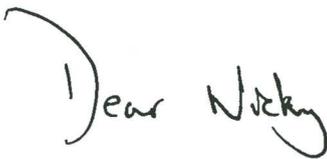


Rt Hon Nicky Morgan MP
Treasury Select Committee
House of Commons
London
SW1A 0AA

16 October 2017



Re: RBS Global Restructuring Group: skilled person's report

I am writing to set out the arrangements that we agreed in our call on Monday 16 October for the Committee to appoint a legal adviser to review the FCA's version of the Section 166 report on RBS GRG.

The Committee will appoint a legal adviser to assess whether the FCA account is a fair and balanced summary of the underlying skilled person's report. We agreed that this is an exceptional case and does not establish a precedent.

The FCA will provide Counsel appointed by the Treasury Committee with the skilled person report and other documents relevant to the assessment of whether the FCA account is fair and balanced.

The FCA will publish an "interim account", while your legal adviser considers whether this account is fair and balanced. In order to publish we will seek to obtain the consent of RBS and Promontory. We will make clear to them that we are asking for this consent in respect of the interim version, and that it may be amended in future in light of the review by your adviser. I will keep you in touch with the process for obtaining the consents and make clear to the two firms that this is the agreement between us.

Following the review by your adviser we will publish a final version of the FCA account, making clear where our account has changed following your legal advisers' comments.

As you know, we are bound by section 348 of the Financial Services and Markets Act 2000 (FSMA) in respect of not disclosing "confidential information". We either need consent of those who provide us with information and, if different, the person(s) to whom it relates or we need a "gateway" to disclose such information. We discussed what options for disclosure are available to us, and I believe that we can use the so called 'self-help' gateway to provide the underlying skilled person's report and FCA full account for your legal advisers to begin their work.

Let me briefly explain the 'self-help' gateway and how we think it can be used in this unusual case.

The "gateways" can be found in the Disclosure Regulations¹, paragraph 3(1)(a) which provides that:

"A disclosure of confidential information is permitted when it is made to any person--

(a) by one of the regulators or a regulator worker for the purposes of enabling or assisting the person making the disclosure to discharge any public functions of that regulator or (if different) the regulator worker;"

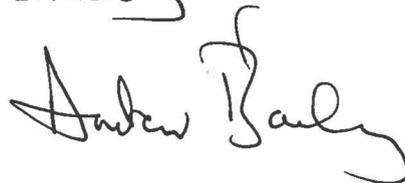
To be able to use this "gateway", a disclosure has to enable or assist us to carry out a public function. One of the FCA's public functions is to give general guidance, and we intend to publish our account as such guidance under section 139A FSMA. The account will explain what happened within GRG and the extent of the FCA's remit over the division's activities.

We believe that it would assist the FCA if, after the FCA has published its account as an interim summary of findings, Counsel appointed by the Treasury Committee were to provide comments so that a "final" summary of the FCA account has credibility and achieves its intended purpose of being a fair and balanced representation of the skilled person's report. We consider the documents may therefore properly be disclosed to Counsel on that basis.

We therefore agree to the arrangement proposed in your letter of 11 October. The one minor change I would suggest to your proposed terms of reference is that, to the extent that counsel considers that the FCA's account omits information included in the s166 report, he also considers the justification and reasonableness of any explanation for such an omission. As you will appreciate, not all the information contained in the full report could be included in a summary.

We will work with the Committee to take this forward immediately.

Yours Sincerely



Andrew Bailey
Chief Executive

¹ The Financial Services and Markets Act 2000 (Disclosure of Confidential Information) Regulations 2001 (SI 2001/2188)