



DISCLOSURE APPLICABLE TO CLIENTS TRADING FIXED INCOME PRODUCTS ELECTRONICALLY WITH NATWEST MARKETS

1. Introduction

The purpose of this disclosure is to provide you with important information regarding the handling by NatWest Markets Plc, NatWest Markets N.V. and NatWest Markets Securities Inc., as applicable (“NatWest Markets”), of transaction requests in bonds and interest rate swaps that you submit to us using a third party electronic trading platform. This communication also gives you the opportunity to request changes to the price validation settings applied by NatWest Markets to your transaction requests, where available.

2. Pricing and Last Look

When NatWest Markets makes pricing available to clients using a third party platform, that pricing may be subject to a final review by NatWest Markets, depending on how the platform operates. This review may result in the transaction being accepted or rejected and is known as a ‘last look’ at a transaction request.

As part of last look, in deciding whether to accept a transaction request NatWest Markets may consider available inventory, liquidity, prevailing market prices, anticipated loss or gain based on its analysis of the market and its trading experience with you and/or other market participants, credit and product terms and filters it employs for the purpose of implementing credit limits, position limits or other limits on your electronic trading activities and other similar factors.

3. Price Validation and Tolerance

As part of the last look process, NatWest Markets may perform automated price validation on the instrument to check the transaction requested by the client against the latest price at which NatWest Markets is prepared to trade. NatWest Markets considers that this validation is an appropriate risk control to take account of market volatility, given that the price at which NatWest Markets is prepared to trade may change in the period between the client making the transaction request and that request being received by NatWest Markets. Not all transaction requests are subject to automated price validation, and are instead subject to manual trader review.

Typically, NatWest Markets performs price validation through the application of pricing tolerance. A tolerance is a spread between the price requested by the client and the latest price at which NatWest Markets is prepared to trade. Transaction requests within price tolerance may be automatically accepted (subject to other factors, as described above). Transaction requests outside of price tolerance will not be automatically accepted. Such requests may be rejected (either automatically or manually) or manually accepted, in each case at the discretion of NatWest Markets. In the case of rejection of a transaction request, NatWest Markets may offer a new price for the transaction. Note that as part of last look, the applicable third party platform will typically set a time limit on responding to a transaction request and have its own protocol for the scenario where no response (acceptance or rejection) is received within this time period.

NatWest Markets has developed the ability for clients to request their preferred tolerance approach, in that tolerance can be applied symmetrically or asymmetrically, where available. Where tolerance is applied symmetrically, the tolerance applied is the same regardless of whether the price move is favourable or unfavourable to NatWest Markets. Where tolerance is applied asymmetrically, the tolerance does not change for price moves in favour of the client in comparison to the current NatWest Markets price, but in general the tolerance will be widened for price moves in favour of NatWest Markets.

The result of tolerance being applied asymmetrically is that some transactions may be automatically executed at a price which has moved in favour of NatWest Markets which would have been rejected if symmetrical tolerance had been applied, resulting in a higher probability of transaction requests being automatically accepted in comparison to symmetrical tolerance.

The pricing tolerance range (which may be zero or greater) is determined by NatWest Markets in good faith by reference to such factors as it considers appropriate from time to time.

4. Changes to your tolerance settings

Unless we have agreed otherwise with you, during week commencing 26 June 2017 we will be applying symmetrical price tolerance to your transaction requests. You can request that your settings are changed from symmetrical to asymmetrical tolerance (or vice versa) and you can request a different approach for different instruments. Requests can be made by email to your usual Fixed Income sales representative, copying the following email address: ClientResponseLL@natwestmarkets.com.

5. Further Information

Clients may request the following information:

- monthly average response times in respect of a large sample of clients. These show the average time that it takes for NatWest Markets to respond to a transaction request, measured from the point at which the request is received by, to the time when the response leaves, the NatWest Markets eFI infrastructure. Such information is non-client specific. These response times do not include the time period when the transaction request or response is passing through the infrastructure of the client or third party venue nor are they a guarantee that every transaction request will be addressed within this timeframe;
- monthly average request acceptance ratios in respect of a large sample of clients;
- data relating to average response times and average request acceptance ratios, specific to that client; and
- for transactions we have executed with you, details of which transactions were executed automatically and which were executed manually.

Please contact your usual Fixed Income sales representative if you require further information in relation to this disclosure.

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NatWest Markets N.V. is authorised and regulated by De Nederlandsche Bank and the Autoriteit Financiële Markten. It has its seat at Amsterdam, the Netherlands, and is registered in the Commercial Register under number 33002587. Registered Office: Claude Debussylaan 94, Amsterdam, The Netherlands. NatWest Markets N.V. Branch Reg. No. in England BR001029.

Agency agreements exist between different members of the NatWest Group.

NatWest Markets Securities Inc intermediates securities transactions effected by its non-U.S. affiliates for or with its U.S. clients when appropriate and in accordance with Rule 15a-6 under the Securities Exchange Act of 1934. Any U.S. customer wanting further information may contact NatWest Markets Plc Securities Inc., 600 Washington Boulevard, Stamford, CT, USA. Telephone: +1 203 897 2700. Securities business in the United States is conducted through NatWest Markets Securities Inc. a FINRA registered broker- dealer, a SIPC member (www.sipc.org) and a wholly owned indirect subsidiary of NatWest Markets Plc.