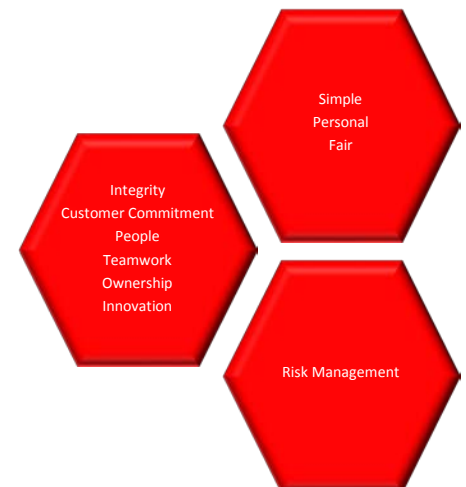


# **Santander Holdings USA, Inc.**



## **Volcker Compliance Policy Enterprise Policy**

Santander Holdings USA, Inc. ("SHUSA") believes that our success is grounded in our Values, which are also shared by Banco Santander, S.A. and its subsidiaries (collectively with SHUSA, "Santander"). Santander's commitment to treat customers, colleagues and stakeholders in a manner that is *Simple, Personal and Fair* means that every action undertaken by a SHUSA Team Member is founded on *INTEGRITY, CUSTOMER COMMITMENT, PEOPLE, TEAMWORK, OWNERSHIP*, and *INNOVATION*. It is because of this commitment throughout the Santander organization that Santander's customers, clients, and shareholders trust us to deliver world class products and services and select Santander. Safeguarding this trust – by always conducting business responsibly, with integrity and a disciplined approach to risk management – is a responsibility shared by each SHUSA Team Member.



## Contents

1. Introduction .....	4
1.1 Purpose of the Document.....	4
1.2 Scope.....	5
1.3 Document Approval and Maintenance.....	5
1.4 Definitions.....	5
2. Governance .....	5
2.1 Policy Governance.....	6
2.2 Operating Entity Governance .....	6
3. Policy.....	7
3.1 Proprietary Trading Policy.....	7
3.2 Covered Funds Policy .....	8
3.3 Effective Volcker Compliance .....	9
4. Roles and Responsibilities.....	10
4.1 Three Lines of Defense.....	10
4.2 Functions within the Three Lines of Defense.....	12
5. Reporting Structure .....	14
6. Exceptions .....	14
6.1 Non-Compliance and Escalation of Policy Exceptions .....	14
7. Document History and Version Control.....	15
7.1 Ownership and Authorship.....	15
7.2 Sign Off.....	15
8. Appendices.....	15
8.1 Appendix A – Key Contacts .....	15
8.2 Appendix B – Regulatory Obligations Addressed by this Policy.....	15
8.3 Appendix C – Related Policies and Process and Administrative Documents.....	15
8.4 Appendix D - Definitions .....	16
8.5 Appendix E – Volcker Rule Exclusions and Exemptions .....	22
8.6 Appendix F – Volcker Independent Testing Flow.....	24

## 1. Introduction

---

### 1.1 Purpose of the Document

The purpose of this Volcker Compliance Policy (“the Policy”) is to define responsibilities, provide direction, and set standards for Santander Holdings USA, Inc. and its subsidiaries<sup>1</sup> (collectively referred to as “SHUSA” or “SHUSA Group”) to comply with Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (hereinafter the “DFA”, “the Act”), and with the regulation promulgated thereunder (collectively, hereinafter referred to as the “Volcker Rule”). This Policy describes the requirement and process for implementing and verifying that the Volcker compliance program has been designed to reasonably ensure compliance with the Volcker Rule, has been implemented, and is effective to achieve compliance.

The Volcker Rule generally prohibits banking entities<sup>2</sup>, such as SHUSA (and its subsidiaries), from (i) engaging in proprietary trading of Covered Financial Instruments<sup>3</sup>; and (ii) acquiring or retaining (directly or indirectly), as principal, any equity, partnership or other Ownership Interest in, or Sponsoring, a Covered Fund. This Policy establishes the framework and principles for ensuring effective implementation and continuous management of the Volcker Rule compliance program.<sup>4</sup>

---

<sup>1</sup> A subsidiary is defined as a subordinate organization directly or indirectly controlled by Santander Holdings USA, Inc. A subsidiary may be a corporation, Limited Liability Company, general partnership, limited partnership, business trust, association, joint venture, pool syndicate or other similar organization.

<sup>2</sup> For purposes of the Volcker Rule, banking entities include:

- i. FDIC insured depository institutions (e.g., Santander Bank, N.A.);
- ii. Any company that controls an insured depository institution (e.g., Santander Holdings USA, Inc. and Banco Santander, S.A.);
- iii. Any company that is treated as a bank holding company for purposes of section 8 of the International Banking Act of 1978 (e.g., a foreign banking organization that maintains a US branch or agency); and
- iv. Any affiliate or subsidiary of any entity described above (e.g., any entity directly or indirectly controlled (for example, through 25% ownership) by Banco Santander, S.A.)

<sup>3</sup> Defined in Appendix D.

<sup>4</sup> Additionally, as per the Volcker Rule a banking entity that does not engage in activities or investments is required to satisfy the requirements of the Rule by establishing the required compliance program prior to becoming engaged in such activities or making such investments.

This Policy provides direction and sets the standards for the overarching SHUSA Volcker Compliance Manual (the “Manual”). The Manual binds each entity within the SHUSA Group, and each entity must adopt the section of the Manual that incorporates and is aligned with this Policy.

## **1.2 Scope**

The Policy applies to all SHUSA subsidiaries and provides the foundation and principles for all lines of business and supporting functions to develop corresponding operating policies and procedures commensurate with their strategies, business activities, and risk management.

## **1.3 Document Approval and Maintenance**

This Policy is authored and owned by the SHUSA Chief Compliance Officer (“CCO”) and recommended by the SHUSA Enterprise Risk Management Committee (“SHUSA ERM”) and the SHUSA Board Enterprise Risk Committee (“SHUSA BER”) for final presentation to and approval by the SHUSA Board of Directors (“Board”).

The Policy is reviewed by the ERM and BER, and approved by the Board at least annually, or when changes occur to ensure that it remains applicable to SHUSA’s strategy and business activities. The ERM, BER or Board may also initiate updates to the Policy in response to changing conditions. Changes or updates to the Policy must be developed in consultation with the CCO and approved by the Board.

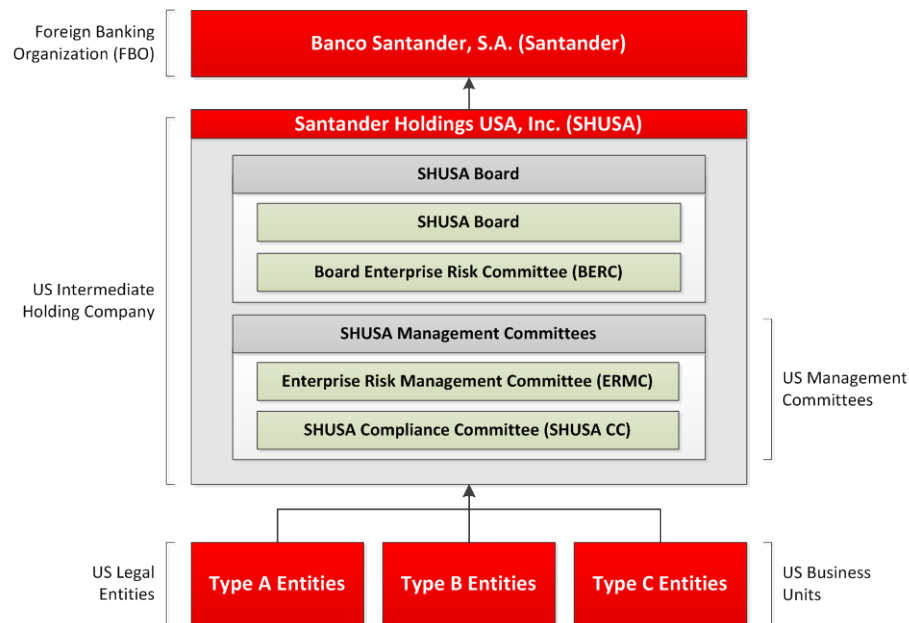
## **1.4 Definitions**

Appendix D contains a chart of all relevant definitions for this Policy.

# **2. Governance**

---

SHUSA has established the following governance structure to oversee the management of its operations, including effective compliance risk management. This Policy falls under compliance risk management.



## 2.1 Policy Governance

The full responsibilities of the SHUSA Board (“the Board”), Board Enterprise Risk Committee (“BERC”), Enterprise Risk Management Committee (“ERMC”), and SHUSA Compliance Committee (“SHUSA CC”) are detailed in the SHUSA ERM Framework and in their respective mandates and committee charters. With respect to Volcker Rule compliance risk management:

- The SHUSA Board will review and approve the Policy, and oversee implementation of the Policy;
- The BERC will review and recommend the Policy to the SHUSA Board;
- The SHUSA ERMC will present the Policy to the SHUSA BERC and Board and escalate and report on key compliance risks and performance indicators to the SHUSA BERC, Board, and Santander; and
- The SHUSA CC is responsible for:
  - The development, recommendation, and oversight and administration of the Policy;
  - Reviewing regular reporting on business line, Operating Entity and SHUSA level compliance risks and exposures; and
  - Providing direction to risk organization, as necessary.

In addition to these committees, the SHUSA CC may designate forums or subcommittees to support oversight and management of specific risks or risk areas within compliance risk management.

## 2.2 Operating Entity Governance

Each banking entity within the SHUSA Group is responsible for developing operating policies and procedures that embrace and execute upon this Policy, the SHUSA ERM Framework, and allocated compliance risk limits and metrics that flow from the enterprise level, in addition to all similar concepts in place at the banking entity level.

The banking entities are expected to submit their operating policy to their respective boards or designated committees for formal review and adoption in accordance with the ERM Framework and the processes defined in the SHUSA Enterprise Policy Administration Policy. Banking entity structures for the management and governance of compliance risk should align with the ERM Framework, report to their respective boards or designated committees at the banking entity level, and be directly accountable to the SHUSA risk management function.

### 3. Policy

---

#### 3.1 Proprietary Trading Policy

- i The SHUSA Group shall not engage in proprietary trading, unless it falls under an Excluded or Exempted Proprietary Activity (described below).
- ii The SHUSA Group may engage in the following Excluded Proprietary Trading Activities (“Excluded Prop Activities”), which are more fully described in the Manual:
  - Transacting repurchase and reverse repurchase agreements;
  - Transacting under securities lending agreements;
  - Transacting for satisfaction of existing delivery or legal obligations;
  - Acting solely as agent, broker or custodian;
  - Transacting as a Derivatives Clearing Organization<sup>5</sup> or a clearing agency, in connection with clearing Covered Financial Instruments or engaging in clearing member activities;
  - Transacting in Securities for liquidity management purposes, subject to certain conditions;
  - Transacting on behalf of employee compensation plans; and
  - Transacting in Financial Instruments to collect a debt previously contracted.
- iii The SHUSA Group may engage in the following Exempted Proprietary Trading Activities (“Exempted Prop Activities”), which are more fully described in the Manual:
  - Market-Making Activities,
  - Underwriting Activities,
  - Risk-Mitigating Hedging Activities,

---

<sup>5</sup> A Derivatives Clearing Organization is a clearing organization or similar entity that, in respect to a contract (1) enables each party to the contract to substitute, through novation or otherwise, the credit of the derivatives clearing organization for the credit of the parties; (2) arranges or provides, on a multilateral basis, for the settlement or netting of obligations resulting from such contracts; or (3) otherwise provides clearing services or arrangements that mutualize or transfer among participants in the derivatives clearing organization the credit risk arising from such contracts.

- Trading in U.S. Government, Agency, and Municipal Obligations,
- Trading in Non-U.S. Government Obligations<sup>6</sup>,
- Trading on Behalf of Customers, including (i) fiduciary transactions and (ii) riskless principal transactions;
- Trading by a Regulated Insurance Company;<sup>7</sup> and
- Trading Outside the United States ("SOTUS").<sup>8</sup>

**iv** As more fully described in the Manual, the SHUSA Group shall not, in any circumstances, engage in Excluded or Exempted Prop Activities if these activities would ("the Back Stop provisions"):

- involve or result in a Material Conflict of Interest<sup>9</sup> between a SHUSA Group member and its client, customer, or counterparty, unless the Material Conflict of Interest is mitigated through disclosures or information barriers;
- result, directly or indirectly, in a material exposure by the SHUSA Group member to a High-Risk Asset or a High-Risk Trading Strategy; or
- pose a threat to the safety and soundness to the SHUSA Group member, or SHUSA or Santander or to the financial stability of the United States.

### 3.2 Covered Funds Policy

**i** When acting as a principal, the SHUSA Group shall not, directly or indirectly, acquire or retain any ownership interest in or sponsoring a covered fund.

**ii** The SHUSA Group may engage in covered fund activities when:

- Acting solely as an agent, broker, or custodian, so long as:
  - the activity is conducted for the account of, or on behalf of, a customer; and
  - they do not have or retain beneficial ownership of such ownership interest;
- Through a deferred compensation, stock-bonus, profit-sharing, or pension plan of the banking entity (or an affiliate thereof) that is established and administered in accordance with the law of the United States or a foreign sovereign, if the ownership interest is held or controlled directly or indirectly by the SHUSA Group as trustee for the benefit of persons who are or were employees of the banking entity (or an affiliate thereof);

—

<sup>6</sup> Not applicable to SHUSA subsidiaries.

<sup>7</sup> Not applicable to SHUSA subsidiaries at this time.

<sup>8</sup> Not applicable to SHUSA subsidiaries.

<sup>9</sup> A Material Conflict of Interest is any transaction, class of transactions or activity that would involve or result in the banking entity's interests being materially adverse to those of its client, customer or counterparty.



- In the ordinary course of collecting a debt previously contracted in good faith, provided that the banking entity divests the ownership interest as soon as practicable, and in no event may the banking entity retain such ownership interest for longer than such period permitted; or
- On behalf of customers as trustee or in a similar fiduciary capacity for a customer that is not a covered fund, so long as:
  - The activity is conducted for the account of, or on behalf of, the customer; and
  - The banking entity and its affiliates do not have or retain beneficial ownership of such ownership interest.
- **These exclusions are more fully described in the Manual.<sup>10</sup>**

### iii Termination of Activities

- As part of the conformance with the Volcker Rule, the SHUSA Group will make all efforts on its part, for any activity that is determined to be in violation of the Volcker Rule, to promptly terminate the activity upon discovery.

## 3.3 Effective Volcker Compliance

- i. In order to ensure compliance, the Board of Directors shall direct Senior Management (defined in Section 4.2) to implement a compliance program at each of the SHUSA Group subsidiaries, and ensure that the programs contain the following six elements, which are required under the Volcker Rule:

Element	Description of Element
1. Policies & Procedures	An internal document that describes, monitors, and limits trading activities subject to the rule, including the setting, monitoring and managing of the required limits and activities.

<sup>10</sup> Covered Funds exclusions and exemptions are listed in Appendix E.

<b>2. Internal Controls</b>	A control framework that monitors compliance with the rule and prevents the occurrence of activities or investments that are prohibited.
<b>3. Management Framework</b>	A framework that establishes responsibility and accountability for compliance with the rule and includes appropriate management review of trading limits, strategies, hedging activities, investments, incentive compensation and other matters identified in the rule or by management as requiring attention.
<b>4. Independent Audit &amp; Testing</b>	Audit of the effectiveness of the compliance program conducted periodically by qualified personnel of the banking entity or by a qualified outside party.
<b>5. Compliance Training</b>	A program to train trading staff and managers, as well as other relevant staff, to effectively implement and enforce the compliance program.
<b>6. Record Keeping</b>	Retention of records that sufficiently demonstrate compliance with the rule.

- ii. Information regarding governance and responsibility for the six elements listed above can be found in Section 4, the Roles and Responsibilities section of this Policy.
- iii. In addition to the six elements, and as more fully described in Section 4 of this Policy, each banking entity within the SHUSA Group is required to nominate a Volcker Compliance Officer to ensure compliance with the above requirements.

## 4. Roles and Responsibilities

---

The Volcker Compliance process involves the participation of all lines of defense in SHUSA's three lines of defense model, as described in Section 4.1 of the Policy. Each individual is responsible for understanding all roles and responsibilities when assigned a role within the Volcker Compliance process.

### 4.1 Three Lines of Defense

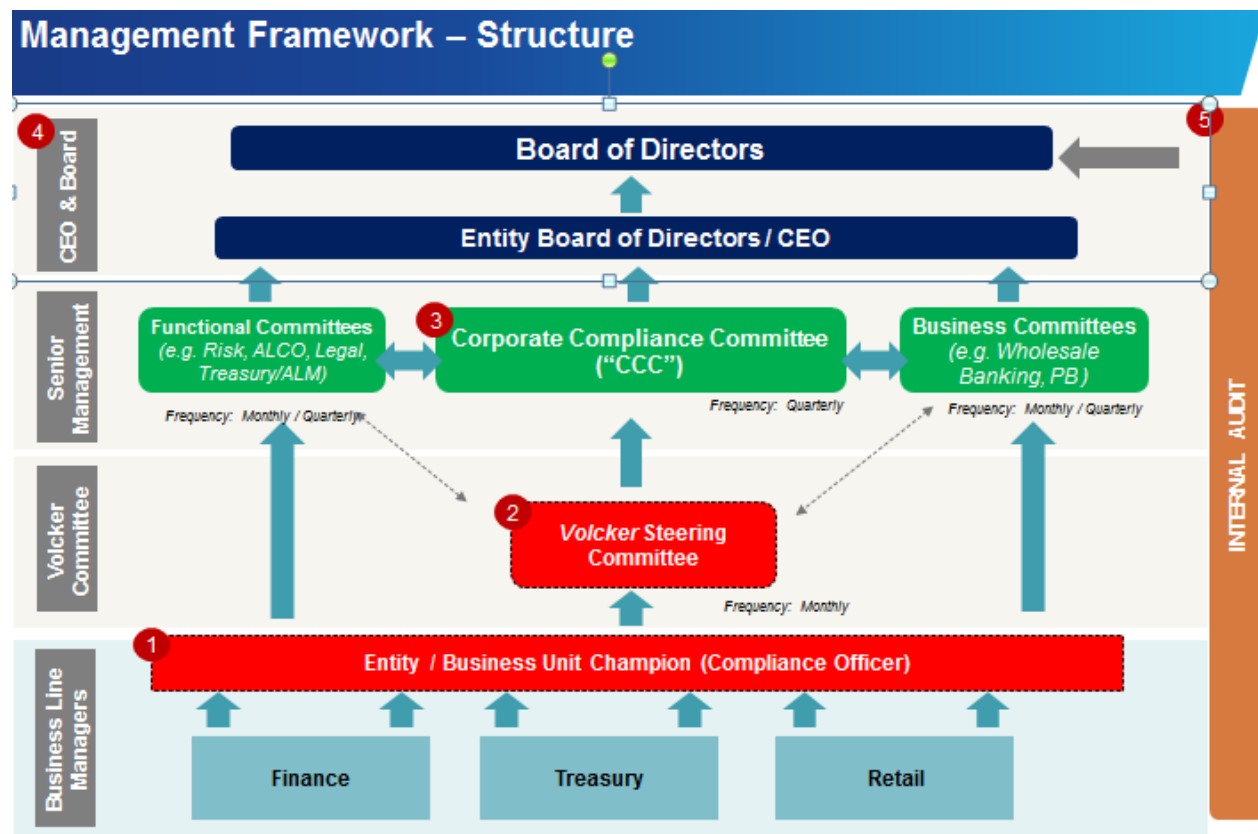
SHUSA has established a "three lines of defense" model to organize the roles and responsibilities for risk management across the banking entities. This model includes the following:

- **The first line of defense** consists of business functions (lines of business, Front Office and Middle Office) and corporate functions (or support units), such as Finance and IT.

- The first line of defense is responsible for defining and assessing the Volcker Rule and in determining any Proprietary Trading or Covered Funds activity, establishing the management framework, ensuring written procedures and policies addressing management of the activities performed under Volcker Rule are adhered to, and establishing the trading desk mandates.
- **The second line of defense** consists of Risk Management, Legal and Compliance.
  - The second line of defense is responsible for periodically reviewing the Volcker compliance program to ensure compliance with the Volcker Rule. The second line of defense is also responsible for setting up a training program to train all relevant staff to effectively implement and enforce the compliance program.
- **The third line of defense** consists of Independent Testing and Internal Audit.
  - The third line of defense and is responsible for assisting in performing tests of overall effectiveness of Volcker compliance program, and the testing of the internal controls.

## 4.2 Functions within the Three Lines of Defense

The chart<sup>11</sup> below provides an overview of key roles that are accountable, responsible, consulted or informed throughout the Volcker Compliance process.



With respect to the Volcker Compliance:

The **Board of Directors** is responsible for:

- Reviewing and approving the Policy, and overseeing implementation of the Policy.

The **CEO** reports directly to the Board and is responsible for:

- Setting and communicating an appropriate culture of Volcker Compliance.

<sup>11</sup> The Management Framework chart provided is a current draft of the global Management framework and has not been finalized and is subject to change.

- Establishing appropriate incentives and adequate resources to support Compliance.
- Providing an annual attestation to the Volcker Compliance program.

**Senior Management** (including the Functional Committees, Corporate Compliance Committee and Business Committees) reports directly to the CEO and is responsible for:

- Senior Management within the first line of defense is responsible for defining and assessing the Volcker Rule and in determining any Proprietary Trading or Covered Funds activity, establishing the management framework, ensuring written procedures and policies addressing management of the activities performed under Volcker Rule are adhered to, and establishing the trading desk mandates, a control framework and recordkeeping procedures.
- Senior Management within the second line of defense is responsible for periodically reviewing the Volcker compliance program to ensure compliance with the elements of the Volcker Rule. The second line of defense is also responsible for setting up a training program to train all relevant staff to effectively implement and enforce the compliance program.

The **Volcker Steering Committee** reports directly to Senior Management and is responsible for:

- Supporting and advising Senior Management in defining and assessing the Volcker Rule and in determining any Proprietary Trading or Covered Funds activity.
- Ensuring written procedures and policies addressing management of the activities performed under Volcker Rule are adhered to.
- Ensuring the Volcker compliance program is reviewed periodically by Senior Management.

The **Volcker Compliance Officer** reports directly to the Volcker Steering Committee and is responsible for:

- The implementation of the organization's compliance and Volcker regulatory objectives, including:
  - Trading and Investment activities – (Permitted, prohibited, and excluded activity)
  - Limit breaches
  - New Product/Business Approval
  - Escalation
  - Information barriers
- Each banking entity within the SHUSA Group is required to nominate a Volcker Compliance Officer.

**Internal Audit** is the third line of defense and is responsible for, on a periodic basis, assisting in performing tests of overall effectiveness of Volcker compliance program, and the testing of the internal controls.

## 5. Reporting Structure

---

As part of its responsibilities listed in section 4.2 of this Policy, Senior Management is responsible for creating reports that include the identification of emerging issues, issues to implementation, escalation issues, contingent issues and both contractual and reputational obligations relating to Volcker Compliance. Senior Management reports provide SHUSA leadership on a regular scheduled basis with an understanding of the risks that are being taken and a basis for escalating issues and concerns. The escalation process is more fully described in section 6 of this Policy. Timely and accurate risk reporting is critical for addressing issues of concern before there are undesirable outcomes.

SHUSA Volcker Compliance risk is identified, monitored, reported and controlled by periodic reviews of the Volcker Compliance management reports by Internal Audit.

## 6. Exceptions

---

### 6.1 Non-Compliance and Escalation of Policy Exceptions

Compliance with this Policy will be monitored in the Second Line of Defense by a designee of the SHUSA CCO. The designee shall investigate policy violations and escalate them within an appropriate timeframe, to the SHUSA CCO. The SHUSA CCO shall then:

- Mandate the development of an action plan designed to remedy the policy violation; or
- Grant a temporary exception to the Policy

If the violation is severe in nature and/or there has been a pattern of violation, the SHUSA CCO will escalate the matter to the SHUSA ERM. The SHUSA ERM shall then recommend a course of action and be responsible for monitoring the remediation plan. The Board and BEREC shall be notified of all policy violations escalated to the SHUSA ERM.

Compliance with this Policy will be independently monitored by Third Line of Defense, Internal Audit, which may escalate issues at its discretion, according to its own escalation procedures.

## 7. Document History and Version Control

### 7.1 Ownership and Authorship

<i>Version</i>	<i>Date</i>	<i>Author</i>	<i>Owner</i>	<i>Change</i>
1.0	May 29, 2015	CCO	CCO	Initial Version

### 7.2 Sign Off

<i>Approving Body</i>	<i>Governance Committee Approval or Endorsement</i>	<i>Final Approval Date</i>
SHUSA Board of Directors	SHUSA ERM/BERC	5.29.2015

## 8. Appendices

### 8.1 Appendix A – Key Contacts

<i>Title</i>	<i>Role</i>	<i>Name and Contact</i>
Chief Compliance Officer	Policy Owner	Maria Calero, Chief Compliance Officer <a href="mailto:Mcalero1@santander.us">Mcalero1@santander.us</a>
Volcker Compliance Officer	Primary point of contact on policy related matters	TBD

### 8.2 Appendix B – Regulatory Obligations Addressed by this Policy

<i>Regulatory Agency</i>	<i>Citation</i>	<i>Title</i>
Federal Reserve	Section 619 of DFA and Section 13 of BHC Act	Volcker Rule

### 8.3 Appendix C – Related Policies and Process and Administrative Documents

<i>Document Type</i>	<i>Entity and Department</i>	<i>Owner</i>	<i>Document Title</i>
Policy	SHUSA ERM	SHUSA CRO	SHUSA Volcker Compliance Manual

## 8.4 Appendix D - Definitions

#	Term	Definition
a.	Affiliate	<p>The term "affiliate" with respect to a banking entity means--</p> <ul style="list-style-type: none"> <li>A. any company that controls the banking entity and any other company that is controlled by the company that controls the banking entity;</li> <li>B. a bank subsidiary of the banking entity;</li> <li>C. any company-- <ul style="list-style-type: none"> <li>i. that is controlled directly or indirectly, by a trust or otherwise, by or for the benefit of shareholders who beneficially or otherwise control, directly or indirectly, by trust or otherwise, the banking entity or any company that controls the banking entity; or</li> <li>ii. in which a majority of its directors or trustees constitute a majority of the persons holding any such office with the banking entity or any company that controls the banking entity;</li> </ul> </li> <li>D. any investment fund with respect to which a banking entity or affiliate thereof is an investment adviser; and</li> <li>E. any company that the Board determines by regulation or order to have a relationship with the banking entity or any subsidiary or affiliate of the banking entity, such that covered transactions by the banking entity or its subsidiary with that company may be affected by the relationship to the detriment of the banking entity or its subsidiary.</li> </ul> <p>The following shall not be considered to be an affiliate:</p> <ul style="list-style-type: none"> <li>A. any company, other than a bank, that is a subsidiary of a banking entity, unless a determination is made under paragraph (E) not to exclude such subsidiary company from the definition of affiliate;</li> <li>B. any company engaged solely in holding the premises of the banking entity;</li> <li>C. any company engaged solely in conducting a safe deposit business;</li> <li>D. any company engaged solely in holding obligations of the United States or its agencies or obligations fully guaranteed by the United States or its agencies as to principal and interest; and</li> <li>E. any company where control results from the exercise of rights arising out of a bona fide debt previously contracted, but only for the period of time specifically authorized under applicable State or Federal law or regulation or, in the absence of such law or regulation, for a period of two years from the date of the exercise</li> </ul>



#	Term	Definition
		of such rights or the effective date of this Act, whichever date is later, subject, upon application, to authorization by the Board for good cause shown of extensions of time for not more than one year at a time, but such extensions in the aggregate shall not exceed three years.
b.	Banking Entity	Banking entity or entity means: (i) Any insured depository institution; (ii) Any company that controls an insured depository institution; (iii) Any company that is treated as a bank holding company as defined above; (iv) Any affiliate or subsidiary of any entity described above.
c.	Bank Holding Company	The bank holding company means any company which has control over any bank or over any company that is or becomes a bank holding company by virtue of this chapter.  Any company has control over a bank or over any company if—  (i) the company directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 per centum or more of any class of voting securities of the bank or company;  (ii) the company controls in any manner the election of a majority of the directors or trustees of the bank or company; or  (iii) the Board determines, after notice and opportunity for hearing, that the company directly or indirectly exercises a controlling influence over the management or policies of the bank or company.
d.	Client, customer, or counterparty	In the context of market-making, these terms refer to the market participants that use the bank's market-making-related services by obtaining those services, responding to quotations, or entering into a continuing relationship with respect to those services. Another banking entity is not a client, customer, or counterparty unless the <ul style="list-style-type: none"> <li>• other banking entity has trading assets and liabilities of less than \$50 billion;</li> <li>• bank conducts the transaction anonymously on an exchange or similar trading facility that permits trading on behalf of broad range of market participants; or</li> <li>• bank documents how and why the other banking entity should be treated as a client, customer, or counterparty.</li> </ul> In the context of underwriting, these terms refer to market participants that may transact with the bank in connection with a particular securities distribution for which the bank is acting as underwriter.
e.	Controlled Financial	A company controls another company if the company directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 per cent

#	Term	Definition
	Entity	or more of any class of voting securities of the company.
f.	Covered Financial Instruments	Includes securities, options on securities, derivatives, foreign exchange swaps and forwards, options on derivatives, contracts of sale of commodities for future delivery and options therein. Excluded Financial Instruments includes: spot commodity, foreign exchange and currency transactions, and loans (further defined in the Manual).
g.	Covered Fund	<p>The term “covered fund” is defined as:</p> <ol style="list-style-type: none"> <li>1. An issuer that would be an investment company, as defined by the Investment Company Act of 1940, but for sections 3(c)(1) or 3(c)(7) .</li> <li>2. A covered foreign entity, which means a fund organized or established outside the United States that offers or sells interests inside the United States in reliance on section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940.</li> </ol> <p>OR</p> <p>With respect to a U.S. organized or located banking entity only that sponsors or owns an ownership interest in it, a fund that fulfills all of the following criteria:</p> <ol style="list-style-type: none"> <li>1. The fund is organized or established outside the United States.</li> <li>2. The ownership interests of the fund are offered and sold solely outside the United States.</li> <li>3. The fund is, or holds itself out as being, an issuer or arrangement that raises money from investors primarily for the purpose of investing in securities for resale or other disposition or otherwise trading in securities.</li> </ol> <p>A commodity pool whose registered commodity pool operator (“CPO”) has claimed exempt pool status under the Commodity Futures Trading Commission Rule 4.7(a)(1)(iii) or that has issued units that are substantially owned by qualified eligible persons (“QEPs”) and no units have been publicly offered to persons other than QEPs.</p> <p>Exclusion from the Definition of a “Covered Fund”</p> <p>The Volcker Rule includes a series of exclusions for certain types of Covered Funds and for certain permitted activities. If a fund meets any of the exclusions noted below, then the fund is engaging in permissible activity and is not subject to the Volcker Rule’s restrictions. The exclusions are described in detail in the Manual.</p> <ul style="list-style-type: none"> <li>-Foreign Public Funds</li> <li>-Wholly-Owned Subsidiaries</li> <li>-Joint Ventures</li> <li>-Acquisition Vehicles</li> <li>-Excluded Private Funds (US or Foreign)</li> </ul>

#	Term	Definition
		<ul style="list-style-type: none"> <li>-Foreign Pension Funds</li> <li>-Insurance Company Separate Accounts</li> <li>-Bank-Owned Life Insurance</li> <li>-Loan Securitization Vehicles</li> <li>-Asset-Back Commercial Paper Conduits</li> <li>-Covered Bond Entities</li> <li>-SBIC or Public Welfare Investment Funds authorized by the Small Business Administration</li> <li>-Registered Investment Companies or Business Development companies under the Investment Company Act</li> </ul>
h.	Depository Institution	The term “depository institution” means any bank or savings association.
i.	Employee	Employee includes a member of the immediate family of the employee.
j.	Insurance Company	Insurance company means a company that is organized as an insurance company, primarily and predominantly engaged in writing insurance or reinsuring risks underwritten by insurance companies, subject to supervision as such by a state insurance regulator or a foreign insurance regulator.
k.	Insured Depository Institution	The term “insured depository institution” means any bank or savings association the deposits of which are insured by the Corporation pursuant to this chapter.
l.	Issuer	The term “issuer” means every person who issues or proposes to issue any security; except that with respect to certificates of deposit, voting-trust certificates, or collateral-trust certificates, or with respect to certificates of interest or shares in an unincorporated investment trust not having a board of directors (or persons performing similar functions) or of the fixed, restricted management, or unit type, the term “issuer” means the person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which such securities are issued; except that in the case of an unincorporated association which provides by its articles for limited liability of any or all of its members, or in the case of a trust, committee, or other legal entity, the trustees or members thereof shall not be individually liable as issuers of any security issued by the association, trust, committee, or other legal entity; except that with respect to equipment-trust certificates or like securities, the term “issuer” means the person by whom the equipment or property is or is to be used; and except that with respect to fractional undivided interests in oil, gas, or other mineral rights, the term “issuer” means the owner of any such right or of any interest in such right (whether whole or fractional) who creates fractional interests therein for the purpose of public offering.
m.	Loan	Loan means any loan, lease, extension of credit, or secured or unsecured receivable

#	Term	Definition
		that is not a security or derivative.
n.	New Fund/Business Activities	New fund/business activities are defined as new products or investments introduced by the Entity, changes in existing products or investments held by the Entity, or changes in business activities or characteristic of the Entity.
o.	Ownership interest	<p>This means an equity, partnership, or other similar interest. An “other similar interest” is one that</p> <ul style="list-style-type: none"> <li>-has the right to participate in the selection or removal of a general partner, managing member, member of the board of directors or trustees, investment manager, investment adviser, or commodity trading advisor of the covered fund (excluding the rights of a creditor to exercise remedies upon the occurrence of an event of default or an acceleration event).</li> <li>-has the right to receive a share of the income, gains, or profits of the covered fund.</li> <li>-has the right to receive the underlying assets of the covered fund after all other interests have been redeemed or paid in full (excluding the rights of a creditor to exercise remedies on the occurrence of an event of default or an acceleration event).</li> <li>-has the right to receive all or a portion of excess spread (the positive difference, if any, between the aggregate interest payments received from the underlying assets of the covered fund and the aggregate interest paid to the holders of other outstanding interests).</li> <li>-provides that the amounts payable under the interest could be reduced based on losses arising from the underlying assets of the covered fund, such as allocation of losses, write-downs or charge-offs of the outstanding principal balance, or reductions in the amount of interest due and payable on the interest.</li> <li>-receives income on a pass-through basis from the covered fund or that has a rate of return determined by reference to the performance of the fund’s underlying assets.</li> <li>-is a synthetic right to any of the rights described above.</li> </ul> <p>Carried interest, in most cases, is not an ownership interest.</p>
p.	Permitted Activities	As provided by the Dodd-Frank Act, the final rules permit a banking entity, subject to appropriate conditions, to invest in or sponsor a covered fund in connection with: organizing and offering the covered fund; underwriting or market making-related activities; certain types of risk-mitigating hedging activities; activities that occur solely outside of the United States and insurance company activities.
q.	Permitted Investment	A “permitted investment” is any ownership interest acquired or retained by a banking entity in a covered fund that the banking entity or an affiliate organizes and offers under the exemptions listed above, provided that such investment qualifies as either (i) a seed capital investment, or (ii) a de minimis investment.
r.	Proprietary Trading	The Volcker Rule defines proprietary trading broadly to mean engaging as principal for the “Trading Account” of a banking entity in any purchase or sale of one or more

#	Term	Definition
		"Financial Instruments" as defined and described in detail in the Manual.
s.	Purchase	Purchase includes any contract to buy, purchase, or otherwise acquire. For security futures products, purchase includes any contract, agreement, or transaction for future delivery. With respect to a commodity future, purchase includes any contract, agreement, or transaction for future delivery. With respect to a derivative, purchase includes the execution, termination (prior to its scheduled maturity date), assignment, exchange, or similar transfer or conveyance of, or extinguishing of rights or obligations under, a derivative, as the context may require.
t.	SHUSA Volcker Compliance Manual (the "Manual")	The Manual details the policy projected in this Policy. The Manual binds each entity within the SHUSA Group, and each entity must adopt the section of the Manual that incorporates and is aligned with this Policy.
u.	Sponsor	Sponsor means, with respect to a covered fund: <ul style="list-style-type: none"> <li>(i) To serve as a general partner, managing member, or trustee of a covered fund, or to serve as a commodity pool operator with respect to a covered fund;</li> <li>(ii) In any manner to select or to control (or to have employees, officers, or directors, or agents who constitute) a majority of the directors, trustees, or management of a covered fund; or</li> <li>(iii) To share with a covered fund, for corporate, marketing, promotional, or other purposes, the same name or a variation of the same name.</li> <li>(iv) Serves as general partner, managing member, trustee, or commodity pool operator to a covered fund.</li> <li>(v) Selects or controls (or has employees, officers, directors, or agents who constitute) a majority of the directors, trustees, or management of a covered fund.</li> <li>(vi) Shares with a covered fund the same name or a variation of the same name.</li> </ul>
v.	Trading Accounts	A trading account is any account used by a banking entity for the purchase or sale of a financial instrument defined as Covered Financial Instruments.
w.	Trading Desks	The Volcker Rule defines trading desk to mean the smallest discrete unit of organization of a banking entity that purchases or sells financial instruments for the trading account of the banking entity or an affiliate thereof.

## 8.5 Appendix E – Volcker Rule Exclusions and Exemptions

### i. Below is the list of exclusion under the Volcker Rule Proprietary Trading Regulation:

- not purchasing or selling a Financial Instrument;
- not trading for a Trading Account;
- not transacting as a principal to a trade; or
- transacting in Financial Instruments that are for a Trading Account under exclusions from the general prohibition on proprietary trading, which include:
  - transacting under repurchase and reverse repurchase agreements;
  - transacting under securities lending agreements;
  - transacting for satisfaction of existing delivery or legal obligations;
  - acting solely as agent, broker or custodian;
  - transacting as a Derivatives Clearing Organization or a Clearing Agency, in connection with clearing Financial Instruments;
  - transacting in Securities for liquidity management purposes, subject to certain conditions;
  - engaging in certain clearing member activities;
  - transacting on behalf of employee compensation plans; and
  - transacting in Financial Instruments to collect a debt previously contracted.

### ii. Below is the list of exemption under Volcker Rule Proprietary Trading Regulation:

- Permitted Market-Making Prop Activities
- Permitted Underwriting Prop Activities
- Permitted Risk-Mitigating Hedging Prop Activities
- Permitted Trading in U.S. and Non-U.S. Government Obligations Prop Activities
- Permitted Trading on Behalf of Customers Prop Activities including (i) fiduciary transactions and (ii) riskless principal transactions
- Permitted Trading by a Regulated Insurance Company Prop Activities
- Permitted Trading Outside the United States (“SOTUS”) Prop Activities

### iii. Below is the list of exclusions under Volcker Rule Covered Funds Provision:

- Foreign Public Funds
- Private Funds (US or Foreign)
- Wholly-Owned Subsidiaries
- Joint Ventures
- Acquisition Vehicles
- Foreign Pension Funds
- Insurance Company Separate Accounts

- Bank-Owned Life Insurance
- Loan Securitization Vehicles
- Asset-Back Commercial Paper Conduits
- Covered Bond Entities
- SBIC or Public Welfare Investment Funds authorized by the Small Business Administration
- Registered Investment Companies or Business Development companies under the Investment Company Act

**iv. Below is the list of exemptions under Volcker Rule Covered Funds Provision:**

- Asset Management Activities
- Activities related to the issuance of Asset-Backed Securities
- Underwriting and Marking Activities
- Seeding New Funds
- Risk-Mitigating Hedging
- Activities and Investments Outside of the United States
- Interests and Activities by a Regulated Insurance Company
- Restricted Profit Interest

**v. Below is the list of Backstop provision under the Volcker Rule:**

- involve or result in a Material Conflict of Interest between the Banking Entity and its clients, customers, or counterparties, unless the Material Conflict of Interest is mitigated through disclosures or information barriers;
- result, directly or indirectly, in a material exposure by the Banking Entity to a High-Risk Asset or a High-Risk Trading Strategy; or
- pose a threat to the safety and soundness of the Banking Entity, SHUSA or Santander or to the financial stability of the United States.

## 8.6 Appendix F – Volcker Independent Testing Flow

