

EMEA DC Statement 7 September 2017

The DC today resolved to publish the following documents:

- (a) the Initial List of Deliverable Obligations in respect of Updated 2003 Transactions (senior and subordinated) referencing Banco Popular Español SA (the **Reference Entity** or **Banco Popular**, and the **Relevant 2003 Transactions**, respectively);
- (b) the draft form of Auction Settlement Terms with respect to Relevant 2003 Transactions, which draft represents the form of Auction Settlement terms the DC is considering applying if the DC resolves to hold one or more Auctions in respect of Relevant 2003 Transactions; and
- (c) a draft form of the maturity buckets applicable to Relevant 2003 Transactions.

The DC wishes to provide information to market participants on (i) its current intentions as to the timetable for the Auction(s) in respect of Relevant 2003 Transactions and (ii) the background to one of the provisions it has included in the draft Auction Settlement Terms.

The information set out below is subject to change, particularly if any obligations are added to, or removed from, the Initial List (see [Submission of Potential Deliverable Obligations and Challenges note](#) for further information on this process). But the DC felt it would be helpful to clarify its current expectations as to the timing and process. The DC has not yet determined whether or not to hold auctions in relation to the Reference Entity, and this will depend on the number of Relevant 2003 Transactions which are triggered following publication of the Final List.

Capitalised Terms otherwise used but not defined in this statement have the meaning given to them in the 2016 Credit Derivatives Determinations Committees Rules (January 20, 2016 version) (including in the Updated 2003 Definitions, as defined therein).¹

Auction Timing

The timetable for determining the Final List is as follows:

- (a) 5:00 p.m. Monday 11 September 2017: deadline for submitting additional potential Deliverable Obligations to the DC Secretary for inclusion on the Supplemental List;²
- (b) 7:00 p.m. Monday 11 September 2017: publication of Supplemental List;³
- (c) 5:00 p.m. Thursday 14 September 2017: deadline for challenging obligations on the Supplemental List (the **Challenge Deadline**);⁴ and
- (d) 5:00 p.m. Monday 18 September 2017: if applicable, deadline for resolving challenges.⁵

The prescribed timetable thereafter depends on when the Final List is published because the Exercise Cut-off Dates applicable to Seller⁶ and Buyer⁷ are defined by reference to such date of publication and, in turn, the

¹ Available at http://dc.isda.org/wp-content/files_mf/1453298092DC_Rules_Jan_2016_Update.pdf

² See Section 3.3(c) (*Adding Obligations*) of the DC Rules, being the next Relevant City Business Day immediately following the day that is two calendar days following publication of the Initial List.

³ See Section 3.3(c) (*Adding Obligations*) of the DC Rules, being the next Relevant City Business Day immediately following the day that is two calendar days following publication of the Initial List.

⁴ See Section 3.3(d) (*Challenging Potential Deliverable Obligations*) of the DC Rules, being the Relevant City Business Day occurring on the day that is three calendar days following publication of the Supplemental List.

⁵ See Section 3.3(e) (*The Final List of Deliverable Obligations*) of the DC Rules, being the Relevant City Business Day immediately following the day that is two calendar days following the Challenge Deadline.

⁶ See Section 1.26(b)(i) of the Updated 2003 Definitions, being two Relevant City Business Days following publication of the Final List.

⁷ See Section 1.26(b)(i) of the Updated 2003 Definitions, being five Relevant City Business Days following publication of the Final List.

Movement Option Cut-off Date⁸ and the Auction Date⁹ are determined by reference to the Exercise Cut-off Date applicable to Buyer.

The DC would usually publish the Final List promptly following resolution of all challenges to obligations on the Supplemental List. Accordingly, if there are no challenges, the Final List would be expected to be published after 5:00 p.m. on Thursday 14 September 2017. If there are any challenges, the Final List would be expected to be published after 5:00 p.m. on Monday 18 September 2017.

However, market participants (including DC members and CCP members of the DC) have raised operational concerns in relation to having the typical triggering periods for Relevant 2003 Transactions open on or during the period leading up to the CDS coupon payment date of 20 September 2017, which would be the case irrespective of whether the Final List is published on Thursday 14 September 2017 (i.e. no challenges) or Monday 18 September 2017 (i.e. Supplemental List challenged).

The DC was of the view that it would not be desirable for market participants to be triggering their Relevant 2003 Transactions if this would cause operational issues and subsequent confusion in the market. Accordingly, and given that it was not possible to accelerate the Auction timetable at the present time, the DC expects to delay publication of the Final List to 20 September 2017 pursuant to Section 3.3(f) (Timetables) of the DC Rules. In such a way, the expiration of the relevant triggering periods will be of the usual duration but will be determined by reference to the 20 September 2017 CDS coupon payment date. In other words, Sellers can trigger on the two business days after such date and Buyers can trigger on the five business days after such date.

Accordingly, on or shortly after the Challenge Deadline, the DC expects to resolve to hold any Auction in respect of Relevant 2003 Transactions according to the following timetable:

- (a) Wednesday 20 September 2017: publication of Final List;
- (b) Friday 22 September 2017: Exercise Cut-off Date applicable to Seller;
- (c) Wednesday 27 September 2017: Exercise Cut-off Date applicable to Buyer;
- (d) Tuesday 3 October 2017: Movement Option Cut-off Date; and
- (e) Thursday 5 October 2017: Auction Date.

Note that the DC has not yet determined whether or not to hold auctions in relation to the Reference Entity, as this will depend on the number of outstanding Relevant 2003 Transactions which are triggered on or before the relevant Exercise Cut-off Date.

Potential merger of Reference Entity into Banco Santander S.A.

The DC is aware that in connection with the resolution action taken in respect of the Reference Entity on 7 June 2017¹⁰ (the **Resolution Date**), it is possible that the Reference Entity may be merged, consolidated or amalgamated, or indeed another similar event may occur or be announced, in either case such that Banco Santander S.A. (or one of its Affiliates) (a **Santander Entity**) is identified or is capable of being identified as a Successor to the Reference Entity under Relevant 2003 Transactions (a **Potential Successor Event**).

The DC considered the implications of a Potential Successor Event occurring at any time on or prior to the Auction Date and/or the settlement of any RAST trades created in any such Auction. The DC noted that had the Relevant 2003 Transactions been subject to Physical Settlement (based on a trigger on the date the current

⁸ See Section 12.19 of the Updated 2003 Definitions, being four Relevant City Business Day following the Exercise Cut-off Date applicable to Buyer.

⁹ See Section 3.4(c) (Auction Date) of the DC Rules, being six Relevant City Business Days following the Exercise Cut-off Date applicable to Buyer.

¹⁰ See [EMEA DC Statement of 9 June 2017 for further details](#)

Restructuring Credit Event DC Question was raised to the DC, being the Resolution Date itself) then the Physical Settlement Date (the latest date on which a NOPS Amendment Notice can be delivered) must have occurred some time ago and therefore the settlement must have been based on Banco Popular obligations only.

Therefore, even if a Potential Successor Event occurs before the Auction Date and/or before the settlement of any related RAST trades has been completed, it would be more consistent for such Auction(s) and the settlement of such RAST trades to be limited to Banco Popular obligations and the relevant Santander Entity's obligations should not be included.

Accordingly, the DC proposes to amend the draft Auction Settlement Terms in respect of Relevant 2003 Transactions such that the terms of any Auction and any Representative Auction-Settled Transaction provided for therein shall not in any event be affected by a Potential Successor Event. Therefore, (a) each such Auction and the settlement of each such Representative Auction-Settled Transaction shall proceed as though such Potential Successor Event had not occurred or had not been announced (as applicable) and (b) the only Deliverable Obligations for the purposes of each such Auction and the settlement of each such Representative Auction-Settled Transaction shall be the corresponding Deliverable Obligations set out on the Final List (once that has been published). For the avoidance of doubt, the Final List would not be amended to include any Santander Entity's obligations if a Potential Successor Event were to occur before/after such list is published. Further, the determination of Auction Covered Transactions for the purposes of the Auction Settlement Terms shall be without regard to any Potential Successor Event. See Section 13 of the draft Auction Settlement Terms for further details.