



FIDELITY CLEARING CANADA®

# Disclosure of Best Execution Policies

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## FCC Compliance

**December, 2017**

**Fidelity Clearing Canada (FCC) ULC Restricted**

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## Introduction

This document sets out Fidelity Clearing Canada's (FCC) obligations, factors, order handling and routing practices intended to achieve best execution for client orders for listed securities, as outlined in IIROC Dealer Member Rule 3300.

As per IIROC Dealer Member Rule 3300.2, FCC will establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to achieve best execution when acting for a client.

Pursuant to Rule 3300.1, "Best Execution" means obtaining the most advantageous execution terms reasonably available under the circumstances.

Pursuant to Rule 3300.10, 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 "direct-action order", in accordance with the Universal Market Integrity Rules (UMIR), sub-section 6.2.

## Best Execution Factors

FCC considers the following factors for the purpose of achieving best execution for all client orders, pursuant to Rule 3300.3, sub-section (a):

- (1) **Price**
- (2) **Speed of Execution**
- (3) **Certainty of Execution**
- (4) **The overall cost of the transaction, when costs are passed on to clients**

FCC may pay marketplace fees or receive marketplace rebates when routing orders to certain marketplaces. The fee schedules of each marketplace are available on their respective websites.

FCC considers the following sub-factors, which encompass more specific considerations of the broad factors listed above.

- (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 (FORMs), is taken into account**
- (v) **Factors related to executing on unprotected marketplaces**
- (vi) **Factors related to sending orders to a foreign intermediary for execution**

FCC receives order, pricing and trade information for protected and unprotected Canadian markets and FORMs via market data, OMS/EMS vendors and best execution providers.

FCC may trade actively, by taking liquidity, on unprotected marketplaces. Due to the potential for trade throughs of visible quotes on unprotected marketplaces, FCC may elect to not rest flow passively on these venues. If an unprotected marketplace has shown the ability to positively affect the desired factors FCC considers for best execution, an unprotected marketplace may be used for passive posting, in a routing/order handling strategy

FCC will not send listed securities in bulk to a foreign intermediary for execution outside of Canada without considering other liquidity sources, including liquidity sources in Canada.

FCC considers 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, pursuant to Rule 3300.3, sub-section (c):

- (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.**

## Order Handling and Routing Practices

Marketplace: FCC may access exchanges, ATS’s (protected and unprotected), dark markets and OTC in the pursuit of best execution.

The broad best execution factors, as well as the following considerations, will be used to select and rank venues. More specific factors will be considered when handling orders with unique circumstances, such as market opening and closing, unique client direction and requirements, and venues that may have specific unique attributes that may assist in best execution.

Venues will be selected, ranked and graded based on:

- experience
- analysis
- direct market data consumption
- research

FCC is as member/subscriber of the marketplaces listed in **Schedule A**, and may route orders directly to any of the marketplaces listed.

Intermediaries: FCC utilizes the services of a number of foreign and domestic intermediaries to achieve best execution. These intermediaries offer technology solutions for electronic and algorithmic trading, and specialized liquidity services. FCC may elect to route orders to an intermediary when one or more of FCC’s best execution factors are deemed to be improved. FCC may also elect to use an intermediary to access a marketplace where we are not a member/subscriber. FCC will weigh the benefit in using an intermediary against potential settlement or FX exposure risk, if any.

Intermediaries are listed in **Schedule B**.

If any of the orders are routed to any of the above listed intermediaries, pursuant to an arrangement with any such intermediary, the order will be subject to the order handling and

routing practices of the intermediary. FCC is deemed to have reviewed the order handling and routing practices of the intermediary and is satisfied that they are reasonably designed to achieve best execution.

FCC 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. Based on client agreements and disclosures, FCC may or may not pass on certain costs or compensation received to its clients. Routing decisions are not primarily made based on fees paid or payments received.

FCC will consider instructions of a client, subject to compliance with any regulatory requirement.

If specific trading or handling instructions are received from the client, FCC will take these instructions into account when trading and handling the order. If these instructions compromise FCC's obligations, the order may be returned to the client for clarification or may be rejected.

FCC may elect to move an order entered on one marketplace to another marketplace, if the determination is made that best execution can be more readily achieved.

A decision to move one or many orders from the original marketplaces will be weighed against order priority factors and the potential for partial fills.

FCC recognizes that potential or perceived conflicts of interest may have a negative impact on investor confidence. FCC treats seriously the management of all potential conflicts of interest. FCC's relationship with its affiliate in the United States, FCM, represents a potential conflict of interest. FCC Trading operates in a fair, orderly and transparent manner, and pledges to not prioritize one order flow over another. This aim will not be overridden by any commercial interests of either FCC or its affiliates such as FCM. Any potential conflicts of interest will be actively mitigated on an ongoing basis through best execution testing measures (described in greater detail below). Should inferior results be obtained, FCC will amend order handling accordingly to ensure adherence to best execution standards.

#### Default Order Handling Protocols

The trading day consists of three sessions:

- *Pre-open*: the session ending with the opening of the primary Canadian listing marketplace at 9:30 AM EST
- *Continuous Session*: The main session of the primary Canadian listing marketplace, 9:30 AM to 4:00 PM, plus Extended Trading Session – 4:15 PM to 5:00 PM. Trades conducted at last sale price of primary Canadian listing marketplace.
- *Post Close*: The session starting with the closing of the primary Canadian listing marketplace.

FCC supports trading in both the pre-open and the post-close. Trading in these sessions is handled in accordance with this policy and specific client instructions are required for participation. By default, orders received in the pre-open are queued for execution at 9:30 AM, and will be routed to the primary Canadian listing marketplace or will target the opening price on that marketplace. By default, orders received in the post-close are queued for the opening of the primary Canadian listing marketplace on the following business day. An order received during the continuous session is handled following this policy, and routed appropriately for best execution at the time of entry.

FCC Trading will follow the holiday calendar of the primary Canadian listing marketplace for Canadian orders, and the holiday calendar of the primary US listing marketplace for US orders.

Each Canadian marketplace supports a variety of order types. These include order types or designations required by the regulators. A summary document which outlines the order types and features available is obtainable upon request.

FCC does not permit on stop orders which are triggered to a market order. FCC trading tools mandate a secondary limit is placed on each on-stop order.

Trade execution details are available via trade confirmation, electronically via FIX and/or upon request. This includes marketplace execution details, execution capacity and average price details.

At all times FCC pricing of OTC securities will be fair and will reflect the size, the total cost and difficulty of the particular transaction. Markups and markdowns and total pricing will reflect the scarcity of the issue, the work that is required to trade, clear and settle the overall transaction as well as market forces.

Best execution, as well as order routing table maintenance, is governed and reviewed by FCC's Trade Review Committee (TRC). The TRC meets monthly at a minimum, or periodically as needed, and is responsible for the oversight and supervision of all items relating to trading at FCC.

Membership is composed of a number of senior executive members including Trading, Compliance and Operations.

Changes to order routing procedures, the ranking of marketplaces for active and passive routing, along with other trading, risk and regulatory topics are discussed and approved by the TRC.

For additional information or any questions regarding above document, please reach out to [FCC.Compliance@fidelity.ca](mailto:FCC.Compliance@fidelity.ca).

## Schedule A

Marketplaces where Fidelity Clearing Canada ULC is a member/subscriber

\*As of December 1, 2017

Market place	Website	Status	Reason for Status	Hours of Operation
The CSE	thecse.com	Protected	Meets Marketplace Threshold	9:30am - 4:00pm
Nasdaq CXC	business.nasdaq.com/trade/canadian-equities/Overview/	Protected	Meets Marketplace Threshold	8:30am - 5:00pm
Nasdaq CX2	business.nasdaq.com/trade/canadian-equities/Overview/	Protected	Meets Marketplace Threshold	8:30am - 5:00pm
Omega	Omegaats.com	Protected	Meets Marketplace Threshold	8:00am - 5:00pm
TSX	tmx.com/markets	Protected	Meets Marketplace Threshold	9:30am - 4:00pm
TSX Venture	tmx.com/markets	Protected	Meets Marketplace Threshold	9:30am - 4:00pm
Aequitas Lit	Aequitasneo.com	Protected for Aequitas listings	Meets Marketplace Threshold	9:30am - 4:00pm
Aequitas Neo	Aequitasneo.com	Unprotected	Does Not Meet Marketplace Threshold	9:30am - 4:00pm
Alpha	tmx.com/markets	Unprotected	Does Not Meet Marketplace Threshold	8:00am - 5:00pm
Lynx	Omegaats.com	Unprotected	Does Not Meet Marketplace Threshold	8:00am - 5:00pm
MatchNow	Matchnow.ca	Unprotected	Does Not Meet Marketplace Threshold	9:30am - 4:00pm
Nasdaq CXD	business.nasdaq.com/trade/canadian-equities/Overview/	Unprotected	Does Not Meet Marketplace Threshold	9:30am - 4:00pm
Perimeter CBID	www.pfin.ca/			

## Schedule B

FCC Intermediaries

\*As of December 1, 2017

Beacon Securities Limited
BMO Nesbitt Burns Inc.
Canaccord Genuity Corp.
CIBC World Markets Inc.
Echelon Wealth Partners Inc.
Industrial Alliance Securities Inc.
ITG Canada Corp.
Laurentian Bank Securities Inc.
Mirabaud Canada Inc.
Morgan Stanley Canada Limited
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Shorcan Brokers Ltd
Fidelity Capital Markets
Citadel Securities LLC
Citigroup Global Markets Inc.
Virtu Americas LLC
Cantor Fitzgerald & Co.
WallachBeth Capital LLC