

## News story: Agreement reached on RBS' State aid will boost competition in business banking

A plan to resolve RBS' final State aid commitment, worth approximately £835 million, has been agreed in principle between the UK Government and Commissioner Vestager of the EU Commission.

It will see RBS fund and deliver [a package of measures](#) to improve the UK business banking market and is designed to boost competition, helping small and medium sized enterprises (SMEs) benefit from greater choice and offers on banking services.

The measures will also help address potential distortions in the UK business banking market that resulted from state support for RBS.

Following market testing and responses to the Commission's consultation, the government enhanced the package of measures announced in February this year to make sure that it delivers its pro-competitive objectives and is equivalent to the divestment of Williams & Glyn, as mandated in 2009.

The revised package consolidates the previously announced remedies into two enhanced measures:

- a £425 million Capability & Innovation Fund, administered by an independent body, comprised of 15 grants that eligible challenger banks and other financial services providers can compete for to increase their business banking capabilities. These awards will range from £5 million to £120 million.
- £350 million of funding to incentivise SMEs to switch their accounts from the business previously described as Williams & Glyn to eligible challengers, comprised of £225 million paid in the form of "dowries" to challengers to use to incentivise SMEs to switch their business current accounts, £50 million to facilitate the switching of related loans, and £75 million set aside by RBS to cover customers' switching costs. This fund is intended to facilitate the switching of 120,000 (3%) SMEs and includes safeguards to maximise the likelihood of achieving this target (including the possibility of extending the scheme outside the Williams & Glyn customer base in certain circumstances).

RBS will also fund c. £60 million of additional implementation and other costs.

Full details of the remedies, including precise eligibility criteria for challengers, will be announced in the autumn.

The UK Government will now work with the Commission to formalise the revised plan, including the next steps on implementation. On this basis and subject

to the support of the College of Commissioners, the Commission will adopt its formal decision under EU State aid rules in the autumn.

The Economic Secretary to the Treasury, Stephen Barclay said:

The announcement today will help boost competition in the business banking market and marks another significant milestone in resolving a major legacy issue at RBS.

It builds on the recent settlement with the Federal Housing Finance Agency and together they show the progress being made to resolve RBS's outstanding issues.

## **Why has the package changed?**

The proposed package announced in February comprised four elements:

- a fund, administered by an independent body, that eligible challenger banks can access to increase their business banking capabilities
- funding for eligible challenger banks to help them incentivise SMEs to switch their accounts from RBS paid in the form of "dowries" to challenger banks to use to incentivise switching
- RBS granting business customers of eligible challenger banks free access to its branch network for cash and cheque handling for up to 3 years, to support the measures above
- an independent fund to invest in fintech to support the business banking of the future

In March and April HM Treasury undertook a private market testing exercise speaking to challengers, other financial institutions (including fintechs) and SMEs. At the same time the Commission carried out its own public consultation. The government listened to the feedback received from the industry and have used it to make a series of enhancements that will further improve the impact the package has on competition in the SME banking market.

Funding for free branch access has been redistributed to the Incentivised Switching Scheme as feedback showed this would have a greater impact on competition. Similarly, the Innovation Fund has been reallocated to a combined Capability and Innovation Fund to maximise the immediate impact on competition. There was also strong feedback indicating that the incentives to encourage the customers in the Williams & Glyn pool to switch to challenger banks would need to be significantly increased. This is why the Incentivised Switching Scheme has been increased.

The revised package now comprises two elements:

- a £425m Capability & Innovation Fund, administered by an independent body, comprised of 15 grants that eligible challenger banks and other financial services providers can compete for to increase their business banking capabilities. These awards will range from £5 million to £120

million.

- £350m of funding to incentivise small and medium sized enterprises (SMEs) to switch their accounts from RBS to eligible challengers, comprised of £225 million paid in the form of “dowries” to challengers to use to incentivise SMEs to switch their business current accounts, £50m to facilitate the switching of related loans, and £75 million set aside by RBS to cover customers’ switching costs.

<b>Original Measures</b>	<b>Original Costs</b>	<b>Revised Measures</b>	<b>New Costs</b>
A. Capability Fund	£300m	1. Capability and Innovation Fund	£425m
B. Incentivised Switching Scheme	£175m		
C. Branch Access	£45m	2. Incentivised Switching Scheme	£350m
D. Innovation Fund	£200m		
Total measures costs	£720m	Total measures costs	£775m
Total costs (includes running costs)	£758m	Total costs (includes running costs)	£833m

## **RBS’s State Aid requirements**

<b>Divestment Commitment</b>	<b>Status</b>
RBS Insurance (Direct Line Group)	Complete (February 2014)
Citizens Financial Group (not an original divestment obligation, but added to the revised EC term sheet in 2014)	Complete (October 2015)
Global Merchant Services (Worldplay)	Complete (November 2010)
RBS holding in Sempra	Complete (May 2011 – when the last Sempra related assets had been sold)
Williams & Glyn business (original decision in 2009)	To be replaced by alternative remedies package

## **Other Commitments**

In addition, there were a number of behavioural commitments RBS had to meet. There have been no violations by RBS of these commitments.

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## [News story: Minister Burt statement on tensions at Haram Al-Sharif / Temple Mount](#)

I welcome the progress made to resolve tensions at the Haram Al-Sharif / Temple Mount in the Old City of Jerusalem, including Israel's decision to remove metal detectors.

As the world knows, Jerusalem is a sacred place for millions of people. I welcome the continuing efforts being made by all parties to ensure the safety and security of the site whilst maintaining the status quo. I encourage all parties to continue their dialogue in order to de-escalate tensions further.

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## News story: UK Destroyer visits Ukraine after completing multi-national naval exercise

The Royal Navy Type 45 destroyer is leading NATO's Standing Maritime Naval Group 2 (SNMG2), providing reassurance and deterrence in the Black Sea, as well as commanding NATO's counter migration activity in the Aegean. For the next 12 months the Royal Navy is commanding two of the four NATO Standing Naval Forces, demonstrating the UK's commitment to and leadership within the alliance.

The visit follows the announcement last week by the Defence Secretary that the UK is expanding its training of the Ukrainian Armed Forces with new military courses on countering threats from snipers, armoured vehicles and mortars.

Defence Secretary Sir Michael Fallon said:

HMS Duncan's visit to Odessa this week is a symbol of our unwavering support to our Ukrainian friends in the face of Russian belligerence and aggression.

We are also stepping up our work with NATO this year, leading half of NATO's standing maritime forces, one of the four enhanced Forward Presence Battlegroups and have deployed Typhoon fast jets to Romania, in a tangible demonstration of our commitment to European security.

Before docking in Odessa, HMS Duncan led the NATO task force through one of the largest naval exercises staged in the Black Sea near the Bulgarian port of Varna.

Exercise Breeze 17 tested naval forces from Bulgaria, Turkey, USA, Italy, Poland, Romania and Greece alongside UK military personnel in their ability to safeguard Black Sea shores and shipping, strengthening the Alliance's readiness and experience of joint operating.

This year, the UK is also leading Standing NATO Mine Countermeasures Group 2 (SNMCMG2). HMS Enterprise will be the flagship of the multinational force responsible for searching for and disposing of explosive ordnance. The group will be based mainly in the Mediterranean, and will be joined by HMS Pembroke in the second half of 2017.

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# News story: Veterinary Medicines Directorate Stakeholder Workshops

Stakeholder group workshops to discuss the implications of EU Exit to be held during the Autumn 2017.

We are organising workshops for each of our stakeholder groups to discuss the implications of EU Exit.

Topics could include:

- the prescribing cascade
- pharmacovigilance
- joint labelling
- residues plan (samples)
- ongoing applications at time of EU exit
- inspection of non-UK based manufacturers

Our aim is to listen to our stakeholders to understand what you consider to be the key risks and opportunities from leaving the EU and to plan for the future ahead.

In order for us to gauge attendance levels, please express your interest by dropping an email to [events@vmd.defra.gsi.gov.uk](mailto:events@vmd.defra.gsi.gov.uk) and include any topics, in order of preference, that you would like to be discussed on the day.

The workshops will be held during the Autumn. You will receive further information by email.