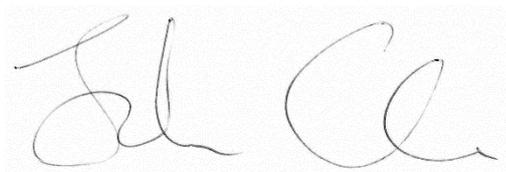


# Addendum to the Supplementary Report dated 31 May 2018

Santander UK and ANTS ring-fencing  
transfer scheme

As at 7 June 2018



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# 1. About this document

## 1.1 Purpose of this document

This document, dated 8 June 2018, is an addendum to my Supplementary Report dated 31 May 2018 (Supplementary Report) in relation to the ring-fencing transfer scheme (the Scheme) of Santander UK plc (Santander UK) and Abbey National Treasury Services plc (ANTS).

The purpose of this addendum is to consider two communications matters that I have been made aware of since the publication of my Supplementary Report:

1. Additional outbound communications that have been issued since the publication of my Supplementary Report, which augments section 5.4 of my Supplementary Report; and
2. Additional inbound communications received from customers or other persons by Relationship Directors (RDs) or the dedicated ring-fencing contact centre, which augments section 5.5.2 of my Supplementary Report.

This addendum should be read in conjunction with my Supplementary Report. Terms defined in my Supplementary Report have the same meaning when used in this addendum.

This addendum, alongside my Supplementary Report, my Scheme Report, and Santander UK's Summary of my Scheme Report, are all available to view or download from the Santander UK Group's dedicated ring-fencing website (<https://www.santanderringfencing.co.uk>).

## 2. Additional communications issued to other persons following publication of my Supplementary Report

### 2.1 Introduction

I have been made aware that since the publication of my Supplementary Report on 31 May 2018 there have been additional outbound communications issued that were not considered in my Supplementary Report. This section deals with these outbound communications, including my conclusions regarding the effect of them in relation to answering the Statutory Question.

A total of 23 additional communications, relating to administrative arrangements with agents, trustees and other administrative parties in relation to lending structures, as well as to correspondent banks in relation to trade finance transactions, have been issued. I have outlined these in table 1. Some of these additional communications are deviations from the Communications Plan Schedule, as set-out in section 5.4 of my Supplementary Report, some are more general additional communications providing updates to communications previously sent in accordance with the Communications Plan Schedule, and some are additional communications sent due to changes of circumstances in respect of particular transactions.

I note that these additional communications are not communications to customers (and have not been sent to customers) and relate to other persons (i.e. agents, trustees and administrative parties and correspondent banks) who have a relationship with the underlying customer to the relevant transaction. I am satisfied that the underlying customers who have entered into the relevant transactions detailed below, have received formal notification letters and tailored information packs in line with the Communications Plan Schedule and as set out in table 9 of my Supplementary Report.

In summary, and as detailed below, I am satisfied that none of the additional communications detailed below cause an adverse effect on these persons or change the conclusions already reached in my Scheme Report (29 January 2018) and subsequently updated in my Supplementary Report (31 May 2018).

Table 1: Summary of additional communications between 31 May 2018 and 7 June 2018

Description of communication and Skilled Person assessment

11 letters or emails to agents, trustees or other administrative parties who have been previously notified about other transactions transferring under the Scheme

- ▶ Agents, trustees and other administrative parties perform administrative services on behalf of customers who transact with Santander UK and/or ANTS, and therefore need to be notified of the transfers under the Scheme, to enable them to make any necessary changes required to meet their ongoing obligations to their underlying customers.
  - ▶ I have reviewed the list of customers to whom the transactions relate, and I am satisfied that customers were issued with a formal notification letter, informing them of the Scheme, prior to the end of March 2018.
  - ▶ The following communications were sent as additional notifications to agents, trustees or other administrative parties as updates to previous communications for the following reasons:
    - 2 letters were issued as a result of the customer's loan not being re-financed as anticipated, and therefore are being transferred under the Scheme;
    - 6 letters or emails were issued as a result of the identification of additional transactions transferring under the Scheme (and in the case of two of these, a change of transferee entity) that the relevant agents or trustees had not been informed of;
    - 2 letters were issued as guidance to the counterparties in the possible event that the customer's loan, which matures prior to the end of June 2018, is instead renewed and as such will be transferred under the Scheme; and
    - 1 letter was issued as the agent in respect of a transaction changed, advising the entity originally notified that they should ignore the original letter.
  - ▶ The affected agents, trustees or other administrative parties have previously received formal notifications in respect of the Scheme regarding other positions or transactions. They have not raised any queries, concerns or objections regarding the transfers under the Scheme at the time of the publication of this addendum to the Supplementary Report.
  - ▶ Given that they have been informed about the Scheme previously and had adequate time to raise concerns or objections, and given the nature of the updates as set out above, I am satisfied that these notifications detailed above do not cause an adverse effect on these persons.
-

7 letters or emails to agents, trustees or other administrative parties about transfers under the Scheme not previously notified

- ▶ Agents, trustees and other administrative parties perform administrative services on behalf of customers who transact with Santander UK and/or ANTS, and therefore need to be notified of the transfers under the Scheme, to enable them to make any necessary changes required to meet their ongoing obligations to their underlying customers.
- ▶ I have reviewed the list of customers to whom the transactions relate, and I am satisfied that customers were issued with a formal notification letter, advising them of the Scheme, prior to the end of March 2018.
- ▶ The following communications were sent as new notifications to agents, trustees or other administrative parties as updates to previous communications for the following reasons:
  - 1 letter was issued as a result of human error where the letter was not mailed prior to the end of March 2018; and
  - 6 letters were issued further to due diligence having been undertaken due to the complex nature of a loan funding note transaction, identifying 6 new administrative entities connected to the transaction structure. These 6 administrative entities were not originally identified as a result of human error.
- ▶ The relevant agents, trustees and other administrative parties have not had prior notice of the Scheme and have been given limited time to consider the effect of the Scheme on them.
- ▶ The effect of the Scheme upon these agents, trustees or other administrative parties is that they may need to make administrative changes as a result of the change in contractual counterparties to these transactions. However, agents, trustees or other administrative parties act on behalf of multiple customers in various administrative capacities and they are often required to deal with changes to the underlying positions of these customers, including making administrative changes on their systems as a result of changes to contractual counterparties to transactions, often at short notice, as a normal part of business as usual (BAU) activity.
- ▶ Given this, together with the time available to them between the notification and the effective date of the transfer under the Scheme and that the underlying customers of these transactions have not themselves objected to the Scheme, I have concluded that the late notification is not likely to cause an adverse effect on the affected agents, trustees or other administrative parties.

3 SWIFT messages sent to correspondent banks regarding trade finance instruments who have previously been notified about other transferring transactions under the Scheme

- ▶ These correspondent banks have issued trade finance instruments to third party beneficiaries in overseas jurisdictions on behalf of ANTS (with ANTS having a contractual relationship with the correspondent bank), and therefore these correspondent banks need to be notified of the transfer of the arrangements under the Scheme.
- ▶ I have reviewed the list of customers to whom the transactions relate, and I am satisfied that customers were issued with a formal notification letter, advising them of the Scheme, prior to the end of March 2018.
- ▶ The following communications were sent as additional notifications to correspondent banks as updates to previous communications for the following reasons:
  - 3 Society for Worldwide Interbank Financial Telecommunication (SWIFT) messages were issued to Banco Santander group entities, in their capacity as correspondent banks, to notify them of additional, relevant, trade finance instruments that were omitted from previous communications due to human error.
- ▶ The affected correspondent banks, who I note are all entities within the Banco Santander Group, have previously received formal notification messages via SWIFT (as set out in the Communications Plan Schedule) regarding other positions or transactions. They have not raised any queries, concerns or objections regarding the transfers under the Scheme at the time of the publication of this addendum to the Supplementary Report.
- ▶ Given they have been informed about the Scheme previously and had adequate time to raise concerns or objections, and given the nature of the updates as set out above, I am satisfied that the late notifications detailed above do not cause an adverse effect on these persons. Having received prior notification of the Scheme, these correspondent banks have not raised any queries, concerns or objections at the time of publication of this addendum to the Supplementary Report.

2 SWIFT messages sent to correspondent banks regarding trade finance instruments transferring under the Scheme not previously notified

- ▶ These correspondent banks have issued trade finance instruments to third party beneficiaries in overseas jurisdictions on behalf of ANTS (with ANTS having a contractual relationship with the correspondent bank), and therefore these correspondent banks need to be notified of the transfer of the arrangements under the Scheme.
  - ▶ I have reviewed the list of customers to whom the transactions relate, and I am satisfied that customers were issued with a formal notification of the Scheme prior to the end of March 2018.
  - ▶ The following communications were sent as notifications to the correspondent banks:
    - 2 new SWIFT messages were issued to correspondent banks (one of which is a Banco Santander group entity) to notify them of the transfers of the arrangements under the Scheme. These were sent late due to human error in identifying them as entities related to the trade finance arrangements that are transferring under the Scheme.
  - ▶ The relevant correspondent banks have not had prior notice of the Scheme and have been given limited time to consider the effect of the Scheme on them.
  - ▶ Correspondent banks often act in relation to multiple trade finance transactions on behalf of ANTS and these transactions are issued and managed by the correspondent banks and the effect of the Scheme upon these correspondent banks is that they may need to make changes, often at short notice, as a normal part of BAU activity.
  - ▶ Given this, together with the time available to them between the notification and the effective date of the transfer under the Scheme and that the underlying customers of these transactions have not themselves objected to the Scheme, I have concluded that the late notification is not likely to cause an adverse effect on the correspondent banks.
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### 3. Communications received from customers and other persons following publication of my Supplementary Report

Between the publication of my Supplementary Report on 31 May 2018 and 7 June 2018, I have been informed of 7 new communications that have been received from customers and other persons regarding the Ring-Fencing Plan, including the Scheme, either through the dedicated ring-fencing contact centre in Glasgow or directly to customers' RDs.

In summary, I am satisfied that all the new queries raised have been adequately resolved or are in the process of being resolved appropriately. The following table details the number and type of Scheme related contacts raised in the same form as set out in table 11 of my Supplementary Report.

Table 2: Scheme-related contacts from customers and other persons between 31 May 2018 and 7 June 2018

Contact type	Total contacts from 31 May 2018 to 7 June 2018	Description of communications and Skilled Person assessment
Request that Santander UK Group clarifies communications or documents already provided or a request for additional related information.	4	<ul style="list-style-type: none"> <li>▶ 3 calls were received from 3 retail customers asking for clarification of the effect of ring-fencing on product features, an explanation of ring-fencing and client money protection respectively. Responses have been provided to provide clarification, to each customer.</li> <li>▶ 1 email was received from a financial advisor, acting on behalf of a number of Santander UK bondholders, seeking clarification of the position relating to guarantees and exposure of the bonds issued as a result of the ring-fencing. An email response answering each question raised was sent on 7 June 2018.</li> <li>▶ I am satisfied that all queries and questions in this category have been resolved through the responses made.</li> </ul>
Query or concern.	3	<ul style="list-style-type: none"> <li>▶ 1 query was received, via email, from a corporate customer to their RD querying their classification as an RFI. This query was raised by the customer at this time because they have only recently entered into transactions (foreign exchange options) that would be affected by the Scheme, and be transferred to SLB should they remain open. During the meeting with their RD, this customer confirmed they understood the process and why their product needed to transfer to SLB under the Scheme. I am satisfied that the Ring-Fencing Programme has taking appropriate action and engaged proactively with the customer to address their questions regarding RFI classification.</li> <li>▶ 1 query was received, via email, from an RFI to their RD asking a number of questions regarding the disapplication of ratings triggers and FSMA provisions. An email response answering each question raised was sent on 7 June 2018.</li> <li>▶ 1 query was received, via email, from an RFI to their RD asking a number of Scheme related questions to clarify effective dates, numbers of open transactions for the RFI and transfer of agreements. An email response answering each question was sent on 7 June 2018.</li> <li>▶ I have concluded that no adverse effect will result from the questions and the potential transfer of any open transactions under the Scheme.</li> </ul>
New objections.	0	<ul style="list-style-type: none"> <li>▶ No new objections raised.</li> </ul>

#### 4. Skilled Person duty to the UK High court of Justice in England & Wales

I confirm that I am aware of the requirements of Part 35 of the Civil Procedure Rules and the relevant Practice Direction, and the protocol for Instruction of Experts to give Evidence in Civil Claims.

In reporting on the Scheme as the Skilled Person, I recognise that I owe a duty to the UK High Court of Justice in England & Wales (High Court) to assist on matters within my expertise. This duty overrides any obligation to Santander UK or the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA). I confirm that I have complied with this duty.

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