

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of

THE ROYAL BANK OF SCOTLAND
GROUP PLC
Edinburgh, Scotland

THE ROYAL BANK OF SCOTLAND PLC
Edinburgh, Scotland

Docket Nos. 13-019-B-FB1
13-019-B-FB2

Order of Assessment of a Civil
Money Penalty Issued Upon Consent
Pursuant to the Federal Deposit
Insurance Act, as Amended

WHEREAS, The Royal Bank of Scotland Group plc, Edinburgh, Scotland (“RBS Group”), a registered bank holding company, controls a large complex financial organization that consists of a number of separate business lines and legal entities in many countries around the world;

WHEREAS, The Royal Bank of Scotland plc, Edinburgh, Scotland (“RBS plc”), a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7)), is a wholly-owned subsidiary of RBS Group;

WHEREAS, RBS Group conducts its banking operations in the United States (the “U.S. Operations”) through various subsidiary banks and offices, including branches of RBS plc in New York, New York and Stamford, Connecticut (collectively, the “U.S. Branches”), for which the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor;

WHEREAS, RBS Group oversees compliance and risk management procedures for entities within the RBS organization;

WHEREAS, on July 26, 2011, RBS Group, RBS plc, and the U.S. Branches, consented to a cease and desist order issued by the Board of Governors and various state banking agencies (the “2011 Consent Order”) to address deficiencies in risk management and compliance at the U.S. Branches with respect to the Bank Secrecy Act (31 U.S.C. § 5311 et seq.); the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Chapter X); the anti-money laundering requirements of Regulation K of the Board of Governors (12 C.F.R. §§ 211.24(f) and 211.24(j)); and with applicable U.S. sanctions laws, including the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-06) (“IEEPA”) and Trading with the Enemy Act (50 U.S.C. §§ 1-44) (“TWEA”), and their implementing regulations administered by the Office of Foreign Assets Control of the United States Department of the Treasury (31 C.F.R. Chapter V) (the “OFAC Regulations”);

WHEREAS, the Board of Governors and OFAC have been conducting investigations into the practices of RBS Group and RBS plc concerning the transmission of funds to and from the United States through unaffiliated U.S. financial institutions, including by and through entities and individuals subject to the OFAC Regulations;

WHEREAS, this Order of Assessment of a Civil Money Penalty is issued with respect to the following:

A. RBS Group and RBS plc lacked adequate risk management and legal review policies and procedures to ensure that activities conducted at offices outside the United States comply with applicable OFAC Regulations; and

B. From at least 2005 to 2008, certain business lines within RBS plc developed and implemented policies and procedures for processing U.S. dollar-denominated funds transfers through unaffiliated U.S. financial institutions involving parties subject to OFAC Regulations

that omitted relevant information from payment messages necessary for the U.S. financial institutions to determine whether these transactions were carried out in a manner consistent with U.S. law, and engaged in certain other transactions that violated applicable OFAC Regulations into 2009.

WHEREAS, in a separate order issued by the Board of Governors dated December 11, 2013, RBS Group has consented to cease and desist from such practices and implement improvements in its oversight and compliance program for activities involving the offices of RBS Group, RBS plc, and their subsidiaries outside the United States that in whole or in part impact the ability of U.S. financial institutions to comply with applicable OFAC sanctions;

WHEREAS, the unsafe or unsound practices described above warrant the assessment of a civil money penalty by the Board of Governors against RBS Group and RBS plc under section 8(i)(2)(B) of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1818(i)(2)(B)) (the “FDI Act”);

WHEREAS, the Board of Governors is issuing this Order of Assessment of a Civil Money Penalty Upon Consent against RBS Group and RBS plc (the “Consent Order of Assessment”);

WHEREAS, RBS Group and RBS plc have consented to pay the assessment of a civil money penalty by OFAC for violations of OFAC Regulations concurrently with this Consent Order of Assessment by the Board of Governors;

WHEREAS, on December 9, 2013, the board of directors of RBS Group and RBS plc authorized and directed Chris Campbell, General Counsel, of RBS Group to enter into this Consent Order of Assessment on behalf of RBS Group and RBS plc, consenting to compliance by RBS Group, RBS plc, and their institution-affiliated parties, as defined in sections

3(u) and 8(b)(4) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(4)), with each and every provision of this Order, and waiving any and all rights that RBS Group and RBS plc may have pursuant to 12 U.S.C. § 1818, 12 C.F.R. Part 263, or otherwise to: (i) the issuance of a notice of assessment of a civil money penalty; (ii) a hearing for the purpose of taking evidence of any matters set forth in this Consent Order of Assessment; (iii) judicial review of this Consent Order of Assessment and (iv) to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Consent Order of Assessment or any provision hereof.

NOW, THEREFORE, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, it is hereby ordered, pursuant to sections 8(b)(1) and (4) of the FDI Act (12 U.S.C. §§1818(b)(1) and 1818(b)(4)), that:

1. The Board of Governors hereby assesses RBS Group and RBS plc a joint civil money penalty in the amount of \$50,000,000 to be paid to the Board of Governors at the time of the execution of this Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond, ABA No. 051000033, beneficiary, Board of Governors of the Federal Reserve System. The Board of Governors or the Federal Reserve Bank of Richmond on its behalf shall remit the funds to the United States Treasury, pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1818(i).

Communications

2. All communications regarding this Consent Order of Assessment shall be addressed to:

(a) James T. Nolan
Senior Vice President
Director of Supervision, Regulation, and Credit
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02210

(b) Chris Campbell
Group General Counsel
The Royal Bank of Scotland Group plc
36 St. Andrew Square
Edinburgh, Scotland EH2 2YE

(c) Chris Campbell
Group General Counsel
The Royal Bank of Scotland plc
36 St. Andrew Square
Edinburgh, Scotland EH2 2AD

Miscellaneous

3. The provisions of this Consent Order of Assessment shall be binding upon RBS Group, RBS plc, and their successors and assigns.

4. Each provision of this Consent Order of Assessment shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Board of Governors.

5. Except as provided for in this Consent Order of Assessment, the Board of Governors hereby releases and discharges RBS Group, RBS plc, and their affiliates, successors, and assigns from all potential liability that has been or might have been asserted by the Board of Governors based on the conduct that is the subject of this Consent Order of Assessment to the extent known to the Board of Governors as of the effective date of the Consent Order of Assessment. The foregoing release and discharge shall not preclude or affect any right of the Board of Governors to determine and ensure compliance with the terms and provisions of this Consent Order of Assessment, the 2011 Consent Order, the Consent Cease and Desist Order

issued by the Board of Governors against RBS Group and RBS plc on December 11, 2013, or any proceedings brought by the Board of Governors to enforce the terms and provisions of this Consent Order of Assessment or such Consent Cease and Desist Orders.

By order of the Board of Governors of the Federal Reserve System, effective this 11th day of December, 2013.

THE ROYAL BANK OF SCOTLAND
THE GROUP PLC

BOARD OF GOVERNORS OF
FEDERAL RESERVE SYSTEM

By: /s/ Chris Campbell
Chris Campbell
Group General Counsel

By: /s/ Robert deV. Frierson
Robert deV. Frierson
Secretary of the Board

THE ROYAL BANK OF SCOTLAND PLC

By: /s/ Chris Campbell
Chris Campbell
Group General Counsel