

RULE 3300

BEST EXECUTION OF CLIENT ORDERS

3300.1. Definitions

For purposes of this Rule 3300:

- (a) “best execution” means obtaining the most advantageous execution terms reasonably available under the circumstances.
- (b) “over-the-counter securities” includes debt securities as well as contracts for difference and foreign exchange contracts, but does not include:
 - (i) listed securities;
 - (ii) primary market transactions in securities; and
 - (iii) over-the-counter derivatives with non-standardized contract terms that are customized to the needs of a particular client and for which there is no secondary market.
- (c) “foreign exchange-traded security” means a security, other than a listed security, that is listed on a foreign organized regulated market.

Terms defined or interpreted in the Universal Market Integrity Rules and used in this Rule 3300 have the respective meanings ascribed to them in the Universal Market Integrity Rules other than the following:

“listed security” means a security listed on an exchange, other than an option.

3300.2. Best Execution Obligation

A Dealer Member must establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to achieve best execution when acting for a client.

3300.3. Best Execution Factors

- (a) The policies and procedures required under section 3300.2. must consider the following broad factors for the purpose of achieving best execution for all client orders:
 - (i) price;
 - (ii) the speed of execution;
 - (iii) the certainty of execution;
 - (iv) the overall cost of the transaction, when costs are passed on to clients;

- (b) The policies and procedures required under section 3300.2. must consider the following factors, which encompass more specific considerations of the broad factors listed in (a) for the execution of client orders for listed securities and foreign-exchange traded securities:
 - (i) considerations taken into account when determining appropriate routing strategies for clients;
 - (ii) considerations of the fair pricing of Opening Orders when determining where to enter an Opening Order;
 - (iii) considerations when not all marketplaces are open and available for trading;
 - (iv) how order and trade information from all appropriate marketplaces, including unprotected marketplaces and foreign organized regulated markets, is taken into account;
 - (v) factors related to executing on unprotected marketplaces; and
 - (vi) factors related to sending orders to a foreign intermediary for execution,
- (c) The policies and procedures required under section 3300.2. must identify the factors used to achieve best execution including the following “prevailing market conditions”, when manually handling a client order for a listed security or a foreign exchange-traded security that trades on a marketplace in Canada:
 - (i) the direction of the market for the security;
 - (ii) the depth of the posted market;
 - (iii) the last sale price and the prices and volumes of previous trades;
 - (iv) the size of the spread; and
 - (v) the liquidity of the security.

3300.4. Best Execution Process

The policies and procedures required under section 3300.2. must outline a process designed to achieve best execution which includes:

- (a) for the execution of all client orders:
 - (i) requiring the Dealer Member, subject to compliance by the Dealer Member with any regulatory requirement, to consider the instructions of a client;
 - (ii) describing any material conflicts of interest that may arise when sending orders for handling or execution and how these conflicts are to be managed;
- (b) for the execution of orders for listed securities and foreign exchange-traded securities that trade on a marketplace in Canada:

- (i) identifying the Dealer Member's order handling and routing practices intended to achieve best execution;
- (ii) taking into account order and trade information from all appropriate marketplaces;
- (iii) the rationale for accessing or not accessing particular marketplaces;
- (iv) the circumstances under which a Dealer Member will move an order entered on one marketplace to another marketplace.

3300.5. Non-Executing Dealer Member Best Execution Policies and Procedures

A Dealer Member that employs another Dealer Member to provide execution services on its behalf may include in its policies and procedures a reference to a link to the executing Dealer Member's best execution disclosure to comply with sections 3300.4(b), 3300.8 and 3300.11 provided that the non-executing Dealer Member's best execution policies and procedures include:

- (a) an initial review of the public best execution disclosure of the executing Dealer Member and a review when changes to the disclosure are made, to ensure the policies and procedures are complete and appropriate for its clients;
- (b) obtaining an annual attestation from the executing Dealer Member that the executing Dealer Member has complied with and tested its best execution policies and procedures in accordance with this Rule 3300;
- (c) following up with the executing Dealer Member if it identifies execution results that are inconsistent with the executing Dealer Member's best execution disclosure and documenting the results of its inquiry.

3300.6. Bulk Sending of Orders to Foreign Intermediaries

A Dealer Member's policies and procedures may not include the practice of sending client orders in listed securities in bulk to a foreign intermediary for execution outside of Canada, without considering other liquidity sources, including liquidity sources in Canada.

3300.7. Fair Pricing of Over-the-Counter Securities

A Dealer Member must not:

- (a) purchase over-the-counter securities for its own account from a client or sell over-the-counter securities for its own account to a client except at an aggregate price (including any mark-up or mark-down) that is fair and reasonable, taking into consideration all relevant factors, including the fair market value of the securities at

the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the Dealer Member is entitled to a profit, and the total dollar amount of the transaction; and

- (b) purchase or sell over-the-counter securities as agent for a client for a commission or service charge in excess of a fair and reasonable amount, taking into consideration all relevant factors, including the availability of the securities involved in the transaction, the expense of executing or filling the customer's order, the value of the services rendered by the Dealer Member, and the amount of any other compensation received or to be received by the Dealer Member in connection with the transaction.

3300.8. Review of Best Execution Policies and Procedures

A Dealer Member must review its best execution policies and procedures required under section 3300.2. at least annually, and specifically whenever there is a material change to the trading environment or market structure that may impact a Dealer Member's ability to achieve best execution for its clients. Each Dealer Member must consider, taking into account the scope and size of its business, whether more frequent reviews of its best execution policies and procedures are necessary.

A Dealer Member must outline a process to review its best execution policies and procedures, including detail of a governance structure, that specifies:

- (a) who will conduct the review;
- (b) what information sources will be used;
- (c) the review procedures that will be employed;
- (d) a description of any specific events that would trigger a review in addition to annual reviews;
- (e) how the Dealer Member evaluates whether its policies and procedures are effective in achieving best execution; and
- (f) who will receive reports of the results.

A Dealer Member must retain records of its reviews of its best execution policies and procedures, as well as any material decisions made and changes to them, for seven years. A Dealer Member must promptly correct any deficiencies identified in the course of its best execution policies and procedures review.

3300.9. Training

A Dealer Member must ensure its employees involved in the execution of client orders know and understand the application of the Dealer Member's written best execution policies and procedures that they must follow.

3300.10. Subject to Order Protection Rule

Despite any instruction or consent of the client, achieving best execution for a client order for any listed security is subject to compliance with the Order Protection Rule under Part 6 of the Trading Rules by:

- (a) the marketplace on which the order is entered; or
- (b) the Dealer Member, if the Dealer Member has marked the order as a directed-action order in accordance with UMIR 6.2.

3300.11. Disclosure of Best Execution Policies

A Dealer Member must provide in writing to its clients:

- (a) a description of the Dealer Member's obligation under section 3300.2;
- (b) a description of the factors the Dealer Member considers for the purpose of achieving best execution;
- (c) a description of the Dealer Member's order handling and routing practices intended to achieve best execution for client orders for listed securities, including:
 - (i) the identity of any marketplace to which the Dealer Member might route the orders for handling or execution;
 - (ii) the identity of each type of intermediary (foreign and domestic) to which the Dealer Member might route the orders for handling or execution;
 - (iii) the circumstances in which the Dealer Member might route the orders to a marketplace or intermediary identified or referred to in the disclosure made under (i) and (ii);
 - (iv) the circumstances, if any, under which the Dealer Member will move an order entered on one marketplace to another marketplace;
 - (v) the nature of any ownership by the Dealer Member or affiliated entity of the Dealer Member in, or arrangement with, any marketplace or intermediary identified or referred to in the disclosure made under (i) and (ii);
 - (vi) if any of the orders may be routed to an intermediary referred to in the disclosure made under (ii), pursuant to an arrangement with any such intermediary,

- (A) a statement that the order will be subject to the order handling and routing practices of the intermediary;
 - (B) a statement that the Dealer Member has reviewed the order handling and routing practices of the intermediary and is satisfied that they are reasonably designed to achieve best execution;
- (vii) a statement as to:
- (A) whether fees are paid or payments or other compensation is received by the Dealer Member for a client order routed, or traded resulting from a client order routed, to any marketplace or intermediary identified or referred to in the disclosure made under (i) and (ii);
 - (B) the circumstances under which the costs associated with those fees paid or the amounts or compensation received will be passed on to the client; and
 - (C) whether routing decisions are made based on fees paid or payments received;
- (d) when providing market data as a service to clients, a description of any missing market data, including an explanation of the risks of trading with incomplete trading data provided.

A Dealer Member must make the required disclosure for each class or type of client if the factors and order handling and routing practices used for such clients materially differ.

A Dealer Member must specifically identify in the required disclosure:

- (a) the class or type of client to which the disclosure applies;
- (b) the class or type of securities to which the disclosure applies; and
- (c) the date of the most recent changes to the disclosure made in accordance with this Rule 3300.

A Dealer Member must:

- (a) make the disclosure required under this Rule 3300 publicly available on the Dealer Member's website; and
- (b) clearly identify to clients where on the website the disclosure is found; or
- (c) if the Dealer Member does not have a website, deliver the disclosure required under this Rule 3300 to the client
 - (i) upon account opening; or
 - (ii) if the client has an account already open with the Dealer Member at the time this Rule 3300 comes into force, no later than the 90th day after this Rule 3300 comes into force.

A Dealer Member that provides disclosure under this Rule 3300 must:

- (a) review the disclosure on a frequency that is reasonable in the circumstances, and at a minimum on an annual basis; and
- (b) promptly update the disclosure to reflect the Dealer Member's current practices.

If a Dealer Member makes any change to the disclosure it is required to make under this Rule 3300, the Dealer Member must:

- (a) for the website disclosure, identify and maintain the change on the website for a period of 6 months after the change has been made; or
- (b) for any disclosure required to be delivered to a client, deliver the change to the client no later than the 90th day after the completion of the review and update.”.