



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

December 11, 2014

Mr. Sheldon Goldfarb
General Counsel
RBS Americas
600 Washington Boulevard
Stamford, Connecticut 06901

Dear Mr. Goldfarb:

This letter is in response to your request dated August 22, 2014, that the Board provide relief from the requirement under Regulation YY that The Royal Bank of Scotland plc ("RBS") form a U.S. intermediate holding company by July 1, 2016.¹

Regulation YY requires a foreign banking organization with \$50 billion or more in U.S. non-branch assets as of June 30, 2015, to establish a U.S. intermediate holding company and transfer its ownership interest in the substantial majority of its U.S. subsidiaries to the intermediate holding company by July 1, 2016.² The Board may extend or accelerate any compliance date in Regulation YY if it determines that such extension or acceleration is appropriate.³

RBS is a foreign banking organization with an estimated \$ [REDACTED] in U.S. non-branch assets as of June 30, 2014. RBS is executing on its commitments under an agreement with Her Majesty's Treasury to divest much of its U.S.

¹ 12 CFR 252.152.

² Id.

³ 12 CFR 252.3(b).

operations. In particular, RBS has initiated a process to divest its U.S. subsidiary bank holding company, Citizens Financial Group (“CFG”). As a result of this divestiture, RBS expects its U.S. non-branch assets to equal \$53.7 billion on June 30, 2015, and, following further planned balance sheet reductions for RBS Securities, Inc., to be less than \$50 billion by March 31, 2016.⁴ RBS has requested relief from Regulation YY’s U.S. intermediate holding company requirement to avoid the significant expenditures required to come into compliance with that requirement, as the firm currently predicts that its U.S. non-branch assets will fall below \$50 billion.⁵

After consideration of all relevant facts, the Board has approved RBS’s request and has determined to extend Regulation YY’s June 30, 2015, asset-measurement date for the initial applicability of the intermediate holding company requirement to March 31, 2016.⁶ RBS will be required to measure its U.S. non-branch assets as of that date, rather than based on the four-quarter average measure required by Regulation YY. If RBS’s U.S. non-branch assets are above \$50 billion on March 31, 2016, RBS will be required to comply with Regulation YY’s U.S. intermediate holding company requirement by September 30, 2016.

This action is based on all the facts of record and on all the representations and commitments made by you in the submissions to the Board in connection with the request. These representations and commitments constitute conditions imposed in writing in connection with the findings and decisions herein and, as

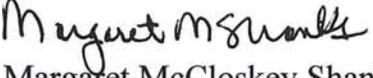
⁴ A foreign banking organization ceases to be subject to the intermediate holding company requirement on the date on which the sum of the total consolidated assets of the top-tier U.S. subsidiaries of the foreign banking organization is below \$50 billion for each of four consecutive calendar quarters.

⁵ CFG had \$130.6 billion in total consolidated assets of as June 30, 2014, and separately will be subject to the requirements of Regulation YY applicable to bank holding companies with over \$50 billion in total consolidated assets on January 1, 2015. 12 CFR part 252, subpart D.

⁶ 12 CFR 252.152(b)(2).

such, may be enforced in proceedings under applicable law. Any material change in those facts or representations could affect this approval and should be communicated promptly to Board staff.

Very truly yours,


Margaret McCloskey Shanks
Deputy Secretary of the Board

cc: Laura Duhamel Rogers, Central Point of Contact
Federal Reserve Bank of Boston