



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

March 7, 2018

Mr. Paul Stevelman
NatWest Markets
600 Washington Boulevard
Stamford, Connecticut 06901

Dear Mr. Stevelman:

This letter responds to your request on behalf of Royal Bank of Scotland Group plc (“RBS”), Edinburgh, Scotland, for relief from commitments that RBS made to the Board in connection with (1) a request for confirmation that RBS would no longer be deemed to control Citizens Financial Group, Inc. (“CFG”), Providence, Rhode Island, for purposes of the Bank Holding Company Act of 1956 (“BHC Act”)¹ following RBS’s sale of all of its equity interest in CFG and (2) a notice filed by RBS under section 4 of the BHC Act to engage in physical commodities trading activities, provide energy management services, and engage in physically-settled energy tolling in the United States.

RBS, a foreign banking and financial services company and the top-tier holding company of The Royal Bank of Scotland plc (“Bank”), Edinburgh, Scotland, became a bank holding company for purposes of the BHC Act in 1988 when it acquired CFG, a bank holding company that controls Citizens Bank, N.A., Providence, Rhode Island.² Through a series of transactions ending in late 2015, RBS sold its entire equity interest in CFG. RBS’s operations in the United States currently consist of a broker-dealer subsidiary and Bank’s representative office in Stamford, Connecticut.

¹ 12 U.S.C. § 1841 *et seq.*

² See Letter from James McAfee, Associate Secretary of the Board, Board of Governors of the Federal Reserve System, to Bruce W. Nichols, Esq., Davis Polk & Wardwell (November 7, 1988).

In 2015, RBS requested confirmation from the Board that RBS would no longer be deemed to control CFG for purposes of the BHC Act following its sale of CFG, the termination of RBS's director representation at CFG and Bank, and the winding down and eventual termination of transition services and other limited ongoing business relationships with CFG and its affiliates. In connection with this request, RBS committed that it would (i) retain only \$333 million of CFG's subordinated debt beyond the end of 2016 and (ii) that it would neither engage in any new business relationships with CFG nor expand existing business relationships with CFG such that CFG's gross revenues from such relationships would exceed 2 percent of CFG's gross revenues or that RBS's gross revenues from such relationships would exceed 0.2 percent of RBS's gross revenues (the "Control Commitments"). Based on the facts of record and specifically conditioned on compliance with the Control Commitments, Board staff indicated that it would not recommend that the Board find RBS to control CFG for purposes of the BHC Act.³

RBS now requests relief from the Control Commitments. RBS represents that it has complied with the Control Commitments over the past two years and that it has completely divested its holdings of debt issued by CFG. RBS represents that it maintains only minimal business relationships with CFG and its subsidiaries, which are de minimis relative to the size of each organization's operations. Additionally, RBS represents that it does not have any of the following: representation on the board of directors of CFG or any of its affiliates or the right to appoint a director to or have representation on the board of directors of CFG or any of its affiliates; contemplated additional business relationships with CFG or any of its affiliates; employee interlocks with CFG or any of its affiliates; formal or informal agreements with CFG or any of its affiliates relating to the management or policies of CFG; or any relationships with other shareholders of CFG through which it might exert influence over CFG or its affiliates. RBS also represents that it will not exercise or attempt to exercise a controlling influence over CFG or its affiliates if granted relief from the Control Commitments.

The Control Commitments were intended to ensure that RBS would not be able to exercise a controlling influence over CFG. Given the passage of time since RBS owned any interest in CFG and in light of the facts set forth above, the Control Commitments are no longer necessary to ensure that RBS will not be able to exercise a controlling influence over CFG. Granting relief from the Control Commitments would relieve RBS of the burden of monitoring its ongoing compliance with the commitments.

RBS also requests relief from commitments that it provided to the Board in connection with the Board's approval for RBS to engage in physical commodities

³ Letter from Scott G. Alvarez, General Counsel, Board of Governors of the Federal Reserve System, to Luigi L. De Ghenghi, Esq., Davis Polk & Wardwell LLP (January 28, 2016).

trading, provide energy management services to owners of power generation facilities under energy management agreements, and engage in physically-settled energy tolling by entering into tolling agreements with power plant owners under section 4(k)(1)(B) of the BHC Act.⁴ In connection with this request, RBS executed commitments which establish limits to RBS's authority to engage in these activities (the "Complementary Activities Commitments").

RBS is no longer a bank holding company or treated as a bank holding company for purposes of the International Banking Act of 1978⁵ because RBS and its subsidiaries do not control, directly or indirectly, a bank in the United States, operate a branch or agency in the United States, or control a commercial lending company organized under U.S. law. As a result, RBS is no longer subject to the activities restrictions under section 4 of the BHC Act and, therefore, it would serve no regulatory purpose for RBS to continue to be subject to the Complementary Activities Commitments.

Based on all the facts of record, the Director of the Division of Supervision and Regulation, acting pursuant to authority delegated by the Board under section 265.7(a)(2) of the Board's Rules Regarding Delegation of Authority,⁶ and after consulting with the General Counsel, has approved RBS's request for complete relief from the Control Commitments and the Complementary Activities Commitments. This action is based on the representations set forth in all your communications and correspondence related to your request, including the representations discussed above. Any change in the facts presented could result in a different conclusion and should be reported to Board staff immediately. This determination should not be construed as granting relief from any other conditions or commitments to which RBS may be subject.

Very truly yours,



Ann E. Misback
Secretary of the Board

⁴ The Royal Bank of Scotland Group plc, 94 Fed. Res. Bull. C60 (2008). See 12 U.S.C. § 1843(k)(1)(B).

⁵ 12 U.S.C. § 3106(a).

⁶ 12 CFR 265.7(a)(2).