



Santander

**Client information relating to our Order
Execution Policy**

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**Client information relating to our Order Execution Policy**

This document sets out the Order Execution Policy (the “**Policy**”) and Santander UK plc’s (“**SAN UK**”) approach to providing best execution, as required by Directive 2014/65/EU as implemented in the UK by the European Union Withdrawal Act 2018 and amended, supplemented or restated from time to time (“**UK MiFID**”).

For the avoidance of doubt, any reference in this Policy to:

- “we”, “our” or “us” refers to SAN UK; and
- “you” or “your” refers to clients of SAN UK that are either Professional or Retail Clients (as defined under UK MiFID).

We will review this Policy at least annually. We may also decide to review it following particular events.

What is best execution?

Under UK MiFID, we must take all sufficient steps to obtain the best possible result for you when executing orders on your behalf (“**Best Execution**”). When fulfilling a Best Execution obligation, we need to take into account the following factors:

- Price;
- Costs;
- Speed;
- Likelihood of Execution and Settlement;
- Size; and
- Nature of the transaction; or
- Any other consideration relevant to the execution.

(each an “**Execution Factor**”).

This obligation applies on an on-going basis. It is not limited to isolated transactions. If a Best Execution obligation arises, we will prioritise different Execution Factors depending on the asset class your order relates to. Please see Annex I below for further details.



In which circumstances will we be obliged to provide best execution to our Clients?

Financial Instruments

We are only required to obtain the best possible result in respect of orders for certain financial instruments. These financial instruments are products that fall within the scope of UK MiFID's best execution requirements. They include securities and financial contracts (such as options, forwards, futures and swaps) whether publicly listed or not.

FX spot transactions are not "financial instruments" under UK MiFID. As a result, this Policy will not apply to these orders.

Retail Client Orders

We will always apply the principles of Best Execution to orders made by Retail Clients when required under UK MiFID, unless specific instructions received from a Client restrict our ability to do so. Please see "Specific Instructions" below for further details.

We aim to provide Retail Clients with the best possible "total consideration" for each transaction that we undertake on their behalf. As a result, we usually prioritise Execution Factors that relate to price/cost when executing Retail Client orders. Here "total consideration" represents the price of the financial instrument and any execution costs. Execution costs cover all expenses we incur when executing the relevant order (such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order).

We still consider the other Execution Factors, even though we focus on Execution Factors relating to price/cost when dealing with Retail Client orders. However, we will only prioritise these other factors if they are fundamental to delivering the best possible total consideration for the relevant Retail Client.

Professional Client Orders

If you are a Professional Client dealing in financial instruments, we will try to obtain the best possible result for you either:

- when we accept an order to carry out a transaction on your behalf (acting as agent);
- when the circumstances demonstrate that you legitimately relied upon us to execute a transaction; or
- where we expressly agree to accept a Best Execution obligation.

**Client information relating to our Order Execution Policy**

When providing you with quotes or negotiating a price, we will start from the presumption that we do not owe you Best Execution. This presumption may be overridden, depending on the result of the test outlined below.

We will assess whether we owe you Best Execution by applying a Four-fold Cumulative Test (the "**Cumulative Test**"). We will use the Cumulative Test to determine whether you are placing 'legitimate reliance' on us to protect your interests in relation to a specific transaction. By describing the Test as cumulative, the intention of the European Commission is that no one leg of the Test is definitive. Consequently, we will consider the results for all four legs as a whole when determining the nature of your interaction with us. The Cumulative Test involves assessing the following:

- **Which party initiated the transaction** — It is less likely that you are placing legitimate reliance on us when you initiate the transaction. We will not deem you to be initiating the transaction where we provide you with:
 - input into the structure of a transaction;
 - any indications on pricing or trade ideas; or
 - investment recommendations;
- **The market practice and the existence of a convention for clients to "shop around"** — This applies in respect of market practices, where we believe that you could obtain prices for the same or similar instruments from a range of providers. In general, we believe that the majority of Professional Clients will "shop around" before making orders;
- **The relative levels of price transparency within a market** — It is less likely that you are placing legitimate reliance on us when:
 - the relevant pricing information is transparent; and
 - it is reasonable that you have access to such information; and
- **The information provided by you and any agreement reached** — It is less likely that you are placing legitimate reliance on us if our agreements or arrangements with you (including the provisions within this policy) do not indicate or suggest that:
 - we reached an understanding that you would place any legitimate reliance on us or;
 - we agreed to provide a Best Execution obligation.

If you are a Professional Client, we will only owe you Best Execution if the Cumulative Test indicates that you are placing legitimate reliance upon us to carry out a particular transaction.



Execution Venues

We will act exclusively as a principal when dealing with your order unless we formally agree otherwise with you in advance. We will, generally, be considered the execution venue for any order we execute as principal. As such, we will not route orders to any external venues on your behalf. Instead, we will consider the Execution Factors set out in this Policy and consider the evolving competitive landscape for execution venues when satisfying a Best Execution obligation.

We will execute orders that fall within this Policy outside of a trading venue (as defined in the FCA Handbook). You consent to this execution. This means that we will not execute your order in accordance with the trading venues rules set out in UK MiFID, including the pre-trade transparency requirements.

We may consider a range of factors when determining the prices of transactions that we enter into as principal. Such factors may include counterparty risk, credit risk and liquidity risk. We will, in all likelihood, reflect these risks in the all-in price that we present you. The all-in price represents the price at which we are prepared to deal.

We owe Best Execution for orders concerning certain financial instruments under UK MiFID, irrespective of whether they are traded on trading venues or Over-The-Counter (“OTC”). We will gather relevant market data to check whether the OTC price offered for a client is fair and allows us to fulfil our Best Execution obligations.

We will not use the venues named in Annex II to this document to route your order directly to an external party. However, we may use these venues from time to time to hedge the risk that we assume when entering into transactions with you. In this regard we may be placing reliance on these venues when considering the manner in which we handle your request.

Types of transactions where best execution has limited scope: Specific Instructions

Specific Instructions

You may wish to provide us with specific instructions about an order or a particular aspect of an order (e.g. how such an order should be executed). In these circumstances, you agree that:

- we will satisfy any Best Execution obligation that arises by carrying out your instructions exactly as requested; and
- any Best Execution obligation will be satisfied in this way.



Client information relating to our Order Execution Policy

This Policy is designed to ensure that we obtain the best possible result for you (on a consistent basis) when executing orders that give rise to a Best Execution obligation. However, you understand that your specific instruction could prevent us from following this Policy precisely.

You may provide us with specific instructions that only cover a portion of an order (for example, as to the choice of venue). In these circumstances, we will continue to be subject to any Best Execution obligation that arises in relation to the elements of the order that are not covered by your specific instructions (provided we have discretion over the execution of those other elements).

Execution Factors

Where you legitimately rely on us to protect your interests when carrying out a transaction (or we otherwise owe you Best Execution), we must take into account the following criteria for determining the relative importance of the Execution Factors:

- the characteristics of the client including the regulatory categorisation of the client;
- the characteristics of the relevant order;
- the characteristics of the financial instruments that are subject to the order; and
- the characteristics of the execution venues to which that order may be directed (where applicable).

Generally we will prioritise all-in net price over other Execution Factors (with due consideration to the criteria above). However, we will prioritise other Execution Factors if we receive specific instructions to this effect. The all-in net price is the price at which we will enter into a transaction with you minus any administrative fees or external fees or charges applicable by venues, clearing houses or agencies.

However, we will assess every order in the context of the underlying market's liquidity and its impact both on you and the market structure. This means that, in certain market scenarios, we will prioritise other Execution Factors, such as the size of the transaction, the speed at which the order may be executed and finally the likelihood of attaining execution.

Systems & Controls

We operate a three lines of defence model consisting of Business, Oversight & Challenge Functions and Audit. These components help us to ensure that we satisfy any Best Execution obligations that arise. We monitor the effectiveness of our execution arrangements and relevant policy framework. We also regularly assess whether the execution venues we select provide the best possible result for orders we execute on your behalf.



Annex I

Generic Prioritisation of Factors by Product

We will review the Policy and our order execution arrangements at least annually or on an event-driven basis (where we deem it appropriate). We will also notify you of any material changes to our order execution arrangements or the Policy. We will make this notification via our website: <https://www.santander.co.uk/corporate/solutions/rsg-terms>

We act primarily as a provider of liquidity on a quote driven basis. On occasion we may accept a resting order. Resting orders are commitments by you to enter into transactions that cannot be executed immediately. We will assume that we have a degree of discretion as to the execution of resting orders where you do not provide us with specific execution instructions. Your order allows us to book the relevant transaction to you without confirming the details before doing so. In these circumstances, we will assume that we owe you Best Execution because you are relying on us. We will not, in any circumstance, act as a broker agent or intermediary on your behalf. Instead, we will satisfy your order when we are able and ready to enter into a transaction with you as a principal.

If you are a Professional Client and make an OTC derivative order, we will only owe you Best Execution where you legitimately rely on us. We will determine this using the Cumulative Test on a transaction by transaction basis.

We will consider any Execution Factor that may establish the limit of the scope of a Best Execution obligation that arises. Consequently, where we have discretion over any aspect of your order, we will consider its nature and complexity to determine how to obtain the best possible outcome for you. In most instances we will consider all factors and try to provide you with the most effective combination of them.

Definition of Price

We will offer an “all-in” price when we carry out transactions via Voice or EFX. The “all-in” price is the price that takes into account, among other things:

- the currency;
- size of the order; and
- market conditions (such as liquidity and volatility).

We may also include a discretionary margin in the all-in price to cover relevant business costs. These costs include the cost of capital, credit costs, execution venue costs and settlement fees. Apart from these elements, we may also modify prices for risk management purposes to encourage trades that reduce risk in our trade portfolio.



Interest Rate Derivatives

If a Best Execution obligation arises in respect of an order involving liquid interest rate derivatives, we will try to obtain the best possible outcome for you. We will do so by considering the following Execution Factors in the following order (provided we do not receive any specific instructions to the contrary):

1. Price
2. Size
3. Likelihood of execution and settlement

It is harder to estimate the size of transactions in the illiquid markets due to a lack of transparency. If a Best Execution obligation arises in respect of an order involving illiquid interest rate derivatives, we will try to obtain the best possible outcome for you. We will do so by considering the following Execution Factors in the following order (provided we do not receive any specific instructions to the contrary):

1. Likelihood of execution and settlement
2. Price
3. Size

In both cases, we will rank the remaining Execution Factors equally. However, market conditions may dictate that we give certain Execution Factors different rankings. We will try to make you aware of any changes in ranking during the pre-trade phase.

Structured Products

The structured products markets are characterised by a lack of depth and transparency. If a Best Execution obligation arises in respect of an order involving structured products, we will try to obtain the best possible outcome for you. We will do so by considering the following Execution Factors in the following order (provided we do not receive any specific instructions to the contrary):

1. Price
2. Speed
3. Size
4. Costs
5. Likelihood of execution and settlement

We will rank the remaining Execution Factors equally. However, market conditions may dictate that we give certain Execution Factors different rankings. We will try to make you aware of any changes in ranking during the pre-trade phase.



FX Spot

Spot FX is not a financial instrument. Therefore it does not fall within the scope of UK MiFID's best execution requirements. We are, however, an authorised firm. This means that we are bound by the principles established by the Financial Conduct Authority ("FCA"), as well as any other regulations or common practices applicable to the spot FX market. We have published a disclosure under a separate document on how we operate in the spot FX market. This can be found at <http://www.santandercb.co.uk/RSGTerms>.

FX Forwards

Best Execution obligations are unlikely to arise if:

- you are a Professional Client; and
- you request a quote ("RFQ") from us for an FX Forward contract.

This is because our assessment under the Cumulative Test will usually indicate that, in these circumstances, you will not be legitimately relying on us to protect your interests when carrying out the relevant transaction.

For highly illiquid currencies and tenors, some degree of legitimate reliance may exist on your part.

If a Best Execution obligation does arise in respect of an order for an FX Forward contract made following an RFQ, we will try to obtain the best possible result for you. We will do so by considering the following Execution Factors in the following order (provided we do not receive any specific instructions to the contrary):

1. Price
2. Size
3. Likelihood of execution and settlement

We will rank the remaining Execution Factors equally. However, market conditions may dictate that we give certain Execution Factors different rankings. We will try to make you aware of any changes in ranking during the pre-trade phase.

If you transact in FX Forwards with Santander UK that fall within the "means of payment" exclusion set out under UK MiFID in Article 10(1)(b) Commission Delegated Regulation (EU)2017/565, then Best Execution obligations will not apply. Further information on the UK MiFID "means of payment" exclusion is available upon request.

FX Options



Client information relating to our Order Execution Policy

Best Execution obligations are unlikely to arise if:

- you are a Professional Client; and
- you provide us with an RFQ for an FX Option.

This is because our assessment under the Cumulative Test will usually indicate that, in these circumstances, you will not be legitimately relying on us to protect your interests when carrying out the relevant transaction.

If a Best Execution obligation does arise in respect of an order for an FX Option made following an RFQ, we will try to obtain the best possible result for you. We will do so by considering the following Execution Factors in the following order (provided we do not receive any specific instructions to the contrary):

1. Price
2. Size
3. Likelihood of execution and Settlement

We will rank the remaining Execution Factors equally. However, market conditions may dictate that we give certain Execution Factors different rankings. We will try to make you aware of any ranking changes during the pre-trade phase.

The options market operates in a very different way to the market for cash instruments (such as FX Spot and FX Forwards). Consequently, we are likely to take the following factors into account when determining how to obtain the best possible result for you:

- overall market depth and liquidity; and
- volatility of the underlying currencies.



Annex II

List of Execution Venues

We rely on Execution Venues to obtain the best possible result for the execution of client orders. For the avoidance of doubt these are not venues to which we route orders but are venues that we use when formulating the price we quote to you.

Retail and Professional Client Orders

Asset Class	Execution Venue
Interest Rate Derivatives	Banco Santander S.A
FX Derivatives	Banco Santander S.A
Structured Products	SAN UK