

May 2023



## GENERAL SALES AND TRADING DISCLOSURE

In line with our commitments to transparency and disclosure, NatWest Markets Plc and NatWest Markets N.V. (“NatWest Markets”, “we”, “our” or “us”) would like to highlight certain points on pricing, use of your information, the way in which NatWest Markets carries out orders and transactions and how we manage conflicts of interests.

To the extent that you enter into an agreement or transaction with us and except as otherwise expressly agreed between NatWest Markets and you or as otherwise required by law or regulation, it will be on the basis of this disclosure. This disclosure supplements any other disclosures or agreements regarding such matters as NatWest Markets may provide to or agree with you from time to time. NatWest Markets will be keeping this disclosure under review and may communicate disclosure updates on the NatWest Markets website from time to time so you should check that website regularly. The NatWest Markets disclosure page can be found at <https://www.natwest.com/corporates/support/disclosures.html>. Nothing in this disclosure is intended to conflict with or override any relevant law or regulatory rule or requirement in any jurisdiction in which NatWest Markets or an affiliated entity of NatWest Markets operates. This disclosure is based on NatWest Markets’ internal practices and procedures as well as published market codes, applicable laws, rules and regulations. Where we enter into or have entered into supplementary or separate terms, or a separate agreement with you in respect of transactions and/or the provision of services in relation to such transactions and the contents of those terms conflicts with the contents of this disclosure, then the contents of the supplementary or separate terms or agreements shall prevail.

NatWest Markets provides a full range of services across products to a broad range of clients, including client coverage, providing liquidity to facilitate client trading, structuring and product development, electronic trading facilities, research and strategy and credit intermediation services.

NatWest Markets engages as a principal in price quoting, order taking, trade execution and other related activities.

### Principal Trading

NatWest Markets acts as principal and does not act as agent, fiduciary, financial advisor or in any similar capacity on behalf of a client and thus does not undertake any of the duties that an entity acting in that capacity ordinarily would perform, unless otherwise explicitly agreed between NatWest Markets and the client. NatWest Markets Plc, NatWest Markets N.V. and other members of the NatWest Group may act as agent for each other in undertaking transactions with clients. NatWest Markets’ sales and trading personnel and electronic solutions do not serve as brokers or agents to a client. When NatWest Markets acts in a principal capacity, we act as an arms’ length party to transactions with our clients. Where we enter into a transaction with you, it is on the basis that you are capable of (on your own behalf or through independent professional advice) assessing the merits of, and understand the terms, conditions and risks of, the transaction.

Any statements provided to you should not be construed as investment advice. A client is expected to evaluate the appropriateness of any transaction based on the client’s own assessment of the transaction’s merits and all facts and circumstances in connection therewith.

Unless otherwise specifically agreed, pricing that we provide is indicative and is subject to review by us and we are not obliged to enter into a transaction with you in response to a transaction request from you. We may halt pricing, order processing or transaction execution in our discretion, including during periods of heightened market volatility or due to technology or operational issues. During periods of volatile markets, we may not be able to provide the product offering, level of execution, liquidity or pricing as would be the case under more normalised market conditions. We may also put in place credit limits in our discretion which may prevent clients from trading or limit the volume of transactions that clients can execute. We accept

instructions to deal in writing, via electronic communications or by telephone. Any instruction is transmitted at your own risk and we shall not be liable for any loss suffered on account of any instruction not being received by us. We may act on any instruction (such an order) we receive from you without having to take further steps to ensure its accuracy or authenticity. Any controls we introduce to review instructions, such as 'fat-finger' checks, are implemented in our absolute discretion. Accordingly, you are responsible for ensuring the accuracy of the instructions you send to us and that you have adequate security procedures to maintain their integrity.

### **Market Maker**

Where we act as a market maker, NatWest Markets may trade prior to or alongside a client's transaction to execute transactions for NatWest Markets, to facilitate executions with other clients, to manage risk, to source liquidity or for other reasons. These activities can have an impact on the prices we offer clients on a transaction and the availability of liquidity at levels necessary to execute counterparty orders. They also can trigger stop loss orders, barriers, knockouts, knock-ins and similar conditions. In conducting these activities, NatWest Markets endeavours to avoid undue market impact.

In addition, NatWest Markets may receive requests for quotations and multiple orders for the same or related products. NatWest Markets will generally execute comparable orders sequentially. All client orders will be handled in a timely fashion, unless the characteristics of the order, prevailing market conditions or the instructions or interests of the client require otherwise. NatWest Markets may aggregate client orders with those of other clients or our own orders to be executed at the same time only where it is unlikely that the aggregation will work to the overall disadvantage of any client whose order is to be aggregated and in accordance with our order allocation policy. However, it remains possible that the effect of any aggregation may work to the disadvantage of a client in relation to any particular order. NatWest Markets is not required to disclose to a client, when the client attempts to leave an order, that NatWest Markets is handling other clients' orders or NatWest Markets orders ahead of, or at the same time as, or on an aggregated basis with, the client's order. NatWest Markets is under no obligation to disclose to a client why NatWest Markets is unable to execute the client's order in whole or in part.

### **Client Orders**

Whenever a client places an order with NatWest Markets, NatWest Markets may continue to establish, maintain, modify and terminate positions for its own account in the same products or currencies in which its clients trade. This is to put NatWest Markets in a position to be able to meet projected client demand or to address market movements, acting in reliance on the assessment of its employees and other generally available market data sources or information.

If and when your order can be executed at the price level you request (where applicable), it does not mean that NatWest Markets held, acquired, or would acquire, inventory to complete the transaction at the price level requested or that there exists a tradable market at that level.

NatWest Markets will use its access to liquidity channels (i.e. places where transactions can be effected easily with little impact on the price) to attempt to execute the full size of your transaction given prevailing market conditions and your instructions. NatWest Markets will assume that partial fills are acceptable unless we have mutually agreed with you otherwise prior to the placement and our agreement to execute your order. A partial fill occurs where NatWest Markets is unable to satisfy the whole of your transaction and hence only provides you with a part of your requested transaction.

Unless otherwise specifically agreed, NatWest Markets will decide, in its discretion, whether to work and when and how to execute an order, including whether to execute all or part of the order. Factors which may impact whether, where and how we execute an order are determined by us in our discretion, but may include price, execution cost, size and speed of execution. For certain products, the Order Execution Policy available on our website at <https://www.natwest.com/corporates/support/disclosures.html> provides further information. We may reject an order in our discretion, including where credit limits are insufficient, due to insufficient liquidity or market volatility or due to operational issues (such as static data errors).

NatWest Markets' undertaking to work your order does not create a contract between you and NatWest Markets that commits NatWest Markets to execute any or all of the order in any particular way, nor is it a contract that binds you to execute the trade with NatWest Markets at the order price unless we have already executed part or all of the order. NatWest Markets may use any execution method and/or venue (internal or

external) to execute your order that we choose in our discretion, including use of execution methods which aim to reduce the market impact of your orders. One execution venue operated by NatWest Markets is the Client Order Matching System (COMS). This is a matching engine where spot FX limit orders (which may be a full or partial element of a client order) are blended with our market making price and distributed to clients.

For any client order, unless otherwise agreed market risk transfers to the client at the point at which the order is executed. In addition, market volatility may result in the price of a product moving significantly from the time of receipt of your order to the time of order execution. NatWest Markets will (at its discretion) attempt to reflect such price movements, whether positive or negative, in the price provided to you.

Unless otherwise prohibited by applicable law or regulation, we may engage in hedging or other positioning activity for our own account or on behalf of issuer or investor clients before, during or after the provision of a price to you for a transaction in order to manage our exposure under that transaction, our general market risk, or other trading activities. This may require NatWest Markets to execute trades in this instrument and related instruments. Any such trades could be at different prices from the price at which we executed your transaction. Such activity may detrimentally affect the price you receive or whether a barrier or level that has been specified has been reached. Any profits derived from these trades will be retained by NatWest Markets. NatWest Markets is committed to conducting risk management transactions and related hedging activity in a manner consistent with the core principles of the Standard on Risk Management Transactions for New Issuance for the Fixed Income Markets produced by the FICC Markets Standards Board.

We will accept orders at certain foreign exchange fixings on your behalf but it is important for you to be aware that, in order for us to appropriately manage market risk, we may enter the market ahead of the fix. This, or other market factors, may result in the market moving for or against you depending on the size of your transaction relative to market liquidity.

For any spot FX voice order, NatWest Markets captures time stamps both when it manually enters the order into its systems and upon execution. Spot FX orders submitted to a NatWest Markets proprietary trading platform (such as Agile Markets) are automatically time-stamped both when received and upon execution. Other financial instruments may be subject to time-stamping requirements pursuant to applicable regulation.

### **Electronic Trading; Use of Algorithms; Aggregation**

NatWest Markets may process instructions and execute transaction requests using electronic trading channels, such as proprietary trading platforms, third party trading platforms and application programming interfaces (APIs). We provide further information about electronic trading for certain products in our FX Electronic Trading Disclosure and FI Electronic Trading Disclosure, each of which is available on our website at <https://www.natwest.com/corporates/support/disclosures.html>.

We may use algorithms to execute orders you place with us. These algorithms may make decisions around when, where and how your orders are executed. This may include seeking to execute orders at multiple liquidity sources (also known as aggregation services), including both third party and NatWest Markets proprietary venues.

We may also permit you to specify that an algorithm strategy is used to process your orders and to set parameters regarding its use. Where you do this, you are responsible for determining whether the algorithm strategy and execution objective is suitable for your needs as well as for any trading parameters you apply. We do not provide any advice or recommendations with respect to your use of any algorithm strategy. The use of any algorithm strategy does not guarantee any particular outcome. We may modify, supplement or otherwise change any algorithm strategy in our discretion.

Information regarding the different algorithm strategies we have is available in our FX Algorithm Due Diligence Disclosure available at <https://www.natwest.com/corporates/support/disclosures.html>.

We may charge you a fee for the use of any algorithm strategy that we provide access to. This fee will be added to the price that we receive from the relevant liquidity provider and will be agreed bilaterally with you.

A list of the different liquidity sources that we access in connection with our algorithmic trading strategies is available upon request. For FX algorithms, third party liquidity sources will include major ECNs. In some cases you may be able to specify the liquidity sources that are used in connection with your orders.

Please note that where we offer you access to external liquidity sources using algorithm strategies, we remain principal to the trade and you will not face the liquidity provider directly.

In addition to other solutions we have, we may also offer you access to third party liquidity sources through an FX execution service which is further described in our FX Execution Service Disclosure available at <https://www.natwest.com/corporates/support/disclosures.html>.

## Pricing

Unless otherwise disclosed, NatWest Markets will generally provide you with a single “all-in” price which will comprise the following elements: Trade Price, any Sales Margin applied and any Other Charges (all as defined below). The Trade Price of the instrument is determined taking into consideration market-driven and trade-specific and client specific factors and may include, but are not limited to, factors such as:

- i. Market price and activity (including liquidity, volatility and market behaviour);
- ii. Trade parameters (including notional and tenor);
- iii. Trading objectives (including market view and the trading desk’s current position in that instrument (or similar instruments));
- iv. Trading operational costs (including transactional costs, venue fees, brokerage charges and commissions);
- v. Strategic objectives (customer relationship strategy, our competitiveness, hit-rate and wallet-share objectives);
- vi. Market impact of the Customer’s behaviour;
- vii. Capital charges (non-xVA), liquidity requirements and client-specific collateral considerations not included in Other Charges below.

The Sales Margin charged by NatWest Markets is determined taking into consideration a variety of client-specific factors, which may include, but are not limited to:

- i. Customer service level (including sales coverage, provision of strategy and customer servicing costs)<sup>1</sup>;
- ii. Client trading volumes;
- iii. Sales strategy (including customer relationship strategy, our competitiveness, hit-rate and wallet-share objectives).

Other Charges may include, but are not limited to, factors such as:

- i. Credit Value Adjustment (CVA), Debit Value Adjustment (DVA), Funding Value Adjustment (FVA), Capital Value Adjustment (KVA), Margin Value Adjustment (MVA), Replacement Value Adjustment (RVA) and Collateral Value Adjustment (CoVA), Wrong Way Risk charges (WWR);
- ii. Additional pricing adjustments from the terms of the relevant Credit Support Annex (CSA) or any other capital, collateral or credit support documentation.

NatWest Markets may apply a fee for executing any spot FX order that you place with us, including where this order is executed through the use of any algorithm strategy that we make available to you.

For certain products, NatWest Markets provides information regarding total costs and charges. This information is available to view at <https://www.natwest.com/corporates/support/regulatory-information/mifid-2/mifid2-costs-and-charges.html>. This information may be amended and updated from time to time and we would encourage you to check the web link frequently for additional information.

The addition of margins to orders linked to or triggered at a specified price level (such as stop loss orders, take profit orders, barriers, knock-outs and knock-ins) may impact whether the order is executed and/or the execution price. As principal, NatWest Markets endeavours to make an appropriate return on the transaction if possible, taking into account NatWest Markets’ position, including its inventory strategy and overall risk management strategies in NatWest Markets’ discretion.

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<sup>1</sup> When transacting certain FX products and where the customer has a choice of execution venue, there may be additional costs incurred for this transaction which are captured within the Sales Margin element of the all-in price. The cost of a venue will only be only once

Reference prices may be required to determine the observed market level (including high or low rates) where applicable to any transaction we enter into with you, such as resting orders, order limits, fixings, option strike prices, barriers and other contingent events. Unless agreed otherwise, we determine, obtain or derive reference prices in our discretion, taking account of factors and using sources we consider appropriate. This may include reference to sources including but not limited to transactions we execute in our wholesale market making business, central bank rates, wholesale interbank quotes we obtain from third party rate sources and other publicly available price sources. Confirmations of transactions we enter into with you may provide further information.

### **Client and NatWest Markets Information**

NatWest Markets takes protection of your information very seriously and aims to ensure that information is not disseminated more widely than necessary. NatWest Markets has policies and controls that are designed to protect clients' information. However, you should be aware that it is necessary for NatWest Markets to:

- i. Share certain information internally on a need to know basis in order to manage NatWest Markets' business, including for the benefit of NatWest Markets' trading positions and the handling of other client transactions;
- ii. Provide such information to third parties (including any exchange, depository, clearing house or settlement system, swap data repository or trade repository and their third party service providers) in order to facilitate the execution of your transactions;
- iii. Disclose information where requested or required by law and/or law enforcement agencies, judicial bodies, government entities, tax authorities or regulatory bodies around the world;
- iv. Share information as necessary to fulfil our duties to supervise and control our business; and
- v. Provide such information as necessary to our auditors and professional advisers.

You should also be aware that NatWest Markets takes the protection of its own information seriously and expects you to take steps to ensure that information provided to you by NatWest Markets is treated as confidential.

As part of the provision of services to clients and for internal purposes, NatWest Markets is involved in collating market data in the markets in which it operates. This can involve looking at a number of factors and data sources including economic and political developments, jurisdictional issues, trading patterns and pricing. The factors and data sources are distilled into what is generally described as "market colour". One source of data which NatWest Markets uses when determining market colour is anonymised (i.e. with all information that could identify a client removed) executed orders and transactions on an aggregated basis. Market colour may be used by NatWest Markets to structure products and services for its clients and also shared with clients and internal NatWest Markets trading desks that may or may not act on the basis of the information provided. It is possible that NatWest Markets could have positions that are the same, similar, different or opposite from those of clients.

NatWest Markets may receive rebates or other pecuniary benefits from third party infrastructure providers such as exchanges and clearing houses as well as third party liquidity providers whose pricing we use for client transactions and with whom we hedge such transactions. These are based on aggregated or overall levels of trading or activity and are not specific to any one client. We will not receive such payments or benefits unless we are satisfied that doing so will not impair compliance with applicable regulations or be detrimental to our clients in any way, and we will provide you with further details on such arrangements, should you request such information. We may also make payments to venue providers in return for routing orders to us and can provide further details regarding such arrangements on request.

### **Hedging and Pre-hedging**

Where you place an order with NatWest Markets, NatWest Markets may need to determine pricing by obtaining liquidity internally from a NatWest Markets trading desk or by entering into one or more transactions with third parties prior to executing your order. In addition, NatWest Markets actively manages the risks associated with potential transactions (including market, liquidity and credit risks) in accordance with its internal risk management policies and may need to execute one or more risk mitigating transactions, including pre-hedging, prior to executing your order. Accessing liquidity or risk mitigation may require, among other things, the sharing of terms relating to your order internally in order to establish the price of a transaction or for the purposes of managing the risk of that transaction (risk mitigation or risk management is concerned with the reduction in the extent of exposure to a risk and/or the likelihood of its occurrence).

## **Conflicts of Interest**

We seek to continually and proactively identify situations where potential conflicts of interest may exist, and govern those situations to ensure fair and proper outcomes. We also employ a number of techniques designed to manage and mitigate actual or potential conflicts of interest (“Conflicts”), including:

- i. Using physical and electronic information barriers to control the flow of information between certain parts of the business;
- ii. Separate supervision of our employees who are involved in different business activities providing services to clients whose interests may conflict;
- iii. A remuneration policy to avoid our employees being remunerated in a way that creates Conflicts;
- iv. Maintaining and reviewing a register of Conflicts; and
- v. Provision of internal guidance and training to relevant employees to raise their awareness of Conflicts and how to deal with Conflicts when they arise.

## **Use of electronic chat rooms**

NatWest Markets utilises electronic chat channels allowing synchronous communication with customers on chat platforms that we authorise from time to time. A permanent chat room is formally arranged for the purpose of regular communication with a customer for an open-ended period of time or to facilitate a specific customer transaction. Temporary chat rooms may also be utilised for communications required for a more limited period of time. NatWest Markets temporary and permanent chat rooms may comprise of both sales as well as trading employees. NatWest Markets chat rooms are operated in accordance with a robust electronic chat policy which safeguards against inappropriate sharing of confidential, commercially sensitive or other information in electronic chats.

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