The Rt. Hon Nicky Morgan MP  
Chair of the Treasury Committee  
Treasury Committee  
House of Commons  
London  
SW1A 0AA  

Dear Nicky,

Thank you for your letter dated 18 July regarding the announcement made by Banking Competition Remedies Ltd (BCR) on 16 July which set out the timeline for applications for the Royal Bank of Scotland’s (RBS) State aid Alternative Remedies Package (the Package).

As you will be aware, BCR is the independent body established to implement the £775m Package. As set out in the Chancellor’s letter to you of 3 May on this issue, it was agreed with the European Commission (EC) that the Package would be overseen and administered by an organisation that was independent of both government and RBS. The independence of the organisation implementing the Package is central in providing certainty and confidence to the challenger banks and financial service providers participating in the Package.

Following the final agreement reached with the EC in September 2017, HM Treasury announced on 18 September that it would establish an independent body. In May 2018 BCR announced the appointment of its executive leadership team, and that BCR would now be responsible for its own operational set up, and for the launch of the Package. At this point, BCR announced that they intended to launch the Package in the summer of 2018, and would provide further information in the coming weeks. As you set out, in their 16 July announcement BCR commit to launching the Package in November 2018.

Your letter mentioned the timings for the launch of Pools B, C, and D of the Capability and Innovation Fund (CIF). BCR have set out that applications for Pool A of the CIF will open on 1 November 2018, but have not yet provided detail for the other Pools. However, as set out in the EC’s final decision document¹, the application period for Pools B and C will be phased sequentially and will conclude within 5 and 8 months (respectively) after the launch of Pool A. The Pool D application process will run concurrently with the phased funding process for Pools A, B, and C, and will conclude within 6 months following the launch of the CIF. Whilst we expect BCR to provide a more detailed update on timings in

¹ http://ec.europa.eu/competition/state_aid/cases/269022/269022_1933333_225_2.pdf
due course hopefully that provides you, and CIF participants, with an indication of the likely timeframes for the launch of all elements of the CIF.

You also asked about the delays in Package implementation. The Package will now be launching in H2 2018, rather than H1 2018 as initially indicated. The appointment of the current directors was confirmed in April 2018, with their recruitment run independently of government by the Nominations Committee of BCR. The full detail of this recruitment process was also set out in the Chancellor’s letter to you of 3 May. Although this process perhaps took longer than initially expected, it was important that it was sufficiently thorough to identify candidates with the necessary motivation, skills and experience to lead BCR and deliver the Package. In addition to this comprehensive recruitment process, it was also important that the necessary due diligence was undertaken to assess and manage potential conflicts of interest.

Given its independent nature, the detail of further staff appointments, including appointment of non-executive directors, and any further specifics on Package timings will be a matter for BCR to update on.

Finally, you asked whether further resources would expedite the process of launching the Package. The running costs of BCR are met in full by RBS as part of the agreement implementing the Package. BCR have set out that their work since the appointment of the initial directors has been focussed on achieving a state of operational readiness that will allow them to launch the Package. As part of the overall architecture establishing the Package, and similar to previous State aid agreements, an independent third-party monitor has been put in place to oversee implementation of the Package and the work of BCR. This oversight includes an assessment BCR’s resourcing requirements. No concerns regarding resourcing levels have been raised with us by the monitor, or by BCR who in their 16 July statement set out that they are now operationally ready to oversee the Package.

I hope you find this letter helpful in addressing the queries you have raised.

[Signature]

JOHN GLEN