

1 Application

MiFID financial instruments include derivative products providing interest rate protection, currency or commodity risk management, such as swaps, caps and collars and money market instruments.

2 Best Execution

When executing orders on your behalf in relation to MiFID financial instruments, Virgin Money will take all sufficient steps to achieve the best possible result for you in executing those orders by following our execution procedure, subject to any specific instructions from you (Best Execution). Our execution procedure is designed to obtain the best possible execution result, subject to and taking into account the nature of your orders, the priorities you have identified to us in relation to the execution of those orders and the practices relating to the market in question.

Best Execution will always apply when transacting a MiFID financial instrument unless you have given us specific instructions, in which case we will be deemed to have taken all sufficient steps to achieve the best possible result for you.

Virgin Money deals MiFID financial instruments "over-the-counter" (OTC), which is a normal market practice whereby we arrange the terms directly with you, rather than conducting the trade through a regulated exchange (such as the London International Financial Futures and Options Exchange) or a multilateral trading facility, or an organised trading facility.

Transactions involving a customised OTC derivative involve a unique contractual relationship tailored to your requirements. Prices will take into account market data from various sources and will include our reasonable margin.

However, in such circumstances, it may be difficult to determine whether there is a transparent and equivalent price in the market against which to compare to ensure that the best possible result for you has been achieved.

3 Sole execution venue

Virgin Money is the sole execution venue for your transactions with us. This is normal market practice in the OTC derivatives markets as dealing is performed on a "request for quotes" dealing as principal basis.

4 Execution Factors

The overarching Best Execution obligation requires Virgin Money to take all sufficient steps to obtain the best possible result, taking into account a range of execution factors, when executing customer orders. FCA rules require firms to assess Best Execution by determining the relevant importance of the execution factors, namely: total consideration (meaning price of the investment plus costs of execution), speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

We will take into consideration your characteristics in relation to you being classified as a retail, elective professional or professional client; your dealing profile, the nature of the dealing service you require of us and the specific and general instructions given to us by you which may determine how we prioritise the execution factors.

We will also take into consideration the type of financial instruments that are the subject of the order in determining how we will prioritise the execution factors.

Total Consideration

Total consideration will ordinarily be the most important factor in obtaining the best possible result for our customers. However, in some exceptional circumstances we may have to take into consideration other factors ahead of total consideration to obtain the best possible result for you. Speed, likelihood of execution and settlement, the size and nature of the order, and any other consideration relevant to the execution of the order will be given precedence over the immediate price and cost consideration if they are key in delivering the best possible result in terms of total consideration to you.

To the extent possible prices will take into account market data from various sources and will include our reasonable margin, taking into account the costs we incur. The margin is based on a series of judgements considering the following factors:

- the hedging costs incurred by us;
- the credit worthiness of the customer;
- the notional size of the transaction versus market practice;
- the tenor of the transaction;
- the future administration of the transaction (e.g. administrative cost associated with future fixings, payments and any valuations you require from us from time to time).

Other execution factors

Speed and likelihood of execution

As transactions are executed immediately at the buy or sell request of our customers over recorded telephone lines on a “request for a quote” basis these factors are negligible in comparison to total consideration.

Likelihood of settlement

All OTC transactions with Virgin Money are cash settled and do not involve any delivery of a security, therefore the impact of this factor is negligible in comparison to total consideration.

Other costs and charges

All costs and charges are included in the price quoted to you by Virgin Money, Any product premiums payable will also be agreed with you in advance of trade execution.

Size of order

This has been considered as part of the price of the transaction.

Should conditions change or other considerations become evident in relation to any aspect of the order, our dealers may re-assess the transaction and decide to re-prioritise the above considerations.

5 Specific instructions

Where you give us specific instructions, we will execute the order on the basis of those specific instructions where possible.

You should be aware that by following any specific instructions from you, we will be deemed to have taken all sufficient steps to achieve the best possible result for you even though we may not have acted in accordance with our Best Execution procedure. You should also be aware that any such instruction may prevent us from taking the steps that we have designed and implemented to obtain the best possible result for the execution of transactions.

We will continue to act in your best interests at all times and, to the extent that we are able, follow our Best Execution arrangements and policies for all aspects of the order not specified by you.

6 Monitoring and review of Best Execution arrangements and procedures

We will monitor the effectiveness of our best execution arrangements and procedures on an ongoing basis. We will assess whether the venues included in our best execution procedure with whom we transact orders, consistently allow us to achieve best execution or whether we need to make changes. We will also undertake a review whenever a material change occurs that affects our ability to achieve best execution. In any case, a review will be conducted at least once a year. Should there be any material changes, we will notify you in accordance with our Terms of Business.

7 Regulatory requirements and fiduciary responsibilities

Our commitment to provide you with Best Execution does not mean that we owe you any fiduciary responsibilities over and above the specific regulatory obligations placed upon us or as may be otherwise contracted between us.

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