

Background

This document is a summary of CGDirect’s (CGD) procedures designed to provide best execution of client orders.

Unless provided with specific instructions to the contrary, the following policies generally apply to all client orders executed by CGD and they apply to all client orders for Canadian-listed securities, other than options. CGD is committed to diligently pursuing the execution of each client order on the most advantageous execution terms reasonably available under the circumstances. Its policies and procedures for best execution apply as prescribed to orders from an affiliate broker-dealer under a routing arrangement (RA), Direct Electronic Access (DEA) clients and order execution service (OES) clients.

CGD does not consider any foreign marketplaces, regulated or unregulated, to provide a client with best execution of Canadian-listed securities. Furthermore, this disclosure does not apply to the order handling and execution of foreign (non-Canadian) listed securities, including options, for which order routing, execution and handling functions are performed on behalf of CGD with broker-dealer agreements by SEC and FINRA-registered broker-dealers. For more information on CGD’s U.S. affiliate and its best execution policies and procedures for foreign exchange-traded securities and derivatives, please see [Capital Markets - Canaccord Genuity](#).

Best execution is governed by the Canadian securities regulators’ National Instrument 23-101: *Trading Rules* and Rule 3100 Part C of the Investment Industry Regulatory Organization of Canada (IIROC). CGD’s policies and procedures are designed to provide reasonable assurance of compliance with those regulations and will be amended to remain compliant with all industry rules and regulatory guidance.

Definition of best execution

Best execution means the most advantageous execution terms reasonably available under the circumstances.

Best execution does not always mean execution at the best possible price. What constitutes best execution will vary with the circumstances of the order and the preferences of the client. Therefore, it may not be possible to achieve what would be judged in hindsight as best execution for every single order.



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General Factors that CGD Considers in seeking best execution

In attempting to obtain the most advantageous execution terms reasonably available under prevailing market conditions, CGD takes the following general factors into consideration:

- the price at which the trade will occur
- the speed of execution
- the certainty of execution, and
- the overall cost of the transaction, including all costs that may be passed on to the client such as foreign exchange costs or fees arising from trading on a particular marketplace.

In doing so, CGD will also take into consideration any instructions from the client regarding which of these factors is most important, either in general or on a trade-by-trade basis.

These four broad factors encompass more specific considerations, such as order size, reliability of quotes from and the liquidity of different marketplaces, market impact (the price movement that occurs when executing an order) and opportunity cost (the missed opportunity to obtain a better price when an order is not completed at the most advantageous time).

In considering the circumstances, CGD considers prevailing market conditions: including such factors as:

- prices and volumes of the last sale and previous trades
- direction of the market for the security
- depth of the posted market
- the size of the spread, and
- liquidity of the security.

The Order Protection Rule

Notwithstanding any instruction or consent of the client, the provision of “best execution” for a client order is subject to compliance with the “Order Protection Rule” (OPR) under Part 6 of National Instrument 23-101: *Trading Rules*.

The OPR prohibits a dealer from executing a sale at a lower price or a purchase at a higher price than, respectively, the best available bid or offer on a protected marketplace. A “protected marketplace” is one that meets certain market share minima and posts orders that are transparent both pre-trade and post-trade because order and trade information is disseminated through an information processor. CGD uses

annual lists of protected and unprotected marketplaces published by IROC to make order routing determinations and uses a smart order router (SOR) to ensure compliance with the OPR.

CGD will not accept client instructions that would result of a trade that violates the OPR.

Primary Marketplace

For all OES client orders, CGD uses an SOR to direct the order to the Primary Marketplace unless all or part of the order can trade against a better priced order posted on another marketplace, whether protected or unprotected. If all or part of an order cannot be executed immediately, the order or unexecuted remainder will be posted in the order book of the primary marketplace for that security. As for client orders under RA and DEA, the routing decisions are made using the client’s own customized SOR that routes orders to marketplaces according to their specific trading strategies, subject to compliance with the OPR.

The Toronto Stock Exchange and TSX Venture Exchange are normally the primary markets for their listed securities. The Canadian Securities Exchange and the NEO Exchange Inc. are normally the primary marketplace for the issues it lists exclusively. CGD may determine that a different marketplace is the Primary Marketplace for a particular security based on a history of providing better liquidity or prices.

All orders placed through the CGD trading platform for OES clients are routed to the above marketplaces via its SOR. CGD periodically reviews the priority of the marketplaces and makes changes necessary to continue to achieve best execution of its client orders. If an order is not immediately executable for Canadian Order Handling and Execution in its entire quantity, CGD will post the order on the Primary Marketplace of the security. CGD will generally only execute manual trades if a client has a system problem, or to facilitate specific client strategies.

Moving orders from one market to another

If the order remains marketable at a venue for more than 10 seconds without executing, and it is also marketable at other destinations, the order is cancelled at its current venue, the venue is removed from SOR’s routing consideration, and the order routing process begins again.

Marketplace Fees and Rebates

CGD may pay marketplace fees or receive marketplace rebates when routing client orders to certain marketplaces. Marketplace fee schedules are disclosed on the websites of each marketplace. CGD clients who opt for our tiered pricing for equities and ETFs include commissions and marketplace fees and, when

a marketplace provides a rebate, CGD passes some or all the rebate back to the client. However, the tiered pricing model is not intended to be a direct pass-through of marketplace fees and rebates as CGD may pay higher fees and receive higher rebates from the marketplace. For example, when CGD exceeds volume thresholds and receives corresponding volume-based rebates that are not directly passed on to clients. CGD may prioritize marketplaces by rebates received as a means of reducing trade execution costs. CGD only considers rebates received if all other factors are deemed equal.

Ownership Interest in Marketplaces Accessed

CGD and its affiliates have no ownership interest in any of the Canadian marketplaces CGD connects to and accesses.

Stop Limit and Stop Loss Orders

Stop loss and stop limit orders are automatically entered in the Primary Marketplace order book through the order management system or by the SOR.

Special Terms Orders

Special Terms Orders are executed by CGD’s trading desk representatives and are entered only on the Special Terms Market of the Primary Marketplace, unless they are immediately executable on an alternative marketplace at the time of entry.

Market-on-Close Orders

CGD does not accept market-on-close orders.

Orders received outside of core trading hours

Orders received outside of regular trading hours (RTH) are entered as follows:

- GTC orders, Limit orders and Marketable Limit orders submitted as outside RTH orders will not be routed for execution to the Principal Marketplace's Pre-Open Session but to the marketplaces open at the time of order receipt, with the implication that these orders may be filled at a price different from the opening price on the Principal Marketplace. If a client submits an order before 9:30 a.m. EST (which is the opening time of the Principal Marketplace) and this order is a limit

order which is, or becomes, a marketable order on another marketplace prior to 9:30 a.m. EST, it will be immediately exposed to that marketplace for execution and the client may receive a trade execution on that marketplace. A CGD client may choose to participate in the Pre-Open Session of the TSX by submitting the order as a RTH order.

- GTC orders, Limit orders and Marketable Limit orders submitted as outside RTH after 4:00 p.m. EST will be routed to the Principal Marketplace's Extended Trading Session for execution and clients may receive a trade execution on this marketplace.
- Contrary to the ability to directly route an order to the TSX Pre-Open Session, CGD clients cannot direct route an order to the Extended Trading Session of a Principal Marketplace, nor for that matter, directly route an order to the marketplace of their choice after 4:00 p.m. EST. If a CGD client submits an order after 4:00 p.m. EST (which is currently the closing time of the Principal Marketplaces in Canada) or if the order is a valid GTC order submitted prior to 4:00 p.m. EST which is, or becomes, a marketable order either on the Extended Trading Session of a Principal Marketplace, or on another marketplace after 4:00 p.m. EST, it will be immediately exposed for execution and as such, the client may receive a trade execution. (Note – a client cannot direct an order to a specific marketplace after 4:00 p.m. EST nor select a specific Principal Marketplace for the purpose of participating in such marketplace's Extended Trading Session to the exclusion of other marketplaces).

Expiry of Orders

- Day orders submitted as during RTH orders will expire at the close of the Principal Marketplace (4:00 p.m. EST).
- Day orders submitted as outside RTH orders will expire at the end of trading on the last open marketplace (currently 5:00 p.m. EST).

Securities Inter-Listed in Canada and the United States

CGD does not automatically route client orders for securities inter-listed in Canada and the United States to U.S. markets. Only CAD denominated orders are considered for OPR purposes and routed using the SOR.



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Securities listed only in the United States

CGD sends orders for securities listed only in the United States to several broker-dealers. Most institutional orders are directed to FIS Brokerage and Securities Services LLC. Most retail orders are directed to Citadel Securities LLC.

All U.S. broker-dealers to which CGD directs orders are members of the Financial Industry Regulatory Authority (FINRA) and are required by FINRA Rule 5310 to provide best execution to clients.

Under SEC rules, U.S. broker-dealers provide execution reports on their websites.

In addition, CGD periodically reviews the order handling and routing practices of the intermediaries identified above and is satisfied that they provide reasonable assurance of achieving best execution of client orders.

Orders for securities traded in other foreign markets (except the United States)

CGD does not route orders to other foreign markets.

Payment for order flow

CGD does not accept payment for directing orders to a particular marketplace or correspondent broker.

Fair Pricing of Fixed Income Trades

CGD is committed to ensuring that trades in fixed income securities are priced fairly and reasonably.

Acknowledging that CGD is entitled to a reasonable commission, CGD may fill a client order from inventory or may trade on an agency basis. In either case, CGD will ensure that the transaction is done at a fair and reasonable price considering the following factors:

- the fair market value of the securities and of any securities exchanged or traded in connection with the transaction
- the availability of the securities involved in the transaction and the expense involved in effecting the transaction, and
- the total dollar amount of the transaction.

For hard to price securities, where there is no prevailing market showing recent prices, CGD considers the following factors:



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- the price of the most recent transactions in the security
- intervening events that might indicate that the price of the most recent transaction would not represent a reasonable current price, such as material changes in interest rates or announcements by the issuer, and
- transactions prices for similar issues, considering such factors as yield, credit quality, features, and ratings.

Where possible, CGD will consider multiple trading sources including on-line trading platforms and quotes from other broker-dealers.

Review of Best Execution Policies and Procedures

CGD reviews its best execution Policies & Procedures quarterly, and whenever there is a material change to the trading environment or market structure that may impact CGD’s ability to achieve best execution. For example, the launch of a new market, or a material change to the functionality of an existing market, may result in a policy or procedure change.

CGD has established a best execution committee that conducts reviews and examines relevant internal and marketplace reports. Annually, the committee reviews this disclosure and the best execution policies, procedures, and disclosures of its correspondent broker-dealers, as needed.

In the event of a material change in CGD’s best execution policies and procedures, CGD will post a notice of the changes on its website with its revised best execution policies and procedures.

Date of this disclosure and material changes

This disclosure is dated February 1, 2022.

When CGD revises this disclosure, it will publish on its website both the revised disclosure and a notice outlining the change. The notice will remain on the website for six months.