



DIVISION OF  
TRADING AND MARKETS

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

October 21, 2008

Thomas N. O'Neill III  
Linklaters LLP  
One Silk Street  
London EC2Y 8HQ

**Re: Lloyds TSB Group plc**  
**File No. TP 09-07**

Dear Mr. O'Neill:

In your letter dated October 21, 2008, as supplemented by conversations with members of the staff (the "Staff") of the Securities and Exchange Commission ("Commission"), you request on behalf of Lloyds TSB Group plc, a public limited company organized under the laws of the United Kingdom and registered in Scotland ("LTSB"), an exemption from Rule 102 of Regulation M under the Securities Exchange Act of 1934 ("Exchange Act") in connection with (i) the distribution of LTSB Ordinary Shares and LTSB ADSs to be made by LTSB to holders of HBOS Ordinary Shares and HBOS ADSs, respectively, of HBOS plc, a public limited company organized under the laws of the United Kingdom and registered in Scotland ("HBOS"), in connection with the proposed acquisition of the entire issued and to be issued share capital of HBOS by LTSB (the "Acquisition") and (ii) the distribution of LTSB Ordinary Shares (the "Placing") and preference shares of LTSB to the United Kingdom Treasury ("HM Treasury") through a preference share subscription (the "Preference Share Subscription") as part of a capital raising, which includes the opportunity for eligible existing LTSB shareholders to "claw back" their proportionate entitlement to these new shares (the "Open Offer"). The Acquisition, the Placing, the Open Offer, and the Preference Share Subscription are collectively referred to herein as the "Transaction," and are described more fully in your letter.

You seek an exemption to permit LTSB and its affiliates to conduct specified transactions outside the United States in LTSB Ordinary Shares and LTSB ADSs during the Transaction. Specifically, you request that: (i) the LTSB Derivatives Business Units be permitted to continue to engage in derivatives transactions, including hedging activities as described in your letter; (ii) the LTSB Asset Managers be permitted to continue to engage in asset management activities as described in your letter; (iii) the LTSB Insurance Companies be permitted to continue to engage in insurance activities as described in your letter; (iv) the LTSB Trustees and Personal Representatives be permitted to continue to engage in trustee and personal representative-related activities as described in your letter; (v) the LTSB Collateral Taking Units be permitted to continue to engage in collateral taking activities as described in your letter; (vi) the LTSB Employee Share Plan Trustees be permitted to continue to engage in employee share plan purchasing activities as described in your letter; (vii) the LTSB Banking Groups be permitted to

continue to engage in banking-related activities as described in your letter; and (viii) the LTSB Brokerage Units be permitted to continue to engage in unsolicited brokerage activities as described in your letter.

You also seek an exemption to permit certain LTSB affiliates to conduct specified transactions in the United States in LTSB Ordinary Shares and LTSB ADSs during the Transaction. Specifically, you request that (i) Scottish Widows Investment Partnership Limited ("SWIP"), Lloyds TSB Offshore Limited, and Lloyds TSB Offshore Private Client Limited, be permitted to continue to engage in unsolicited asset management activities as described in your letter. We have attached a copy of your correspondence to avoid reciting the facts set forth therein. Unless otherwise noted, each defined term in our response has the same meaning as defined in your letter.

*Response:*

Based on the facts and representations that you have made in your letter, but without necessarily concurring with your analysis, the Commission hereby grants LTSB an exemption from Rule 102 of Regulation M to permit the LTSB Derivatives Business Units, the LTSB Asset Managers (including SWIP, LTSB Offshore Limited, and LTSB Offshore Private Client Limited), the LTSB Insurance Companies, the LTSB Trustees and Personal Representatives, the LTSB Collateral Taking Units, LTSB Employee Share Plan Trustees, the LTSB Banking Groups, and the LTSB Brokerage Units (collectively, the "Companies") to continue to engage in the transactions described in your letter. In particular, in your correspondence you make the following key representations:

- During the twelve-month period ended September 30, 2008, the worldwide average daily trading volume ("ADTV") of LTSB Ordinary Shares was approximately 76.2 million Shares, or approximately £319 million (approximately \$568 million) in value, and LTSB's market capitalization as of September 30, 2008 was approximately £13,528 billion (approximately \$24,085 billion). During the twelve-month period ended September 30, 2008, the ADTV of LTSB Ordinary Shares on the LSE was approximately 52.3 million shares, with a value of approximately £224 million (approximately \$399 million). As of September 30, 2008, the LTSB Ordinary Shares comprised 1.13% of the FTSE 100 index;
- The public float value for LTSB Ordinary Shares was £13,528 billion (approximately \$24,085 billion) as of September 30, 2008;
- As of September 30, 2008, approximately 98.7% of the outstanding LTSB Ordinary Shares were held of record by residents of the United Kingdom;
- The principal trading market for LTSB Ordinary Shares is the United Kingdom and trading on the LSE accounted for approximately 68.6% of the worldwide average trading volume in LTSB Ordinary Shares during the twelve-month period ended September 30,

2008. Trading on the European over-the-counter trading platforms BOAT and Chi-X accounted for approximately 27.7% of the worldwide average trading volume in LTSB Ordinary Shares during the twelve-month period ended September 30, 2008;

- LTSB maintains and enforces written “Chinese Wall” policies and procedures to prevent material non-public information from passing between the sales/trading areas and any other area of LTSB in which price sensitive information relating to LTSB Ordinary Shares (including LTSB ADSs), including information relating to the Transaction, would be available;
- The LTSB Derivatives Business Units conduct their derivatives transactions, including hedging, outside the United States and, during the twelve-month period ended September 30, 2008, the exposure to LTSB Ordinary Shares and LTSB ADSs from these derivatives transactions amounted to less than 3.5% of the worldwide ADTV of LTSB Ordinary Shares (including LTSB ADSs);
- The LTSB Asset Managers conduct their asset management activities outside the United States (except as indicated below) and, during the twelve-month period ended September 30, 2008, the asset management activities of the LTSB Asset Managers amounted to approximately 1% of the worldwide ADTV of LTSB Ordinary Shares (including LTSB ADSs);
- SWIP, LTSB Offshore Limited, and LTSB Offshore Private Client Limited conduct their unsolicited asset management activities in the United States in the ordinary course of business and not in contemplation of the Transaction. SWIP, LTSB Offshore Limited, and LTSB Offshore Private Client Limited are registered with, and are subject to the supervision and regulation of, the Commission. SWIP and LTSB Offshore Private Client are also registered with the Commission as Investment Advisers;
- The LTSB Insurance Companies conduct their insurance activities outside the United States;
- The LTSB Trustees and Personal Representatives conduct their trustee and personal representative-related activities outside the United States and, during the twelve-month period ended September 30, 2008, the ADTV of LTSB Ordinary Shares pursuant to these activities by the LTSB Trustees and Personal Representatives represented less than 1% of the worldwide ADTV of LTSB Ordinary Shares;
- The LTSB Collateral Taking Units conduct their collateral taking activities outside the United States;
- The LTSB Employee Share Plan Trustees conduct their employee share plan activities outside of the United States;

- The LTSB Brokerage Units conduct their unsolicited brokerage activities outside the United States and, during the twelve-month period ended September 30, 2008, the unsolicited brokerage activities of LTSB Brokerage Units amounted to less than 1% of the worldwide ADTV in LTSB Ordinary Shares;
- The LTSB Banking Groups conduct their banking-related activities outside the United States;
- The withdrawal from the market for the LTSB Ordinary Shares, which are among the most actively traded in the United Kingdom, for an extended period of time would have harmful effects on the customers and ordinary business of LTSB and its affiliates;
- Each of the LTSB Derivatives Business Units, the LTSB Asset Managers, the LTSB Insurance Companies, the LTSB Trustees and Personal Representatives, the LTSB Collateral Taking Units, the LTSB Employee Share Plan Trustees, the LTSB Brokerage Units, and the LTSB Banking Groups has each confirmed that the activities for which it is requesting relief will be conducted in the ordinary course of its businesses and in accordance with the applicable laws of the United Kingdom and other non-US laws.

The exemption is subject to the following conditions:

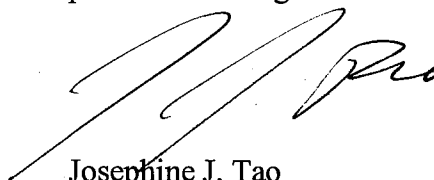
1. None of the transactions of the Companies described in your letter shall occur in the United States, with the exception of the unsolicited asset management activities of SWIP, LTSB Offshore Limited and LTSB Offshore Private Client Limited described in your letter;
2. All of the transactions described in your letter shall be effected in the ordinary course of business and not for the purpose of facilitating the Transaction;
3. Each offer document distributed to US holders will disclose the possibility of, or the intention to make, the transactions described in you letter;
4. LTSB and each of the Companies will provide to the Division of Trading and Markets ("Division"), upon request, a time-sequenced schedule of all such transactions made during the Restricted Period. Such schedule will include:
  - (a) size, broker (if any), time of execution, and price of the transactions;
  - (b) the exchange, quotation system, or other facility through which the transactions occurred, and
  - (c) whether the transactions were made for a customer account of a proprietary account;

5. Upon request of the Division, LTSB and each of the Companies will transmit the information requested in item 4 (above) to the Division at its offices in Washington DC within 30 days of its request;
6. LTSB and each of the Companies shall retain all documents and other information required to be maintained pursuant to this exemption for at least two years following the completion of the Transaction;
7. Representatives of LTSB and each of the Companies shall be made available (in person at the offices of the Commission in Washington, DC or by telephone) to respond to inquiries of the Division relating to their records; and
8. Except as otherwise exempted by this letter, LTSB and each of the Companies will comply with Regulation M.

The foregoing exemption from Rule 102 of Regulation M is based solely on your representations and the facts presented to the Staff and is strictly limited to the application of this rule to the proposed transactions. Such transactions should be discontinued, pending presentation of the facts for our consideration, in the event that any material change occurs with respect to any of those facts or representations.

In addition, your attention is directed to the anti-fraud and anti-manipulation provisions of the Exchange Act, including Sections 9(a) and 10(b), and Rule 10b-5 thereunder. Responsibility for compliance with these and any other applicable provisions of the federal securities laws must rest with the participants in the various transactions. The Division expresses no view with respect to any other questions that the proposed transactions may raise, including, but not limited to, the adequacy of disclosure concerning, and the applicability of any other federal or state laws to, the proposed transactions.

For the Commission,  
by the Division of Trading and Markets,  
pursuant to delegated authority,



Josephine J. Tao  
Assistant Director

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Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

October 21, 2008

**Re: Lloyds TSB Group plc – Request for Exemptive Relief from Rule 102 of Regulation M**

Dear Ms. Tao:

We are writing on behalf of our client, Lloyds TSB Group plc, a public limited company organized under the laws of the United Kingdom and registered in Scotland ("**LTSB**"), about the application of Regulation M ("**Regulation M**") under the Securities Exchange Act of 1934 (the "**Exchange Act**") to transactions by LTSB and its affiliates in the ordinary shares of LTSB (the "**LTSB Ordinary Shares**"), and the American Depositary Shares, each representing the right to receive four LTSB Ordinary Shares ("**LTSB ADSs**"). The request for relief relates to (i) the distribution of LTSB Ordinary Shares and LTSB ADSs to be made by LTSB to holders of ordinary shares ("**HBOS Ordinary Shares**") and holders of American Depositary Shares ("**HBOS ADSs**"), respectively, of HBOS plc, a public limited company organized under the laws of the United Kingdom and registered in Scotland ("**HBOS**"), in connection with the proposed acquisition of the entire issued and to be issued share capital of HBOS by LTSB (the "**Acquisition**") and (ii) the distribution of LTSB Ordinary Shares (the "**Placing**") and preference shares (the "**Preference Shares**") of LTSB to the United Kingdom Treasury ("**HM Treasury**") through a preference share subscription (the "**Preference Share Subscription**") as part of a capital raising, which includes the opportunity for eligible existing LTSB Shareholders to "claw back" their proportionate entitlement to these new shares (the "**Open Offer**"). The Acquisition, the Placing, the Open Offer and the Preference Share Subscription are collectively referred to herein as the "**Transaction**" and are described in greater detail under the heading "The Transaction".

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Specifically, on behalf of LTSB, we ask the Staff (the “**Staff**”) of the Securities and Exchange Commission (the “**Commission**”) to grant LTSB and its affiliates exemptive relief from Rule 102 of Regulation M to permit them to continue, in the ordinary course of business as described below and in accordance with applicable local law, to engage in the following activities during the Transaction distribution:

- **Derivatives Transactions, including Hedging:** LTSB enters into derivatives transactions for the accounts of its customers on an agency basis and for its own account primarily for the purpose of hedging positions (or adjusting or liquidating existing hedge positions) or efficient portfolio management and, as such, may issue, buy and sell derivatives and other structured products relating to LTSB Ordinary Shares and LTSB ADSs or to baskets or indices including LTSB Ordinary Shares and LTSB ADSs, as well as (largely FTSE 100) futures on the foregoing on recognized or over-the-counter markets. These derivatives transactions are conducted through LTSB’s Products and Markets Group (the “**LTSB Products and Markets Group**”) and Scottish Widows Investment Partnership Limited, a limited company organized under the laws of the United Kingdom (“**SWIP**” and, together with the LTSB Products and Markets Group, the “**LTSB Derivatives Business Units**”).<sup>1</sup> The exposure to LTSB Ordinary Shares and LTSB ADSs from these derivative transactions amounted to less than 3.5% of the average daily trading volume (the “**ADTV**”) on all exchanges in LTSB Ordinary Shares (including LTSB ADSs) during the twelve-month period ended September 30, 2008. The LTSB Derivatives Business Units engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.
- **Trading by Asset Managers:** Lloyds TSB Private Banking Limited, a limited company organized under the laws of the United Kingdom, Lloyds TSB Bank plc, a public limited company organized under the laws of the United Kingdom, and certain of its subsidiaries (including Lloyds TSB Offshore Limited and Lloyds TSB Offshore Private Client Limited), SWIP and Lloyds TSB Investments Ltd, a limited company organized under the laws of the United Kingdom (together, the “**LTSB Asset Managers**”), manage the assets of a range of internal and external clients, such as mutual funds, pension funds, unregulated collective investment schemes (being a fund of hedge funds, a fund of private equity funds, a fund of property funds and individual private equity funds) and separate account investor portfolios (such funds and investor portfolios, the “**LTSB Managed Funds**”). As part of their ordinary investment management activities on behalf of the LTSB Managed Funds, the LTSB Asset Managers buy and sell LTSB Ordinary Shares and LTSB ADSs for the LTSB Managed Funds’ accounts. The LTSB Asset Managers also may make investments in collective funds or indices that indirectly include LTSB Ordinary Shares and LTSB ADSs or include derivatives of LTSB Ordinary Shares and LTSB ADSs, as discussed above. The asset management activities of the LTSB Asset Managers amounted to approximately 1% of the worldwide ADTV in LTSB Ordinary Shares (including LTSB ADSs) during the twelve-month period ended September 30, 2008. The foregoing

<sup>1</sup> The LTSB Products and Markets Group is a business unit within LTSB. SWIP is a wholly owned subsidiary of LTSB and primarily engages in fund management activities on behalf of a range of internal and external clients including LTSB’s retail life, pensions and investment products. No derivatives trading or hedging activities relating to LTSB Ordinary Shares are carried out by affiliates or business units of LTSB other than the LTSB Derivatives Business Units and the vast majority of the derivatives trading and hedging activities described herein are conducted in the United Kingdom. Such activities are in any event conducted solely outside the United States.

asset management activities are conducted by Lloyds TSB Private Banking Limited and LTSB Investments Ltd solely outside of the United States and by Lloyds TSB Bank plc and certain of its subsidiaries and SWIP primarily, but not exclusively, outside of the United States. The LTSB Asset Managers engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.

- **Trading by Insurance Companies:** In the ordinary course of business, Scottish Widows plc, a public limited company organized under the laws of the United Kingdom, and its authorized subsidiaries and Lloyds TSB General Insurance Limited (the "**LTSB Insurance Companies**") sell insurance and reinsurance products requiring the insurer to invest the premiums paid by the purchaser of the policies in equities and other investments. While no direct investments are made in LTSB Ordinary Shares or LTSB ADSs, investments may be made indirectly in funds or indices that include LTSB Ordinary Shares and/or LTSB ADSs. A number of the LTSB Insurance Companies provide investment advice with respect to their range of investment products. The market activities of the LTSB Insurance Companies described herein are conducted solely outside of the United States. The LTSB Insurance Companies engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.
- **Trading by Trustees and Personal Representatives of Estates:** Lloyds TSB Bank plc, which delegates trading authority to Lloyds TSB Private Banking Limited in this regard, and certain of its subsidiaries (together, the "**LTSB Trustees and Personal Representatives**"), act as trustee, executor and/or personal representative of testamentary, inter vivos and charitable trusts, as well as estates (the "**LTSB Trusts and Estates**"). As part of their responsibilities, the LTSB Trustees and Personal Representatives purchase and sell LTSB Ordinary Shares and LTSB ADSs, both directly and indirectly as part of collective investment schemes, for the accounts of the LTSB Trusts and Estates. The activities of the LTSB Trustees and Personal Representatives historically have represented a small proportion of all trading in LTSB Ordinary Shares, and for the twelve-month period ended September 30, 2008, the ADTV of LTSB Ordinary Shares (including LTSB ADSs) traded pursuant to these activities represented less than 1% of the worldwide ADTV of LTSB Ordinary Shares (including LTSB ADSs). The market activities of the LTSB Trustees and Personal Representatives described herein are conducted solely outside of the United States. The LTSB Trustees and Personal Representatives engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.
- **Collateral Taking:** Lloyds TSB Bank plc and certain of its subsidiaries and Lloyds TSB Private Banking Limited (the "**LTSB Collateral Taking Units**"), accept LTSB Ordinary Shares and LTSB ADSs as collateral for loans they extend to their respective customers. In the event that the borrower defaults on a loan, the LTSB Collateral Taking Units may foreclose on the collateral and in some circumstances dispose of it, including by selling it in the market. The market activities of the LTSB Collateral Taking Units are conducted primarily in the United Kingdom and solely outside of the United States. To the extent the LTSB Collateral Taking Units engage in trading of LTSB Ordinary Shares or LTSB ADSs this activity would be solely in the ordinary course of business and not in contemplation of the Transaction.

