

# Frequently Asked Questions for Investor Products and Equity Derivatives ('IPED') Retail Clients

## Approval of Financial Services and Markets Act 2000 Part VII Scheme in respect of IPED securities issued, and IPED deposits accepted, by The Royal Bank of Scotland plc

Updated 19 November 2015

*By accessing this document, you are deemed to have represented to us that you are not a U.S. person and that you are not located in the U.S., its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia and that you are otherwise authorised to receive the information below.*

*The information contained in this document may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever, and in particular, may not be forwarded to any U.S. person or to any U.S. address. Any forwarding, distribution or reproduction of such information in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of the US Securities Act of 1933, as amended, or the applicable laws of other jurisdictions.*

### 1. What is the background to these 'Frequently Asked Questions'?

On 19 February 2014, The Royal Bank of Scotland plc ('**RBS plc**') announced that an agreement had been reached between it and BNP Paribas S.A. ('**BNP Paribas**') for the disposal of certain assets and liabilities related to its structured retail investor products and equity derivatives ('**IPED**') business, as well as associated market-making activities. RBS plc and BNP Paribas agreed to work together with the aim of implementing a banking business transfer scheme pursuant to Part VII of the UK Financial Services and Markets Act 2000 (the '**Scheme**') to effect a legal transfer of eligible transactions to BNP Paribas or one of its affiliates. References in this document to BNP Paribas as transferee under the Scheme are to BNP Paribas acting through its London branch.

### 2. What is the Scheme?

The Scheme is a statutory banking business transfer scheme, pursuant to Part VII of the UK Financial Services and Markets Act 2000, to be used to transfer certain assets and liabilities of RBS plc to BNP Paribas or one of its affiliates.

RBS plc and BNP Paribas presented a petition (the '**Petition**') on 28 September 2015 to the Court of Session in Scotland (the '**Court**') for an order sanctioning the Scheme. A preliminary hearing at the Court was held on 29 September 2015.

On 19 November 2015 a final hearing was held at which the Court considered all the circumstances relating to the Petition, including the interests of relevant parties. Although the consent of investors and counterparties was not required, they and any other parties that felt that they would be adversely affected by the Scheme could lodge an objection to the Court, whether in writing (including by sending objections to RBS and/or BNP Paribas) or in person at the hearing to sanction the Scheme. Taking into account such objections, the Court considered that it was appropriate to sanction the Scheme.

The effect of the Court making such an order is that the relevant assets and liabilities will transfer to BNP Paribas or one of its affiliates on the date that the approved Scheme takes effect (or on an agreed subsequent date) (the '**Effective Date**').

### 3. To which entities will RBS plc securities and deposits transfer?

Once the Scheme becomes effective, the relevant RBS plc deposits and securities relating to the IPED business will be transferred from RBS plc to BNP Paribas under the terms of the Scheme.

Once the Scheme becomes effective, the relevant IPED structured deposits (and certain related agreements) will be transferred to BNP Paribas under the terms of the Scheme (subject to the relevant structured deposits not having been repaid prior to the implementation of the Scheme).

Any transferring structured deposits that were previously covered by the UK's Financial Services Compensation Scheme (the '**UK FSCS**') are expected to qualify for protection under the French Deposit Guarantee Scheme (the '**French DGS**'). Further details are set out below.

Immediately after the transfer of the relevant IPED securities (and certain related agreements) to BNP Paribas, the role of the issuer of those IPED securities (and certain related agreements) will be transferred, also under the terms of the Scheme, to BNP Paribas Arbitrage Issuance B.V. ('**BNPP IBV**'), a wholly owned subsidiary of BNP Paribas. This is in recognition of the function of BNPP IBV as an issuance vehicle of BNP Paribas. BNP Paribas will guarantee all the obligations of BNPP IBV in respect of the transferred IPED securities and such related agreements (subject to the relevant securities not having been exercised, redeemed or repurchased and cancelled prior to the implementation of the Scheme).

The transfers of deposits and securities (and certain related agreements) as described above are the '**Proposed Transfers**'.

**4. Has the Scheme been approved and when is the effective date of the transfer of those securities and deposits transferring as part of the Scheme?**

The Scheme was approved by the Court at a hearing held on 19 November 2015. The Scheme will take effect on the Effective Date, expected to be 7 December 2015 (or such other specified date thereafter as RBS plc and BNP Paribas may agree in writing).

Any change to the Effective Date will be announced on our website at <http://investors.rbs.com/FSMA-transfer-IPED/>

**5. What will be the immediate impact of the Scheme?**

Until the Effective Date, the transferring assets and liabilities relating to the IPED business will remain with RBS plc. On the Effective Date or thereafter, such assets and liabilities will be transferred as described above.

**6. What do I need to do after this announcement on 19 November 2015?**

The daily operation and support for your business will continue to operate as it does now until the Effective Date. You may continue to deal, and conduct business, with your local RBS plc and BNP Paribas teams as at present.

Should you have any questions or require any further information, please do not hesitate to contact your regular contact person for RBS products or write to Pieter-Reinier Maat, Global Head of IPED Client Management, The Royal Bank of Scotland, 135 Bishopsgate, London, EC2M 3UR, UK.

**7. Will securities issued by RBS plc continue to trade following this announcement?**

Business will continue as usual. BNP Paribas (or one of its affiliates) is already acting as market-maker for the relevant securities and is committed to providing a market leading standard for other post-sale services in respect of the relevant securities. BNP Paribas (or one of its affiliates) will continue to provide the same level of high quality service after the Effective Date.

**8. Will prices for structured deposits taken by RBS plc continue to be provided following this announcement?**

Business will continue as usual. RBS plc will continue to provide the same level of high quality service prior to the Effective Date. BNP Paribas is committed to providing a market leading standard for post-sale services in respect of the relevant structured deposits and will provide the same level of high quality service after the Effective Date.

**9. How do I find out if my securities or structured deposits are transferring as part of the Scheme?**

Details of the relevant securities and structured deposits which are expected to transfer can be viewed at <http://investors.rbs.com/FSMA-transfer-IPED/>.

**10. What happens if my securities are not shown in the list and BNPP IBV is not expected to become the ultimate issuer?**

RBS plc will remain the issuer.

**11. What happens if my structured deposits are not shown in the list and BNP Paribas is not expected to become the deposit taker?**

RBS plc will remain the deposit taker.

**12. Have the Proposed Transfers been communicated to the relevant regulators?**

RBS plc has discussed the Proposed Transfers with the relevant regulators, including the UK Financial Conduct Authority (FCA) and the UK Prudential Regulatory Authority (PRA). BNP Paribas has discussed the Proposed Transfers with the European Central Bank (ECB), the French Autorité de Contrôle Prudentiel et de Résolution (ACPR) and the French Autorité des marchés financiers (AMF). The relevant regulatory certificates required from the ECB and the PRA were obtained prior to the sanction hearing.

**13. Will the Proposed Transfers lead to any change in the formulae used in terms and conditions/final terms/pricing supplements to determine an interest or principal payment?**

The Proposed Transfers will not lead to any change in the formulae used in terms and conditions/final terms/pricing supplements to determine an interest or principal payment.

Certain amendments will be made to the terms of securities and structured deposits in respect of which the relevant BNP Paribas entity is expected to become the issuer or deposit taker (as applicable) as a result of the Scheme and to the agreements RBS plc has entered into related to such securities and structured deposits in order to give effect to the Scheme and, amongst other matters, to mitigate certain potential adverse effects on holders of securities of, or structured deposits with, RBS plc. Amendments will be made, for example, to reflect that the relevant BNP Paribas entity is resident in a different country to RBS plc's resident country and that a different jurisdictional insolvency process may apply.

For a more detailed description of the proposed amendments in each case, please see paragraph 9 and Parts C and D of the Scheme Document.

**14. Will the Proposed Transfers affect the price that BNP Paribas or an affiliate or RBS plc is willing to bid for my securities or structured deposit before the Effective Date?**

The Proposed Transfers are not expected to change the price that BNP Paribas (or one of its affiliates) or RBS plc, as the case may be, as part of their normal market making activities, may bid for such securities or structured deposits before the Effective Date.

**15. Will the change of issuer or deposit taker affect the price that BNP Paribas or an affiliate is willing to bid for my securities or structured deposit after the Effective Date?**

The change of issuer or deposit taker may lead to a change in the price at which such securities or structured deposits may trade after the Effective Date due to any difference in the perceived credit quality of RBS plc and BNP Paribas. However, RBS plc and BNP Paribas do not expect the expected change of issuer or deposit taker to have any impact which would be adverse to investors immediately after the transfer.

RBS plc cannot guarantee the price at which such securities or structured deposits may trade, and following the implementation of the Scheme, the price will reflect the fact that BNP Paribas is the deposit taker or the guarantor of the securities (as applicable).

As is the case now, the market prices for such securities or structured deposits may be impacted by a number of factors, including, among others, the value of the assets underlying such securities or structured deposits and prevailing market conditions, any of which may affect the value of the securities or structured deposits.

**16. Will the transfers result in a tax realisation event with respect to the RBS plc securities that I hold or otherwise increase the tax that I pay in respect of my securities?**

We recommend that you seek tax advice as to the tax consequences for you in the jurisdiction(s) in which you are subject to tax of any transfer pursuant to the Scheme of the RBS plc securities that you hold, in light of your own particular circumstances. If you reasonably consider that the transfers are likely to result in adverse tax consequences, you may be entitled under the terms of the Scheme upon providing appropriate evidence to request RBS plc or BNPP IBV to purchase your securities at their mid market value (spread-free), provided such request is made in advance of, or within 60 business days after, the Effective Date and assuming normal market conditions exist.

**17. How will the Proposed Transfers affect the credit rating of RBS plc?**

The plan for the Proposed Transfers has been designed not to impact the ratings of RBS plc.

**18. How will the Proposed Transfers affect the credit rating of BNP Paribas?**

The plan for the Proposed Transfers has been designed not to impact the ratings of BNP Paribas.

**19. Will the Proposed Transfers lead to any changes in relationships with any UK plan managers who placed deposits with RBS plc?**

The client services related to your UK plan manager will remain unchanged, although BNP Paribas will become the deposit taker in respect of the relevant underlying plans.

**20. What are the differences between the UK FSCS and the French DGS?**

Subject to satisfaction of the eligibility conditions, structured deposits accepted by RBS plc fall under the scope of the UK FSCS, and structured deposits accepted by BNP Paribas fall under the scope of the French DGS (even though it is the London branch of BNP Paribas that will become the deposit taker).

It is important to note that the UK FSCS will only be applied upon any default of RBS plc, and the French DGS will only be applied upon any default of BNP Paribas.

As a result of European legislation harmonising the two deposit guarantee schemes, aside from differences in the rate of exchange between pound sterling and the euro (described below), the details of the UK FSCS and the French DGS do not now differ in any material respects, including their eligibility criteria. It is expected that any transferring structured deposits previously covered by the UK FSCS will qualify for protection under the French DGS.

In summary, and until 31 December 2015, the maximum level of protection under the UK FSCS is £85,000 and under the French DGS is €100,000. The statutory level of deposit protection is set by the European Deposit Guarantee Schemes Directive ('DGSD'), which was updated last year. The DGSD requires that all European member states provide for a deposit protection limit of €100,000.

The existing UK FSCS limit was set in 2010 because that was equivalent to €100,000 at the time. The new FSCS limit must be set at the prevailing exchange rate on 3 July 2015. Given the strength of sterling in relation to the euro, this means that the current level of protection provided by the FSCS under the statutory scheme will reduce. The PRA has therefore reviewed the existing limit and reduced the deposit protection limit under the UK FSCS to £75,000 (which will apply to all protected deposits from 1 January 2016).

The DGSD requires the PRA to review the UK FSCS limit every five years and it will manage any future changes in a way that seeks to minimise disruption for depositors. The limit of £75,000 is unlikely to change before then, unless there are unforeseen events such as significant currency fluctuations.

Upon any default of BNP Paribas, the French DGS will apply to deposits that qualify for protection under the French DGS. Amounts payable by the relevant operator under the French DGS in euro may be less than £75,000 (or £85,000 if BNP Paribas were to default before 31 December 2015) due to the exchange rate between sterling and euro at such time. In those circumstances, RBS plc will provide any shortfall to relevant eligible depositors, calculated in accordance with the details specified in the Scheme Document.

For more details on the deposit guarantee schemes and the above undertaking, please see paragraph 16 of the Scheme Document.

**21. What are my options if I already have deposits with both RBS plc and BNP Paribas and believe my rights may be affected?**

If your rights in relation to deposit guarantee schemes will be adversely affected by the Scheme and you would like to reduce the amount of deposits that you hold with BNP Paribas, you may, upon providing appropriate evidence and subject to normal market conditions, be able to exercise your withdrawal rights, at the mid market value of the relevant deposits (spread-free), provided that such rights are exercised within 60 business days after the transfer of those deposits by the Scheme. Further details are set out in the undertaking to be made by BNP Paribas to the Court, the terms of which are available on our website at <http://investors.rbs.com/FSMA-transfer-IPED/>

**22. Will there be any further announcements in relation to the transfer of those securities and structured deposits expected to transfer as part of the Scheme?**

Further announcements will be made on or around the Effective Date.

Updated 19 November 2015