

# Foreign Exchange Disclosure Notice

**The purpose of this FX Disclosure Notice is to clarify the nature of the trading relationship between Santander Bank, N.A. trading as Santander Global Corporate Banking ("Santander" or "we") and its clients, and to disclose relevant practices of Santander when acting as a dealer, on a principal basis, in the FX markets.**

To the extent that clients enter into FX transactions with Santander, it will be on the basis of the terms provided in this Disclosure Notice, unless expressly otherwise pre-agreed between Santander and its client or otherwise provided in other applicable terms of dealing and internal policies.

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 Santander operates, the terms of which may vary depending on the precise nature of the client's relationship with us and the jurisdiction(s) in which we operate.

## **Market Making**

Santander engages in transactions as a principal only, unless otherwise explicitly pre-agreed in writing. We do not act as broker, agent or intermediary, financial advisor or in any similar capacity on your behalf. At any point in time we may receive requests for quotations and multiple orders for the same or related currency pairs or instruments. Santander and its affiliates (collectively the "**Santander Group**") manage a portfolio of positions for multiple clients' competing interests as well as Santander's own risk management needs. In addition, the Santander Group may receive requests for quotations and multiple orders for the same or related currency pairs.

In our role as principal we may seek to satisfy the requests of all of our clients and our independent risk management objectives, but we retain discretion with respect to how to satisfy our clients, including with respect to order execution, aggregation, priority and pricing. We are not required to disclose to a client when the client attempts to leave an order that we are handling other clients' orders or our own orders ahead of, or at the same time as, or on an aggregated basis with, the client's order.

Santander, acting as principal, may trade prior to or alongside a client's transaction, execute transactions for itself or facilitate executions with other clients, manage its risk or source liquidity. These activities can have an impact on the prices we offer a client on a transaction and the availability of liquidity at levels necessary to execute client orders.

## **Pricing**

Unless otherwise disclosed, Santander will generally attempt to provide you with a single "all-in" price which will include any bid/offer spread. For foreign exchange transactions additional amounts may apply, including (without limitation): (a) the costs related to execution including execution venue fees, clearing and settlement fees and other fees paid to third parties involved in the execution of the transaction; and (b) any sales commission or mark-up ("sales margin") determined taking into consideration a variety of factors including, but not limited to credit and capital charges, processing and service & relationship costs.

The price, costs and sales margin will vary depending on the client and the transaction. The inclusion of costs and/or sales margin will apply to requests for quotes and orders unless otherwise specified.

Market volatility may result in significant price movements from the time of receipt of your order to the time of order execution. Santander will ordinarily attempt to reflect such price movements, whether positive or negative, in the price provided to you.

## **Execution of orders**

Where Santander is willing to undertake working an 'order' from a client, we are indicating a willingness to attempt to enter into a transaction under the conditions requested by the client. In general, any order will be managed according to the following guidelines and your order with us, if accepted, will be accepted on this basis. Specific execution requirements should be agreed with your Santander contact in writing or on another recorded medium prior to the placing and execution of the resultant order. Where no specific execution instruction has been agreed, and within the realms of its obligation to execute client orders fairly, Santander will decide, in its discretion, whether to work an order, which orders to execute, when to execute them and how to execute them. There can be no assurance that we will be able to fill your order at the exact level stated in your order, unless otherwise pre-agreed by both parties in writing, or on another recorded medium. However, we will use our professional judgment to execute the order with the aim of achieving the best possible outcome. We will undertake working your order within this operating framework. By leaving your order with us, you expressly agree to the framework outlined in this FX Disclosure Notice.

- **'At Best' Orders.** At best orders will be executed at the best available price at which we are willing to enter into the transaction with you. An at best order will be executed having regard to various factors, such as liquidity and

market depth, and market forces at the time of placing the order. We will execute your order using our discretion and expertise to achieve the best price we are able to offer you.

- **Market Orders.** A market order will be executed at the first available price in the market. Market orders will be executed as quickly as possible with timeliness being the overriding factor.
- **'Limit' Orders (Take Profit).** A limit order means setting a target price that will ordinarily be at a more favourable price than the current market price. The order may not be executed immediately. In leaving a limit order the client must be aware that it is giving up the certainty of immediate execution in exchange for the possibility of getting an improved price in the future. If the target price is reached, the limit order will be filled when we are prepared to enter into a transaction with you at the target price required by you.
- **'Stop' Orders.** A stop order means setting a target price at which the order becomes live at a less favourable price than the current market price. It may not be executed immediately. A stop order is therefore a 'sleeping' order until the stop price is reached. When the price indicated as a trigger for the stop has been reached, we will attempt to enter into a trade with you at, or as close as is practically possible, to the target price. We will not guarantee your order is executed at the target price but we will endeavour to execute your transaction at the nearest possible level given prevailing market conditions.
- **'Time Dependent' Orders.** Where you require that your order be executed over a specified period of time, we will endeavour to provide you with execution that reflects the price movements over the time period that you have specified. This will be on a reasonable endeavours basis and will not be linked to any benchmarks or VWAP (Volume Weighted Average Price) calculations.
- **'Fix' Orders.** When you place an order for execution at the 'fix' (i.e. for execution at a specific time and date) if the order is accepted we will execute your transaction at the published 'fix rate' after applying a bid offer spread around that mutually agreed upon price
- **At Risk Orders.** An at risk order is where we are asked to provide a two-way price in an instrument in a given size. Once we make such a price, we will consider it to be executable immediately, and in any event subject to change according to market conditions. In fast moving markets, which may change in a matter of less than a second, if you do not deal immediately we will require you to request a requote prior to trading.

**Partial fills** - Santander will use its access to liquidity channels via the Santander Group to attempt to execute the full size of your transaction, subject to the prevailing market conditions and your instructions. Santander will assume that partial fills are acceptable to you unless otherwise agreed. A partial fill occurs where Santander is unable to satisfy the whole of your transaction and hence only provides you with a partial execution of your requested transaction. Depending on market conditions, the nature and size of the order, the need for timely execution, your order may be made up of a number of smaller transactions at various prices. Where part of your order (a 'partial fill') has been executed you will be notified of this in a timely fashion, unless you have instructed us otherwise. In any event our internal systems and controls will maintain an audit trail of all partial fills.

**Mark-up** - Santander may (in its own discretion) apply mark-up to your order 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** - As the result of the addition of execution costs and / or sales margin by Santander, the price at which we enter into a transaction with you may differ from the price Santander obtains in the wholesale market. When entering into a transaction as principal, Santander always attempts to achieve an appropriate return, taking into account Santander's position, including its inventory strategy and overall risk management strategies in Santander's discretion.

**Pre-hedging** - When acting in a principal capacity, pre-hedging is the management of the risk associated with the anticipated execution of one or more client orders, designed to benefit the client in connection with such orders and any resulting transactions. The Santander Group may pre-hedge for such purposes to ensure that a client's order is executed in the most orderly fashion possible and in a manner that is not meant to disadvantage the client or disrupt the market, while mitigating the risk the Santander Group may assume as a result of Santander entering into the transaction.

Under such circumstances, the Santander Group may execute transactions in the market for its own hedging purposes at levels or times preceding, coinciding or following those indicated in the client order. For example, when solicited for entry into, and prior to the execution of, a transaction, the Santander Group may enter into risk management transactions at different times and prices to be able to execute the order. Also, from time to time Santander may enter into an agreement with a client to execute a transaction at a rate calculated by a third-party, based on trading during a specified time of day (commonly referred to as the "Fixing Window"). Risk management related to such transactions may lead the Santander Group to execute hedging transactions before, during or after the Fixing Window. Although such hedging activities, as well as unrelated transactions and other ordinary course of business activities executed by

Santander Group prior to and during the Fixing Window, or at other times, are not undertaken with the intention of impacting the benchmark fixing or related markets, this activity may have such an unintended effect in certain cases. Pre-hedging, where utilised, will be in accordance with the Santander Group's internal guidelines and policies and the principles of conduct established by our regulators.

**Information sharing** - The Santander Group may use information regarding the terms of individual transactions to tailor the provision of products and services to its clients. The Santander Group may use un-attributable aggregated information regarding executed transactions and other available information regarding market conditions in formulating its overall market views and pricing and may communicate such information internally, to clients or to other third parties. Information provided to a client by Santander, unless already publicly available, should be treated as confidential and should not be disclosed to any third party. Santander manages the resulting risk of requested FX transactions (including but not limited to market, liquidity and credit risks) on an individual, portfolio or other basis. To facilitate this activity, Santander may share details of the client's transaction request to persons acting in a sales or trading capacity within the Santander Group or one of its agents, to ensure (in its professional judgment) an appropriate outcome for clients, whilst protecting the Santander Group's position. Please note that Santander Group has regulatory and other duties to supervise and control its business. Santander Group shares information as necessary to fulfil these responsibilities and respond to general and specific regulatory and other requests with which it is required to comply by law and regulation.

**Conflicts of interest** - Santander takes all reasonable steps to avoid conflicts of interest. Where conflicts arise between orders from different clients, or between a client order and a position that Santander holds as principal, these will be managed according to our regulatory responsibilities and in line with our Conflicts of Interest policy.

**Electronic trading** - Santander operates within a consistent framework when executing electronic trade requests in response to its indicative pricing, and reserves the right to accept or reject trades. More specifically, Santander applies a number of pre-trade acceptance checks and controls that may result in a trade rejection, which 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" in particular is a control used on electronic platforms to provide risk mitigation for timing latencies, technology issues, market disruptions and certain trading behaviors. Santander may apply "Last Look" as a **price validity control**. When applied as a price validity control, it will make a comparison between the last refreshed price and the trade request price, and is thus intended to confirm whether the price at which the trade request was made remains consistent with the current price and so is within Santander's price tolerance in order for it to be available to the counterparty. Should Santander, as a result, deem that the market has moved to our disadvantage in excess of the relevant price tolerance, we may reject the trade request on the grounds of "Last Look". Santander reserves the right to set different tolerance thresholds per client and per venue.

Due to the different checks and controls being performed, as described above, an answer to a deal request may not be immediate. However, we wish to make it explicit that, for the purpose of performing price verifications under "Last Look", Santander does not apply any pre-determined Holding Period, also sometimes referred to as 'latency buffer', and trade requests are confirmed as soon as all the relevant checks and controls have been performed. As a general matter, a Holding Period may involve holding a trade request for a prescribed time delay before the price check is performed (the 'Holding Window'), in order to allow the liquidity provider to see the latest market data updates before applying the price check. Santander does not apply a Holding Window to any trade requests (Zero Hold Time) in respect of our spot FX business. The last look price and/or validity check will be applied as soon as our systems receive the trade request.

With reference to 'pre-hedging', during the time pre-trade acceptance checks and controls are performed and before the trade request has been accepted, Santander does not engage in any hedging activity with respect to the prospective transaction.

### **Important**

Nothing in this FX Disclosure Notice is to be construed as an offer for services or products or as an offer or solicitation for the purchase or sale of any financial product, nor should it be construed as financial, legal, regulatory, tax, accounting or other advice to enter into any transaction. This FX Disclosure Notice has no regard to the specific investment objectives, financial situations or particular needs of any specific client or prospective client. Therefore, clients or prospective clients should make their 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.

### **Information**

For further detailed information on any of the principles contained herein, please contact your relationship manager