

Trading of Canadian Listed securities on Multiple Marketplaces

With the emergence of multiple competitive marketplaces in Canada, Penson has prepared this policy to inform their clients of conditions that may affect them in this new environment.

Penson Financial Services Canada (PFSC) is a member of all protected marketplaces: the TSX, TSXV exchanges, as well as all the alternative trading systems (“ATS’s”) namely Chi-X, Alpha, Pure and Omega.

PFSC is a member of TriAct Match Now, which is a matching facility used to achieve execution with price improvement and to seek additional pools of liquidity at reduced costs.

1. PRIMARY MARKETPLACE

The primary marketplace for securities listed on the Toronto Stock Exchange and the TSX Venture Exchange (together to be further referred to as the “TMX”) may be the TMX or any of the ATS’, at the discretion of Penson.

In most cases the primary marketplace will be the TSX.

However, Penson continuously monitors the changes in the liquidity available on each protected marketplace and whenever the increase in trading activity of certain securities prescribes it, Penson may at their own discretion assign a different “primary marketplace” to the specific securities in question.

A list of securities in which Penson has assigned a different primary marketplace than that of the TMX, is available upon request. All requests should be directed to: tortrading@penson.ca.

2. HOURS OF OPERATION FOR TRADING IN LISTED CANADIAN SECURITIES.

All references to time in this policy will be Eastern Time.

The TMX currently conducts regular trading hours between 9:30am to 4:00pm ET, Monday to Friday with the exception of statutory holidays.

The TMX has the Last Trading Session (LTS) which runs from 4:15pm to 5:00pm and any clients wishing to execute at this time will contact the Trading Desk for special handling. Orders already in the system will automatically participate in the LTS if their limit order is at the same price as the closing TSX price established by the MOC at 4:10pm.

PFSC trading staff are available from 8:00am to 5:00pm to assist with specially handled orders or trading inquiries.

3. STANDARD ROUTING OF ORDERS

All orders for Canadian equities will check the TriAct Match Now facility before being sent to a Smart Order Router (SOR). The SOR can access all the visible markets in parallel and will send immediately executable orders to the venue with the best price. Execution may occur on one or more venues.

If the entire order cannot be immediately filled, the portion of the order that remains unfilled will be posted on the primary market assigned to the securities traded. Some stocks may trade more actively on other markets and as such PFSC may establish separate and unique routing/posting instructions for these stocks in accordance to best execution. The order will remain open until the order is filled, expired, changed or cancelled.

- An order received prior to 9:30am will be booked to the TSX or TSXV for execution at the opening except for the specific securities which Penson assigned another market as primary marketplace. (list of specific securities available upon request)

Securities which Penson assigned a primary marketplace other than the TSX, may be executed immediately or posted for execution upon the ATS' opening. Note- some ATS's may open for trading before the TSX

Orders assigned to a primary marketplace which are received prior to the hours of operation will not be re-routed to another marketplace.

Caution should always be used when entering 'market' orders outside of regular trading hours.

- An order received after the marketplace close at 4:00pm may in some circumstances be directed to an ATS for execution or posting; otherwise it will be entered to the pre-opening book of the TSX for the following business day. Caution should always be used when entering 'market' orders outside of regular trading hours.
- A 'marketable' order received during regular trading hours, 9:30am to 4:00pm, will be directed using a smart order router, to the best market

having the best bid (for sell orders) or ask (for buy orders). Execution may not be limited to one marketplace.

- Limit orders will be posted on the TSX for most stocks but not all, since unique posting instructions may apply to some stocks. Any portion of an order that cannot be immediately filled and which is resting on a marketplace will reside on that marketplace and will not be re-routed for execution on another market.
- In the event where more than one marketplace has the 'best price' a routing table is used to determine the destination to send orders based on venue ranking. The routing table is maintained and controlled by PFSC and may change the ranking from time to time to ensure best execution.
- Any changes to an existing order will be handled in the same manner as a new order and will be subject to the routing outlined above.
- Request for orders to be posted on specific markets are manually handled and a trade-through validation must be made prior to directing the order to ensure violations are avoided.

4. ORDER EXECUTION

Certain types of orders have specific handling implications when multiple Canadian marketplaces exist:

- **Day Orders:** A day order is an order that expires if it is not filled on the day the order is entered on the marketplace. Unfilled day orders and partially executed day orders expire upon the close of the marketplace where the order is entered.
- **Open or Good Til Canceled Orders (GTC):** Open orders remain open until a specified expiry date, or until they are canceled. Open orders will remain with the primary marketplace until they are filled, cancelled, changed or expired. GTC orders remain in the system for 60 calendar days at which time they will expire. Extending the order is possible if the order date is changed prior to expiration, otherwise a new order will need to be placed.
- **Market Orders:** Market orders are intended to be executed immediately at the best available price determined by the smart order router. Market orders are day orders and any remaining balance will expire upon the close of the marketplace where the unfilled portion of the order is entered.
- **Limit Orders:** Limit orders specify a minimum sale price or a maximum purchase price for execution of the order.
- **Special Terms Orders:** Special terms orders place restrictions on the execution of the orders. These orders types are not available on all markets and are therefore handled directly with the trading desk.

- **Stop Loss Orders:** Stop loss orders are orders that become market or limit orders when certain conditions are satisfied. Stop loss orders are addressed in the “Execution Services Department Rules and Procedures” and are manually handled on a best efforts basis. Stop loss orders will only be entered to the primary marketplace, where they will remain until they are filled, cancelled or expired.

5. EXTENUATING CIRCUMSTANCES

In the event of technical difficulties or other situations where PFSC access to certain marketplaces or routing systems are unavailable, orders received will be directed to the primary or alternative marketplace as determined by the circumstances that exist in the marketplace at the time. PFSC will communicate this information as it becomes available to its respective clients.

6. DISCLOSURE OF MARKETPLACE

If an order is executed on more than one marketplace, the trades will be reported to the client using separate confirmations for each marketplace on which the order was executed. Each trade confirmation will identify the marketplace on which the portion of the order was executed. As a result, clients may receive more than one trade confirmation for an order.

For orders requiring special handling by PFSC’s desk and executed on multiple marketplaces we will ticket to the client under the TU market code and add on the trailer “**multiple marketplaces – details on request**”

7. AMENDMENTS

Changes to this policy may be made from time to time at the sole discretion of Penson. If you have any questions related to this policy, please contact the Toronto Trading desk at tortrading@penson.ca.