

# WHAT IS RING-FENCING AND WHY IS IT HAPPENING?



## What is ring-fencing?

Ring-fencing is a key component of the UK Government's legislative agenda to improve financial stability.

Ring-fencing requires that the larger UK banks separate their everyday banking services such as current account, savings and payments from investment banking.

## Why is ring-fencing happening?

It is intended to help protect the UK economy and make the banking sector safer and more resilient.

## Who is impacted and when is it happening?

Any UK bank with at least £25bn of core deposits in the European Economic Area (EEA) is required to comply with the legislation by 1 January 2019. Banks that are in scope are therefore likely to restructure during 2017 and 2018.

## Adam & Company will be included as a ring-fenced bank within the RBS Group's ring-fenced group of companies.

The vast majority of our clients will not experience any impact from the new ring-fencing arrangements.

## Further Information

Please speak to your Private Banker for further information or visit our ring-fencing website: [adambank.com/ring-fencing](http://adambank.com/ring-fencing)

### What must be ring-fenced?

Clients	Products	Geography
Individuals with certain liquid assets (being cash and/or certain transferable securities) less than £250,000 as well as small charities and businesses with less than £6.5 million a year turnover or fewer than 50 employees or a balance sheet less than £3.26 million.	Deposits held by individuals and small businesses with a UK bank in the EEA, including current accounts, savings accounts, and cash ISAs.	Deposits within the EEA.

### What must be outside the ring-fence?

Clients	Products	Geography
RFI* customers which have products giving rise to prohibited exposures under the ring-fencing legislation.	RFI* customers which have products giving rise to prohibited exposures under the ring-fencing legislation.	A ring-fenced bank may not have banking branches or subsidiaries outside the EEA.

### What can be within or outside of the ring-fence?

Clients	Products	Geography
Larger companies, charities and other entities including large multi-national corporates and individuals with certain liquid assets (being cash and/or certain transferable securities) over £250,000.	Mortgages, credit cards, invoice financing and bank lending; non-core deposits and overdrafts, trade finance, TFX and simple derivatives.	Banking activity in a subsidiary in the EEA can be placed inside or outside the ring-fence.

\* Relevant Financial Institutions (RFIs) are certain categories of customers (defined in the ring-fencing legislation) carrying out specified activities. RFIs include investment firms and most funds, global systemically important insurers (and their insurance/ reinsurance subsidiaries) and banks (other than ring-fenced bodies). RFIs are permitted to be a customer of a ring-fenced bank, as long as the ring-fenced bank does not have prohibited exposures to the RFI (e.g. on overdraft). Credit exposures are permitted in accordance with certain exceptions defined in the legislation. Any exposures to RFIs that fall outside these exceptions can only be provided by banks that sit outside the ring-fence, such as RBS International and NatWest Markets, subject to their own credit approval processes. If we identify you as an RFI, your Private Banker will be in touch with you.

# Overview of RBS Group's legal entity structure



**One group holding company**  
The Royal Bank of Scotland Group plc

## Regulatory requirements

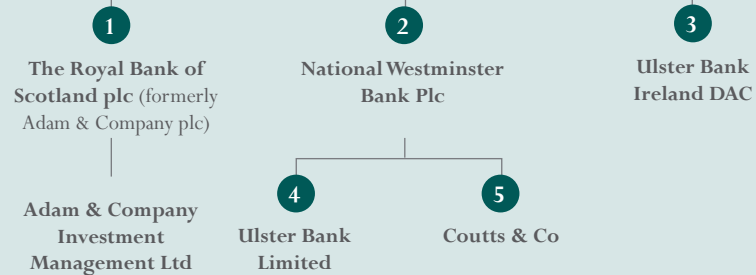
RBS Group plc will continue to be the primary issuing entity for funding and capital raising activities.

### Inside the ring-fence

By the end of 2018, RBS Group intends to place the majority of our UK and Western European banking business into ring-fenced banking entities.

**One holding company:** NatWest Holdings Limited

#### Five licensed banks



#### Ring-fenced brands:



### Outside the ring-fence

Clients with products or exposures that are not allowed within a ring-fenced bank will be able to access these products from RBS Group's banks outside the ring-fence. RBS Group's investment banking activities and our RBS International (RBSI) business will sit outside the ring-fence under the ownership of RBS Group plc.

#### Three licensed banks



#### Brands outside the ring-fence:



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Calls may be recorded.

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