



SCOTIABANK LONDON SUMMARY OF THE BEST EXECUTION STANDARD

Global Banking & Markets

December 2023

Approved: 18 December, 2023

Document Control

Document Metadata and Version Control	
Effective Date	18 December 2023
Approval Date	18 December 2023
Document Type	Summary
Version Number	1.00
Review Frequency	Biennial
Status	Renewal
Replaces	Scotiabank London Summary of the Best Execution Policy
Applicable Entities	The Bank of Nova Scotia, London Branch
Approval Authority	London Executive Committee
Document Sponsor**	MD, Head of Capital Markets Europe
Document Owner *	Director, Business Manager GCM Europe
Advice and Counsel	Director, Business Manager GCM Europe

Table of Contents

- 1 INTRODUCTION..... 4
- 2 BEST EXECUTION..... 4
 - 2.1 Purpose..... 4
 - 2.2 Client Classification 4
 - 2.3 Scope of the Best Execution Obligation..... 5
 - 2.4 Best Execution Obligation..... 5
 - 2.5 Factors to be considered in assessing Best Execution 6
 - 2.6 Legitimate Reliance 6
 - 2.6.1 Application of the Four-Fold Cumulative Test 7
 - 2.7 Execution Venues..... 7
 - 2.7.1 Overview..... 7
 - 2.7.2 Use of Connected Parties for Execution..... 8
 - 2.7.3 Execution of Client Orders outside of a Trading Venue..... 8
 - 2.7.4 Use of a Single Entity of Trading Venue for Execution 8
 - 2.8 Commission and Fee Structures..... 8
 - 2.8.1 Competing Execution Venues..... 8
- 3 CONFLICTS OF INTEREST 9
 - 3.1.1 Overarching Requirement..... 9
 - 3.1.2 Internalisation and Use of Connected Parties 9
 - 3.1.3 SCI Interest in TMX Group Limited 9
 - 3.1.4 Payment for Order Flow.....10
- APPENDIX 1 – PRIORITY OF EXECUTION FACTORS BY BUSINESS LINE.....11

1 INTRODUCTION

The Bank of Nova Scotia (“BNS”) is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. BNS has a branch in, amongst other countries, the United Kingdom (The Bank of Nova Scotia, London branch or “Scotiabank London”) which is authorised by the Prudential Regulation Authority (“PRA”) and subject to regulation by the Financial Conduct Authority (“FCA”) and limited regulation by the PRA.

The Scotiabank London Summary of Best Execution Standard is a summary of the Scotiabank London 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 UK MiFID II¹ and UK MiFIR². Full details of the Standard and Policy may be made available on request.

The Standard is applicable to “Scotiabank” being: BNS, including domestic and international branches and directly or indirectly wholly owned or controlled subsidiaries, and directly The Bank of Nova Scotia, London Branch (“Scotiabank London”).

2 BEST EXECUTION

2.1 Purpose

Under the UK 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 UK Financial Conduct Authority (“FCA”) 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 FCA Handbook COBS 3 Client categorisation. However, an Eligible Counterparty may request to be treated as a Professional Client if the

¹ Markets in Financial Instruments Directive 2014/65/EU (“EU MiFID II”), as implemented in the UK under the [Financial Services and Markets Act 2000 \(Markets in Financial Instruments\) Regulations 2017](#) (“MiFI regulations”), SI 2017/701, the [Data Reporting Services Regulations 2017](#) (“DRS regulations”), SI 2017/699, and the [Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) Order 2017](#) (“RAO Amendment Order”), SI 2017/488 (collectively, “UK MiFID II”).

² Markets in Financial Instruments Regulation (EU) No. 648/2014 (“EU MiFIR”), as onshored by the UK under the [Markets in Financial Instruments \(Amendment\) \(EU Exit\) Regulations 2018](#) and [Explanatory Memorandum](#) and amended by certain statutory instruments (“UK MiFIR”).

request is made in writing indicating whether the request is for one or more particular services, transactions or products. Scotiabank London 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 Scotiabank London when executing orders accepted on behalf of clients or underlying clients in UK MiFID II financial instruments (“Financial Instruments”) as defined in Section C Annex 1 of UK MiFID II.

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

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

2.4 Best Execution Obligation

Scotiabank London 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, Scotiabank London must execute the order following the specific instruction, to satisfy the Best Execution Obligation.

Scotiabank London 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 Scotiabank London 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 Scotiabank London 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.

Scotiabank London 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.

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

Scotiabank London 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 FCA when requested, that the orders were executed on terms most favourable to the client.

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

- a) Scotiabank London executes Client Orders;
- b) Scotiabank London acts as agent of the client or as riskless principal in relation to a transaction; or
- c) Scotiabank London 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 Scotiabank London executes Client Orders. Dealing on own account with clients by Scotiabank London is considered as the execution of Client Orders, and therefore subject to the requirements under MiFID, including those obligations in relation to best execution.

2.5 Factors to be considered in assessing Best Execution

In the UK, when executing a Client Order the following factors will be considered:

- 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.

Scotiabank London 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

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

2.6.1 Application of the Four-Fold Cumulative Test

Where Scotiabank London 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 Scotiabank London 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, Scotiabank London 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 Scotiabank London whereas if Scotiabank London approached the client and suggested the trade, the client is more likely to place ‘legitimate reliance’ on Scotiabank London.

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 any transaction indicates that a client is less likely to place ‘legitimate reliance’ on Scotiabank London 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 Scotiabank London.

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

The information provided by Scotiabank London (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 Scotiabank London in assessing Legitimate Reliance.

2.7 Execution Venues

2.7.1 Overview

The Standard identifies venues or sources of liquidity that enable Scotiabank London to obtain the best possible result for the client on a consistent basis when executing orders on behalf of its clients (see Appendix 1). Scotiabank London 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).

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

2.7.2 Use of Connected Parties for Execution

Scotiabank London 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

Scotiabank London 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 Scotiabank London 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

Scotiabank London 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.

Scotiabank London 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 as set out in COBS 2.3.

2.9 Client Consent to the Policy and Standard

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

3 CONFLICTS OF INTEREST

3.1.1 Overarching Requirement

Scotiabank London 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 Scotiabank London and its clients as a result of its execution arrangements which could prevent it from satisfying its Best Execution Obligations.

The Summary of Conflicts of Interest Policy summarises the Conflicts of Interest Policy that applies to Scotiabank London.

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. Scotiabank London 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 Scotiabank London.

Scotiabank London uses a number of affiliates (connected parties) to execute Client Orders on its behalf and Scotiabank London business lines may execute Client Orders against internal positions where this achieves the best possible result for the client. Scotiabank London 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 SCI Interest in TMX Group Limited

Scotia Capital Inc. ("SCI") owns or controls less than a 10% equity interest in the TMX Group Limited ("TMX") and has a nominee director serving on its Board of Directors. As such, SCI may be considered to have an economic interest in TMX which creates the potential for conflicts of interest between SCI and TMX and the marketplaces or entities owned and operated by it: TSX, TSX Venture, Alpha Exchange and related Alpha entities, Clearing and Depository Services Inc., Canadian Derivatives Clearing Corporation, Montreal Exchange Inc. and the services and products each provides.

As Scotiabank London uses SCI as an executing broker this potential conflict of interest must be disclosed to clients.

3.1.4 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 FCA has stated that it considers payment for order flow arrangements to create a conflict of interest between the firm and its clients and as such these arrangements are unlikely to be compatible with the FCA rules on conflicts of interest and inducements and risk compromising firms' compliance with best execution⁶.

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

⁶ [FCA paper "Payment for Order Flow" \(April 2019\)](#)

APPENDIX 1 – PRIORITY OF EXECUTION FACTORS BY BUSINESS LINE

As a generalised 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. The top three execution factors have been highlighted in red, orange and yellow.

		Asset Class		
		Equity and Equity Like	Bonds	OTC Derivatives
Business Line	Institutional equities	<ol style="list-style-type: none"> 1. Price 2. Likelihood of Execution and settlement 3. Speed 4. Size 5. Nature of Order 6. Costs 		
	Prime Services	<ol style="list-style-type: none"> 1. Likelihood of Execution 2. Price 3. Size 4. Speed 5. Costs 6. All Other 	<ol style="list-style-type: none"> 1. Likelihood of Execution 2. Price 3. Size 4. Speed 5. Costs 6. All Other 	<ol style="list-style-type: none"> 1. Likelihood of Execution 2. Price 3. Size 4. Speed 5. Costs 6. All Other
	Fixed Income		<ol style="list-style-type: none"> 1. Price 2. Likelihood 3. Size 4. Speed 5. All other 	<ol style="list-style-type: none"> 1. Price 2. Likelihood 3. Size 4. Speed 5. All other
	FX			<ol style="list-style-type: none"> 1. Price 2. All other
	Commodities		<ol style="list-style-type: none"> 1. Costs 2. Price 3. Size 4. Speed 	<ol style="list-style-type: none"> 1. Price 2. Speed 3. Size 4. Nature of order

APPENDIX 2 – EXECUTION VENUES

Group	Venue Name	MiFID Registration Type	Cash Equity	Commodities	Fixed Income	FX
360T	360 TREASURY SYSTEMS AG	MTF				✓
BGC & GFI	BGC BROKERS LP	OTF			✓	
	GFI SECURITIES LIMITED	OTF			✓	
BLOOMBERG	BLOOMBERG TRADEBOOK SINGAPORE PTE LIMITED	n/a			✓	
	BLOOMBERG TRADEBOOK LLC	n/a			✓	
	BLOOMBERG TRADING FACILITY B.V.	MTF			✓	✓
	BLOOMBERG TRADING FACILITY LIMITED	MTF			✓	✓
	BLOOMBERG SWAP EXECUTION FACILITY	n/a			✓	
BNS	BNS	n/a	✓	✓	✓	✓
BROKERTEC	BROKERTEC EUROPE LIMITED	MTF			✓	
	BROKERTEC AMERICAS LLC	n/a			✓	
	CME AMSTERDAM B.V.	RM			✓	
CBOE	CBOE EUROPE	RM	✓			
EQUILEND	EQUILEND	MTF	✓			
EUREX	EUREX DEUTSCHE BORSE	RM			✓	✓
FXALL	FXALL	MTF				✓
GLMX	GLMX TECHNOLOGIES LLC	n/a			✓	
ICAP	ICAP GLOBAL DERIVATIVES LIMITED	MTF			✓	✓
	ICAP SECURITIES LIMITED	OTF			✓	
	ICAP USA SECURITIES USA LLC	n/a			✓	
	ICAP WCLK LIMITED	MTF			✓	
	ISWAP EURO B.V.	MTF			✓	
	TULLETT PREBON EUROPE LIMITED	MTF, OTF			✓	
	TULLETT PREBON SECURITIES LIMITED	MTF, OTF			✓	
ICE	ICE FUTURES EUROPE	RM			✓	✓
LSE	LONDON STOCK EXCHANGE	RM	✓			
MARKETAXESS	MARKETAXESS CORPORATION	n/a			✓	
	MARKETAXESS EUROPE LIMITED	MTF			✓	
	MARKETAXESS NL B.V.	MTF			✓	
	MARKETAXESS SINGAPORE PTE LIMITED	n/a			✓	
MTS	EUROMTS LIMITED	MTF			✓	
OTCX	OTCX TRADING	n/a			✓	
TRADEWEB	TRADEWEB EUROPE LIMITED	MTF			✓	
	TRADEWEB MARKETS LLC	n/a			✓	
	DEALERWEB	n/a			✓	
VIRTU	VIRTU FINANCIAL	n/a		✓		

