

## Summary of Scotiabank London Best Execution Policy

### 1. Introduction

- 1.1 The Bank of Nova Scotia (“BNS”) is authorised and regulated by the Office of the Superintendent of Financial Institutions in Canada. BNS is authorised by the Prudential Regulation Authority (“PRA”) and subject to regulation by the Financial Conduct Authority (“FCA”) and limited regulation by the PRA. Details about the extent of BNS’s regulation by the PRA are available from us on request. Scotiabank Europe plc (“SBE”) is authorised by the PRA and regulated by the FCA and the PRA.
- 1.2 The Summary of Scotiabank London Best Execution Policy summarises the Scotiabank London Best Execution Policy (the “Policy”) that applies to the Bank of Nova Scotia, London Branch (“BNSL”) and SBE (together “Scotiabank London”). Full details of the Policy may be made available upon request.
- 1.3 Under Financial Conduct Authority (“FCA”) Handbook Conduct of Business Sourcebook (“COBS”) 11.2A Best Execution the primary obligation imposed on Scotiabank London is *“to take all sufficient steps to obtain ... the best possible result for its clients taking into account the execution factors”* (the “Best Execution Obligation”).

### 2. When Does the Best Execution Obligation Apply?

- 2.1 The Best Execution Obligation applies when executing orders or placing orders with (or transmitting orders to) other entities to execute on behalf of a Professional Client<sup>1</sup> (“Client”). Scotiabank London will owe a Best Execution Obligation to a Client when it carries out an order in Markets in Financial Instrument Directive 2014/65/EU (“MiFID II”) Financial Instruments<sup>2</sup> (“Financial Instruments”) on the Client’s behalf in any of the following cases:
- Scotiabank London owes a contractual duty of best execution to its Client;
  - Scotiabank London acts as agent of the Client or as riskless principal in relation to a transaction;
  - 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); or
  - Scotiabank London specifically offers or accepts an instruction to give best execution or to obtain the best possible price or result for the Client.
- 2.2 In situations where the above is not applicable such as:
- transactions based on a specific instruction by the Client to buy or sell a Financial Instrument from Scotiabank London; and

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<sup>1</sup> As defined in [FCA Handbook COBS 3 Client Categorisation](#)

<sup>2</sup> Defined in [MiFID Annex 1 Section C](#)

- transactions based on the acceptance by the Client of an offer made by Scotiabank London to buy or sell a Financial Instrument such as is the case on quote-driven markets and including where Scotiabank London engages in proprietary trading by quoting on a “request for quote” basis;

Scotiabank London is not considered to be acting on a Client’s behalf and the assumption is that Clients do not rely on Scotiabank London for best execution provided in reaching this conclusion Scotiabank London has assessed whether the Client is relying on it to deliver best execution on a consistent basis (“Legitimate Reliance”).

- 2.3 Where Scotiabank London neither executes nor acts as a receiver and transmitter of an order the Best Execution Obligation does not apply. Therefore, where Scotiabank London merely introduces a Client to another person (including an affiliate entity), it will not be subject to the Best Execution Obligation.
- 2.4 Scotiabank London is not permitted to enter into a contractual exclusion of liability in relation to the Best Execution Obligation.

### **3. Legitimate Reliance**

#### **3.1 Application of the Four-Fold Cumulative Test**

- 3.1.1 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 on Scotiabank London to protect their interest in relation to the pricing and other elements of the transactions.
- 3.1.2 In order to assess Legitimate Reliance Scotiabank London will apply the following four-fold cumulative test:
- i. Which party initiates the transaction
  - ii. Questions of market practice and the existence of a convention to “shop around”
  - iii. The relative levels of price transparency within a market
  - iv. The information provided by the firm and any agreement reached
- 3.1.3 The above four factors shall be taken together in assessing Legitimate Reliance. Where all four factors are present Scotiabank London’s assessment is likely conclude that the Client does not rely on Scotiabank London for best execution.

### **4. Specific Instructions**

- 4.1 Where a specific instruction in relation to the execution of an order in a Financial Instrument is received from a Client, Scotiabank London employees must execute the order according to the specific instruction.
- 4.2 Where an order is executed according to that specific instruction Scotiabank London will have satisfied its Best Execution Obligation in relation to that aspect of the order to which the

instruction relates. The Best Execution Obligation will continue to apply to all other aspects of the order to which a specific instruction was not attached.

4.3 Inducing Clients to instruct Scotiabank London to execute 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 inviting a Client to choose between two or more specified trading venues, provided those venues are consistent with the Policy. This prohibition includes situations such as the selection of an algorithm or individual parameters of an algorithm.

## 5. Scotiabank London Business Lines Subject to the Policy

5.1 The above factors have been applied to all Scotiabank London business lines to determine which business lines owe a Best Execution Obligation in which circumstances. The following business lines are within scope of this Policy when executing an order for a Client to which the Best Execution Obligation applies:

Business Line	Financial Instruments
Foreign Exchange ("FX")	FX Forwards/ FX Swaps/ FX Options
Global Fixed Income ("GFI")	Cash Bonds
	Interest Rate Swaps / Inflation Swaps/ Total Return Swaps
Collateral Management & Funding ("CMF")	Cash Bonds
Institutional Equity	Cash Equity / Convertible Bonds
	Total Return Swaps
Prime Services	Cash Equity / Convertible Bonds
	Listed Futures and Options
Base Metals	OTC Options / Swaps / Forwards
	Cash Equity / Total Return Swaps
Equity Derivatives	Cash Equity / Total Return Swaps
Precious Metals	OTC Swaps/ Forwards/ Options

## 6. Execution Factors

6.1 Where the Best Execution Obligation applies Scotiabank London must take all sufficient steps to obtain, when executing orders, the best possible result for its Clients taking into account the execution factors.

- 6.2 A range of execution factors will be considered when executing a Client order, which extend beyond price. Scotiabank London will also take into account a Client's dealing profile, the nature of the dealing service required and the specific and general instructions provided.
- 6.3 Scotiabank London will consider the following factors in determining how to achieve the best possible result in the receipt and transmission or execution of a Client order:
- price;
  - costs;
  - speed;
  - likelihood of execution and settlement (determined with respect to liquidity);
  - size of order;
  - nature of order;
  - type of characteristics of financial instrument;
  - characteristics of the possible execution venues; or
  - any other consideration relevant to the execution of the order.

While total consideration (price and costs) are generally key factors, the overall value to Clients of a particular transaction may be affected by the other factors listed above. Factors other than price and costs may be more important in achieving the best possible result for Clients.

- 6.3.1 In the absence of express instructions from a Client, Scotiabank London will exercise its own discretion in determining all relevant factors needed to take into account for the purpose of providing a Client with best execution that represents the price of the Financial Instrument and costs related to the execution. The execution factors and their order of priority will vary across business lines and Financial Instruments.

## **7. Determining Priority of Execution Factors**

- 7.1 Scotiabank London will determine the relative importance of each execution factor in light of the following criteria:
- the characteristics of the Client including the categorisation of the Client as retail or professional;
  - the nature of the order;
  - the characteristics of the Financial Instruments that are subject of that order; and
  - the characteristics of the execution venues to which that order can be directed.
- 7.2 In the ordinary course of business price will have a relatively high importance. However, the overall value of a particular transaction may be affected by the other factors listed above. The diversity in markets and Financial Instruments and the kind of orders Clients may place with Scotiabank London means that different factors will have to be taken into account when assessing the implementation of this Policy in the context of different Financial Instruments and different markets. For example, there is no formalised market or settlement infrastructure for over-the-counter transactions. In some markets, price volatility may mean that the timeliness of execution is a priority, whereas, in other markets that have low liquidity, the fact of execution may itself constitute best execution. In other cases, choice of venue may be limited (even to the

extent that there may only be one platform/market upon which orders can be executed) because of the nature of an order or a Client's specific instructions.

7.3 In those circumstances the business line may conclude that factors other than price and costs are more important in obtaining the best possible result. Although different approaches to execution may be taken on a case-by-case basis, the weighting of factors will often be determined by the type of product traded. The priority of execution factors by in-scope business line is set out in Appendix A.

## **8. Execution Venues**

### **8.1 Overview**

8.1.1 This Policy 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. Scotiabank London may use one or more of the following execution venues:

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

8.1.2 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. See Appendix A for list of top execution venues by in-scope business line.

### **8.2 Use of Connected Parties for Execution**

8.2.1 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 A.

### **8.3 Execution of Client Orders outside of a Trading Venue**

8.3.1 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.

## **9. Client Limit Orders**

- 9.1 For shares admitted to trading or traded on a trading venue, Scotiabank London is required to immediately make public any Client limit order which is not executed under prevailing market conditions unless a Client expressly instructs otherwise.
- 9.2 For transactions between Eligible Counterparties, the obligation to disclose client limit orders only applies where the counterparty is explicitly sending a limit order to Scotiabank London for execution.
- 9.3 Scotiabank London seeks express consent from its Clients, through completion of a consent notice, not to make unexecuted limit orders public immediately.
- 9.4 For orders that are large in scale, as compared to normal market size, the obligation under COBS 11.4.1R, to immediately make public any Client limit order which is not executed under prevailing market conditions, is disapplied.

## **10. Commission and Fee Structures**

### **10.1 Competing Execution Venues**

- 10.1.1 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 and where the difference does not reflect actual differences in the cost to Scotiabank London of executing on those venues.
- 10.1.2 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.
- 10.1.3 Scotiabank 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.

## **11. Conflicts of Interest**

- 11.1 Scotiabank London is subject to the overarching requirement to identify and manage conflicts of interest. Where a conflict of interest cannot be managed 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.
- 11.2 The Summary of Conflicts of Interest Policy summarises the Conflicts of Interest Policies that apply to Scotiabank London, namely the Scotiabank Guidelines for Business Conduct, the Wholesale Compliance Policies (“WCP”) and the UK Compliance Supplement to the WCP.

**12. Client Consent to the Policy**

- 12.1 Scotiabank London is required to obtain the prior consent of its Clients to this Policy. Scotiabank London Clients consent to this Policy when agreeing to the Scotiabank London Terms of Business.

**Appendix A: Priority of Execution Factor and Top Execution Venues/Firms by Business Lines**

Business Line/Asset Class	Legal Entity	Financial Instruments	Priority of Execution Factors (Highest to Lowest i.e. 1-8) <sup>3</sup>							Top Execution Venues/Firms				
			Price	Cost	Speed	Size of Order	Nature of Order	Likelihood of Execution	Likelihood of Settlement	Top Trading Venues <sup>4</sup>	Use of Scotiabank London own positions	Use of connected parties as execution firms	Use of unconnected execution firms	Use of OTC Counterparties
FX	BNSL	FX Forwards/ FX Options/ FX Swaps	1	2	2	2	2	2	2	360T Reuters Matching	No	No	Yes	BNST
GFI/ Fixed Income	SBE BNSL	Cash Bonds	1		4	3			2	MTS Brokertec	SBE BNSL	BNST <sup>5</sup> SCI SCUSA <sup>6</sup> BNSAL <sup>7</sup>	No	No
	SBE BNSL	Interest Rate Swaps / Inflation Swaps / Total Return Swaps	1		4	3			2	N/A - OTC	No	No	No	SBE BNST
CMF/ Fixed Income	SBE BNSL	Cash Bonds	1		4	3			2	MTS Brokertec	SBE BNSL	BNST SCI SCUSA BNSAL	No	No
Institutional Equity/ Equities	SBE	Cash Equity / Convertible Bonds	1	7	3	4	5	2	6	None	No	SCI BNSL	No	No
Prime Services/ Equities	BNSL	Total Return Swaps	5		4	2	3	1		N/A - OTC	No	No	No	BNSL
	BNSL	Cash Equity / Convertible Bonds	5		4	2	3	1		London Stock Exchange ("LSE")	No	SCUSA SCI	Yes	No
Base Metals/Commodities	SBE	Listed Futures and Options	1	3	3	2	2	2	1	London Metal Exchange	Yes	No	Yes	No
	SBE	OTC Options / Swaps / Forwards	1	3	3	2	2	2	1	N/A - OTC	Yes	No	No	SBE BNST
Equity Derivatives/ Equities	BNSL	Total Return Swaps	3		4	2			1	N/A - OTC	No	No	Yes	BNSL
	BNSL	Cash Equity	3		4	2			1	LSE	No	No	Yes	No
Precious Metals/ Commodities	BNSL	OTC Forwards/ Options/ Swaps	1	3	3	2	2	2	1	N/A - OTC	Yes	No	No	BNSL

<sup>3</sup> 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.

<sup>4</sup> Top 5 Trading Venues to be updated in April 2018.

<sup>5</sup> The Bank of Nova Scotia, Toronto

<sup>6</sup> Scotia Capital (USA) Inc.

<sup>7</sup> The BNS Asia Limited