



Scotiabank (Ireland) DAC
Summary of Best Execution Policy

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Version 1

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Summary of Scotiabank (Ireland) Designated Activity Investment Company (SIDAC) Best Execution Policy

1 Introduction

- 1.1 SIDAC is regulated by the Central Bank of Ireland (CBI). Details about the extent of SIDAC regulation by the CBI are available from us on request.
- 1.2 The Summary of SIDAC Best Execution Policy summarises the SIDAC Best Execution Policy (the “Policy”) that applies SIDAC. Full details of the Policy may be made available upon request.
- 1.3 Article 27 of the Markets in Financial Instrument Directive 2014/65/EU (“MiFID II”) provides for ‘Best Execution’ the primary obligation of which, imposed on SIDAC 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”).
- 1.4 MiFID Article 27 is implemented in Ireland via Regulation 35 of the European Union (Markets in Financial Instruments) Regulations 2017 and is further explained in Article 64-66 of the Commission Delegated Regulation 565/2017. SIDAC also factors in guidance of the European Securities and Markets Authority, its predecessor, ‘CESR’ and the European Commission.

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 (“Client”) as defined under MiFID II Clients Classification rules. SIDAC does not engage with Retail clients.
- 2.2 SIDAC will owe a Best Execution Obligation to a Client when it carries out an order in Financial Instruments (“Financial Instruments”) on the Client’s behalf in any of the following cases:
 - SIDAC owes a contractual duty of best execution to its Client;
 - SIDAC acts as agent of the Client or as riskless principal in relation to a transaction;
 - 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); or
 - SIDAC specifically offers or accepts an instruction to give best execution or to obtain the best possible price or result for the Client.

2.3 In situations where the above is not applicable such as:

- transactions based on a specific instruction by the Client to execute an order in line with that specific instruction; and
- transactions based on the acceptance by the Client of an offer made by SIDAC to buy or sell a Financial Instrument such as is the case on quote-driven markets and including where SIDAC engages in proprietary trading by quoting on a “request for quote” basis;
- SIDAC is not considered to be acting on a Client’s behalf and the assumption is that Clients do not rely on SIDAC for best execution provided in reaching this conclusion SIDAC has assessed whether the Client is relying on it to deliver best execution on a consistent basis (“Legitimate Reliance”).

2.4 Where SIDAC neither executes nor acts as a receiver and transmitter of an order the Best Execution Obligation does not apply. Therefore, where SIDAC merely introduces a Client to another person (including an affiliate entity), it will not be subject to the Best Execution Obligation.

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

3 Legitimate Reliance - Application of the Four-fold Cumulative Test

3.1 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 on SIDAC to protect their interest in relation to the pricing and other elements of the transactions.

3.2 In order to assess Legitimate Reliance SIDAC will apply the following four-fold cumulative test:

- Which party initiates the transaction
- Questions of market practice and the existence of a convention to “shop around”
- The relative levels of price transparency within a market
- The information provided by the firm and any agreement reached

3.3 The above four factors shall be taken together in assessing Legitimate Reliance. Where all four factors are present SIDAC’s assessment is likely to conclude that the Client does not rely on SIDAC 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, SIDAC employees must execute the order according to the specific instruction.
- 4.2 Where an order is executed according to that specific instruction SIDAC 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 SIDAC to execute 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. This prohibition includes situations such as the selection of an algorithm or individual parameters of an algorithm.

5 SIDAC Business Lines Subject to the Policy

- 5.1 The factors listed in the above sections have been applied to all SIDAC business lines to determine which business lines owe a Best Execution Obligation and in which circumstances. The table below indicates which business lines are in 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

*FX are Bank of Nova Scotia owned/booked products.

6 Execution Factors

- 6.1 Where the Best Execution Obligation applies SIDAC 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. SIDAC 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 SIDAC 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.
- 6.4 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.
- 6.5 In the absence of express instructions from a Client, SIDAC 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 SIDAC 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 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.
- 7.3 The diversity in markets and Financial Instruments and the kind of orders Clients may place with SIDAC 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.
- 7.4 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.
- 7.5 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

Overview

- 8.1 This Policy summary 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. SIDAC 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).
- 8.2 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. See Appendix A for a list of top execution venues by in-scope business line.

Use of Connected Parties for Execution

- 8.3 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-à-vis’ other execution venues and the selection is based on application of the execution factors as set out in relevant regulations.

Execution of Client Orders outside of a Trading Venue

- 8.4 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.

9 Client Limit Orders

- 9.1 For shares admitted to trading or traded on a trading venue, SIDAC 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 SIDAC for execution.
- 9.3 SIDAC 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 MIFID II require to immediately make public any Client limit order which is not executed under prevailing market conditions, is disapplied.

10 Commission and Fees Structures

Competing Execution Venues

- 10.1 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 and where the difference does not reflect actual differences in the cost to SIDAC of executing on those venues.
- 10.2 Where there is more than one competing venue to execute an order for a financial instrument, SIDAC's own commissions and costs for executing the order on each of the eligible execution venues shall be taken into account in the assessment of the results for the Client that would be achieved by executing the order.
- 10.3 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.
- 10.4 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.

11 Conflicts of Interest

- 11.1 SIDAC 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 SIDAC 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 SIDAC.

12 Client Consent to the Policy

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

13 Review

- 13.1 This Policy is subject to review on at least an annual basis or where there is a material change occurs that affects SIDAC's ability to continue to obtain the best possible result for the Clients.

APPENDIX A - The following table details SIDAC execution venues by products and location

Product Setup *	Type	Group Name	Venue	Country	Approach	GFI	CMF	GED	PS
Bund futures (Euro-Schatz, BOBL), € STR futures	Regulated Markets	Deutsche Boerse - Eurex Futures	Eurex Deutschland	Germany	Direct	X			
€STR futures, Single stock futures contracts, Equity index futures contracts, equity derivatives, TRS	Regulated Markets	ICE Futures Europe	Intercontinental Exchange Inc.	UK	Direct	X	X		
Bonds - EUR (SSA, euro govies) priced in IE; UST, CAD, GILTS priced in GB; EM	MTF	Bloomberg EU MTF	Bloomberg Trading Facility B.V.	Netherlands	Direct	X	X		
Bonds - EUR (SSA, euro govies) priced in IE; UST, CAD, GILTS priced in GB; EM	MTF	Bloomberg UK MTF	Bloomberg Trading Facility Limited	UK	Direct	X	X		
EM Bonds	MTF	MarketAxess	Marketaxess Europe Ltd	UK	Direct	X			
Bonds - EUR (SSA, euro govies)	MTF	EuroMTS (EBM)	EuroMTS (EBM)	UK	Direct	X	X		
Bonds - EUR (SSA, euro govies)	MTF	MTS Italy	MTS S.p.A	Italy	Direct	X	X		
FI Repos - EUR (SSA, euro govies)	MTF	MTS Repo	MTS S.p.A	Italy	Direct		X		
FI Repos - EUR (SSA, euro govies)	MTF	NEX BrokerTec EU Repo	Brokertec Europe Ltd	UK	Direct		X		
Bonds - EUR (SSA, euro govies)	MTF	NEX BrokerTec Europe Limited - All markets	Brokertec Europe Ltd	UK	Direct	X	X		
FI Repos - EUR (SSA, euro govies)	MTF	Tradeweb MTF	Tradeweb Europe Ltd	UK	Direct		X		
Bonds - EUR (SSA, euro govies); Bund futures (Euro-Schatz, BOBL), €STR futures	MTF	TRAD-X (Tradition MTF)	Tradition (UK) Ltd	UK	Direct	X			
Bonds - EUR (SSA, euro govies); Bund futures (Euro-Schatz, BOBL), €STR futures, TRS	MTF	TULLETT PREBON EUROPE MTF (part of TP ICAP)	Tullett Prebon (Europe) Limited	France	Direct	X			
Bonds - EUR (SSA, euro govies); Bund futures (Euro-Schatz, BOBL), €STR futures, TRS	OTF	BGC Trader	BGC Brokers LP	UK	Direct	X	X		
Bonds - EUR (SSA, euro govies); Bund futures (Euro-Schatz, BOBL), €STR futures	OTF	HPC/OTCex S.A.	HPC SA (OTCex Group)	France	Direct	X			
Bonds - EUR (SSA, euro govies); Bund futures (Euro-Schatz, BOBL), €STR futures	OTF	ICAP Securities Limited	ICAP Securities Limited	UK				X	
Bonds - EUR (SSA, euro govies); Bund futures (Euro-Schatz, BOBL), €STR futures	OTF	TRAD-X (Tradition OTF)	Tradition (UK) Ltd	UK	Direct	X			
Bonds - EUR (SSA, euro govies); Bund futures (Euro-Schatz, BOBL), €STR futures, TRS	MTF	Tradition Securities and Futures S.A.	Tradition Securities and Futures S.A.	France		X			X
Bonds - EUR (SSA, euro govies); Bund futures (Euro-Schatz, BOBL), €STR futures	OTF	TP ICAP	Tullett Prebon (Securities) OTF	UK	Direct	x			
Bonds / IRD	MTF	I-Connect (WCLK)	ICAP AP (Singapore) Pte. Ltd. ICAP Europe Ltd ICAP Securities Limited ICAP WCLK	Various			X		
Bonds / IRD / equity derivatives, TRS	OTF	Aurel BGC	Aurel BGC SAS	France	Direct	X		X	

*Information accurate as at 1 April 2021 -this table excludes equities derivatives and other products that are traded/executed directly through brokers.