



STATE OF CONNECTICUT
DEPARTMENT OF BANKING
 260 CONSTITUTION PLAZA – HARTFORD, CT 06103



Jorge L. Perez
 Commissioner

IN THE MATTER OF:

RBS SECURITIES INC.
CRD No. 11707

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CONSENT ORDER

DOCKET NO. CO-16-8058A-S

I. PRELIMINARY STATEMENT

WHEREAS, the Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672a of the General Statutes of Connecticut, the Connecticut Uniform Securities Act (“Act”), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”) promulgated under the Act;

WHEREAS, RBS Securities Inc. (“RBSS” or “Respondent”) is a Delaware corporation with a principal place of business at 600 Washington Boulevard, Stamford, Connecticut 06901. At all times pertinent hereto, Respondent has been registered in Connecticut as a broker-dealer under the Act. Prior to April 2009, Respondent was known as Greenwich Capital Markets, Inc.;

WHEREAS, The Royal Bank of Scotland, plc (“RBS plc”) is a foreign bank that directly or indirectly controls a large financial organization that consists of a number of separate business lines and legal entities in many countries around the world;

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WHEREAS, RBS plc conducts operations in the United States, including in Connecticut, through Respondent, its directly or indirectly controlled legal entity and non-bank subsidiary;

WHEREAS, RBS plc, a person directly or indirectly controlling Respondent, pled guilty to one violation of the Sherman Antitrust Act, 15 U.S.C. § 1, which violation is a felony (*United States of America v. The Royal Bank of Scotland PLC*, No. 3:15 CR-00080-SRV-1 (D. Conn.) (the “Guilty Plea”). A copy of the RBS plc Plea Agreement is attached hereto as Exhibit A;

WHEREAS, the Commissioner, through the Securities and Business Investments Division (“Division”) of the Department of Banking, has determined that the Guilty Plea, if accepted by the District Court, would support the initiation of an administrative proceeding by the Commissioner to suspend, revoke, or impose conditions on the registration of Respondent pursuant to Section 36b-15(a)(2)(C) of the Act;

WHEREAS, Section 36b-31(a) of the Act provides, in relevant part, that “[t]he commissioner may from time to time make . . . such . . . orders as are necessary to carry out the provisions of sections 36b-2 to 36b-34, inclusive”;

WHEREAS, Section 36b-31(b) of the Act provides, in relevant part, that “[n]o . . . order may be made . . . unless the commissioner finds that the action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of sections 36b-2 to 36b-34, inclusive”;

WHEREAS, the Commissioner finds that the entry of this Consent Order is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act;

WHEREAS, an administrative proceeding initiated under Sections 36b-15 of the Act would constitute a “contested case” within the meaning of Section 4-166(4) of the General Statutes of Connecticut;

WHEREAS, Section 4-177(c) of the General Statutes of Connecticut and Section 36a-1-55(a) of the Regulations of Connecticut State Agencies provide that a contested case may be resolved by consent order, unless precluded by law;

WHEREAS, without holding a hearing and without trial or adjudication of any issue of fact or law, and prior to the initiation of any formal proceeding, the Commissioner and Respondent reached an agreement, the terms of which are reflected in this Consent Order, in full and final resolution of the matters described herein;

AND WHEREAS, Respondent, through its execution of this Consent Order, specifically assures the Commissioner that Respondent will comply with this Consent Order.

II. CONSENT TO WAIVER OF PROCEDURAL RIGHTS

WHEREAS, Respondent, through its execution of this Consent Order, voluntarily waives the following rights:

1. To be afforded notice and an opportunity for a hearing within the meaning of Sections 36b-15(f) of the Act and Section 4-177(a) of the General Statutes of Connecticut;
2. To present evidence and argument and to otherwise avail itself of Sections 36b-15(f) of the Act and Section 4-177c(a) of the General Statutes of Connecticut;
3. To present its position in a hearing in which it is represented by counsel;
4. To have a written record of the hearing made and a written decision issued by a hearing officer; and
5. To seek judicial review of, or otherwise challenge or contest, the matters described herein, including the validity of this Consent Order.

III. JURISDICTION AND CONSENT TO ENTRY OF CONSENT ORDER

1. Respondent admits the jurisdiction of the Commissioner, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Consent Order, agrees that sufficient evidence exists to support the Commissioner's entry of this Consent Order under Section 36b-15(a)(2)(C) of the Act, and consents to the entry of this Consent Order by the Commissioner.

IV. FINDINGS OF FACT

2. Respondent is currently, and was at all times relevant to this Consent Order, registered as a broker-dealer in Connecticut (CRD No. 11707).

3. On May 20, 2015, RBS plc pled guilty to a one-count Information charging RBS plc with entering into and engaging in a combination and conspiracy to fix, stabilize, maintain, increase or decrease the price of, and rig bids and offers for, the EUR/USD currency pair exchanged in the foreign currency exchange ("FX") spot market by agreeing to eliminate competition in the purchase and sale of the EUR/USD currency pair in the United States and elsewhere in violation of the Sherman Antitrust Act, 15 U.S.C. § 1.

4. In the Guilty Plea, RBS plc agreed that had the case gone to trial, the United States would have presented evidence sufficient to prove that acts in furtherance of the conspiracy were carried out within the District of Connecticut, that RBS plc, through one of its EUR/USD traders, participated in the conspiracy from approximately December 2007 through at least April 2010, and that RBS plc and certain of its related entities, including RBSS, acted as a dealer, in the United States and elsewhere, for currency traded in the FX spot market.

5. Further, in the Guilty Plea, RBS plc agreed to a sentence that will include:
- (A) a criminal fine of \$395,000,000; and
 - (B) a term of probation, including conditions such as:
 - (i) refraining from committing another federal crime or engaging in the conduct cited in the Guilty Plea;
 - (ii) implementing a suitable compliance program designed to prevent and detect the cited conduct throughout its operations including those of its affiliates and subsidiaries; and
 - (iii) strengthening compliance and internal controls as required by the CFTC and the UK Financial Conduct Authority.

6. Prior to the Guilty Plea, RBS plc had previously consented to the entry of an order issued by the Commodity Futures Trading Commission (“CFTC”) on November 11, 2014 arising out of the same conduct (the “CFTC Order”). A copy of the CFTC Order is attached hereto as Exhibit B.

7. In the CFTC Order, RBS plc agreed to:
- (A) cease and desist from certain violations of the Commodity Exchange Act and Commission Regulations;
 - (B) pay a civil monetary penalty in the amount of \$290,000,000;
 - (C) continue to undertake remedial procedures to implement and strengthen its internal controls and procedures relating to its participation in the fixing of FX benchmark rates and related supervision of its FX traders; and
 - (D) cooperate with any investigation or other action instituted by the CFTC, related to the subject matter of the CFTC Order, for at least three years.

8. On May 20, 2015, RBS plc and RBSS also consented to a Board of Governors of the Federal Reserve System Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent Pursuant to the Federal Deposit Insurance Act, as Amended, arising out of the same conduct (the “Federal Reserve Order”). A copy of the Federal Reserve Order is attached hereto as Exhibit C.

9. In the Federal Reserve Order, RBS plc and RBSS acknowledged that:

- (A) RBS¹ and RBSS lacked adequate governance, risk management, compliance and audit policies and procedures to ensure that certain of RBS’s FX dealer activities complied with safe and sound banking practices, applicable U.S. laws and regulations, including policies and procedures to prevent potential violations of the U.S. commodities, antitrust and criminal fraud laws, and applicable internal policies;
- (B) FX traders in the spot market at RBS, including RBSS, routinely communicated with FX traders at other financial institutions through chatrooms on electronic messaging platforms accessible by traders at multiple institutions;
- (C) RBS’s deficient policies and procedures prevented RBS from detecting and addressing certain unsafe and unsound conduct by its FX traders, including in communications by traders in multibank chatrooms; and
- (D) as a result of such deficient policies and procedures, RBS and RBSS engaged in unsafe and unsound banking practices.

10. Pursuant to the Federal Reserve Order, RBS plc and RBSS agreed to submit, within 90 days, acceptable to the Federal Reserve:

¹ “RBS” is defined in the Federal Reserve Order to include RBS plc “together with its branches and subsidiaries.”

- (A) an enhanced written internal controls and compliance program;
 - (B) a written plan to improve its compliance risk management program with regard to compliance by RBS with all applicable U.S. laws and regulations with respect to FX dealer activities, FX electronic trading, and certain wholesale markets for commodities and interest rate products; and
 - (C) an enhanced written internal audit program.
11. In the Federal Reserve Order, RBS plc -additionally agreed to:
- (A) conduct a specified, annual controls review of RBS plc and RBSS during the term of the Federal Reserve Order and to provide the results to the Federal Reserve;
 - (B) a civil money penalty in the amount of \$274,000,000; and
 - (C) to hold employees involved in misconduct accountable and to fully cooperate in Federal Reserve investigations of such employees.

V. CONCLUSIONS OF LAW

1. Section 36b-15(a) of the Act, provides, in pertinent part, that: “[t]he commissioner may, by order . . . suspend or revoke any registration or, by order, restrict or impose conditions on the securities or investment advisory activities that [a] . . . registrant may perform in this state if the commissioner finds that (1) the order is in the public interest, and (2) the . . . registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser . . . (C) has been convicted, within the past ten years of . . . any felony.”

2. The Commissioner has determined that the Guilty Plea, if accepted by the District Court, would support the initiation of an administrative proceeding by the Commissioner to suspend, revoke, or impose conditions on the registration of Respondent pursuant to Section 36b-15(a)(2)(C) of the Act.

WHEREAS, the Commissioner would have the authority to impose sanctions against Respondent after granting Respondent an opportunity for a hearing;

AND WHEREAS, Respondent acknowledges the possible consequences of an administrative hearing and voluntarily agrees to consent to the entry of the sanctions described below.

VI. CONSENT TO ENTRY OF SANCTIONS

WHEREAS, Respondent, through its execution of this Consent Order, consents to the Commissioner's entry of an order imposing on it the following sanctions:

1. Respondent shall certify compliance with all its obligations under section VII.C.1 of the CFTC Order and, not later than 30 days after the entry of this Consent Order, provide the Division with copies of the reports submitted pursuant to section VII.C.1 of the CFTC Order. The reports shall be returned to Respondent following completion of the Division's review;

2. Respondent shall certify compliance with all its obligations under paragraphs 9(c)(iii) and (iv) of the Guilty Plea, when and as effective, and, not later than 30 days after providing any reports pursuant to paragraphs 9(c)(iii) or (iv) of the Plea Agreement to the Department of Justice, provide the Division with copies of all such reports. The reports shall be returned to Respondent following completion of the Division's review; and

3. Respondent shall certify compliance with all its obligations under paragraphs 3, 6, and 7 of the Federal Reserve Order and shall provide the Division subject to the approval of the

Federal Reserve Board with copies of all reports submitted to the Federal Reserve pursuant to paragraphs 3, 6 and 7 of the Federal Reserve Order no later than 30 days after the entry of this Consent Order for reports previously submitted and, for reports not yet submitted, no later than 30 days after their submission to the Federal Reserve. The reports shall be returned to Respondent following completion of the Division's review.

VII. CONSENT ORDER

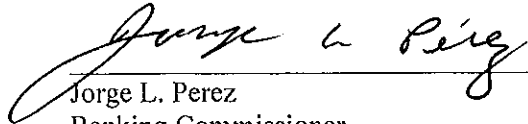
NOW THEREFORE, the Commissioner enters the following:

1. The Sanctions set forth above are hereby entered;
2. Entry of this Consent Order by the Commissioner is without prejudice to the right of the Commissioner to take enforcement action against Respondent based upon a violation of this Consent Order or the matters underlying its entry if the Commissioner determines that compliance with the terms herein are not being observed or the Guilty Plea is not accepted by the District Court;
3. This Consent Order concludes the investigation by the Commissioner with respect to the conduct and activities described in the Guilty Plea, the CFTC Order, and the Federal Reserve Order and any other action that the Commissioner could commence under the Act and its Regulations against Respondent or any of its affiliates as such action relates to the activities that were the subject of such investigation;
4. Respondent shall not take any action or make or permit to be made any public statement, including in regulatory filings, any proceeding in any forum or otherwise, denying, directly or indirectly, any allegation referenced in this Consent Order or create the impression that this Consent Order is without factual basis;
5. Respondent shall not take any position in any proceeding brought by or on behalf of the Commissioner, or to which the Commissioner is a party, that is inconsistent with any part of this Consent Order. Nothing in this provision or in Paragraph 4 affects Respondent's (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commissioner is not a party;
6. This Consent Order is not intended to subject Respondent or any of its affiliates or current or former employees to any disqualifications contained in the federal securities laws or the Commodity Exchange Act, the rules and regulations thereunder (including, without limitation, Regulation A and Rules 505 and 506(d))

under the Securities Act of 1933), the rules and regulations of any self-regulatory organization, or various states' securities laws, including any disqualification based upon registration, from relying upon registration exemptions or safe harbor provisions. In addition, this Consent Order is not intended to form the basis for any such disqualifications, and the findings and allegations herein are not the type described in Section 15(b)(4)(H)(ii) of the Securities Exchange Act of 1934. This Consent Order is not a final order of any court;

7. This Consent Order shall not disqualify Respondent or any of its affiliates or current or former employees from any business that they otherwise are qualified, licensed, or permitted to perform under the laws or regulations of the state of Connecticut and any disqualifications from relying upon Connecticut's registration exemptions or safe harbor provisions that might be deemed to arise from this Consent Order are hereby waived; and
8. This Consent Order shall become final when entered.

So ordered at Hartford, Connecticut
this 30th day of *September* 2016.

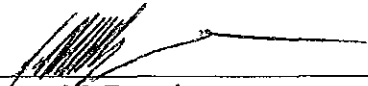


Jorge L. Perez
Banking Commissioner

CONSENT TO ENTRY OF ORDER

I, James M. Esposito, Managing Director and General Counsel, state on behalf of RBS Securities Inc., that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of RBS Securities Inc.; that RBS Securities Inc. agrees freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that RBS Securities Inc. consents to the entry of this Consent Order.

RBS Securities Inc.

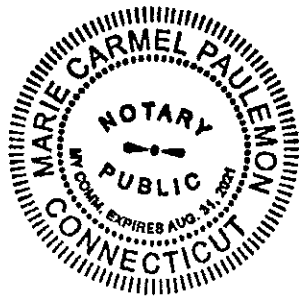
By: 
James M. Esposito
Managing Director and General Counsel

State of: *Connecticut*

County of: *Fairfield*

On this the *29th* day of *September* 2016, before me, the undersigned officer, personally appeared James M. Esposito, who acknowledged himself/herself to be the Managing Director and General Counsel of RBS Securities Inc., and that he, as such Managing Director and General Counsel, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Managing Director and General Counsel.

In witness whereof I hereunto set my hand.




Notary Public
Date Commission Expires:

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

----- X
UNITED STATES OF AMERICA : Criminal No.
v. : Filed:
THE ROYAL BANK OF SCOTLAND PLC, : Violation: 15 U.S.C. § 1
Defendant. :
----- X

PLEA AGREEMENT

The United States of America and The Royal Bank of Scotland plc (“defendant”), a financial services public limited company organized and existing under the laws of the United Kingdom, hereby enter into the following Plea Agreement pursuant to Rule 11(c)(1)(C) of the Federal Rules of Criminal Procedure (“Fed. R. Crim. P.”):

RIGHTS OF DEFENDANT

1. The defendant understands its rights:
 - (a) to be represented by an attorney;
 - (b) to be charged by Indictment;
 - (c) as a public limited company organized and existing under the laws of the United Kingdom, to decline to accept service of the Summons in this case, and to contest the jurisdiction of the United States to prosecute this case against it in the United States District Court for the District of Connecticut, and to contest venue in that District;
 - (d) to plead not guilty to any criminal charge brought against it;

(e) to have a trial by jury, at which it would be presumed not guilty of the charge and the United States would have to prove every essential element of the charged offense beyond a reasonable doubt for it to be found guilty;

(f) to confront and cross-examine witnesses against it and to subpoena witnesses in its defense at trial;

(g) to appeal its conviction if it is found guilty; and

(h) to appeal the imposition of sentence against it.

**AGREEMENT TO PLEAD GUILTY
AND WAIVE CERTAIN RIGHTS**

2. The defendant knowingly and voluntarily waives the rights set out in Paragraph 1(b)-(g) above. The defendant also knowingly and voluntarily waives the right to file any appeal, any collateral attack, or any other writ or motion, including but not limited to an appeal under 18 U.S.C. § 3742, that challenges the sentence imposed by the Court if that sentence is consistent with or below the Recommended Sentence in Paragraph 9 of this Plea Agreement, regardless of how the sentence is determined by the Court. The defendant further agrees to waive and not raise any defense or rights defendant may otherwise have under the statute of limitations with respect to the criminal information referred to in this paragraph. The defendant further states that this waiver is knowingly and voluntarily made after fully conferring with, and on the advice of, defendant's counsel, and is made for defendant's own benefit. This agreement does not affect the rights or obligations of the United States as set forth in 18 U.S.C. § 3742(b)-(c). Nothing in this paragraph, however, will act as a bar to the defendant perfecting any legal remedies it may otherwise have on appeal or collateral attack respecting claims of ineffective assistance of counsel or prosecutorial misconduct. The defendant agrees that there is currently

no known evidence of ineffective assistance of counsel or prosecutorial misconduct. Pursuant to Fed. R. Crim. P. 7(b), the defendant will waive indictment and plead guilty to a one-count Information to be filed in the United States District Court for the District of Connecticut. The Information will charge that the defendant and its co-conspirators entered into and engaged in a combination and conspiracy to fix, stabilize, maintain, increase or decrease the price of, and rig bids and offers for, the euro/U.S. dollar (“EUR/USD”) currency pair exchanged in the foreign currency exchange spot market (“FX Spot Market”), which began at least as early as December 2007 and continued until at least January 2013, by agreeing to eliminate competition in the purchase and sale of the EUR/USD currency pair in the United States and elsewhere, in violation of the Sherman Antitrust Act, 15 U.S.C. § 1. The Information will further charge that the defendant knowingly joined and participated in the conspiracy from at least as early as December 2007 until at least April 2010.

3. The defendant will plead guilty to the criminal charge described in Paragraph 2 above pursuant to the terms of this Plea Agreement and will make a factual admission of guilt to the Court in accordance with Fed. R. Crim. P. 11, as set forth in Paragraph 4 below.

FACTUAL BASIS FOR OFFENSE CHARGED

4. Had this case gone to trial, the United States would have presented evidence sufficient to prove the following facts:

(a) For purposes of this Plea Agreement, the “Relevant Period” is that period from at least as early as December 2007 and continuing until at least January 2013.

(b) The FX Spot Market is a global market in which participants buy and sell currencies. In the FX Spot Market, currencies are traded against one another in pairs.

The EUR/USD currency pair is the most traded currency pair by volume, with a worldwide trading volume that can exceed \$500 billion per day, in a market involving the exchange of currencies valued at approximately \$2 trillion a day during the Relevant Period.

(c) The FX Spot Market is an over-the-counter market and, as such, is decentralized and requires financial institutions to act as dealers willing to buy or sell a currency. Dealers, also known throughout the FX Spot Market as market makers, therefore play a critical role in ensuring the continued functioning of the market.

(d) During the Relevant Period, the defendant and certain of its Related Entities, as defined in Paragraph 14 of this Plea Agreement, employing more than 5,000 individuals worldwide, acted as a dealer, in the United States and elsewhere, for currency traded in the FX Spot Market.

(e) A dealer in the FX Spot Market quotes prices at which the dealer stands ready to buy or sell the currency. These price quotes are expressed as units of a given currency, known as the “counter” currency, which would be required to purchase one unit of a “base” currency, which is often the U.S. dollar and so reflects an “exchange rate” between the currencies. Dealers generally provide price quotes to four decimal points, with the final digit known as a “percentage in point” or “pip.” A dealer may provide price quotes to potential customers in the form of a “bid/ask spread,” which represents the difference between the price at which the dealer is willing to buy the currency from the customer (the “bid”) and the price at which the dealer is willing to sell the currency to the customer (the “ask”). A dealer may quote a spread, or may provide just the bid to a

potential customer inquiring about selling currency or just the ask to a potential customer inquiring about buying currency.

(f) A customer wishing to trade currency may transact with a dealer by placing an order through the dealer's internal, proprietary electronic trading platform or by contacting the dealer's salesperson to obtain a quote. When a customer accepts a dealer's quote, that dealer now bears the risk for any change in the currency's price that may occur before the dealer is able to trade with other dealers in the "interdealer market" to fill the order by buying the currency the dealer has agreed to sell to the customer, or by selling the currency the dealer has agreed to buy from the customer. A dealer may also take and execute orders from customers such as "fix orders," which are orders to trade at a subsequently determined "fix rate." When a dealer accepts a fix order from a customer, the dealer agrees to fill the order at a rate to be determined at a subsequent fix time based on trading in the interdealer market. Two such "fixes" used to determine a fix rate are the European Central Bank fix, which occurs each trading day at 2:15 PM (CET) and the World Markets/Reuters fix, which occurs each trading day at 4:00 PM (GMT).

(g) During the Relevant Period, the defendant and its corporate co-conspirators, which were also financial services firms acting as dealers in the FX Spot Market, entered into and engaged in a conspiracy to fix, stabilize, maintain, increase or decrease the price of, and rig bids and offers for, the EUR/USD currency pair exchanged in the FX Spot Market by agreeing to eliminate competition in the purchase and sale of the EUR/USD currency pair in the United States and elsewhere. The defendant, through

one of its EUR/USD traders, participated in the conspiracy from at least as early as December 2007 and continuing until at least April 2010.

(h) In furtherance of the conspiracy, the defendant and its co-conspirators engaged in communications, including near daily conversations, some of which were in code, in an exclusive electronic chat room, which chat room participants, as well as others in the FX Spot Market, referred to as “The Cartel” or “The Mafia.” Participation in this electronic chat room was limited to specific EUR/USD traders, each of whom was employed, at certain times, by a co-conspirator dealer in the FX Spot Market. The defendant participated in this electronic chat room through one of its EUR/USD traders from December 2007 until April 2010.

(i) The defendant and its co-conspirators carried out the conspiracy to eliminate competition in the purchase and sale of the EUR/USD currency pair by various means and methods including, in certain instances, by: (i) coordinating the trading of the EUR/USD currency pair in connection with European Central Bank and World Markets/Reuters benchmark currency “fixes” which occurred at 2:15 PM (CET) and 4:00 PM (GMT) each trading day; and (ii) refraining from certain trading behavior, by withholding bids and offers, when one conspirator held an open risk position, so that the price of the currency traded would not move in a direction adverse to the conspirator with an open risk position.

(j) During the Relevant Period, the defendant and its co-conspirators purchased and sold substantial quantities of the EUR/USD currency pair in a continuous and uninterrupted flow of interstate and U.S. import trade and commerce to customers

and counterparties located in U.S. states other than the U.S. states or foreign countries in which the defendant agreed to purchase or sell these currencies. The business activities of the defendant and its co-conspirators in connection with the purchase and sale of the EUR/USD currency pair, were the subject of this conspiracy and were within the flow of, and substantially affected, interstate and U.S. import trade and commerce. The conspiracy had a direct effect on trade and commerce within the United States, as well as on U.S. import trade and commerce, and was carried out, in part, within the United States.

(k) Acts in furtherance of the charged offense were carried out within the District of Connecticut and elsewhere.

ELEMENTS OF THE OFFENSE

5. The elements of the charged offense are that:

- (a) the conspiracy described in the Information existed at or about the time alleged;
- (b) the defendant knowingly became a member of the conspiracy; and
- (c) the conspiracy described in the Information either substantially affected interstate and U.S. import commerce in goods or services or occurred within the flow of interstate and U.S. import commerce in goods and services.

POSSIBLE MAXIMUM SENTENCE

6. The defendant understands that the statutory maximum penalty which may be imposed against it upon conviction for a violation of Section One of the Sherman Antitrust Act is a fine in an amount equal to the greatest of:

- (a) \$100 million (15 U.S.C. § 1);
- (b) twice the gross pecuniary gain the conspirators derived from the crime (18 U.S.C. § 3571(c) and (d)); or
- (c) twice the gross pecuniary loss caused to the victims of the crime by the conspirators (18 U.S.C. § 3571(c) and (d)).

7. In addition, the defendant understands that:

- (a) pursuant to 18 U.S.C. § 3561(c)(1), the Court may impose a term of probation of at least one year, but not more than five years;
- (b) pursuant to § 8B1.1 of the United States Sentencing Guidelines (“U.S.S.G.,” “Sentencing Guidelines,” or “Guidelines”) or 18 U.S.C. § 3563(b)(2) or 3663(a)(3), the Court may order it to pay restitution to the victims of the offense charged; and
- (c) pursuant to 18 U.S.C. § 3013(a)(2)(B), the Court is required to order the defendant to pay a \$400 special assessment upon conviction for the charged crime.

SENTENCING GUIDELINES

8. The defendant understands that the Sentencing Guidelines are advisory, not mandatory, but that the Court must consider, in determining and imposing sentence, the Guidelines Manual in effect on the date of sentencing unless that Manual provides for greater punishment than the Manual in effect on the last date that the offense of conviction was committed, in which case the Court must consider the Guidelines Manual in effect on the last date that the offense of conviction was committed. The parties agree there is no *ex post facto* issue under the November 1, 2014 Guidelines Manual. The Court must also consider the other

factors set forth in 18 U.S.C. §§ 3553(a), 3572(a), in determining and imposing sentence. The defendant understands that the Guidelines determinations will be made by the Court by a preponderance of the evidence standard. The defendant understands that although the Court is not ultimately bound to impose a sentence within the applicable Guidelines range, its sentence must be reasonable based upon consideration of all relevant sentencing factors set forth in 18 U.S.C. §§ 3553(a), 3572(a).

SENTENCING AGREEMENT

9. Pursuant to Fed. R. Crim. P. 11(c)(1)(C) and subject to the full, truthful, and continuing cooperation of the defendant and its Related Entities, as defined in Paragraphs 14 and 15 of this Plea Agreement, the United States and the defendant agree that the appropriate disposition of this case is, and agree to recommend jointly that the Court impose, a sentence requiring the defendant to pay to the United States a criminal fine of \$395 million, pursuant to 18 U.S.C. § 3571(d), payable in full before the fifteenth (15th) day after the date of judgment, no order of restitution, and a term of probation of 3 years (the “Recommended Sentence”). The parties agree not to seek at the sentencing hearing any sentence outside of the Guidelines range nor any Guidelines adjustment for any reason that is not set forth in this Plea Agreement. The parties further agree that the Recommended Sentence set forth in this Plea Agreement is reasonable.

(a) The defendant understands that the Court will order it to pay a \$400 special assessment, pursuant to 18 U.S.C. § 3013(a)(2)(B), in addition to any fine imposed.

(b) In light of the availability of civil causes of action, which potentially provide for a recovery of a multiple of actual damages, the Recommended Sentence does not include a restitution order for the offense charged in the Information.

(c) The United States and the defendant agree that the Court shall order a term of probation, which should include at least the following conditions, the violation of which is subject to 18 U.S.C. § 3565:

(i) The defendant shall not commit another crime in violation of the federal laws of the United States or engage in the conduct set forth in Paragraph 4(g)-(i) above during the term of probation. On a date not later than that on which the defendant pleads guilty (currently scheduled for Wednesday, May 20, 2015), the defendant shall prominently post on its website a retrospective disclosure (“Disclosure Notice”) of its conduct set forth in Paragraph 13 in the form agreed to by the Department (a copy of the Disclosure Notice is attached as Attachment B hereto), and shall maintain the Disclosure Notice on its website during the term of probation. The defendant shall make best efforts to send the Disclosure Notice not later than thirty (30) days after the defendant pleads guilty to its spot FX customers and counterparties, other than customers and counterparties who the defendant can establish solely engaged in buying or selling foreign currency through the defendant’s consumer bank units and not the defendant’s spot FX sales or trading staff.

(ii) The defendant shall notify the probation officer upon learning of the commencement of any federal criminal investigation in which the defendant is a target, or federal criminal prosecution against it.

(iii) The defendant shall implement and shall continue to implement a compliance program designed to prevent and detect the conduct set forth in Paragraph 4 (g)-(i) above and, absent appropriate disclosure, the conduct in Paragraph 13 below throughout its operations including those of its affiliates and subsidiaries and provide an annual report to the probation officer and the United States on its progress in implementing the program, commencing on a schedule agreed to by the parties.

(iv) The defendant shall further strengthen its compliance and internal controls as required by the U.S. Commodity Futures Trading Commission, the United Kingdom Financial Conduct Authority, and any other regulatory or enforcement agencies that have addressed the conduct set forth in Paragraph 4 (g)-(i) above and Paragraph 13 below, and report to the probation officer and the United States, upon request, regarding its remediation and implementation of any compliance program and internal controls, policies, and procedures that relate to the conduct described in Paragraph 4 (g)-(i) above and Paragraph 13 below. Moreover, the defendant agrees that it has no objection to any regulatory agencies providing to the United States any information or reports generated by such agencies or by the defendant relating to conduct described in Paragraph 4 (g)-(i) above or Paragraph 13 below. Such information and reports will likely include proprietary, financial, confidential, and competitive business information, and public disclosure of the information and reports could discourage cooperation, impede pending or potential government investigations, and thus undermine the objective of the United States in obtaining such reports. For these reasons, among others, the information and reports and the contents thereof are intended to remain and shall remain nonpublic,

except as otherwise agreed to by the parties in writing, or except to the extent that the United States determines in its sole discretion that disclosure would be in furtherance of the United States' discharge of its duties and responsibilities or is otherwise required by law.

(v) The defendant understands that during the term of probation it shall: (1) report to the Antitrust Division all credible information regarding criminal violations of U.S. antitrust laws by the defendant or any of its employees as to which the defendant's Board of Directors, management (that is, all supervisors within the bank), or legal and compliance personnel are aware; and (2) report to the Criminal Division, Fraud Section all credible information regarding criminal violations of U.S. law concerning fraud, including securities or commodities fraud, by the defendant or any of its employees as to which the defendant's Board of Directors, management (that is, all supervisors within the bank), or legal and compliance personnel are aware.

(vi) The defendant shall bring to the Antitrust Division's attention all federal criminal investigations in which the defendant is identified as a subject or a target, and all administrative or regulatory proceedings or civil actions brought by any federal or state governmental authority in the United States against the defendant or its employees, to the extent that such investigations, proceedings or actions allege facts that could form the basis of a criminal violation of U.S. antitrust laws, and the defendant shall also bring to the Criminal Division, Fraud Section's attention all federal criminal or regulatory investigations in which the defendant is identified as a subject or a target, and all administrative or regulatory proceedings or civil actions brought by any federal

governmental authority in the United States against the defendant or its employees, to the extent such investigations, proceedings or actions allege violations of U.S. law concerning fraud, including securities or commodities fraud.

(d) The parties agree that the term and conditions of probation imposed by the Court will not void this Plea Agreement.

(e) The defendant intends to file an application for a prohibited transaction exemption with the United States Department of Labor (“Department of Labor”) requesting that the defendant, its subsidiaries, and affiliates be allowed to continue to be qualified as a Qualified Professional Asset Manager pursuant to Prohibited Transactions Exemption 84-14. The defendant will seek such exemption in an expeditious manner and will provide all information requested of it by the Department of Labor in a timely manner. The decision regarding whether or not to grant an exemption, temporary or otherwise, is committed to the Department of Labor, and the United States takes no position on whether or not an exemption should be granted; however, if requested, the United States will advise the Department of Labor of the fact, manner, and extent of the cooperation of the defendant and its Related Entities, as defined in Paragraphs 14 and 15 of this Plea Agreement, and the relevant facts regarding the charged conduct. If the Department of Labor denies the exemption, or takes any other action adverse to the defendant, the defendant may not withdraw its plea or otherwise be released from any of its obligations under this Plea Agreement. The United States agrees that it will support a motion or request by the defendant that sentencing in this matter be adjourned until the Department of Labor has issued a ruling on the defendant’s request for an exemption,

temporary or otherwise, so long as the defendant is proceeding with the Department of Labor in an expeditious manner. To the extent that this Plea Agreement triggers other regulatory exclusions, disqualifications or penalties, the United States likewise agrees that, if requested, it will advise the appropriate officials of any governmental agency considering such action, or any waiver or exemption therefrom, of the fact, manner, and extent of the cooperation of the defendant and its Related Entities and the relevant facts regarding the charged conduct as a matter for that agency to consider before determining what action, if any, to take.

(f) The United States contends that had this case gone to trial, the United States would have presented evidence to prove that the gain derived from or the loss resulting from the charged offense is sufficient to justify the Recommended Sentence set forth in Paragraph 9 of this Plea Agreement, pursuant to 18 U.S.C. § 3571(d). For purposes of this plea and sentencing only, the defendant waives its right to contest this calculation.

(g) The defendant agrees to waive its right to the issuance of a Presentence Investigation Report pursuant to Fed. R. Crim. P. 32 and the defendant and the United States agree that the information contained in this Plea Agreement and the Information may be sufficient to enable the Court to meaningfully exercise its sentencing authority under 18 U.S.C. § 3553, pursuant to Fed. R. Crim. P. 32(c)(1)(A)(ii). Except as set forth in this Plea Agreement, the parties reserve all other rights to make sentencing recommendations and to respond to motions and arguments by the opposition.

10. The United States and the defendant agree that the applicable Guidelines fine range exceeds the fine contained in the Recommended Sentence set forth in Paragraph 9 of this Plea Agreement. The parties agree that they will request the Court to impose the Recommended Sentence set forth in Paragraph 9 of this Plea Agreement in consideration of the Guidelines fine range and other factors set forth in 18 U.S.C. §§ 3553(a), 3572(a). Subject to the full, truthful, and continuing cooperation of the defendant and its Related Entities, as defined in Paragraphs 14 and 15 of this Plea Agreement, and prior to sentencing in this case, the United States agrees that it will make a motion, pursuant to U.S.S.G. § 8C4.1 for a downward departure from the Guidelines fine range because of the defendant's and its Related Entities' substantial assistance in the United States' investigation and prosecution of violations of federal criminal law in the FX Spot Market. The parties further agree that the Recommended Sentence is sufficient, but not greater than necessary to comply with the purposes set forth in 18 U.S.C. §§ 3553(a), 3572(a).

11. Subject to the full, truthful, and continuing cooperation of the defendant and its Related Entities, as defined in Paragraphs 14 and 15 of this Plea Agreement, and prior to sentencing in the case, the United States will fully advise the Court of the fact, manner, and extent of the defendant's and its Related Entities' cooperation, and their commitment to prospective cooperation with the United States' investigation and prosecutions of violations of federal criminal law in the FX Spot Market, all material facts relating to the defendant's involvement in the charged offense and all other relevant conduct.

12. The United States and the defendant understand that the Court retains complete discretion to accept or reject the Recommended Sentence provided for in Paragraph 9 of this Plea Agreement.

(a) If the Court does not accept the Recommended Sentence, the United States and the defendant agree that this Plea Agreement, except for Paragraph 12(b) below, will be rendered void.

(b) If the Court does not accept the Recommended Sentence, the defendant will be free to withdraw its guilty plea (Fed. R. Crim. P. 11(c)(5) and (d)). If the defendant withdraws its plea of guilty, this Plea Agreement, the guilty plea, and any statement made in the course of any proceedings under Fed. R. Crim. P. 11 regarding the guilty plea or this Plea Agreement, or made in the course of plea discussions with an attorney for the United States, will not be admissible against the defendant in any criminal or civil proceeding, except as otherwise provided in Federal Rule of Evidence 410. In addition, the defendant agrees that, if it withdraws its guilty plea pursuant to this subparagraph of the Plea Agreement, the statute of limitations period for any offense referred to in Paragraph 16 of this Plea Agreement will be tolled for the period between the date of signature of this Plea Agreement and the date the defendant withdrew its guilty plea or for a period of sixty (60) days after the date of signature of this Plea Agreement, whichever period is greater.

OTHER RELEVANT CONDUCT

13. In addition to its participation in a conspiracy to fix, stabilize, maintain, increase or decrease the price of, and rig bids and offers for, the EUR/USD currency pair exchanged in the FX Spot Market, the defendant, through its currency traders and sales staff, also engaged in other currency trading and sales practices in conducting FX Spot Market transactions with customers via telephone, email, and/or electronic chat, to wit: (i) intentionally working

customers' limit orders one or more levels, or "pips," away from the price confirmed with the customer; and (ii) disclosing non-public information regarding the identity and trading activity of the defendant's customers to other banks or other market participants, in order to generate revenue for the defendant at the expense of its customers. The defendant also engaged in the following conduct: (iii) intentionally altering the rates provided to certain of its customers transacting FX over a trading platform disclosed to the United States in order to generate rates that were systematically more favorable to the defendant and less favorable to customers; and (iv) in connection with the FX component of a single corporate transaction, trading ahead of a client transaction so as to artificially affect the price of a currency pair and generate revenue for the defendant, and to affect or attempt to affect FX rates, and in addition misrepresenting market conditions and trading to the client.

DEFENDANT'S COOPERATION

14. The defendant and its Related Entities as defined below shall cooperate fully and truthfully with the United States in the investigation and prosecution of this matter, involving: (a) the purchase and sale of the EUR/USD currency pair, or any other currency pair, in the FX Spot Market, or any foreign exchange forward, foreign exchange option or other foreign exchange derivative, or other financial product (to the extent disclosed to the United States); (b) the conduct set forth in Paragraphs 13 of this Plea Agreement; and (c) any investigation, litigation or other proceedings arising or resulting from such investigation to which the United States is a party. Such investigation and prosecution includes, but is not limited to, an investigation, prosecution, litigation, or other proceeding regarding obstruction of, the making of a false statement or declaration in, the commission of perjury or subornation of perjury in, the

commission of contempt in, or conspiracy to commit such conduct or offenses in, an investigation and prosecution. The defendant's Related Entities for purposes of this Plea Agreement are entities in which the defendant had, indirectly or directly, a greater than 50% ownership interest as of the date of signature of this Plea Agreement, including but not limited to RBS Securities, Inc. The full, truthful, and continuing cooperation of the defendant and its Related Entities shall include, but not be limited to:

(a) producing to the United States all documents, factual information, and other materials, wherever located, not protected under the attorney-client privilege or work product doctrine, in the possession, custody, or control of the defendant or any of its Related Entities, that are requested by the United States; and

(b) using its best efforts to secure the full, truthful, and continuing cooperation of the current or former directors, officers and employees of the defendant and its Related Entities as may be requested by the United States, including making these persons available in the United States and at other mutually agreed-upon locations, at the defendant's expense, for interviews and the provision of testimony in grand jury, trial, and other judicial proceedings. This obligation includes, but is not limited to, sworn testimony before grand juries or in trials, as well as interviews with law enforcement and regulatory authorities. Cooperation under this paragraph shall include identification of witnesses who, to the knowledge of the defendant, may have material information regarding the matters under investigation.

15. For the duration of any term of probation ordered by the Court, the defendant also shall cooperate fully with the United States and any other law enforcement authority or

government agency designated by the United States, in a manner consistent with applicable law and regulations, with regard to all investigations identified in Attachment A (filed under seal) to this Plea Agreement. The defendant shall, to the extent consistent with the foregoing, truthfully disclose to the United States all factual information not protected by a valid claim of attorney-client privilege or work product doctrine protection with respect to the activities, that are the subject of the investigations identified in Attachment A, of the defendant and its Related Entities. This obligation of truthful disclosure includes the obligation of the defendant to provide to the United States, upon request, any non-privileged or non-protected document, record, or other tangible evidence about which the aforementioned authorities and agencies shall inquire of the defendant, subject to the direction of the United States. These obligations of full cooperation and truthful disclosure with regard to matters set forth in Attachment A do not preclude the defendant from merely putting the United States to its burden of proof in any action brought as a result of the investigations identified in Attachment A.

GOVERNMENT'S AGREEMENT

16. Subject to the full, truthful, and continuing cooperation of the defendant and its Related Entities, as defined in Paragraphs 14 and 15 of this Plea Agreement, and upon the Court's acceptance of the guilty plea called for by this Plea Agreement and the imposition of the Recommended Sentence, the United States agrees that it will not bring further criminal charges, whether under Title 15 or Title 18, or other federal criminal statutes, against the defendant or any of its Related Entities:

- (a) for any combination and conspiracy occurring before the date of signature of this Plea Agreement to fix, stabilize, maintain, increase or decrease the price of, and

rig bids and offers for, the EUR/USD currency pair, or any other currency pair exchanged in the FX Spot Market, or any foreign exchange forward, foreign exchange option or other foreign exchange derivative, or other financial product (to the extent such financial product was disclosed to the United States), and

(b) for the conduct specifically identified in Paragraph 13 (i)-(iii) of this Plea Agreement that the defendant disclosed to the United States and that occurred between January 1, 2009 and the date of signature of this Plea Agreement, and for the conduct specifically identified in Paragraph 13 (iv) of this Plea Agreement that the defendant disclosed to the United States and that occurred between January 1, 2008 and the date of signature of this Plea Agreement.

(c) The nonprosecution terms of Paragraph 16 of this Plea Agreement do not extend to any other product, activity, service or market of the defendant, and do not apply to (i) any acts of subornation of perjury (18 U.S.C. § 1622), making a false statement (18 U.S.C. § 1001), obstruction of justice (18 U.S.C. § 1503, *et seq*), contempt (18 U.S.C. §§ 401-402), or conspiracy to commit such offenses; (ii) civil matters of any kind; (iii) any violation of the federal tax or securities laws or conspiracy to commit such offenses; or (iv) any crime of violence.

REPRESENTATION BY COUNSEL

17. The defendant has been represented by counsel and is fully satisfied that its attorneys have provided competent legal representation. The defendant has thoroughly reviewed this Plea Agreement and acknowledges that counsel has advised it of the nature of the charge, any possible defenses to the charge, and the nature and range of possible sentences.

VOLUNTARY PLEA

18. The defendant's decision to enter into this Plea Agreement and to tender a plea of guilty is freely and voluntarily made and is not the result of force, threats, assurances, promises, or representations other than the representations contained in this Plea Agreement. The United States has made no promises or representations to the defendant as to whether the Court will accept or reject the recommendations contained within this Plea Agreement.

VIOLATION OF PLEA AGREEMENT

19. The defendant agrees that, should the United States determine in good faith, during the period that any investigation or prosecution covered by Paragraph 14 is pending, or during the period covered by Paragraph 15, that the defendant or any of its Related Entities has failed to provide full, truthful, and continuing cooperation, as defined in Paragraphs 14 and 15 of this Plea Agreement respectively, or has otherwise violated any provision of this Plea Agreement, except for the conditions of probation set forth in Paragraphs 9(c)(i)-(vi), the violations of which are subject to 18 U.S.C. § 3565, the United States will notify counsel for the defendant in writing by personal or overnight delivery, email, or facsimile transmission and may also notify counsel by telephone of its intention to void any of its obligations under this Plea Agreement (except its obligations under this paragraph), and the defendant and its Related Entities will be subject to prosecution for any federal crime of which the United States has knowledge including, but not limited to, the substantive offenses relating to the investigation resulting in this Plea Agreement. The defendant agrees that, in the event that the United States is released from its obligations under this Plea Agreement and brings criminal charges against the defendant or its Related Entities for any offense referred to in Paragraph 16 of this Plea

Agreement, the statute of limitations period for such offense will be tolled for the period between the date of signature of this Plea Agreement and six (6) months after the date the United States gave notice of its intent to void its obligations under this Plea Agreement.

20. The defendant understands and agrees that in any further prosecution of it or its Related Entities resulting from the release of the United States from its obligations under this Plea Agreement, because of the defendant's or its Related Entities' violation of this Plea Agreement, any documents, statements, information, testimony, or evidence provided by it, its Related Entities, or current or former directors, officers, or employees of it or its Related Entities to attorneys or agents of the United States, federal grand juries or courts, and any leads derived therefrom, may be used against it or its Related Entities. In addition, the defendant unconditionally waives its right to challenge the use of such evidence in any such further prosecution, notwithstanding the protections of Federal Rule of Evidence 410.

ENTIRETY OF AGREEMENT

21. This Plea Agreement, Attachment A, and Attachment B constitute the entire agreement between the United States and the defendant concerning the disposition of the criminal charge in this case. This Plea Agreement cannot be modified except in writing, signed by the United States, the defendant and the defendant's counsel.

22. The undersigned is authorized to enter this Plea Agreement on behalf of the defendant as evidenced by the Resolution of the Board of Directors of the defendant attached to, and incorporated by reference in, this Plea Agreement.

23. The undersigned attorneys for the United States have been authorized by the Attorney General of the United States to enter this Plea Agreement on behalf of the United States.

24. A facsimile or PDF signature will be deemed an original signature for the purpose of executing this Plea Agreement. Multiple signature pages are authorized for the purpose of executing this Plea Agreement.

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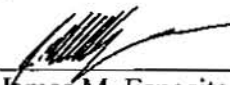
Exhibit A

AGREED:

FOR THE ROYAL BANK OF SCOTLAND PLC:

Date: May 20, 2015

By:


James M. Esposito,
Authorized Signatory

Date: _____

By:

Greg D. Andres, Esq.
Davis Polk & Wardwell LLP

FOR THE DEPARTMENT OF JUSTICE, ANTITRUST DIVISION:

JEFFREY D. MARTINO
Chief, New York Office
Antitrust Division
United States Department of Justice

Date: _____

By:

Joseph Muoio, Trial Attorney
Eric L. Schleef, Trial Attorney
Bryan C. Bughman, Trial Attorney
Carrie A. Syme, Trial Attorney
George S. Baranko, Trial Attorney
Stephanie Raney, Trial Attorney
Bryan Serino, Trial Attorney

FOR THE DEPARTMENT OF JUSTICE, CRIMINAL DIVISION, FRAUD SECTION:

ANDREW WEISSMANN
Chief, Fraud Section
Criminal Division
United States Department of Justice

Date: _____

By:

Daniel A. Braun, Deputy Chief
Benjamin D. Singer, Deputy Chief
Gary A. Winters, Trial Attorney
Anna G. Kaminska, Trial Attorney

AGREED:

FOR THE ROYAL BANK OF SCOTLAND PLC:

Date: _____

By: _____

James M. Esposito, Esq.
General Counsel, RBS Americas

Date: _____

May 20, 2015

By: _____

Greg D. Andres, Esq.
Davis Polk & Wardwell LLP

FOR THE DEPARTMENT OF JUSTICE, ANTITRUST DIVISION:

JEFFREY D. MARTINO
Chief, New York Office
Antitrust Division
United States Department of Justice

Date: _____

By: _____

Joseph Muoio, Trial Attorney
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Bryan Serino, Trial Attorney

FOR THE DEPARTMENT OF JUSTICE, CRIMINAL DIVISION, FRAUD SECTION:

ANDREW WEISSMANN
Chief, Fraud Section
Criminal Division
United States Department of Justice

Date: _____

By: _____

Daniel A. Braun, Deputy Chief
Benjamin D. Singer, Deputy Chief
Gary A. Winters, Trial Attorney
Anna G. Kaminska, Trial Attorney

AGREED:

FOR THE ROYAL BANK OF SCOTLAND PLC:

Date: _____

By: _____
James M. Esposito, Esq.
General Counsel, RBS Americas

Date: _____

By: _____
Greg D. Andres, Esq.
Davis Polk & Wardwell LLP

FOR THE DEPARTMENT OF JUSTICE, ANTITRUST DIVISION:

JEFFREY D. MARTINO
Chief, New York Office
Antitrust Division
United States Department of Justice

Date: 5/20/15

By: _____
Joseph Muoio, Trial Attorney
Eric L. Schleefer, Trial Attorney
Bryan C. Bughman, Trial Attorney
Carrie A. Syme, Trial Attorney
George S. Baranko, Trial Attorney
Stephanie Raney, Trial Attorney
Bryan Serino, Trial Attorney

FOR THE DEPARTMENT OF JUSTICE, CRIMINAL DIVISION, FRAUD SECTION:

ANDREW WEISSMANN
Chief, Fraud Section
Criminal Division
United States Department of Justice

Date: 5/20/15

By: _____
Daniel A. Braun, Deputy Chief
Benjamin D. Singer, Deputy Chief
Gary A. Winters, Trial Attorney
Anna G. Kaminska, Trial Attorney

ATTACHMENT B

DISCLOSURE NOTICE

The purpose of this notice is to disclose certain practices of The Royal Bank of Scotland plc and its affiliates (together, “RBS” or the “Firm”) when it acted as a dealer, on a principal basis, in the spot foreign exchange (“FX”) markets. We want to ensure that there are no ambiguities or misunderstandings regarding those practices.

To begin, conduct by certain individuals has fallen short of the Firm’s expectations. The conduct underlying the criminal antitrust charge by the Department of Justice is unacceptable. Moreover, as described in our November 2014 settlement with the U.K. Financial Conduct Authority relating to our spot FX business, in certain instances during the period 2008 to 2013, certain employees intentionally disclosed information relating to the identity of clients or the nature of clients’ activities to third parties in order to generate revenue for the Firm. This also was contrary to the Firm’s policies, unacceptable, and wrong. The Firm does not tolerate such conduct and already has committed significant resources in strengthening its controls surrounding our FX business.

The Firm has engaged in other practices on occasion, including:

- We have, without informing clients, worked limit orders at levels (i.e., prices) better than the limit order price so that we would earn a spread or markup in connection with our execution of such orders. This practice could have impacted clients in the following ways: (1) clients’ limit orders would be filled at a time later than when the Firm could have obtained currency in the market at the limit orders’ prices, and (2) clients’ limit orders would not be filled at all, even though the Firm had or could have obtained currency in the market at the limit orders’ prices. For example, if we accepted an order to purchase €100 at a limit of 1.1200 EURUSD, we might choose to try to purchase the currency at a EURUSD rate of 1.1199 or better so that, when we sought in turn to fill the client’s order at the order price (i.e., 1.1200), we would make a spread or markup of 1 pip or better on the transaction. If the Firm were unable to obtain the currency at the 1.1199 price, the clients’ order may not be filled as a result of our choice to make this spread or markup.

EXTRACT DRAFT MINUTES of Meeting of the Board of Directors of THE ROYAL BANK OF SCOTLAND GROUP plc (the "Group") held at 280 Bishopsgate, London on Tuesday, 12 May 2015

Project Fox / FX Update

It was agreed that for the purpose of this item, the Directors would also be acting in their capacity as the Board of Directors of THE ROYAL BANK OF SCOTLAND plc (the "Bank") and that the Minutes would be construed accordingly.

After due discussion the Directors:

- (a) on the basis of the advice received from RBS Legal and Davis Polk, APPROVED, in principle, the Bank entering into the DOJ Plea Agreement and the Federal Reserve Cease and Desist Order subject to resolving the outstanding negotiations discussed at the meeting;
- (b) NOTED the recommendation that the Plea Agreement be entered by the Bank rather than the Group; and
- (c) RESOLVED THAT a committee of the Board be appointed comprising at least two Directors, two of whom shall be the Chairman, the Chief Executive or the Chief Financial Officer as a Committee of the Board (the "FX Committee") to finalise the negotiation of, and approve the final forms of, the Plea Agreement and the Cease and Desist Order.

I confirm that the above resolutions were passed at the Group and Bank Board meetings on 12 May 2015



Aileen Taylor
Chief Governance Officer and Board Counsel

The Royal Bank of Scotland plc

Meeting of the FX Committee of the
Board of Directors
Taken as of 19 May 2015

EXTRACT DRAFT MINUTES of Meeting of the FX Committee of the Board of Directors of THE ROYAL BANK OF SCOTLAND PLC ("the Bank") held by telephone on Tuesday, 19 May 2015.

Project Fox

The Directors having considered:

1. the discussions between the Bank, through its legal counsel, and the U.S. Department of Justice ("DOJ") regarding the issues that remain subject to negotiation in the investigations into the Bank's foreign exchange ("FX") practices;
2. the terms of the proposed Plea Agreement between the Bank and the DOJ, a draft of which was circulated to the Board before its 12 May 2015 meeting, and the revised version of which was circulated to the FX Committee before its 19 May 2015 meeting; and
3. the advice to the Board and the FX Committee by legal counsel regarding the current terms of the Plea Agreement, as well as advice regarding the waiver of rights and other consequences of entering into such agreement with the DOJ.

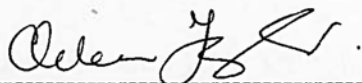
Resolved that:

1. The terms of the Plea Agreement with the DOJ that was circulated to the FX Committee on 19 May 2015 (the "Plea Agreement") are accepted on behalf of the Bank, subject to the conditions identified to its legal counsel;
2. Each of the Chairman, the Chief Executive, the Chief Financial Officer, the General Counsel and Mr. Esposito (Authorised Signatory of the Bank and the General Counsel, Americas) is hereby authorised, empowered and directed, on behalf of the Bank, to execute the Plea Agreement, together with such changes as any of them may approve;
3. Each of the Chairman, the Chief Executive, the Chief Financial Officer, the General Counsel and Mr. Esposito, are hereby authorised, empowered and directed, in the name and on behalf of the Bank, to

take any actions as may be necessary or appropriate and to approve the forms, terms, provisions of any agreement or other documents as may be necessary or appropriate, to carry out and effectuate the purpose and intent of the foregoing resolutions; and

4. The terms of the draft RNS announcement circulated in advance of the meeting be and are hereby approved subject to any non-material changes to be approved by the General Counsel or Mr Esposito.

I confirm the above resolutions were passed by the FX Committee of the Board of Directors of The Royal Bank of Scotland plc on 19 May 2015.



Aileen Taylor
Chief Governance Officer and Board Counsel

EXHIBIT A

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of:)	
)	
)	
The Royal Bank of Scotland plc)	CFTC Docket No. 15– 05
)	
Respondent.)	
)	
)	

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO
SECTIONS 6(c)(4)(A) AND 6(d) OF THE COMMODITY EXCHANGE ACT,
MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS**

I.

The Commodity Futures Trading Commission (“Commission” or “CFTC”) has reason to believe that The Royal Bank of Scotland plc (“Respondent” or “RBS”) has violated the Commodity Exchange Act (the “Act”) and Commission Regulations (“Regulations”). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent engaged in the violations set forth herein, and to determine whether any order shall be issued imposing remedial sanctions.

II.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Without admitting or denying the findings or conclusions herein, Respondent herein consents to the entry and acknowledges service of this Order Instituting Proceedings Pursuant to Sections 6(c)(4)(A) and 6(d) of the Commodity Exchange Act, Making Findings and Imposing Remedial Sanctions (“Order”).¹

¹ Respondent consents to the entry of this Order and to the use of these findings in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party; provided, however, that Respondent does not consent to the use of the Offer, or the findings or conclusions in this Order, as the sole basis for any other proceeding brought by the Commission, other than in a proceeding in bankruptcy or to enforce the terms of this Order. Nor does Respondent consent to the use of the Offer or this Order, or the findings or conclusions in this Order consented to in the Offer, by any other party in any other proceeding. Neither the Offer nor the Order confers any rights to any part other than the Commission and RBS.

III.

The Commission finds the following:

A. Summary

From 2009 through 2012 (“Relevant Period”), RBS, by and through certain of its foreign exchange (“FX”) traders, at times sought to benefit its own trading positions or those of certain FX traders at other banks by attempting to manipulate and aiding and abetting certain traders at other banks in their attempts to manipulate certain foreign exchange benchmark rates.

One of the primary FX benchmark rates that the FX traders attempted to manipulate was the World Markets/Reuters Closing Spot Rates (“WM/R Rates”). The WM/R Rates are the most widely referenced FX benchmark rates in the United States and globally. The WM/R Rates are used to establish the relative values of different currencies, and reflect the rates at which one currency is exchanged for another currency. Most of the WM/R Rates at issue here are set or fixed based on trading activity of market participants, including RBS and other banks, at various times throughout the day. The most widely used WM/R Rate is set or fixed at 4 p.m. London time (“4 p.m. WM/R fix”).

FX benchmark rates, including the WM/R Rates, are used to price a variety of transactions including foreign exchange swaps, cross currency swaps, spot transactions, forwards, options, futures, and other financial derivative instruments. The most actively traded currency pairs are the Euro/United States Dollar (EUR/USD), U.S. Dollar/Japanese Yen (USD/JPY), and British Pound Sterling/U.S. Dollar (GBP/USD). Accordingly, the integrity of the WM/R Rates and other FX benchmark rates is critical to the integrity of the markets in the United States and around the world.

At times during the Relevant Period, certain FX traders at RBS and other banks coordinated their trading with certain FX traders at other banks to attempt to manipulate certain FX benchmark rates, including the 4 p.m. WM/R fix, to their benefit. These FX traders at RBS and the other banks used private electronic chat rooms to communicate and plan their attempts to manipulate the FX benchmark rates for certain currency pairs.² Certain FX traders at RBS regularly participated in numerous private chat rooms. At times, in certain chat rooms, FX traders at RBS and other banks disclosed confidential customer order information and trading positions, altered trading positions to accommodate the interests of the collective group, and agreed on trading strategies as part of an effort by the group to attempt to manipulate certain FX benchmark rates, in some cases downward and in some cases upward.

RBS traders’ attempts to manipulate certain FX benchmark rates involved multiple currencies, including the U.S. Dollar, the Euro, and British Pound Sterling. The misconduct occurred primarily, but not exclusively, at RBS’s G10 FX trading desk in London, United Kingdom (“U.K.”).

² Some FX traders involved in certain chat rooms at issue herein were responsible for managing their respective banks’ FX desks

This conduct occurred at various times over the course of the Relevant Period without detection by RBS in part because of internal controls and supervisory failures at RBS. RBS failed to adequately assess the risks associated with its participation in the fixing of WM/R benchmark rates and certain other FX benchmark rates. RBS also lacked adequate internal controls or procedures to detect and deter possible misconduct involving certain FX benchmark rates and failed to adequately supervise its FX traders by, among other shortcomings, failing to have controls and monitoring over the use of electronic chat rooms.

The Commission notes that some of this conduct occurred during the same period that RBS was on notice that the CFTC and other regulators were investigating attempts by certain banks to manipulate the London Interbank Offered Rate (“LIBOR”) and other interest rate benchmarks.³

In accepting RBS’s Offer, the Commission recognizes the Respondent’s significant cooperation during the CFTC’s Division of Enforcement’s (“Division”) investigation of this matter, which included providing important information and analysis to the Division that helped the Division efficiently and effectively undertake its investigation. In addition, the Commission acknowledges that RBS initiated its own internal investigation into FX trading prior to the Division’s investigation. The Commission also recognizes that RBS has commenced significant remedial action to strengthen the internal controls and policies relating to foreign exchange benchmarks and internal and external communications by traders.

B. Respondent

The Royal Bank of Scotland plc is a British banking and financial services company headquartered in the U.K. It has operations in over 40 countries and territories including the United States. It has been provisionally registered as a swaps dealer since December 31, 2012.

C. Facts

1. The FX Market

The FX market, in which traders are able to buy, sell, exchange and speculate on currencies, is one of the world’s largest and most actively traded financial markets. According to the Bank of International Settlements (“BIS”), trading in global foreign exchange markets averaged \$5.3 trillion per day in April 2013. Currencies are traded in pairs and the transacted rate represents the rate to exchange one currency for another currency. The U.S. Dollar is the dominant currency in the foreign exchange market. The exchange of the U.S. Dollar for another currency accounts for an estimated 87% of global FX market activity. The most actively traded

³ The CFTC issued an order filing and settling charges that RBS and a subsidiary engaged in certain acts of attempted manipulation, completed manipulation and false reporting of the LIBOR for certain currencies and the Euro Interbank Offered Rate (“Euribor”). *In the Matter of the Royal Bank of Scotland plc and RBS Securities Japan Limited*, CFTC Docket 13-14 (February 6, 2013) (the relevant period of this action was from at least mid-2006 to at least late 2010).

currency pairs are the Euro/U.S. Dollar (EUR/USD), U.S. Dollar/Japanese Yen (USD/JPY), and British Pound Sterling/U.S. Dollar (GBP/USD). Participants in the FX market include banks, investment firms, commercial companies, central banks, hedge funds and retail customers.

The foreign exchange market is comprised of many instruments including spot, forwards, swaps, futures and option contracts.

2. WM/R Rates Overview

The WM/R Rates, one of the leading and most widely referenced foreign exchange benchmark rates, are calculated multiple times daily, including at 4 p.m. London time, which is commonly referred to as the “WM/R 4 p.m. London fix” or the “4 p.m. fix.”⁴ For twenty-one of the most liquid currencies (the “trade currencies”), the 4p.m. fix is based on actual trades, using bids and offers extracted from a certain electronic trading system during a one-minute window (“fix period”). WM/Reuters determines the bid and offer rates based on the captured transacted rate and the bid-offer spread. WM/Reuters then calculates the median of these bid and offer rates and from these medians determines a “mid trade rate.” If there are not enough trades, WM/Reuters calculates a “mid order rate.” All orders and transactions are weighted equally, regardless of their notional sizes.

The WM/R Rates for the other 139 less liquid currencies (the “non-trade currencies”) are set by similar methodology. Because these currencies are less liquid, WM/Reuters relies on indicative quotes (submissions) derived from a Reuters computer feed that solicits “indications of interest” from market participants as part of its fixing methodology. WM/Reuters captures independent snapshots of indicative quotes for bids and offers, and selects the median rate from these quotes as the “WM/R 4 p.m. London fix.”

WM/Reuters also provides fix rates for forward and non-deliverable forward contracts using methodology similar to that used for non-trade currencies. Fix rates for forward and non-deliverable forward contracts are published using a premium or discount to the spot rate for the relevant currency pair.

Other FX benchmark rates are also priced through the use of indicative rates. For instance, the Russian Ruble/U.S. Dollar Emerging Markets Trade Association (“EMTA”) benchmark rates are based on indicative rates submitted by market participants to the Chicago Mercantile Exchange (“CME”), which takes the midpoint of submitted bid-offer pairs that it randomly selects, discards the highest and lowest midpoints, and calculates the final benchmark rate using the mean of the remaining midpoints.

Foreign exchange futures contracts are connected to FX benchmark rates. The CME Russian Ruble/U.S. Dollar (RUB/USD) futures contract, for instance, is a cash settled futures contract for which the final settlement rate, a component of the contract’s price, is equal to the

⁴ Another important benchmark is the European Central Bank (“ECB”) rate set by the ECB at 1:15 p.m. London time. Though less widely referenced than the WM/R Rate, the ECB Rates are also used by a wide range of participants, specifically non-financial corporates and are important for the non-deliverable forwards market. See Financial Stability Board Foreign Exchange Benchmarks Final Report at 1. (September 30, 2014).

reciprocal of the EMTA Russian Ruble/U.S. Dollar benchmark rate. Exchange rates in many actively traded CME foreign exchange futures contracts, including the Euro/U.S. Dollar (EUR/USD) futures, the Japanese Yen/U.S. Dollar (JPY/USD) futures, and British Pound Sterling/U.S. Dollar (GBP/USD) futures, track rates in spot foreign exchange markets at near parity after adjusting for the forward differential, or adding or subtracting “forward points.” Speculative traders employ strategies that seek to capture short-lived arbitrage opportunities between foreign exchange futures and spot contracts. Since 2012, the CME provides clearing and other services for cash-settled Over the Counter FX Spot, Forward, Swaps, and Non-Deliverable Forward (NDF) contracts. The contracts cover 26 currency pairs, including EUR/USD, JPY/USD, and GBP/USD, and are cash-settled based on the WM/R 4 p.m. London fix.

3. RBS Traders’ Attempts to Manipulate Foreign Exchange Benchmark Rates

In late 2008, following the financial crisis, liquidity and volume in the FX market increased as many financial institutions and other market participants sought to exchange currencies. The increase in volume and liquidity allowed RBS FX traders and traders at other banks to take advantage of this trading opportunity, specifically during the FX benchmark rate fixing periods.

At the same time, certain FX traders at RBS and other banks had and/or developed relationships with certain FX traders at other banks, and they increasingly utilized private chat rooms to communicate and share information with each other. Certain FX traders at RBS and other banks routinely participated in the chat rooms. Often these FX traders had multiple chat rooms open simultaneously on their trading terminals, and within a chat, the traders often focused on a particular currency pair. Being a member of certain chat rooms was sometimes exclusive and by invitation only.

These chat rooms were the vehicles through which certain RBS FX traders and traders at other banks coordinated attempts to manipulate certain FX benchmark rates, including the WM/R 4 p.m. fix. At times during the Relevant Period, in their attempts to manipulate certain benchmarks (up or down), RBS FX traders exchanged the size and direction of the bank’s net orders with FX traders at other banks and used this information to attempt to coordinate trading strategies. The traders at times then used this information to enable one or more traders to attempt to manipulate the FX benchmark rates prior to and during the relevant fixing period.

For example, in one of the chat rooms, if a trader determined that he had fix orders in the opposite direction to the chat room group’s overall net fixing position approaching the fixing window, that trader may have transacted before the fix period with traders outside the private chat room, a practice known by market participants as “netting off,” rather than transact with other traders within the chat room.⁵ In certain cases, the goal of this trading strategy was to maintain the volume of orders in the direction favored by the majority of the private chat room members and limit orders being executed in the opposite direction during the fix window.

⁵ The Commission does not consider that the netting off of orders (or the decision not to net off) ahead of fixes is inappropriate in all circumstances.

If traders in the chat room had net orders in the same direction as what they desired rate movement at the fix to be, then the traders would at times either (1) match off these orders with traders outside of the chat room in an attempt to reduce the volume of orders in the opposite direction transacted during the fix period; (2) transfer their orders to a single trader within the chat room who could then execute a single order during the fix period; or (3) transact with traders outside of the chat room to increase the volume traded during the fix window in the direction favored by the private chat room traders. At times, traders also increased the volume traded by them at the fix in the direction favored by the chat room traders in excess of the volume necessary to manage the risk associated with their banks' net buy or sell orders at the fix. At times, these actions were undertaken in order to attempt to manipulate the benchmark rate set during the fix period.

Examples of RBS FX traders' misconduct include:⁶

In this example, the RBS trader has a client order to sell the GBP/USD currency pair at the WM/R fix. The RBS trader shares this information with other traders and learns that they also have orders to sell at the fix. After the fix, the chatroom participants discuss the trading.

15:45:35⁷ RBS Trader: im getting abt 80 quid now... fixing
15:45:54 Bank U Trader: my ny 100 quid...
15:51:19 RBS Trader: getting more than u now [Bank U Trader] betty
15:51:26 Bank U Trader: ok thx
15:52:23 Bank W Trader: nice job gents
15:54:16 Bank U Trader: [RBS Trader], just matched with [Bank 1] and [Bank 2] for 100, still lms in about 140
15:54:26 RBS Trader: cool
16:00:58 Bank Z Trader: i don my hat
16:01:08 Bank W Trader: what a job
16:01:23 Bank Z Trader: welld one lads
16:01:28 Bank W Trader: bravo
16:07:03 RBS Trader: 1.6218..nice
16:07:33 Bank U Trader: worked ok that one....

In another example, at 3:43:32 Bank T's Trader tells the chat room that he is buying Australian and New Zealand dollars but that it's not a big order. The RBS trader says he is buying 50 million Australian dollars at the fix and he will do Trader T's if he wants. Bank T's Trader agrees. Bank P's Trader tells the RBS trader he has an order to buy 25 million and asks the RBS trader if he is interested in taking his order as well because it will give him more "ammo" (a larger position) for the fix. The RBS trader agrees to do Bank P's Trader order. Bank T's tells the RBS trader that his sales department is also buying New Zealand dollars, offering the RBS trader more "ammo." Bank P's Trader then tells the RBS trader "all yours" indicating

⁶ The communications quoted in this Order contain shorthand trader language and many typographical errors. The shorthand and errors are explained in brackets within the quotations only when deemed necessary to assist with understanding the discussion.

⁷ The times in this example have been adjusted to British Summer Time (BST).

the other traders are going to give their orders to the RBS trader to build a larger position. The RBS Trader tells them he now has built an aggregate 220 buy order. Bank P's Trader tells him good luck. At 3:53:20 Bank T's Trader tells the RBS trader to "ramp it." At 4:00:41, after the fix window has closed, Bank T's Trader tells the RBS trader "nice one" and Bank P's Trader says "look at you . . . well done mate."

15:43:32	Bank T Trader:	buying aud and nzd at the fix
15:43:43	RBS Trader:	Tkx
15:43:52	Bank T Trader:	ntg big
15:43:59	RBS Trader:	Im buying 50 aud can do yours if you want
15:45:13	Bank T Trader:	ok . . .60 plse . . .****
15:45:56	RBS Trader:	Great
15:50:00	Bank P Trader:	I need to buy 25 aud at the fix too.. any int? more ammo for you...?
15:50:21	RBS Trader:	Sure [Bank P Trader]
15:51:24	Bank P Trader:	cool all yours [RBS Trader]
15:51:46	RBS Trader:	Buying 220 now
15:51:57	Bank P Trader:	good luck
15:52:20	Bank T Trader:	load up your 50 offrs . . .
15:53:14	Bank P Trader:	ill do those ones if you want
15:53:19	RBS Trader:	haah
15:53:20	Bank T Trader:	ur fkg [RBS Trader], ramp it
16:00:41	Bank T Trader:	nice one *****
16:00:56	Bank P Trader:	look at you!...-well done mate . . .

4. Respondent Lacked Adequate Internal Controls

During the Relevant Period, RBS failed to adequately assess the risks associated with its FX traders participating in the fixing of certain FX benchmark rates. RBS also lacked adequate internal controls in order to prevent its FX traders from engaging in improper communications with certain FX traders at other banks. RBS lacked sufficient policies, procedures and training specifically governing participation in trading around the FX benchmarks rates and had inadequate policies pertaining to, or insufficient oversight of, its FX traders' use of chat rooms or other electronic messaging.

RBS received a client complaint in October 2010 relating to the sharing of information about orders, and in November 2011, after attending competition law training, a trader questioned whether it was inappropriate to share information with traders at other firms or with clients.

In August 2012, RBS restricted participation by traders in multi-bank chat rooms.

IV.

LEGAL DISCUSSION

A. Respondent, Through the Acts of Certain Traders, Attempted to Manipulate Benchmark Rates

Together, Sections 6(c),⁸ 6(d) and 9(a)(2) of the Act prohibit acts of attempted manipulation. 7 U.S.C. §§ 9, 13b and 13(a)(2) (2012). Section 9(a)(2) of the Act makes it unlawful for “[a]ny person to ... attempt to manipulate the price of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity” 7 U.S.C. § 13(a)(2) (2012). Section 6(c) and Section 6(d) of the Act authorize the Commission to serve a complaint and provide for the imposition of, among other things, civil monetary penalties and cease and desist orders if the Commission “has reason to believe that any person” has manipulated or attempted to manipulate the market price of any commodity, in interstate commerce, or otherwise is violating or has violated any of the provisions of the Act. 7 U.S.C. §§ 9 and 13b (2012).

With respect to conduct on or after August 15, 2011, in addition to Sections 6(c), 6(d) and 9(a)(2), Section 6(c)(3) of the Act prohibits attempted manipulation of the price of any commodity in interstate commerce. 7 U.S.C. § 9(3) (2012). Commission Regulation 180.2, 17 C.F.R. § 180.2 (2012), which became effective on August 15, 2011, in relevant part, makes it “unlawful ... directly or indirectly to attempt to manipulate, the price of ...any commodity in interstate commerce” Regulation 180.2 codifies Section 6(c)(3).

Two elements are required to prove an attempted manipulation: (1) an intent to affect the market price, and (2) an overt act in furtherance of that intent. *See In re Hohenberg Bros. Co.* [1975-77 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 20,271, at 21,477 (CFTC Feb. 18, 1977); *CFTC v. Bradley*, 408 F. Supp. 2d 1214, 1220 (N.D. Okla. 2005). To prove the intent element of attempted manipulation, it must be shown that RBS FX traders “acted (or failed to act) with the purpose or conscious object of causing or effecting a price or price trend in the market that did not reflect the legitimate forces of supply and demand.” *In re Indiana Farm Bureau Coop. Ass’n*, [1982-1984 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 21,796, at 27,283 (CFTC Dec. 17, 1982). “[W]hile knowledge of relevant market conditions is probative of intent, it is not necessary to prove that the accused knew to any particular degree of certainty that his actions would create an artificial price. It is enough to present evidence from which it may reasonably be inferred that the accused ‘consciously desire[d] that result, whatever the likelihood of that result happening from his conduct.’” *Id.* (quoting *U.S. v. U.S. Gypsum Co.*, 438 U.S. 422, 445 (1978)). A profit motive may also be evidence of intent, although profit motive is not a necessary element of an attempted manipulation. *See In re DiPlacido* [2007-2009 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 30,970, at 62,484 (CFTC Nov. 5, 2008) (citing *In re Hohenberg Bros. Co.*, [1975-1977 Transfer Binder] Comm. Fut. L. Rep. (CCH) at 21,478)), *aff’d*, 364 Fed. Appx. 657, No. 08-5559-ag, 2009 WL 3326624 (2d Cir. 2009). It is also not

⁸ Section 6(c) was amended effective August 15, 2011. For conduct occurring on or after that date, the provision authorizing Commission action is contained in Section 6(c)(4)(A), 7 U.S.C. §9(4)(A).

necessary that there be an actual effect on price. *See CFTC v. Amaranth Advisors, L.L.C.*, 554 F. Supp.2d 523, 533 (S.D.N.Y. 2008).

Here, as evidenced by the foregoing, RBS engaged in acts of attempted manipulation in violation of Sections 6(c), 6(d) and 9(a)(2), 7 U.S.C. §§ 9, 13b and 13(a)(2) (2012). Additionally, with respect to conduct occurring on or after August 15, 2011, RBS engaged in acts of attempted manipulation in violation of Section 6(c)(3), 7 U.S.C. § 9(3) (2012) and Regulation 180.2, 17 C.F.R. § 180.2 (2014).

B. Respondent Aided and Abetted the Attempts of Certain Traders at Other Banks to Manipulate FX Benchmark Rates

Pursuant to Section 13(a) of the Act, liability as an aider and abettor requires proof that: (1) the Act was violated, (2) the aider and abettor had knowledge of the wrongdoing underlying the violation, and (3) the aider and abettor intentionally assisted the primary wrongdoer. *See* 7 U.S.C. § 13c(a) (2012); *In re Shahrokh Nikkiah*, [1999-2000 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 28,129, at 49,888 n.28 (CFTC May 12, 2000). Although actual knowledge of the primary wrongdoer's conduct is required, knowledge of the unlawfulness of such conduct is not necessarily required to be demonstrated. *See In re Lincolnwood Commodities, Inc.*, [1982-1984 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 21,986, at 28,255 (CFTC Jan. 31, 1984). Knowing assistance can be inferred from the surrounding facts and circumstances. *Id.* *See also In re Buckwalter*, [1990-1992 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 24,995, at 37,686 (CFTC Jan. 25, 1991).

Here, as evidenced by the foregoing, FX traders at other banks attempted to manipulate the WM/R and other FX benchmark rates in violation of Sections 6(c), 6(d) and 9(a)(2), 7 U.S.C. §§ 9, 13b and 13(a)(2) (2012). Additionally, with respect to conduct occurring on or after August 15, 2011 FX traders at other banks violated Section 6(c)(3), 7 U.S.C. § 9(3), and Regulation 180.2, 17 C.F.R. § 180.2 (2014). As evidenced above, RBS, through the acts of certain of its FX traders, aided and abetted the attempts of traders at other banks to manipulate the FX benchmark rates in violation of the Act.

C. Respondent is Liable for the Acts of its Agents

Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2014), provide that “[t]he act, omission, or failure of any official, agent or other person acting for any individual, association, partnership, corporation, or trust within the scope of his employment or office shall be deemed the act, omission, or failure of such individual, association, partnership, corporation or trust[.]” Pursuant to Section 2(a)(1)(B) of the Act and Commission Regulation 1.2, strict liability is imposed on principals for the actions of their agents. *See, e.g., Rosenthal & Co. v. CFTC*, 802 F.2d 963, 966 (7th Cir. 1986); *Dohmen-Ramirez & Wellington Advisory, Inc. v. CFTC*, 837 F.2d 847, 857-58 (9th Cir. 1988).

RBS is liable for the acts, omissions and failures of any traders who acted as its employees and/or agents in the conduct described above. Accordingly, RBS violated Sections 6(c), 6(d) and 9(a)(2), 7 U.S.C. §§ 9, 13b and 13(a)(2)(2012) by engaging in attempted manipulation and aiding and abetting attempted manipulation. Additionally, with respect to

conduct occurring on or after August 15, 2011, RBS is liable for violating Section 6(c)(3), 7 U.S.C. § 9(3), 13(a)(2) (2012) and Regulation 180.2, 17 C.F.R. § 180.2 (2012), as set forth above.

V.

FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that Respondent violated Sections 6(c), 6(d) and 9(a)(2) of the Act, 7 U.S.C. §§ 9, 13b and 13(a)(2) (2012), and for conduct occurring on or after August 15, 2011, Section 6(c)(3), 7 U.S.C. § 9(3) and Regulation 180.2, 17 C.F.R. § 180.2 (2014).

VI.

OFFER OF SETTLEMENT

Respondent, without admitting or denying the findings or conclusions herein have submitted the Offer in which it:

- A. Acknowledges receipt of service of this Order;
- B. Admits the jurisdiction of the Commission with respect to this Order only and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- C. Waives:
 - 1. the filing and service of a complaint and notice of hearing;
 - 2. a hearing;
 - 3. all post-hearing procedures;
 - 4. judicial review by any court;
 - 5. any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
 - 6. any and all claims that it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2012) and 28 U.S.C. § 2412 (2012), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Commission's Regulations, 17 C.F.R. §§ 148.1-30 (2014), relating to, or arising from, this proceeding;
 - 7. any and all claims that it may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-253, 110 Stat.

847, 857-868 (1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205 (2007), relating to, or arising from, this proceeding; and

8. any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief;
- D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondent has consented in the Offer; and
- E. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:
1. makes findings by the Commission that Respondent violated Section 6(c), 6(d) and 9(a)(2) of the Act, 7 U.S.C. §§ 9, 13b and 13(a)(2) (2012) and for conduct occurring on or after August 15, 2011, Section 6(c)(3), 7 U.S.C. §9(3) and Regulation 180.2, 17 C.F.R. § 180.2 (2014);
 2. orders Respondent to cease and desist from violating Sections 6(c)(3) and 9(a)(2) of the Act, 7 U.S.C. §§ 9(3) and 13(a)(2) (2012) and Regulation 180.2, 17 C.F.R. § 180.2 (2014);
 3. orders Respondent to pay a civil monetary penalty in the amount of \$290,000,000 plus post-judgment interest; and
 4. orders Respondent and its successors and assigns to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VII of this Order.
- F. Respondent represents that it has already undertaken certain steps intended to make reasonable efforts to ensure the integrity of the FX markets, discussed above, including the following:
1. Restricted participation by traders in multi-bank chat rooms;
 2. Strengthening surveillance of FX desks;
 3. Mandating annual training for all FX employees concerning appropriate trading behavior;
 4. Enhancing policies, procedures and guidance related to market color, client orders and fix orders; and
 5. Improving its customer disclosures relating to and enhanced its controls around FX fix orders.

Upon consideration, the Commission has determined to accept the Offer.

VII.

ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

- A. Respondent shall cease and desist from violating Sections 6(c)(3) and 9(a)(2) of the Act, 7 U.S.C. §§ 9(3) and 13(a)(2) (2012) of the Act and Regulation 180.2, 17 C.F.R. § 180.2 (2012).
- B. Respondent shall pay a civil monetary penalty of \$290 Million Dollars (\$290,000,000), within ten (10) days of the date of entry of this Order (the "CMP Obligation"). If the CMP Obligation is not paid in full within ten (10) days of the date of entry of this Order, then post judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961 (2012). Respondent shall pay the CMP Obligation by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

Commodity Futures Trading Commission
Division of Enforcement
ATTN: Accounts Receivables -- AMZ 340
E-mail Box: 9-AMC-AMZ-AR-CFTC
DOT/FAA/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
Telephone: (405) 954-7262

If payment is to be made by electronic funds transfer, Respondent shall contact Nikki Gibson or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondent shall accompany payment of the CMP Obligation with a cover letter that identifies the Respondent and the name and docket number of this proceeding. The Respondent shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

- C. Respondent and their successors and assigns shall comply with the following undertakings set forth in the Offer:
1. REMEDIATION

As set forth above in Section VI, paragraph F, Respondent represents that it has already undertaken and continue to undertake extensive remedial measures to

implement and strengthen its internal controls and procedures relating to its participation in the fixing of FX benchmark rates and related supervision of its FX traders. With respect to its remediation efforts to the extent not already undertaken, Respondent undertakes that:

- a. Respondent will implement and improve its internal controls and procedures in a manner reasonably designed to ensure the integrity of its participation in the fixing of any FX benchmark rate, including measures reasonably designed to identify and address internal or external conflicts of interest;
- b. Its remediation improvements will include internal controls and procedures relating to:
 - measures designed to enhance detection and deterrence of improper communications concerning FX benchmark rates, including the form and manner in which communications may occur;
 - monitoring systems designed to enhance the detection and deterrence of trading or other conduct potentially intended to manipulate directly or indirectly FX benchmark rates;
 - periodic audits, at least annually, of Respondent's participation in the fixing of any FX benchmark rate;
 - supervision of trading desks that participate in the fixing of any FX benchmark rate;
 - routine and on-going training of all traders, supervisors and others who are involved in the fixing of any FX benchmark rate;
 - processes for the periodic but routine review of written and oral communications of any traders, supervisors and others who are involved in the fixing of any FX benchmark rate with the review being documented and documentation being maintained for a period of three years; and
 - continue to implement its system for reporting, handling and investigation of any suspected misconduct or questionable, unusual or unlawful activity relating to the fixing of any FX benchmark rate with escalation to compliance and legal and with reporting of material matters to the executive management of RBS, the Commission or other appropriate regulators the Respondent shall maintain the record basis of the handling of each such matter for a period of three years.
- c. Within 120 days of the entry of this Order, the Respondent shall make a report to the Commission, through the Division, concerning its remediation efforts,

prior to and since the entry of this Order. Within 365 days of the entry of this Order, Respondent shall submit a report to the Commission, through the Division, explaining how it has complied with the undertakings set forth herein. The report shall contain a certification from a representative of the Respondent's Executive Management, after consultation with the Respondent's chief compliance officer(s), that the Respondent has complied with the undertakings set forth above, and that it has established policies, procedures, and controls to satisfy the undertakings set forth in the Order.

2. COOPERATION WITH THE COMMISSION

In this action and in any investigation or other action instituted by the Commission, related to the subject matter of this action, Respondent shall cooperate fully and expeditiously with the Commission, including the Division. As part of such cooperation, Respondent agrees to the following for a period of three (3) years from the date of the entry of this Order, or until all related investigations and litigation are concluded, including through the appellate review process, whichever period is longer:

1. Preserve all records relating to the subject matter of this proceeding, including, but not limited to, audio files, electronic mail, other documented communications, and trading records;
2. Comply fully, promptly, completely, and truthfully with all inquiries and requests for non-privileged information or documents;
3. Provide authentication of documents and other evidentiary material;
4. Provide copies of non-privileged documents within RBS's possession, custody or control;
5. Subject to applicable laws and regulations, RBS will make its best efforts to produce any current (as of the time of the request) officer, director, employee, or agent of RBS, regardless of the individual's location, and at such location that minimizes Commission travel expenditures, to provide assistance at any trial, proceeding, or Commission investigation related to the subject matter of this proceeding, including, but not limited to, requests for testimony, depositions, and/or interviews, and to encourage them to testify completely and truthfully in any such proceeding, trial, or investigation; and

6. Subject to applicable laws and regulations, RBS will make its best efforts to assist in locating and contacting any prior (as of the time of the request) officer, director, employee or agent of RBS;

RBS also agrees that it will not undertake any act that would limit its ability to cooperate fully with the Commission. RBS will designate an agent located in the United States of America to receive all requests for information pursuant to these Undertakings, and shall provide notice regarding the identity of such Agent to the Division upon entry of this Order. Should RBS seek to change the designated agent to receive such requests, notice of such intention shall be given to the Division fourteen (14) days before it occurs. Any person designated to receive such request shall be located in the United States of America.

3. PROHIBITED OR CONFLICTING UNDERTAKINGS

Should the Undertakings herein be prohibited by, or be contrary to the provisions of any obligations imposed on Respondents by any presently existing, or hereinafter enacted or promulgated laws, regulations, regulatory mandates, or the rules or definitions issued by a Benchmark Publisher, then Respondent shall promptly transmit notice to the Commission (through the Division) of such prohibition or conflict, and shall meet and confer in good faith with the Commission (through the Division) to reach an agreement regarding possible modifications to the Undertakings herein sufficient to resolve such inconsistent obligations. In the interim, Respondent will abide by the obligations imposed by the law, regulations, regulatory mandates and Benchmark Publishers' rules and definitions. Nothing in these Undertakings shall limit, restrict or narrow any obligations pursuant to the Act or the Commission's Regulations promulgated thereunder, including, but not limited to, Regulations 1.31 and 1.35, 17 C.F.R. §§ 1.31 and 1.35 (2014), in effect now or in the future.

4. PUBLIC STATEMENTS

Respondent agrees that neither it nor any of its successors and assigns, agents or employees under its authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Respondent's (i) testimonial obligations, or (ii) right to take positions in other proceedings to which the Commission is not a party. Respondent and its successors and assigns shall undertake all steps necessary to ensure that all of its agents and/or employees under its authority or control understand and comply with this agreement.

5. Pursuant to Rule 506(d)(1)(iii)(B), 17 C.F.R. § 230.506(d)(1)(iii)(B), of the Securities & Exchange Commission's Regulation D, this Order constitutes a

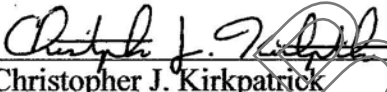
Commission final order based on a violation of law and regulation that prohibits manipulative conduct. Nevertheless, under the specific and unique facts and circumstances presented here, pursuant to Rule 506(d)(2)(iii), disqualification under Rule 506(d)(1) of the Regulation D exemption should not arise as a consequence of this Order.

6. PARTIAL SATISFACTION

Respondent understands and agrees that any acceptance by the Commission of partial payment of Respondent's CMP Obligation shall not be deemed a waiver of their obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

The provisions of this Order shall be effective as of this date.

By the Commission.



Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: November 11, 2014

EXHIBIT

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 PLC
Edinburgh, Scotland

and

RBS SECURITIES INC.
Stamford, Connecticut

Docket No. 15-007-B-FB
15-007-CMP-FB

Order to Cease and Desist and
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 PLC (the “Bank”) is a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7)) that controls a large complex financial organization that consists of a number of separate business lines and legal entities in many countries around the world (together with its branches and subsidiaries, “RBS”);

WHEREAS, RBS conducts operations in the United States through RBS Securities Inc. (“RBSSI”), a non-bank subsidiary in Stamford, Connecticut, a branch in Stamford, Connecticut, and other offices and subsidiaries;

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor in the United States of RBS;

WHEREAS, RBS oversees compliance, risk management and audit procedures for all of its subsidiaries and branches;

WHEREAS, RBS, including through RBSSI, serves as a foreign exchange (“FX”) dealer, both in the United States and in its offices abroad, by buying and selling U.S. dollars and foreign currency for its own account and by soliciting and receiving orders through communications

between customers and sales personnel that are executed by traders in the spot market (“Covered FX Activities”);

WHEREAS, the FX benchmarks published by the World Markets Company plc/Reuters (“WM/R”), the European Central Bank (“ECB”), and other reference rate providers affect the prices of certain currency transactions in the United States and international financial markets. These reference rates are set using different methodologies and, in the case of reference rates published by WM/R and ECB, can be affected by FX trading at or around the time the benchmark is calculated;

WHEREAS, in addition to Covered FX Activities, RBS, including RBSSI, engages in other trading activities and related sales activities involving FX, including FX trading where a customer directly inputs an order through an electronic platform (“Electronic Trading”), and in wholesale markets for commodities and interest rate products where RBS, including RBSSI, acts as principal, prices and rates are or can be influenced by industry benchmark prices or rates, and compliance and control risk factors and vulnerabilities are similar to Covered FX Activities (collectively with Covered FX Activities, “Designated Market Activities”);

WHEREAS, RBS has conducted a review of its Covered FX Activities occurring from 2008 through 2013 (the “Review Period”), has identified and reported relevant conduct to the Board of Governors and the Reserve Bank, has fully cooperated with the Board of Governors and the Reserve Bank, and has made and continues to make progress in implementing enhancements to its firm-wide compliance systems and controls that are designed to address deficiencies in its Covered FX Activities;

WHEREAS, the Board of Governors, the Department of Justice (“DOJ”), the Commodity Futures Trading Commission (“CFTC”), and the United Kingdom Financial Conduct Authority

(“FCA”) have conducted or have been conducting investigations into the practices of RBS and its direct and indirect subsidiaries relating to FX activities;

WHEREAS, on November 11, 2014, RBS reached a settlement with the FCA relating to a breach of principle 3 of the FCA’s Principles for Businesses, in connection with the FCA’s investigation into the wholesale foreign exchange trading market;

WHEREAS, on November 11, 2014, RBS consented to the issuance of an Order by the CFTC relating to FX activities;

WHEREAS, on May 20, 2015, RBS signed an agreement with the DOJ to plead guilty to a criminal violation of the U.S. antitrust laws based on a conspiracy to eliminate competition in the purchase and sale of the EUR/USD currency pair including, in certain instances, the coordination of trading around the WM/R and ECB benchmark fixes;

WHEREAS, during the Review Period:

A. RBS and RBSSI lacked adequate governance, risk management, compliance and audit policies and procedures to ensure that RBS’s Covered FX Activities complied with safe and sound banking practices, applicable U.S. laws and regulations, including policies and procedures to prevent potential violations of the U.S. commodities, antitrust and criminal fraud laws, and applicable internal policies.

B. FX traders in the spot market at RBS, including at RBSSI, routinely communicated with FX traders at other financial institutions through chatrooms on electronic messaging platforms accessible by traders at multiple institutions;

C. RBS’s deficient policies and procedures prevented RBS from detecting and addressing unsafe and unsound conduct by its FX traders, including in communications by traders in multibank chatrooms, consisting of:

- (i.) disclosures to traders of other institutions of confidential customer information of RBS;
- (ii.) agreements with traders of other institutions to coordinate FX trading in a manner designed to influence the WM/R and ECB FX benchmark fixes and market prices generally;
- (iii.) trading strategies that raised potential conflicts of interest; and
- (iv.) possible agreements with traders of other institutions regarding bid/offer spreads offered to FX customers;

D. As a result of deficient policies and procedures described above, RBS and RBSSI engaged in unsafe and unsound banking practices;

WHEREAS, the Federal Reserve Bank of Boston (the “Reserve Bank”) conducted a supervisory review of the compliance and control infrastructure governing RBS’s FX trading in the United States and identified certain areas for further improvement in RBS’s compliance and control infrastructure relating to its FX businesses;

WHEREAS, to address the deficiencies described above, RBS has made and must continue to implement additional improvements in its internal controls, compliance, risk management, and audit programs for Designated Market Activities in order to comply with RBS policies, safe and sound banking practices, and applicable U.S. laws and regulations;

WHEREAS, the Board of Governors, the Reserve Bank, and RBS have the common goal to ensure that RBS and its subsidiaries conduct their activities in a safe and sound manner and comply with U.S. laws, rules, and regulations that apply to the activities of the RBS organization, and that RBS fosters a strong commitment towards compliance;

WHEREAS, in February 2015, RBS publicly announced its intention to divest or exit its operations in many foreign countries and to significantly reduce its global trading operations so that, by the end of 2018, market-making activities are expected to take place solely in London, United Kingdom; Stamford, Connecticut; and Singapore;

WHEREAS, the Board of Governors is issuing this consent Order;

WHEREAS, the FCA, as the home country supervisor of RBS, has agreed to assist the Board of Governors in the supervision of this Order;

WHEREAS, pursuant to delegated authority, James Esposito, Co-General Counsel and Managing Director, is authorized to enter into this Order on behalf of RBS and RBSSI, and respectively consent to compliance with each and every provision of this Order by RBS and RBSSI, and to waive any and all rights that RBS and RBSSI may have pursuant to section 8 of the Federal Deposit Insurance Act, as amended ("FDI Act") (12 U.S.C. § 1818), including, but not limited to: (i) the issuance of a notice of charges on any matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of the Order or any provision hereof.

NOW, THEREFORE, it is hereby ordered by the Board of Governors that, before the filing of the 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, pursuant to sections 8(b)(1) and (4) of the FDI Act (12 U.S.C. §§1818(b)(1) and 1818(b)(4)), RBS and its 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)), shall cease and desist and take affirmative action as follows:

Internal Controls and Compliance Program

1. Within 90 days of this Order, RBS and RBSSI shall submit an enhanced written internal controls and compliance program acceptable to the Reserve Bank to comply with applicable U.S. laws and regulations with respect to RBS's Designated Market Activities. The program shall, at a minimum, address, consider, and include:

- (a) enhancement of comprehensive policies and procedures to ensure compliance with applicable U.S. laws and regulations by RBS business lines that engage in Designated Market Activities, including U.S. commodities, antitrust and criminal fraud laws, and a review of RBS's policies and procedures relating to RBS's Designated Market Activities, including conflict of interest policies, client confidentiality policies, and a code of conduct or other statement of conduct or policies;
- (b) provisions that clearly identify the Designated Market Activities covered by the policies and procedures;
- (c) measures to ensure compliance with policies and applicable U.S. laws and regulations applicable to Designated Market Activities by RBS's global business lines;
- (d) the duties and responsibilities of personnel responsible for overseeing compliance with policies and procedures relating to RBS's Designated Market Activities, including the reporting lines within RBS;
- (e) policies and procedures that define management responsibilities and establish accountability within all business lines that engage in Designated Market Activities;
- (f) a comprehensive and effective system of internal controls to monitor and detect potential employee misconduct in connection with RBS's Designated Market Activities,

which shall include, but not be limited to, transaction monitoring and communication surveillance that is commensurate with the level and nature of the risks inherent in the market;

(g) establishment of comprehensive policies and procedures to ensure that sales personnel and traders do not communicate inaccurate or misleading information to customers regarding: (i) the amount of markup, commission, or other service charge applied to customer orders by RBS; and (ii) how orders are executed by RBS;

(h) a code of conduct or other statement of conduct or policies for employees engaged in Designated Market Activities that establishes rules and procedures governing, among other matters, (i) the types of communications media employees may use to communicate with employees at other institutions that trade in the same financial instruments or products and the circumstances when employees may use these communications media; (ii) the types of trading information of RBS that may be disclosed to employees of other institutions that trade in the same financial instruments or products; (iii) the types of information and circumstances under which confidential customer information may be shared outside of RBS; and (iv) appropriate conduct in responding to potential conflicts of interest with customers that place orders for execution by RBS, including procedures for the timing of the execution of customer orders;

(i) enhancement of the compliance reporting process for RBS's Designated Market Activities that is widely publicized within the global organization and integrated into RBS's other reporting systems, through which employees report known or suspected violations of RBS's policies and U.S. law and regulations, including U.S. commodities, antitrust and criminal fraud laws, and that includes a process designed to ensure that known or suspected violations are promptly escalated to appropriate personnel for appropriate resolution and reporting; and

(j) training for RBS employees engaged in Designated Market Activities in conduct-related issues appropriate to the employee's job responsibilities that is provided on an ongoing, periodic basis.

Compliance Risk Management Program

2. Within 90 days of this Order, RBS and RBSSI shall submit a written plan acceptable to the Reserve Bank to improve its compliance risk management program with regard to compliance by RBS with applicable U.S. laws and regulations with respect to Designated Market Activities. The plan shall, at a minimum, address, consider, and include:

(a) identification of all business lines that engage in Designated Market Activities and the attendant legal and compliance risks to ensure that such activities are appropriately risk-rated and included in the compliance risk assessment;

(b) completion, within 90 days of the Reserve Bank's approval of the plan, of a firm-wide risk assessment to evaluate current potential conduct risks associated with all areas relating to RBS's Designated Market Activities;

(c) prior to trading new financial products or instruments in connection with RBS's Designated Market Activities, a review of potential risks, including, but not limited to, reputational risk, fraud risk, and potential for misconduct associated with the proposed new activity;

(d) development of comprehensive risk assessment processes for RBS's Designated Market Activities, which shall identify: (i) the scope and frequency of such reviews, (ii) compliance risks, and (iii) all applicable risk factors and mitigating controls; and

(e) measures to ensure that material risk management issues related to potential employee misconduct in connection with RBS's Designated Market Activities are

escalated and addressed in a timely manner by senior management and the board of directors or a committee thereof, as appropriate.

Controls Review

3. (a) During the term of this Order, to ensure that the internal controls of RBS and RBSSI required under paragraph 1 of the Order are functioning effectively to detect, correct, and report misconduct with regard to Designated Market Activities that are required to comply with applicable U.S. laws and regulations, RBS management, utilizing personnel who are independent of the business line and acceptable to the Reserve Bank, shall conduct on an annual basis: (i) a review of compliance policies and procedures applicable to RBS's Designated Market Activities and their implementation, and (ii) an appropriate risk-focused sampling of other key controls for RBS's Designated Market Activities (the "Controls Review").

(b) The results of each Controls Review shall be submitted to the Reserve Bank within 90 days of the corresponding anniversary date of this Order. Upon request, RBS shall provide to the Reserve Bank the materials relied upon in conducting each Controls Review.

Internal Audit

4. Within 90 days of this Order, RBS and RBSSI shall submit an enhanced written internal audit program acceptable to the Reserve Bank with respect to RBS's compliance with U.S. laws and regulations in its Designated Market Activities. The program shall, at a minimum, address, consider, and include:

(a) periodic internal audit reviews of business line controls and compliance detection and monitoring processes, as applicable, designed to identify and prevent potential misconduct in connection with RBS's Designated Market Activities;

(b) enhanced escalation procedures for the timely resolution of material audit exceptions and recommendations in connection with RBS's Designated Market Activities; and

(c) the periodic review of risk assessments to ensure emerging risks associated with RBS's Designated Market Activities are appropriately identified and monitored.

Assessment of Civil Money Penalty

5. The Board of Governors hereby assesses RBS a civil money penalty in connection with Covered FX Activities in the amount of \$274,000,000, which shall be remitted 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. 1000033, beneficiary, Board of Governors of the Federal Reserve System. The Federal Reserve Bank of Richmond, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of the Treasury, pursuant to section 8(i) of the FDI Act (12 U.S.C. § 1818(i)).

Approval, Implementation, and Progress Reports

6. (a) RBS and RBSSI shall submit the written plan and programs that are acceptable to the Reserve Bank as set forth in paragraphs 1, 2, and 4 of this Order. Each plan or program shall contain a timeline for full implementation of the plan or program with specific deadlines for the completion of each component of the plan or program. The timelines may take into consideration RBS's plans to reduce its global trading operations.

(b) Within 10 days of approval by the Reserve Bank, RBS and RBSSI shall adopt the approved plan and programs. Upon adoption, RBS and RBSSI shall promptly implement the approved plan and programs and thereafter fully comply with them.

(c) During the term of this Order, the approved plan and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank.

7. Within 30 days after the end of the first full calendar quarter following the date of this Order, and quarterly thereafter, RBS shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Order and the results thereof.

Accountability for Employees Involved in Misconduct

8. RBS shall not in the future directly or indirectly retain any individual as an officer, employee, agent, consultant, or contractor of RBS or of any subsidiary of RBS who, based on the investigative record compiled by U.S. authorities, has done all of the following: (i) participated in the misconduct underlying this Order, (ii) been subject to formal disciplinary action as a result of RBS's internal disciplinary review or performance review in connection with the conduct described above, and (iii) either separated from RBS or any subsidiary thereof or had his or her employment terminated in connection with the conduct described above.

9. RBS shall continue to fully cooperate with and provide substantial assistance to the Board of Governors, including but not limited to, the provision of information, testimony, documents, records, and other tangible evidence and perform analyses as directed by the Board of Governors in connection with the investigations of whether separate enforcement actions should be taken against individuals who are or were institution-affiliated parties of RBS and who were involved in the misconduct underlying this Order. For purposes of clarity and not limitation, substantial assistance as used in this Order means RBS will use its best efforts, as determined by the Board, to make available for interviews or testimony, as requested by the Board of Governors, present or former officers, directors, employees, agents and consultants of RBS. This obligation includes, but is not limited to, sworn testimony pursuant to administrative subpoena as well as interviews with regulatory authorities. Cooperation under this paragraph shall also include identification of witnesses who, to the knowledge of RBS, may have material

information regarding the matters under investigation and the preparation and provision of trading analyses.

Notices

10. All communications regarding this Order shall be sent to:
 - (a) Richard M. Ashton
Deputy General Counsel
Board of Governors of the Federal Reserve System
Washington, D.C. 20551
 - (b) Ms. Theresa J. Barry
Vice President
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02210
 - (c) John Collins
General Counsel
RBS PLC
36 St. Andrew Square
Edinburgh Scotland EH2 2YB
United Kingdom
 - (d) James Esposito
Co-General Counsel and Managing Director
RBS Americas
600 Washington Blvd.
Stamford, CT 06901

Miscellaneous

11. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to RBS and RBSSI to comply with this Order.

12. The provisions of this Order shall be binding upon RBS, RBSSI and each of their institution-affiliated parties, in their capacities as such, and their successors and assigns.

13. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

14. Except as otherwise provided in this paragraph 14, the Board of Governors hereby agrees not to initiate any further enforcement actions, including for civil money penalties, against RBS, and its affiliates, successors and assigns, with respect to the conduct involving Covered FX Activities described in the WHEREAS clauses of this Order to the extent known by the Board of Governors as of the effective date of this Order. For purposes of clarity and not limitation, this release does not include Electronic Trading. This release and discharge shall not preclude or affect (i) any right of the Board of Governors to determine and ensure compliance with this Order, (ii) any proceedings brought by the Board of Governors to enforce the terms of this Order, or (iii) any proceedings brought by the Board of Governors against individuals who are or were institution-affiliated parties of RBS.

15. Nothing in this Order, express or implied, shall give to any person or entity, other than the parties hereto and their successors hereunder, any legal or equitable right, remedy, or claim under this Order.

By Order of the Board of Governors of the Federal Reserve System effective this 20th day of May, 2015.

THE ROYAL BANK OF SCOTLAND PLC

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: _____ /s/
James Esposito
Authorized Signatory RBS, Plc

By: _____ /s/
Margaret McCloskey Shanks
Deputy Secretary of the Board

RBS SECURITIES INC.

By: _____ /s/
James Esposito
General Counsel, RBSSI

EXHIBIT C