

# BEST EXECUTION POLICY & MULTIPLE MARKETPLACES DISCLOSURE

## 1. PURPOSE OF THIS DOCUMENT

The purpose of this Best Execution Policy & Multiple Marketplaces Disclosure (the "Disclosure") is provide an overview of Credential Qtrade Securities Inc ("CQSI") order execution policy and approach to providing "best execution" to retail and institutional clients on all of its platforms, in accordance with applicable rules and regulations.

CQSI is a subsidiary of Aviso Wealth. Correspondent & Institutional (providing services to introducing brokers, portfolio managers and institutional clients), CQSI Investor (providing online brokerage services for self-directed client accounts), and CQSI Securities and Virtual Wealth (providing in-branch and online full service advise brokerage) are separate divisions of CQSI.

For this Policy, the use of "CQSI", "we" or "us" may refer to any of the divisions of CQSI.

This document is published and updated as necessary on our websites.

## 2. SCOPE OF THE POLICY

The Policy applies to all business conducted by CQSI with its clients and applies to listed and over-the-counter ("OTC") securities.

## 3. THE "BEST EXECUTION" OBLIGATION

The best execution obligation is the requirement for us to obtain the most advantageous terms relevant to the execution of your orders that are reasonably available under the circumstances. To achieve best execution, we take into account several key factors including price, costs, speed, likelihood of execution and settlement, size, nature and/or any other consideration relevant to the execution of your orders.

### Execution Factors

In order to achieve best execution when executing an order, we take into account the following factors ("*Execution Factors*"):

- The prevailing price;
- Speed of execution;
- Nature and size of the order;
- Certainty of execution;
- Transaction cost and risks relevant to the execution;
- Likely market impact; and,
- Any other consideration deemed relevant to the execution of an order.

When considering the *Execution Factors*, we will also take into account the prevailing market conditions and the:

- Posted size on the bid and offer;
- Direction of the market for the security;
- Prices and volumes of the last sale and previous trades;
- Size of the spread; and,
- Liquidity of the security.

When determining the proportionate importance of the *Execution Factors*, we will also take into account the specific characteristics of the:

- Client order, and any specific instructions;
- Underlying securities of the order; and,
- Marketplaces or execution venues where we can direct the order.

#### 4. WHEN DOES THE BEST EXECUTION OBLIGATION APPLY?

We are required to take all reasonable steps to obtain best execution when executing orders on your behalf, including but not limited to situations where we execute an order by dealing as your agent or “working an order” on your behalf. We do not guarantee that we will be able to achieve best execution for every transaction we receive; however, in all cases we will comply with this Policy.

#### 5. SPECIFIC INSTRUCTIONS FROM CLIENTS

Where you provide us with a specific instruction in relation to one or more *Execution Factors*, we will execute the order in accordance with those instructions so far as reasonably possible while maintaining adherence to applicable market and business conduct regulatory requirements.

Where your instructions relate to only part of the order, in following those instructions we will be deemed to have taken all reasonable steps to provide best execution in respect of that part of the order. For the aspects of the order not covered by your specific instructions, we will apply the Policy accordingly.

Please note that providing CQSI with specific instructions may prevent us from taking some or all of the steps in this Policy that are designed to obtain the best possible result for the execution of your orders.

#### 6. APPLICATION OF BEST EXECUTION ACROSS CLASSES OF INSTRUMENTS

While the obligation to deliver best execution applies to all financial instruments, we may be required to make adjustments in implementing the best execution obligations in order to take into account the differences in market structures or the structure of financial instruments. Determining the relative importance of the *Execution Factors* is a dynamic process and may depend upon several variables. We will apply our commercial judgement and expertise in the context of prevailing market conditions and consideration of:

- Your characteristics;
- The characteristics of your transaction;
- The characteristics of the financial instruments that are the subject of your transaction; and,
- The characteristics of the execution venues to which your transaction can be directed.

In the absence of express instructions from you, CQSI will exercise our discretion in determining the relative importance of all *Execution Factors* in order to provide you with best execution. In general, the highest priority is placed on price. There may also be occasions where CQSI prioritizes other *Execution Factors* in an effort to obtain the best possible execution for you, such as:

- Where there is insufficient liquidity available on a particular execution venue which prevents CQSI from executing the order in full;
- Where you have requested that CQSI work the order by reference to a benchmark calculated over a period of time (e.g. VWAP – Volume Weighted Average Price), or work the order over a particular period of time (Time Weighted Average Price);
- Where CQSI executes a block trade and minimizing market impact or visibility is the most important factor for you;
- Where other circumstances exist such that obtaining the best immediately available price may not provide the best possible result for you;
- The availability of price improvement;
- The speed and likelihood of execution (e.g. fill rate) and settlement; or,

- The impact on market prices of displaying and executing the order.

Transactions may not always be executed at the best available price. Additional guidance in relation to the various classes of financial instruments is set out in Appendix 1 – Equities (exchange-traded and OTC); Fixed Income (exchange-traded and OTC); and Derivatives (exchange-traded).

## **7. MATTERS OUTSIDE OF THE CONTROL OF THE PARTICIPANT**

### **Extenuating Circumstances**

In certain cases, such as technical difficulties, system failures, disrupted markets or otherwise, it may become necessary to execute your orders in a different manner than is documented in this Policy. In those situations, we will still seek to achieve the best possible result available for you in the prevailing circumstances.

### **Trading Halts**

If a trading halt is announced for a specific security in a particular marketplace, all orders for that security will be halted and remain in that marketplace and trading will not occur until the halt has been lifted.

## **8. CONFLICT OF INTEREST**

### **8.1 Conflicts Disclosure**

Canadian provincial and territorial securities laws require that when CQSI trades or advises with respect to their own securities or securities of issuers to which they, or other parties related to them, are related or connected, we do so only in accordance with disclosure. CQSI has established procedures designed to identify and manage such conflicts of interest.

### **8.2 Treatment of Marketplace Fees/Rebates**

At this time, CQSI has not established any order routing arrangements with certain marketplaces, broker-dealers or other market centers. Before entering any such arrangements, we would evaluate them on the basis of price improvement performance, liquidity enhancement and speed of execution.

Any remuneration that CQSI receives from these arrangements for directing orders to any marketplaces would reduce CQSI's execution costs and would not accrue to your account. Should CQSI enter into any such arrangements, we will update our Best Execution Policy accordingly.

CQSI may pay marketplace fees or receive marketplace rebates as orders are routed through the marketplaces. Marketplace fee schedules are made publicly available by each marketplace and are governed by Canadian Securities Administrators Regulations. Marketplace and intermediary rebates and fees are not directly passed on to the client and the marketplace an order is executed on does not change our commission rate.

## **9. FURTHER INFORMATION ON HOW WE HANDLE YOUR ORDERS**

CQSI has policies and procedures in place to ensure we execute and allocate your orders promptly and fairly, taking into account the need to manage any potential conflicts of interest that may exist between you, ourselves and our other clients.

We will execute your order in line with other comparable client orders sequentially and promptly, unless (i) the characteristics of your order or prevailing market conditions make this impracticable, or (ii) your interests require otherwise. Where you do not provide specific instructions, we will execute and allocate

your order as soon as reasonably practicable, unless we reasonably consider that delaying the execution of your order is in your best interest.

When executing your order we may decide to aggregate your order with a transaction for our own account or that of another client. Reasons for doing so include providing a better price to you or reducing transaction costs by allowing us to execute in larger size. We will only aggregate your order if it is unlikely that the aggregation will work overall to your disadvantage. Where we are unable to fill an aggregated order in full, we will allocate the executed order on a fair and equitable basis. We will communicate the order execution and allocation status of your order to you as soon as reasonably practicable.

### **9.1 Execution Venues and Multiple Marketplaces in Canada**

There are currently several marketplaces in Canada for the trading of listed securities, including traditional Exchanges and Alternative Trading Systems (“ATS”).

In Canada, CQSI executes transactions on exchanges and marketplaces that it is a member of or subscriber to. CQSI is committed to using all reasonable efforts to ensure that we achieve best execution for orders of securities that are quoted or traded on all Canadian marketplaces.

Transactions executed in the US or on a non-Canadian marketplaces will be handled by another executing broker. In such cases, these orders will be required to be executed in accordance with the local rules and regulations and could result in the executing broker applying different criteria on the assessment on execution quality. The executing broker in this case may have acted as principal or agent and as a result derived compensation from the transaction. CQSI has reviewed the intermediaries order handling and routing practices and are satisfied they are reasonably designed to achieve best execution in accordance with their respective Regulations.

In respect of each class of securities, **Appendix 1** lists execution venues that should enable us to obtain the best possible result for the execution of your transactions on a consistent basis. This list may, from time to time, be updated and any new venue will be selected in accordance with the Policy and could include: regulated markets, crossing systems/dark venues and other liquidity providers.

The factors that have been considered in determining the list of execution venues may include the depth of liquidity a particular venue is able to offer, the likelihood of execution, speed of execution, reliability and system availability, historical trading activity and the robustness of the clearing arrangements.

CQSI will not structure or charge commissions in a way that discriminates unfairly between execution venues.

### **9.2 Principal Marketplace**

Unless notified otherwise by CQSI, the Default or Principal Marketplace for all securities listed on the Toronto Stock Exchange (“TSX”) or the TSX Venture Exchange (“TSXV”), whether or not the security is trading on other alternate marketplaces, will be the TSX or TSXV respectively.

Similarly, for securities listed on the Canadian Stock Exchange (“CSE”) or Aequitas NEO Exchange Inc. (“NEO Exchange” or “NEO”), those securities will default to trading on those marketplaces respectively.

### **9.3 Smart Order Routing**

CQSI employs sophisticated Smart Order Router (“SOR”) systems provided by our vendors on all of its trading platforms. These systems dynamically assess multiple marketplaces and distribute your order to the marketplace that, based on its analysis, is most likely to obtain the highest-quality execution available.

Our vendors perform regular monitoring of these systems, and adjustments are made by CQSI to ensure they are configured to include and prioritize all marketplaces and provide best execution pursuant to the terms of this Policy.

Where accessing markets electronically in Canada, CQSI's routing decisions, including those processed within our algorithms, are made by our SOR logic. The primary objective of the SOR is to achieve the best possible outcome for our clients. CQSI's interactions with execution venues are guided by objectively observed and calculated parameters to ensure best execution and order protection.

The decision as to which execution venues and price points to target can be taken based upon both the explicit instructions accompanying the relevant order from the client, and the SOR's programmed parameters.

The SOR may potentially break the client orders into smaller sized "child orders" and send them to one or many execution venues, either in parallel or in sequence. We are responsible for determining the precise quantities, limit prices and timing of each child order, always respecting the client's original instructions. Best execution obligations will be applicable on the child orders as well as on the overall original client order.

#### **9.4 Hours of Operation for Trading in Listed Canadian Securities**

Trading staff and systems will be available for order execution between 9:30 am EST and 4:00 pm EST ("Hours of Operation"), Monday through Friday, not including statutory holidays. Staff may be available outside of these hours; however, order taking and/or trade execution outside of the Hours of Operation will be treated on a best efforts basis.

#### **9.5 Standard Handling of Orders**

##### **Pre-open**

An order received prior to the opening (9:30 am EST) will be queued for routing on the principal marketplace for execution on the opening in accordance with the calculated opening price protocol. These orders will not be routed to an alternative marketplace, as not all marketplaces open at the same time.

This may influence the price and the volume of an order which is entered for execution in the pre-opening period. For this reason, automated systems may not be relied upon during the pre-opening session to obtain best execution of client's orders, unless otherwise instructed by the client.

##### **Post-Opening Market**

Unfilled orders are moved to the post opening session of the marketplace where they were originally entered and will remain until the order is filled, expired, changed or cancelled.

Similarly, orders received during the post opening session will be routed using an SOR which will source out the best available market at the time of receipt of the order, unless otherwise instructed by the client; and the remainder of each order, if any, residing on the default marketplace until filled, expired, changed or cancelled.

The best market is the market that displays the "best bid price" and "best offer price", offering the best liquidity, and where CQSI has reasonably determined that the order has the best option for completion.

Changes to an outstanding order, or portion of an outstanding order, will be handled the same way as a new order received and will be entered into the "best market" at the time of the change with the unfilled balance being entered on the principal marketplace.

In all best execution efforts, CQSI may route client orders resting on an alternative marketplace to the primary marketplace if we feel such actions will increase the likelihood of obtaining an execution on our client orders.

### **After the Close – 4pm**

An order received after the close (4:00 pm EST) will be held and entered the next business day in the pre-opening on the principal marketplace or may be entered on a marketplace that offers afterhours trading, if requested by the client. These orders will not route to an alternative marketplace.

### **Automatically Migrating Orders**

CQSI does not automatically migrate or redirect a resting or booked order to an alternative open marketplace if the booked marketplace is closed, if the specific security is halted on the booked marketplace, or as a result of technical difficulties with the booked marketplace.

## **9.6 Risk Factors Trading in Extended Hours**

Purchases and sales of securities outside of regular trading hours may entail special risks, including the following:

**Risk of higher volatility.** Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, customer's order may only be partially executed, or not at all, or customers may receive an inferior price in extended hours trading than they would during regular market hours.

**Risk of changing prices.** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours or upon the opening of the next morning. As a result, customers may receive an inferior price in extended hours trading than they would during regular market hours.

**Risk of lower liquidity.** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for customers to buy or sell securities, and as a result, customers are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, customers' orders may only be partially executed, or not executed at all.

**Risk of unlinked markets.** Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, customers may receive an inferior price in one extended hours trading system than they would in another extended hours trading system.

**Risk of news announcements.** Issuers can make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and, in combination with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

**Risk of wider spreads.** The spread refers to the difference in the bid and ask price. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

## **9.7 Order Types**

Certain types of orders have specific handling implications in a multiple marketplace environment. These have been addressed as follows:

**Day Orders:** A Day Order is an order to trade that expires if it is not executed the day it is booked to the marketplace. Day Orders are handled in accordance with the "Standard Handling of Orders". All Day Orders expire, if not filled in full, upon the close of the marketplace where the last portion of the order remains live, unless otherwise agreed to between the client and CQSI's representative.

**Good Til Cancelled (Open) Orders:** Open orders are orders that will remain open for 90 days. These orders will be entered on the TSX if they are not immediately executable on an alternative marketplace at the time of entry. The order will remain booked until executed, cancelled, or upon expiry after 90 days, whichever comes first.

**Market Orders:** A Market Order is an order to buy or sell a security at whatever prices are available in the marketplace to help ensure a complete fill. Upon entry to the marketplace, these orders require immediate completion, unless we reasonably consider that delaying the execution of your order is in your best interests. Market Orders will be handled in accordance with the "Standard Handling of Orders". These orders will expire, if not filled in full, on the marketplace where the last portion of the order remains live, at the close of the marketplace.

**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. Limit Orders will be handled in accordance with the "Standard Handling of Orders". The order will expire, if not filled in full, upon the close of the marketplace where the last portion of the order remains live.

**Special Terms Orders:** Special Terms Orders are orders with specific terms that are not executable in the regular marketplace. Special Terms Orders will only post to the Special Terms Market of the principal marketplace, unless they are immediately executable on an alternative marketplace at the time of entry. Special Terms Orders will expire at the close of the principal marketplace.

**Stop Loss Orders:** Stop Loss Orders are orders that become limit orders when a board lot is traded at, or superior to, the stop loss price on the marketplace in which the order has been booked. These orders will only be directed to the TSX until executed or expiry, whichever comes first.

**Contingent Orders:** In situations where a client provides an order which is contingent either on acquiring a specific minimum volume of securities or a complete fill, CQSI can accept the order, when agreed upon by your Investment Advisor or authorized representative. Typically, these orders will not be immediately entered on a trading facility or marketplace's central order book, but will only be traded when a minimum volume or the entire order can be filled. It should be noted that CQSI will consider trading opportunities on all trading facilities or marketplaces when filling such orders.

**Fill or Kill Orders:** CQSI will accept "fill or kill" orders but will only execute these orders on the understanding that they will execute the fills on the trading facility or marketplace which will provide the best price for our client. All trading facilities and marketplaces will be reviewed for "fill" opportunities before the order will be "killed."

**Market-on-close Orders:** Currently the TSX is the only marketplace which offers a market-on-close ("MOC") facility. All orders must be entered on the TSX's MOC facility prior to 3:40 pm EST and will be executed at the calculated closing price for that security on the TSX. It should be noted that trading on the MOC facility will be executed at the same time as other trading facilities or marketplaces will be offering quotes on their visible order book. As a result, CQSI cannot guarantee that the order will be executed at the best price.

## **9.8** *Disclosure of Marketplace*

An order executed on one or more marketplaces or alternative marketplaces will be reported to the client using a single confirmation with the principal marketplace on which the order was filled and will be identified by name on the confirmation and will contain a multiple marketplace disclosure "marketplace details on request".

## **10. MARKET DATA**

Market data and quotation information provided are on a 15-minute delay, with the exception of real-time TSX and TSXV marketplace data where indicated. Market data is provided by external suppliers and is for informational purposes only and is not intended to provide, and should not be relied upon as providing legal, accounting, tax, financial, investment or other advice, or solicitation to buy or sell securities. Market data is not subject to any guarantee as to accuracy, completeness or currency, trading with incomplete or delayed market data may result client order entry instructions that may not be reflective of current marketplace conditions.

Please refer to '[No liability for information or data and no advice](#)' section for further details.

## **11. AMENDMENTS**

This policy is current as of August 30, 2019.

Changes to this policy may be made from time to time at the sole discretion of COSI. Changes will be posted to the website with the previous policy also maintained on the website for a period of at least 6 months from the effective date of the change.

## **12. CLIENT ENQUIRIES**

Should you have any enquiries in relation to this document or the Policy, please contact Advisor.



## Appendix 1 - OVERVIEW OF BEST EXECUTION BY CLASS OF FINANCIAL INSTRUMENT

The following sections provide an overview of when and how we will provide you with best execution across different classes of financial instruments. Included in each section is a list of the venues that allow us to obtain on a consistent basis the best result for you. Any venue used that is not listed below will nevertheless be selected in accordance with the Policy. Each section provides the general position of CQSI in relation to each class of financial instrument. Our approach may differ from that outlined below depending upon the particular circumstances of each transaction.

### 1.1 - EQUITIES

The types of Equity products traded by us encompass cash equities and exchange-traded funds. Where we execute Equity orders (including Limit Orders, Market Orders and At-Close Orders) on your behalf, we owe a duty of best execution to you unless you have not allowed us any discretion in the execution of those orders. In applying our duty of best execution, we will consider any specific instructions and the relative importance of the *Execution Factors* in accordance with the Policy.

When determining the relative importance of the *Execution Factors* in relation to your order, we may utilize our SOR to initiate a Price-Sensitive strategy (prioritizing Price as an Execution Factor).

For US exchanges and marketplaces in the Policy for which we do not have access to price and volume data, your orders in financial instruments listed on those exchanges will be routed to our third party broker, who may also utilize Smart Order Routing technology.

We owe a duty of best execution in regard to any algorithmic execution functionality we may use in achieving a certain benchmark or execution strategy. The list of execution venues that we utilize in respect of Equity products to which we have direct membership or directed access as subscribers is set out below. Where we do not hold a direct membership, or we are not subscribers, we will execute on an appropriate venue via external intermediaries.

#### Execution Venues

Canadian Marketplaces	Order Protection Rule Status	Explanation of Status	Hours of Operation
<b>CSE</b>	Protected	Meets market share threshold.	7:00 AM – 5:00 PM
<b>Nasdaq CXC</b>	Protected	Meets market share threshold.	8:30 AM – 5:00 PM
<b>Nasdaq CX2</b>	Protected	Meets market share threshold.	8:30 AM – 5:00 PM
<b>Omega ATS</b>	Protected	Meets market share threshold.	8:00 AM – 5:00 PM
<b>TSX</b>	Protected	Meets market share threshold.	7:00 AM – 5:00 PM
<b>TSXV</b>	Protected	Meets market share threshold.	7:00 AM – 5:00 PM
<b>Lynx ATS</b>	Unprotected	Does not meet market share threshold.	8:00 AM – 5:00 PM
<b>Aequitas Lit Book</b>	Protected for Aequitas-listed securities only.	Protected for its listed securities but does not meet market share threshold for others.	7:00 AM – 5:00 PM
<b>Aequitas NEO Book</b>	Unprotected	Does not provide automated trading functionality.	8:00 AM – 5:00 PM
<b>TSX Alpha</b>	Unprotected	Does not provide automated trading functionality.	7:00 AM – 5:00 PM
<b>Instinet</b>	Unprotected	Does not display orders.	9:30 AM – 4:00 PM
<b>Nasdaq CXD</b>	Unprotected	Does not display orders.	8:00 AM – 5:00 PM
<b>Liquidnet</b>	Unprotected	Does not display orders.	8:00 AM – 5:00 PM
<b>MATCHNow</b>	Unprotected	Does not display orders.	9:30 AM – 4:00 PM

## External Intermediaries

<b>Executing Broker</b>
<b>Pershing LLC</b>
<b>Virtu Financial</b>
<b>Citigroup Global Markets Inc.</b>
<b>Citadel LLC</b>

### 1.2 – FIXED INCOME PRODUCTS

The types of Fixed Income products traded by us include but are not limited to cash bonds (including Government, Corporate, Sovereign and inflation-linked) and exchange listed debt instruments.

Where we execute Fixed Income orders (including Limit orders, At-Close orders, Specified price/spread orders, and At-best orders) on your behalf, we owe a duty of best execution to you unless you have not allowed us any discretion in the execution of those orders.

In general, we will consider the most important *Execution Factors* to be Price, Size, and Speed of execution.

Where no instructions are provided by you, we will typically use the following order of priority: Price, Size, and Speed. CQSI is required to make reasonable efforts to obtain a price for you that is fair and reasonable in relation to prevailing market conditions. In order to demonstrate compliance with the fair pricing requirement, the compensation or mark-up/mark-down (i.e., the spread) on a transaction must be reasonable and based on the fair market price of the security.

### 1.3 – DERIVATIVE PRODUCTS

Through the sole financial derivatives exchange in Canada, we will trade equity derivatives and index derivatives on your behalf.

<b>Canadian Exchange</b>
<b>Montréal Exchange</b>