February 28, 2006

Nancy Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-9303

Re: Comments on Proposed Rules Relating to Termination of a Foreign Private Issuer's Registration of a Class of Securities Under Section 12(g) and Duty to File Reports Under Section 15(d) of the Securities Exchange Act of 1934

File number S7-12-05

Dear Ms Morris:

We are submitting this letter in response to the request of the Securities and Exchange Commission for comments on the Commission's proposed rules relating to the termination of a foreign private issuer's registration of a class of securities under Section 12(g), and duty to file reports under Section 15(d), of the Securities Exchange Act of 1934.

As a member of EALIC (*European Association for Listed Companies*), Telefónica supports all the comments submitted by the combined letter of a number of European organizations of listed companies, in particular the proposal to exclude Qualified Institutional Buyers from the calculation of US investors and to raise the number test from 300 to 3,000.

Nevertheless, due to the specific characteristics of the SEC registered subsidiaries of Telefónica Group, we would like to make some additional comments on the proposed rules. As you may know, Telefonica has acquired a number of subsidiaries in Latin America that are publicly listed in their home countries and which, before their acquisition by Telefonica, had listed on a US stock exchange. We believe that this pattern of acquisition is not specific to the Telefonica Group but is something that will increasingly occur in the world of cross-border acquisitions.

We strongly support the Commission's decision to propose these rule changes, although we believe that foreign private issuers, their regulators and trade associations will judge success in the application of the final rule based on the extent to which its conditions provide a meaningful opportunity for companies to exit the US regulatory system. A key element in that success would depend on the level of flexibility stated in the final

rule which adapt them to the different circumstances of different foreign issuers. Because the calculation rules are based upon the concept of a free float, companies with a small free float will find it extremely difficult, indeed impossible, to meet the percentage tests in the proposed rule. For majority-owned subsidiaries, an insignificant percentage of U.S. investors´ shareholdings causes a distortion in the calculation even though the real level of US investor interest in the majority-owned subsidiary is very small in absolute terms (this real level of US investor interest would be less than the investor interest of 5% in a company with a 60% or 70% public free float).

To address this specific situation, we have two suggestions:

First, the SEC could consider establishing a scale mechanism pursuant to which companies with a small public float, say 5% could deregister regardless of the free float percentage of US investors. There could be a sliding scale depending upon the size of the free float and the Appendix to this letter sets forth some possible benchmarks for the SEC to consider.

We realize that the SEC has not previously considered the situation of majority-controlled subsidiaries and we acknowledge that the SEC staff may want to reflect on the protections to US investors in this situation. We are also concerned that the final rule be enacted as soon as possible. If it is not possible to implement a scaled benchmark quickly, as an alternative, we suggest that it would be appropriate for the Commission in the rule, or in the final release, to create a mechanism by which it could delegate to the Staff a decision-making power to deal with companies that may not fit within the four corners of the rule but which might appropriately seek to deregister after undergoing a specific procedure with the Staff. We would expect that the Staff could come up with principles for such situations in order to avoid being overwhelmed with requests but, most certainly, the situation of majority-owned subsidiaries could be included in such a case-by-case framework.

Finally, we appreciate the Commission’s proposals to amend the rules in order to allow the foreign private issuers to terminate the registration of securities, without remaining trapped in the US market when the costs of reporting are disproportionate to the benefits of the registration. Moreover, we believe that these measures will contribute to the promotion of the atractiveness and development of the US securities market.

Yours sincerely

Telefónica, S.A.

Appendix A

a) Companies with a free float under 5% would be directly eligible to deregister regardless of the relative percentage of U.S. shareholders they have;

b) Companies with a free float between 5-10%, will need to have less than 75% U.S.ownership of their public float to be eligible to deregister.

c) Companies with a free float between 10-20%, will need to have less than 50% U.S. ownership of their public float to be eligible to deregister.

d) Companies with more than 20% public float, will need to have less than 25% U.S. ownership (as already proposed) to be eligible to deregister.