

PART 5 – BEST EXECUTION OBLIGATION

5.1 Best Execution of Client Orders - Repealed

Regulatory History: Effective January 2, 2018, the applicable securities commissions approved amendments to repeal Rule 5.1 of UMIR. See IIROC Notice 17-0137 – “**Amendments Respecting Best Execution**” (July 6, 2017).

POLICY 5.1 – BEST EXECUTION OF CLIENT ORDERS - Repealed

Defined Terms: NI 14-101 – section 1.1(3) – “foreign jurisdiction”
 NI 21-101 – section 1.1 – “order”
 NI 21-101 section 1.4 – Interpretation -- “security”
 NI 23-101 – section 1.1 – “directed-action order”
 UMIR section 1.1 – “better price”, “client order”, “consolidated market display”, “foreign organized regulated market”, “Market Regulator”, “marketplace” and “Participant”
 UMIR section 1.2(2) – “trade”

Related Provisions: UMIR sections 6.2 and 6.4; NI 23-101 – Part 6

Regulatory History: Effective March 9, 2007, the applicable securities commissions approved an amendment to Policy 5.1 to add Part 2. See Market Integrity Notice [2007-002](#) – “Provisions Respecting Competitive Marketplaces” (February 25, 2007).
 Effective May 16, 2008, the applicable securities commissions approved an amendment to Part 2 of Policy 5.1 to replace the phrase “organized regulated markets outside of Canada” with “foreign organized regulated markets”. See Market Integrity Notice [2008-008](#) – “Provisions Respecting “Off-Marketplace” Trades” (May 16, 2008).
 Effective September 12, 2008, the applicable securities commissions approved an amendment to replace Rule 5. And Policy 5.11. See IIROC Notice [08-0039](#) – “Provisions Respecting Best Execution” (July 18, 2008).
 Effective February 1, 2011, the applicable securities commissions approved an amendment to repeal and replace Part 4 of Policy 5.1. See IIROC Notice [11-0036](#) – “Provisions Respecting the Implementation of the Order Protection Rule” (January 28, 2011).
 Effective December 9, 2013, the applicable securities commissions approved amendments to the French version of UMIR. See IIROC Notice [13-0294](#) – Notice of Approval and Implementation – “Amendments to the French version of UMIR” (December 9, 2013).
 Effective January 2, 2018, the applicable securities commission approved an amendment to repeal Policy 5.1. See IIROC Notice [17-0137](#) – “Amendments Respecting Best Execution” (July 6, 2017).

Guidance: See Market Integrity Notice [2006-017](#) – “Securities Trading on Multiple Marketplace” (September 1, 2006)

Guidance: See Market Integrity Notice [2007-015](#) – “Specific Questions Relating to Trading on Multiple Marketplaces” (August 10, 2007).

Guidance: See Market Integrity Notice [2007-019](#) – “Entering Client Orders on Non-transparent Marketplaces and Facilities” (September 21, 2009).

Guidance: See IIROC Notice [09-0244](#) – “Best Execution” and “Best Price” Obligations For Securities Listed On TSX Venture Exchange” (August 27, 2009).

Guidance: See IIROC Notice [11-0043](#) – “Guidance on “Locked” and “Crossed” Markets” (February 1, 2011).

Guidance: See Notice [11-0113](#) – “Guidance on Best Execution and Management of Orders” (March 30, 2011).

Guidance: See IIROC Notice [11-0114](#) – “Guidance Respecting the Use of Certain Order Types” (March 30, 2011).

Guidance: See IIROC Notice [13-0191](#) – “Guidance Respecting the Management of Stop Loss Orders” (July

11, 2013).

Guidance: See IIROC Notice [17-0138](#) – “**Guidance on Best Execution**” (July 6, 2017)

Disciplinary Proceedings: **In the Matter of TD Securities Inc. (“TDSI”) (July 5, 2006) DN 2006-007**

Facts – Between December 2003 and January 2005, TDSI on numerous occasions failed to transmit retail client orders to Dealer A, a CNQ Market Maker, for entry onto the CNQ marketplace. TDSI held back client orders that were either not immediately tradeable or which remained outside the posted quote until expiry, including orders for less than 50 standard trading units. Such orders expired unfilled without ever being entered onto CNQ. It was also found that TDSI failed to maintain a complete audit trail relating to these orders.

Disposition – TDSI failed to meet its obligations under several provisions of UMIR in relation to the handling, trading, compliance and supervision of retail client orders for CNQ listed securities. In failing to adequately consider and plan with supervisory, compliance and trading staff an appropriate method of handling and monitoring client orders for CNQ, TDSI failed to fulfil its best execution and order exposure obligations to clients in respect of some CNQ orders. In failing to adopt adequate policies and procedures to be followed by its employees TDSI failed to fulfil its supervisory obligations under UMIR.

Requirements Considered – Rules 5.1, 6.3(1), 10.11(1), 10.12(1), 7.1(1) and Policy 7.1.

Sanctions - \$350,000 fine and costs of \$80,000.