Summary of the TDS London Best Execution Policy

September 2019

1. Introduction

The Summary of the TDS London Best Execution Policy outlines the key arrangements The Toronto-Dominion Bank (London Branch), TD Securities Limited and TD Bank Europe Limited (collectively, **"the Firm"**) has in place to comply with the Best Execution and Order Handling obligations, as required by the Markets in Financial Instruments Directive 2014/65/ EU (**"MiFID II"**) and the rules of the Financial Conduct Authority (**"FCA"**).

2. Best Execution

The Firm is required when executing Orders on behalf of "Professional" clients to take all sufficient steps to obtain the best possible result for its clients on a consistent basis, taking into account the execution factors: **price, cost, speed, likelihood of execution and settlement, size, nature of the transaction or any other execution consideration**. This requirement also applies when the Firm receives and transmits client Orders and is known as the Best Execution obligation (**"Best Execution"**).

3. Scope of the Policy

3.1 Geographical and Entity Scope

The TDS London Best Execution Policy (**"the Policy"**) applies to transactions when the Firm's trading employees execute the transaction.

The Policy does not apply to transaction(s) that are executed by employees of entities not regulated within the European Economic Area (**"EEA"**), including their branches where there is no involvement of the Firm. Therefore, clients receiving their execution outside of the EEA maybe entitled to the local Best Execution rules of the jurisdiction in which the executing entity is situated.

3.2 Client Categorisation

The Best Execution obligations will apply to clients of the Firm classified as "Professional".

The Firm is not obligated, in accordance with MiFID II, to provide Best Execution to clients classified as "Eligible Counterparties" by the Firm. The Firm is not permitted to, and does not, deal with "Retail" clients.

3.3 Financial Instruments

The Best Execution obligation is applicable to MiFID II Financial Instruments listed in Appendix I when the Firm:

- Receives and transmits client Orders for execution; and
- Executes Orders and Request for Quotes (**"RFQs"**) on behalf of its clients.

4. Specific Instructions from Clients

Where a client gives the Firm specific instruction(s) in relation to the handling and execution of the entire Order or particular aspect(s) of the Order (including executing at a particular price or time, a particular execution venue, or the use of a specific strategy), the Firm will execute the Order following the specific instruction(s).

Notwithstanding the above, where a client gives the Firm specific instruction(s) which covers a part of or an aspect of the Order this will not release the Firm of its Best Execution obligation in respect of any other part or aspect of the client's Order that is not covered by such instruction(s).

It is important to note that any specific instruction(s) provided by the client may therefore prevent the Firm from taking all sufficient steps it has designed and implemented to obtain the best possible result for the execution of those Orders in respect of the elements covered by the client instruction(s).

4.1 Provisions relating to Direct Market Access ("DMA")

Where Orders are executed by the client using the Firm's DMA system the client will be providing specific instructions for execution factors and the Firm's Best Execution obligations will be fulfilled by following those instructions.

5. Execution of Orders on Behalf of Clients and RFQs

The Firm shall provide Best Execution where it deems that the client is placing legitimate reliance on the Firm to protect their best interests in relation to pricing and other elements of an Order placed with the Firm.

Where the Firm provides a quote to a client and that quote meets the Best Execution obligation, the Firm will meet the obligations if it executes the quote after the client accepts it, taking into account: changing market conditions, the time elapsed between the offer and acceptance of the quote to ensure the quote is not manifestly out of date.

The Firm may execute transactions either in an Agency or Principal capacity depending on the product type and contractual relationship it has with its clients.

The Firm may also receive and transmit a client Order to an affiliate or third party entity for execution. In such circumstances, it shall take all sufficient steps to obtain the best possible result of such clients taking into account the execution factors.

5.1 Legitimate Reliance

In order to determine Legitimate Reliance and whether Best Execution is owed, the Firm will apply the Four-Fold Test below on a cumulative basis :

1. **Which party initiates the transaction** – where a client initiates a transaction, the Firm will view this to mean that the client is less likely to be placing reliance on the Firm. Dissemination of research, market commentary, trade ideas, relevant market opportunities and indicative prices by the Firm as part of general business will not necessarily determine that the Firm has initiated a transaction.
2. **Questions of market practice and the existence of convention to "shop around"** – where there is market practice for a particular asset class or product that suggests that the client has access to various providers who provide quotes and the client has an ability to "shop around" or place the Firm "in competition" the client is less likely to be placing legitimate reliance on the Firm.
3. **The relative levels of price transparency within a market** – where the client has similar levels of access and transparency of pricing and liquidity information as the Firm and can be expected to assess pricing and liquidity information, it will be an indicator that the client is less likely to placing legitimate reliance on the Firm.
4. **The information provided by the Firm and any agreement reached** – the extent to which any agreement between the client and the Firm indicates that the client is placing reliance upon the Firm. This document does not indicate or suggest an understanding has been reached that the client will place a legitimate reliance on the Firm or the Firm has agreed to apply Best Execution.

6. Application of Best Execution

6.1 Best Execution Factors

In order to obtain the best possible result when executing, placing or transmitting Orders on behalf of a client, the Firm will take into account the factors listed below when determining its execution strategy.

The order of relative priority and the variety of criteria that are taken into account in determining the appropriate consideration will be made based on a transaction-by-transaction basis.

Factors the Firm will consider are:

- **Price:** price at which the financial instrument is executed, excluding any internal and external costs;
- **Costs:** include costs such as execution fees, settlement fees, amendment fees;
- **Speed:** time it takes to execute a client Order;
- **Likelihood of execution and settlement:** the likelihood the Firm will be able to complete the client Order;
- **Size:** the size of the Order executed for a client accounting for how the size affects the price of execution; and
- **Nature of the transaction:** how the particular characteristics of a client Order can affect how best execution is received.

Appendix II outlines the priority of execution factors and top execution venues per asset class.

The Firm assumes that the most important execution factor for a "Professional" client is usually the **price** at which the relevant financial instrument is executed. However, there may be circumstances where the primary execution factors may vary and price is no longer the most prominent execution factors.

6.2 Best Execution Criteria

When executing a client's Order, the relative importance of the Best Execution factors will be determined by reference to the characteristics of:

- the client;
- type of client Order;
- type of financial instrument concerned; and
- the execution venue to which the Order can be directed.

The order of relative priority and the variety of criteria that are considered in determining the appropriate consideration can be found in Appendix II, however, on some occasions it may be based on a transaction–by-transaction basis.

It may not always be possible to quantify the relative contribution of each of the factors and criteria above in quoting prices ahead of execution as these can vary from the time of quoting to the time of execution as well as from transaction to transaction.

7. Execution Venues

The Firm will take sufficient steps in order to obtain Best Execution on a consistent basis. Where the Firm chooses an execution venue on behalf of the client it will not discriminate between execution venues.

The choice of execution venue(s) will be made by considering the above factors and criteria listed above as per Section 6.1 and 6.2.

The Firm may use one or more of the following venue types when executing client Order(s):

- Affiliates acting as Liquidity Providers;
- Systematic Internalisers (**"SIs"**);
- The Firm's trading desks' principal positions;
- Organised Trading Facilities (**"OTF"**)/Multilateral Trading Facility (**"MTF"**);
- Regulated Markets (**"RMs"**);
- Other exchanges that are not RMs; and/or
- Other internal sources of liquidity.

On an annual basis, the Firm will publish on its website details of its top execution venues on which the Orders are placed to obtain the best result for the client, in respect of each class of instruments.

7.1 Affiliates Acting as Liquidity Providers

The Firm may utilise an affiliate to assist in the execution of a client transaction.

On a periodic basis, the Firm will ensure that, whilst taking into account all relevant execution factors, the affiliate's executions are monitored so that the Firm may satisfy the Best Execution obligations on a consistent basis and any conflict of interests are managed and prevented appropriately.

The use of affiliates provides specific benefits to client executions; these factors include, but are not limited to, governance, oversight and transparency of an Order, consistency of Order handling and front to back transaction processing.

7.2 Internalisation

The Firm may choose to "internalise" a client's Order by executing the Order as principal against the Firm's book. The Firm will treat the principal book as an execution venue and as with other execution venues; it is subject to the Policy.

The Firm will only internalise transactions where, applying the same factors as for other execution venues, the Firm has concluded that the internalisation of the transactions provides the client with Best Execution.

8. Order Handling and Aggregation

8.1 General Principles

The Firm will execute client Orders in a prompt, fair and expeditious manner, relative to other Orders and/or to the trading interests of the Firm.

The Firm will satisfy the following conditions when carrying out client Orders:

a. ensure that Orders executed on behalf of the client are promptly and accurately recorded and allocated; and

b. carry out otherwise comparable client Orders sequentially and promptly unless the characteristics of the Order or prevailing market conditions make this impracticable or the interests of the client requires otherwise.

Furthermore, where the Firm is responsible for overseeing or arranging the settlement of an executed Order it will take all reasonable steps to ensure that any client financial instruments or client funds received in the settlement of the executed Order are promptly and correctly delivered to the account of the appropriate client.

The Firm will not misuse information relating to pending Orders and will take all reasonable steps to prevent the misuse of information by any relevant persons.

8.2 Aggregation and Allocation of Client Orders

The Firm will not aggregate a client Order with that of another client unless the following conditions are met:

a. it is very unlikely that the aggregation of Orders and transactions will work to the overall disadvantage of any client whose Order is to be aggregated;

b. it is disclosed to each client whose order has been aggregated that the effect of the aggregation may work to its disadvantage in relation to a particular Order; and

c. there will be a fair allocation of aggregated Orders and transactions, including factors/criteria such as volume and price of Orders when determining allocations and the treatment of partial executions.

8.3 Aggregation and Allocation of Transactions for Own Account

When the Firm aggregates transactions for its own account with one or more client orders it will not allocate the related trades in a way that is detrimental to the client.

Furthermore, when the Firm aggregates a client Order with a transaction for its own account and the aggregated Order is partially executed it will allocate the related trades to the client in priority to the Firm.

Where the Firm is able to demonstrate on reasonable grounds that without it would not have been able to carry out the Order on such advantageous terms, or at all, it may allocate the transaction for own account proportionally in accordance with the Best Execution obligations.

9. Confirmations

When acting on behalf of a client, the Firm will provide the client with the essential information concerning the execution of an Order and a confirmation on the execution of that order in a timely manner.

10. Execution Risks

The Firm has established and implemented policies and procedures to obtain the best possible results in executing client Orders, subject to, and taking into account any specific instructions, the nature of the client Orders and the nature of the markets and the products concerned.

The Firm is not required to guarantee that it will always be able to provide Best Execution on every Order executed on the client's behalf. The Firm does not owe the client any fiduciary responsibilities as a result of the matters set out in this document, over and above the specific regulatory obligations or as contractually agreed.

11. Conflicts of Interest

The Firm has an obligation to identify, manage and prevent potential and actual conflicts of interest. This requirement applies to conflicts of interest that may arise between the Firm and its clients as a result of its execution arrangements which could prevent the Firm from satisfying its Best Execution obligations. The Firm is required to take all appropriate steps to mitigate any conflicts of interest that may arise.

12. Public Reporting Requirements

The Firm publishes, on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes.

The Firm publishes, on a quarterly basis, data relating to the quality of execution of client Orders for financial instruments, where the Firm acts in the capacity of SI or other Liquidity Provider.

Both reports are published on the Firm's website.

13. Monitoring and Review

The Firm will undertake periodic monitoring to ensure the on-going effectiveness of the best execution arrangements. Material changes to the market or to the Firm's business model will also trigger a review.

14. Client Consent

The client will be deemed to have given implied consent to the content outlined in this document when they instruct the Firm during the regular course of business.

The Firm may execute all or part of the Order outside of a RM or trading venue. In accordance with the MiFID II requirements, the request for consent has been outlined in the Firm's Terms of Business.

15. Client Queries

If you wish to discuss the application of Best Execution to your transactions, please contact your business relationship representative.

Appendix I – MiFID II Financial Instruments

1. Transferable securities;
2. Money-market instruments;
3. Units in collective investment undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Annex I and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences;
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;
11. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

Appendix II – Priority of Execution Factors Per Asset Class

	Equity and Equity-like	Bonds		OTC Derivatives		Listed Derivatives
Execution Type	Orders	Orders	Quotes	Orders	Quotes	Orders
Execution Venues	TD	TD		TD		TD
Prioritised list of execution factors (common scenarios)	1. Price 2. Likelihood of execution 3. Size 4. Costs 5. Speed 6. Other Considerations	1. Price 2. Likelihood of execution 3. Size 4. Costs 5. Speed 6. Other Considerations		1. Price 2. Likelihood of execution 3. Size 4. Costs 5. Speed 6. Other Considerations		1. Price 2. Likelihood of execution 3. Size 4. Costs 5. Speed 6. Other Considerations
Prioritised list of execution factors (special scenarios - as listed)		**Illiquid markets** 1. Size 2. Price 3. Likelihood of execution 4. Speed 5. Costs 6. Other Considerations		**Unwinds** (Quotes only) 1. Likelihood of execution 2. Price 3. Costs 4. Speed 5. Size 6. Other Considerations		**Illiquid markets** 1. Size 2. Price 3. Likelihood of execution 4. Speed 5. Costs 6. Other Considerations
Other Pricing Considerations	▪ Market conditions ▪ Liquidity	▪ Market conditions ▪ Liquidity		▪ Liquidity of underlying ▪ Hedging risk ▪ Complexity of transaction ▪ Tenor ▪ Market conditions		▪ Market conditions ▪ Liquidity

*TD refers to the use of entities within The Toronto Dominion Banking Group including but not limited to The Toronto-Dominion Bank and its EU Branches, TD Securities Limited and TD Bank Europe Limited.

Appendix III – Definitions

Agency Capacity: When the Firm acts as an agent for the client and must look after the clients' best interests.

Best Execution: The obligation to take all sufficient steps to obtain the best possible result when executing, placing or transmitting client Orders on behalf of a client.

Direct Market Access (DMA): An arrangement where a member or participant or client of a trading venue permits a person to use its trading code so the person can electronically transmit Orders relating to a financial instrument directly to the trading venue and includes arrangements which involve the use by a person of the infrastructure of the member or participant or client, or any connecting system provided by the member or participant or client, to transmit the Orders.

EEA: European Economic Area which includes all member states in the European Union as well as Norway, Lichtenstein and Iceland.

Execution Venue: A RM, MTF, OTF or SI, or a market maker or other liquidity provider or an entity that performs a similar function in a third country.

MiFID II: The European Parliament and Council Markets in Financial Instruments Directive 2014/65/EU and any implementing directives and regulations.

Multilateral Trading Facility (MTF): A multilateral system operated by an investment firm or market operator, which brings together multiple third-party buying and selling interests in financial instruments in the system, in accordance with non-discretionary rules, in a way that results in a contract in accordance with the provisions of Title II of the MiFID II.

Orders: Orders can exist for extremely short periods of time – the result of a client trading off a streaming screen quote – or for longer periods – as a result of instructions left to a salesperson to execute for or communicate back to the client (Indications of interest) when the price of a security has reached a specified level. Orders will also result from the interaction of the Firm's trader executing or intending to execute in the marketplace whether it be through another Firm trader, brokers, MTF or OTF.

Organised Trading Facility (OTF): An OTF is a multilateral system, which is not a RM or MTF and in which multiple third party buying and selling interests in bonds, structured finance product, emissions allowances or derivatives are able to interact in the system in a way which results in a contract.

Principal Capacity: When the Firm executes an Order for a client from the inventory held by the Firm.

Quotes: a quote consists of the communication of a price either through voice, writing or screen based. A quote can be indicative or Firm depending on the context. Indicative quotes (sometimes referred to as 'levels') are meant to convey a pricing estimate based on the information requested from the client – a request for quote (**"RFQ"**). Clients will generally communicate their 'direction' – buying or selling intent, the amount of securities they intend to trade or both. Note that market conditions will also determine the validity of the price communicated to the client. In the instance that markets are volatile the trader will reserve the right to quote indicatively to a client if they believe the client will not deal immediately. In such instances the trader will make it clear to the client that their price is indicative or subject to change upon re-enquiry at a later time. Firm quotes will result when the terms of the transaction are clear to both parties (the direction of the trade and the amount to be dealt). A client at this stage is still free to reject the quote but established conventions generally imply acceptance and a transaction results. The acceptance to trade based on the Firm quote is considered to constitute an Order.

Regulated Markets (RMs): RMs means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in the system, in accordance with its non-discretionary rules, in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of MiFID Directive.

Specific Instruction: Instructions provided to the Firm by the client when placing an Order for execution. Examples include but are not limited to: a request by the client to execute an Order on a specific venue, request to execute the Order at a certain time.

Systematic Internaliser (SI): An investment firm, on an organised, frequent and systematic basis, deals on own account by executing client Orders outside of a RM, MTF or OTF.

Trading Venue: There are four types of trading venues recognised under MiFID II, namely: (i) RMs; (ii) MTFs; (iii) systematic internalisers and (iv) OTF.