



**Santander**

**Foreign Exchange Disclosure Notice**

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The purpose of this FX Disclosure Notice is to:

- clarify the nature of the trading relationship between you and Santander UK plc (each "**Santander**" or "**we**") ; and
- disclose our practices when acting as a dealer on a principal basis in the FX markets.

For the avoidance of doubt, any use of "**you**" or "**your**" in this FX Disclosure Notice is a reference to a Santander client.

The terms provided in this FX Disclosure Notice will govern any FX transaction you enter into with us. This will be the case unless:

- both parties have expressly pre-agreed otherwise ; or
- it is stated otherwise in other applicable terms of dealing.

This FX Disclosure Notice is not intended to conflict with or override any relevant law, regulatory rule or other applicable requirement in any jurisdiction in which we operate.

The terms of this FX Disclosure Notice may vary depending on the precise nature of your relationship with us and the jurisdiction(s) in which we operate.

## Market Making

We only engage in transactions as a principal, unless we explicitly agree otherwise with you in writing. We do not act as broker, agent, intermediary, financial advisor or in any similar capacity on your behalf. We, together with our affiliates (collectively, the "**Santander Group**") may receive requests for quotations and multiple orders for the same or related currency pairs or instruments at any point in time.

The Santander Group manages a portfolio of positions for multiple clients. We therefore balance clients' competing interests with our own risk management objectives. For example, the Santander Group may receive requests for quotations and multiple orders for the same or related currency pairs.

In our role as principal, we can choose how to satisfy all of our clients' requests and our independent risk management objectives, including with respect to order execution, aggregation, priority and pricing. When you attempt to submit an order, we do not need to tell you that we may be handling other clients' orders or our own orders ahead of, at the same time as, or on an aggregated basis with, your order.

As principal, we may:

- trade prior to or alongside your transaction;
- execute our transactions or facilitate executions with other clients;

- manage our risk; and
- source liquidity.

These activities can impact the price we offer to enter into a transaction with you and how much liquidity we have available (which could affect our execution of your orders).

## Pricing

Unless otherwise disclosed, we will generally attempt to provide you with a single price which will include any bid/offer spread (the “**All-In Price**”). We may include additional amounts in the All-In Price for FX transactions, including (without limitation):

- execution costs, which may cover execution venue fees, clearing and settlement fees and other fees paid to third parties involved in the execution of the transaction; and
- any sales commission or mark-up (“**Sales Margin**”), taking into account a variety of factors including, but not limited to credit and capital charges, processing and service and relationship costs.

The price, costs and Sales Margin will vary depending on the client and the transaction. We will include costs and/or Sales Margin when you request quotes or submit orders (unless otherwise specified).

Market volatility may result in prices changing significantly between the time we receive an order and the time we execute that order. We will usually try to reflect these price movements in the price we provide for entering into a transaction with you, regardless of whether they are positive or negative.

## Execution of orders

Where we are willing to work on an 'order', we will attempt to enter into a transaction under the conditions you specify. In general, we will manage and accept any order you submit according to the following guidelines:

- you should agree specific execution requirements with your Santander contact in writing or via another recorded medium before your order is placed and executed;
- If we do not agree a specific execution instruction with you, we will decide, using our discretion:
  - whether to work on an order;
  - which orders to execute;
  - when to execute them; and
  - how to execute them.

We will take into account our obligation to execute your order fairly when exercising this discretion.

- We cannot guarantee that we will be able to fulfil your order at the exact level specified in your order, unless we agree otherwise with you in writing or via another recorded medium.
- We always aim to achieve the best possible outcome when executing an order (using our professional judgment).

We will work on your order within this operating framework. By leaving your order with us, you expressly agree to the framework outlined in this FX Disclosure Notice.

## Types of order

'At Best' Orders are instructions to execute a transaction at the best available price at the time of the order. We will execute at best orders for the best price that we are willing to offer. We will determine this price using our discretion and expertise, having regard to various factors at the time you place the order (including liquidity, market depth, and market forces).

Market Orders are instructions to execute a transaction at the first available price in the market as quickly as possible (as timeliness is the overriding factor).

'Limit' Orders (Take Profit) is an instruction to execute a transaction when a target price is reached. Usually the target price is set at a more favourable price than the current market price. We cannot execute limit orders immediately. You should be aware that you give up the certainty of immediate execution in exchange for the possibility of getting an improved price in the future by leaving a limit order. If the target price is reached, we will fulfill the limit order when we are prepared to enter into a transaction with you at the relevant target price .

'Stop' Orders become live when a target price for a particular currency pair and/or instrument is met. Usually the target price is set at a less favourable price than the current market price for the relevant currency pair and/or instrument. We cannot execute stop orders immediately. A stop order is therefore a 'sleeping' order until the target price is reached. We will attempt to enter into a trade with you once the target price has been reached, either at, or as close as is practically possible, to the target price. We will endeavour to execute your order at a price that is as close as possible to your specified target price, taking into account prevailing market conditions at the relevant time. However, we cannot guarantee that your order will be executed at the target price.

'Time Dependent' Orders are instructions to enter into a transaction after a specific period of time. We will use best endeavours to ensure that we reflect price movements within the specified period of time when executing your order. As a result, execution will not be linked to any benchmarks or VWAP (Volume Weighted Average Price) calculations.

'Fix' Orders are instructions to enter into a transaction at a specific time and date (at the 'fix'). If we accept the order, we will enter into a transaction with you at the published 'fix rate' after applying a bid offer spread around that price.

At Risk Orders are instructions to provide a two-way price for an instrument in a given size. All two-way prices we provide are subject to change according to market conditions. You will need to request a requote before trading if you do not deal as soon as you receive the two-way price because FX markets are fast moving and may change in less than a second.

Partial fills occur when we are unable to satisfy the entirety of your order and as a result only enter into a proportion of your requested transaction. Your order may be made up of a number of smaller transactions at various prices depending on market conditions, the nature and size of the order, the need for timely execution. We will notify you promptly when we only execute a proportion of your order, unless you have instructed us otherwise. In any event, our internal systems and controls will maintain an audit trail of all partial fills. We will always try to execute the entirety of an order using the Santander Group's liquidity channels (subject to the prevailing market conditions and your instructions). We will assume that you accept partial fills unless otherwise agreed.

Mark-up is an additional percentage that we add to the price of entering into a transaction with you. It is the difference between the market price and the price we charge you for that transaction. We may (in our discretion) apply mark-up in accordance with our mark-up policy. This mark-up may change from time to time according to our internal principles and processes.

## Other Considerations

Your final All-In Price is the total price we charge for entering into a transaction with you. Execution costs and/or Sales Margin are included in the final All-In Price, which means that it may differ from the price we obtain for the relevant transaction in the wholesale market. We always attempt to achieve an appropriate return when entering into transactions as principal, taking into account Santander Group's position (including our inventory strategy and overall risk management strategies).

Pre-hedging is where the Santander Group, when acting as principal, enters into transactions so as to manage the risk associated with the anticipated execution of one or more client orders. Any pre-hedging transactions the Santander Group enters into are designed to benefit the client(s) that placed the original order. The Santander Group may pre-hedge in this way to:

- ensure that a client's order is executed in the most orderly fashion possible and in a manner that should not disadvantage the client or disrupt the market; and
- mitigate any risk the Santander Group may assume as a result of our entering into the transaction.

The Santander Group may execute transactions in the market for its own hedging purposes at different prices or times to those specified or indicated in client orders.

Also, from time to time Santander may enter into transactions with clients at rates calculated by third-parties ("**Benchmark Rates**"), based on trading during specified times of day (each commonly referred to as a "**Fixing Window**"). The Santander Group may enter into hedging transactions before, during or after each Fixing Window in order to manage risk associated with these transactions. The Santander Group may unintentionally impact Benchmark Rates or any related markets by executing transactions (such as for hedging purposes) before or during each Fixing Window. The Santander Group will only conduct pre-hedging activities in accordance with its internal guidelines and policies and the principles of conduct established by our regulators.

Information sharing. The Santander Group may use, when formulating its overall market views and pricing:

- information about the terms of individual transactions to tailor its provision of products and services to clients;
- un-attributable aggregated information about executed transactions; and
- other available information regarding market conditions.

The Santander Group may communicate this information internally, to clients or to other third parties. Any information we provide you should be treated as confidential unless it is already publicly available. Consequently, it should not be disclosed to any third party. We manage the risk of FX transactions you request (including but not limited to market, liquidity and credit risks) on an individual, portfolio or other basis. We may share details of your orders with persons acting in a sales or trading capacity within the Santander Group or one of its agents, to ensure (in our professional judgment) an appropriate outcome for you and to protect the Santander Group's position. The Santander Group shares information as necessary to fulfil its general and specific obligations under any applicable law and regulation.

Conflicts of interest. We take all reasonable steps to avoid conflicts of interest. Conflicts may, however, arise between orders from different clients, or between a client order and a position that we hold as principal. In these circumstances, we will manage the conflict according to our regulatory responsibilities and in line with our Conflicts of Interest policy.

Electronic trading. We operate within a consistent framework when executing electronic orders we receive in response to our indicative pricing. We reserve the right to accept or reject trades. More specifically, we apply a number of pre-trade acceptance checks and controls that may result in an electronic order being rejected. These include, but are not limited to, credit and settlement risk limits, market risk limits, trade frequency and pricing consistency checks which may, individually or collectively, be referred to as "**Last Look**".

Last Look is a control we use on electronic platforms to mitigate risk associated with timing latencies, technology issues, market disruptions and certain trading behaviours. When applied, Last Look compares the last refreshed price (i.e. the current price) for a particular transaction

against the electronic order price. We use this comparison to determine whether or not to accept an electronic order price. Generally we will accept an electronic order price in two scenarios:

- where the electronic order price matches the current price; and
- where we deem the electronic order price to be sufficiently close to the current price (i.e. falls within our **“Price Tolerance”**).

We may reject the electronic order if the Last Look comparison indicates that the electronic order price falls outside our Price Tolerance for the relevant transaction.

**“Holding Periods”** are prescribed periods of time during which electronic orders are held before price checks are performed. Holding Periods allow liquidity providers to see the latest market data updates before applying price checks. We may not be able to respond to your electronic order immediately due to the different checks and controls we perform, as described above. However, we do not apply any pre-determined Holding Period when performing Last Look. Instead, we confirm electronic orders as soon as all the relevant checks and controls have been performed. We do not apply a Holding Period to any spot FX electronic orders. We will apply the Last Look price and/or conduct validity checks as soon as we receive an electronic order. Holding Periods are sometimes referred to as ‘latency buffers’.

We do not engage in any hedging activity with respect to a prospective transaction when pre-trade acceptance checks and controls are being performed or before we accept a the trade request.

## Important Information

Nothing in this FX Disclosure Notice is to be construed as:

- an offer for services or products or as an offer of any description;
- a solicitation for the purchase or sale of any financial product; or
- financial, legal, regulatory, tax, accounting or other advice to enter into any transaction.

This FX Disclosure Notice does not take into account the specific investment objectives, financial situations or particular needs of any specific client or prospective client. Therefore, you should make your own independent assessment of this FX Disclosure Notice and obtain independent professional advice before taking any action on the basis of this FX Disclosure Notice.

For further detailed information on any of these disclosures, please contact your relationship manager.



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Santander is able to provide access to literature in alternative formats. If you would like to receive correspondence in an alternative format please contact us at [RSGClientOutreach@santander.co.uk](mailto:RSGClientOutreach@santander.co.uk).