

For Institutional Customers of Global Banking and Markets of Scotia Capital Inc.

## **Disclosures Relating To Best Execution**

As a market participant, Scotia Capital Inc., through its business division Global Banking and Markets (“GBM”) is obliged under IIROC Dealer Member Rule 3300 to provide best execution when accepting customer instructions to transact in securities, both listed and unlisted (“OTC”). In order to meet this obligation, we will diligently pursue the execution of each client order on the most advantageous execution terms reasonably available under prevailing market conditions.

In providing best execution, amongst other things, we will take into consideration the following factors:

- Instructions of the client;
- Price;
- Speed of execution;
- Certainty of execution;
- Overall cost of the transaction to the client (including potential opportunity cost);
- Conflicts of interest for order handling and execution;
- Order size;
- Reliability of quotes;
- Liquidity; and
- Market impact.

GBM will incur costs and may also receive payments associated to trading on one venue versus another. GBM does not pass on these costs or potential costs savings to its customer (unless otherwise specifically agreed to with the customer). All fees associated to trading are negotiated with the customer either when the account is established or prior to the order being entered. GBM may consider these fees and payments as part of its routing decision making process, though this not a sole determinant.

GBM’s processes relating to best execution are outlined below in two sections: **Section One** outlines the processes as they relate to the listed securities markets; and **Section Two** outlines our execution practices aimed at achieving fair price for OTC transactions.

### **Section One: Listed Securities Order Handling and Routing Practices**

Securities that are covered by this policy are those which are listed on an Exchange and trade on either an Exchange or an Alternate Trading System, collectively marketplaces. The types of securities that can be listed include:

- Common stocks;
- Preferred stocks;
- Convertible Debentures;

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- Exchange Traded Funds; and
- Listed Rights / Warrants.

In order to achieve best execution, GBM may route orders to any Canadian marketplace which may include both lit and dark market venues. In considering best execution GBM may also route orders to foreign marketplaces taking into account current foreign exchange rates, market conditions and any potential liquidity in Canada.

In providing best execution for listed securities, in addition to the factors noted above, we will consider the following when routing orders:

- Direction of the market for the security;
- Depth of the posted market;
- Last sale price;
- Prices and volumes of previous trades;
- Size of the spread;
- Order and trade information from all appropriate marketplaces; and
- Selection of most appropriate marketplace.

GBM may move an order entered on one marketplace to another marketplace at its discretion in order to achieve best execution. Situations which may result in an order movement include:

- An alternate marketplace demonstrating a better chance of fill;
- Technical or operational issues with the original marketplace; or
- A change in client instructions.

Where pricing and liquidity may be more advantageous GBM may also route orders to other foreign intermediaries through an affiliate or another market participant / intermediary in that foreign jurisdiction. Where orders are routed to an intermediary the order will be subject to the order handling and routing practices of the intermediary. GBM will review the order handling and routing practices of any intermediary where orders are routed to determine that best execution is being achieved.

We diligently monitor each router and marketplace for fill rates and, as appropriate, GBM will modify and enhance our order routing practices to the benefit of our clients. Where a marketplace operates inefficiently GBM will take necessary steps to either re-route an order or by pass a marketplace entirely.

**Regular trading hours for trading in publicly listed Canadian securities** is between 9:30 a.m. and 4:00 p.m., Eastern Standard Time (“EST”), Monday through Friday, not including statutory Canadian holidays. Day orders received after 4:00 pm will not be booked on any market. Orders received after midnight and prior to 9:30 am will be entered into the trade execution systems in accordance with the trade instructions.

Extended /after-hours and pre-market facilities are available in for certain marketplaces. Clients should contact their GBM representative for further details.

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## Handling of Orders

- **Orders received prior to the 9:30 am:** May be entered to the pre-opening session of a marketplace with trading hours of 9:30 am to 4:00 pm unless otherwise specified by the investor.
- **Orders received after 4:00 pm: Good till Cancelled orders** will be entered the next business day to the pre-opening of a marketplace with market hours from 9:30 am to 4:00 pm unless specified by the investor for execution in the after-hours markets or pre-market open the next day.
- **Order treatment and routing:** Orders are valid between the hours of 9:30 a.m. and 4:00 p.m. EST. Orders received after the open of a marketplace, will be routed to the marketplace with the best available liquidity and pricing (best execution) through the use of smart order router technology. Unfilled orders will expire on the marketplace where the order was last routed. In the event a marketplace is not available, orders will be re-routed to other marketplaces as previously described. Day orders booked prior to 4:00 pm on markets utilizing an after-hours facility may execute up to 5:00 pm that day.
- **Moving an Order to an Alternate market place:** Orders executing through a SOR or utilizing an Algorithm may automatically move from one marketplace to another when the order could not be fully executed on one venue. Passive orders that are booked on one marketplace either by GBM or by customer instruction will remain at that marketplace until either the order is filled, or the customer altered their instructions.

## Special Order Types

For information regarding special order types please contact please contact your GBM representative.

## Section Two: OTC Securities

In order to meet its best execution obligation for OTC securities, GBM pursues fair and reasonable pricing at the time of execution. Pricing is dependent on various factors, such as:

- Liquidity of the security;
- Relative fair market value of the security;
- Indicative pricing of other similar securities or benchmark references;
- Cost analysis, including any costs associated with the execution of the transaction;
- Notional amount of the trade; or
- If both parties agree on a price such as when GBM acts only as an agent for execution purposes.

GBM provides liquidity by:

- Acting as a market maker and/or principal;
- Acting as agent by:
  - sourcing and pricing securities through the Inter-dealer network;
  - participating in third-party request for quote vendor platforms; or

- sourcing bids or offers for a security from either our customers or another dealer.

GBM may choose not to either quote a security or participate as a market maker where market conditions are not favorable or where liquidity is not obtainable.