



**SCOTIABANK (IRELAND) DESIGNATED
ACTIVITY COMPANY
SUMMARY OF THE BEST EXECUTION
STANDARD
Global Banking & Markets**

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Table of Contents

- 1 INTRODUCTION..... 3
- 2 BEST EXECUTION..... 3
 - 2.1 Purpose..... 3
 - 2.2 Client Classification 3
 - 2.3 Scope of the Best Execution Obligation..... 3
 - 2.4 Best Execution Obligation..... 4
 - 2.5 Factors to be considered in assessing Best Execution 5
 - 2.6 Legitimate Reliance 5
 - 2.6.1 Application of the Four-Fold Cumulative Test 5
 - 2.7 Execution Venues..... 6
 - 2.7.1 Overview..... 6
 - 2.7.2 Use of Connected Parties for Execution..... 6
 - 2.7.3 Execution of Client Orders outside of a Trading Venue..... 6
 - 2.7.4 Use of a Single Entity of Trading Venue for Execution 7
 - 2.8 Commission and Fee Structures..... 7
 - 2.8.1 Competing Execution Venues..... 7
- 3 CONFLICTS OF INTEREST 7
 - 3.1.1 Overarching Requirement..... 7
 - 3.1.2 Internalisation and Use of Connected Parties 7
 - 3.1.3 SCI Interest in TMX Group Limited **Error! Bookmark not defined.**
 - 3.1.4 Payment for Order Flow..... 8
- APPENDIX 1 – PRIORITY OF EXECUTION FACTORS BY BUSINESS LINE..... 9

1 INTRODUCTION

Scotiabank (Ireland) Designated Activity Company (“SIDAC”) is regulated by the Central Bank of Ireland (“CBI”).

The SIDAC Summary of Best Execution Standard is a summary of the SIDAC Best Execution Standard (the “Standard”), is linked to the Scotiabank Global Banking and Markets Order Handling and Best Execution Policy (the “Policy”) and is designed to address the key regulatory requirements under EU MiFID II¹ and EU MiFIR². Full details of the Standard and Policy may be made available on request.

2 BEST EXECUTION

2.1 Purpose

Under the EU MiFID II, investment firms must take all sufficient steps to obtain, when executing orders, the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order (the “best execution factors”).

The CBI requires, among other things, firms to establish and implement an order execution policy to allow it to obtain, for its client orders (“Client Orders”), the best possible result in accordance with the requirements under MiFID II (the “Best Execution Obligation”).

2.2 Client Classification

The Best Execution Obligation only applies to orders received from Retail and Professional Clients, not Eligible Counterparties as defined in MiFID II client categorisation. However, an Eligible Counterparty may request to be treated as a Professional Client if the request is made in writing indicating whether the request is for one or more particular services, transactions or products. SIDAC does not undertake any investment service or activity with any Retail Clients, so only orders received from Professional Clients are within the scope of the Standard.

2.3 Scope of the Best Execution Obligation

The Best Execution Obligation applies to SIDAC when executing orders accepted on behalf of clients or underlying clients in EU MiFID II financial instruments (“Financial Instruments”) as defined in Section C Annex 1 of EU MiFID II.

The Best Execution Obligation will not apply where SIDAC introduces a client to another person, including an affiliate entity.

¹ Markets in Financial Instruments Directive 2014/65/EU (“EU MiFID II”)

² Markets in Financial Instruments Regulation (EU) No. 648/2014 (“EU MiFIR”).

SIDAC is not permitted to enter into a contractual exclusion of liability in relation to the Best Execution Obligation.

2.4 Best Execution Obligation

SIDAC must take all sufficient steps to obtain, when executing orders, the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

Where there is a specific instruction in relation to the execution of an order from the client, SIDAC must execute the order following the specific instruction, to satisfy the Best Execution Obligation.

SIDAC should not induce clients to instruct the execution of an order in a particular way, by expressly indicating or implicitly suggesting the content of the instruction to the client, when SIDAC ought reasonably to know that an instruction to that effect is likely to prevent it from obtaining the best possible result for that client is prohibited. However, this should not prevent SIDAC inviting a client to choose between two or more specified trading venues, provided those venues are consistent with the Policy and Standard. This prohibition includes situations such as the selection of an algorithm or individual parameters of an algorithm.

SIDAC must not receive any remuneration, discount or non-monetary benefit for routing Client Orders to a particular trading venue³ or execution venue⁴ which would infringe the conflicts of interest or inducements rules.

SIDAC must be able to demonstrate to its clients, at their request, that it has executed their orders in accordance with the Policy and Standard; and to the CBI when requested, that the orders were executed on terms most favourable to the client.

SIDAC will owe a Best Execution Obligation in any of the following situations (among others):

- a) SIDAC executes Client Orders;
- b) SIDAC acts as agent of the client or as riskless principal in relation to a transaction; or
- c) SIDAC executes a Client Order against the firm's own proprietary position, where it makes decisions as to how an order is executed (including where it works an order).

The Best Execution Obligation applies when SIDAC executes Client Orders. Dealing on own account with clients by SIDAC is considered as the execution of Client Orders, and therefore subject to the requirements under MiFID, including those obligations in relation to best execution.

³ Regulated market, multilateral trading facility ("MTF") or organised trading facility ("OTF").

⁴ Regulated market, MTF, OTF, systematic internaliser, or a market maker or other liquidity provider or an equivalent third country entity.

2.5 Factors to be considered in assessing Best Execution

When executing a Client Order, SIDAC will consider the following factors:

- price;
- costs;
- speed;
- likelihood of execution and settlement;
- size of order;
- nature of order;
- type and characteristics of Financial Instrument;
- characteristics of execution venues;
- or any other consideration relevant to the execution of the Client Order.

SIDAC must take into account the following criteria for determining the relevant importance of the best execution factors when executing client orders:

- i) the characteristics of the client including the categorisation of the client as retail or professional⁵;
- ii) the characteristics of the Client Order, including where the order involves securities financing transaction (SFT);
- iii) the characteristics of financial instruments that are the subject of that order; and
- iv) the characteristics of the execution venues to which that order can be directed.

2.6 Legitimate Reliance

2.6.1 Application of the Four-Fold Cumulative Test

Where SIDAC is undertaking business in Financial Instruments with a client the Best Execution Obligation will be owed unless the client is not legitimately relying (“Legitimate Reliance”) on SIDAC to protect their interest in relation to the pricing and other elements of the transactions.

In order to assess Legitimate Reliance, where such a test is permitted, SIDAC will apply the following four-fold cumulative test:

i) Which party initiates the transaction:

Initiation by the client such as on a request for quote basis may indicate the client is not relying on SIDAC whereas if SIDAC approached the client and suggested the trade, the client is more likely to place ‘legitimate reliance’ on SIDAC.

ii) Questions of market practice and the existence of a convention to “shop around”:

A common practice or convention in certain wholesale markets (e.g., whole bond markets, OTC markets) for clients to shop around and obtain quotes from multiple dealers executing

⁵ SIDAC does not undertake investment service or activity with any retail clients.

any transaction indicates that a client is less likely to place 'legitimate reliance' on SIDAC for best execution of the order.

iii) The relative levels of price transparency within a market:

In certain markets where transparent prices are not readily available a client is more likely to place legitimate reliance on SIDAC.

iv) The information provided by the firm and any agreement reached:

The information provided by SIDAC (e.g., terms of business) to clients should make clear if best execution applies or not, reflecting the economic reality of the relationship. Agreements between parties relating to the services provided and obligations of the parties may be relevant but not determinative.

All the above four tests must be met by SIDAC in assessing Legitimate Reliance.

2.7 Execution Venues

2.7.1 Overview

The Standard identifies venues or sources of liquidity that enable SIDAC to obtain the best possible result for the client on a consistent basis when executing orders on behalf of its clients (see **Appendix 2**). SIDAC may use one or more of the following execution venues:

- (i) Regulated Markets;
- (ii) Multilateral Trading Facilities (MTF);
- (iii) Organised Trading Facilities (OTF);
- (iv) Systematic Internalisers (principal traders and market makers); and
- (v) Other liquidity providers (including affiliates dealing as principal).

SIDAC may transmit an order received to another broker or dealer (including affiliates) for execution, in which case SIDAC will either select the ultimate execution venue itself and instruct the broker accordingly, or SIDAC will rely on the other broker to select the execution venue. In the latter case, SIDAC must satisfy itself that the other broker or dealer has arrangements in place to enable SIDAC to comply with its Best Execution Obligation to the client.

2.7.2 Use of Connected Parties for Execution

SIDAC may use connected parties including affiliates for the execution of orders on behalf of clients. Use of connected parties is permitted provided they are not placed in a privileged position vis-a-vis other execution venues and the selection is based on application of the execution factors as set out in **Appendix 1**.

2.7.3 Execution of Client Orders outside of a Trading Venue

SIDAC must obtain clients' express consent to the execution of Client Orders outside of a

Regulated Market, MTF or OTF for Financial Instruments that are admitted to trading on such trading venues. Clients are requested to give such consent by completing a consent notice.

2.7.4 Use of a Single Entity of Trading Venue for Execution

Use of a single entity or trading venue for execution (whether a connected party or external third party) on a consistent basis by any SIDAC business line is only permitted where the business line is able to demonstrate their choice is able to deliver best execution at least as well as any alternative execution venue.

2.8 Commission and Fee Structures

2.8.1 Competing Execution Venues

SIDAC is prohibited from structuring or charging commissions or fees in a way that discriminates unfairly between execution venues. For example, charging different commission or spreads for execution on different execution venues where the difference does not reflect actual differences in the cost to Scotiabank London of executing on those venues.

This does not mean all fees and commissions must be the same for all clients executing on a particular venue or across execution venues, rather the commission or fee charged to clients must be transparent and justified.

SIDAC must not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements.

2.9 Client Consent to the Policy and Standard

SIDAC is required to obtain the prior consent of its clients to the Standard. SIDAC's clients consent to this Standard when agreeing to the SIDAC Terms of Business.

3 CONFLICTS OF INTEREST

3.1.1 Overarching Requirement

SIDAC is subject to the overarching requirement to identify and manage conflicts of interest. Where a conflict of interest cannot be managed adequately so as to prevent the risks of damage to the client's interest, it must be disclosed. This requirement applies to potential conflicts of interest that may arise between SIDAC and its clients as a result of its execution arrangements which could prevent it from satisfying its Best Execution Obligations.

3.1.2 Internalisation and Use of Connected Parties

Internalisation of Client Orders and the use of connected parties to execute Client Orders potentially give rise to a conflict of interest. SIDAC must ensure that it adequately manages this

potential conflict of interest and provides adequate information to clients on execution arrangements that internalise orders or that utilise parties connected to SIDAC.

SIDAC uses a number of affiliates (connected parties) to execute Client Orders on its behalf and SIDAC business lines may execute Client Orders against internal positions where this achieves the best possible result for the client. SIDAC trades executed through internalisation or connected parties are subject to the same monitoring and testing arrangements as trades executed on external venues or through non-connected firms.

Business lines are responsible for demonstrating how internalisation and/or executing through a connected party achieves the best possible result for the client.

3.1.3 Payment for Order Flow

Payment for order flow is the historical practice whereby an investment firm that executes Client Orders receives commission from both the client as well as the counterparty that executed the trade.

The CBI has stated that it considers payment for order flow arrangements incompatible with a number of provisions in MiFID II, including obligations for firms to take appropriate steps to identify and prevent or manage conflicts of interest in the course of their activities and that payment for order flow arrangements should not undermine a firm's obligation to obtain best execution for its clients on a consistent basis.

SIDAC is prohibited from entering into any payment for order flow arrangements.

APPENDIX 1 – PRIORITY OF EXECUTION FACTORS BY BUSINESS LINE

As a general guide, the relative importance associated with execution factors across each business line is set out below. In order to determine the relative importance of the execution factors for any specific client order, the characteristics of the client, client order, financial instruments, execution venues and other relevant criteria must be taken into account. Where appropriate an equal weighting may be assigned to multiple execution factors.

		Asset Class		
		Equity and Equity Like	Bonds	OTC Derivatives
Business Lines	Prime Services	1. Likelihood of Execution 2. Price 3. Size 4. Speed 5. Costs 6. All Other	1. Likelihood of Execution 2. Price 3. Size 4. Speed 5. Costs 6. All Other	1. Likelihood of Execution 2. Price 3. Size 4. Speed 5. Costs 6. All Other
	Fixed Income		1. Price 2. Likelihood 3. Size 4. Speed 5. All other	1. Price 2. Likelihood 3. Size 4. Speed 5. All other

APPENDIX 2 – EXECUTION VENUES

Group	Venue Name	MiFID Registration Type	SIDAC	
		MiFID Registration Type	Fixed Income	Prime Services
BGC & GFI	BGC BROKERS LP	OTF		
	GFI SECURITIES LIMITED	OTF		
BLOOMBERG	BLOOMBERG TRADING FACILITY B.V.	MTF	✓	
	BLOOMBERG TRADING FACILITY LIMITED	MTF	✓	
BROKERTEC	BROKERTEC EUROPE LIMITED	MTF	✓	
	CME AMSTERDAM B.V.	RM	✓	
CBOE	CBOE EUROPE	RM		✓
EUREX	EUREX DEUTSCHE BORSE	RM	✓	
GLMX	GLMX TECHNOLOGIES LLC	n/a	✓	
ICAP	ICAP SECURITIES LIMITED	OTF	✓	
	TULLETT PREBON EUROPE LIMITED	MTF, OTF	✓	
	TULLETT PREBON SECURITIES LIMITED	MTF, OTF	✓	
ICE	ICE FUTURES EUROPE	RM	✓	
MARKETAXESS	MARKETAXESS EUROPE LIMITED	MTF	✓	
	MARKETAXESS NL B.V.	MTF	✓	
MTS	EUROMTS LIMITED	MTF	✓	
	MTS S.P.A	RM	✓	
TRADEWEB	TRADEWEB EUROPE LIMITED	MTF	✓	