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Jeffrey M. Oakes

Davis Polk & Wardwell London LLP 020 7418 1386 tel
99 Gresham Street 020 7710 4886 fax
London EC2V 7NG jeffrey.oakes@davispolk.com

March 27, 2014

Re: The Royal Bank of Scotland plc and RBS Securities Japan Limited Settlement of LIBOR Investigations

Mary Kosterlitz, Esq.
Chief, Office of Enforcement Liaison
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-7553

Dear Ms. Kosterlitz:

This letter is submitted on behalf of our client, The Royal Bank of Scotland Group plc ("**RBSG**"), a reporting company registered under section 12 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), to request that the Division of Corporation Finance, on behalf of the Securities and Exchange Commission (the "**Commission**"), determine that RBSG should not be considered an "ineligible issuer" as defined in amended Rule 405 ("**Rule 405**") under the Securities Act of 1933, as amended (the "**Securities Act**") as a result of the plea agreement (the "**Plea Agreement**") entered into by RBS Securities Japan Limited ("**RBSSJ**"), which is described below. RBSSJ is a wholly-owned subsidiary of The Royal Bank of Scotland plc ("**RBS**") that engages in investment banking operations, including derivatives trading, with its principal place of business in Tokyo, Japan. RBS is itself a wholly-owned subsidiary of RBSG. The U.S. District Court for the District of Connecticut entered a final judgment on January 14, 2014 (the "**Effective Date**") in relation to the conviction of RBSSJ pursuant to the Plea Agreement (the "**Final Judgment**"). The terms of the Final Judgment require the same remedies as those set forth in the Plea Agreement (described below).

We request the determination that RBSG should not be considered an "ineligible issuer" be made effective as of the Effective Date of the Final Judgment.

Background

The U.S. Commodity Futures Trading Commission (the "**CFTC**"), the U.S. Department of Justice (the "**DOJ**"), RBS and RBSSJ negotiated a settled resolution of the investigations conducted by those agencies in relation to the manipulation of the London Interbank Offered Rate ("**LIBOR**")

for certain currencies, which included the Plea Agreement and a deferred prosecution agreement (the “DPA”) agreed with the DOJ on February 6, 2013¹. Under the Plea Agreement, RBSSJ pleaded guilty to one count of wire fraud relating to the manipulation of Yen LIBOR, in violation of Title 18, United States Code, Section 1343, and agreed to cease and desist from committing any further federal crimes and to pay a penalty in the amount of \$50 million. Under the DPA, RBS agreed to pay a penalty in the amount of \$100 million and to implement and maintain remedial measures designed to strengthen compliance and internal controls and procedures. RBS and RBSSJ also agreed to cooperate in the continuing investigation into LIBOR manipulation and any related litigation. RBSG is not a party to either the Plea Agreement or the DPA.

“Ineligible issuers”

As amended by the Securities Offering Reform, Securities Act rules adopted by the Commission provide certain benefits for “well-known seasoned issuers”, or “WKSIs”, in connection with the registration process. The Securities Act rules also permit WKSIs to use a “free writing prospectus” in connection with a registered offering of securities.² These benefits, however, are unavailable to issuers defined as “ineligible issuers” pursuant to Rule 405.

Notwithstanding the foregoing, paragraph (2) of the definition provides that an issuer “shall not be an ineligible issuer if the Commission determines, upon a showing of good cause, that it is not necessary under the circumstances that the issuer be considered an ineligible issuer.” The Commission has delegated authority to the Division of Corporation Finance to make such determinations.³

As a result of the Final Judgment and absent a determination by the Commission to the contrary, RBSG would be an “ineligible issuer” under paragraph (1)(v) of the definition of ineligible issuer under Rule 405⁴ for a period of three years after the Effective Date. As an ineligible issuer, RBSG would be precluded from qualifying as a WKSI and having the benefit of the automatic shelf registration (“**WKSI Shelf**”) and other provisions of the Securities Offering Reform rules for three years.

Reasons for Granting a Waiver

As described above, Rule 405 authorizes the Commission to grant waivers of ineligible issuer status in circumstances where an issuer has become an ineligible issuer pursuant to Rule 405. RBSG believes that there is good cause for the Commission to make such a determination with respect to it notwithstanding the Final Judgment on the following grounds:

¹ RBS has also settled a LIBOR investigation with the Financial Services Authority in the UK pursuant to which it has paid a penalty in the amount of £87.5 million.

² See Securities Act Rules 164 and 433, 17 C.F.R. § 230.164 and 230.433.

³ See 17 C.F.R. § 200.30-1. See also note 215 in Release No. 33-8591 (July 19, 2005).

⁴ In particular, Section 15(b)(4)(B)(iv) of the Exchange Act would apply to RBSG on the basis of the violation by its subsidiary of Title 18, United States Code, Section 1343 as recorded in the Plea Agreement.

1. *Nature of violation: Responsibility for and duration of the misconduct*

The violations related primarily to the manipulation of LIBOR submissions by certain RBSSJ derivatives traders and RBS LIBOR rate submitters as described in the Plea Agreement, the DPA and herein. The investigations of the DOJ and CFTC uncovered wrongdoing on the part of a number of employees, predominantly in relation to the setting of Japanese Yen (“JPY”) and Swiss Franc (“CHF”) LIBOR submissions. The key findings of the investigations were that:

- JPY and CHF derivative traders sought to influence RBS’s JPY and CHF LIBOR submitters in the period between October 2006 to November 2010 and at times caused the submission of materially false and misleading JPY and CHF LIBOR contributions during this period; and
- Two RBS traders based in London coordinated with other banks and brokers in making and receiving requests for higher and lower JPY and CHF LIBOR.

Although the misconduct occurred over a period of four years, neither the DOJ nor CFTC concluded that RBS or RBSSJ senior management engaged in any deliberate misconduct. Rather, the firms were held responsible for the conduct of a few employees. There are no findings that anyone beyond individual traders and, in some instances, their immediate supervisors, was aware of, or instructed, any deliberate manipulation of submissions, nor is there any finding that LIBOR submissions were manipulated at the direction of senior management. The persons responsible for the violations were lower level employees of subsidiaries of RBSG. None of them were officers or directors of RBSG, RBS or RBSSJ and none of them were responsible for, or had any influence over, RBSG’s disclosure or the disclosure of RBSG’s subsidiaries.

Importantly, neither the Plea Agreement nor the DPA: (i) challenged RBSG or its subsidiaries’ disclosures in their filings with the Commission; (ii) alleged that RBSG’s disclosure controls and procedures were deficient or facilitated the perpetration of the fraudulent activities by the persons responsible; (iii) alleged fraud in connection with offerings by RBSG or its subsidiaries of their securities; (iv) alleged that members of the Board of Directors, Executive Committee, Management Committee or other senior officers of RBSG knew about the violations; or (v) alleged that members of the Board of Directors, Executive Committee, Management Committee or other senior officers of RBSG ignored any warning signs or “red flags” regarding the violations.

As the wrongdoing identified in relation to RBS’s LIBOR submissions was the product of misconduct committed by a limited number of lower level employees at RBS and RBSSJ, none of whom were responsible for the disclosure of RBSG or any of its subsidiaries, RBSG believes that such misconduct does not call into question the reliability of RBSG’s current and future disclosure and that designation as an ineligible issuer is not required for the protection of existing and potential investors in RBSG’s securities.

2. *Remedial steps*

RBS and RBSSJ have implemented policies and procedures designed to prevent recurrence of the conduct that is the subject of the Plea Agreement and DPA, which has been recognized by both the CFTC and the DOJ. The DPA notes that RBS, among other things, (i) conducted an internal investigation of the misconduct and disclosed its findings to the DOJ, facilitated interviews of current and former employees and collected, analyzed and organized voluminous evidence and information for the Department of

Justice and (ii) significantly expanded and enhanced its legal and regulatory compliance program. Since becoming aware in 2011 of improper conduct in connection with LIBOR setting, RBS has taken extensive steps to remediate the misconduct and strengthen its compliance and internal control standards and procedures governing its LIBOR submissions. Such actions included:

- terminating the employment of individuals principally responsible for the manipulation of LIBOR (as described in greater detail below);
- instituting systems and controls for review of LIBOR submissions to ensure submissions are based on appropriate criteria;
- establishing policies to ensure that its officers, directors, employees and agents do not exercise inappropriate influence over LIBOR submissions;
- creating an independent and ring-fenced rate setting team;
- a mandatory comprehensive training program being arranged for all relevant staff;
- putting in place new preventative and detective controls that include monitoring and statistical checking of submissions by independent personnel; and
- establishing a Rate Setting Review Board to oversee the submission process.

In addition, proper accountability for wrongdoing has been ensured, as demonstrated by the following:

- All wrongdoers referred to in the regulatory findings have left the organization or have been subject to disciplinary action;
- Those dismissed for LIBOR-related misconduct left RBS with no 2012 bonus and full claw-back of any outstanding past bonus awards applied;
- Supervisors with accountability for the business but no knowledge or involvement in the wrongdoing received zero bonuses for 2012 and a range of clawback from prior years depending on specific findings; and
- Reduction of bonus and long term incentive awards and prior year bonus claw-back has been made across RBSG and particularly in the Markets division to account for the control and risk management failures, reputational damage of these events and the risk of additional outstanding legal and regulatory action.

The cumulative impact of these actions was a deduction in 2012 from employee incentive pay of over £300 million to cover the costs of the fines to be paid out, with the Markets division bearing the greatest cost.

RBSG has only once previously requested and received a waiver regarding its WKSII status from the Office of Enforcement Liaison, Division of Corporation Finance pursuant to the delegated authority granted by the Commission. Such waiver was granted on November 26, 2013 and related to alleged conduct with respect to a single offering of residential mortgage backed securities by an indirect wholly-owned subsidiary of RBSG in the United States and that in connection with such offering the defendant violated section 17(a)(2) and (3) of the Securities Act. The conduct, which was the subject of the previous waiver request, and for which certain remediation steps were implemented, is unrelated to the conduct which is the subject of this waiver request. As a result, and

taking account of the remediation steps which have been described above, RBSG does not believe that the prior conduct covered by the previous WKSI waiver request nor the misconduct that is the subject of this WKSI waiver request, calls into question the adequacy of RBSG's internal controls or its ability to produce reliable disclosure.

3. *Impact on issuer*

RBSG was not a party to either the Plea Agreement or the DPA. Designation of RBSG as an ineligible issuer would be unduly and disproportionately severe, taking into account the monetary fines in the amount of \$150 million imposed on RBS and RBSSJ pursuant to the Plea Agreement and the DPA and the remedial measures described above.

Loss of WKSI status would impose a significant burden on RBSG and RBS. RBSG and RBS (with a RBSG guarantee) are both frequent issuers of securities that are registered with the Commission and offered and sold under its WKSI Shelf. For RBSG and RBS, the WKSI Shelf process available to WKSIs and certain subsidiaries of WKSIs⁵, provides an important means of access to the U.S. capital markets, which are an essential source of funding and regulatory capital for RBSG's global operations and also a platform for various structured notes programs.

In 2013, RBSG raised 100% of its regulatory capital using the WKSI Shelf. In 2012, RBSG and RBS raised 45% of their aggregate unsecured senior funding and 100% of RBSG's regulatory capital using the WKSI Shelf. In 2011 and 2010 they raised 24% and 29%, respectively, of their unsecured senior funding using the WKSI Shelf. Since 2009, RBSG and RBS have completed 13 key benchmark trades using the WKSI Shelf, representing \$14.75 billion in funding and \$5.25 billion in regulatory capital. It is expected that material amounts of regulatory capital will be raised by RBSG in the coming years, and the flexibility offered by the WKSI Shelf will be critical to achieving successful offerings.

In addition, since November 2010, RBSG and RBS have executed approximately 195 structured products trades using their WKSI Shelf structured products platforms (pursuant to which over 20 different products have been offered, including CPI-linked notes and other similar instruments as well as Exchange-traded notes). Preserving the flexibility to make such offerings using the WKSI Shelf remains important to RBSG.

Consequently, the ability to avail itself of the WKSI Shelf and the other benefits available to a WKSI is very important to RBSG and RBS.

As markets remain volatile, the procedural and financial flexibility that a WKSI Shelf provides will remain key to its funding and capital raising activities. Furthermore, the WKSI Shelf allows access to the widest possible investor base, and one that is most familiar with the bank holding company structure which is otherwise uncommon outside of the United States.

As an ineligible issuer, RBSG would lose the flexibility to offer additional securities of the classes covered by the registration statement without filing a new registration statement, to register additional classes of securities not covered by the registration statement by

⁵ RBS is not a stand-alone reporting company. It utilizes an exception provided in Rule 3-10 of Regulation S-X which permits condensed consolidating financial information for RBS to be presented in the RBSG 20-F.

filing a post-effective amendment which becomes immediately effective, the ability to omit certain information from the prospectus and the pay-as-you-go fees. In addition, RBSG would not be able to qualify a new indenture under the Trust Indenture Act of 1939, as amended, should the need arise, without filing and having the Commission declare effective a new registration statement. Moreover, as an ineligible issuer, RBSG and RBS would not be permitted to use a free writing prospectus other than a free writing prospectus that contains only a description of the terms of the securities in the offering or the offering itself. This could severely limit the ability of RBSG and RBS to use general or educational marketing materials, such as product brochures or general investment strategy materials, which are routinely used and relied upon for structured product offerings conducted using the WKSJ Shelf.

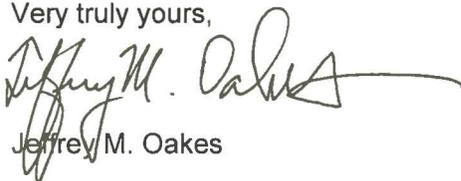
4. *Ongoing Cooperation*

As acknowledged by the DOJ and CFTC, RBSG, RBS and RBSSJ have voluntarily cooperated with the CFTC and the DOJ's inquiry into this matter and continue to provide their full cooperation in ongoing investigations. The DPA notes that RBS, RBSG and RBSG's other subsidiaries (collectively, the "**RBS Group of Companies**") have agreed to continue to cooperate with the DOJ and, at the request of the DOJ, with other domestic and foreign law enforcement authorities, in any ongoing investigation of the RBS Group of Companies and any of their present and former officers, directors, employees and agents relating to the manipulation of benchmark interest rate submissions.

In light of the foregoing, subjecting RBSG to ineligible issuer status is not necessary under the circumstances, either in the public interest or for the protection of investors, and good cause exists for grant of the requested relief. Accordingly, we respectfully request that the Division of Corporation Finance, on behalf of the Commission, pursuant to Rule 405, determine that under the circumstances RBSG will not be considered an "ineligible issuer" within the meaning of Rule 405 as a result of the Final Judgment.

If you have any questions regarding this request, please contact the undersigned at +44 207 418 1386.

Very truly yours,



Jeffrey M. Oakes