



March 2, 2005

Via e-mail: rule comments @sec.gov

Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, DC 20549-0609

**Financial Markets**

135 Bishopsgate  
London EC2M 3UR

Telephone: 020 7085 5000  
Facsimile: 020 7085 8411  
[www.rbsmarkets.com](http://www.rbsmarkets.com)

12

**Re: File No. SR-NASD-2004-022  
Securities and Exchange Commission Release No. 34-50749  
Proposed Rule Change Relating to Shelf Offerings of Securities under  
the Corporate Financing Rule**

Dear Mr. Katz:

The Royal Bank of Scotland Group appreciates the opportunity to comment on the above-referenced proposal (the "Proposal"). The Royal Bank of Scotland Group plc is the holding company of one of the world's largest banking and financial services groups. At 31 December 2004, the Group had total assets of over £580 billion (over \$1 trillion at current exchange rates) and ordinary shareholders' equity of over £27 billion. It is a frequent issuer of securities in capital markets around the world and, for offerings in the United States, has used its NASD-member subsidiary, Greenwich Capital Markets, Inc., as an underwriter and co-manager.

We have reviewed letters on the Proposal dated (i) February 3, 2005 from Morgan Stanley; (ii) January 21, 2005 from Simpson Thacher & Bartlett; (iii) January 21, 2005 from The Bond Market Association; and (iv) January 28, 2005 from the New York State Bar Association.

We will not repeat the arguments set forth in those letters, but would like to bring to your attention that we strongly agree with the sentiments expressed therein with regard to the application of Rule 2720, and thus Rule 2710, to certain large issuers, including issuers such as The Royal Bank of Scotland Group.

Specifically, we believe that the application of Rule 2720 to well-known seasoned issuers ("WKSIs") (i) frustrates the SEC's intention, clearly stated in its Securities Offering Reform proposal (Release No. 33-8501), of allowing such issuers access to capital markets with minimal regulatory intervention, (ii) is not necessary in the furtherance of any regulatory purpose and (iii) imposes costs on WKSIs and their affiliated broker/dealers that do not have any commensurate benefits to investors.

Jonathan G. Katz

2

March 2, 2005

As a frequent issuer, it is of great value to The Royal Bank of Scotland Group to have its NASD broker/dealer affiliate, Greenwich Capital, act as an underwriter. At its simplest, having Greenwich Capital act as an underwriter means that RBSG's compensation to underwriters on its issues is reduced (when viewed on a consolidated basis) to the extent of Greenwich Capital participation. There is no incentive to over-compensate underwriters and compensation to underwriters on RBSG transactions is generally below (in fact, far below) that which is permissible under NASD rules.

NASD rules adequately protect the market by requiring a qualified independent underwriter to participate in the pricing of certain offerings. We agree completely with the statement in the Simpson Thacher letter that an issuer such as RBSG "should continue to be exempt from the filing requirements of Rule 2710" and that no filing under Rule 2710 should be required "if the offering does not require a QIU under Conduct Rule 2720(c)(3) provided that no sales are made by any member of the NASD to a discretionary account without the prior written approval of the customer." We also agree with the statement in the Morgan Stanley letter that any perceived regulatory concern in this area could be adequately addressed by requiring a notice filing only.

Finally, we would like to state that we also agree completely with the statements in the Morgan Stanley letter to the effect (i) that the compiling of information in connection with the NASD's Rule 2710 existing review process imposes burdensome expense and delay issues for WKSIs (which has certainly been the case for RBSG in the past), (ii) that the rationale behind other NASD positions would suggest that the NASD should acknowledge that there is little regulatory purpose served by requiring WKSIs to make filings under Rule 2710 and Rule 2720 and (iii) that the proposed new filing procedure will delay shelf offerings rather than expedite them.

In summary, we respectfully request that you reconsider the Proposal.

If we can answer any questions or provide any further information, please contact the undersigned at the telephone number set forth below.

Respectfully submitted,



**David Hopkins**  
**Head of RBS Financial Markets Legal, Capital Markets**  
Tel: +44 20 7085 1706