



## Wholesale Foreign Exchange Terms of Dealing

The purpose of this disclosure statement (this “Disclosure Statement”) is to re-affirm the practices of The Bank of Nova Scotia (“Scotiabank”) regarding how Scotiabank effects foreign exchange transactions for the purchase or sale of one currency against another or which are designed to result in gains or losses upon the change in one or more currency exchange rates (each a “FX Transaction”) in the wholesale foreign exchange market (the “Wholesale FX Market”) with another non-retail participant in the Wholesale FX Market (each a “Client”). This Disclosure Statement covers all forms of FX Transactions, including those entered into orally or electronically. This Disclosure Statement is not intended to be an exhaustive code of how Scotiabank will effect FX Transactions in the Wholesale FX Market with Clients. This Disclosure Statement does not abrogate, exclude or alter any mandatory obligations that Scotiabank may owe a Client under any applicable law. Please read carefully and contact Scotiabank should you have any questions.

In the context of any FX Transaction, Scotiabank always acts as principal on its own behalf for Scotiabank’s own benefit as an arm’s-length counterparty to the Client. Scotiabank does not act as agent, fiduciary or financial advisor or in any similar capacity on behalf of Clients and so undertakes none of the duties or obligations that an entity acting in that capacity ordinarily might otherwise owe. Arm’s-length principals to an FX Transaction may have divergent or conflicting interests. A Client is expected to independently evaluate and assess the appropriateness and merits of any FX Transaction and execute such FX Transaction based upon such evaluation and assessment.

### Client Order Execution

- Scotiabank’s receipt of a Client order does not commit Scotiabank to accepting such order or obligate Scotiabank to fill such order in any particular manner; however, Scotiabank’s decision on whether, and how, to fill a Client order will be communicated to the Client as soon as is practicable.
- When Scotiabank accepts to work an order, we are indicating willingness to attempt, but not a commitment, to enter into the trade at or near the price requested.
- Even if a Client order is accepted by Scotiabank, there is no assurance that Scotiabank can fill a Client order at the exact level or price stated in the Client order or within any other parameters specified in the Client order. However, where Scotiabank accepts a Client order, Scotiabank will undertake reasonable efforts to fill such order utilizing the method or manner communicated to the Client upon acceptance by Scotiabank subject to prevailing liquidity and market conditions. Scotiabank is not required to disclose to a Client why Scotiabank is unable to execute such Client’s order in whole or in part.
- Scotiabank may execute orders electronically or manually.
- Client orders left by email, by means of electronic chat platforms or other forms of electronic messaging are only actioned once a Scotiabank representative has opened and read the order meaning that a Client order either may not be filled (if a limit order) or may be filled at a much later time thus exposing the Client to changes in market conditions between when the email or electronic communication was submitted and the time such communication is opened and read.
- Scotiabank retains discretion with respect to how to satisfy multiple Client orders for the same or related currency pairs including by means of order aggregation and time prioritization. Scotiabank is not required to disclose to a Client that Scotiabank is handling other Client orders or Scotiabank orders ahead of, or at the same time as, or on an aggregated basis with, such Client’s order.

- Partial fills: Scotiabank will attempt to fill full orders, but assumes that partial fills are acceptable to you unless otherwise agreed.
- Scotiabank may look for market opportunities that satisfy both a price where it can execute a counterparty's order and earn a reasonable return for that activity.

#### Market Making

- Scotiabank acts as market maker in multiple currencies and various FX products and other financial instruments, accordingly Scotiabank may trade prior to, alongside or after a Client order to manage risk, make-markets or for other reasons. These activities can have an impact on market prices, the Client's final execution price and outcome of Client orders in respect of a transaction and the availability of liquidity at levels necessary to execute Client orders and can also trigger stop loss orders, take profit orders, barriers, knock-outs, knock-ins and similar conditions. Further, Scotiabank may hedge the risk associated with managing barrier option positions (which may involve leaving stop loss and take profit orders with a Scotiabank trading desk) and these hedging activities may impact the triggering of Client orders involving barriers. Any hedging by Scotiabank will be undertaken without prior notification to Clients.
- Scotiabank may possess information, which, if known to a Client, might cause such Client to dispose of, retain or increase interests in FX Transactions; however, Scotiabank is under no duty to disclose such information to Clients, unless required by law.

#### Pricing

- Any price quoted by Scotiabank is an 'all-in price', inclusive of mark-up, and therefore could be above or below the price at which Scotiabank may otherwise transact.
- Scotiabank is not obligated to disclose the amount of revenue Scotiabank expects to earn or the components of the 'all-in' price.
- Any mark-up included in an "all-in price" will be determined by Scotiabank to be appropriate based on a variety of commercial factors such as, but not limited to, (i) the credit risk that Scotiabank will take on when transacting with the relevant Client, (ii) the cost of capital Scotiabank will incur as a result of the relevant FX Transaction, (iii) the volume of FX Transactions traded with the relevant Client, (iv) the size and complexity of the FX Transactions, (v) the liquidity and competitiveness of the relevant FX market, (vi) prevailing market conditions, (vii) the support services provided to the relevant Client, and (viii) balance sheet and credit line usage. Accordingly, the mark-up, and therefore the price quoted by Scotiabank to different Clients may vary even in the context of Client orders that are the same or substantially similar.
- Pricing on an all-in-basis may impact the pricing and/or execution.
- Scotiabank may provide different price quotations by trading platform, venue or communication method and may change any of its pricing strategies at any time without notice.
- Pre-hedging is the practice of managing the risk associated with one or more anticipated Client orders. Scotiabank employs pre-hedging and may execute risk management activities or other transactions ahead of a Client's order.

## FX Benchmark orders

- Client orders whose pricing is set by reference to certain benchmarks can create additional concerns for transaction execution and management of related risks some of which are discussed below. Reference is made to the Financial Stability Board's [Final Report on Foreign Exchange Benchmarks](#) for a description of the relevant circumstances.
- Scotiabank will not disclose information relating to benchmark orders other than internally on a need-to-know basis.
- Client orders involving rates calculated by a benchmark based on trading during a specified time of day (commonly referred to as the "fixing window") may necessitate that Scotiabank find an appropriate method of hedging Scotiabank's exposure arising from transacting at a price that is not yet known and will not be determined until the closing of the fixing window. Scotiabank's risk management practices related to such transactions may cause Scotiabank to execute hedging transactions during the fixing window itself because of, for example, a change in the aggregate amount and direction of Client orders prior to the fixing window or variations in markets during the fixing window. If other market participants do the same, the collective effect may be that the volume of transactions during the fixing window may increase with the unintended effect of impacting the ultimate benchmark fixing. This activity may also have such an unintended effect of impacting pricing and volatility in related FX markets. Scotiabank also engages in other ordinary courses of business activities that may impact a benchmark, including sourcing liquidity for other Client orders that are unrelated to a benchmark fixing, or acting as a market maker or engaging in risk management activities. These activities may cause Scotiabank to execute unrelated FX transactions during a fixing window or at other times that may impact transactions relating to a benchmark fixing.

## Confidentiality

- Scotiabank treats information pertaining to a Client ("Confidential Information") in accordance with relevant agreements and applicable laws and regulations.
- Scotiabank has internal policies and controls designed to protect Confidential Information. The use of information internally is on a need to know basis in order to manage Scotiabank's market making positions, including for the benefit of Scotiabank's trading positions and the handling of other Client transactions, and to meet Scotiabank's internal risk management, legal and compliance needs; however, nothing herein shall in any way be construed as limiting or precluding Scotiabank from disclosing Confidential Information as required under applicable law or as required by regulatory or public authorities. Further, non-standard orders placed with Scotiabank (such as an order of a large notional size or in a currency whose liquidity may be limited) may necessitate that Scotiabank determine pricing by obtaining liquidity internally from a Scotiabank trading desk. Accessing liquidity may require, among other things, the sharing of terms relating to a Client order internally.
- Scotiabank may analyze, anonymize and aggregate Confidential Information and release such anonymized and aggregated information and analysis for a variety of purposes, including providing market colour.
- Scotiabank will not disclose to a Client submitting an order that Scotiabank is handling other Client orders (or Scotiabank orders) ahead of, or at the same time as, or on an aggregated basis, with such Client's order.



This Disclosure Statement is also available at: <http://www.gfx.gbm.scotiabank.com/Disclaimer.htm>. This Disclosure Statement supplements any other disclosures or agreements regarding such matters that Scotiabank may provide to or agree with its Clients (to the extent applicable and as replaced, amended and/or supplemented from time to time). The general disclosures of Scotiabank as a swap dealer for FX transactions as set out in the *General Disclosure Statement for Transaction*, as published by the International Swaps and Derivatives Association, Inc. (“ISDA”) together with the risk disclosures pertaining to FX Transactions as set out in the *Disclosure Annex for Foreign Exchange Transactions*, as published by ISDA, each of which may be accessed at <http://www.isda.org/publications/discdocs.aspx>, are deemed to have been provided to each Client. This Disclosure Statement may be updated from time to time; however, any updates will only be available at <http://www.gfx.gbm.scotiabank.com/Disclaimer.htm>.