

## **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" 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 have prepared this information sheet to inform you about the structure of the Canadian equity market, order booking 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 (ATs). 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 provide a guarantee of a two-sided market for a security on a continuous basis and set requirements governing the conduct of marketplace participants.

### **ATs and Dark Pools**

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

Dark Pools are ATs 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 marketplace in general. Dark orders may be placed on Dark Pools or on certain exchanges and visible ATs that offer dark orders on their trading venues. In Canada, 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.

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 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.

## **Order Booking**

### **Pre-Open**

An order received prior to 9:30 am (Eastern 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 are 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 Time) will be booked to the pre-opening of the primary listing marketplace for that security on the following business day.

## **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 "Order Booking" 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 "Order Booking" 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 "Order Booking" 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 "Order Booking" 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.

### **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.

### **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.

TD Securities owns or controls an equity interest in TMX Group Limited in excess of 1% of the issued and outstanding equity securities thereof. As such, TD Securities may be considered to have an economic interest in TMX Group Limited including the various marketplaces operated by it such as the Toronto Stock Exchange, the TSX Venture Exchange, TMX Alpha, TMX Select and Alpha IntraSpread.

The information contained herein is current as of October 2014.

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. TD Securities Inc., a subsidiary of The Toronto-Dominion Bank, is registered in the category of Investment Dealer in each of the provinces and territories of Canada and is a member of the Investment Industry Regulatory Organization of Canada.

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# Multiple Markets in Canada: What this Means to You

## Frequently Asked Questions

### 1. 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.

### 2. What markets are available to Canadian equity investors today?

The Canadian equity market is composed of multiple marketplaces, including traditional exchanges such as the Toronto Stock Exchange (TSX), the TSX Venture Exchange (TSXV), and the Canadian Securities Exchange (CSE); visible Alternative Trading Systems including TMX Alpha, TMX Select, Chi-X Canada, Chi-X CX2, CSE Pure, Omega ATS and Lynx ATS; and dark pools such as Alpha IntraSpread and TriAct MATCH Now.

### 3. 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.

### 4. 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.

### 5. 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.

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

## **7. Why can't I see my order display on the TSX?**

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

## **8. How do I know which market my order was executed on?**

TD Waterhouse reports the market where the order was executed with the following codes in the "List Orders" feature in WebBroker:

TSX: T

TSXV: V

CSE: C

TMX Alpha: A

TMX Select: X

Chi-X Canada: H

Chi-X CX2: I

CSE Pure: MM

Omega ATS: G

Lynx ATS: L

Alpha IntraSpread: A

TriAct MATCH Now: W

## **9. 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.

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