



## **DISCLOSURE APPLICABLE TO YOUR TRADING OF FOREIGN EXCHANGE PRODUCTS ELECTRONICALLY WITH NATWEST MARKETS**

### **1. Introduction**

This disclosure provides further information for you in relation to the foreign exchange (FX) transactions you enter into with NatWest Markets Plc or NatWest Markets N.V. ("**NatWest Markets**", "**we**", "**us**" or "**our**" as applicable) using an electronic channel (either a NatWest Markets platform such as Agile Markets, a third party platform or an application programming interface (API)). Note that this disclosure does not apply to payment services which involve an FX conversion or to the NatWest Markets FXmicropay service.

Note that except where otherwise stated this disclosure applies to the following FX transactions: spot, forwards (including time options), swaps and options, in each case whether deliverable or non-deliverable.

The information in this document is current as of the date of this disclosure. Any updates to this disclosure will be communicated on the NatWest Markets website (<https://www.natwest.com/corporates/support/disclosures.html>) and you should therefore check that website regularly.

### **2. Last Look**

Unless expressly stated or agreed otherwise in writing, FX rates provided by NatWest Markets are indicative and subject to review by NatWest Markets before acceptance. When NatWest Markets receives a transaction request from you, typically NatWest Markets performs a number of automated checks before deciding whether to accept that request and enter into a transaction. Such checks are determined by NatWest Markets in its discretion and are known as a 'last look' at a transaction request. These checks may include a check that the transaction details contained in the request are appropriate from an operational perspective (including checks against the currency pair, transaction size, position limits, trading tenor and your set up details) and that there is sufficient available credit, as well as confirmation that the requested FX rate remains valid (known as rate validation).

### **3. Rate Validation and Price Tolerance**

NatWest Markets may perform rate validation to check the FX rate requested by you against the latest FX rate 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 and latency, given that the FX rate at which NatWest Markets is prepared to trade may change in the period between you initiating the transaction request and that request being processed by NatWest Markets. NatWest Markets performs rate validation through the application of price tolerance. A tolerance is a difference from the latest applicable FX rate at which NatWest Markets is prepared to trade. Except as described below and unless otherwise agreed with the you, a symmetrical price tolerance is used. This means that the tolerance applied is the same regardless of whether the FX rate move is favourable or unfavourable to NatWest Markets. Therefore, a transaction request will be accepted if the FX rate on the incoming request is within tolerance, regardless of whether the FX rate has moved for or against NatWest Markets (subject to other validation checks, such as credit checks).

A transaction request will be rejected if either of the following conditions is met:

- a) the FX rate on the incoming transaction request has moved against NatWest Markets and is outside price tolerance; or
- b) the FX rate on the incoming transaction request has moved in favour of NatWest Markets and is outside price tolerance, unless (i) price improvement (as described below) is supported for both you and the product; or (ii) price improvement is not supported and you have opted out of symmetrical price tolerance.

The price tolerance range is determined by NatWest Markets in its discretion and differs by client type. In setting tolerance levels, NatWest Markets has regard to factors including the nature of the your technology connection, your execution methodology and your MiFID classification.

For the majority of modes of connection (including trading over Agile Markets), NatWest Markets is able to offer symmetrical price tolerance. However, for some FX trading, NatWest Markets does not offer symmetrical price tolerance due to current technology limitations. This means that, where tolerance is applied, a transaction request will still be rejected where the FX rate on the incoming transaction request has moved against NatWest Markets and is outside price tolerance. However, where the FX rate on the incoming transaction request has moved in

favour of NatWest Markets, no price tolerance will be applied to reject the transaction due to the price movement. Note however that the request may still be rejected due to the outcome of other checks, such as credit checks.

In comparison to symmetric tolerance, the use of asymmetric tolerance may result in a higher probability of transaction requests being accepted but lead to acceptance of worse pricing for you for some transactions.

#### **4. Price Improvement**

NatWest Markets may, in its discretion, improve the FX rate you requested should the FX rate at which NatWest Markets is prepared to trade improve for you in the period between the submission of a transaction request by you and the acceptance of such request by NatWest Markets. This is known as price improvement and results in an improved FX rate for you in comparison to the FX rate originally requested.

If price improvement is applicable, typically NatWest Markets will give the full improvement of the FX rate beyond the level of tolerance applied to the transaction request. NatWest Markets may review the approach to offering price improvement in its discretion.

Note that price improvement is not supported for all clients or products, for reasons which include current NatWest Markets or client-side technology or product limitations. You may also request that price improvement is not applied to your trading.

#### **5. Activity during the last look period**

NatWest Markets is not active in the market in relation to an incoming transaction request unless and until the transaction has successfully completed rate validation. If NatWest Markets is active in the market prior to rate validation, this will be related to other accepted transactions, independent of the transaction being processed. Where a transaction request does not pass rate validation, NatWest Markets is not active in the market in relation to that request either prior to or following rejection. Occasionally, booking errors may cause a transaction to be rejected after successful rate validation.

Any related activity in the period prior to rate validation is limited to individual third party liquidity providers, in respect of the solution outlined in paragraph 6, rather than the wider market.

#### **6. Third party liquidity providers**

NatWest Markets may enter into agreements with third party liquidity providers (each a "liquidity provider") to use the liquidity provider's price in the price it distributes to you in currencies NatWest Markets determines from time to time. This solution is used to improve the price that NatWest Markets is able to offer to you.

If you submit a transaction request at the price generated using the liquidity provider's price, NatWest Markets will send a corresponding transaction request for the same volume to the liquidity provider who may conduct a 'last look' at the transaction request. NatWest Markets is not active in the wider market in relation to this transaction request. If the liquidity provider accepts the transaction request, NatWest Markets will also accept your transaction request, resulting in a transaction between NatWest Markets and you, and a corresponding transaction between NatWest Markets and the liquidity provider. If the liquidity provider rejects the transaction request, NatWest Markets may nevertheless choose to accept the transaction with you, depending on the outcome of its own price tolerance checks.

When NatWest Markets sends a liquidity provider a transaction request using this solution which relates to you, it may include a unique identifier for you (a "tag"). This tag is in numerical form and NatWest Markets does not apply retagging. NatWest Markets does not disclose your identity or any human user information to the liquidity provider (as part of any tag or otherwise) and puts in place confidentiality obligations which restrict the use of information by the liquidity provider. Any liquidity provider supporting this solution adheres to the FX Global Code of Conduct by signing the Code's Statement of Commitment.

#### **7. Use of latency buffers**

A latency buffer (also known as a 'hold period') is an enforced time period following receipt of a transaction request after which a dealer checks its current FX rate against the FX rate you request when performing rate validation. As of the date of this disclosure, NatWest Markets no longer applies latency buffers to its FX trading. Further information relating to latency buffers applied historically to your trading may be provided upon request.

#### **8. Statistics**

Based on a review of FX transactions entered into in 2023 across NatWest Markets Plc and NatWest Markets N.V. for which last look was applied, the typical last look window depending on transaction type is as follows:

<b>Product</b>	<b>Minimum Last Look Window</b>	<b>Median Last Look Window</b>	<b>Maximum Last Look Window – large majority of transactions</b>
Spot FX transactions	1ms	5ms	13ms
FX forwards (including the Forward element of FX swaps)	4ms	15ms	152ms
FX options	200ms	450ms	1329ms

Note that figures in this table are approximate and, to remove outliers, the “Maximum” figures shown are periods that are equal to or greater than the last look window applicable to 90% of transactions measured. The last look window is the 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 eFX infrastructure. The products listed include both deliverable and non-deliverable transactions. The statistics for FX forwards do not include FX time options or multi-deal transactions.

## 9. Further Information

In addition to the above, NatWest Markets can, upon request, provide you with information regarding average response times and request acceptance ratios in relation to the products you transact that are covered by this disclosure.

Please get in touch with your normal NatWest Markets FX Sales contact or other usual Sales representative where applicable if you require further information in relation to this disclosure.

NatWest Markets Plc. Registered in Scotland No. 90312 with limited liability. Registered Office: 36 St Andrew Square, Edinburgh EH2 2YB. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. NatWest Markets Plc is also provisionally registered as a swap dealer with the Commodity Futures Trading Commission. NatWest Markets N.V. is authorised and regulated by De Nederlandsche Bank, the European Central Bank and 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. Agency agreements exist between different members of NatWest Group.