

## Prospectus Supplement to Short Form Base Shelf Prospectus dated March 11, 2020

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus supplement together with the short form base shelf prospectus dated March 11, 2020 to which it relates, as amended or supplemented, and each document incorporated by reference into such prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

The securities to be issued hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S under the U.S. Securities Act). See "Plan of Distribution" in the short form base shelf prospectus.

New Issue

March 11, 2020



### The Bank of Nova Scotia Senior Notes (Principal at Risk Notes)

#### Index Linked Notes

The Bank of Nova Scotia (the "Bank") may, from time to time, offer and issue unsecured and unsubordinated debt securities (principal at risk notes) (the "Notes") in one or more tranches or series as described in its short form base shelf prospectus dated March 11, 2020 (the "Prospectus") establishing the Bank's senior (principal at risk) note program. For the purpose of this prospectus supplement ("product supplement") the Notes will be linked to the performance of one or more indices or a basket of indices as specified in the relevant pricing supplement (a "pricing supplement") to be delivered together with the Prospectus and this product supplement.

**The Notes will not constitute deposits under the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime.**

The return on the Notes will be based on the performance of one or more indices or a basket of indices during the term of such Notes. The Notes are designed for investors seeking exposure to the specified index or indices, and who are prepared to assume the risks associated with an investment linked to the specified index or indices.

**An investment in the Notes involves risks. The Notes are not designed to be alternatives to fixed income or money market instruments. The Notes are only appropriate investments for persons who understand the risks associated with structured products and derivatives. The Notes are considered to be "specified derivatives" under applicable Canadian securities laws. An investment in the Notes does not represent a direct or indirect investment in the index or indices to which it is linked or its underlying interests, and investors do not have an ownership or any other interest (including voting rights or the right to receive any dividends, distributions or other income or amounts accruing or paid thereon) in respect of such index or indices or its or their underlying interests. A purchaser of Notes will be exposed to fluctuations and changes in the levels of the index or indices to which the Notes are linked. Index levels may be volatile and an investment linked to index levels may also be volatile. The Notes are linked to the price return version of the specified index or indices which reflects only the applicable price changes of its constituent securities and not the payment of any dividends, distributions or other income or amounts accruing or paid thereon. The Notes do not guarantee the repayment of any amount of the principal (subject to the minimum principal repayment as may be specified in the applicable pricing supplement), or the payment of any return and may be subject to a cap or other limitation on return and may be fully exposed to any decline in the value of the securities**

or other interests that comprise the specified index or indices. The amount received at maturity will depend on the price performance of the underlying index. A purchaser of Notes could lose substantially all of his or her investment in the Notes. See "Risk Factors" in the Prospectus, this product supplement and/or the applicable pricing supplement.

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## Prospectus for Notes

Notes that may be issued under the Bank's senior (principal at risk) note program are direct senior unsecured and unsubordinated debt securities. The index linked Notes will be described in separate documents, including: (1) the Prospectus, and (2) (i) this product supplement, which generally describes a particular type of Note the Bank may issue under its senior (principal at risk) note program, as described in the Prospectus, and/or (ii) a pricing supplement that contains the specific terms (including pricing information) about the Notes being offered. In respect of any particular index linked Notes the Bank may offer under its senior (principal at risk) note program, the Prospectus together with this product supplement and/or the applicable pricing supplement will collectively constitute the "prospectus" in respect of such Notes. Each of these documents should be read and considered carefully before a prospective purchaser makes an investment decision in respect of the Notes. See "About this Prospectus for Notes" in the Prospectus. A copy of the Prospectus for the Notes will be available at [www.investorsolutions.gbm.scotiabank.com](http://www.investorsolutions.gbm.scotiabank.com).

## Documents Incorporated by Reference

This product supplement is deemed to be incorporated by reference into the Prospectus solely for the purpose of the Notes issued pursuant hereto. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars.

**Any statement contained or contemplated in a document incorporated or deemed to be incorporated by reference into the Prospectus or in this product supplement will be deemed to be modified or superseded for purposes of this product supplement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference into the Prospectus or in this product supplement modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this product supplement.**

## Caution Regarding Forward-Looking Statements

See "Forward-Looking Statements" in the Prospectus and the applicable pricing supplement for any Notes offered.

## Trademark Notice

<sup>TM</sup> Trademark of The Bank of Nova Scotia, used under license (where applicable). Scotiabank is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate including Scotia Capital Inc. (Member-Canadian Investor Protection Fund and regulated by the Investment Industry Regulatory Organization of Canada). Important legal information may be accessed at <https://www.gbm.scotiabank.com/en/legal.html>. Products and services described are available only by Scotiabank licensed entities in jurisdictions where permitted by law. This information is not directed to or intended for use by any person resident or located in any country where its distribution is contrary to its laws. Not all products and services are offered in all jurisdictions.

## Description of Index Linked Notes

The following terms and conditions, subject to completion and amendment and as supplemented or varied as specified in the applicable pricing supplement, will be applicable to index linked Notes. The applicable pricing supplement in relation to any particular Notes offering may specify other terms and conditions which will, to the extent so specified or to the extent inconsistent with the following conditions, replace or modify the following conditions for the purposes of such Notes.

### Indices

Notes issued pursuant hereto will be linked to a particular index or a basket of indices which will be specified in the relevant pricing supplement. If the return on Notes is linked to a basket of indices, the relevant pricing supplement will indicate the relative weighting of each index in the basket and any other compositional or weighting factors relevant to such basket.

In this product supplement, references to "Indices" means one or more indices to which the Notes are linked as specified in the applicable pricing supplement, and references to an "Index" means any one of the Indices. References herein to "underlying interests" are to the securities or other interests that comprise an Index and references to an "Index Sponsor" or "Index Sponsors" are to the public sponsor or sponsors of the Indices to which the Notes are linked as specified in the applicable pricing supplement.

Unless otherwise specified in a pricing supplement in respect of the Notes, the Bank is not, and is not related to, any Index Sponsor. To the extent the Bank is not, and is not related to, an Index Sponsor:

- (a) the Notes are not issued, endorsed, sponsored or promoted by and are not financial or legal obligations of such Index Sponsor;
- (b) the trade names, service marks, trademarks or registered trademarks of such Index Sponsor are the property of their owner;
- (c) neither the Bank nor any Investment Dealer makes any representation or warranty as to the accuracy or completeness of information regarding the Index or the Index Sponsor;
- (d) neither the Bank nor any Investment Dealer has participated in the preparation of publicly available information or made any due diligence inquiry with respect to the Index or the Index Sponsor;
- (e) the Index Sponsor makes no warranties and bears no liabilities with respect to the Notes or the administration or operation of the Notes;
- (f) the Notes have not been reviewed by the Index Sponsor as to their legality or their suitability for investment; and
- (g) neither the Bank nor any Investment Dealer can give any assurance that all events occurring prior to the date of the relevant pricing supplement that would affect the levels of the Index or the value of the underlying interests (and therefore the level of the Index at the time the Notes are priced) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material events concerning the Index, an Index Sponsor or the underlying interests could affect the amounts that may be payable on the Notes and therefore the market value of the Notes in a secondary market, if any.

Information regarding an Index and Index Sponsor may be obtained from various public sources including, the Index Sponsor's website and other sources publicly disseminated by an Index Sponsor. Where the Bank is not, and is not related to, an Index Sponsor, any and all information regarding such

Index Sponsor and the Indices it sponsors included in any pricing supplement will be derived from such publicly available information. The Bank and the Investment Dealers are not responsible for an unrelated Index Sponsor's public disclosure of information on itself or the relevant Index, whether contained in filings made with a securities regulator or otherwise.

The inclusion or exclusion of underlying interests in an Index is not a recommendation by the Bank or any Investment Dealer to invest in or divest such underlying interests. The Bank and any Investment Dealer appointed in respect of the offering of the Notes makes no representation as to the performance of any Index or its underlying interests. A prospective investor should undertake such independent investigation of an Index and its underlying interests as the investor considers necessary in order to make an informed decision as to the merits of an investment in the Notes.

### **Maturity Date**

The maturity date for the Notes will be specified in the relevant pricing supplement. The Bank will redeem the Notes on their maturity date, subject to (i) early redemption or call rights, which will be specified in the applicable pricing supplement, or (ii) redemption under Special Circumstances (as defined below), which includes a Market Disruption Event in certain circumstances. See "Special Circumstances - Market Disruption Event" and "Special Circumstances - Redemption by the Bank under Special Circumstances".

### **Amounts Payable**

The return on the Notes, if any, will be based on the performance of the Indices to which the Notes are linked determined as specified in the applicable pricing supplement. The performance of each Index will be measured from the level of the Index at another one or more points in time and may be based on an average of measurements of the level of the Index made at various points in time, or on the lowest measurement of the level of the Index during a period of time, to the level of the Index at a subsequent point in time, in each case determined as specified in the applicable pricing supplement. Measurement of Index levels may be determined by reference to closing levels of the Indices or determined in accordance with a specified formula or other method of calculation and may occur at one or more intervals over the term of the Notes, all as specified in the applicable pricing supplement. Measurement of any other factors relating to the Indices relevant to payments that may be made on the Notes from time to time will be determined as specified in the applicable pricing supplement. The percentage change in an Index level over the measurement period, and in turn, the return on the Notes, may be zero, positive or negative.

The specific formula for determining the return on the Notes will be set out in the applicable pricing supplement for such Notes. The return on the Notes will depend on the percentage change in Index levels over the term of the Notes and may be:

- enhanced by a participation rate which may amplify, maintain or reduce the return on the Notes;
- subject to an upper limit or cap;
- subject to a lower limit or floor;
- subject to such other variables or methods of calculation as described in the applicable pricing supplement; or
- reduced by an amount attributed to withholding taxes on dividends or other distributions paid on the underlying interests.

Changes in Index levels during the term of the Notes may not be reflected in the calculation of the return on the Notes. The Calculation Agent (as defined in the Prospectus) will calculate the return by

comparing only the Index level at one or more points in time relative to the Index level at one or more subsequent points in time, all as specified in the applicable pricing supplement. No other Index levels or values will be taken into account. For Notes that are linked to the positive performance of the Index, the return on the Notes may be negative and a purchaser of the Notes may lose substantially all of the principal of the Notes, even if the change in an Index level is positive at certain times during the term of the Notes, as the change in Index level may be negative on the day it is determined for purposes of calculating the return. For Notes that are linked to the negative performance of the Index, the reverse scenario would apply and the return on the Notes may be positive if the change in the level of the Index is negative. Accordingly depending on the direction of and percentage change in the level of the Index measured at one or more points in time to one or more subsequent points in time, as specified in the applicable pricing supplement, the return on the Notes may be negative and a purchaser of the Notes may lose substantially all of the principal of the Notes. In addition, if the return on the Notes is based on the performance of more than one Index, the level of one or more Indices could increase or decrease over the term of the Notes, but be offset or negated by decreases or increases in the levels of the other Indices, as the case may be.

Any payment due and payable on the Notes on a date that is not a Business Day (as defined below) will be postponed until the immediately following Business Day, subject to the occurrence of a Market Disruption Event or Special Circumstance.

#### ***Principal at Risk Notes***

The Notes are principal at risk notes, meaning that the repayment of any of the principal of such Notes is not guaranteed (subject to the minimum principal repayment as specified in the applicable pricing supplement), the amount payable on such Notes at maturity will be the principal amount of the Notes plus the return on the Notes, the aggregate of which is called the "Maturity Redemption Amount". The return on principal at risk Notes may be negative and, accordingly, the Maturity Redemption Amount may be less than the principal amount of the Notes. The return on principal at risk Notes will be determined in the manner described in the applicable pricing supplement and may be paid at maturity or at various times over the term of the Notes, all as specified in the applicable pricing supplement. See "Description of the Notes - Principal at Risk" in the Prospectus.

#### ***Partially Principal Protected Notes***

If the Notes are partially principal protected notes, meaning that the minimum principal repayment on such Notes will be equal to the amount of the principal that is protected, the amount payable on such Notes at maturity will be the greater of the Maturity Redemption Amount and the amount of the principal that is protected. The return on partially principal protected Notes may be negative and, accordingly, the Maturity Redemption Amount payable may be less than the principal amount of the Notes. The return on partially principal protected Notes will be determined in the manner described in the applicable pricing supplement and may be paid at maturity or at various times over the term of the Notes, all as specified in the applicable pricing supplement. See "Description of the Notes - Principal at Risk" in the Prospectus.

#### ***Return of Capital Notes***

If specified in the relevant pricing supplement, some or all of the principal of the Notes may be repaid to purchasers in instalments over the term of the Notes and such Notes are referred to as "return of capital" Notes or "ROC Notes". Instalment payments of principal made over the term of ROC Notes reduce the outstanding principal payable at maturity. ROC Notes may be partially principal protected notes or principal at risk notes, as specified in the applicable pricing supplement.

## Special Circumstances

The following terms, conditions and definitions, subject to completion and amendment and as supplemented or varied as specified in the applicable pricing supplement, will be applicable to index linked Notes. The applicable pricing supplement in relation to any particular Notes offering may specify other terms, conditions and definitions which will, to the extent so specified or to the extent inconsistent with the following conditions, replace or modify the following for the purposes of such Notes.

### Determinations of the Calculation Agent

All calculations and determinations in respect of the Notes made by the Calculation Agent will, absent manifest error, be final and binding on the holders of Notes and will be made in the Calculation Agent's sole and absolute discretion. In certain circumstances, the Bank will appoint one or more independent calculation experts. The Calculation Agent will not be responsible for its errors or omissions if made in good faith. See "Description of the Notes - Calculation Agent" and "Description of the Notes - Independent Calculation Experts" in the Prospectus.

### Defined Terms

The following terms have the meanings set out below:

"Business Day" means a day, other than a Saturday, or a Sunday or a statutory holiday, on which commercial banks are open for business in Toronto. If any date on which any action is otherwise required to be taken in respect of the Notes is not a Business Day, the date on which such action will be taken, except as otherwise indicated, will be the immediately following Business Day and, if the action involves the payment of any amount, no interest or other compensation will be paid as a result of such delay.

"Closing Index Level" means, in respect of an Index, the official closing level or value of the applicable Index on a given day as calculated and announced by the Index Sponsor on an Exchange Business Day, provided that, if the Index Sponsor materially changes the time of day at which such official closing level is determined, the Calculation Agent may thereafter deem the Closing Index Level to be the level of that Index as of the time of day used by such Index Sponsor to determine the official closing level prior to such change.

"Early Closure" means the closure on any Exchange Business Day of any Exchange or any Related Exchange prior to its Scheduled Closing Time.

"Exchange" means any exchange or trading system on which the underlying interests of the Index are traded.

"Exchange Business Day" means any day on which each Exchange and each Related Exchange are scheduled to be open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Final Index Level" means, in respect of an Index, the Closing Index Level as calculated and announced by the Index Sponsor on the Final Valuation Date.

"Final Valuation Date" will be a date specified in the applicable pricing supplement, provided that if the Final Valuation Date is not an Exchange Business Day, then the Final Valuation Date will be the immediately preceding Exchange Business Day.

“Index Return” means, in respect of an Index, an amount, which can be zero, positive or negative, expressed as a percentage (rounded to two decimal places) calculated by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Final Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}}$$

“Initial Index Level” means, in respect of an Index, the Closing Index Level as calculated and announced by the Index Sponsor on the Initial Valuation Date.

“Initial Valuation Date” will be a date specified in the applicable pricing supplement, provided that if the Initial Valuation Date is not an Exchange Business Day, the Initial Valuation Date will be the first succeeding day that is an Exchange Business Day.

“Issue Date” will be a date, as specified in the applicable pricing supplement as the date on which the Notes are to be issued.

“Related Exchange” means, in respect of an Index, any exchange, trading system or market quotation system on which futures, options or other similar instruments related to the Index are listed or traded from time to time.

“Scheduled Closing Time” means, in respect of an Exchange or Related Exchange and an Exchange Business Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Exchange Business Day, without regard to after hours or any other trading outside of the regular trading session hours.

“Valuation Date” means, as applicable, the Initial Valuation Date or the Final Valuation Date or such other date, or dates, including without limitation, any valuation dates relating to an automatic call feature of the Notes in favour of the Bank or any valuation dates related to any payments that may be payable on the Notes during the term of the Notes, as specified in the applicable pricing supplement as a valuation date.

### **Index Adjustments**

If, during the term of the Notes, an Index: (i) ceases to be calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) is replaced by a successor index (the “Successor Index”) using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then in each case such Successor Index will be deemed to be the Index and such successor sponsor will be deemed to be the Index Sponsor.

If the Calculation Agent determines that any one of the following occurs in respect of an Index during the term of the Notes (each a “Material Index Change”):

- (a) on any Valuation Date, the Index Sponsor fails to calculate or announce the Closing Index Level;
- (b) the Index Sponsor announces that it will make a material change to the formula for calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in the underlying interests and capitalization or other routine events) or permanently cancels the Index and no Successor Index exists;
- (c) the Bank determines, in its sole discretion, that it has ceased to have any necessary licence or right to utilize the Index in connection with the Notes; or

- (d) on any Exchange Business Day during the term of the Notes, the Index Sponsor fails to calculate or announce the Closing Index Level,

then the Calculation Agent may (A) calculate the Index Return using, in lieu of a published value for the Closing Index Level, the Closing Index Level as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to the change, failure or cancellation, but using only the underlying interests that comprised the Index immediately prior to that Material Index Change, or (B) determine if another comparable index exists that (1) is reasonably representative of the market which was represented by the Index affected by the Material Index Change, and (2) may be as efficiently and economically hedged by dealers in such market as such Index was so hedged. If the Calculation Agent determines that such other comparable index exists, then such other comparable index shall replace the Index as of the date of such determination. Upon any such replacement (a "Replacement Event"), the Successor Index shall be deemed to be the Index for purposes of determining the Index Return for the purposes of the Notes in the future and the Bank shall, as soon as practicable after such Replacement Event, make adjustments to any one or more of the components or variables relevant to the calculation of any amounts payable on the Notes. Adjustments will be made in such a way as the Calculation Agent determines appropriate to account for the performance of the Index up to the occurrence of such Replacement Event and the subsequent performance of the Successor Index in replacement thereof thereafter. Upon any Replacement Event and the making of any such adjustment, the Calculation Agent shall promptly give notice and brief details at [www.investorsolutions.gbm.scotiabank.com](http://www.investorsolutions.gbm.scotiabank.com). See "Special Circumstances - Redemption by the Bank Under Special Circumstances".

#### **Market Disruption Event**

If the Calculation Agent determines, in its sole discretion, that a Market Disruption Event (as defined below) in respect of an Index has occurred and is continuing on the Issue Date or on any Valuation Date then the Issue Date or that Valuation Date, as the case may be, the determination of the applicable Closing Index Level, the calculation of the applicable Index Return, and any other determination or calculation to be made on the Issue Date or such Valuation Date, as the case may be, will be postponed to the next Exchange Business Day on which there is no Market Disruption Event in effect.

If, on the eighth Exchange Business Day following the date originally scheduled as the Issue Date or a Valuation Date, as the case may be, such Issue Date or Valuation Date, as applicable, has not occurred due to a Market Disruption Event, then, subject as set forth below, and despite the occurrence of any Market Disruption Event in respect of that Index on or after such eighth Exchange Business Day, the Calculation Agent may determine that:

- (a) such eighth Exchange Business Day shall be the Issue Date or the Valuation Date, as applicable, and
- (b) the Closing Index Level of such Index for such Issue Date or Valuation Date, as applicable, used in the calculation of the Index Return will be equal to the estimate of the Calculation Agent for the Closing Index Level as at such Valuation Date reasonably taking into account all relevant market circumstances.

A Market Disruption Event may delay the determination of a Closing Index Level or the Index Return and consequently, the calculation and payment of any amounts that may be payable on the Notes, during the term and at maturity, as applicable, including the Maturity Redemption Amount. In such circumstances, the Bank may delay such payment until the tenth Business Day following the determination of the applicable Closing Index Level or Index Return or the calculation of any other amounts payable on the Notes and no interest shall be paid in respect of such delay.

“Market Disruption Event” means, in respect of an Index, the occurrence or existence of any *bona fide* event, circumstance or cause (whether or not reasonably foreseeable) beyond the reasonable control of the Bank or any person that does not deal at arm’s length with the Bank which has or will have a material adverse effect on the ability of market participants generally to acquire, establish, re-establish, substitute, maintain unwind, modify or dispose of hedges of positions in respect to such Index. A Market Disruption Event in respect of an Index may include, without limitation, any of the following events:

- (a) any failure of trading to commence, or the permanent discontinuance of trading, or any suspension of or limitation imposed on trading by any relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by any relevant Exchange or Related Exchange or otherwise (i) relating to underlying interests that comprise 20% or more of the Index, or (ii) in futures or options contracts relating to the Index on any relevant Related Exchange;
- (b) the failure of the Index Sponsor to announce or publish the Index (or the information necessary for determining the Closing Index Level), or the temporary or permanent discontinuance or unavailability of the Index Sponsor;
- (c) an Early Closure unless such Early Closure is announced by such relevant Exchange or Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Scheduled Closing Time on such Exchange Business Day;
- (d) any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for underlying interests that comprise 20% or more of the value of the Index, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Index on any relevant Related Exchange;
- (e) the failure on any Exchange Business Day of any relevant Exchange or relevant Related Exchange to open for trading during its regular trading session;
- (f) the adoption, change, enactment, publication, decree or other promulgation of any statute, regulation, rule or notice, howsoever described, or any order of any court or other governmental or regulatory authority, or any issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, howsoever described or any other event that makes or would make it unlawful, impracticable or disadvantageous for the Bank to perform its obligations under the Notes or for dealers to generally acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of the Index or to realize, recover or remit the proceeds of any such hedge transaction in respect of the Index or has or would have a material and adverse effect on the economy or the trading of securities generally on any relevant Exchange or Related Exchange;
- (g) the taking of any action by any governmental, administrative, legislative or judicial authority or power of any country, or any political subdivision thereof, which has a material adverse effect on the financial markets of Canada or the U.S. or the country in which any relevant Exchange or relevant Related Exchange is located;
- (h) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) that has or would have a material adverse effect on the ability of the Bank to perform its obligations under the Notes or of dealers

generally to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of the Index or to realize, recover or remit the proceeds of any such hedge transaction in respect of the Index or has or would have a material and adverse effect on the economy or the trading of securities generally on any relevant Exchange or Related Exchange;

- (i) an increase in the cost of acquiring, placing, establishing, re-establishing, substituting, maintaining, modifying or unwinding or disposing of any hedge transaction in connection with the Index or in the cost of realizing, recovering or remitting the proceeds of any such hedge transaction;
- (j) the termination or material amendment of any hedging contract with a third party; or
- (k) a significant adverse risk to investors, as determined by the Calculation Agent, regarding the market price, value, marketability, or return payable (including the risk of the imposition of U.S. withholding tax) with respect to the Notes as a result of any adoption of, or any change in, any law, order, regulation, tax, decree or notice, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice.

#### **Redemption by the Bank under Special Circumstances**

Upon the occurrence of a Special Circumstance, the Bank may elect at its absolute discretion to redeem all, but not less than all, of the Notes. If the Bank so elects, it will provide notice thereof to the Investor, on an Exchange Business Day on or after which such Special Circumstance has occurred which notice will include a date for the redemption of the Notes (the "Special Redemption Date") which will be not more than ten Exchange Business Days following delivery of such notice by the Bank. In such event, the Calculation Agent will determine the value of the Notes (the "Accelerated Value") acting in good faith in accordance with industry-accepted methods taking into account all relevant market circumstances. The Bank will make available to investors on the Special Redemption Date, the Accelerated Value payable pursuant to such redemption, through CDS Clearing and Depository Services Inc. or its nominee. Upon the determination of the Accelerated Value, the investor's right to receive any further payments on the Notes will be extinguished. It is possible that the Accelerated Value may be less than the amount that might have been payable at maturity of the Note absent the occurrence of the Special Circumstance and the election by the Bank to pay the Accelerated Value.

"Special Circumstance" means:

- (a) the determination by the Calculation Agent that a Market Disruption Event has occurred and has continued for at least eight (8) consecutive Exchange Business Days; or
- (b) the occurrence of a Material Index Change and, if applicable, the Calculation Agent has elected not to choose a Successor Index or calculate the Index, as the case may be, as provided for above under "Index Adjustments".

#### **Available Information Regarding Notes and Index Levels**

Investors may obtain current information regarding the Notes and the percentage change in Index levels for such Notes at a point in time at [www.investorsolutions.gbm.scotiabank.com](http://www.investorsolutions.gbm.scotiabank.com). Such information includes the key terms of the Notes (i.e. maturity date, term, amount of the Notes that is principal protected, underlying interests, and availability of secondary markets), the current performance of the Notes (i.e. initial price, current price and return since inception), the performance of the Indices and any applicable early trading charges. The percentage change in the Index levels posted at

www.investorsolutions.gbm.scotiabank.com will be calculated as if the date on which the information is provided is the maturity date of the specified Notes and does not reflect the resale price of such Notes prior to their maturity date. See “Secondary Market for Notes” in the Prospectus.

### **Historical Index Level Information**

The Bank may provide historical information relating to the levels of the Index or Indices to which the Notes are linked in the pricing supplement for such Notes. A purchaser should not take any such historical Index levels as an indication of future performance. The Bank cannot provide any assurance that the level of any Index will not decrease. A purchaser of Notes may receive little or no return on the Notes and the amounts payable on such Notes may be substantially less than the principal amount thereof.

### **Hypothetical Returns on the Notes**

The pricing supplement for the Notes may include a table, chart, hypothetical examples for illustrative purposes, or other explanation showing a hypothetical return for such Notes at maturity (or prior to maturity in the respect of Notes that are subject to an automatic call feature in favour of the Bank), based on a range of hypothetical Index levels and on various key assumptions shown in the pricing supplement. Any such information will be provided for purposes of illustration only; it should not be viewed as an indication or prediction of future investment results. Such information is intended merely to illustrate the impact of various hypothetical market levels of the Index or Indices on any valuation date as calculated in the manner described in the relevant pricing supplement and assuming all other variables remained constant.

As shown in the applicable pricing supplement, the hypothetical amounts payable on the Notes may bear little or no relationship to the actual market value of the Notes on that date or at any other time, including any time a purchaser of the Notes may wish to sell such Notes. In addition, a purchaser should not view such hypothetical amounts as an indication of the possible financial return on an investment in the Notes, since the financial return will be affected by various factors including taxes, if applicable, that the hypothetical information does not take into account. Moreover, whatever the financial return on the Notes might be, it may bear little relation to, and may be much less than, the financial return that a purchaser might realize from an investment in the underlying interests comprising the Index directly.

Various risk factors that may affect the market value of the Notes, and the unpredictable nature of that market value, are described under “Risk Factors” in the Prospectus, this product supplement and the relevant pricing supplement.

### **Dealings in Underlying Interests**

The Bank and its affiliates may from time to time, in the course of their respective normal business operations, have dealings in the underlying interests which make up an Index or with issuers of such underlying interests and certain of their affiliates (including acting as an advisor on corporate transactions either directly or indirectly through affiliates who provide such services in their normal course of business), including through the extension of credit to, or by investing in, such entities. The Bank and its affiliates will act in the normal course of business in these circumstances and will not take into account the effect, if any, of such actions on Index levels or any amounts that may be payable on the Notes or the interests of purchasers of Notes generally.

### **Canadian Taxation Considerations**

The principal Canadian federal income tax consequences generally applicable to an initial purchaser of the Notes will be described in the pricing supplement for such Notes.

## **Risk Factors**

An investment in the Notes is subject to the risks described below, as well as the risks described under “Risk Factors” in the Prospectus and the applicable pricing supplement. The Notes are not secured debt and involve greater risks than ordinary unsecured debt securities. Investing in the Notes is not equivalent to investing directly in the underlying interests comprising the Index or Indices to which the Notes are linked. **The Notes are not appropriate investments for persons who do not understand the risks associated with structured products or derivatives. Prospective purchasers should carefully consider whether the Notes are suited to their respective particular circumstances.**

**This section describes certain risks relating to an investment in the Notes. Prospective purchasers should read the following information about these risks, together with the other information in the Prospectus, this product supplement and/or the applicable pricing supplement, before investing in the Notes.**

### *Risk Factors Relating to the Offering of the Notes Generally*

#### **An investment in the Notes may result in a loss**

The Notes do not guarantee the return of the entire amount of the principal of the Notes and, unless otherwise specified in the applicable pricing supplement for the Notes, the Bank will not repay a fixed amount of principal on the Notes on their maturity date. The return on the Notes may be zero, positive or negative and will depend on the direction of and percentage change in the levels of the Index or Indices over the applicable measurement period and the specified correlation between the direction of such change and the return on the Notes. For Notes linked to the positive performance of the Index, as specified in the applicable pricing supplement, the amount payable on the Notes may be less than the principal amount per Note even if the Index level rises at certain periods during the term of the Notes. In addition, the level of one or more Indices could increase over the term of the Notes, but be offset or negated by decreases in the levels of the other Indices on which the return on the Notes is based. For Notes that are linked to the negative performance of the Index, the reverse scenario would apply and the return on the Notes may be positive if the change in the level of the Index is negative. Accordingly depending on the direction of and percentage change in the level of the Index measured at one or more points in time to one or more subsequent points in time, as specified in the applicable pricing supplement, the return on the Notes may be negative and a purchaser of the Notes may lose substantially all of the principal of the Notes. As a result, a purchaser of the Notes may receive at maturity less, and possibly significantly less, than the principal amount of such Notes. Subject to any minimum principal repayment as specified in the applicable pricing supplement, purchasers of Notes could lose their entire investment.

#### **The Notes are not suitable for all investors**

An investor should reach a decision to invest in Notes only after carefully considering, in conjunction with his or her own advisors (financial and tax), the suitability of the Notes in light of his or her investment objectives and the other information set out in the Prospectus, this product supplement and/or the applicable pricing supplement. None of the Bank, any Investment Dealer selling the Notes or any of their respective affiliates or associates makes any recommendation as to whether or not the Notes are a suitable investment for any person.

#### **The return on the Notes may be lower than the return on other debt securities of comparable maturity**

The return on the Notes, which could be negative, may be less than the return that could be earned on other investments, including traditional interest-bearing debt securities of the Bank with the same term to maturity as the Notes. Unlike traditional interest-bearing debt securities, subject to any minimum

principal repayment and as otherwise may be specified in the relevant pricing supplement, the Notes do not guarantee the return of a principal amount on their maturity date.

**Principal protection on the Notes depends on the creditworthiness of the Bank and does not apply to sales in the secondary market**

In respect of any partially principal protected Note, such principal protection applies only where the Notes are held to maturity and not if a purchaser chooses to sell the Notes in any secondary market prior to maturity. The ability to receive principal protection on the Notes depends on the creditworthiness of the Bank. The Notes, however, have not been and will not be specifically rated by any rating agency. There can be no assurance that if the Notes were specifically rated by these rating agencies that the Notes would have the same rating as the Bank's unsecured and unsubordinated obligations with a term to maturity of one year or more. A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency. See "Business of the Bank" and "Secondary Market for Notes" in the Prospectus.

**Uncertain return until maturity or early redemption**

The return on the Notes will be uncertain until maturity or early redemption. Whether there is a return on the Notes will depend on the performance of the Index or Indices and the amount of any principal repayments (subject to the minimum principal repayment as may be specified in the applicable pricing supplement) or other payments on the Notes over the term of the Notes (as specified in the applicable pricing supplement). There can be no assurance that the Notes will generate a positive return or that the objectives of the Notes will be achieved. Depending on the performance of the Index or Indices and the amount of any principal repayments (subject to the minimum principal repayment as may be specified in the applicable pricing supplement) or other payments on the Notes over the term of the Notes (as specified in the applicable pricing supplement), an investor could lose substantially all of his or her investment in the Notes (subject to the minimum principal repayment as may be specified in the applicable pricing supplement). Investors should understand that the risks associated with this type of investment are greater than that normally associated with other types of investments and the Notes are only appropriate for investors who understand the risks associated with structured products and derivatives.

**Non-Canadian investors may be subject to certain additional risks**

Unless otherwise specified in a pricing supplement, the Notes will be denominated in Canadian dollars. If you are a non-Canadian investor who purchases the Notes with a currency other than Canadian dollars, changes in exchange rates may have an adverse effect on the value, price or income of your investment.

If you are a non-Canadian investor you should consult your tax advisors as to the consequences, under the tax laws of the country where you are resident for tax purposes, of acquiring, holding and disposing of the Notes and receiving payments of principal or other amounts under the Notes.

**Owning the Notes is not the same as owning the underlying interests or a security directly linked to the performance of an Index or Indices**

The return on the Notes will not reflect the return an investor would realize on an investment directly in the underlying interests comprising the Index or Indices or a security directly linked to the performance of the Index or Indices held for a similar period because:

- the amount payable on the Notes may be subject to an upper limit or a cap;

- the return on the Notes may be subject to a participation rate which may reduce the return on the Notes;
- the return on the Notes may be reduced by an amount attributed to withholding taxes on dividends or other distributions paid on the underlying interests; and
- Index levels may not reflect the value of any dividends, distributions or other income or amounts paid on the underlying interests.

Even if Index levels appreciate from the Initial Index Level during the term of the Notes, the market value of the Notes may not increase by a corresponding amount. It is also possible for the market value of the Notes prior to maturity to decline while Index levels appreciate.

### **Special Circumstances will affect the return on the Notes**

If a Special Circumstance occurs, then the Bank may accelerate the calculation and payment of the return (if any) on the Notes. Unless otherwise specified in the relevant pricing supplement, in such case a holder of Notes will receive the Accelerated Value on such Notes and following such payment, no further payments will be made on such Notes. As a result, a holder of Notes may lose substantially all of his or her investment.

### **The Bank may be permitted to redeem the Notes prior to their maturity**

On the occurrence of a Special Circumstance or as otherwise specified in the applicable pricing supplement for the Notes, the Bank may have the right to redeem the Notes prior to their maturity date. If the Bank redeems, or “calls” the Notes prior to their maturity, investments in the Notes will terminate and holders of such Notes will not be entitled to any appreciation in Index levels or any regular payment of interest or principal, if applicable, after such redemption. Unless the redemption feature of the Notes is expressed in the applicable pricing supplement to be mandatory or automatic upon the occurrence of specified events, there is no assurance that the Bank will exercise any right of early redemption that it may have.

### ***Risk Factors Relating to Conflicts of Interest***

#### **The Bank’s other business activities may create conflicts of interest**

The Bank and its affiliates expect to engage in trading activities related to underlying interests, which activities will not be for the account of holders of the Notes and will not be undertaken on behalf of such holders. These trading activities may present a conflict between a holder’s interest in the Notes and the Bank’s or its affiliates’ interests in proprietary accounts and in facilitating transactions (including options and other derivatives transactions) for customers and in accounts under the management of the Bank’s or its affiliates’ management. These trading activities could influence the level, value or price of underlying interests or the Indices in a manner adverse to the interests of holders of the Notes. The Bank and its affiliates may, at present or in the future, engage in business with the issuers of underlying interests, including making loans to or providing advisory services (including investment banking and merger and acquisition advisory services). These activities may present a conflict between the Bank and its affiliates’, interests and the interests of holders of the Notes. Moreover, the Bank and its affiliates may have published, or in the future may publish, research reports with respect to the issuers of underlying interests. This research may be modified from time to time without notice and may express opinions or make recommendations that are inconsistent with purchasing or holding the Notes. Advisors at Scotia Capital Inc. or advisors at other dealers may request and may negotiate the terms of certain Notes on behalf of their clients, including any fees payable to such advisors under the Notes, which may pose a potential conflict of interest between the advisors and their clients. Any of these activities by the Bank or its affiliates may affect the level, price or value of the underlying interests or the Indices and, therefore,

the market value of the Notes. The Bank will carry on business including with respect to its dividend policy without regard to the effect that its decisions may have on the Notes. See “Dealings in Underlying Interests”.

**Trading and other transactions by the Bank or its affiliates in underlying interests or derivative products on underlying interests or indices may adversely affect the market value of the Notes**

The Bank or one or more of its affiliates may hedge the Bank’s obligations under the Notes by purchasing or selling underlying interests, or futures contracts, options or other derivatives relating to underlying interests or Indices, and the Bank may adjust these hedges by, among other things, purchasing or selling any of the foregoing at any time. Although they are not expected to, any of these hedging activities may decrease the market price of underlying interests and/or Index levels, and, therefore, decrease the market value of the Notes. It is possible that the Bank or its affiliates could receive substantial returns from these hedging activities while the market value of the Notes declines.

The Bank and its affiliates may also engage in trading in underlying interests and other investments relating to those interests or an Index on a regular basis as part of their respective businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers including block trade transactions. Any of these activities could decrease the market price of underlying interests and/or Index levels and, therefore, decrease the market value of the Notes. The Bank and its affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the performance of underlying interests or an Index. By introducing competing products into the marketplace in this manner, the Bank or its affiliates could adversely affect the market value of the Notes.

**Potential conflicts of interest if the Bank is, or is related to, the Index Sponsor**

The Bank or one or more of its affiliates may be an Index Sponsor. In certain circumstances, the Bank’s role and responsibilities as an Index Sponsor may give rise to conflicts of interest. Even though Indices will be calculated in accordance with certain principles or rules, such calculations may require certain judgments and decisions to be made. If the Bank is, or is related to, an Index Sponsor, the Bank will be directly or indirectly responsible for these judgments and decisions. Determinations made by an Index Sponsor could affect the level of the applicable Index. Further, in certain circumstances where one of the Bank’s affiliates is an Index Sponsor, there may be a conflict of interest between the Bank and such affiliate in its capacity as the Index Sponsor and the Bank’s role in trading underlying interests and derivatives instruments. The Bank or its affiliates may hedge the market risks to the Bank associated with its obligation to pay amounts due on the Notes. The Bank or its affiliates expect to make a profit in connection with these arrangements.

**Potential conflicts of interest between holders of Notes and the Calculation Agent**

The Calculation Agent will, among other things, determine the amount payable on the Notes. The Bank may change the Calculation Agent after the Issue Date of any Notes without notice to the holders thereof. See “Description of the Notes - Calculation Agent” in the Prospectus. The Calculation Agent will exercise judgment when performing its functions. For example, the Calculation Agent may have to determine whether a Market Disruption Event or Special Circumstance has occurred. Since these determinations by the Calculation Agent will affect the amount payable on the Notes, the Calculation Agent may have a conflict of interest if it needs to make any such decisions.

## *Risk Factors Relating to Indices*

### **Volatility of equity markets**

Underlying interests, including the equity securities are susceptible to general market fluctuations and increases and decreases in value based on many unpredictable factors including, but not limited to, market confidence, the perception of equity markets generally and the perceptions of a specific issuer or issuers of securities. Such perceptions themselves are based on unpredictable factors including past performance, expectations with regard to domestic, economic, monetary and regulatory policies, inflation and interest rates, economic expansion or contraction and domestic and international political, economic, financial and social policies. If the volatility, or anticipated volatility, of an Index changes during the term of the Notes, the trading value of the Notes may be adversely affected. In periods of high volatility, the likelihood of an investor not receiving a return of the full principal amount of the Notes increases.

### **Securities issued by foreign issuers may be subject to additional risks**

Underlying interests that are foreign securities, and foreign securities markets, may be more volatile than Canadian securities and securities markets. Direct or indirect government intervention to stabilize foreign securities markets, as well as cross shareholding in foreign issuers may affect trading prices and volumes in those markets. There may be less publicly-available information about foreign issuers than there is about Canadian issuers subject to the reporting requirements of the Canadian securities regulators, and foreign issuers are subject to accounting, auditing and financial reporting standards and requirements that may be different from those applicable to Canadian reporting issuers. Where a foreign issuer reports, or its securities trade, in a currency other than the Canadian dollar, there may be currency risk, and performance of the Notes, the Indices and/or the underlying interests may be affected by currency fluctuations and volatility.

### **Notes linked to one Index or a limited number of Indices may be subject to concentration risk**

Notes that are linked to one Index only, or a limited number of Indices only, offer less diversification and increased concentration risk than an investment linked to more broadly diversified underlying interests. and are potentially subject to greater volatility. In addition, market conditions that adversely affect underlying interests comprising the Index or Indices are more likely to adversely affect other underlying interests represented in the Index or Indices.

### **Holders of the Notes will not have any rights in respect of any underlying interests**

The Notes do not represent a direct or indirect investment in the underlying interests. A holder of the Notes will not have any right or entitlement in the underlying interests including voting rights, or the right to receive any dividends, distributions or other income or amounts accruing or paid thereon or any other rights with respect to the underlying interests.

There is generally no restriction on the Bank's, or its affiliates', ability to hedge, sell, pledge or otherwise convey all or any of the underlying interests acquired by the Bank or its affiliates. Neither the Bank nor its affiliates will hedge, pledge or otherwise hold any underlying interests for the benefit of holders of the Notes under any circumstances. Consequently, in the event of bankruptcy, insolvency or liquidation of the Bank, any such underlying interests owned by the Bank or its affiliates will be subject to the claims of the Bank's creditors generally and will not be available for the benefit of holders of the Notes specifically.

### **Changes that affect Indices will affect the market value of the Notes and the amount payable on the Notes**

The policies of an Index Sponsor concerning the calculation of an Index, additions, deletions or substitutions of the underlying interests and the manner in which changes affecting those underlying

interests or the issuers thereof, such as dividends, distributions or other income or amounts paid thereon reorganizations or mergers, may be reflected in the value of the relevant Index and could affect the amount payable on the Notes and the market value of the Notes prior to maturity. The amount payable on the Notes and their market value could also be affected if the Index Sponsor changes these policies, for example by changing the manner in which it calculates an Index, or if the Index Sponsor discontinues or suspends calculation or publication of an Index, in which case it may become difficult to determine the market value of the Notes. If events such as these occur, or if an Index level is not available because of a Market Disruption Event or for any other reason and no Successor Index is selected, the Calculation Agent may determine such Index level and the amount payable on the Notes in a manner it considers appropriate, in its sole discretion, subject to confirmation by an independent calculation expert if a determination contemplated to be made by the Calculation Agent following the occurrence of Special Circumstance involves the application of material discretion and is not based on information or calculation methodologies compiled, utilized or provided by, or derived from, independent third party sources (including hedge counterparties). See "Market Disruption Event" and "Special Circumstance".

### **The Bank and the Investment Dealers are not responsible for the public disclosure of Index Sponsors**

Where the Bank is not, and is not related to, an Index Sponsor, such Index Sponsor will not be involved in the offering of the Notes, will have no obligation of any sort with respect to the Notes and will have no obligation to take the interests of holders of Notes into consideration for any reason, including in taking any corporate actions that might affect the value of the Notes.

Where the Bank is not, and is not related to, an Index Sponsor, the Bank does not, and in all cases the Investment Dealers do not, assume any responsibility for the adequacy or completeness of the information about such Index Sponsor or the relevant Index contained in this product supplement, any pricing supplement or in any of the Index Sponsor's publicly available information or determine if there has been any omission by any Index Sponsor to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any information has been furnished by any Index Sponsor which may affect the significance or accuracy of such information. The Bank and the Investment Dealers are not responsible for an unrelated Index Sponsor's public disclosure of information with respect to itself or the relevant Index, whether contained in filings made with securities regulators or otherwise. See "Description of Index Linked Notes - Indices" in this product supplement.

### **A Market Disruption Event may affect the determination of Index levels**

The Calculation Agent may determine, in its sole discretion, that certain events constitute a Market Disruption Event, whereby the Calculation Agent would be entitled to postpone a Valuation Date specified in the applicable pricing supplement for the determination of a Closing Index Level to a later date in respect of the affected Index which may delay the calculation and/or payment of any amounts that may be payable on the Notes. Fluctuations in the Closing Index Level may occur in the interim. In certain cases, a Market Disruption Event may result in a change to the formula for calculating any amounts that may be payable on the Notes. As a result of such events, the amounts that may be payable on the Notes may be adversely affected. See "Special Circumstances - Market Disruption Event" in this product supplement.

### **A Material Index Change may affect the value of the Notes**

Certain events may constitute a Material Index Change, whereby the Calculation Agent may be entitled to substitute the Index for another Index and, as a result, make adjustments to the formula for calculating any amounts that may be payable on the Notes. Such events or actions may affect the value of the Notes and the amounts that may be payable on the Notes.

**Historical performance of an underlying interest or an Index should not be taken as an indication of future performance**

The performance of any underlying interest will affect Index levels and, therefore, the value of the Notes. The historical performance of an underlying interest or an Index is not necessarily an indication of the future performance of such underlying interest or Index. As a result, it is impossible to predict whether the value of an underlying interest or Index levels will rise or fall during the term of the Notes. The value of an underlying interest and Index levels will be influenced by complex and interrelated political, geopolitical, social, economic, financial and other factors. See “Historical Index Level Information” in this product supplement.

***Risk Factors Relating to the Secondary Market***

**There may not be an active trading market for the Notes**

There may be little or no secondary market for the Notes. Unless otherwise specified in the relevant pricing supplement, the Notes will not be listed or quoted on any securities exchange or any electronic communications network. Scotia Capital Inc. and other affiliates of the Bank may under normal market conditions, provide a secondary market for the Notes, but they are not obligated to do so, and they may stop any such market-making activities at any time in their sole and absolute discretion, without prior notice to investors. A prospective investor should not base his or her decision to purchase the Notes on the availability of a secondary market or, if a secondary market is available, on the expectation that the bid price for the Notes will be equal to or greater than the Principal Amount invested by such investor. See “Secondary Market for Notes” in the Prospectus.

**The market value of the Notes may be influenced by unpredictable factors and sales of the Notes in the secondary market may result in significant losses**

Even if a secondary market for the Notes develops and is maintained, it may not provide significant liquidity or trade at prices advantageous to purchasers of the Notes. Many factors independent of the Bank’s creditworthiness may affect the trading market and market value of the Notes. These factors include, but are not limited to:

- the trading price of underlying interests and the degree to which the performance of each underlying interest correlates to one another;
- the volatility of the Index or Indices to which the Notes are linked;
- the dividend or distribution rate or any other income or amounts paid, if any, on the underlying interests (while not paid to holders of the Notes, dividend or distribution payments or any other income or amounts paid, on the underlying interests may influence the market level of Indices or options on Indices);
- economic, financial, regulatory, political, military, judicial and other events that affect stock markets generally and which may affect Index levels;
- the time remaining to the maturity of the Notes;
- any early redemption (or call) features of the Notes;
- the level, direction and volatility of interest rates and currency exchange rates;
- disruptions of market trading in the underlying interests and related futures markets; and

- the quantity and liquidity of the underlying interests.

These factors interrelate in complex ways, and the effect of one factor on the market value of the Notes may offset or enhance the effect of another factor.

Notes that are designed for specific investment objectives or strategies may have a more limited trading market and may experience more price volatility. There may be a limited number of buyers for such Notes and this may affect the price received for such Notes in the secondary market or the ability to sell such Notes at all.

Transaction costs in any secondary market are expected to be high. The difference between bid and ask prices for the Notes in any secondary market could be substantial. Sales in the secondary market may be subject to fees or charges. If holders of Notes wish to sell their Notes before maturity, they may have to do so at a substantial discount from the issue price and, as a result, may suffer substantial losses. See “Secondary Market for Notes” in the Prospectus.