxed at preferential rates where the property is held for more than one year and is generally taxed at ordinary income rates where the property is held for one year or less. The deductibility of capital losses is subject to limitations. The holding period for Notes of a U.S. holder who acquires the Notes upon issuance will generally begin on the date after the issue date (i.e., the settlement date) of the Notes.

Alternative Treatments. As noted above, there is no judicial or administrative authority discussing how the Notes should be treated for U.S. federal income tax purposes. Therefore, other treatments would also be reasonable and the Internal Revenue Service might assert that treatment other than that described above is more appropriate.

For example, the Notes may be properly treated as a custodial arrangement under which CIBC is treated as holding the Basket on behalf of Note holders. In this case, any dividends paid on the Basket would be immediately taxable to Note holders, even though Note holders would not receive a distribution at such time. Additionally, in this case, the Internal Revenue Service could also assert that a holder should be required to treat any amounts attributable to the Participation Rate as separate investment expenses to the extent the Participation Rate is less than 100%.

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The deduction of any such deemed expenses would generally be subject to a 2% floor on miscellaneous itemized deductions applicable to a holder who is an individual, trust or estate. Such amount would correspondingly increase the amount of gain and income or decrease the amount of loss recognized by a holder with respect to an investment in the notes.

Another possible alternative treatment is that a Note could be treated as a single debt instrument subject to the special tax rules governing contingent payment debt instruments. If the Notes are so treated, you would be required to accrue interest income over the term of a Note based upon the yield at which we would issue a non-contingent fixed-rate debt instrument with other terms and conditions similar to your Note. You would recognize gain or loss upon the sale, call or maturity of the Note in an amount equal to the difference, if any, between the amount you receive at such time and your adjusted basis in the Note. In general, your adjusted basis in the Note would be equal

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

to the amount you paid for the Note, increased by the amount of interest you previously accrued with respect to the Note. Any gain you recognize upon the sale, call or maturity of the Note would be ordinary income and any loss recognized by you at such time would generally be ordinary loss to the extent of interest you included in income in the current or previous taxable years with respect to the Note, and thereafter would be capital loss.

If a Note is treated as a contingent payment debt instrument and you purchase a Note in the secondary market at a price that is at a discount from, or in excess of, the adjusted issue price of the Note, such excess or discount would not be subject to the generally applicable market discount or amortizable bond premium rules but rather would be subject to special rules set forth in treasury regulations governing contingent payment debt instruments. Accordingly, if you purchase a Note in the secondary market, you should consult your tax advisor as to the possible application of such rules to you.

In addition, the Internal Revenue Service has released a notice that may affect the taxation of holders of prepaid forward contracts and similar instruments. According to the notice, the Internal Revenue Service and the U.S. Treasury are actively considering whether the holder of such instruments should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. While it is not clear whether the Notes would be viewed as similar to such instruments, it is possible that any future guidance could materially and adversely affect the tax consequences of an investment in the Notes, possibly with retroactive effect.

Because of the absence of authority regarding the appropriate tax characterization of the Notes, it is possible that the Internal Revenue Service could seek to characterize the Notes in a manner that results in tax consequences to you that are different from those described above. For example, the Internal Revenue Service could possibly assert that any gain or loss that a holder may recognize upon the sale or maturity of the Notes should be treated as ordinary gain or loss. In addition, it is possible that the amount an individual holder receives upon sale or maturity that is attributable to the Dividend Amount will be taxable as a dividend, which may be treated, in whole or in part, as qualified dividend income, subject to the reduced tax rate applicable to net long-term capital gains. Holders should consult their tax advisors as to the tax consequences of such characterizations and any possible alternative characterizations of the notes for U.S. federal income tax purposes.

We do not believe that the constructive ownership transaction rules of Section 1260 of the Code apply to this offering.

You are urged to consult your tax advisors concerning the significance, and the potential impact, of the above considerations.

Additional Information for U.S. Holders. For the treatment regarding other aspects of interest payments and backup withholding and information reporting considerations please see the discussion under Material Income Tax Consequences United States Taxation in the accompanying Prospectus.

Foreign Account Tax Compliance Act

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The following information supersedes the information set forth in the accompanying Prospectus under the heading Material Income Tax Consequences United States Taxation FATCA Withholding.

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act (FATCA) may impose a 30% withholding tax on payments of U.S. source income and on payments of gross proceeds from the sale, exchange or redemption of property that gives rise to U.S. source dividends or interest (as of 1 January 2019), in each case to (i) certain non-U.S. financial institutions that do not enter into and comply with an agreement to provide the IRS with information about their accountholders (as defined for purposes of FATCA), comply with certain rules or law implementing an intergovernmental agreement between the United States and the non-U.S. financial institution s jurisdiction implementing FATCA with respect to such jurisdiction or otherwise qualify for an exemption from, or are deemed to comply with, FATCA (an institution meeting such requirements, a Compliant FFI) and (ii) certain other non-U.S. entities that do not provide payors information about their substantial U.S. holders or establish that they have no substantial U.S. holders.

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

Starting on the later of 1 January 2019 or the date of publication of final U.S. Treasury regulations defining the term *foreign passthru payments* (*Publication Date*), FATCA may also impose withholding tax on such *foreign passthru payments* relating to obligations issued (or deemed re-issued) after the *Publication Date*. Thus, we may in certain circumstances be required under FATCA to withhold U.S. tax at a rate of 30% on all or a portion of payments of principal and interest which are treated as *foreign passthru payments* made to (i) non-U.S. financial institutions (whether holding the Notes as a beneficial owner or intermediary) unless the payee is a Compliant FFI or (ii) any holders that do not provide information sufficient to determine whether the payee is a U.S. person (*Recalcitrant Holders*). Whether or not FATCA withholding tax could apply to *foreign passthru payments* on the Notes may depend upon an applicable intergovernmental agreement (*IGA*) relating to FATCA between the United States and the jurisdiction of an issuer.

Specifically, the United States and a number of other jurisdictions have entered into IGAs to facilitate the implementation of FATCA. Pursuant to FATCA and the *Model 1 IGA* released by the United States, a foreign financial institution (*FFI*) in an IGA signatory country could be treated as a *Reporting Financial Institution* (*Reporting FI*) not subject to withholding under FATCA on any payments it receives. Further, an FFI in a *Model 1 IGA* jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments it makes unless it has agreed to do so under the U.S. *qualified intermediary*, *withholding foreign partnership*, or *withholding foreign trust* regimes. Under the *Model 1 IGA*, a *Reporting FI* would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Canada have entered into an agreement (the *US-Canada IGA*) based largely on the *Model 1 IGA*.

We expect to be treated as a *Reporting FI* pursuant to the *US-Canada IGA*. However, the FATCA rules, and in particular the rules governing *foreign passthru payments*, have not yet been fully developed, so the future application of FATCA to the Issuer and the holders of Notes is uncertain. Holders may be required to provide certain information to the Issuer or other payors in order (i) for holders to avoid FATCA withholding from payments on the Note, (ii) for the Issuer to avoid the imposition of a FATCA withholding tax on payments to it or (iii) for the Issuer to comply with the rules under FATCA (including laws implementing an intergovernmental agreement thereunder). If a holder (including an intermediary) fails to provide the Issuer, or any other agent of the Issuer with any correct, complete and accurate information that may be required for the Issuer to comply with FATCA and/or to prevent the imposition of FATCA withholding tax, the Issuer may withhold amounts otherwise distributable to the holder.

The Canada Revenue Agency released detailed technical guidance relating to the *US-Canada IGA* and the Canadian legislation implementing such IGA. Generally, under the terms of the guidance and the *US-Canada IGA*, the Issuer may be required to collect information from holders of Notes (other than Notes that are regularly traded on an established securities market for purposes of the IGA) regarding such holders' status as *Specified U.S. Persons* as defined in the IGA (generally, U.S. residents and U.S. citizens) and report certain information to the Canada Revenue Agency regarding such persons' investment in the Notes. The Canada Revenue Agency would then communicate this information to the IRS under the existing provisions of the *Canada-United States Tax Convention (1980)* (as amended). For this purpose, a Note is not considered to be *regularly traded* if the holder (other than certain financial institutions acting as intermediary) is registered on the books of the Issuer.

FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding.

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No additional amounts will be paid in respect of any U.S. tax withheld under the FATCA rules from payments on the Notes. Potential investors should consult their tax advisers regarding the implications of the FATCA rules for their investment in Notes, including the implications resulting from the status under these rules of each financial intermediary through which they hold Notes.

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CERTAIN CANADIAN INCOME TAX CONSEQUENCES

In the opinion of Blake, Cassels & Graydon LLP, our Canadian tax counsel, the following summary describes the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) and the Regulations thereto (the Canadian Tax Act) generally applicable at the date hereof to a purchaser who acquires beneficial ownership of a Note pursuant to this Pricing Supplement and who for the purposes of the Canadian Tax Act and at all relevant times: (a) is neither resident nor deemed to be resident in Canada; (b) deals at arm's length with the Issuer and any transferee resident (or deemed to be resident) in Canada to whom the purchaser disposes of the Note; (c) does not use or hold and is not deemed to use or hold the Note in, or in the course of, carrying on a business in Canada; (d) is entitled to receive all payments (including any interest and principal) made on the Note; and (e) is not a, and deals at arm's length with any, specified shareholder of the Issuer for purposes of the thin capitalization rules in the Canadian Tax Act (a Non-Resident Holder). A specified shareholder for these purposes generally includes a person who (either alone or together with persons with whom that person is not dealing at arm's length for the purposes of the Canadian Tax Act) owns or has the right to acquire or control or is otherwise deemed to own 25% or more of the Issuer's shares determined on a votes or fair market value basis. Special rules which apply to non-resident insurers carrying on business in Canada and elsewhere are not discussed in this summary.

This summary is supplemental to and should be read together with the description of material Canadian federal income tax considerations relevant to a Non-Resident Holder owning Notes under Material Income Tax Consequences Canadian Taxation in the accompanying Prospectus and a Non-Resident Holder should carefully read that description as well.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Non-Resident Holder. Non-Resident Holders are advised to consult with their own tax advisors with respect to their particular circumstances.

Based on Canadian tax counsel's understanding of the Canada Revenue Agency's administrative policies, and having regard to the terms of the Notes, interest payable on the Notes should not be considered to be participating debt interest as defined in the Canadian Tax Act and accordingly, a Non-Resident Holder should not be subject to Canadian non-resident withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Issuer on a Note as, on account of or in lieu of payment of, or in satisfaction of, interest.

Non-Resident Holders should consult their own advisors regarding the consequences to them of a disposition of Notes to a person with whom they are not dealing at arm's length for purposes of the Canadian Tax Act.

Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

Pursuant to the terms of a distribution agreement, CIBCWM will purchase the Notes from the Bank for distribution through Raymond James which will act as agent in the distribution of the Notes. The Notes sold to investors were offered at the issue price of \$1,000.00 per Note. No commissions will be paid in connection with the sale of the Notes. Raymond James will receive licensing fees for its research related to the Reference Shares, as described in [Description of the Reference Shares License Agreement](#) .

We will deliver the Notes on a date that is greater than three business days following the Pricing Date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes more than three business days prior to the issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

Raymond James and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Raymond James and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Bank, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, Raymond James and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Bank. Raymond James and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Bank owns, directly or indirectly, all of the outstanding equity securities of CIBCWM. In accordance with FINRA Rule 5121, CIBCWM may not make sales in this offering to any of its discretionary accounts without the prior written approval of the customer.

The Bank may use this Pricing Supplement in the initial sale of the Notes. In addition, CIBCWM or another of the Bank's affiliates may use this Pricing Supplement in market-making transactions in any Notes after their initial sale. Unless CIBCWM or we inform you otherwise in the confirmation of sale, this Pricing Supplement is being used by CIBCWM in a market-making transaction.

While CIBCWM may make markets in the Notes, it is under no obligation to do so and may discontinue any market-making activities at any time without notice. See the section titled [Supplemental Plan of Distribution \(Conflicts of Interest\)](#) in the accompanying Prospectus Supplement.

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The price at which you purchase the Notes includes costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with hedging activities related to the Notes, as set forth above. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the Notes. As a result, you may experience an immediate and substantial decline in the market value of your Notes on the Issue Date.

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Notes Linked to Raymond James Healthcare Top Selections due July 31, 2018

VALIDITY OF THE NOTES

In the opinion of Blake, Cassels & Graydon LLP, as Canadian counsel to the Bank, the issue and sale of the Notes has been duly authorized by all necessary corporate action of the Bank in conformity with the indenture, and when the Notes have been duly executed, authenticated and issued in accordance with the indenture, the Notes will be validly issued and, to the extent validity of the Notes is a matter governed by the laws of the Province of Ontario or the federal laws of Canada applicable therein, will be valid obligations of the Bank, subject to applicable bankruptcy, insolvency and other laws of general application affecting creditors' rights, equitable principles, and subject to limitations as to the currency in which judgments in Canada may be rendered, as prescribed by the *Currency Act* (Canada), and subject to any bail-in conversion requirements under the *Canada Deposit Insurance Corporation Act* (Canada). This opinion is given as of the date hereof and is limited to the laws of the Province of Ontario and the federal laws of Canada applicable therein. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and the genuineness of signature, and to such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the opinion letter of such counsel dated February 27, 2017, which has been filed as Exhibit 5.2 to the Bank's Registration Statement on Form F-3 filed with the SEC on February 27, 2017.

In the opinion of Mayer Brown LLP, when the Notes have been duly completed in accordance with the indenture and issued and sold as contemplated by the prospectus supplement and the prospectus, the Notes will constitute valid and binding obligations of the Bank, entitled to the benefits of the indenture, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles. This opinion is given as of the date hereof and is limited to the laws of the State of New York. This opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the legal opinion dated February 27, 2017, which has been filed as Exhibit 5.1 to the Bank's Registration Statement on Form F-3 filed with the SEC on February 27, 2017.

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