



EDGA & EDGX STOCK EXCHANGES			
Regulatory Information Circular			
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**Subject: RBS US Large Cap Alternator Exchange Traded Notes™**

### **Background Information on the Notes**

As more fully explained in the [Registration Statement](#) (Nos. 333-162219 and 333-162219-01) for The Royal Bank of Scotland plc (the “Issuer”), the RBS US Large Cap Alternator Exchange Traded Notes™ (the “ETNs”) are designed for investors who seek exposure to the RBS US Large Cap Alternator Index™ (USD) (the “Index”).

### **Description of the Notes**

The ETNs are unsecured and unsubordinated obligations of the Issuer, maturing September 5, 2042, and are fully and unconditionally guaranteed by The Royal Bank of Scotland Group plc (the “Guarantor”). Any payment on the ETNs is subject to the ability of the Issuer and the Guarantor to pay their respective obligations as they become due.

The ETNs do not pay interest, and investors should be willing to lose up to 100% of their investment if the Index declines or does not increase in an amount sufficient to offset the investor fee.

The denomination and stated face amount of each ETN is \$25.00. Any ETNs issued in the future may be issued at a price that is higher or lower than the stated face amount, based on the indicative value of the ETNs at that time. The ETNs do not pay any interest during their term and do not guarantee any return of principal at maturity or upon redemption.

The return on the ETNs will be based on the performance of the Index during the term of the ETNs. The Index was created by the Issuer and is calculated by S&P Opco, LLC, a subsidiary of S&P Dow Jones Indices LLC.

The Index is designed for investors who seek a constant exposure to large capitalization U.S. equities as well as a dynamic strategy that attempts to maximize returns by providing different exposures during different economic cycles. The Index provides exposure to either the S&P 500® Total Return Index (the “S&P 500 TR Index” or “Underlying Index 1”), the S&P 500® Low Volatility Total Return Index (the “S&P 500 Low Volatility TR Index” or “Underlying Index 2”) or the S&P 500® Equal Weight Total Return Index (the “S&P 500 Equal Weight TR Index” or “Underlying Index 3”, and together with Underlying Index 1 and

Underlying Index 2, the “Underlying Indices” and each an “Underlying Index”), depending at any given time on the relative performance of the Underlying Indices as measured by their Relative Strength Scores. A “Relative Strength Score” is assigned to each Underlying Index on each monthly determination date (defined below) and is the simple average of the returns of that Underlying Index for the prior one-month, three-month, six-month, nine-month and twelve-month periods. Applying a rule-based methodology, the Index will track the return of the Underlying Index with the highest Relative Strength Score on any determination date (such Underlying Index, the “Index Return Source”), but not the other two Underlying Indices, for the following month. As of the date of this pricing supplement, the Index tracks the S&P 500® Low Volatility Total Return Index.

If the investor’s ETNs have not previously been repurchased or redeemed by the Issuer, at maturity the investor will receive a cash payment equal to the daily redemption value of the ETNs on the final valuation date (subject to postponement if the final valuation date is not a trading day or a market disruption event exists on the final valuation date).

The ETNs are issued in the form of a global certificate, which will be held by The Depository Trust Company (“DTC”) or its nominee.

### **Daily Redemption Value**

The daily redemption value as of the inception date is equal to the stated face amount of \$25.00 per ETN. For any valuation date thereafter, the daily redemption value per ETN is equal to (a) the daily redemption value on the immediately preceding valuation date, multiplied by (b) the index factor, (defined below), on such valuation date, multiplied by (c) the fee factor, (defined below), on such valuation date. RBS Securities Inc. will determine the daily redemption value on each valuation date.

If the daily redemption value per ETN equals zero, the ETNs will be automatically accelerated on such day and will cease to be outstanding thereafter. In such event, investors will not receive any payment in respect of their investment and investors will lose their entire investment in the ETNs.

### **Definitions**

*Index Factor* - The index factor on any valuation date, including the final valuation date, will be equal to the Index closing level on such valuation date, *divided by* the Index closing level on the immediately preceding valuation date.

*Fee Factor* - The fee factor on any valuation date, including the final valuation date, will be equal to one *minus* the investor fee, which is the product of (a) the annual investor fee of 1.00% per annum and (b) the day-count fraction (the number of days, from, but excluding, the immediately preceding valuation date to, and including, the applicable valuation date, *divided by* 365).

For a complete description of the ETN's key terms, refer to the [Prospectus](http://usmarkets.rbs.com/etnUS) at <http://usmarkets.rbs.com/etnUS>.

### **Repurchase of the ETNs at Investor's Option**

Subject to the requirements described below, on any business day from, and including, the initial settlement date to, and including, August 27, 2042 the investor may offer the applicable minimum repurchase amount or more of the ETNs to the Issuer for repurchase. The minimum repurchase amount will be equal to 20,000 ETNs for any single repurchase; provided that the Issuer may, in its sole discretion, from time to time, reduce the minimum repurchase amount. Any such reduction will be applied on a consistent basis for all holders of the ETNs from the time the reduction becomes effective. The trading day immediately following the date the investor offers the ETNs for repurchase will be the valuation date applicable to such repurchase. If the investor elects to offer the ETNs for repurchase, and the requirements for acceptance by the Issuer are met, the investor will receive a cash payment on the applicable repurchase date in an amount equal to the daily redemption value on the relevant valuation date, calculated in the manner described herein.

### **Redemption of the ETNs at Issuer's Option**

The Issuer will have the right to redeem, in its sole discretion, the ETNs in whole, but not in part, on any business day from, and including, the initial settlement date to, and including, September 3, 2042. The trading day immediately following the date on which the Issuer deliver the irrevocable redemption notice will be the valuation date applicable to such redemption. Upon any such redemption, the investor will receive a cash payment on the applicable redemption date in an amount equal to the daily redemption value on the relevant valuation date. If the Issuer exercises its right to redeem the ETNs, the Issuer will deliver an irrevocable redemption notice to DTC (the holder of the global note) not less than five business days prior to the applicable redemption date. The last day on which the Issuer can deliver a redemption notice is August 26, 2042.

### **Redemption Date**

The redemption date will be specified in the redemption notice and will not be less than five business days after the date of the redemption notice.

### **Principal Risks**

Interested persons are referred to the ETNs' [Prospectus](#) (the "Prospectus") for a description of risks associated with an investment in the ETNs. Investors are subject to credit risk of the Issuer and the Guarantor. Investing in the ETNs involves a number of risks. Some selected risk considerations include: Credit Risk of the Issuer, Market Risk, risk that trading market for ETNs may not develop, uncertain payment of investment, no interest payments, restrictions on ability to offer ETNs for repurchase, irrevocable offer for repurchase, and Issuer Call Risk.

For a more complete description of the ETNs and the payment at maturity, early repurchase provisions, early repurchase mechanics, valuation, fees and risk factors, consult the [Prospectus](http://usmarkets.rbs.com/etnUS) at <http://usmarkets.rbs.com/etnUS>.

### **Prospectus Delivery**

Members are advised to consult the “Plan of Distribution” in the [Prospectus](#) regarding prospectus delivery requirements.

### **Exchange Rules Applicable to Trading in the Securities**

The ETNs are considered equity securities, thus rendering trading in the Securities subject to the Exchange's existing rules governing the trading of equity securities.

### **Trading Hours**

Trading in the shares on EDGA and EDGX Exchanges (the “Exchanges”) is on a UTP basis and is subject to the Exchanges equity trading rules. The shares will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Members trading the shares during the Extended Market Sessions (Pre-opening and Post-closing sessions) are exposed to the risk of the lack of the calculation or dissemination of underlying index value or intraday indicative value (“IIV”). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

### **Trading Halts**

The Exchanges will halt trading in the shares of a trust in accordance with Exchange Rules 14.1(c)(4). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the Shares and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, the Exchanges will stop trading the shares of a trust if the primary market de-lists the Shares.

### **Suitability**

Trading in the Shares on the Exchanges will be subject to the provisions of EDGA and EDGX Exchange Rules 3.7. Members recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, Members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in Exchange Rules 3.7.

Members also should review FINRA Notice to Members 03-71 for guidance on trading these products. The Notice reminds Members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability

analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

### **No-Action Relief Under Federal Securities Regulations**

The Securities and Exchange Commission has issued no-action relief from certain provisions of and rules under the Securities Exchange Act of 1934 (the “Exchange Act”), regarding trading in Deutsche Bank AG Exchange-Traded Notes (SEC Letter dated October 12, 2007) and Barclays Bank PLC Exchange-Traded Notes (SEC No-Action Letters dated May 30, 2006 and July 27, 2006) for securities with structures similar to that of the securities described herein (the “Letters”). Members are advised to consult the Letters, available at [www.sec.gov](http://www.sec.gov), for more complete information regarding the matters covered therein.

### **Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M is an anti-manipulation regulation that, subject to certain exemptions, prohibits a “distribution participant” and the issuer or selling security holder, in connection with a distribution of securities, from bidding for, purchasing, or attempting to induce any person to bid for or purchase, any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities, and affiliated purchasers of such persons.

The Letters state that the SEC Division of Trading and Markets will not recommend enforcement action under Rule 101 of Regulation M against persons who may be deemed to be participating in a distribution of the notes to bid for or purchase the notes during their participation in such distribution.

Rule 102 of Regulation M prohibits issuers, selling security holders, or any affiliated purchaser of such person from bidding for, purchasing, or attempting to induce any person to bid for or purchase a covered security during the applicable restricted period in connection with a distribution of securities effected by or on behalf of an issuer or selling security holder. Rule 100 of Regulation M defines “distribution” to mean any offering of securities that is distinguished from ordinary trading transactions by the magnitude of the offering and the presence of special selling efforts and selling methods.

The Letters state that the SEC Division of Trading and Markets will not recommend enforcement action under Rule 102 of Regulation M against Barclays and its affiliated purchasers who bid for or purchase or redeem notes during the continuous offering of the notes.

## **Section 11(d)(1) of the Exchange Act; Exchange Act Rule 11d1-2**

Section 11(d)(1) of the Exchange Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he or she participated as a member of a selling syndicate or group within thirty days prior to such transaction.

The Letters state that the SEC Division of Trading and Markets will not recommend enforcement action under Section 11(d)(1) of the Exchange Act against broker-dealers who treat the notes, for purposes of Rule 11d1-2, as “securities issued by a registered . . . open-end investment company as defined in the Investment Company Act” and thereby, extend credit or maintain or arrange for the extension or maintenance of credit on the notes that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

**This Regulatory Information Circular is not a statutory Prospectus. Members should consult the Issuer’s [Registration Statement](#), SAI, [Prospectus](#) and the ETN’s [website](#) for relevant information.**

## Appendix A

<b>Ticker</b>	<b>Fund Name</b>	<b>CUSIP</b>
ALTL	RBS US Large Cap Alternator Exchange Traded Notes™	78009P168