

RTS 28 Quality of Execution Annual Report

Firm: *Scotiabank (Ireland) Designated Activity Company (SIDAC)*

Calendar Year Disclosure Period: *1 January 2021 to 31 December 2021*

Date: *30 April 2022*

Summary of classes of instruments included in this report, and class of instruments not included in this report (because the Firm has not executed client orders in that class of instruments):

Classes of instruments included in this report	Classes of instruments not included in this report
<ul style="list-style-type: none"> • <i>Debt instruments – Bonds</i> • <i>Debt instruments - Money markets instruments</i> 	<ul style="list-style-type: none"> • <i>Commodities derivatives and emission allowances Derivatives - Options and Futures admitted to trading on a trading venue</i> • <i>Commodities derivatives and emission allowances Derivatives - Other commodities derivatives and emission allowances derivatives</i> • <i>Currency Derivatives - Futures and options admitted to trading on a trading venue</i> • <i>Currency Derivatives - Swaps, forwards, and other currency derivatives</i> • <i>Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)</i> • <i>Equities – Shares & Depositary Receipts - Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)</i> • <i>Equities – Shares & Depositary Receipts - Tick size liquidity band 3 and 4 (from 80 to 1999 trades per day)</i> • <i>Equities – Shares & Depositary Receipts - Tick size liquidity band 5 and 6 (from 2000 trades per day)</i> • <i>Equity Derivatives - Options and Futures admitted to trading on a trading venue</i> • <i>Equity Derivatives - Swaps and other equity derivatives</i> • <i>Credit Derivatives - Futures and options admitted to trading on a trading venue</i> • <i>Credit Derivatives - Other credit derivatives</i> • <i>Interest rates derivatives - Swaps, forwards, and other interest rates derivatives</i> • <i>Interest rates derivatives - Futures and options admitted to trading on a trading venue</i> • <i>Structured finance instruments</i> • <i>Securitized Derivatives - Warrants and Certificate Derivatives</i> • <i>Securitized Derivatives - Other securitized derivatives</i> • <i>Contracts for difference</i> • <i>Emission allowances</i> • <i>Other instruments</i>

<p>Class of instrument</p>	<p>Debt instruments – Bonds</p>
<p>(a) an explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;</p>	<p>SIDAC determines the relative importance of each execution factor in light of the following criteria:</p> <ul style="list-style-type: none"> • 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. <p>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 SIDAC means that different factors will have to be taken into account. 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.</p> <p>Please refer to appendix A of the Summary of Scotiabank (Ireland) Summary of Best Execution Policy for asset class specific factors - https://www.gbm.scotiabank.com/content/dam/scotiabank/gbm/legal/ireland-policies-and-disclosures/SIDAC-best-execution-policy-summary-2021.pdf</p>
<p>(b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;</p>	<p>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-a-vis other execution venues and the selection is based on application of the execution factors as set out in the Scotiabank (Ireland) Summary of Best Execution Policy.</p> <p>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.</p> <p>SIDAC uses a number of affiliates (connected parties) to execute Client orders on its behalf and SIDAC business lines may execute Client orders against internal positions where this achieves the best possible result for the Client. SIDAC 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.</p>

<p>(c) a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;</p>	<p><i>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.</i></p> <p><i>The CBI expects firms to consider the following when entering into any payment for order flow arrangements:</i></p> <ol style="list-style-type: none"> <i>1. Whether and how best execution requirements are being met on a consistent basis for clients and to assess the firm's compliance with the conflicts of interest provisions in MiFID II.</i> <i>2. Having robust processes and procedures to identify any connected or potentially connected transactions and ensure that all relevant parties understand their obligations and duties with respect to such transactions.</i> <p><i>All required disclosures of arrangements with execution venues can be found here – http://www.gbm.scotiabank.com/AboutUs/AB_Global_Presence.htm</i></p>
<p>(d) an explanation of the factors that led to a change in the list of execution venues listed in the firm's execution policy, if such a change occurred;</p>	<p><i>N/A no such change occurred during the disclosure period.</i></p>
<p>(e) an explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements;</p>	<p><i>The Best Execution Obligation only applies to orders received from Retail and Professional Clients, not Eligible Counterparties as defined in Irish Statutory Instrument 375 Schedule 2. However, Eligible Counterparties may request to be treated as a Professional Client if the request is made in writing indicating whether the request is for one or more particular services, transactions or products. SIDAC does not undertake activities with any Retail Clients, so Best Execution is provided to Professional Clients or Eligible Counterparties who have requested to be treated as Professional Clients, but not Eligible Counterparties.</i></p> <p><i>SIDAC only traded with one category of client where Best Execution was owed during the disclosure period, Professional Clients. As such no differential treatment can occur across client categories.</i></p>
<p>(f) an explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client;</p>	<p><i>N/A SIDAC did not trade with any Retail Clients during the disclosure period.</i></p>
<p>(g) an explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under RTS 27;</p>	<p><i>N/A pursuant to the temporary suspension of the obligation to publish quarterly RTS 27 reports (between 27 February 2021 and 28 February 2023) introduced under Directive (EU) 2021/338.</i></p>
<p>(h) where applicable, an explanation of how the investment firm has used output of a consolidated tape provider established under Article 65 of Directive 2014/65/EU.</p>	<p><i>N/A a consolidated tape provider was not established during the disclosure period.</i></p>

Use of Direct Electronic Access (DEA)	<i>N/A SIDAC has not provided DEA during the disclosure period.</i>
Summary of execution monitoring results	<i>Best Execution monitoring and testing results for the year provides assurance that transactions were executed in adherence to the Scotiabank (Ireland) Summary of Best Execution Policy.</i>

<p>Class of instrument</p>	<p>Debt instruments – Money Market Instruments</p>
<p>(a) an explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;</p>	<p><i>SIDAC determines the relative importance of each execution factor in light of the following criteria:</i></p> <ul style="list-style-type: none"> • <i>the characteristics of the Client including the categorisation of the Client as retail or professional;</i> • <i>the nature of the order;</i> • <i>the characteristics of the Financial Instruments that are subject of that order; and</i> • <i>the characteristics of the execution venues to which that order can be directed.</i> <p><i>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 SIDAC means that different factors will have to be taken into account. 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.</i></p> <p><i>Please refer to appendix A of the Summary of Scotiabank (Ireland) Summary of Best Execution Policy for asset class specific factors - https://www.gbm.scotiabank.com/content/dam/scotiabank/gbm/legal/ireland-policies-and-disclosures/SIDAC-best-execution-policy-summary-2021.pdf</i></p>
<p>(b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;</p>	<p><i>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-a-vis other execution venues and the selection is based on application of the execution factors as set out in the Scotiabank (Ireland) Summary of Best Execution Policy.</i></p> <p><i>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.</i></p> <p><i>SIDAC uses a number of affiliates (connected parties) to execute Client orders on its behalf and SIDAC business lines may execute Client orders against internal positions where this achieves the best possible result for the Client. SIDAC 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.</i></p>

<p>(c) a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;</p>	<p><i>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.</i></p> <p><i>The CBI expects firms to consider the following when entering into any payment for order flow arrangements:</i></p> <ol style="list-style-type: none"> <i>1. Whether and how best execution requirements are being met on a consistent basis for clients and to assess the firm's compliance with the conflicts of interest provisions in MiFID II.</i> <i>2. Having robust processes and procedures to identify any connected or potentially connected transactions and ensure that all relevant parties understand their obligations and duties with respect to such transactions.</i> <p><i>All required disclosures of arrangements with execution venues can be found here- http://www.gbm.scotiabank.com/AboutUs/AB_Global_Presence.htm</i></p>
<p>(d) an explanation of the factors that led to a change in the list of execution venues listed in the firm's execution policy, if such a change occurred;</p>	<p><i>N/A no such change occurred during the disclosure period.</i></p>
<p>(e) an explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements;</p>	<p><i>The Best Execution Obligation only applies to orders received from Retail and Professional Clients, not Eligible Counterparties as defined in Irish Statutory Instrument 375 Schedule 2. However, Eligible Counterparties may request to be treated as a Professional Client if the request is made in writing indicating whether the request is for one or more particular services, transactions or products. SIDAC does not undertake activities with any Retail Clients, so Best Execution is provided to Professional Clients or Eligible Counterparties who have requested to be treated as Professional Clients, but not Eligible Counterparties.</i></p> <p><i>SIDAC only traded with one category of client where Best Execution was owed during the disclosure period, Professional Clients. As such no differential treatment can occur across client categories.</i></p>
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Use of Direct Electronic Access (DEA)	<i>N/A SIDAC has not provided DEA during the disclosure period.</i>
Summary of execution monitoring results	<i>Best Execution monitoring and testing results for the year provides assurance that transactions were executed in adherence to the Scotiabank (Ireland) Summary of Best Execution Policy.</i>