



DIVISION OF
TRADING AND MARKETS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

June 4, 2018

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 18-13**

Dear Mr. Young:

In your letter dated June 4, 2018 (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"), in connection with a distribution of the ordinary shares of RBSG ("RBSG Shares") by way of a placement of RBSG Shares (the "Placing") to interested purchasers by United Kingdom Government Investments ("UKGI"), which manages the shareholding of the United Kingdom Treasury ("HM Treasury") in RBSG.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 Letter") to permit RBSG and RBSG Affiliates² to continue to engage in certain ongoing market activities ("Market Activities")³ during a distribution of RBSG

¹ We have attached a copy of your New Request 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 NWM (previously known as RBSG CIB), the RBSG Asset Manager (including on behalf of the RBSG Managed Funds), the RBSG Investment Managers, the RBSG Banking Units, and the RBSG Stock Borrowing and Lending Units, as described in the Original Request Letter and Original Relief Letter (except that RBSG Trustees and Personal Representatives and Citizens Financial Group Inc. ("Citizens") and its subsidiaries are no longer RBSG Affiliates as a result of the divestment of RBSG's stake in Citizens in October 2015).

³ The Market Activities by RBSG Affiliates in the RBSG Shares and/or the American Depositary Shares each representing the right to receive two RBSG Shares ("RBSG ADSs"), which all occur outside of the United States, are: the derivatives and investor product market-making and hedging activities; the asset and investment management 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 Letter (except that the trustee and personal representative-related activities have been terminated and the unsolicited brokerage activities are conducted by RBSG NWM only outside of the United States).

Shares, by UKGI, as described in the Original Request Letter and the Original Relief Letter.⁴ In your New Request Letter, 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 continue to engage, in the ordinary course of business and in accordance with applicable local law, in the Market Activities during the applicable restricted period in connection with the Placing.

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 (i) the details of the Placing described in your New Request Letter and (ii) the divestment of RBSG's stake in Citizens in October 2015 and termination of the related market activities described in the Original Request Letter as "Trading in RBSG Shares by Trustees and Personal Representatives of Estates."⁵

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 and RBSG Affiliates to continue to engage in the Market Activities referenced in your New Request Letter, subject to all of the conditions set forth in the Original Relief Letter.⁶

This exemptive relief is subject to modification or revocation at any time the Commission determines that such action is necessary or appropriate in furtherance of the purposes of the Exchange Act. This exemption is based solely on the facts presented and the representations made in your New Request Letter. Any different facts or representations may require a different response. In the event that any material change occurs with respect to any of those facts or

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

⁵ In your New Request Letter, you note that the RBSG CIB business referred to in the Original Request Letter has been renamed RBSG NWM (NatWest Markets) and the market activities described in the Original Request Letter as "RBSG Unsolicited Brokerage Activities" are now conducted by RBSG NWM only outside the United States. You also note that as of March 31, 2018, 11,993 million RBSG Shares were outstanding, held by 188,702 record holders. Approximately 70.3% of the outstanding RBSG Shares were held by HM Treasury, approximately 99.9% were held of record by residents of the United Kingdom, and approximately 0.1% was held of record by non-residents of the United Kingdom. HM Treasury's total holding in RBSG represented a total economic interest of 70.3% at March 31, 2018. RBSG's market capitalization at March 31, 2018 was £31.0 billion (approximately \$ 43.5 billion). During the twelve-month period ended March 31, 2018, the worldwide ADTV of RBSG Shares was approximately 31.1 million shares, with a value of £80.5 million (approximately \$112.9 million).

⁶ However, to be consistent with the representations that you have made in your New Request Letter, the first condition in the Original Relief Letter shall exclude the language, "*with the exception of the unsolicited brokerage activities and the trustee and personal representative-related activities by Citizens and certain of its subsidiaries as described in your letter.*"

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representations, transactions in the RBSG Shares and RBSG ADSs must be discontinued, pending presentation of the facts for our consideration. In addition, persons relying on this exemption are directed to the antifraud and anti-manipulation provisions of the Exchange Act, particularly 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 other federal or state laws to, the proposed transactions.

For the Commission,
by the Division of Trading and Markets,
pursuant to delegated authority,⁷



Josephine J. Tao
Assistant Director

Attachment

⁷ 17 CFR 200.30-3(a)(6).



New York
Northern California
Washington DC
São Paulo
London

Paris
Madrid
Tokyo
Beijing
Hong Kong

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

June 4, 2018

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 RBSG and 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 distribution of RBSG Shares by way of a placement of RBSG Shares (the "**Placing**") to interested purchasers by United Kingdom Financial Investments, which has been renamed United Kingdom Government Investments ("**UKGI**"), which manages the shareholding of the United Kingdom Treasury ("**HM Treasury**") in RBSG. Approximately 70.3% of the outstanding RBSG Shares were held by HM Treasury at March 31, 2018 and HM Treasury's total holding in RBSG represented a total economic interest of 70.3% at March 31, 2018.

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 a distribution of RBSG Shares by UKGI to institutional investors in a transaction that completed on August 6, 2015, 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 been no material change in the matters described therein other than (i) the details of the Placing described below under the heading “Background to the Placing” and (ii) the divestment of RBSG’s stake in Citizens Financial Group Inc. in October 2015 and termination of the related market activities described in the Original Request Letter as “Trading in RBSG Shares by Trustees and Personal Representatives of Estates”.²

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 Placing in the types of activities described in the Original Request Letter, except for the activities described in the Original Request Letter as “Trading in RBSG Shares by Trustees and Personal Representatives of Estates”, which activities RBSG and RBSG Affiliates no longer engage in following the divestment of RBSG’s stake in Citizens Financial Group Inc. in October 2015.

The availability of the exemption that RBSG is requesting would be conditioned on the undertakings set forth in conditions 1 to 7 of the Original Relief.

Background to the Placing

HM Treasury’s current shareholding in RBSG is a consequence of its subscription for RBSG Shares following placing and open offers in 2008 and 2009 as well as for the B shares³ and the Dividend Access Share⁴ in December 2009. The Commission has granted substantially similar exemptive relief from Rule 102 of Regulation M (i) 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 and (ii) to RBSG under the exemptive relief letter dated August 3, 2015 in connection with the distribution of RBSG Shares by way of a placement of RBSG Shares.

UKGI’s stated goal is, in part, to devise and execute a strategy for the disposal of HM Treasury’s investment in RBSG in an orderly and active way over time. UKGI has stated that it will manage the shareholdings of UK financial institutions, including RBSG, in which HM Treasury holds an interest on a commercial basis to create and protect value for the taxpayer and will not intervene in day-to-day management decisions.

In August 2015, UKGI sold 630 million shares in RBSG (representing at the time of sale 5.4% of RBSG’s issued share capital) by way of a placing to institutional investors, thereby reducing the size of HM Treasury’s overall economic interest in RBSG to 72.9%. On November 22, 2017, HM

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-080315-102.pdf>.

² The RBSG CIB business referred to in the Original Request Letter has been renamed RBSG NWM (NatWest Markets) and the market activities described in the Original Request Letter as “RBSG Unsolicited Brokerage Activities” are now conducted by RBSG NWM only outside the United States.

³ On October 8, 2015, HM Treasury served a conversion notice upon RBSG in respect of all outstanding B shares held by HM Treasury. Following the conversion of the outstanding B shares into RBSG ordinary shares, HM Treasury no longer holds any B shares.

⁴ On March 22, 2016, RBSG paid HM Treasury the final amount of dividend payable to HM Treasury under the Dividend Access Share, effecting the immediate retirement of the Dividend Access Share. Upon its retirement, the Dividend Access Share was re-designated as a single B-share which was subsequently cancelled.

Treasury published the 2017 Autumn Budget in which it indicated its intention to recommence the process for further selling down its stake in RBSG before the end of March 2019.

On June 4, 2018, UKGI issued a press release announcing its intention to sell part of HM Treasury's shareholding in RBSG by way of a placing to institutional investors. In the press release, UKGI announced that the price at which RBSG Shares are to be sold (the "**Placing Price**") will be determined by way of an accelerated bookbuilding process and that the book will open with immediate effect following the announcement. The Placing is expected to comprise approximately 925 million RBSG Shares, representing approximately 7.7% of the issued ordinary share capital of RBSG. As a result of the Placing, the overall size of HM Treasury's shareholding in RBSG will be reduced from approximately 70.1% to approximately 62.4%. The Placing will be conducted in transactions exempt from or not subject to the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), including outside the United States in compliance with Regulation S of the Securities Act and in the United States by way of a private placement to a limited number of institutional investors, all of whom are expected to be qualified institutional buyers as defined under Rule 144A of the Securities Act.

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, other than the divestment of RBSG's stake in Citizens Financial Group Inc. in October 2015 and termination of the related market activities described in the Original Request Letter as "Trading in RBSG Shares by Trustees and Personal Representatives of Estates", 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 March 31, 2018, 11,993 million RBSG Shares were outstanding, held by 188,702 record holders. Approximately 70.3% of the outstanding RBSG Shares were held by HM Treasury, approximately 99.9% were held of record by residents of the United Kingdom, and approximately 0.1% were held of record by non-residents of the United Kingdom. HM Treasury's total holding in RBSG represented a total economic interest of 70.3% at March 31, 2018. RBSG's market capitalization at March 31, 2018 was £31.0 billion (approximately \$43.5 billion). During the twelve-month period ended March 31, 2018, the worldwide ADTV of RBSG Shares was approximately 31.1 million shares, with a value of £80.5 million (approximately \$112.9 million).

II. The Placing

The Placing (as described above), alongside the placing described in the Original Request Letter, is designed to implement UKGI and HM Treasury's announced intention to recommence the divestment of HM Treasury's holding in RBSG.

III. Application of Regulation M

In connection with the Placing, UKGI, on behalf of HM Treasury, will offer and sell RBSG Shares to investors inside and outside the United States and may therefore be engaged in a distribution for purposes of Regulation M. RBSG is an affiliate of UKGI by virtue of UKGI's current holding of 70.1% of RBSG Shares. Furthermore, given the circumstances around the Placing, RBSG may be deemed to be an "affiliated purchaser" as defined in Regulation M in respect of the Placing.

Given that UKGI will be considered a “selling shareholder” and RBSG and RBSG Affiliates may be considered “affiliated purchasers” of the selling shareholder, as defined in Rule 100 of Regulation M, their Market Activities would then be subject to Rule 102 throughout the relevant restricted period for the distribution (the “**Restricted Period**”). As such, we request relief for the ordinary course Market Activities of RBSG and RBSG Affiliates described in the Original Request Letter as updated in this 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 RBSG Shares or the RBSG ADSs. The withdrawal of RBSG and RBSG Affiliates 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 the RBSG Affiliates. The Market Activities of RBSG described in the Original Request Letter and which RBSG and the RBSG Affiliates continue to carry out are also important aspects of RBSG’s business as a major 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 and RBSG Affiliates in connection with the Market Activities is limited by: (1) all decisions (including the decisions around timing, pricing and sale) related to the Placing will be made by UKGI and HM Treasury and RBSG will only become aware of them after-the-fact; (2) the information barrier policies and procedures that are in place between UKGI and HM Treasury on the one hand and RBSG and the RBSG Affiliates on the other hand; (3) the fiduciary duties to which many RBSG Affiliates are subject; (4) 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 Placing; (5) the fact that the Placing would be conducted and trading by RBSG and RBSG Affiliates would be subject to and conducted in accordance with applicable UK and other laws; and (6) applicable UK law provides important safeguards against the type of risk of abuse that Regulation M was designed to prevent.

IV. 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, as updated in this 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 7 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,



Reuven Young
Davis Polk & Wardwell London LLP