Historically, we have provided bilateral lending, interest rate hedging and FX hedging from the same legal entity with any security drafted on a bilateral basis.  With ring-fencing legislation we have changed the way the bank has been structured.  New interest rate and FX hedging will now be provided outside of the ring-fence with NatWest Markets plc, while lending will be provided inside the ring-fence from the ring-fenced bank (the “**RFB**”).  A simple security trust structure will be required to ensure that the RFB as lender and NatWest Markets plc as hedge counterparty (the “**Secured Parties**”) benefit from the security being provided by the customer.  The RFB is appointed to act as security agent on behalf of the Secured Parties (the “**Security Agent**”).

**Brand new transactions**

Where hedging and lending is being provided either side of the ring fence, you must draft all product and security documentation on a shared security basis with the RFB acting as security agent on behalf of the Secured Parties.

Subject to the paragraph below, you do not need to draft and put in place intercreditor arrangements between the Security Agent and the Secured Parties.  We have entered into background intercreditor documentation in respect of these entities.  Product and security documentation must be expressed as being subject to the terms of this Intercreditor Agreement.  Please define this Intercreditor Agreement as “the intercreditor agreement entered into between the Security Agent and the Secured Parties in connection with the liabilities and obligations owed to the Secured Parties by the [Customer], as amended, supplemented, varied or restated from time to time.”

In certain circumstances it may be necessary that a customer be party to our intercreditor arrangements.  The intercreditor agreement is only to be used for transactions where the customer is required to be party to our intercreditor arrangements.   Please do not use this intercreditor unless either (i) you have been instructed to use it or (ii) you have identified a legal need for the customer to be party to the intercreditor arrangements (for example, there is intercompany debt that needs to be subordinated and this can only be achieved by having the customer as party to the intercreditor arrangements).    Any terms relating to the rights and obligations betweenthe  Secured Parties and the Security Agent should not be amended.

**Additional products, security or amendment transactions**

If existing product and security documentation has been drafted on a shared security basis (or has been manually amended to implement shared security), please ignore the following guidance.

For existing bilateral product and security documentation, subject to a number of exceptions, a security trust structure will have been automatically set by the Ring-Fencing Transfer Scheme where the Secured Liabilities thereunder comprised of both lending and hedging liabilities on or before the following dates:-

1. where The Royal Bank of Scotland plc is the lender, 30 April 2018;
2. where National Westminster Bank plc is the lender, [August 2018].

All existing documentation should be read as amended by the Bank’s Ring Fencing Transfer Scheme.  Security and product documentation has been amended so that NatWest Markets plc is the hedge counterparty, and all security is in favour of the Security Agent on behalf of the Secured Parties.  We have entered into background intercreditor documentation in respect of these entities.  The intercreditor allows us to bolt on additional products or security to the security trust that was created by the scheme.  Additional products or security must be drafted on a shared security basis.

Where an existing product(s) was not subject to the Ring-Fencing Transfer Scheme, and we are adding a further product or security such that shared security is now required, a security trust will need to be manually set up in the manner described above.  The original product documentation will need to be amended (please see the Facility Agreement Side Letter as a starting point) and existing security will need to be released and retaken on a shared security basis. Please advise on the best manner at achieving this, and whether any existing ancillary documentation can be relied on.