

Equities

Best Execution Disclosure

Trading of Canadian Listed Securities on Multiple Marketplaces

TD Direct Investing, TD Wealth Private Investment Advice and TD Securities (“**we**” and “**our**”) are committed to make reasonable efforts to ensure that clients achieve the best execution of their orders to buy or sell Canadian listed securities that are quoted or traded on Canadian marketplaces. “**Best execution**” means obtaining the most advantageous execution terms reasonably available under the circumstances when executing a transaction on behalf of a client, including consideration of factors such as price, speed of execution, certainty of execution and overall cost of the transaction. We aim to provide best execution both for orders individually and for all client orders in aggregate.

We have prepared this information sheet to inform you about the structure of the Canadian equity market, default order handling, and order types, and other aspects of the Canadian trading environment.

Structure of the Canadian Equity Market

The Canadian equity market is composed of multiple marketplaces, including traditional exchanges and Alternative Trading Systems (ATSs). The same security may be traded on multiple marketplaces.

Exchanges

Exchanges are marketplaces that list securities. The exchange where a company’s stock is listed is known as the “**primary listing marketplace**” for that stock. An exchange may also appoint market makers to provide a two-sided market for a security on a continuous basis and set requirements governing the conduct of marketplace participants.

ATSs and Dark Pools

ATSs provide automated trading systems which bring together orders from buyers and sellers of securities. Unlike exchanges, ATSs do not list securities and may only trade securities which are listed on other marketplaces. Dark Pools are ATSs which do not display orders prior to execution.

Dark Orders and Order Protection

“**Dark orders**” are orders that are not visible to any participant or to the market in general. Dark orders may be placed on Dark Pools or on certain exchanges and visible ATSs that offer dark orders on their trading venues. In Canada, small dark trades

must be priced a full trading increment better than the National Best Bid and Offer (NBBO) or at midpoint in cases when the NBBO is one increment wide. Dark trades that are greater than 50 standard trading units or \$100,000 in size may trade at the NBBO prices.

Visible orders on a protected marketplace cannot be “**traded through**”, that is they must be filled ahead of worse-priced orders resting on other marketplaces. Dark pools and dark orders resting on visible marketplaces are not protected and may be traded/through.

Marketplace Trading Hours

Hours of operation for trading in publicly listed Canadian securities are between 9:30 am and 4:00 pm Eastern Standard Time Monday through Friday, excluding Canadian statutory holidays.

Pre-market and after-hours trading facilities are available in limited situations. Investors should contact their TD Direct Investing, TD Wealth Private Investment Advice or TD Securities representative for further details.

Default Order Handling**Pre-Open**

An order received prior to 9:30 am Eastern Standard Time will be booked to the pre-opening of the primary listing marketplace for that security.

Continuous Session

An “**active order**” means any portion of a market order or a limit order (each as described below) which is immediately executable based on current market conditions. By contrast, a “**passive order**” is any limit order which is not immediately executable, or the unfilled balance of an active order.

An active order will be directed to the marketplace with the best price at the time of execution, where best price is the highest bid for a sell order or the lowest offer for a buy order. When executing active orders, dark pools and unprotected marketplaces may be evaluated for price improvement relative to the displayed quote, and all protected marketplaces are accessed to achieve best price.

Passive orders are generally booked to the primary listing marketplace for that security, but may be booked to a different exchange or an ATS based on an assessment of best execution factors for that order at the time the order is placed.

Changes to an outstanding order, or a portion of an outstanding order, will be handled in the same manner as a new order received.

Post-Close

An order received after 4:00 pm Eastern Standard Time will be booked to the pre-opening of the primary listing marketplace for that security on the following business day.

Extended Hours Trading

In certain circumstances (client instruction) TD Securities will access markets outside of Continuous Session, during these extended hours for an **“active order”**. An active order will be directed to an open marketplace with the best price at the time of execution, where best price is the highest bid for a sell order or the lowest offer for a buy order.

Order Types

Day Orders

A **“day order”** is an order to trade that expires if it is not executed the day that it is booked to the marketplace.

Day orders are booked in accordance with **“Default Order Handling”** above. Any unfilled portion of a day order will expire at the close of business of the marketplace where the order was last booked.

Good Through Orders

A **“good through order”** is an order that will remain open for a specified number of days (with a maximum of 30 days).

Good through orders are booked in accordance with **“Default Order Handling”** above. A good through order will remain booked until executed, cancelled, or upon expiry, whichever comes first.

Market Orders

A **“market order”** is an order to buy or sell a security at whatever price is available in the marketplace. Market orders provide no control over the execution price. In cases of extreme market volatility or liquidity imbalance, a market order may execute at a price which is significantly different than the expected execution price. Investors can use marketable limit orders (as described below) in place of market orders to eliminate the risk of the order executing at a price outside of an investor’s acceptable range.

Market orders are booked in accordance with **“Default Order Handling”** above.

Limit Orders

A **“limit order”** is an order for a security at a specific minimum sale price or maximum purchase price that is not to be exceeded. A limit order provides control over the execution price but reduces the certainty of execution. In a fast moving market, a limit order may miss the opportunity to buy or to sell a stock. Marketable limit orders (i.e., buy limit orders priced higher than the prevailing offer price or sell limit orders priced lower than the prevailing bid price) will trade much like market orders, increasing the certainty of execution without the risk of the order trading at a price outside of an investor’s acceptable range.

Limit orders are booked in accordance with **“Default Order Handling”** above.

Stop Loss Orders

A **“stop loss order”** is an order that becomes a market order or a limit order when a board lot trades at or through the stop price on the marketplace in which the stop loss order has been booked. Stop loss market orders are filled at the best available market price once the **“on stop”** is activated. If the order is filled when the relevant stock or overall market is experiencing rapid price declines, an investor may receive a price that is much lower than expected. Investors can place stop loss limit orders as an alternative. Stop loss limit orders allow investors to define the lowest price an investor is prepared to sell at once the **“on stop”** is activated, in effect creating a price range for the investor’s sell order.

Stop loss orders are booked to the primary listing marketplace.

Market on Close Orders

A **“market on close”** (MOC) order is an order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of calculating and executing at the closing price of the security on that marketplace on that trading day.

TSX and TSXV are currently the only Canadian marketplaces that support a MOC facility. MOC market orders must be entered by 3:40 pm Eastern Standard Time at which time the surplus/demand for MOC orders on TSX and TSXV MOC eligible stocks is calculated and published to the marketplace.

MOC orders are not guaranteed a fill.

Special Terms Orders

A **“special terms order”** is an order with specific terms that are not executable in the regular marketplace.

Special terms orders are booked to the Special Terms Market of the primary listing marketplace, unless they are immediately executable on an alternative marketplace at the time of entry.

Retail Liquidity Provision

TD Securities may act as principal to provide liquidity to marketable TD Direct Investing and TD Wealth orders. The capacity of TD Securities in acting as agent or principal is disclosed on order confirmations.

Marketplace Fees and Rebates

We may pay marketplace fees or receive marketplace rebates when routing certain orders to certain marketplaces. Marketplace fee schedules are disclosed on the websites of each marketplace.

Costs associated with those fees paid or rebates received are not passed on to the client.

Frequently Asked Questions

What is “best execution?”

“Best execution” is our obligation to seek the most advantageous execution terms reasonably available under the circumstances when executing a transaction on behalf of a client, including consideration of factors such as price, speed of execution, certainty of execution and overall cost of the transaction. We aim to provide best execution both for orders individually and for all client orders in aggregate.

What markets are available to Canadian equity investors today?

The Canadian equity market is composed of multiple marketplaces where an order may be routed, including exchanges such as the Toronto Stock Exchange (TSX), the TSX Venture Exchange (TSXV), Aequitas Neo Exchange, **Neo-N**, **Neo-L** and the Canadian Securities Exchange (CSE); visible Alternative Trading Systems including TMX Alpha, Nasdaq CXC, Nasdaq CX2, Omega ATS and Lynx ATS; and dark pools such as TriAct MATCH Now, **Neo-D** and Nasdaq CXD.

What is an Alternative Trading System (ATS)?

ATSs provide automated trading systems which bring together orders from buyers and sellers of securities. Unlike exchanges, ATSs do not list securities and may only trade securities which are listed on other marketplaces.

Dark Pools are ATSs which do not display orders prior to execution.

How can I benefit from ATSs?

TD Direct Investing, TD Wealth Private Investment Advice and TD Securities work continuously to route your orders to the marketplaces which provide the best opportunity for execution. By participating in ATSs, clients are no longer limited to the TSX and the TSXV.

How do TD Direct Investing, TD Wealth Private Investment Advice and TD Securities route my Canadian orders?

TD Direct Investing and TD Wealth Private Investment Advice route all orders for Canadian listed securities that are quoted or traded on Canadian marketplaces to TD Securities.

TD Securities employs a sophisticated routing system that dynamically assesses multiple marketplaces and distributes your order to the marketplace that, based on its analysis, is most likely to obtain the highest-quality execution available. In addition, TD Securities continually monitors its execution quality to make improvements. TD Securities employs multiple metrics, including price, speed, liquidity and opportunities for price improvement, to ensure that the order flow for TD Direct Investing, TD Wealth

Private Investment Advice and TD Securities is directed to marketplaces that provide you with the best possible execution.

Under what circumstances will an order be moved to another marketplace?

In the event of technical or other issues that limit TD Securities access to a market such as failures, malfunctions, material delays with the marketplace and /or with order routers, orders received may be directed to an alternative marketplace as determined at the discretion of TD Securities.

Are there any differences between how orders route during regular market hours versus when the markets are closed?

Hours of operation for trading in publicly listed Canadian securities are between 9:30 am and 4:00 pm Eastern Standard Time Monday through Friday, excluding Canadian statutory holidays.

During regular market hours, an active order will be directed to the marketplace with the best price at the time of execution, where best price is the highest bid for a sell order or the lowest offer for a buy order. When executing active orders, dark pools, and unprotected marketplaces may be evaluated for price improvement relative to the displayed quote, and all protected marketplaces are accessed to achieve best price.

During regular market hours, passive orders are generally booked to the primary listing marketplace for that security, but may be booked to a different exchange or an ATS based on an assessment of best execution factors for that order at the time the order is placed.

An order received prior to 9:30 am Eastern Standard Time will be booked to the pre-opening of the primary listing marketplace for that security.

An order received after 4:00 pm Eastern Standard Time will be booked to the pre-opening of the primary listing marketplace for that security on the following business day.

Why can't I see my order display on the TSX?

Currently, quotes presented in WebBroker only reflect orders booked to the primary marketplaces TSX, TSXV, CSE or Aequitas. Our quotes do not reflect orders booked to an ATS.

TDS does not provide market data to clients.

What is the risk of market orders?

A “**market order**” is an order to buy or sell a security at whatever price is available in the marketplace. Market orders provide no control over the execution price. In cases of extreme market volatility or liquidity imbalance, a market order may execute at a price which is significantly different than the expected execution price. Investors can use marketable limit orders in place of market orders to eliminate the risk of the order executing at a price outside of an investor’s acceptable range.

The information contained herein is current as of January 2019.

TD Direct Investing and TD Wealth Private Investment Advice are divisions of TD Waterhouse Canada Inc., a subsidiary of The Toronto-Dominion Bank. TD Waterhouse Canada Inc. – Member of the Canadian Investor Protection Fund.

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Red text denotes changes made in 2019.