

Information regarding The Bank of Nova Scotia's ("Scotiabank") Foreign Exchange Terms of Dealing

Overview

The Bank of Nova Scotia and its affiliates ("Scotiabank") through its wholesale banking division, Global Banking and Markets ("GBM"), is a leading global provider of 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"). Scotiabank has a long-standing reputation of providing a high level of client service, focusing on integrity, trust, and accountability. The purpose of this notice is to outline some of the key aspects of the relationship between Scotiabank and its Clients when dealing in FX Markets. This notice is intended to supplement other disclosures concerning the terms and conditions of FX Transactions with Scotiabank and the act of trading FX with Scotiabank. The Client does so on the basis of the information described below. This notice does not alter or eliminate Scotiabank's legal or regulatory duty to its Clients.

Principal Dealing

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.

Pre-Hedging

Pre-hedging is the practice of managing the risk associated with one or more anticipated Client orders. The information used by Scotiabank for the purposes of pre-hedging may include the Client's indicative interest in a potential transaction, requests for a quote or order details. Scotiabank may use such information and engage in pre-hedging activity by dealing as principal with a view to facilitating a potential transaction. Scotiabank employs pre-hedging and may execute risk management activities or other transactions ahead of a Client's order. Such pre-hedging transactions could be at a price that is different from the price at which Scotiabank transacts with its Client, affect market price or liquidity, and may result in profit or loss to Scotiabank. Scotiabank may notify its Client of the option to pre-hedge their order.

Client Order Execution

- Scotiabank's receipt of a firm Client order does not commit Scotiabank to accepting such order or obligate Scotiabank to fill all or any part of 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 within the local regulatory expectation.
- When Scotiabank accepts to work an order, Scotiabank is 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 received, accepted, and confirmed 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 may, but is not required to, disclose to a Client why Scotiabank is unable to accept such Client's order in whole or in part.
- Scotiabank may execute orders electronically or through voice.
- Orders will be timestamped on Scotiabank's platforms when they are accepted and when they are executed or cancelled.
- Scotiabank may look for market opportunities that satisfy both a price where it can execute a Client's order and earn a reasonable return for that activity.

Order Management and Market Making

- Scotiabank retains discretion with respect to how to satisfy multiple Client orders for the same or related currency pairs including order acceptance, order aggregation, execution, pre-hedging, 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.
- Where appropriate, Scotiabank may consider exercising discretion to meet the needs of other Clients with competing interests while aggregating or prioritizing a Client's order with the orders of other Clients or orders entered into by Scotiabank during market making or risk management activities.
- 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 will attempt to fill full orders but assumes that partial fills are acceptable to

you unless otherwise agreed.

- 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.
- 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:
 - the credit risk that Scotiabank will take on when transacting with the relevant Client,
 - the cost of capital Scotiabank will incur as a result of the relevant FX Transaction,
 - the volume of FX Transactions traded with the relevant Client,
 - the size and complexity of the FX Transactions,
 - the liquidity and competitiveness of the relevant FX Market,
 - prevailing market conditions,
 - the support services provided to the relevant Client, and
 - 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.
- The mark-up is applicable to FX transactions executed via any order method Scotiabank offers (e.g., electronic orders, voice, or written agreements).

Benchmark Orders

- Benchmark Orders are Client orders whose pricing is set by reference to certain benchmarks that can create additional concerns for transaction execution and management of related risks some of which are discussed below.
- 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. Clients who leave benchmark orders with Scotiabank will have a transaction executed between themselves and Scotiabank at a rate set by the benchmark provider plus a fee which is pre-determined or pre-disclosed, and/or a spread determined by the benchmark provider.
- Scotiabank will calculate a net total amount comprising of external Client benchmark orders and orders for Scotiabank's own interest. Where available, attempt to match the net amount against the interest of other market participants on anonymous Benchmark Order matching or auction services. Scotiabank may execute hedging transactions prior to, during, or after a fixing window or auction in which the chosen benchmark or reference rate is determined.

- 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.

Information About Market Highs and Lows

- Scotiabank may be required to determine the market “High” or “Low” level in a particular currency, which may be applied to the related financial instruments or derivatives that Scotiabank trades with its Clients.
- The external data considered by Scotiabank at the time of determining the market High or Low includes and is not limited to the following:
 - The price indicated on the primary trading venue(s) for the relevant instrument at a specific time of day and related market conditions;
 - The volumes and prices traded in such venues during the specific times.
- The following criteria are also additionally considered by Scotiabank at the time of determination:
 - Appropriateness of venue(s) for the instrument and sufficiency of requisite volume thresholds;
 - Authenticity of the relevant trades in the venue(s); and
 - Any other relevant information deemed necessary in determining the market value of the currency at the time of assessment, including any internal trades that may impact Scotiabank's determination of High/Low levels.
- Scotiabank will, in good faith, exercise discretion while determining the market High or Low and will consider factors around circumstances, importance and weightage of various criteria. The consideration of factors is subject to circumstances and will vary from time to time. Therefore, Scotiabank's determination of Market High/Low may not necessarily be similar to the determinations made by other market participants.

Last Look

- Scotiabank is a global financial services firm that provides liquidity in FX Spot, FX Forwards, FX Swaps, and non-deliverable FX Forwards, by streaming indicative prices through various distribution channels. Scotiabank provides the following information regarding the automatic pre-trade controls embedded in the Scotiabank FX electronic trading system.
- Scotiabank performs a number of pre-trade checks prior to acceptance of a Client request; including, but not limited to, Client credit check and ‘last look’. A Client’s trade request might be rejected because of Client trading behaviour and/or the platform used for execution – each of which impact the parameters for pre-trade checks and could impact Scotiabank’s response time. At Scotiabank, ‘last look’ is a process to evaluate whether trade requests are made at prices that fall within Scotiabank’s price tolerance threshold for execution.

- Scotiabank applies ‘last look’ symmetrically in an effort to prevent both the Client and Scotiabank from entering into transactions at prices that do not reflect market prices at the time of the trade. ‘Last look’ parameters may differ across trading channels based on trading automation and price aggregation which may lead to differences in Client offer acceptance rates.
- Scotiabank has set the duration of the ‘last look’ window from a Minimum ‘last look’ window time of 0 milliseconds (m/s) to a Maximum ‘last look’ window time of 50 milliseconds (m/s).
- Scotiabank does not undertake any hedging or trading activity related to the Client request during the ‘last look’ window, nor does information gathered during the ‘last look’ window influence any of Scotiabank’s subsequent trading activity.
- Scotiabank may at any time, in its sole discretion, modify the practices described above without notice.

Client Information

- 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, 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 determines 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 according to the local regulatory requirements.
- 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.

Settlement Risk

- Settlement risk (also known as “Herstatt Risk”) is the risk where one counterparty in a Foreign Exchange transaction delivers the currency it sold but fails to receive the currency it has purchased. This may be caused by time zone differences, settlement system mismatches or other reasons.
- Scotiabank is a member of CLS Bank International, which provides payment-versus-payment (PvP) settlement. Clients may elect to utilize CLS’ PvP settlement service – wherever practicable – to reduce settlement risk with Scotiabank or other Market Participants.