

# STIFEL

## **Stifel Nicolaus Canada Inc. Best Execution And Order Handling Disclosure Document**

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## BEST EXECUTION AND ORDER HANDLING DISCLOSURE DOCUMENT

### **Purpose of the Document**

The purpose of this document is to provide our clients with an overview of the Stifel Nicolaus Canada Inc. (“SNC”) order execution policy and approach to achieving “Best Execution” in accordance with Universal Market Integrity Rules (“UMIR”), and applicable securities laws in Canada.

This document is published and updated as necessary under the Regulatory and Legal Disclosures section on SNC’s website.

### **SNC’s Best Execution Obligation**

Dealer Member Rule 3300 (Rule 3300) – Best Execution of Client Orders came into effect January 2, 2018. Rule 3300 consolidates under a single rule, prior UMIR best execution requirements and Dealer Member Rule requirements for fair pricing of OTC securities.

Best execution is the requirement to take all reasonable steps to obtain the best possible result when executing our clients’ orders, taking into account any relevant execution factors.

In order to meet the requirements under Rule 3300, a Dealer Member must be able to demonstrate that its policies and procedures are reasonably designed to achieve best execution when acting for a client.

The Rule also requires Dealer Members to regularly review the way in which they manage client orders and order flow to ensure their best execution policies and procedures remain effective.

### **SNC’s Trading Services**

#### *SNC Trading*

SNC has trade desks located in Toronto, Montreal and Calgary that primarily trade listed and over-the-counter (“OTC”) securities. All SNC client order flow is handled by licensed traders on a manual basis.

### **Factors Considered to Achieve Best Execution**

Price is the cornerstone of best execution; however there are additional factors that may also be relevant in achieving best execution for our clients.

Certain execution factors may be more important than others given a particular situation, asset class, or client. SNC considers the following broad factors within its best execution policies and procedures on handling client orders:

- Price;
- Speed of execution;
- Certainty of execution;
- Overall cost of the transaction, when costs are passed on to clients;

SNC also considers the following factors which are more specific considerations of the above broad factors:

- Direction of the market for the security;
- Depth of the posted market;
- Last sale price and the prices and volumes of previous trades;
- Size of the spread
- Liquidity of the security

### ***Specific Client Instructions***

Where clients provide specific instructions for order execution, SNC will endeavor to execute the order in accordance with the client instructions on a best-efforts basis, while adhering to market conduct rules, regulatory requirements, and securities laws. Our regulatory and legal obligations as executing broker may prevent client instructions from being met.

### ***Knowledge, Expertise and Training***

SNC traders who accept and trade client orders have the appropriate licensing and expertise required to do so. All traders are supervised by senior management, and subject to continuing education which includes best execution obligations. At SNC we feel that the skills and abilities of our traders are key factors in ensuring we obtain best execution of our clients' orders.

When handling client orders, traders will apply their professional judgment given prevailing market conditions, while also considering:

- The client's needs
- The nature of the transaction
- The Security
- The routing options available

## ***Intermediaries***

SNC may access the following intermediaries:

- Fidessa, Virtu-ITG, Credit Suisse and Citadel (for the purposes of using their algorithmic trading capabilities)
- Citadel, Credit Suisse, and Virtu-ITG (for execution on US markets)
- Fidelity Canada (for accessing other foreign markets)

Client orders may be subject to the order handling and routing practices of the intermediaries SNC connects to.

SNC has reviewed our intermediaries order routing practices and are satisfied that they are reasonably designed to achieve best execution.

## ***Fees, Payments and Commissions***

SNC may pay marketplace fees or receive marketplace rebates when routing client orders in Canada. Fees paid or rebates received are not passed along to SNC clients. SNC's routing strategies are not primarily based on fees or rebate

## ***Multiple Markets in Canada***

The Canadian equity market is composed of multiple marketplaces which include exchanges and Alternative Trading Systems ("ATs"). Under this arrangement, a single security can trade on multiple marketplaces.

In Canada, in order to achieve best execution, and meet Order Protection Rule ("OPR") obligations under National Instrument 23-101 (NI 23-101), SNC connects to the following marketplaces and ATs: Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV), TSX Alpha Exchange, Canadian Securities Exchange (CSE) (CNSX and Pure Trading), Aequis NEO Exchange (NEO and Neo Lit), Nasdaq Canada Exchange (CX, and CX2), Omega ATS (Omega and Lynx), Tri-Act Match Now and Liquidnet Canada.

SNC does not have conflicts of interest with any of the marketplaces, ATs or intermediaries which it is connected to.

Marketplace/ATS hours of operation can be found on their respective websites.

## ***Best Execution – Technology***

Achieving best execution is one of the primary objectives for SNC's trade technology group who work to ensure that trading systems are calibrated effectively.

Trading and systems are monitored for accuracy and ongoing effectiveness in achieving best execution.

### **Smart Order Router**

To help attain best execution, and maintain compliance with OPR under NI 23-101, when accessing electronic markets in Canada, SNC employs Smart Order Router (“SOR”) technology. The primary objective of the SOR is to achieve the best possible outcome for our clients’ executions by scanning all protected markets in order to source out and execute against the best priced liquidity available. Unless otherwise directed or noted below, all orders default through the SOR using the “direct action order” flag and execute as long life orders.

### **Order Handling – Canadian Listed Securities**

Unless an exception is made to help achieve best execution, or a specific client instruction is given, SNC generally handles specific order types as follows:

#### ***Primary Marketplace***

For those securities listed in Canada, the primary marketplace will be the Exchange on which the security is listed. Currently there are six equities Exchanges in Canada – The Toronto Stock Exchange, TSX Venture Exchange, TSX Alpha Exchange, Canadian Securities Exchange (CSE), Nasdaq Canada Exchange, and Aequitas NEO Exchange Inc.

For orders executed on one or more marketplaces, the client trade confirmation may state that the purchase or sale was made “on multiple markets, details are available”. Full details of specific marketplace execution are always available to clients upon request.

#### ***Hours of Operation***

SNC trading staff will be available for order execution between the hours of 9:30 a.m. and 4:00 p.m., Eastern Standard Time (“EST”), Monday through Friday, not including Canadian statutory holidays. Staff may be further available before and after these hours; however, SNC will not guarantee any order taking and/or trade execution outside of the hours noted above. Unless otherwise indicated, all time references are EST.

### ***Pre-Open and Post Close Orders***

The following order handling pertains to orders received pre-open, post-close or during a time when not all protected markets are available for trading.

Unless otherwise agreed to between a Registered Representative ("RR") of SNC and the client:

- An order received prior to 9:30 a.m. will book to the pre-opening of the primary marketplace for execution on the opening even if other markets may be available; and
- An order received after 4:00 p.m. will be entered the next business day to the pre-opening of the primary marketplace even if other markets may be available.

Opening Orders are entered for main market open to help prevent possible predatory pricing in pre-open sessions.

### ***Day Orders***

A Day Order ("DO") is an order that is only valid on and for the day it is entered. DO's will only be valid between the hours of 9:30 a.m. and 4:00 p.m. A DO received prior to the opening of the primary marketplace at 9:30 a.m. will not route to an alternative marketplace. Instead the order will route into the opening sequence of the primary marketplace. If received after the opening of the primary marketplace, the order will be routed for trading via a Smart Order Router ("SOR"). This will ensure that any immediately executable portion of the order will trade against the best price available, according to the order's limit, on any protected marketplace. The unexecuted portion of the order will then book on a marketplace according to the specific SOR settings, or according to parameters as selected by the trader. Any untraded portion of a DO will expire at 4:00 p.m. (unless otherwise agreed upon between the client and the IA/RR of SNC).

### ***Special Terms Orders***

Special Terms Orders ("STO") are orders with specific terms that are not immediately executable in the regular marketplace. STO's will only post to the Special Terms Market of the primary marketplace unless they are immediately executable on an alternative marketplace at the time of entry. STO's will only be live between 9:30 a.m. and 4:00 p.m., at which time they expire unless "Good Till" instructions are applied to the order at time of entry.

### ***Good 'Till Cancelled Orders***

Good 'Till Cancelled Orders ("GTC") are orders that the client wants to remain open until a specified date

of expiry. SNC limits GTC orders to an 89 day maximum. These orders will be routed for trading via an SOR. This will ensure that any immediately executable portion of the order will trade against the best price available on any protected marketplace SNC has access to. Any unexecuted portion of the order will then book on a marketplace according to the specific SOR settings or according to parameters as selected by the trader. The order will remain in the system until it is executed or it expires. It is the client's responsibility to ensure they know what the date of expiry will be and to contact their IA/RR on the expiry date should they wish that the order be reinstated.

### ***Market Orders***

A Market Order ("MO") is an order where the client has instructed a dealer to buy or sell at whatever prices are available in the marketplace to help ensure a complete and full fill. These orders require immediate completion. If the IRR determines, based on market conditions, that immediately trading the entire order would not be in the best interest of the client then the client will be consulted and the trade desk will manage the order accordingly. A MO received prior to the opening of the primary marketplace at 9:30 a.m. will not book to an alternative marketplace. Instead, it will book into the opening sequence of the primary marketplace. If received after the opening of the primary marketplace the order will be routed for trading via an SOR. This will ensure that any immediately executable portion of the order will trade against the best price available on any protected marketplace. Any unexecuted portion of the order will then book on a marketplace according to the specific SOR settings, or according to parameters as selected by the trader. Any unfilled portion of the order will expire at 4:00 p.m. (unless otherwise agreed upon between the client and the IRR of SNC).

### ***Market on Close Orders***

A Market on Close ("MOC") order must trade on the close at the calculated closing price of the primary marketplace. Currently the TSX and TSXV are the only marketplaces that offer a MOC facility. Please be advised that this is an anonymous price facility. Execution price will only be available after execution is complete. Limit orders are allowed but may, by the nature of a limit order, negate execution. For further details of this facility, please contact your RR.

### ***Limit Orders***

A limit order ("LO") has a specific minimum sale price or maximum purchase price provided by the client. A LO received prior to the opening of the primary marketplace at 9:30 a.m. will not book to an alternative marketplace. Instead, it will book into the opening sequence of the primary marketplace. A LO received on or after 9:30 a.m. will be routed for trading via an SOR. This will ensure that any immediately executable portion of the order will trade against the best price available on any protected marketplace. The unexecuted portion of the order will then book on a marketplace according to the



specific SOR settings or according to parameters as selected by the trader. Any untraded portion of the order will expire at 4:00 p.m. (unless otherwise agreed upon between the client and the IA/RR of SNC).

### ***Stop Orders***

Stop Orders (“SO”) are orders to buy or sell a security when its price surpasses a particular point. Once the price surpasses the predefined entry/exit point, the stop order is triggered. SO’s can only be triggered by trading activity on the marketplace on which they are booked. SO’s will post on a marketplace that supports SO’s (currently TSX,TSXV and CSE) where they will sit until they are triggered or until they expire. If triggered, the order will trade at the stop price. Any unexecuted portion will be managed by the trade desk taking into consideration the clients underlying limit price. SNC only accepts Limit Stop Order

### ***Moving Orders***

SNC will not typically move a client order to another marketplace, thus losing priority, unless we identify that the order has created a locked or crossed market.

### ***Bulk Order Routing***

SNC does not intentionally route securities outside of Canada for execution based on their eligibility to execute on foreign markets.

### ***Foreign Order Execution***

SNC would consider executing on a foreign exchange if specific instructions are received from our client, or best execution cross-border opportunities exist. SNC considers the following when handling foreign orders: speed of execution, opportunity costs of losing better priced fills for delays, and exposure to fluctuations in the FX rate and settlement risk. SNC may also consider trading on a foreign market if we feel the client could benefit from trading through a cross border best priced algo.

Orders executed outside of Canada will be executed through an intermediary broker. These orders will be required to be executed in accordance with local rules and regulations applicable to the executing broker and may result in the executing broker applying different criteria to the assessment of execution quality. The executing broker may also have acted as principal or agent and may have derived compensation from the transaction. Stamp fees and/or foreign levies may be passed along to clients for execution into these foreign markets.

SNC’s intermediary broker(s) attests that their policies and procedures, and those of their foreign intermediaries are reasonably designed to attain best execution.

## **Unprotected Markets and ATS's**

Unprotected markets and ATS's are considered for best execution as far SNC has connectivity.

When handling client orders, traders will apply their professional judgment given prevailing market conditions, while also considering:

- The client's needs
- The nature of the transaction
- The Security
- The routing options available

## **Over-The-Counter Securities**

Over-the-counter ("OTC") securities, for the purpose of best execution under Rule 3300, refers to securities that are not executed on a marketplace. For SNC, these would include fixed income products and private unlisted issuers.

In accordance with IIROC Rule 3300, SNC must make reasonable efforts to ensure that client trades in OTC securities are executed at prices that are fair and reasonable in relation to prevailing market conditions. When determining best execution, the price, as well as any commission or mark-up are considered in the clients over-all price.

Some of the pricing sources used to determine fair price may include information from: valid electronic trading platforms, outside liquidity providers, general canvass of various sources (i.e. clients, sales people, dealers, issuers) etc.

In keeping with Dealer Member Rule 2800C, on a daily basis SNC reports all OTC debt transaction details to IIROC for full transparency. Reports are reviewed by IIROC surveillance for fair pricing and include all pricing, mark-up, and commission details.

## **Governance and Oversight**

### *Best Execution Committee*

The SNC Best Execution Committee has oversight of this policy. The Committee meets at least annually to review this policy as well as our order execution arrangements.

The objective of the annual review is to assess whether there is an opportunity to improve the quality of order execution for our clients. It is also an opportunity to determine if current monitoring for best execution remains fulsome and effective. Additional meetings may be needed if there is a material change which we feel affects our ability to obtain best execution for our clients on a consistent basis given the policies and procedures in place.

Events which may trigger a Committee meeting:

- New/Departing liquidity providers,
- Change in trade technology,
- Change in liquidity patterns on a marketplace,
- Change in regulations,
- Trade observations (i.e. fill rates),
- Best execution comments/concerns from traders, clients, compliance, technology, etc.

The Committee will use available reporting to review areas affecting best execution such as (but not limited to):

- *Liquidity Sources*: Are current sources providing appropriate levels of liquidity?
- *SOR Settings*: Does SNC need to consider any SOR setting changes to help boost better execution accounting for marketplace reporting, asset class consideration, special order handling, etc.?
- *Training*: Is additional training required for individuals responsible for attaining best execution for client orders (i.e. trading, technology, compliance)?
- *Reporting/Analysis*: Discuss any observations from reporting (i.e. trade, regulatory, internal, etc.) that may need to be addressed in order to improve best execution.
- *Monitoring*: Re-evaluate the monitoring program, including the sampling methodology, to ensure it remains thorough and effective.
- *Intermediary Testing/Best Execution*: Ensure intermediary testing and best execution certifications are current.

*If you have any questions about our Best Execution policies or procedures please contact your SNC representative*

