



DIVISION OF
TRADING AND MARKETS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

September 18, 2014

Nicholas A. Kronfeld
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017

Re: Banco Santander, S.A.
File No. TP 14-15

Dear Mr. Kronfeld:

In your letter dated September 18, 2014, as supplemented by conversations with the staff, you request on behalf of Banco Santander, S.A., a bank organized under the laws of the Kingdom of Spain (“Santander Spain”), an exemption from Rules 101 and 102 of Regulation M under the Securities Exchange Act of 1934 (“Exchange Act”) in connection with transactions by Santander Spain and its affiliates in the ordinary shares of Santander Spain (“the “Santander Spain Shares”) during the distribution of Santander Spain Shares, in the form of American Depositary Shares (the “Santander Spain ADSs”) or Brazilian Depositary Shares (“Santander Spain BDSs”), to be made by Santander Spain to shareholders of Banco Santander (Brasil) S.A. (“Santander Brasil”), in connection with the proposed exchange offers by Santander Spain (the “Exchange Offers”) as described in your letter.

You seek an exemption to permit Santander Spain and its affiliates to conduct specified transactions outside the United States (“U.S.”) in Santander Spain Shares and Santander Spain ADSs and Santander Spain BDSs during the distribution of Santander Spain ADSs and Santander Spain BDSs in connection with the Exchange Offers. Specifically, you request that: (i) the Market Making Subsidiary be permitted to continue to engage in market making activities as described in your letter; (ii) the Derivatives Market Participants be permitted to continue to engage in derivatives market-making and hedging activities as described in your letter; (iii) the Asset Managers be permitted to continue to engage in asset management activities as described in your letter; (iv) the Insurance Company be permitted to continue to engage in insurance activities as described in your letter; and (v) the Non-U.S. Brokerage Units be permitted to continue to engage in unsolicited brokerage activities as described in your letter.

You also seek an exemption to permit certain Santander Spain affiliates to conduct specified transactions in the U.S. in Santander Spain Shares and Santander Spain ADSs during the distribution of Santander Spain ADSs and Santander Spain BDSs in connection with the Exchange Offers. Specifically, you request that: (i) the Puerto Rico Asset

Manager be permitted to continue to conduct asset management activities in Puerto Rico as described in your letter; (ii) Banco Santander International be permitted to continue to conduct asset management activities from the Continental United States for non-U.S. clients as described in your letter; and (iii) the U.S. Brokerage Units be permitted to continue to engage in unsolicited brokerage activities as described in your letter.

You also seek an exemption to permit Santander Spain to continue to administer its scrip dividend program, as described in your letter, during the distribution of Santander Spain ADSs and Santander Spain BDSs in connection with the Exchange Offers.

We have attached a copy of your correspondence to avoid reciting the facts set forth therein. Unless otherwise noted, each defined term in our response has the same meaning as defined in your letter.

Response:

Based on the facts and representations that you have made in your letter, but without necessarily concurring with your analysis, the Securities and Exchange Commission (“Commission”) finds that it is necessary or appropriate in the public interest, and is consistent with the protection of investors, to grant, and hereby grants, Santander Spain an exemption from Rules 101 and 102 of Regulation M to permit the Market Making Subsidiary, Derivatives Market Participants, the Asset Managers including the Puerto Rico Asset Manager, Banco Santander International, the Insurance Company, the Non-U.S. Brokerage Units, and the U.S. Brokerage Units (collectively, the “Companies”) to continue to engage in the transactions described in your letter, including in connection with the scrip dividend program also described in your letter. In particular, in your correspondence you make the following key representations:

- The average daily trading volume (“ADTV”) of Santander Spain Shares on the Spanish Exchanges during the six months ended on June 30, 2014,¹ was 67.3 million shares valued at approximately €467.2 million (\$639.7 million);
- Santander Spain’s market capitalization as of June 30, 2014, was approximately €89.9 billion (\$123.1 billion), making it Spain’s second largest company by capitalization and representing 18.3% of the IBEX 35 index;
- As of June 30, 2014, over 11 billion shares of Santander Spain Shares were outstanding that were held by over 3 million with a public float value in excess of \$100 billion;

¹ As noted in your letter, Santander Spain represents that it is not aware of any material changes in the nature or volume of its trading activities since June 30, 2014.

- The principal trading market for Santander Spain Shares is on the Spanish Exchanges through the AQS accounting for approximately 90.6% of the global ADTV value during the six months that ended on June 30, 2014;
- The ADTV value of the Santander Spain ADS on the NYSE during the six months ended June 30, 2014, was approximately \$57.1 million;
- The Santander Spain ADSs and Santander Spain BDSs to be issued in connection with the Exchange Offers will represent approximately 5.41% of the Santander Spain Shares currently outstanding;
- Santander Spain maintains and enforces written information barrier policies and procedures to prevent material non-public information from passing between the sales/trading areas and other sensitive areas of Santander Spain, including the investment oversight committee;
- The Market Making Subsidiary conducts its market making activities outside the U.S. and, during the six months ended June 30, 2014, the market making activities by the Market Making Subsidiary accounted for approximately 0.57% of the value of ADTV in Santander Spain Shares on the Spanish Exchanges;
- The Derivatives Market Participants conduct their derivatives market making and hedging activities outside the U.S. and, during the six months ended June 30, 2014, the derivatives market making and hedging activities of the Derivatives Market Participants accounted for approximately 4.02% of the value of ADTV in Santander Spain Shares on the Spanish Exchanges;
- All of the Asset Managers except for the Puerto Rico Asset Manager and Banco Santander International conduct their investment management activities outside the U.S.;
- The Puerto Rico Asset Manager will only engage in normal course asset management activities in Puerto Rico and the Puerto Rico Asset Manager's volume of trading in Santander Spain Shares has historically been low;
- Banco Santander International will only engage in normal course asset management activities with non-U.S. clients;
- The Insurance Company sells insurance products and conducts activities in connection with investment selections made by purchasers of such insurance products outside the U.S.;

- Each of the Non-U.S. Brokerage Units conduct their unsolicited brokerage activities outside the U.S. and, during the six months ended June 30, 2014, the unsolicited brokerage activities of the Non-U.S. Brokerage Units accounted for approximately 16.04% of the value of ADTV in Santander Spanish Shares on the Spanish Exchanges;
- Each of the U.S. Brokerage Units have been instructed to not make any investment recommendations to their customers with respect to Santander Spain Shares or ADSs during the restricted period and will only engage in normal course unsolicited brokerage activities, which represents approximately 0.13% of the worldwide ADTV in Santander Spain Shares during the six months ended June 30, 2014;
- The withdrawal of such a significant market maker in Santander Spain Shares in the primary market for those shares for an extended period of time would have harmful effects in the home market and, indirectly, in the U.S. market, for Santander Spain Shares, including a significant imbalance of buy and sell orders, which could cause greater volatility and reduced liquidity;
- Each of the Market Maker Subsidiary, Derivatives Market Participants, the Asset Managers, the Insurance Company, and the Non-U.S. Brokerage Units has confirmed that the activities for which it is requesting relief will be conducted in the ordinary course of its business and in accordance with applicable Spanish law and other non-U.S. laws;
- In the U.S., Santander conducts a securities business through Santander Securities LLC and Santander Investment Securities, each a separate subsidiary that is registered with the Commission as a broker-dealer and is a member of FINRA, and Santander Investment Securities is also a member of the NYSE; and
- Both Santander Securities LLC and Santander Investment Securities will not engage in derivatives market making and hedging, asset management and insurance activities, but rather will only engage in unsolicited brokerage activities, with respect to Santander Spain Shares or ADSs, in the normal course of its business with its customers.

The exemption is subject to the following conditions:

1. None of the transactions of the Companies described in your letter shall occur in the U.S., with the exception of the unsolicited brokerage of the U.S. Brokerage Units, the Puerto Rican client asset management activities of the Puerto Rico Asset Manager, and non-U.S. client asset management activities of Banco Santander International, as described in your letter;

2. All of the transactions described in your letter shall be effected in the ordinary course of business and not for the purpose of facilitating the Exchange Offers;
3. The offer to exchange/prospectus that will be distributed to Santander Brasil shareholders will disclose the possibility of, or the intention to make, the transactions described in your letter;
4. Santander Spain and each of the Companies will provide to the Commission's Division of Trading and Markets ("Division"), upon request, a time-sequenced schedule of all such transactions made during the Restricted Period. Such schedule will include:
 - (a) size, broker (if any), time of execution, and price of the transactions;
 - (b) the exchange, quotation system, or other facility through which the transactions occurred; and
 - (c) whether the transactions were made for a customer account or a proprietary account;
5. Upon request of the Division, Santander Spain and each of the Companies will transmit the information requested in item 4 (above) to the staff of the Division at its offices in Washington, D.C. within 30 days of its request;
6. Santander Spain and each of the Companies shall retain all documents and other information required to be maintained pursuant to this exemption for at least two years following the completion of the Exchange Offers;
7. Representatives of Santander Spain and each of the Companies shall be made available (in person at the offices of the Commission in Washington, D.C. or by telephone) to respond to inquiries of the Division relating to their records; and
8. Except as otherwise exempted by this letter, Santander Spain and each of the Companies will comply with Regulation M.

This exemption is based on the facts presented and the representations made in your letter. Any different facts or conditions may require a different response. In the event that any material change occurs with respect to those facts or representations, transactions in the Santander Spain Shares and Santander Spain ADSs and BDSs must be discontinued, pending presentation of the facts for our consideration.

In addition, your attention is directed to the antifraud and anti-manipulation provisions of the Exchange Act, including Sections 9(a) and 10(b), and Rule 10b-5 thereunder. Responsibility for compliance with these and any other applicable provisions

of the federal securities laws must rest with the participants in the various transactions. We express no view with respect to any other questions that the proposed transactions may raise, including, but not limited to, the adequacy of disclosure concerning, and the applicability of any other federal or state laws to, the proposed transactions.

For the Commission,
by the Division of Trading and Markets,
pursuant to delegated authority,



Josephine J. Tao
Assistant Director

Attachment



Nicholas A. Kronfeld

Davis Polk & Wardwell LLP 212 450 4950 tel
450 Lexington Avenue 212 701 5950 fax
New York, NY 10017 Nicholas.Kronfeld@davispolk.com

September 18, 2014

Re: Banco Santander, S.A. Request for Exemptive Relief from Rules 101 and 102 of Regulation M

Josephine J. Tao

Assistant Director
Division of Trading and Markets
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Ms. Tao:

We are writing as counsel to Banco Santander, S.A. ("**Santander Spain**"), a bank organized under the laws of the Kingdom of Spain, with respect to the application of Regulation M to transactions by Santander Spain and its affiliates in the ordinary shares of Santander Spain (the "**Santander Spain Shares**") during the distribution of Santander Spain Shares, in the form of American Depositary Shares (the "**Santander Spain ADSs**") or Brazilian Depositary Shares ("**Santander Spain BDSs**"), to be made by Santander Spain to shareholders of Banco Santander (Brasil) S.A. ("**Santander Brasil**"), in connection with the proposed acquisition by Santander Spain of Santander Brasil common shares and preferred shares (collectively, "**Santander Brasil Shares**"), units (each of which represents one common share and one preferred share) ("**Santander Brasil Units**") and American Depositary Shares (each of which represents one unit) ("**Santander Brasil ADSs**"). Santander Spain intends to structure the acquisition as a dual exchange offer comprising an exchange offer executed in the United States for Santander Brasil ADSs and for Santander Brasil Units and Santander Brasil Shares held by U.S. holders (the "**U.S. Exchange Offer**") and a separate exchange offer in Brazil for Santander Brasil Units and Santander Brasil Shares (the "**Brazilian Exchange Offer**" and, together with the U.S. Exchange Offer, the "**Exchange Offers**"). Specifically, on behalf of Santander Spain, we ask the members of the staff (the "**Staff**") of the Securities and Exchange Commission (the "**SEC**") to grant Santander Spain exemptive relief from Rules 101 and 102 of Regulation M to permit Santander Spain and its affiliates to continue, in the ordinary course of their respective businesses as described below and in accordance with applicable local law, to engage in the activities described below during the distribution of Santander Spain ADSs and Santander Spain BDSs in connection with the Exchange Offers.¹ In connection with the relief requested by

¹ The Santander Spain BDSs do not currently exist and will only be issued after completion of the Brazilian Exchange Offer. As such, there has been no prior trading in Santander Spain BDSs. Since the Santander

Santander Spain in this letter, please note that substantially similar exemptive relief from Rules 101 and 102 of Regulation M was granted to Santander Spain under each of your exemptive letters dated September 10, 2004, August 18, 2008, November 7, 2008 and December 22, 2008.² In addition, similar relief has been provided in the context of dual exchange offers to The Governor and Company of the Bank of Ireland under your exemptive letter dated April 22, 2010.

This letter sets forth data concerning the trading activity of Santander Spain and its affiliates for periods ending June 30, 2014. Santander Spain has represented to us that it is not aware of any material changes in the nature or volume of these activities since June 30, 2014.

Market Making Activities. As is customary in Spain for financial institutions, Santander Spain engages in market making activities with respect to Santander Spain Shares through a subsidiary dedicated to that function (the “**Market Making Subsidiary**”).³ The Market Making Subsidiary makes bids and offers for Santander Spain Shares on the Automated Quotation System (*Sistema de Interconexión Bursátil Español*) of the Spanish stock exchanges (the “**AQS**”), the centralized national market that integrates by computer quotation the Spanish stock exchanges in Madrid, Barcelona, Bilbao and Valencia (collectively, the “**Spanish Exchanges**”) and purchases and sells Santander Spain Shares on the AQS. The Market Making Subsidiary effects these transactions for its own account in order to provide liquidity to the market.

Derivatives Market Making and Hedging. As part of its business, the Treasury department of Santander Spain (the “**Treasury Department**”) issues, buys and sells derivatives on Santander Spain Shares or on baskets or indices including Santander Spain Shares (the “**Santander Spain Share Derivatives**”) for its own account and for the accounts of its customers. All of these trades are executed outside of the United States and the majority of these trades are for the accounts of customers outside the United States. In addition, Cavalsa Gestión, S.A. (a wholly owned subsidiary of Santander Spain that carries out the activity of short term management of balance sheet risk, including interest rate risk, foreign exchange risk and equity risk, for Santander Spain by various means, including implementation of economic hedges, “**Cavalsa**,” and together with the Treasury Department, the “**Derivatives Market Participants**”) issues, buys and sells Santander Spain Share Derivatives for its own account. The derivatives traded by the Derivatives Market Participants include, in the case of the Treasury Department, listed and over-the-counter options, warrants, futures, convertible securities and other structured products relating to Santander Spain Shares or, in the case of the Treasury Department and Cavalsa, listed and over-the-counter options and futures relating to baskets or indices including Santander

Spain BDSs will be issued upon settlement of the initial offering period, trading by the Asset Managers and unsolicited brokerage transactions as described in this letter may be conducted with respect to Santander Spain BDSs in any subsequent offering period and, as such, we are requesting that the exemptive relief described in this letter extend to such activities conducted outside of the United States and Puerto Rico with respect to Santander Spain BDSs during any subsequent offering period in connection with the Exchange Offers. Such trading would be in the ordinary course of business and unrelated to the Exchange Offers. The unsolicited brokerage transactions would be customer driven and any purchases by an Asset Manager would be pursuant to its independent fiduciary duties to its clients.

² See Banco Santander Central Hispano, S.A., SEC No-Action Letter, File No. TP 04-70 (Sep. 10, 2004), Banco Santander, S.A., SEC No-Action Letter, File No. TP 08-77 (Aug. 18, 2008), Banco Santander, S.A., SEC No-Action Letter, File No. TP 09-16 (Nov. 7, 2008) and Banco Santander, S.A., SEC No-Action Letter, File No. TP 09-29 (Dec. 22, 2008).

³ Santander’s market making activities are carried out by Pereda Gestión, S.A., a corporation organized under the laws of Spain.

Spain Shares, as well as index futures on the foregoing. Cavalsa also enters into total return cash-settled equity swap transactions regarding Santander Spain Shares. The Treasury Department engages in derivatives market making activities, on both solicited and unsolicited bases, in order to provide liquidity to the derivatives market and to facilitate customers' derivatives transactions. Cavalsa, engages in solicited derivatives activities in order to carry out short term management of the balance sheet risk of Santander Spain. These transactions are effected primarily on the MEFF Renta Variable, S.A. (the "**MEFF Renta Variable**") with the balance occurring on other exchanges outside the United States and, in some cases, in the over-the-counter market outside the United States. In addition, the Derivatives Market Participants solicit and effect trades in Santander Spain Shares or in Santander Spain Share Derivatives for their own accounts and for the accounts of customers of the Treasury Department for the purpose of hedging positions (or adjusting or liquidating existing hedge positions) belonging to them and the customers of the Treasury Department that are established in connection with these derivatives market activities. The hedging transactions in Santander Spain Shares are effected outside the United States through the AQS and the hedging transactions in derivatives on Santander Spain Shares are effected outside the United States on the MEFF Renta Variable, on other exchanges outside the United States and in the over-the-counter market outside the United States. During the twelve months ended December 31, 2013 and the six months ended June 30, 2014 these market making and hedging transactions in Santander Spain Shares and derivatives on Santander Spain Shares amounted to approximately 4.10% and 4.02%, respectively, of the value of average daily trading volume (the "**ADTV**") in Santander Spain Shares on the Spanish Exchanges.

Trading in Santander Spain Shares by the Asset Managers. Certain affiliates of Santander Spain manage the assets of mutual funds, pension funds and discretionary investor portfolios (such affiliates, the "**Asset Managers**"; such funds and discretionary investor portfolios, the "**Managed Funds**").⁴ As part of their ordinary investment management activities on behalf of the Managed Funds, the Asset Managers buy and sell Santander Spain Shares and derivatives, including listed and over-the-counter options, warrants, convertible securities and other structured

⁴ The Asset Managers consist of Santander Private Banking Gestión, S.A., S.G.I.I.C., Banesto Banca Privada Gestión, S.A., S.G.I.I.C., Optimal Alternative Investment, S.A., S.G.I.I.C., Santander Carteras, S.A., S.G.C., Santander Asset Management, S.A., S.G.I.I.C. and Santander Pensiones, S.A., E.G.F.P., each a corporation organized under the laws of Spain (collectively, the "**Spanish Asset Managers**"); Santander Rio Asset Management Gerente de Fondos Comunes de Inversión SA., a corporation organized under the laws of Argentina; Banco Santander Bahamas International Ltd, a corporation organized under the laws of Bahamas; Santander Brasil Asset Management DTVM, Ltda., and Santander Brasil Gestao de Recursos Ltda., each a corporation organized under the laws of Brazil; Santander Asset Management, S.A., Administradora General de Fondos, a corporation organized under the laws of Chile; SAM S.G.I.I.C., S.A. (German branch), a corporation organized under the laws of Germany; Santander Private Banking, SpA, a corporation organized under the laws of Italy; Santander Asset Management Luxembourg, S.A., a corporation organized under the laws of Luxembourg; Gestión Santander, S.A. de C.V., Sociedad Operadora de Sociedades de Inversión Grupo Financiero Santander, a corporation organized under the laws of Mexico; BZ WBK Asset Management S.A., and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., each a corporation organized under the laws of Poland; Santander Asset Management - Sociedade Gestora de Fundos de Investimento Mobiliário, S.A., and Santander Pensões - Sociedade Gestora de Fundos de Pensões, S.A., each a corporation organized under the laws of Portugal; Santander Asset Management LLC, a corporation organized under the laws of Puerto Rico (the "**Puerto Rico Asset Manager**"); Banco Santander (Suisse), S.A., and Optimal Investment Services, S.A., each a corporation organized under the laws of Switzerland; Santander Asset Management UK Limited, a corporation organized under the laws of the United Kingdom; and Banco Santander International, a banking corporation organized under U.S. laws ("**Banco Santander International**").

products relating to Santander Spain Shares or baskets or indices including Santander Spain Shares, as well as index futures on the foregoing, for the Managed Funds' accounts.

Trading by the Insurance Company. As part of its ordinary business, Santander Seguros y Reaseguros, Compañía Aseguradora, S.A., an affiliate of Santander Spain incorporated in Spain (the “**Insurance Company**”), sells certain insurance products requiring the insurer to invest the premiums paid by the purchaser of the policies within certain asset classes determined by that purchaser (such as shares represented in the IBEX 35 Index, which includes Santander Spain Shares) (such products, the “**Asset Class Policies**”). The Insurance Company does not provide any investment advice to purchasers with respect to the asset classes that may be selected by the customer as part of the Asset Class Policies.

Unsolicited Brokerage. The non-U.S. brokerage units set forth in note 5 below (the “**Non-U.S. Brokerage Units**”)⁵ effect unsolicited brokerage transactions in Santander Spain Shares by placing orders on the AQS and other overseas exchanges or effecting trades in the over-the-counter markets in Spain and elsewhere outside the United States. These transactions arise from unsolicited buy or sell orders received by the Non-U.S. Brokerage Units from their customers, although the Non-U.S. Brokerage Units may solicit the other side of these transactions. Additionally, Santander Spain conducts a securities business through its affiliated U.S. (including Puerto Rico) broker-dealers, Santander Securities LLC, a corporation incorporated under the laws of Puerto Rico (“**Santander Securities LLC**”) and Santander Investment Securities, Inc., a corporation incorporated under the laws of the state of Delaware (“**Santander Investment Securities**” and, together with Santander Securities LLC, the “**U.S. Brokerage Units**”; the U.S. Brokerage Units, together with the Non-U.S. Brokerage Units, the “**Brokerage Units**”), each of which may engage in unsolicited brokerage transactions in the Santander Spain Shares and Santander Spain ADSs with its customers in the United States. These transactions would be effected in the United States markets or in the non-U.S. markets described above. During the twelve months ended December 31, 2013 and the six months ended June 30, 2014, the unsolicited brokerage activities of the Brokerage Units (excluding trades executed by the Non-U.S. Brokerage Units on behalf of the Market Making Subsidiary) as a percentage of the worldwide value of ADTV in Santander Spain Shares was 13.73% and 14.66%, respectively. During the twelve months ended December 31, 2013 and the six months ended June 30, 2014, the unsolicited brokerage activities of the U.S. Brokerage Units collectively as a percentage of the worldwide value of ADTV in Santander Spain Shares was 0.19% and 0.13%, respectively.

⁵ The Non-U.S. Brokerage Units consist of Santander Investment Bolsa, S.V., S.A., a corporation organized under the laws of Spain (the “**Spanish Brokerage Unit**”); Santander Rio Sociedad de Bolsa, S.A., a corporation organized under the laws of Argentina; Banco Santander Bahamas International Ltd., a corporation organized under the laws of Bahamas; Santander Corretora de Cambio e Valores Mobiliarios, S.A., a corporation organized under the laws of Brazil; Santander S.A. Corredores de Bolsa, and Santander Agente de Valores Limitada, each a corporation organized under the laws of Chile; Santander Private Banking SpA, a corporation organized under the laws of Italy; Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México and Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander, each a corporation organized under the laws of Mexico; Dom Maklerski BZ WBK S.A., a corporation organized under the laws of Poland; Banco Santander Totta, a corporation organized under the laws of Portugal; Banco Santander (Suisse), S.A., a corporation organized under the laws of Switzerland; and Abbey Stockbrokers Limited, Abbey National Treasury Services, Santander ISA Managers Ltd., and Santander UK, each a corporation organized under the laws of the United Kingdom.

The Market Making Subsidiary, the Derivatives Market Participants, the Spanish Asset Managers, the Insurance Company and the Spanish Brokerage Unit are collectively referred to herein as the “**Spanish Companies**”. The Spanish Companies, together with the other Asset Managers and the other Brokerage Units are collectively referred to herein as the “**Companies**”.

The availability of the exemptions Santander Spain is requesting would be conditioned on the disclosure and record-keeping undertakings outlined below.

In addition to the exemptions Santander Spain is requesting for the trading and business activities described above, Santander Spain is requesting an exemption to allow it to continue to administer its scrip dividend program. Since November 2009, Santander Spain has offered its shareholders the opportunity to elect to receive a dividend in the form of cash or shares (a “**scrip dividend**”) on a consistent, quarterly basis. Santander Spain has paid a total of fifteen scrip dividends since November 2009. For each Santander Spain Share outstanding as of the relevant dividend record date, Santander Spain issues one right. After fifteen calendar days the rights are automatically converted into new Santander Spain Shares at no charge. During such fifteen day period, the rights are listed and trade on the Spanish Stock Exchanges. In addition to the option to trade the rights on the Spanish Stock Exchanges, during the first ten calendar days of such period, a shareholder has the option to sell the rights back to Santander Spain at a fixed price that constitutes the dividend amount. Santander Spain does not solicit any rights for repurchase but rather will only repurchase the rights of those shareholders that select that option. Accordingly, such repurchase transactions will not be made by Santander Spain in contemplation of or for the purpose of facilitating the Exchange Offers but rather will only be made in the ordinary course of the execution of such quarterly scrip dividends. Holders of Santander Spain ADSs are not issued rights themselves, but rather the depository receives the rights and holders of Santander Spain ADSs may instruct the depository to (i) permit the rights to convert into Santander Spain Shares and then issue the Santander Spain ADSs corresponding to such Santander Spain Shares to such holders, (ii) sell the rights on the Spanish Stock Exchanges and return to such holders the proceeds of such sale or (iii) sell the rights back to Santander Spain and return to such holders the proceeds of such sale. In each of the last four scrip dividends issued, the rights repurchased by Santander Spain represented the right to receive shares numbering less than 0.32% of the Santander Spain shares outstanding at such times and on average only approximately 12% of the rights issued were repurchased by Santander Spain for the last four scrip dividends issued.

The descriptions of factual matters in this letter, including the market for Santander Spain Shares and the Companies’ business and market activities, as well as the descriptions of certain matters under Spanish law and the laws of other jurisdictions outside the United States included in this letter, have been provided to us by Santander Spain.

I. The Market for Santander Spain Shares

The principal trading market for Santander Spain Shares is on the Spanish Exchanges through the AQS in Spain. The Santander Spain Shares also are listed on the New York (in the form of the Santander Spain ADSs), Milan, Lisbon, Buenos Aires, London and Mexico Stock Exchanges. Each Santander Spain ADS represents one Santander Spain Share and is evidenced by an American Depositary Receipt issued by JPMorgan Chase Bank, as Depository. Santander Spain is a foreign private issuer as defined in Rule 3b-4(c) under the U.S. Securities Exchange Act of 1934.

As of December 31, 2013, 11,333,420,488 Santander Spain Shares were outstanding, held by 3,299,026 record holders. Approximately 54.06% of the outstanding Santander Spain Shares were held of record by non-residents of Spain and 12.13% of the outstanding Santander Spain Shares were held by 1,287 record holders with registered addresses in the United States (including Puerto Rico).

As of June 30, 2014, 11,778,080,624 Santander Spain Shares were outstanding, held by 3,279,897 record holders. Approximately 55.02% of the outstanding Santander Spain Shares were held of record by non-residents of Spain and 12.64% of the outstanding Santander Spain Shares were held by 1,277 record holders with registered addresses in the United States (including Puerto Rico).

Santander Spain's market capitalization at June 30, 2014 was approximately €89.9 billion (\$123.1 billion),⁶ the largest of any Spanish bank and the second largest of any Spanish company, representing 18.3% of the IBEX 35 Index. The values of ADTV in the Santander Spain Shares on the Spanish Exchanges during the twelve months ended December 31, 2013 and the six months ended June 30, 2014 were approximately €496.5 million (\$682.3 million) and €467.2 million (\$639.7 million), or 92.8% and 90.6% of the global value of ADTV, respectively. The ADTV in number of shares in the Santander Spain Shares on the Spanish Exchanges during the twelve months ended December 31, 2013 and the six months ended June 30, 2014 were approximately 85.8 million shares and 67.3 million shares, respectively. The values of ADTV of the Santander Spain ADSs on the New York Stock Exchange (the "NYSE") during the twelve months ended December 31, 2013 and the six months ended June 30, 2014 were approximately \$46.5 million and \$57.1 million, respectively. The values of ADTV of the Santander Spain Shares on the Milan, Lisbon, Buenos Aires, London and Mexico Stock Exchanges during the twelve months ended December 31, 2013 and the six months ended June 30, 2014 were, in the aggregate, approximately €4.7 million (\$6.5 million) and €6.6 million (\$9.0 million), respectively.

The AQS links the Spanish Exchanges, providing securities listed on it with a uniform continuous market that eliminates the differences among the Spanish Exchanges. The principal feature of the system is the computerized matching of buy and sell orders at the time of entry of the order. Each order is executed as soon as a matching order is entered, but can be modified or canceled until executed. The activity of the market can be continuously monitored by investors and brokers. All trades on the AQS must be placed through a bank, a brokerage firm, an official stock broker or a dealer firm member of a Spanish Exchange directly. The AQS operates separate order-matching systems for block trades (which exceed certain minimum amounts) and all other trades.

II. Santander Spain's Market Activities

Santander Spain is one of the world's largest banking and financial services groups, and its headquarters are in Madrid, Spain. In addition, Santander Spain has subsidiary, branch, representative and similar offices worldwide. Santander Spain is regulated and licensed under the Bank of Spain in Spain, and its branches and affiliates in the United States are subject to

⁶ Throughout this letter, euros have been translated to dollars at the rate of €1.00 = \$1.3743, the noon buying rate in New York City published by the Federal Reserve Bank of New York on December 31, 2013, with regard to data as of or for periods ended December 31, 2013, and at the rate of at the rate of €1.00 = \$1.3692, the noon buying rate in New York City published by the Federal Reserve Bank of New York on June 30, 2014, with regard to data as of or for periods ended June 30, 2014.

applicable U.S. bank regulations, among other laws and regulations. Santander Spain has confirmed that the activities described below, for which it is requesting relief, are permitted under and would be conducted in accordance with applicable Spanish law and other non-U.S. laws. Assuming the requested relief is granted, Santander Spain has confirmed that the activities described below also would be conducted in accordance with applicable U.S. law.

In the continental United States, Santander Spain conducts a securities business through Santander Securities LLC, Santander Investment Securities and an asset management business for non-U.S. clients through Banco Santander International. During the eighteen month period from January 1, 2013 through June 30, 2014, purchases and sales by Banco Santander International of Santander Spain Shares and Santander Spain ADSs totaled approximately \$303.42 million. Santander Investment Securities is registered with the SEC as a broker-dealer and is a member of the Financial Industry Regulatory Association (“**FINRA**”) and the NYSE. In Puerto Rico, Santander Spain conducts a securities business through Santander Securities LLC and an asset management business through the Puerto Rico Asset Manager. During the eighteen month period from January 1, 2013 through June 30, 2014, there have been no purchases or sales by the Puerto Rico Asset Manager of Santander Spain Shares and Santander Spain ADSs and \$39.09 million of purchases and sales by Santander Securities LLC of Santander Spain Shares and Santander Spain ADSs. Santander Securities LLC is registered with the SEC as a broker-dealer and is a member of FINRA. With respect to those activities for which Santander Spain is seeking relief, Santander Investment Securities will only engage in unsolicited brokerage activities in the United States, Santander Securities LLC will only engage in unsolicited brokerage activities in Puerto Rico and the United States, the Puerto Rico Asset Manager will only engage in asset management activities in Puerto Rico and Banco Santander International will only engage in asset management activities from the continental United States for non-U.S. clients. The rest of the activities for which Santander Spain is seeking relief (including unsolicited brokerage and asset management), with the possible exception of trades made by the Spanish Asset Managers, which, due to their fiduciary obligations as asset managers, cannot follow instructions from Santander Spain, or by the Asset Managers not based in Spain, which may not be able to follow the instructions to be provided by Santander Spain due to the same fiduciary duties, will be conducted by the Spanish Companies and the other Companies outside the United States and Puerto Rico as described below.

Market Making Activities. As is customary in Spain for financial institutions, Santander Spain engages in market making activities with respect to Santander Spain Shares through its Market Making Subsidiary. The Market Making Subsidiary makes bids and offers for Santander Spain Shares and purchases and sells Santander Spain Shares on the AQS. The Market Making Subsidiary effects these transactions for its own account in order to provide liquidity to the market. The Market Making Subsidiary conducts its market making activities outside the United States and manages these activities from Madrid.

As noted above, the AQS is an order-matching system, not an inter-dealer market with formal, officially designated market makers. The Market Making Subsidiary engages in its market making activities by placing bids and offers on the AQS, primarily through one of the Non-U.S. Brokerage Units. However, the Market Making Subsidiary is not required to and does not maintain independently established bid and ask prices. The Market Making Subsidiary is not required to make a market in the Santander Spain Shares. Accordingly, the Market Making Subsidiary does not act as a “**market maker**” as that term is understood in the U.S. securities markets.

Santander Spain believes that the Market Making Subsidiary is the only market maker for Santander Spain Shares on the Spanish Exchanges and, for the twelve months ended December 31, 2013 and the six months ended June 30, 2014, the Market Making Subsidiary's market making activities accounted for approximately 4.28% and 0.57% of the value of ADTV in Santander Spain Shares on the Spanish Exchanges. At times when supply has significantly exceeded demand, its share of such value of ADTV has increased materially, but the Market Making Subsidiary's market making activities generally do not comprise in excess of 15% of the value of ADTV in Santander Spain Shares as measured on a daily basis, on the Spanish Exchanges. The monthly average percentage of outstanding Santander Spain Shares held by the Market Making Subsidiary as a result of market making activities ranged from 0.11% to 1.04% during the twelve months ended December 31, 2013 and ranged from 0.01% to 0.09% during the six months ended June 30, 2014.

During the restricted period for the Exchange Offers (the "**Restricted Period**"), the Market Making Subsidiary intends to continue its market making activities in the ordinary course of business, although the Exchange Offers' distribution may result in increased selling pressure and thus volumes of transactions by the Market Making Subsidiary may be higher than average and represent a greater than average percentage of trading volume, including in excess of 15% of such daily trading volume.

Derivatives Market Making and Hedging. The Derivatives Market Participants conduct their derivatives market making and hedging activities outside the United States and manage these activities principally from Spain. In Spain, the Treasury Department is admitted under the MEFF *Renta Variable* rules as a market maker and is a significant market maker in derivatives of Santander Spain Shares. The Treasury Department is also the only market maker on the Spanish Exchanges of securitized derivatives issued by it and based, in whole or in part, on the Santander Spain Shares and the Treasury Department is required by applicable stock exchange rules to provide quotes for such derivatives it issues. This activity involves the issuance, purchase and sale of derivative products for its own account and for the accounts of its customers on both solicited and unsolicited bases, on the Spanish Exchanges, certain other non-U.S. exchanges and in the over-the-counter market in Spain and elsewhere outside the United States. These derivatives products include listed and over-the-counter options, warrants, futures and other securities that are exercisable or convertible into, or the value of which is determined by reference to, Santander Spain Shares or proprietary or third-party baskets or indices including Santander Spain Shares. These derivatives may also include index futures on the foregoing. The Treasury Department's derivatives market making involves issuing, purchasing and selling derivatives on Santander Spain Shares in order to facilitate customer orders and to provide liquidity to the market.

In addition, the Derivatives Market Participants will maintain varying positions in these derivatives and their financial exposure to movements in the price of the Santander Spain Shares will vary from time to time. In order to manage this financial exposure, the Derivatives Market Participants continually enter into hedging transactions that involve, in whole or in part, in the case of the Treasury Department, purchases and sales of Santander Spain Shares or, in the case of each of the Treasury Department and Cavalsa, of derivatives based on Santander Spain Shares, for their own accounts and on behalf of customers of the Treasury Department, as applicable, in order to assist them in hedging their own derivatives positions. The derivatives hedging transactions in Santander Spain Shares described above occur primarily on the AQS and on the MEFF *Renta Variable*, with the balance occurring on other exchanges outside the United States and, in some

cases, in the over-the-counter market outside the United States. During the twelve months ended December 31, 2013 and the six months ended June 30, 2014, these market making and hedging transactions in Santander Spain Shares represented approximately 4.10 and 4.02%, respectively, of the value of ADTV in Santander Spain Shares on the Spanish Exchanges.

Trading in Santander Spain Shares by the Asset Managers. As part of their ordinary investment management activities, the Asset Managers buy and sell Santander Spain Shares and derivatives, including listed and over-the-counter options, warrants, convertible securities and other structured products related to Santander Spain Shares or baskets or indices including Santander Spain Shares, as well as index futures on the foregoing, outside the United States for the Managed Funds' accounts.⁷ Under Spanish law, the Asset Managers have a fiduciary duty to oversee the Managed Funds in a manner that is in the best interests of the investors of those funds.⁸ The Asset Managers are prohibited by law from taking into account any factors other than the interests of the Managed Funds' beneficiaries in making investment decisions. Accordingly, the Asset Managers would be prohibited by law from following a directive by Santander Spain to cease trading Santander Spain Shares and derivatives, including listed and over-the-counter options, warrants, convertible securities and other structured products related to Santander Spain Shares or baskets or indices including Santander Spain Shares, as well as index futures on the foregoing, during the Restricted Period, unless the Asset Managers believed that cessation of such trading was in the best interests of the Managed Fund's beneficiaries.⁹ Similarly, the Asset Managers would be prohibited by law from following a Santander Spain directive to bid for or purchase Santander Spain Shares and derivatives, including listed and over-the-counter options, warrants, convertible securities and other structured products related to Santander Spain Shares or baskets or indices including Santander Spain Shares, as well as

⁷ The Puerto Rico Asset Manager conducts such activities in Puerto Rico and Banco Santander International conducts such activities in the continental United States for non-U.S. clients. Both entities' volume of trading in Santander Shares has historically been low.

⁸ Under Spanish law, Santander cannot issue directives to the Spanish Asset Managers requesting them to stop trading in any specific security for a specified period. This has been confirmed orally by the Spanish National Markets Commission (the "CNMV"). As a result, prior to the commencement of the Restricted Period, Santander will instead issue advisory notices to the Spanish Asset Managers informing them that any trading by them in Santander Shares or derivatives during the Restricted Period could result in a violation of U.S. law. Prior to the commencement of the Restricted Period, Santander will issue directives to the Asset Managers not based in Spain requesting such Asset Managers to stop trading in Santander Shares or derivatives until the termination of the Restricted Period. However, in light of the fiduciary duties that the Asset Managers have to the beneficiaries of the Managed Funds, no assurances can be given that the Asset Managers will in fact refrain from trading in Santander Shares or derivatives during the Restricted Period. Accordingly, we are asking that the requested relief cover the asset management activities of the Asset Managers to the extent that the Asset Managers continue to trade in Santander Shares or derivatives in the ordinary course of business during the Restricted Period.

⁹ Some of the pension funds managed by the Asset Managers have an "investment oversight committee" charged with overseeing the investments made by the Asset Managers. In certain cases, representatives and/or employees of Santander or its affiliates may be members of those investment oversight committees. However, those committees (and their members) would be unable to require the pension fund Asset Manager to stop or start trading Santander Shares or derivatives during the Restricted Period if the Asset Manager did not believe it was in the best interests of the fund's owners to do so. The representatives and/or employees of Santander who participate on the investment oversight committees are, like the Asset Managers themselves, isolated by Chinese Walls from the areas of Santander where price-sensitive information relating to Santander Shares or derivatives and where information relating to the Exchange Offers would be discussed.

index futures on the foregoing, unless the Asset Managers independently concluded that such bids or purchases were in the best interests of the Managed Fund's beneficiaries.

Trading by the Insurance Company. The Insurance Company purchases Santander Spain Shares in connection with investing premiums paid on Asset Class Policies, which require investments within a narrow class of assets, such as the IBEX 35 Index, that may include Santander Spain Shares. The Insurance Company conducts these activities outside the United States.

Under Spanish law, the Insurance Company has a fiduciary duty to the purchasers of Asset Class Policies to oversee the investments with respect to those policies in a manner that is in the best interests of those purchasers. The Insurance Company may not take into account any factors other than the interests of its insureds in making investment decisions under those policies. Accordingly, the Insurance Company would be prohibited by law from following, with respect to the Asset Class Policies, a directive by Santander Spain to cease trading Santander Spain Shares during the Restricted Period, unless such a halt in trading were in the best interests of the purchasers of those policies. Similarly, the Insurance Company would be prohibited by law from following a Santander Spain directive to bid for or purchase Santander Spain Shares unless the Insurance Company independently concluded that such bids or purchases were in the best interests of its insureds under the Asset Class Policies.

Unsolicited Brokerage. The Non-U.S. Brokerage Units effect unsolicited brokerage transactions in the Santander Spain Shares by placing orders on the Spanish Exchanges and other overseas exchanges or effecting trades in the over-the-counter market in Spain and elsewhere outside the United States, in each case on behalf of customers. These transactions arise from unsolicited buy and sell orders received from their customers, although the Non-U.S. Brokerage Units may solicit the other side of these transactions. The unsolicited brokerage activities of the Non-U.S. Brokerage Units (excluding trades executed by the Non-U.S. Brokerage Units on behalf of the Market Making Subsidiary) represented approximately 14.60% and 16.04% of the value of ADTV in Santander Spain Shares on the Spanish Exchanges during the twelve months ended December 31, 2013 and the six months ended June 30, 2014, respectively.

Although the Non-U.S. Brokerage Units from time to time provide advice to their customers regarding an investment in Santander Spain Shares, none of the Non-U.S. Brokerage Units, Santander Spain or any subsidiary of Santander Spain publishes research reports concerning Santander Spain. Furthermore, the Non-U.S. Brokerage Units' personnel have been instructed not to make any investment recommendations to their customers with respect to Santander Spain Shares or Santander Spain ADSs during the Restricted Period.

The Non-U.S. Brokerage Units are required by Spanish law, as well as, in some cases, by the terms of their contracts with customers, to facilitate the trading activity of customers as described above.¹⁰ It would place a substantial burden on the Non-U.S. Brokerage Units' customers to require them to transfer their Santander Spain Shares to a securities account with another bank, or to have the Non-U.S. Brokerage Units place orders with another bank, in order to make trades with respect to Santander Spain Shares during the Restricted Period. Moreover, the Non-U.S. Brokerage Units would likely lose a significant number of those customers if the Non-U.S.

¹⁰ The Brokerage Units are not required, however, to buy or sell Santander Shares as principal for the benefit of their clients.

Brokerage Units were prevented from providing them with customary facilitation services during the Restricted Period.

As noted above, the U.S. Brokerage Units may also engage in unsolicited brokerage transactions in the Santander Spain Shares with their customers in the United States. These transactions would be effected on the NYSE, in the over-the-counter markets in the United States or in the non-U.S. markets described above. The personnel of the U.S. Brokerage Units have been instructed not to make any investment recommendations to their customers with respect to Santander Spain Shares or Santander Spain ADSs during the Restricted Period.

Significance to Market. As noted above, the Market Making Subsidiary's market making activities accounted for 4.28% and 0.57% of the values of ADTV in Santander Spain Shares on the Spanish Exchanges during the twelve months ended December 31, 2013 and the six months ended June 30, 2014, respectively, while the derivatives market making and hedging activities of the Derivatives Market Participants and the unsolicited brokerage activities of the Non-U.S. Brokerage Units (excluding trades executed on behalf of the Market Making Subsidiary) represented approximately 4.10% and 14.60%, respectively, of such 2013 value of ADTV and approximately 4.02% and 16.04%, respectively, of such 2014 value of ADTV. In the aggregate, these market activities represented approximately 22.98% and 20.63% of the values of ADTV in Santander Spain Shares on the Spanish Exchanges during the twelve months ended December 31, 2013 and the six months ended June 30, 2014, respectively, making Santander Spain, on an aggregate basis, the second largest market participant in the market for Santander Spain Shares on the Spanish Exchanges during the twelve months ended December 31, 2013, the largest market participant in the market for Santander Spain Shares on the Spanish Exchanges during the six months ended June 30, 2014 and the only market maker in such shares during each period. Although Santander Spain is unable to determine on whose behalf the non-Santander Spain record holders of Santander Spain Shares are trading such shares on the Spanish Exchanges, the largest participant in the market for Santander Spain Shares during the twelve months ended December 31, 2013 and the second largest market participant in the market during the six months ended June 30, 2014, Banco Bilbao Vizcaya Argentaria, accounted for approximately 33.63% and 12.49% of the values of ADTV in Santander Spain Shares on the Spanish Exchanges during the twelve months ended December 31, 2013 and the six months ended June 30, 2014, respectively. Santander Spain believes that these volumes reflect substantial block trade activity and that Banco Bilbao Vizcaya Argentaria does not make a market in Santander Spain Shares.

Chinese Walls. Santander Spain maintains and enforces written "**Chinese Wall**" policies and procedures to prevent material non-public information from passing between the sales/trading areas and other sensitive areas of Santander Spain (including any investment oversight committee). Accordingly, during restricted periods prior to announcements of earnings results or other material developments that have not yet become public, most market making and all other ordinary course market activities of Santander Spain are permitted to continue. Under these policies and procedures, Santander Spain's traders and sales force who conduct these market activities will generally be able to continue doing so during and outside these restricted periods, although senior management may restrict such activities in extraordinary circumstances. Santander Spain will continue to maintain and enforce these policies and procedures during the Restricted Period.

Other affiliates of Santander Spain conduct market activities in Santander Spain Shares in the ordinary course of their business. In connection with the Exchange Offers, these other affiliates will comply with Regulation M, either by suspending their market activities during the relevant period or by conducting those activities in accordance with an available exception from Regulation M. These exceptions might include those available for “**affiliated purchasers.**” Accordingly, Santander Spain is not seeking relief from the Staff for these activities.

III. Santander Spain Scrip Dividend

Since November 2009, Santander Spain has offered its shareholders a scrip dividend on a consistent, quarterly basis. Santander Spain has paid a total of fifteen scrip dividends since November 2009. For each Santander Spain Share outstanding as of the relevant dividend record date, Santander Spain issues one right. The rights entitle their holders to receive new Santander Spain Shares at no charge upon the automatic conversion of the rights, but the shareholders also have the option to sell the rights in the open market in Spain or back to Santander at a fixed price that constitutes the dividend amount. Santander Spain does not solicit any rights for repurchase but rather will only repurchase the rights of those shareholders that select that option. Accordingly, such repurchase transactions will not be made by Santander Spain in contemplation of or for the purpose of facilitating the Exchange Offers but rather will only be made in the ordinary course of the execution of such quarterly scrip dividends. Holders of Santander Spain ADSs are not issued rights themselves, but rather the depository receives the rights and holders of Santander Spain ADSs may instruct the depository to (i) permit the rights to convert into Santander Spain Shares and then issue the Santander Spain ADSs corresponding to such Santander Spain Shares to such holders, (ii) sell the rights on the Spanish Stock Exchanges and return to such holders the proceeds of such sale or (iii) sell the rights back to Santander Spain and return to such holders the proceeds of such sale. In each of the last four scrip dividends issued, the rights repurchased by Santander Spain represented the right to receive shares numbering less than 0.32% of the Santander Spain shares outstanding at such times and on average only approximately 12% of the rights issued were repurchased by Santander Spain for the last four scrip dividends issued. Santander Spain is seeking relief from the Staff to administer its scrip dividend program during the pendency of the Exchange Offers in the same manner, in all material respects, as the fifteen scrip dividends Santander Spain has paid since November 2009 and the numerous scrip dividends that have been paid by other Spanish banks over the past several years. The expected record date for the 2014 fourth quarter scrip dividend is October 17, 2014 and the period during which rights would be repurchased by Santander Spain upon request would be October 20 to 29.

IV. The Exchange Offers

On April 29, 2014, Santander announced the terms of the Exchange Offers pursuant to which Santander Spain is offering to acquire all the issued and outstanding (i) common shares of Santander Brasil (“**Santander Brasil Common Shares**”), (ii) preferred shares of Santander Brasil (“**Santander Brasil Preferred Shares**” and, together with Santander Brasil Common Shares, “**Santander Brasil Shares**”), (iii) units of Santander Brasil (each of which represents one Santander Brasil common share and one Santander Brasil preferred share) (“**Santander Brasil Units**”) and (iv) American Depositary Shares (each of which represents one Santander Brasil Unit) (“**Santander Brasil ADSs**”), in each case other than any Santander Brasil Shares, Santander Brasil Units or Santander Brasil ADSs owned directly or indirectly by Santander

Spain, in exchange for 0.35 of a Santander Spain Share, for each Santander Brasil Share, and 0.7 of a Santander Spain Share, for each Santander Brasil Unit or Santander Brasil ADS.

Holders of Santander Brasil Units, Santander Brasil Shares and Santander Brasil ADSs who tender into the U.S. Exchange Offer through JPMorgan Chase Bank, N.A., as the US exchange agent, will receive Santander Spain ADSs, which will be in book-entry form or will be evidenced by American Depositary Receipts. Holders of Santander Brasil Units and Santander Brasil Shares who tender into the Brazilian Exchange Offer by tendering their Santander Brasil Units or Santander Brasil Shares in the auction to be held on the BM&FBOVESPA stock exchange in Brazil ("**Bovespa**") will receive Santander Spain BDSs, which will be in book-entry form or will be evidenced by Brazilian Depositary Receipts.

The Exchange Offers are subject to certain customary conditions.

Santander Spain has filed a registration statement on Form F-4 (which contains an offer to exchange/prospectus) with the SEC pursuant to which the Santander Spain Shares underlying the ADSs to be delivered in the U.S. Exchange Offer and the BDSs to be delivered to U.S. holders in the Brazilian Exchange Offer will be registered under the Securities Act of 1933. Santander Spain plans to mail the offer to exchange/prospectus to the holders of Santander Brasil ADSs and the record holders of Santander Brasil Units and Santander Brasil Shares that are residents of, or located in, the United States and whose names appear on the shareholder lists provided by Santander Brasil as soon as practicable after the registration statement is declared effective.

Assuming all of the Santander Brasil Shares, Santander Brasil Units and Santander Brasil ADSs are tendered into the Exchange Offers, the Santander Spain Shares (including those underlying Santander Spain ADSs and Santander Spain BDSs) issued in connection with the Exchange Offers will represent approximately 5.41% of the Santander Spain Shares that would be outstanding following completion of the Exchange Offers. The Santander Brasil Shares and Santander Brasil Units are listed on Bovespa and the Santander Brasil ADSs are listed on the NYSE.

V. Application of Regulation M

In connection with the Exchange Offers, Santander Spain will distribute Santander Spain ADSs and Santander Spain BDSs to holders of Santander Brasil Shares, Santander Brasil Units and Santander Brasil ADSs, some of whom are expected to reside in the United States, and may therefore be considered to be engaged in a distribution in the United States for purposes of Regulation M. Pursuant to Rule 100 under Regulation M, the Restricted Period will begin on the day that the Exchange Offers are commenced, which is the day the offer to exchange/prospectus will be mailed, and will end once the Exchange Offers are completed. Thus, the Restricted Period is likely to last approximately one month, or four months in the event that Santander Spain is required to initiate a three-month subsequent offering to comply with Brazilian law, and potentially longer in the event the Exchange Offers are extended.

As business units or affiliates of Santander Spain that, from time to time, purchase Santander Spain Shares for their own accounts and the accounts of others and recommend and exercise investment discretion with respect to the purchase of Santander Spain Shares, the Companies may be deemed to be "**affiliated purchasers**" of Santander Spain, as defined in Rule 100 of

Regulation M. In addition, none of the Companies currently intends to participate in the Exchange Offers; accordingly, they would not be deemed to be “**distribution participants**” as defined in Rule 100 and, thus, would be subject to Rule 102 of Regulation M.¹¹

Under Rule 102, the Companies will not be permitted to bid for or purchase, or attempt to induce any person to bid for or purchase, Santander Spain Shares during the Restricted Period unless one of the specified exceptions under Rule 102 is available. There are no exceptions available under Rule 102 that would permit the Companies to engage in the market-making, derivatives hedging, asset management, insurance and unsolicited brokerage activities described in this letter. Therefore, without the requested exemptive relief, the Companies would not be permitted to engage in these activities for an extended period of time, which is likely to last approximately one month, or four months in the event that Santander Spain is required to initiate a three-month subsequent offering to comply with Brazilian law, and potentially longer in the event the Exchange Offers are extended.

Santander Spain believes that the withdrawal of the most important market participant and the only market maker in Santander Spain Shares in the primary market for those shares, which are among the most actively traded in Spain, for such an extended period of time would have serious harmful effects in the home market and, indirectly, in the U.S. market, for the Santander Spain Shares. These effects could include a significant imbalance of buy and sell orders, particularly given the large number of shares to be distributed in the Exchange Offers, and thus greater volatility and reduced liquidity. In addition, as the Treasury Department is also a significant market maker in derivatives on Santander Spain Shares, if the Treasury Department is precluded from conducting market making activities in the derivatives or from effecting hedging transactions in Santander Spain Shares relating to the derivatives, the application of Regulation M could have adverse effects on the market for derivatives, as well as on the Derivatives Market Participants’ ability to manage hedge positions maintained by them and the customers of the Treasury Department previously established in connection with this activity. The Asset Managers and the Brokerage Units may also be unable to execute asset-management related or unsolicited brokerage orders submitted by their customers in the normal course, thereby forcing their customers to take their orders elsewhere or to refrain from trading. Similarly, the Asset Managers and the Insurance Company have a fiduciary duty to the investors of the Managed Funds and to the purchasers of their insurance products to oversee the investments in a manner that is in the best interests of those purchasers. Accordingly, the Asset Managers and the Insurance Company may not refrain from, or engage in, trading in Santander Spain Shares or, as the case may be, derivatives, including listed and over-the-counter options, warrants, convertible securities and other structured products related to Santander Spain Shares or baskets or indices including Santander Spain Shares, as well as index futures on the foregoing, as a result of investment instructions received from Santander Spain, unless such action is in the best interests of the purchasers of those policies. The derivatives market making and hedging, asset management, insurance and unsolicited brokerage activities described in this letter are also

¹¹ Although we do not expect that any of the Companies will participate in solicitation efforts in connection with the Exchange Offers (such as acting as a dealer-manager), if they were to do so, they would likely be considered a “**distribution participant**” and thus would be subject to Rule 101 of Regulation M. Under Rule 101, none of the Companies would be permitted to bid for or purchase, or attempt to induce any person to bid for or purchase, Santander Shares during the Restricted Period, unless one of the specified exceptions under Rule 101 were available. As the available exceptions under Rule 101 would not permit the Companies to engage in most of the activities for which relief is being sought in this letter, we ask that the exemption that we are requesting apply whether these Companies are subject to Rule 101 or Rule 102.

important aspects of Santander Spain's business as a major financial institution in Europe and, therefore, interrupting those activities for such an extended period could also have an adverse impact on Santander Spain's business, including its ability to properly manage its risks.

As noted above, the Santander Spain Shares would easily qualify as actively traded securities that are exempt under Rule 101(c)(1), with a value of average daily trading volume for the twelve months ended December 31, 2013 and the six months ended June 30, 2014 of approximately \$735.3 million and \$705.8 million, respectively, and a public float value in excess of \$100 billion. Regulation M normally would not interfere with market-making and other market activities in actively traded securities, such as the Santander Spain Shares. However, because the Companies are affiliated purchasers of the issuer, they may not rely on the actively traded securities exception to do what market makers and brokers for large U.S. issuers are normally allowed to do during distributions by those issuers.

In addition, the Exchange Offers are being conducted in accordance with applicable U.S. law and trading in Santander Spain Shares by the business units and affiliates of Santander Spain identified herein during the Exchange Offers' distribution is subject to and will be conducted in accordance with applicable Spanish law and other applicable non-U.S. laws. As discussed in greater detail below, applicable Spanish law provides important safeguards against the type of risk of abuse that Regulation M was designed to prevent.

Finally, Santander Spain believes that the risk of market manipulation by the Companies is limited by the "**Chinese Wall**" procedures and fiduciary duties described above, the fact that the market activities that are the subject of this request for exemptive relief are the ordinary course market activities of the Companies rather than activities commenced or managed in contemplation of the Exchange Offers, and the fact that the jurisdictions in which the Companies operate have laws that prohibit market manipulation (as further discussed below).

For the foregoing reasons, Santander Spain asks the Staff to provide an exemption from Regulation M that would allow the Companies to continue to engage in marking making, derivatives market making and hedging, asset management, insurance and unsolicited brokerage activities with respect to Santander Spain Shares and Santander Spain ADSs in the ordinary course of their respective business as described above during the Restricted Period, as permitted under market practice and applicable law in their home jurisdictions.

Santander Spain also respectfully requests an exemption from Regulation M to permit it to continue to offer its shareholders the option to receive dividends in cash or shares by administering its scrip dividend program consistent with its and other Spanish banks' historical practice and in accordance with applicable law, as described in this letter. In particular, Santander Spain requests relief in light of the fact that repurchases under the scrip dividend program will not be made with the purpose of trading in, or have the effect of manipulating or artificially raising the price of, Santander Spain's shares because (i) repurchasing the rights issued to Santander Spain shareholders as part of the scrip dividend is only one of the alternatives offered to Santander Spain's shareholders and Santander Spain does not solicit its shareholders to select this alternative, (ii) in each of the last four scrip dividends issued, the rights repurchased by Santander Spain represented the right to receive shares numbering less than 0.32% of the Santander Spain shares outstanding at such times and on average only approximately 12% of the rights issued were repurchased by Santander Spain for the last four scrip dividends issued, (iii) repurchases will be made at a fixed price announced at the time the

dividend is declared that constitutes the dividend amount and (iv) the scrip dividend program has been disclosed by Santander Spain in prior filings and will be disclosed in the registration statement/offer to exchange. Furthermore, any scrip dividend issued during the Restricted Period will be administered in the same manner, in all material respects, as the fifteen scrip dividends Santander Spain has paid on a consistent, quarterly basis since November 2009 and the numerous scrip dividends that have been paid by other Spanish banks over the past several years. Accordingly, any scrip dividend occurring during the Restricted Period will be conducted in the ordinary course of Santander Spain's business and be unrelated to the Exchange Offers. In particular, Santander Spain does not solicit any rights for repurchase but rather will only repurchase the rights of those shareholders that select that option. Accordingly, such repurchase transactions will not be made by Santander Spain in contemplation of or for the purpose of facilitating the Exchange Offers but rather will only be made in the ordinary course of the execution of such quarterly scrip dividends. Failure to grant the requested relief would result in hardship to holders of Santander Spain Shares and Santander Spain ADSs as they expect to receive the quarterly dividend on its regular schedule and would suffer harm in the event of any delay. Additionally, substituting the scrip dividend with a cash dividend during the Restricted Period would result in harm to holders of Santander Spain Shares and Santander Spain ADSs by providing them with fewer options. In addition, any holders who wish to purchase Santander Spain Shares with their dividend would be exposed to greater market risk and to transaction fees. Finally, receipt of a cash dividend would result in tax withholding in Spain for shareholders subject to Spanish tax, while receipt of a scrip dividend offers such shareholders options that would allow them to avoid tax withholding in Spain on their dividend.

VI. The Spanish Regulatory Regime

The principal regulations that apply to the Spanish Companies' market activities under Spanish law are the Spanish Securities Market Act (the "**SSMA**"), Royal Decree 1333/2005, as amended (relating to market abuse), Royal Decree 217/2008 (relating to regulations governing the activities of investment firms and conduct on the Spanish Exchanges).¹² The SSMA established an independent regulatory authority, the CNMV, to supervise the securities markets. The SSMA governs, among other things, trading practices, insider trading and disclosure. In particular, Articles 83 ter,¹³ and 99(i)¹⁴ of the SSMA prohibit market manipulation. Under the SSMA, the CNMV oversees price formation, execution and the settlement of transactions to ensure that insider trading, price manipulation and other breaches of law may be detected. The CNMV has a division which has responsibility for market supervision, monitoring compliance, investigating

¹² European anti-market abuse legislation is found principally in EU Directive 2003/6/CE, which has been incorporated into Spanish law in the SSMA and in Royal Decree 1333/2005.

¹³ Article 83 ter provides:

Any person or entity acting or otherwise related to the securities markets shall refrain from engaging in activities that may falsify the free development of prices in the securities markets.

¹⁴ Article 99 provides:

The following acts or omissions constitute extremely serious infringements by the individuals and institutions referred to in Article 95 hereof [including brokers, market makers and their respective officers]:

(i) breach of Article 83 ter if such breach has a material adverse effect on the price [of the relevant security]. If the effect on the price is not material, this would still constitute a serious infringement, in accordance with Article 100.

violations and imposing disciplinary measures. The CNMV also takes measures to ensure that information necessary to maintain a transparent market is made public. This applies, in particular, to the prices and volumes of securities traded on and off the Spanish Exchanges.

The Spanish Criminal Code provides remedies for abusing confidential information that is likely to influence the prices of securities. Market manipulation and dissemination of false rumors to affect the prices of listed securities to realize a gain are prohibited. The breach of professional secrecy, insider trading and price manipulation in Spain are criminal offenses. In particular, Article 284 of the Spanish Criminal Code establishes criminal liability for employment of any mechanism with the intent to alter prices that would otherwise result from a free market for, among other things, securities.

Under Spanish law, Santander Spain and its subsidiaries are prohibited from purchasing Santander Spain Shares unless the purchase of Santander Spain Shares is generally authorized at a meeting of shareholders of Santander Spain, and such purchase, together with the Santander Spain Shares previously held by Santander Spain and its subsidiaries, do not result in a net equity lower than the Santander Spain share capital amount plus any restricted legal or statutory reserves. In addition, the total number of Santander Spain Shares held by Santander Spain and its subsidiaries may not exceed 10% of the total capital stock of Santander Spain. Spanish law requires that the CNMV be notified each time Santander Spain and its subsidiaries acquire, on an aggregate basis, 1% of the outstanding capital stock of Santander Spain (without deducting any sales of Santander Spain Shares which may have been made during that time period). In addition, the Bank of Spain requires Santander Spain to provide monthly reports of the number of Santander Spain Shares held by Santander Spain and its subsidiaries, the number of Santander Spain Shares held for hedging purposes and the number of Santander Spain Shares held by third parties whose purchase was either financed by or pledged to Santander Spain or any of its subsidiaries.

Pursuant to Spanish regulations relating to conduct in the securities markets, the Spanish Brokerage Unit must keep records of orders received from any third party regarding Santander Spain Shares and any other security as well as the execution of such order. The Spanish Brokerage Unit also must keep records relating to transactions in which they are acting as principals. The information contained in such records must include identification of the client, the number, type and price of securities bought or sold and the market on which the transaction is effected. These records must be made available to the CNMV upon request. In addition, the Market Making Subsidiary, the Derivatives Market Participants, the Spanish Asset Managers and the Insurance Company must also maintain records relating to the transactions in which they engage, including the number, type and price of securities bought or sold.

The jurisdictions in which the Companies other than the Spanish Companies operate generally have anti-market manipulation, insider trading and record-keeping laws and regulations similar to those governing market activities in Spain.

VII. Relief Requested

As discussed above, Santander Spain is seeking exemptive relief from Rules 101 and 102 of Regulation M to permit the Market Making Subsidiary, the Derivatives Market Participants, the Asset Managers, the Insurance Company and the Non-U.S. Brokerage Units to continue to engage in market making, derivatives market making and hedging, asset management,

insurance and unsolicited brokerage activities and administer the scrip dividend program as described in this letter during the Restricted Period. The Market Making Subsidiary, the Derivatives Market Participants, the Asset Managers, the Insurance Company and the Non-U.S. Brokerage Units would conduct these activities in the ordinary course of their business, not for the purpose of facilitating the Exchange Offers' distribution and in accordance with applicable law, all as described in this letter. Santander Spain also asks for relief (i) to permit the U.S. Brokerage Units, Banco Santander International and the Puerto Rico Asset Manager to engage in their respective activities in the normal course of business, not for the purpose of facilitating the Exchange Offers' distribution and in accordance with applicable local law, as described in this letter and (ii) to permit Santander Spain to administer its scrip dividend program consistent with market practice since November 2009 and in accordance with applicable law, as described in this letter.

As a condition to the relief being requested, Santander Spain would undertake to include disclosure in the offer to exchange/prospectus that will be distributed to Santander Brasil shareholders as set forth in the offer to exchange/prospectus. The disclosure would be substantially similar to the following:

Since the announcement of the Exchange Offers, Santander Spain, through certain identifiable business units, and certain of its affiliates have engaged and intend to continue to engage in various dealing and brokerage activities involving Santander Spain Shares outside the United States. Among other things, Santander Spain, through an affiliate, has made a market, from time to time, and intends to continue to make a market, from time to time, in the Santander Spain Shares by purchasing and selling Santander Spain Shares for its own account in Spain on the Spanish Exchanges.

Certain mutual fund management companies, pension fund management companies, asset management companies and insurance companies that are affiliates of Santander Spain have purchased and sold, and intend to continue to purchase and sell, Santander Spain Shares and derivatives, as part of their ordinary investing activities and/or as part of the investment selections made by their clients. Santander Spain, through its derivatives business units, has also engaged, and intends to continue to engage, in dealings in Santander Spain Shares and derivatives for their accounts and for the accounts of their respective customers for the purpose of market making of derivatives, short term management of balance sheet risk or of hedging their respective positions established in connection with certain derivatives activities (such as options, warrants, futures and other instruments) relating to Santander Spain Shares entered into by Santander Spain and its affiliates and their respective customers. Santander Spain, through its brokerage business units, has also engaged, and intends to continue to engage, in unsolicited brokerage transactions in Santander Spain Shares with Santander Spain's customers. These activities occurred and are

expected to continue to occur through the AQS, on the Spanish Exchanges, the stock exchanges of Milan, Lisbon, Buenos Aires, London and Mexico and in the over-the-counter market in Spain or elsewhere outside the United States.

Santander Spain's affiliates in the United States also have engaged and may continue to engage in unsolicited brokerage and asset management transactions in Santander Spain Shares and Santander Spain ADSs in the United States. In addition, Santander Spain's affiliates in Puerto Rico have engaged and may continue to engage in unsolicited brokerage transactions in Santander Spain Shares and Santander Spain ADSs in Puerto Rico and may purchase Santander Spain Shares and Santander Spain ADSs in connection with asset management activities in Puerto Rico. Santander Spain is not obliged to make a market in Santander Spain Shares and any such market making may be discontinued at any time. All of these activities could have the effect of preventing or retarding a decline in the market price of the Santander Spain Shares.

Since November 2009, Santander Spain has offered its shareholders a scrip dividend on a consistent, quarterly basis. For each Santander Spain Share outstanding as of the relevant dividend record date, Santander Spain issues one right. The rights entitle their holders to receive new Santander Spain Shares at no charge upon the automatic conversion of the rights, but the shareholders also have the option to sell the rights in the open market in Spain or back to Santander at a fixed price that constitutes the dividend amount. Holders of Santander Spain ADSs are not issued rights themselves, but rather the depository receives the rights and holders of Santander Spain ADSs may instruct the depository to (i) permit the rights to convert into Santander Spain Shares and then issue the Santander Spain ADSs corresponding to such Santander Spain Shares to such holders, (ii) sell the rights on the Spanish Stock Exchanges and return to such holders the proceeds of such sale or (iii) sell the rights back to Santander Spain and return to such holders the proceeds of such sale. Santander Spain intends to continue to administer its scrip dividend program during the pendency of the Exchange Offers in the same manner, in all material respects, as the fifteen scrip dividends Santander Spain has paid since November 2009 and the numerous scrip dividends that have been paid by other Spanish banks over the past several years.

Santander Spain has sought and received from the SEC certain exemptive relief from Regulation M in order to permit its identifiable business units and affiliates to engage in the foregoing activities during the Restricted Period and to permit Santander

Spain to administer its scrip dividend program during the Restricted Period.

As a further condition to the relief being requested, Santander Spain and each of the Companies will undertake to keep records (the “**Records**”) of the date and time when any Santander Spain Shares are purchased or sold, the market in which the purchase or sale is effected, the amount of Santander Spain Shares purchased or sold and the price of the purchase or sale, for each purchase or sale of Santander Spain Shares made during the Restricted Period. This information will not include any client-specific data, the disclosure of which is restricted under local law. Santander Spain will maintain Records for a period of two years following the completion of the Exchange Offers. Upon the written request of the Division of Trading and Markets of the SEC, Santander Spain will make a copy of the relevant Records available at the SEC’s offices in Washington, D.C.

In connection with the relief requested by Santander Spain in this letter, please note that substantially similar exemptive relief from Rule 101 and Rule 102 of Regulation M was granted to Santander Spain with respect to market making, derivatives hedging, asset management, insurance and unsolicited brokerage activities under your exemptive letters dated September 10, 2004, August 18, 2008 and December 22, 2008 and to Banco Bilbao Vizcaya Argentaria, S.A. under your exemptive letters dated June 25, 2007 and October 28, 2010, substantially similar exemptive relief from Rule 101 and Rule 102 of Regulation M was granted to Allianz AG with respect to market making, derivatives market making and hedging and unsolicited brokerage activities under your exemptive letter dated April 10, 2003 and similar exemptive relief from Rule 102 of Regulation M was granted to Santander Spain with respect to derivatives market making and hedging, asset management, insurance and unsolicited brokerage activities relating to shares of the Royal Bank of Scotland under your exemptive letter dated July 23, 2007, to Lloyds Banking Group plc with respect to derivatives hedging, asset management, insurance, unsolicited brokerage and other activities under your exemptive letter dated September 16, 2013 and to National Bank of Greece S.A. with respect to market making, derivatives hedging, asset management and unsolicited brokerage activities under your exemptive letter dated May 7, 2014.

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If you have any questions about this request, please do not hesitate to contact Nicholas A. Kronfeld (212-450-4950) or Marc O. Williams (212-450-6145). We appreciate your assistance in this matter.

Very truly yours,



Nicholas A. Kronfeld

Copy to:

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