



DIVISION OF
TRADING AND MARKETS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

August 8, 2016

Mr. Reuven Young
Davis Polk & Wardwell London LLP
5 Aldermanbury Square
London EC2V 7HR
England

**Re: The Royal Bank of Scotland Group plc
File No. TP 16-11**

Dear Mr. Young:

In your letter dated August 8, 2016 (your "New Request Letter"), as supplemented by conversations with the staff, you request on behalf of The Royal Bank of Scotland Group plc, a public limited company organized under the laws of the United Kingdom and registered in Scotland ("RBSG"), an exemption from Rule 102 of Regulation M under the Securities Exchange Act of 1934, as amended ("Exchange Act"), for transactions in the ordinary shares of RBSG ("RBSG Shares"), and the American Depositary Shares each representing the right to receive two RBSG Shares ("RBSG ADSs"), during an offering by RBSG (the "Offering") of Contingent Convertible Securities, as defined in your New Request Letter.¹

On August 3, 2015, RBSG requested (the "Original Request Letter"), and the Securities and Exchange Commission ("Commission") granted, RBSG an exemption from Rule 102 of Regulation M (the "Original Relief") to permit the RBSG Affiliates² to conduct certain ongoing market activities ("Market Activities")³ in connection with an offering by RBSG of Contingent Convertible Securities, as described in the Original Request Letter and the Original Relief.⁴ In your New Request Letter, you state that you seek the same exemptive relief from Rule 102 of Regulation M, as granted in the Original Relief, to permit RBSG and RBSG Affiliates to

¹ We have attached a copy of your letter. Each defined term in our response has the same meaning as defined, directly or by reference, in your attached letter, unless we note otherwise.

² The RBSG Affiliates are: RBSG CIG, the RBSG Asset Manager, the RBSG Investment Managers, the RBSG Trustees and Personal Representatives, the RBSG Banking Units, and the RBSG Stock Borrowing and Lending Units, as described in the Original Request Letter and Original Relief.

³ The Market Activities are: the derivatives and investor product market-making and hedging activities; the investment management activities; the trustee and personal representative-related activities; the banking-related activities; the unsolicited brokerage activities; and the stock borrowing and lending activities, as described in the Original Request Letter and the Original Relief.

⁴ The Original Request Letter and the Commission's Original Relief are available on the Commission's Website at: <https://www.sec.gov/divisions/marketreg/mr-noaction/2015/royal-bank-scotland-080315-at1.pdf>.

continue to engage, in the ordinary course of business and in accordance with applicable local law, in the Market Activities.

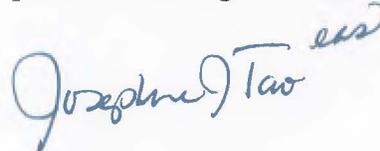
In your New Request Letter, you reiterate the facts and representations set forth in the Original Request Letter and confirm that, since the date of the Original Request Letter, there has been no material change in the matters described therein other than the details of the Offering for which relief was previously granted.

Response:

Based on the facts and representations that you have made in your New Request Letter, but without necessarily concurring in your analysis, the 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, RBSG an exemption from Rule 102 of Regulation M to permit the RBSG Affiliates to continue to engage in the Market Activities referenced in your New Request Letter, subject to all conditions set forth in the Original Relief.

This exemption is based solely on the facts presented and the representations made in your letter. Any different facts or circumstances may require a different response. In the event that any material change occurs with respect to any of those facts or representations, transactions in the RBSG Shares and RBSG ADSs 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,⁵



Josephine J. Tao
Assistant Director

Attachment

⁵ 17 CFR 200.30-3(a)(6).

Davis Polk & Wardwell London LLP 020 7418 1300 tel
5 Aldermanbury Square 020 7418 1400 fax
London EC2V 7HR

August 8, 2016

Re: **The Royal Bank of Scotland Group plc: Request for Exemptive Relief from Rule 102 of Regulation M**

By Hand and E-mail

Josephine J. Tao
Assistant Director
Office of Trading Practices
Division of Trading and Markets
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549
United States of America

Dear Ms Tao:

We are writing on behalf of our client The Royal Bank of Scotland Group plc, a public limited company organized under the laws of the United Kingdom and registered in Scotland ("RBSG"), about the application of Regulation M under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to transactions by affiliates of RBSG ("RBSG Affiliates", and each an "RBSG Affiliate") in the ordinary shares of RBSG ("RBSG Shares"), and the American Depositary Shares each representing the right to receive two RBSG Shares ("RBSG ADSs"). The request for relief relates to the offering by RBSG of the Contingent Convertible Securities (defined below).

We refer to our letter of August 3, 2015 (the "Original Request Letter"), in which RBSG sought an exemption to permit RBSG and RBSG Affiliates to conduct the ongoing market activities described therein ("Market Activities") in connection with the offering by RBSG of the Contingent Convertible Securities, which was completed on August 10, 2015 (the "2015 AT1 Contingent Convertible Securities Offering") and for which relief was granted (the "Original Relief").¹ RBSG reiterates the facts and representations contained in the Original Request Letter and confirms that, since the date of the Original Request Letter, there has

¹ A copy of the Original Request Letter and the Original Relief may be found on the Commission's website at: <https://www.sec.gov/divisions/marketreg/mr-noaction/2015/royal-bank-scotland-080315-at1.pdf>.

been no material change in the matters described therein other than the details of the Offering described herein.

In this request letter, on behalf of RBSG, we ask the staff (the "Staff") of the Securities and Exchange Commission (the "Commission") to grant RBSG and RBSG Affiliates exemptive relief from Rule 102 of Regulation M ("Rule 102") to permit them to continue, in the ordinary course of business and in accordance with applicable local law, to engage during the Restricted Period (as defined below) in connection with the Offering in the types of activities described in the Original Request Letter.

The availability of the exemption that RBSG is requesting would be conditioned on the undertakings set forth in conditions 1 to 8 of the Original Relief.

Background to the Contingent Convertible Securities Offering

In February 2015, RBSG announced a number of initiatives which will lead to significant transformations within its businesses and operations, including the implementation of the ring-fence of its retail activities in the United Kingdom, the restructuring of its Corporate and Institutional Banking Business and the continuing implementation of the capital plan announced in November 2013. In 2015, RBSG sold its remaining interest in Citizens Financial Group, Inc. RBSG targets to maintain a 13% Common Equity Tier 1 ("CET1") ratio on a fully loaded Basel III basis during the implementation of its restructuring plan. In addition, European banks, including RBSG, are subject to the capital and liquidity requirements of the Capital Requirements Regulation IV and Capital Requirements Directive IV (together, "CRD IV") which implement the Basel III framework in Europe and became effective on January 1, 2014. In addition, the UK Prudential Regulation Authority ("PRA"), RBSG's primary regulator, has required that major UK banks and building societies (including RBSG), hold a minimum 7% CET1 capital ratio and a 3% leverage ratio requirement applicable from 1 January 2014. In addition to the requirements imposed by CRD IV, RBSG and its subsidiaries are and may in the future be, subject to additional firm-specific capital and liquidity requirements imposed by the PRA as part of its Pillar 2 framework. Proposals currently under consideration in Europe relating to minimum requirements for own funds and eligible liabilities under the Bank Recovery and Resolution Directive as well as the Financial Stability Board's proposals relating to total loss absorbency capacity for globally systemically important banks, are likely to result in increased capital and other requirements for institutions such as RBSG. Earlier this year, RBSG announced that it would issue around £2 billion of CRD IV compliant Additional Tier 1 ("AT1") capital instruments in 2016, subject to market conditions. In light of these developments, RBSG intends to offer perpetual subordinated contingent convertible capital notes ("**Contingent Convertible Securities**") with no fixed maturity date intended to qualify as AT1 capital (the "**Offering**") in August 2016.

In addition to the Original Relief, the Commission has granted substantially similar exemptive relief from Rule 102 of Regulation M to RBSG and ABN AMRO Holding N.V. under the exemptive relief letters dated February 18, 2009, October 17, 2008 and April 21, 2008 in connection with the placing and open offers and rights offering by RBSG of RBSG Shares. The Commission has also granted substantially similar exemptive relief from Rule 102 of Regulation M to Barclays PLC under exemptive letters dated May 14, 2014 and November 7, 2013 in connection with its offering of contingent convertible additional tier 1 capital securities and to ING Groep N.V. under an exemptive letter dated April 7, 2015 in connection with its offering of perpetual contingent convertible capital securities.

Davis Polk & Wardwell London LLP is acting as US counsel to RBSG. RBSG has provided and authorized Davis Polk & Wardwell London LLP to make on its behalf the factual representations set forth in this letter. The statements contained in the Original Request Letter with respect to UK regulation have been reviewed by Davis Polk & Wardwell London LLP.

I. The Market for RBSG Shares

As noted in the Original Request Letter, the principal trading market for the RBSG Shares is the United Kingdom. As noted above, RBSG reiterates the factual representations set forth in the Original Request Letter and confirms that there has been no material change in the matters described therein since the date of the Original Request Letter. We do, however, note that as of June 30, 2016, 11,755 million RBSG Shares were outstanding, held by 197,842 record holders, approximately 71.8% of the outstanding RBSG Shares were held by HM Treasury, approximately 92.7% were held of record by residents of the United Kingdom, and approximately 7.3% were held of record by non-residents of the United Kingdom. RBSG's market capitalization at June 30, 2016 was £20 billion (approximately \$27 billion) and during the twelve-month period ended June 30, 2016 the worldwide ADTV of RBSG Shares was approximately 31.48 million shares, with a value of £86.3 million (approximately \$128.8 million).

II. Application of Regulation M

In connection with the Offering, RBSG, directly or through the underwriters participating in the Offering, will offer the Contingent Convertible Securities which, under limited circumstances, could automatically and mandatorily convert into RBSG Shares. As a result, the RBSG Shares and RBSG ADSs may be deemed "reference securities" in relation to the Contingent Convertible Securities pursuant to Rule 100 of Regulation M. As a result, the RBSG Shares and RBSG ADSs may be deemed "covered securities" in connection with the Offering.

Subject to enumerated exceptions, Rule 102 of Regulation M makes it unlawful for an issuer or affiliated purchaser, directly or indirectly, to bid for, purchase, or attempt to induce any person to bid for or purchase a covered security during the applicable restricted period. RBSG believes that, under Regulation M, the Restricted Period for the distribution (the "Restricted Period") may be deemed to begin, with respect to the Offering, one business day prior to the determination of the issue price of the Contingent Convertible Securities, and will end upon the completion of the Offering in the United States. Accordingly, it is expected that the Restricted Period for RBSG and RBSG Affiliates will last several days. As such, we request relief for the ordinary course Market Activities of RBSG and RBSG Affiliates described in the Original Request Letter under Rule 102 of Regulation M.

Under Rule 102 of Regulation M, without the requested exemptive relief, RBSG and RBSG Affiliates would not be permitted to bid for or purchase, or attempt to induce any person to bid for or purchase, RBSG Shares or RBSG ADSs in the ordinary course of their business and for the purposes of their Market Activities during the Restricted Period, except to the extent that one of the specified exceptions in the rule is available.

There are no exceptions available under Rule 102 that would permit RBSG and RBSG Affiliates to engage in the Market Activities with respect to RBSG Shares and RBSG ADSs during the Restricted Period as described in this letter. Therefore, without the requested

exemptive relief, RBSG and RBSG Affiliates would not be permitted to engage in such Market Activities during the Restricted Period.

RBSG believes that the continuation of the Market Activities will not have a significant effect on the market price of the Contingent Convertible Securities, the RBSG Shares or the RBSG ADSs. The withdrawal from the market of the RBSG Shares and RBSG ADSs which are actively traded in the United Kingdom would have a harmful effect on the customers of RBSG and the ordinary business of RBSG and its affiliates. The Market Activities of RBSG described in the Original Request Letter and which RBSG and its affiliates continue to carry out are also important aspects of RBSG's business as a major global financial institution in the United Kingdom and, therefore, interrupting those activities during the Restricted Period could also have an adverse impact on RBSG's business, including its ability to properly manage its risks.

Furthermore, RBSG believes that the risk of market manipulation by RBSG Affiliates in connection with the Market Activities is limited by: (1) the information barrier policies and procedures that are in place; (2) the fiduciary duties to which many RBSG Affiliates are subject; (3) the fact that the Market Activities that are the subject of this request for exemptive relief are the ordinary course market activities of the RBSG Affiliates rather than activities commenced or managed in contemplation of the Offering; (4) the fact that the Offering would be conducted and trading by RBSG Affiliates in Contingent Convertible Securities would be subject to and conducted in accordance with applicable UK and other laws; and (5) applicable UK law provides important safeguards against the type of risk of abuse that Regulation M was designed to prevent.

III. Relief Requested

For the foregoing reasons, RBSG asks the Staff to provide an exemption from Regulation M that would allow RBSG and RBSG Affiliates to continue to engage in the Market Activities with respect to RBSG Shares and RBSG ADSs in the ordinary course of their respective businesses described in the Original Request Letter during the Restricted Period, as permitted in accordance with applicable law in the United Kingdom.

The availability of the exemption that RBSG is requesting would be conditioned on the undertakings set forth in conditions 1 to 8 of the Original Relief.

* * *

If you have any questions or require any additional information about this request, please contact Reuven Young in London at 011-44-20-7418-1012 or Connie Milonakis in London at 011-44-20-7418-1327.

Sincerely yours,

