

# Special Edition Autopilot Bond and Autopilot (ISA) Bond

## Product Guide

This product was on sale 20 June 2011 – 19 August 2011

# Introducing Autopilot

The **Autopilot Bond** is a deposit account, which allows you to benefit from exposure to a broad and diversified portfolio of asset classes and market sectors. It provides this exposure by being linked to “**Autopilot**”. All costs are already factored into the terms of the Bond, so you won’t have to pay any additional management fees. The Bond is designed to return your capital as long as the Bond is held until maturity.

Through the use of a monthly Market Direction Assessment it aims to track these Market Sectors when they are deemed to be rising, and divert to a Reserve Asset linked to a cash deposit interest rate return when they are deemed to be falling.

Market Sectors				
Market Sector	Autopilot split	Index/Asset	Index weighing	Description
Developed Equity Markets	25%	FTSE® 100	25%	Comprised of the largest 100 companies traded on the London Stock Exchange.
		S&P 500®	25%	Comprised of 500 US shares designed to measure performance of the broad domestic economy.
		Euro Stoxx 50	25%	Comprised of 50 European blue chip stocks from those countries participating in the European Monetary Union.
		Nikkei 225	25%	Comprised of the 225 top rated Japanese companies listed in the first section of the Tokyo Stock Exchange.
Emerging Equity Markets	25%	MSCI iShare Emerging Markets Index Exchange Traded Fund™ (ETF)	100%	Seeks to provide investment results that correspond generally to the performance of the MSCI Emerging Markets Index.
Property	25%	FTSE EPRA Index	100%	A market capitalisation weighted index consisting of the most heavily traded real estate stocks in Europe.
Commodities	25%	Dow Jones UBS Commodity Excess Return Index	100%	Designed to be a diversified benchmark for commodities as an asset class.
Reserve Asset	Reserve Asset up to 100% Maximum	1 month GBP LIBOR	100%	The London Interbank Offer Rate at which deposits are offered by one prime bank to another.

See ‘Important Things to Consider’ on page 7 for key risk factors.

## How do I know if the Autopilot Bond is right for me?

Autopilot may be right for you if you are looking for:

- Your money to be invested for a fixed term;
- A return that’s linked to the performance of a diversified portfolio of Market Sectors;
- A deposit i.e. returns are subject to Income Tax and your deposit is covered by the FSCS;
- A deposit that will return at least your original capital at maturity, provided you stay invested for the fixed term.

Autopilot may not be suitable if you are looking for:

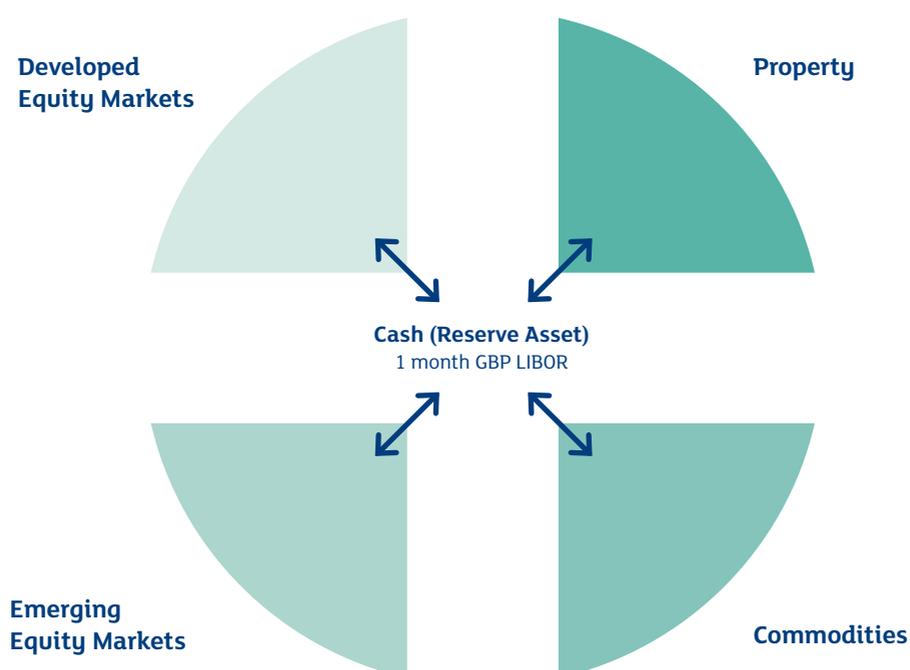
- Access to your money during the fixed term;
- A way to set aside money for emergencies or to cover debts;
- A return that is not linked to equity, commodity or property market performance;
- An investment where returns are subject to capital gains tax.

# The Market Direction Assessment

At the start of each month, Autopilot determines whether each Market Sector is expected to be rising or falling during the following month.

On that date, Autopilot compares the current Market Price of each of the four Market Sectors against its Average Price over the last 12 months. This process is referred to as the Autopilot 'Market Direction Assessment'.

- If the current Market Price is equal to or above its Average Price, Autopilot will link to the performance of that Market Sector for the following month. This means the 'Market Direction Assessment' has concluded that the sector is in a 'growth phase' indicating rising prices.
- If the current Market Price is below its Average Price, Autopilot will divert out of that particular Market Sector and link to the performance of the Reserve Asset since the 'Market Direction Assessment' has concluded that the sector is in a 'declining phase' indicating falling prices.



The Autopilot 'Market Direction Assessment' is conducted for each of the four Market Sectors on a monthly basis throughout the Term.

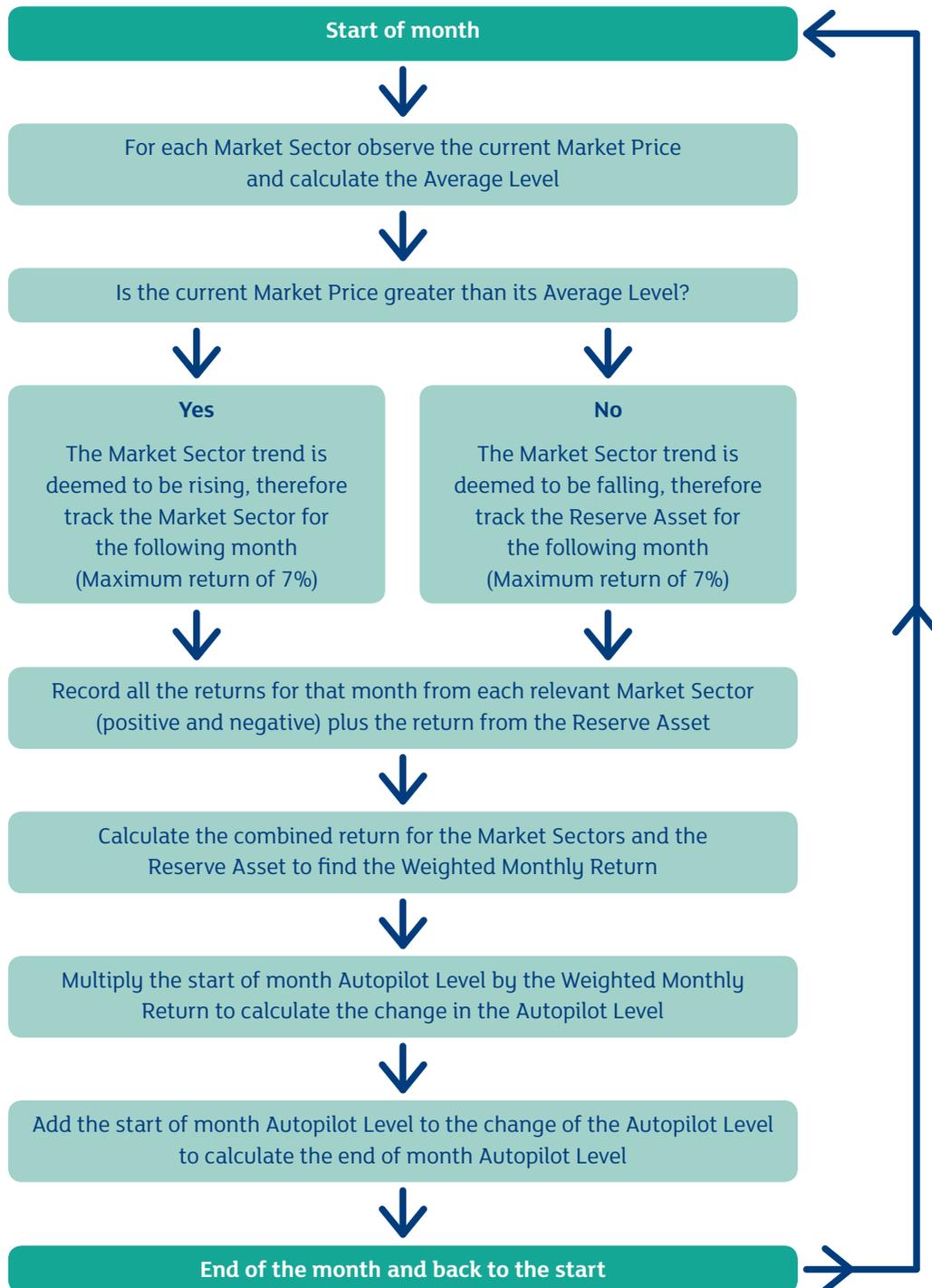
Every month the performance of each Market Sector or the Reserve Asset is calculated and contributes to the Autopilot Level. This combined return is known as the Weighted Monthly Return. For each Market Sector the maximum positive performance per month is capped at 7.00%, therefore the Weighted Monthly Return can never be more than 7.00%.

There is no limit to a negative monthly return that may be generated by a falling Market Sector.

If the Market Direction Assessment concludes that all Market Sectors are in a falling trend then for the following month 100% of Autopilot will be linked to the Reserve Asset.

# How is the Autopilot Level calculated?

On the Start Date, the Autopilot Level is set at 100. The Market Direction Assessment is carried out each month as per the below diagram and the Autopilot Level is determined by the performance of the relevant Market Sectors and/or the Reserve Asset the Autopilot is tracking for that month.



# Calculating the monthly Autopilot performance

The table below is an illustration of how the Autopilot Level could be calculated over a 5 month period:

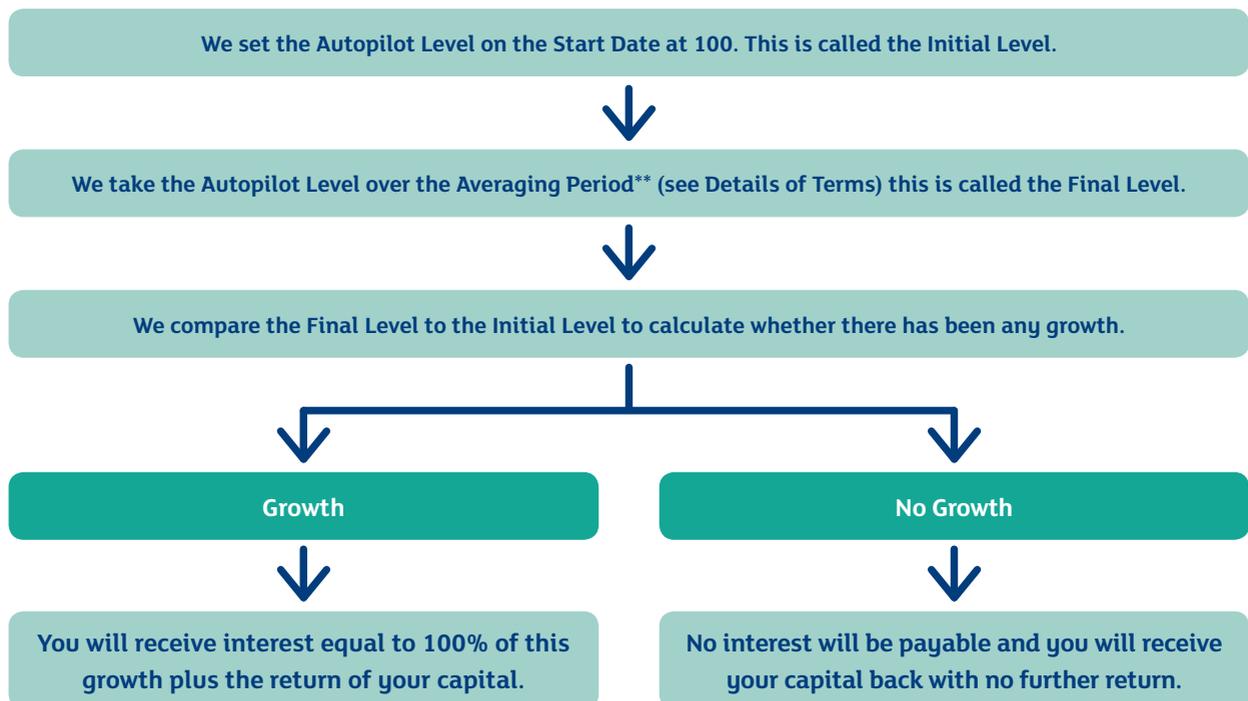
	Market Sector Performance					Weighted Monthly Return	Autopilot Level at end of month (starts at 100)
	Developed Equity Markets (25%)	Emerging Equity Markets (25%)	Property (25%)	Commodities (25%)	Reserve Asset Rate (Cash)		
Month 1	1%	3%	2%	1%	n/a	1.75%	101.75
Month 2	-1%	n/a	2%	6%	0.05%	1.76%	103.54
Month 3	2%	1%	-9%	n/a	0.05%	-1.49%	102.00
Month 4	3%	0%	8%*	2%	n/a	3.00%	105.06
Month 5	n/a	n/a	n/a	n/a	0.05%	0.05%	105.11

Key
Rising Trend detected link to Market Sector for the month
Falling Trend detected link to Reserve Asset for the month
7% cap applied

The above figures are not based on actual performance.

\*The weighted monthly return in month 4 reflects the monthly return on the Property Sector being capped at 7%.

# Calculating your return at maturity

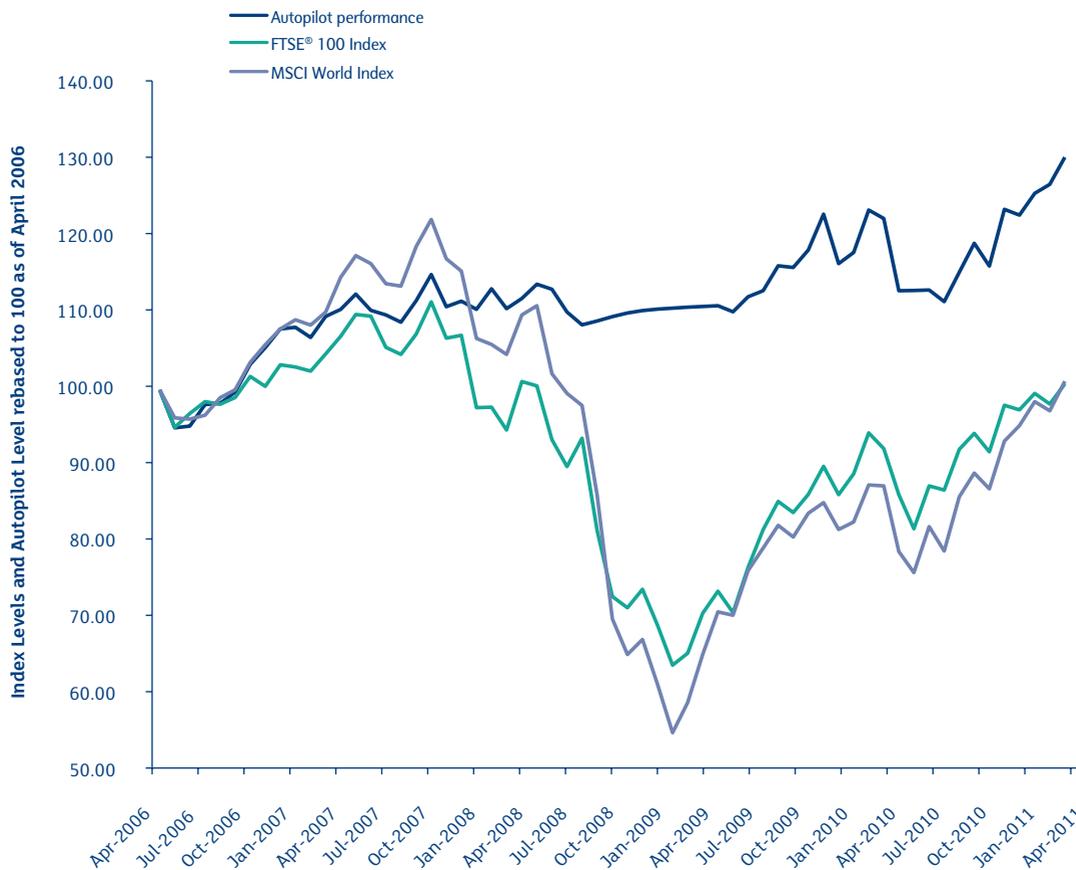


\*\* We set the Autopilot Level on the Start Date at 100 (Initial Level). We then look at the closing Autopilot Level on a monthly basis over the last 12 months of the Term (the Averaging Period) and work out the average (Final Level). This is known as ‘averaging’.

# How Autopilot has performed in the past

We are able to use actual historical market prices from the past 5 years to simulate how Autopilot might have performed had it existed historically. In the past-performance chart below, the simulated Autopilot performance is compared with the FTSE® 100 Index and the MSCI World Index. For comparative purposes, both the stock market indices and the Autopilot Level have been rebased to 100 on 1 April 2006.

Autopilot Simulated Past Performance (5 years)



Source: RBS, 26 May 2011.

**The simulated past performance has been produced using actual historical data between April 2006 and April 2011. Please note that historical economic conditions may differ from those that occur in the future. The above simulates past performance and past performance is not a reliable indicator of future results.**

## Important things to consider

- When opening an Autopilot Bond you should remember that you are committing your money for a fixed term.
- This term will be documented in the Details of Terms. There is no cooling off period for you to change your mind and get your money back once your application has been accepted.
- An Autopilot Bond can only be closed in exceptional circumstances (see Terms and Conditions for more information).
- If you close an Autopilot Bond before the Expiry Date, you are unlikely to receive back the full amount originally invested. Partial withdrawals from the Autopilot Bond are not permitted in any circumstances.
- Funds are not invested directly into the shares of the underlying listed companies or the assets representing the specified indices. Instead, your funds are held in a deposit account with RBS with interest at maturity linked to the performance of the indices (subject to a monthly cap). As you do not invest directly in shares, you will not receive any dividend payments and you may not receive the same return as if you had invested directly in the indices.
- The maximum positive monthly performance that can be contributed to the Autopilot Level is 7%. For example, if the positive return in a month for a Market Sector was 10%, the weighted return that would be contributed to the Autopilot Level would be capped at 7%.
- The Autopilot Bond is designed to return your initial Deposit in full on the Maturity Payment Date only, regardless of the performance of the Market Sectors, as long as the Bond is held until maturity.
- In the event of RBS being unable to meet its obligations (e.g. if it stops trading or becomes insolvent), you may lose some or all of your money. You may have recourse under the Financial Services Compensation Scheme (please see back cover for further details).
- The value of the specified indices can fall as well as rise, and past performance is not a guide to future performance.
- Inflation will reduce the buying power of your money.
- It is important that you consider spreading your money across different types of investments and so limit concentrating it in any one area. Spreading your money into different investments can help reduce your risk.

## Taxation Information

- Autopilot Bond applications – any interest earned on the Autopilot Bond will be paid at maturity and all interest earned is treated as taxable income. If you are entitled to receive gross interest, you can do so by completing an HMRC R85 form. If the Autopilot Bond is to be opened in joint names, where a party is a non-tax payer, interest earned will be paid net. Reimbursement of tax will then have to be claimed back in the usual way. Please note future changes to tax laws could affect the amount you receive.
- Autopilot (ISA) Bond applications – any interest earned on the Autopilot Bond will be paid at maturity and all interest earned will be paid gross. Autopilot (ISA) Bond applications can only be opened in the name of an individual, joint applications are not permitted.
- Inflation will reduce the buying power of your money. All rates quoted are correct as at date of print.
- Gross is the interest rate paid before the deduction of tax.
- Interest earned on balances of less than £50,000 will be paid subject to your tax status. For bonds under 5 years interest earned on balances of £50,000 or more will be paid without deduction of tax. You will be responsible for declaring the income to HM Revenue & Customs.
- Tax reliefs referred to are those applying under current legislation which may change. The availability and value of any tax reliefs will depend on your individual circumstances.

# Your questions answered

## Can I make additional deposits and withdrawals?

No, however, you can have more than one Autopilot Bond. A separate application form will be required for any additional Autopilot Bond.

## I want to apply for an Autopilot Bond and Autopilot (ISA) Bond, how do I do this?

Two separate application forms are required for the Autopilot (ISA) Bond and the Autopilot Bond. The total value must meet the minimum deposit requirement of £3,000 for both types to qualify. If you do not have a Cash ISA account, one will need to be opened prior to applying for an Autopilot (ISA) Bond.

## How much can I pay into the Autopilot (ISA) Bond?

You can pay in up to the annual subscription limit for the current tax year (currently £5,340). **Remember if you use any or all of your annual Cash ISA subscription for the current tax year you will not be able to subscribe into another Cash ISA until the start of the new tax year.**

## What happens if I have oversubscribed into my Autopilot (ISA) Bond?

If the funds subscribed to your Autopilot (ISA) Bond are found to contain an invalid subscription the Autopilot (ISA) Bond will be closed with the funds deposited in the Relevant Account and subsequently dealt with in accordance with HM Revenue & Customs requirements (see Terms and Conditions for full details).

## Will I receive dividends?

No, as your money is not invested directly in the markets you are not entitled to receive dividends.

## What happens if I want to close my Autopilot?

You should be aware that there is no cooling off period. As this product is reliant on financial markets outside of our control, once your application has been accepted it cannot be cancelled. Please ensure you are in a position to invest your funds for the Term as stated in the Details of Terms. Autopilot will only be closed in exceptional circumstances at our discretion and you may not receive back the full Deposit originally invested.

## What will happen to my Autopilot in the event of death?

In the event of death of a sole Autopilot holder, Autopilot can be closed and the amount returned will reflect investment conditions prevailing at the time. This means the amount returned may be less than the amount originally invested. Alternatively it can be continued until maturity at the discretion of the executors of the estate of the deceased Autopilot holder. If the Autopilot is held in joint names the Bond will revert into the name of the remaining Autopilot holder. For the ISA Bond, it can be transferred to a Standard Bond and maturing funds paid net of basic rate tax.

## Can Autopilot be held in trust?

No, this product is only available to customers aged 18 and above in a personal or business capacity.

## Will I receive regular statements?

On the Start Date you will be sent a certificate confirming details of your Autopilot. Then each year, just after the anniversary of your Autopilot, you will receive an annual update on the performance of your Autopilot.

## What happens if the Autopilot underperforms?

Autopilot is designed to return your initial Deposit, as long as the Bond is held until the Expiry Date in the case where the Autopilot Final Level finished lower than its Initial Level.

## What to do if you have a complaint

We hope you never have cause for complaint about the advice you receive from us, but if you do please contact us immediately.

**Write to:**

Customer Concerns Unit, PO Box 883, Trinity Quay, Avon Street, Bristol BS99 5TY.

**Phone:** 0117 940 3666.

**Email:** [ccuadvice@rbs.co.uk](mailto:ccuadvice@rbs.co.uk)

If you wish to complain about any other part of the service you receive, please write to Customer Relations Unit, Consumer Distribution UK Retail, 2nd Floor, 225 Shenley Road, Borehamwood WD6 1TE.

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. You can find out about their service at <http://www.financial-ombudsman.org.uk/default.htm>

# Compensation

## Advice

Qualified advisers will recommend that you buy products suitable for your needs. You've a legal right to compensation if at any time it is shown that a recommendation was unsuitable when it was made.

## The Financial Services Compensation Scheme

RBS is a member of the Financial Services Compensation Scheme (FSCS). The Scheme can pay compensation to customers if they are eligible and a regulated firm is unable to pay claims against it, usually if the firm stops trading or is insolvent.

Compensation limits apply depending on the type of claim.

For deposits that are held in a bank or building society in the UK, the Scheme will cover up to £85,000 per person. Deposits in all currencies are treated the same.

Most retail consumers (this includes private individuals and some small businesses) are eligible under the Scheme. For further information on the conditions governing compensation and details on how to apply please refer to the FSCS at [www.fscs.org.uk](http://www.fscs.org.uk)

References to particular indices are included only to indicate the basis upon which growth is calculated, not to indicate any association between RBS and the third party index provider, or endorsement of the product by the index provider.

The product is not in any way sponsored, sold or promoted by any relevant stock market, relevant index, related exchange, index sponsor or investment fund provider, and they make no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the relevant stock market and/or the figure at which the relevant stock market, relevant index, related exchange or investment fund level stands at any particular time on any particular day or otherwise. They shall not be liable (whether in negligence or otherwise) to any person for any error in the relevant stock market, relevant index, related exchange or relevant investment fund and shall not be under any obligation to advise any person of any error therein.



