



July 5, 2016

Mr. Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Supplemental Comment Letter on the Notice of Proposed Rulemaking on Internal Total Loss-Absorbing Capacity (TLAC), Long-Term Debt, Clean Holding Company and Other Requirements Applicable to the U.S. IHCs of Foreign G-SIBs. Docket No. R-1523 and RIN 7100-AE37

Dear Mr. Frierson:

Santander Holdings USA, Inc. (SHUSA) respectfully submits this supplement to our comment letter dated February 19, 2016, on the proposal to promote financial stability by improving the resolvability and resiliency of large, interconnected U.S. bank holding companies and the U.S. operations of large, interconnected foreign banking organizations pursuant to section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and related deduction requirements for all banking organizations subject to the capital rules issued by the Board of Governors of the Federal Reserve System (Board).

As we noted in our initial comment letter, SHUSA is a top-tier IHC that is structured in a way that is analogous to covered U.S. bank holding companies (BHCs), including: capital, liquidity, and other regulatory requirements; a governance structure that is established and maintained at the U.S. level; and, a holding company/operating company structure that provides for structural subordination of holding company creditors. Furthermore, SHUSA's business model is supported by a resolution strategy that is designed to reduce systemic risk and facilitate resolution at the host level – a resolution strategy under which the IHC would be resolved separately from its parent financial group, under a process led by U.S. host country regulators, and would be expected to enter U.S. bankruptcy or Title II proceedings.

This supplemental comment letter proposes a series of metrics by which a covered intermediate holding company (IHC) could be evaluated for external TLAC issuance, based on demonstration that it is operating as a U.S.-centric entity that will be subject to point-of-entry resolution in the U.S.

Background

Banco Santander, S.A., a foreign banking organization (FBO), is organized under a decentralized subsidiary model that would utilize a multiple-point-of-entry (MPOE) resolution strategy. SHUSA is a U.S. BHC subsidiary of Santander and has in place a holding company/operating company structure similar to other U.S. BHCs. SHUSA is the parent company of Santander Bank, N.A – a leading retail and commercial bank and the 10th largest bank in the northeastern U.S. by deposits – and has a majority ownership interest in Santander Consumer USA Holdings Inc. (SC). SHUSA, an SEC-registered company active in public debt markets, does not engage in material operations and focuses on managing the consolidated risks of the organization, coordinating the operations of the subsidiaries and raising long-term debt to support its liquidity buffer. SHUSA and its subsidiaries had approximately \$131 billion in U.S. assets and approximately 14,700 employees as of September 30, 2015.

As stated in our initial comment letter, Santander supports the establishment of appropriate TLAC requirements for covered BHCs and covered IHCs. We believe such requirements will advance the Board's goal of ensuring that sufficient resources are available in the U.S. to facilitate the resolution of covered entities and mitigate risks to U.S. financial stability arising from the failure of such entities.

In that letter, we urged the Board to consider adopting a final TLAC rule that ensures that those covered IHCs that have a business model and structure that is aligned with enhanced prudential standards (EPS), similar to local competitors, and pre-positioned to facilitate an orderly resolution, receive equal treatment to their covered BHC peers, i.e. U.S. G-SIB firms. A key component to ensuring equal treatment of such IHCs is permitting them to have the same flexibility to meet their minimum long-term debt (LTD) requirements through the issuance of external instruments that has been proposed for covered BHCs.

As described in our initial comment letter, we believe an internal-only TLAC requirement is unwarranted in the case of a covered resolution entity IHC subject to a point-of-entry resolution in the U.S. In addition to this resolution strategy there are additional criteria that we believe will assist the Board in evaluating a covered IHC for external TLAC issuance.

Metrics for External TLAC Issuance

The following proposed metrics are narrowly drawn in order to ensure that a qualifying covered IHC is operating as a U.S.-centric entity that will be subject to a point-of-entry resolution in the U.S.

1. Resolution Strategy

A qualifying covered IHC should be a subsidiary of a foreign banking organization (FBO) that is organized under an established MPOE resolution strategy, as described in the firm's resolution plans.

Rationale: Such a covered IHC would be resolved separately from its parent financial group, under a process led by U.S. host country regulators, and would be expected to enter U.S. bankruptcy or Title II proceedings and be resolved just like a covered BHC. This resolution strategy, combined with a holding company/operating company structure that provides for structural subordination of holding company creditors, would allow an IHC's healthy operating subsidiaries to continue as going concerns during a global resolution process of the parent and all its global bank subsidiaries or in the event of a localized U.S.-centric resolution.

2. Financial Dependencies

a. US Activities

A qualifying covered IHC should have substantially all of its US operations within its IHC. Specifically, a qualifying covered IHC should have at least 80% of its operations in the US within the covered IHC structure (as measured by total assets). Consideration should be given to exclude from this calculation the activity through which the branches receive liquidity from the group affiliates for the purpose of such liquidity being placed at the Federal Reserve.

Rationale: The IHC provides a structure that is substantially U.S.-centric and closely resembles that of U.S. BHCs.

b. Affiliate Borrowing

A qualifying covered IHC should have less than 20% of its total liabilities (excluding regulatory capital) in the form of wholesale funding provided by any group affiliate, deposits from customers in non-US branches of the US bank, debt securities issued by the covered IHC or subsidiaries thereof outside of the U.S., and inter-bank liabilities from foreign banks (excluding the U.S. branches of FBOs).

Rationale: Requiring substantially all of a covered IHC's liabilities to be concentrated in the U.S. will help to simplify the resolution process.

3. Operational Dependencies

In order to demonstrate appropriate levels of operational continuity, a covered IHC must show that substantially all of its costs are undertaken (i) within the covered IHC itself; (ii) within independent, non-banking service company affiliates of the parent financial group; and/or (iii) within third-party providers that are not part of any financial services group.

Based on this review, a covered IHC should have a maximum of 5% of its consolidated operating expenses payable to banking entities outside of the covered IHC.

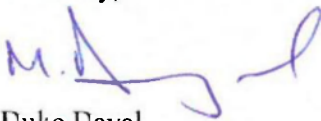
Rationale: A covered IHC's operational independence can be demonstrated by substantially limiting the proportion of its operating expenses payable to other banking entities that may be vulnerable in the event of resolution.

We believe that any covered IHC that has met the requirements of these metrics should be considered by the Board as eligible to issue external TLAC.

The Board could also take into consideration the extent to which a covered IHC is active in public U.S. capital markets – including being an SEC-registered company and qualified as a well-known seasoned issuer (WKSI). Such criteria help to demonstrate that a covered IHC is committed to 1) the high-level of transparency and public disclosure of a company's financial, managerial, and operational information that are attendant to SEC registration, and 2) SEC requirements to qualify as a WKSI, a status reserved for the most widely followed issuers representing the most significant amount of capital raised and traded in the U.S.

Santander is a retail bank whose purpose is to help people and businesses prosper. We thank you, once again, for the opportunity to comment on this proposal and to share the views of SHUSA. Please do not hesitate to contact me at (617) 346-7276.

Sincerely,



Duke Dayal
Chief Financial Officer
Santander Holdings USA, Inc.