

July 27, 2007

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK, NOVA SCOTIA,
NEWFOUNDLAND AND LABRADOR, PRINCE EDWARD ISLAND,
YUKON TERRITORY, NORTHWEST TERRITORIES AND NUNAVUT
(the Jurisdictions)
AND
IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS
AND
IN THE MATTER OF
THE ROYAL BANK OF SCOTLAND INTERNATIONAL LIMITED
(the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the **Legislation**) for an exemption from the prospectus and dealer registration requirements (the **Prospectus Requirements** and the **Registration Requirements**, respectively) in the Legislation in connection with the proposed Banking Activities (as defined below) (the **Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (a) the Ontario Securities Commission is the principal regulator for this application; and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts as represented by the Filer:

1. The Filer is a bank established under the laws of Jersey and registered under the *Banking Business (Jersey) Law 1991*. Its head office is located in Jersey, Channel Islands, with offices in Guernsey, the Isle of Man and Gibraltar. As of August 31, 2006, the Filer had approximately 168,857 customers and held deposits totaling £22.4 billion.
2. The Filer is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc (**RBS**). RBS and its subsidiaries are referred to as the *Royal Bank of Scotland Group* or the *RBS Group*.
3. The RBS Group is one of Europe's leading financial services groups. The RBS Group had a market capitalization of £50 billion as at December 2005 and has a primary listing of its ordinary shares on the London Stock Exchange and has unit trusts listed on various other indices. By market capitalization, it is the second largest financial institution in the U.K. and Europe and ranks sixth in the world. The RBS Group had total assets at June 30, 2006 of £839.3 billion and has over 137,000 employees worldwide. It has approximately 4,000 offices worldwide, with locations in Europe, the U.S. and Asia.
4. TD Waterhouse Canada Inc. (**TDW**) is an investment dealer registered under applicable securities legislation in each of the Jurisdictions and is a member of the Investment Dealers Association of Canada.
5. The Filer proposes to offer banking and deposit taking services (the **Banking Activities**) to Canadian residents referred to it by TDW (the **Prospective Clients**).
6. The Banking Activities are limited to the offering and sale of deposits including chequing accounts, savings accounts and fixed deposits denominated in a variety of currencies, including Canadian Dollars, British Pounds, Euros and US Dollars (collectively, **Deposits**). The Deposits are non-negotiable and are generally non-assignable. Credit cards may also be available in British Pounds, Euros, and US Dollars.
7. Deposits will be offered in compliance with the *Banking Business (Jersey) Law 1991*.
8. The Filer is not a bank for purposes of the *Bank Act* (Canada) (the **Bank Act**) and the Deposits are therefore securities for purposes of the Legislation.
9. The Filer wishes to solicit Deposits from residents of the Jurisdictions, which may constitute a distribution of securities, making the Filer subject to the Registration Requirements and Prospectus Requirements.
10. The issuance of Deposits by the Filer to Canadian residents will not contravene any federal or provincial deposit-taking legislation or any provisions of the Bank Act.

11. TDW would promote the Deposits through its Private Client Centres to those clients for whom it is determined to be an appropriate solution to meet their financial needs. TDW Private Client Centres provide banking as well as access to investment and estate and trust solutions to high net worth individuals. TDW would make information available at its offices to Prospective Clients to the extent permitted by the Bank Act. TDW would facilitate the Filer's offering of the Banking Activities by acting as a liaison, including introducing clients to the Filer for purposes of obtaining Deposits; the Prospective Clients would then work directly with the Filer located in Jersey to complete the application process, with TDW being involved to the limited extent of assisting the Prospective Client if so requested and to the extent permitted by the Bank Act. TDW would not act as agent of the Filer in respect of the offering or issuance of the Deposits.

12. TDW will receive a payment from the Filer either on a one time basis for introducing the client, or on an annual basis calculated as a fixed percentage (which percentage will be negotiated between the parties) of the annual fees earned by the Filer as a result of referrals of the Prospective Clients to the Filer as set out in paragraph 11 above (the **Referral Arrangement**).

13. The Prospective Clients will be provided with copies of the Filer's standard brochures relevant to the type of deposit account the Prospective Client is interested in. The back cover of such standard brochures state, specifically with regards to Deposits, that: "RBS International is not an Authorized Person subject to the rules and regulations made under the UK Financial Services & Markets Act 2000, and therefore deposits made with branches, all of which are outside of the UK, are not protected by those rules and regulations covered by the UK Financial Services Compensation Scheme. As at 31 December 2005 RBS International's paid-up capital and reserves exceeded £900 million".

14. The Prospective Clients will also receive from the Filer, as part of its welcome package, a cover letter delivered along with the above mentioned applicable standard brochures, additional branded disclosure (or substantially similar wording) as follows advising that there is no deposit insurance coverage for the Deposits: "The Royal Bank of Scotland International Limited (RBSI) is not a member of the Canadian Deposit Insurance Corporation (CDIC). Further, no additional deposit insurance is offered or available. As a result, savings and deposits in any currency offered by RBSI, including Canadian currency, are not insured - including in the event of failure or bankruptcy of RBSI."

15. In addition, Prospective Clients will be provided with a disclosure statement by TDW that will advise the Prospective Client of the referral arrangement in place between TDW and the Filer and shall include the method of calculating the referral fee (or the amount of such fee if possible) to be paid to TDW by the Filer. The disclosure document will also include disclosure that TDW will not be providing investment advice on behalf of the Filer nor acting for or binding the Filer.

16. The Filer is regulated by the Jersey Financial Services Commission (**FSC**), a governmental authority created under the laws of Jersey responsible for the regulation of the financial services industry in Jersey. RBS is regulated by the U.K. Financial Services Authority (**FSA**). Each of

the Filer and RBS are in good standing with their respective regulator. The RBS Group is regulated on a consolidated basis by the FSA and, accordingly, the Filer is regulated by both the FSC and indirectly by the FSA as a result of being a member of the RBS Group.

17. The Filer is subject to a comprehensive scheme of regulation and supervision that is substantially similar to regulatory requirements governing Schedule I and Schedule II banks pursuant to the Bank Act and the supervisory responsibilities of the Office of the Superintendent of Financial Institutions.

18. Deposits of the Filer that are purchased by residents of Canada will be subject to the same regulation and oversight by FSC as Deposits of the Filer that are purchased by residents of Jersey.

19. The Filer will comply with the requirements of applicable Jersey banking legislation when offering and selling Deposits to residents of Canada.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The decision of the Decision Makers under the Legislation is that the Relief is granted, provided that (a) the Filer continues to be subject to regulation by the FSC; (b) the Filer continues to be a wholly-owned subsidiary of RBS; and (c) each Prospective Client of a Deposit is informed, prior to trading any Deposit, of the Referral Arrangement and that no deposit insurance coverage is offered in respect of the Deposits.

"Robert L. Shirriff"
Commissioner
Ontario Securities Commission

"Paul K. Bates"
Commissioner
Ontario Securities Commission