

FX Global Code

Liquidity Provider Disclosure Cover Sheet

A. INSTRUCTIONS:

All Liquidity Providers should complete this Cover Sheet in relation to their wholesale foreign exchange market making activities. Liquidity Providers can make use of the FAQs and the “Liquidity Provider Disclosure Cover Sheet Instructions” available on the GFXC website to facilitate the completion of this Cover Sheet ([Disclosure Cover Sheets \(globalfx.org\)](https://www.globalfx.org/docs/disclosure-cover-sheet-instructions.pdf)). All terms used in this Cover Sheet are as defined in the FX Global Code unless otherwise stated (https://www.globalfx.org/docs/fx_global.pdf).

B. SCOPE:

Liquidity Provider / Entity Name: Scotiabank GBM, Global Foreign Exchange

Most Recent Date Completed: 01-July-2022

Liquidity Provider to confirm the entity / business area(s) to which this Cover Sheet applies:

Scotiabank GBM, Global Foreign Exchange

C. KEY DISCLOSURES:

1. Capacity (Principle 8)

I. Liquidity Provider acts as (check one):

- ☐ Agent
- ☒ Principal
- ☐ Both

II. If ‘Both’, briefly describe when Liquidity Provider acts in each capacity:

Not Applicable

III. Liquidity Provider’s disclosure regarding capacity is located here:

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.

2. Pre-Hedging (Principle 11)

- I. Liquidity Provider ever pre-hedges (check one):
- ☒ Yes
☐ No
- II. If yes, Liquidity Provider ever offers clients, upon request, the option of placing an individual order specifying no pre-hedging (check one):
- ☐ Yes
☒ No
- III. Liquidity Provider's disclosure regarding pre-hedging is located here:

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. Client will not be notified about any pre-hedging intention on a trade by trade basis.

3. Last Look (Principle 17)

- I. Liquidity Provider ever employs Last Look (as defined in the FX Global Code) (check one):
- ☒ Yes
☐ No
- II. Liquidity Provider's use of Last Look is (check all that apply):

☒ Symmetrical

☐ Asymmetrical

If Asymmetrical is used, briefly describe the circumstances:

N/A

III. Liquidity Provider's Last Look window maximum and minimum length (in m/s)

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).

Liquidity Provider may briefly describe the circumstances under which Last Look window times may change

IV. Liquidity Provider ever trades during the Last Look window:

☒ No

☐ When sourcing liquidity under a "Cover and Deal" arrangement that meets all of the characteristics set out in Principle 17 of the Code.

V. Liquidity Provider's disclosure regarding Last Look is located here:

- *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.*

- VI. Liquidity Provider may include free form text regarding any of the above Last Look key topics, if it would like to highlight anything referenced in the main body of its disclosure attached

N/A

D. DISCLOSURES INDEX:

Order Handling

Order Aggregation (Principle 9)

- I. Liquidity Provider's disclosure regarding order aggregation is located here:

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.

Discretion (Principle 9)

- I. Liquidity Provider's disclosure regarding use of discretion is located here:

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.

Time-Stamping (Principle 9)

- I. Liquidity Provider's disclosure regarding time-stamping is located here:

Scotiabank's Foreign Exchange business is committed to Principle 36 of the Code. Information can be made available to Clients upon request to provide transparency with respect to their orders.

Stop-Loss Orders (Principle 10)

- I. Liquidity Provider's disclosure regarding stop-loss orders is located here:

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 or prevent the triggering of 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.

Partial Fills (Principle 10)

- I. Liquidity Provider's disclosure regarding use of partial fills is located here:

Scotiabank will attempt to fill full orders but assumes that partial fills are acceptable to you unless otherwise agreed.

Additional Disclosures

Use of Reference Prices (Principle 13)

- I. Liquidity Provider's disclosure regarding use of reference prices is located here:

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, Scotiabank may 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.

Markup / Fair Pricing Standards (Principle 14)

- I. Liquidity Provider's disclosure regarding use of mark-up is located here:

- *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.*
- *Scotiabank is not obligated to disclose the amount of revenue Scotiabank expects to earn or the components of the 'all-in price'.*
- *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.*
- *Pricing on an all-in basis may impact the pricing and/or execution.*

Aggregation Services (Principle 18)

I. Liquidity Provider uses aggregation services:

☐ Yes

☒ No

II. If 'Yes', Liquidity Provider's disclosure describing its aggregation services is located here:

III. Liquidity Provider's disclosure regarding use of liquidity sources is located here:

Internal sharing of Confidential FX Trading Information (Principle 19)

- I. Liquidity Provider's high level disclosure regarding internal sharing of confidential FX Trading Information is located here:

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.

Market Colour (Principle 20)

- I. Liquidity Provider's disclosure regarding use of Market Colour is located here:

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.