



Best Execution Disclosures Canada – September 2019

Introduction

This document sets out Macquarie Capital Markets Canada Ltd. (MCMC) obligations, factors, order handling and routing practices intended to achieve best execution for client orders for listed securities.

MCMC will establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to achieve best execution when acting for a client. “Best Execution” means obtaining the most advantageous execution terms reasonably available under the circumstances.

The majority of orders come in through a “FIX” connection, in which case trades are routed through the Fidessa trading engine using the Smart Order Router (SOR) in order to achieve best execution. Client who trade electronically may select several algo service providers from Macquarie’s third party vendors.

A small number of institutional client orders are called or messaged into the institutional trade desks to the traders, which are manual orders. Subject to client instructions, these are entered into Fidessa using the SOR for best execution purposes. See below additional considerations for manually handled orders.

Best Execution Factors

MCMC considers the following factors for the purpose of achieving best execution for all client orders:

- Price
- Speed of Execution
- Certainty of Execution
- The overall cost of the transaction, when costs are passed on to clients

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

- Considerations taken into account when determining appropriate routing strategies for clients
- Considerations of the fair pricing of Opening Orders when determining where to enter an Opening Order
- Considerations when not all marketplaces are open and available for trading
- How order and trade information from all appropriate marketplaces, including unprotected marketplaces and foreign organized regulated markets (markets), is taken into account
- Factors related to executing on unprotected marketplaces
- Factors related to sending orders to a foreign intermediary for execution

MCMC receives order, pricing and trade information for protected and unprotected markets via market data, OMS and Algo vendors and best execution providers.

MCMC 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:

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

Order Handling and Routing Practices

Marketplace

MCMC may access exchanges, ATs (protected and unprotected), dark markets and OTC for the purpose of best execution. The broad best execution factors listed above are used to select and rank venues in addition to the following factors: experience, analysis, and market data. Specific factors will be considered when handling orders with unique circumstances, such as market opening and closing, client instructions, and venues that may have specific attributes (e.g. after-hours trading or dark pools). MCMC may pay marketplace fees or receive marketplace rebates when routing orders to certain marketplaces. These are not a primary factor in determining market routing.

MCMC is as member/subscriber of the marketplaces listed in Schedule A.

MCMC 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.

MCMC 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.

Intermediaries

MCMC may use the execution services of (a) its carrying broker, Fidelity Clearing Canada, to execute in foreign and domestic markets and (b) Macquarie Futures USA for CME and CBOE. MCMC also uses FoxRiver, ITG and ITS for technology solutions for electronic and algorithmic trading, and specialized liquidity services.

MCMC may also route orders to an intermediary when one or more of MCMC’s best execution processes are impaired.

MCMC will review the order handling and routing practices of the intermediary or third party algorithm provider to ensure that they are reasonably designed to achieve best execution. Each such service provider is required to provide annual certification that its procedures meet best execution requirements (**Third Party Certificates**).

Client Instructions & Order Protection Rule

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

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

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:

- The marketplace on which the order is entered; or
- MCMC if we have marked the order as a "direct-action order", in accordance with the Universal Market Integrity Rules (UMIR) Section 6.2.

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.

MCMC 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.

MCMC 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.

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 MCMC 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 Committee

Best execution, as well as order routing table maintenance, is governed and reviewed by MCMC's Best Execution Committee (BEC). The BEC meets quarterly at a minimum, or periodically as needed, and is responsible for the oversight and supervision of all items relating to trading at MCMC. Membership is composed of a number of senior members including trading, compliance, legal 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 BEC. The BEC is also responsible for the receipt and review of Third Party Certificates.

Disclosures Regarding Best Execution

Disclosures relating to best execution are prepared and reviewed on a periodic basis. Prior iterations of this policy will be made available for a period of 6 months following any changes thereto. Updates are posted at <https://www.macquarie.com/ca/about/disclosures/regulatory-disclosures>

Last Update: September 2019

Schedule "A"
Marketplaces

Marketplace	Protected Status
TSX Toronto Stock Exchange	Yes
TSX Venture	Yes
TSX Alpha	No
Nasdaq CXC	Yes
Nasdaq CX2	Yes
Nasdaq CXD	No – Dark Pool
Canadian Securities Exchange	Yes
Omega	Yes
Lynx	No
Aequitas Lit	Yes
Aequitas NEO	No
MATCH Now	No – Dark Pool