

EMEA DC STATEMENT 28 AUGUST 2018

The DC wishes to provide additional information to market participants on the auction/settlement process in respect of subordinated 2014 Transactions referencing Banco Popular Español SA (**Banco Popular**) in respect of which a Governmental Intervention Credit Event Resolution has occurred (**Subordinated 2014 Transactions**).¹

Specifically, the auction/settlement process set out in this statement only apply to Subordinated 2014 Transactions for which the relevant Reference Obligation is:

- (a) **any of the following Tier 2 subordinated debt instruments issued or guaranteed by Banco Popular each of which was bailed in on 7 June 2017: ES0213790001 (being the Standard Reference Obligation for Banco Popular for the Subordinated Level), XS0550098569, ES0213790027 or ES0213790019; or**
- (b) **any other subordinated obligation of Banco Popular (subordinated to the same level as the foregoing Tier 2 subordinated debt instruments) either outstanding or which has already been redeemed, repaid and/or otherwise has expired and no longer exists .**

As previously noted by the DC, by virtue of Section 8.9(a) of the 2014 Definitions, the Governmental Intervention Credit Event in respect of the Subordinated 2014 Transactions constitutes an Asset Package Credit Event and, accordingly, pursuant to Section 8.8 of the 2014 Definitions, Asset Package Delivery will apply for the purposes of settlement of such Subordinated 2014 Transactions.

The DC has recently determined that the value of the Asset Package in respect of the Subordinated 2014 Transactions is zero.² The DC is of the view that the simplest and most efficient course of action that would avoid operational difficulties would be to have a deemed Auction in respect of such Subordinated 2014 Transactions pursuant to which the Auction Final Price will be deemed to be zero (i.e. such that the Auction Settlement Amount is 100% of the relevant Floating Rate Payer Calculation Amount). This will produce an economic outcome that is identical to that which would occur if the Fallback Settlement Method of Physical Settlement were to apply (see, in particular, Section 8.12(b) of the 2014 Definitions).

The DC has today resolved to publish the draft form of Auction Settlement Terms with respect to the triggered Subordinated 2014 Transactions (the **Draft 2014 AST**), which draft represents the form of Auction Settlement Terms the DC is considering applying.³ The Draft 2014 AST provides for a deemed Auction Date of Thursday 6 September 2018 and a deemed Auction Settlement Date of Tuesday 11 September 2016 (i.e. date of payment by Seller to Buyer of the Auction Settlement Amount). **Market participants should note that they have until 5:00pm London time on Tuesday 4 September 2018 to submit any comments to the DC Secretary in respect of any changes to the form of the Auction Settlement terms with respect to the Subordinated 2014 Transactions.**

Capitalised terms used but not defined herein have the meaning specified in the 2016 ISDA Credit Derivatives Determinations Committee Rules (January 20, 2016 Version) (including in the 2014 Definitions, as defined therein).

¹ See [DC Resolution of 9 June 2017](#)

² See [DC Resolution of 14 August 2018](#) and [DC Statement of 14 August 2018](#)

³ [Draft ASTs on ISDA website](#)