



# Canadian Order Handling and Execution Disclosure

This document is intended to provide our clients with an overview of how Interactive Brokers Canada Inc. ("IBC") handles client orders when trading listed securities, other than options on multiple Canadian marketplaces. Unless provided with specific instructions to the contrary, the following policies apply to all orders executed by IBC and they apply for all IBC's "client" orders for Canadian listed securities, other than options, including orders from an affiliate broker-dealer under a routing arrangement (RA) and orders from an order execution service (OES) client.

Please note that IBC does not, as a matter of policy, consider any foreign marketplaces, regulated or unregulated, in order 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 IBC by our U.S. affiliate, Interactive Brokers LLC, an SEC and FINRA-registered broker-dealer. For more information on our U.S. affiliate and its best execution policies and procedures for foreign exchange-traded securities and derivatives, please consult its website at [www.interactivebrokers.com](http://www.interactivebrokers.com).

This disclosure is effective as of December 2, 2023, and is considered current until a separate, more recent disclosure is issued.

IBC is an Investment Dealer registered with the securities regulatory authorities in each of Alberta, British Columbia, Manitoba, Newfoundland & Labrador, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan, and is a Dealer-Member of the Canadian Investment Regulatory Organization ("CIRO"). IBC is a member of the Canadian Investor Protection Fund.

## MARKETPLACES ACCESSED

The Canadian Marketplace has evolved to a multi-marketplace environment, with an increasing number of Exchanges and Alternate Trading Systems ("ATS") on which to execute equity trades. In response, Canadian regulators, including CIRO and the provincial Securities Commissions, have prescribed that all orders on "Protected Marketplaces" shall not be traded through, as prescribed by the Order Protection Rule ("OPR") defined in National Instrument 23-101 Trading Rules ("NI 23-101"). IBC's trading execution products are designed to trade in compliance with applicable regulatory requirements, such as OPR. This includes the IBC's Smart Order Router.

IBC is required under OPR to connect to all "protected" marketplaces. However, IBC connects to and considers quotes from "non-protected" Canadian marketplaces when routing its client orders, in order to provide its clients with additional sources of liquidity and ensure it meets its Best Execution obligations. IBC considers factors related to executing orders for listed securities on non-protected marketplaces such as whether client orders could reasonably be expected to execute on the non-protected marketplace at a better price or the non-protected marketplace has historically demonstrated a likelihood of liquidity for securities for which IBC accepts orders.

IBC currently connects to the following "protected" marketplaces:

CBOE Canada NEO Lit (NEO-L) (for CBOE Canada-listed and non listed securities), Canadian Securities Exchange (CSE)<sup>1</sup>, Nasdaq CXC, Nasdaq CX2, Omega, the Toronto Stock Exchange (TSX) and the TSX Venture Exchange (TSXV).

IBC currently connects to the following "non-protected" marketplaces:

CBOE Canada NEO N (NEO-N), Lynx, the TSX Alpha Exchange (Alpha). In addition to the above "non-protected" marketplaces, orders for listed securities are tested ("pinged") against CBOE Canada (TriAct Canada Marketplace- MatchNow), CBOE Canada NEO Dark (NEO-D), Nasdaq CXD, TSXD and TSXVD, are also "non-protected" marketplace that operates as a "dark" marketplace. The term dark is used to qualify this marketplace because it does not provide transparency of orders in a consolidated market display. IBC does this "pinging" to verify if the order can be executed at a better price than is currently available on a "visible" marketplace (protected or non-protected).

All orders placed through the IBC TWS software are routed to the above marketplaces via our Smart Order Router. IBC periodically reviews the priority of the marketplaces and makes any changes necessary to continue to achieve best execution. IBC may prioritize marketplaces by rebates received as a means of reducing trade execution costs. IBC only considers rebates received if all other factors are deemed equal.

Orders for listed securities are routed through the IBC Trader WorkStation (TWS) software and validated against varying pre-trade controls before being sent for execution. IBC directs all client orders through a proprietary Smart Order Router which aims to achieve the best price for our client orders. If an order is not immediately executable for its entire quantity, IBC will post the order on the listing exchange of the security. IBC will only manually execute trades in the event that a client has a system problem.

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<sup>1</sup> IBC offers trading on the products for which the Canadian Securities Exchange (CSE) is the listing exchange or Principal Marketplace. IBC also connects to CSE when CSE is performing the function of an alternative trading system of securities other than CSE-listed securities.

## **Disclosure of marketplace**

Orders for Canadian-listed securities may be executed on the listing exchange or an ATS which trades the security. IBC does not route orders for execution on a foreign organized regulated market. Trade confirmations will indicate whether some or all of an order executed on multiple marketplaces in Canada. Additional detail, such as the marketplace of execution for each underlying trade, is available upon request.

## **Marketplace Fees and Rebates**

IBC 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. IBC clients who opt for our tiered pricing for equities and ETFs include commissions and marketplace fees and, when a marketplace provides a rebate, IBC passes some or all of 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 because IBC may pay higher fees and receive higher rebates from the marketplace. For example, when IBC exceeds volume thresholds and receives corresponding volume rebates that are not passed on directly to clients.

## **Ownership Interest in Marketplaces Accessed**

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

## **STANDARD HANDLING OF ORDERS**

Certain types of orders may have specific handling implications. Unless otherwise specified, orders will be handled in accordance with the policies set out in this document and Appendix A (IBC Routing Logic).

## **Principal Marketplace**

The "Principal Marketplace" for all securities listed on the TSX, the TSXV or the CBOE Canada, will be the exchange on which the security is listed, whether or not the security is trading on other alternate marketplaces. IBC does not trade securities listed on the CSE and therefore does not consider it as a Principal Marketplace for the purposes of these policies.

## **Order Routing and Handling Conditions**

All orders will be routed to either the Principal Marketplace or alternative marketplaces as follows. Subject to the below, IBC does not generally accept specific instructions from the client to do otherwise.

1. For equities that trade on multiple Canadian marketplaces, as a matter of policy, considering that IBC's best execution obligation is subject to compliance with applicable regulatory requirements, including the Order Protection Rule (OPR) and the obligation not to create or continue to lock or cross a protected order, IBC will mandate SMART order routing to route the orders to the best marketplace's visible price during regular trading hours (RTH) (i.e., between 9:30 a.m. and 4:00 p.m. EST). **Note that IBC will SMART route an order during RTH subject to, and only after a trade (by any Participating Organization, including IBC) has been executed or "printed" on the Principal Marketplace.** Such a policy has the effect of disallowing clients' special instructions regarding the handling, routing or execution of their orders during RTH and therefore, no such handling, routing or execution client instructions will be taken into account during RTH. This policy could affect execution of the clients' orders during RTH because the clients will not be able to preference one marketplace over another. IBC developed a functionality to provide its clients with the ability to submit orders outside RTH and also to directly route orders to the Pre-Open Session of the Toronto Stock Exchange (TSX) (Before 9:30 AM). **Note that the ability to directly route orders to the Pre-Open Session of the TSX Alpha Exchange (Alpha), the TSX Venture Exchange (TSXV) and the CBOE Canada are not available at this time. (Before 9:30 a.m. EST).**
2. IBC will not accept client instructions to prefer a marketplace over another during RTH however, IBC clients can choose to trade **during RTH (as mentioned above, after a trade has been executed or "printed" on the Principal Marketplace) or outside RTH.** IBC is providing clients with the choice of some execution venue outside RTH by choosing *the outside RTH trade functionality* in the IBC TWS software. *Market orders* cannot be submitted *outside RTH*.
3. Pursuant to Canadian marketplace regulations, IBC will generally deal with better- priced orders on a *visible*<sup>2</sup> marketplace which is a marketplace that disseminates order data in real-time and electronically through one or more information vendors, permits dealers to have access to trading in the capacity of agent, provides fully- automated order entry and provides fully-automated order matching and trade execution.
4. IBC is of the view that the displayed volume in the consolidated market display will generally be adequate to fully execute the order on advantageous terms for IBC clients although IBC may consider possible liquidity on *dark*<sup>3</sup> marketplaces (which are marketplaces that do not provide transparency of orders in a consolidated market display). At this time, IBC, when routing its client orders, considers liquidity on CBOE Canada (TriAct Canada Marketplace- MatchNow), CBOE Canada NEO Dark (NEO-D), Nasdaq CXD, TSXD and TSXVD which are

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<sup>2</sup> *Visible* marketplaces tend to be classified by the market regulator (CIRO) as *protected* marketplaces when they meet market share thresholds.

<sup>3</sup> *Dark* marketplaces are classified by the market regulator (CIRO) as *unprotected* marketplaces regardless of market share thresholds.

deemed to be considered a *dark* marketplace because it does not provide transparency of orders in a consolidated market display.

5. IBC does not, intentionally or otherwise trade as principal against its clients' orders. IBC's affiliates' principal orders are automatically generated by a proprietary algorithm based on pre-determined order and trading parameters established, programmed and enabled for trading prior to the receipt of the client order and thus should be exempted from the application of the client-priority rule as prescribed by applicable marketplace regulations.
6. Day orders for Canadian equities submitted as **during RTH** orders will expire at the close of the Principal Marketplace (4:00 p.m. EST).
7. Day orders for Canadian equities submitted as **outside RTH** orders will expire at the end of trading on the last opened marketplace (5:00 p.m. EST).
8. 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 opened 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 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 9:30a.m. EST, it will be IMMEDIATELY EXPOSED to this marketplace for execution and client may receive a confirmation of trade execution on this marketplace UNLESS client specifically chooses to participate in the Pre-Open Session of the TSX (**NOTE-this last routing choice to the Pre-Open Session of the TSX can be done by submitting the order as a *during RTH* order in the IBC TWS software. This is the case even though the order is submitted prior to 9:30 a.m. EST).**
9. GTC orders, Limit orders and Marketable Limit orders submitted as **outside RTH** will be routed for exposure to the Principal Marketplace's Extended Trading Session for execution and clients may receive a confirmation of trade execution on this marketplace.
10. **Contrary to the ability to directly route an order to the TSX Pre-Open Session, IBC 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 an IBC 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 4:00p.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 on both the Extended Trading Session of the Principal Marketplace and the relevant marketplace and therefore, the client may receive a confirmation of trade execution on either marketplace. **REMINDER, client cannot direct an order to the marketplace of client's choice 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.**

## Long Life Order

Wherever practical, IBC will display client orders as *Long Life Orders*<sup>4</sup> in TSX or TSXV's order book to take advantage of the higher priority TSX provides to these orders in return for a minimum posted duration time. Orders that are identified as Long Life will receive an allocation benefit within a price level. The allocation priority on TSX and TSXV will be Price/Broker/Long Life /Time. Long Life orders commit to a one second minimum resting time in the order book, during which time the order cannot be modified or cancelled.

## Market, Limit, Stop-Loss and Stop-Limit Orders

A **market order** is an order to buy or sell a security to be executed upon entry to a marketplace at the best available ask or bid price.

A **limit order** is an order to buy or sell a security to be executed at or better than a specified maximum or minimum price set by the client. If a limit order is not immediately executable, IBC will route this order to a marketplace. These orders will remain in the market until the order is filled, corrected, cancelled or expired.

A **stop-loss order** is an order to sell a security when it reaches a certain price. Stop loss orders are designed to limit an investor's loss on a position in a security but, when not set as stop-limit orders, carry an inherent higher risk of unintended execution outcomes especially in fast moving markets where a stop loss ordered entered on a marketplace without a reasonable limit price may execute at a price the client would not anticipate. This is because once the stop price has been reached the stop-loss order becomes a market order to sell at the market price, which can be lower than the stop price.

A **stop-limit order** will be executed at a specified price, or better, after a given stop price has been reached. Once the stop price has been reached, the stop-limit order becomes a limit order to sell at the limit price or better. *CIRO is of the view that OES clients (clients of order execution services brokers such as IBC) should consider setting limit prices for all stop-loss orders.*

## Order Types

Each of the Canadian marketplaces supports a variety of order types and features. These include order types or designations required by the regulators, as well as types or designations which impact how an order may trade. A summary document which outlines the order types and features available on each marketplace is available on each marketplace's website.

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<sup>4</sup> TSX rulebook section 4-801 (1) states that a Long Life order at a particular price shall be executed prior to an order that is not a Long Life order at that price ("long-life priority"), except in the case of an Undisclosed Order, in which case no long-life priority is provided.

## BEST EXECUTION POLICIES

IBC is committed to providing its clients with Best Execution. Under CRO Rule 3300 *Best Execution of Client Orders* and Part 4 (*Best Execution*) of NI 23-101 *Trading Rules*, IBC is required to execute its clients' orders on "the most advantageous execution terms reasonably available under the circumstances." This requirement is met by taking into account, at a minimum, the following: the price at which the trade would occur, the speed and certainty of execution, and the overall cost of the transaction. What constitutes *Best Execution* will vary depending on the particular circumstances and IBC, particularly when executing orders on an automated basis, may not be able to achieve best execution for every single order it executes on behalf of a client.

IBC is also subject to the requirements of Part 6 (*Order Protection Rule*) of NI 23-101 requires that a broker such as IBC are required to fill all "protected" better-priced orders before others at inferior prices, regardless of the marketplace where the order is entered. The provision of Best Execution for a client order is subject to compliance with OPR.

In instances where multiple marketplaces are displaying the same quote for a security at the time an order is submitted, IBC will take all reasonable steps to obtain the best possible results for its clients by taking into account best available prices, costs, speed, likelihood of execution and settlement, size, reliability of quotes, liquidity, market impact (the price movement that occurs when executing an order), opportunity cost (the missed opportunity to obtain a better price when an order is not completed at the most advantageous time), marketplace features or any other consideration relevant to the execution of the order. This may include routing to a marketplace that does not display orders or employs a speed bump.

IBC performs ongoing research on IBC order flow, marketplaces, and quote and fill latency to identify where there is adverse selection or competitive advantages, and ultimately ensure clients are achieving Best Execution.

## RISK CONTROLS

IBC employs robust policies, procedures and controls to effectively manage its financial, operational, market, regulatory and legal risks. This includes a series of pre-trade risk control checks that are applied to all orders handled and/or executed by IBC or through our systems.

Additional pre-trade risk limits may be applied to your order flow at IBC's discretion. For more information on the risk controls currently in place for your account, please contact our client service group.

## RESTRICTIONS ON SECURITIES TRADED

IBC may impose restrictions on certain securities for which the firm will accept orders. An order may be rejected if the order is for a security which falls under a Cease-Trade Order (CTO). A CTO is an order issued by a provincial or territorial securities regulatory authority or similar regulatory body against an entity or an individual. Orders are issued for reasons such as failing to meet disclosure requirements or as a result of an enforcement action that involves an investigation of wrongdoing.

Presently, all equity marketplaces in Canada have retained CISO as their regulation services provider. Under the Universal Market Integrity Rules (UMIR), which have been adopted by CISO, if a CSA regulator issues a CTO with respect to an issuer whose securities are traded on a marketplace, CISO imposes a regulatory halt on trading of those securities on all marketplaces for which CISO acts as the regulation services provider. Once the halt is imposed by CISO, IBC, as a person subject to the UMIR rules, may not trade those securities on any marketplace in Canada, over-the-counter or on a foreign organized regulated market, unless all conditions set forth in the CTO are met.

## CONTACT INFORMATION

It is our hope that the information disclosed in this document will allow our clients to understand how, when and why the handling of their orders might differ.

If you are unsure about a trade, how to enter an order, or if there are any potential regulatory risks with respect to a trade, the trade should not be entered.

Feel free to contact IBC's Client Service Line at 877-745-4222. Our representatives would be happy to assist with order entry or provide guidance on rules and regulations.

# Appendix A

## IBC Canadian Equities Order Routing Logic<sup>5</sup>

1. Because IBC's best execution obligation is **subject to** compliance with the Order Protection Rule (OPR) and the obligation not to create or continue to lock or cross a protected order, IBC mandates SMART routing and transmitted orders use IBC's Smart Order Router during Regular Trading Hours ("RTH"). All orders

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<sup>5</sup> These materials are for informational purposes only and are not intended to be used for trading or investment purposes or as an offer to sell or the solicitation of an offer to buy any security or financial product. The information contained herein has been taken from trade and statistical services and other sources we deem reliable but we do not represent that such information is accurate or complete and it should not be relied upon as such. No guarantee or warranty is made as to the reasonableness of the assumptions or the accuracy of the models or market data used by IBC or the actual results that may be achieved. These materials do not provide any form of advice (investment, tax or legal). IBC is not a registered investment adviser and does not provide investment advice or recommendations to buy or sell securities, to hire any investment adviser or to pursue any investment or trading strategy.



for Canadian stocks received between the hours of 9:30 a.m. and 4:00 p.m., Eastern Standard Time ("EST"), Monday through Friday, not including statutory Canadian holidays are considered received during RTH and will be transmitted for best execution via IBC's Smart Order Router, **subject to a preceding trade having been executed on, or "printed", on the Principal Marketplace.** To comply with the OPR, clients cannot direct an order to the market of their choice during RTH. However, IBC clients have the option of submitting limit orders outside RTH and also of directly routing orders to the Pre-Open Session of the TSX prior to 9:30 a.m. EST).

2. **Is the order marketable?**

A BUY order is marketable if the buy price is greater than or equal to the Best Offer (BO). A SELL order is marketable if the sell price is less than or equal to the Best Bid (BB). Market orders are always considered marketable.

3. **Route to default marketplace.**

A non-marketable order is routed to its Principal Marketplace. IBC's Smart Order Router checks changes in the NBBO to see if the order has become marketable. If it has, the order begins the routing decision process.

4. **Cap to NBBO (National Best Bid/Offer) range.**

The IB Smart Order Router always searches for the best price in the market. In addition, to provide protection for market and through-the-market limit orders while increasing the probability of an execution, a price capping range is created.

IBC's capping rules apply to market and marketable limit stock orders and are designed to prevent orders from executing at a price that differs too much from a reference price.

5. **Route order to best destination based on price.**

Currently available routing destinations include the following **protected** marketplaces: CBOE Canada Lit (NEO-L)(For CBOE Canada-listed and non-listed securities only), Canadian Securities Exchange (CSE) (For certain CSE-listed securities), Nasdaq CXC, Nasdaq CX2, Omega A, the Toronto Stock Exchange (TSX) and the TSX Venture Exchange (TSXV) and the following **non-protected** marketplaces: CBOE Canada NEO N (NEO-N), CBOE Canada NEO D (NEO-D), Lynx, CBOE Canada (TriAct Canada Marketplace -Match Now), Nasdaq CXD, TSXD , TSXVD and the TSX Alpha Exchange (Alpha).

If client submits an order **before 9:30 AM EST** and this order is a limit order which is, or becomes, a marketable order between prior to 9:30 AM EST, it will be IMMEDIATELY EXPOSED to the relevant marketplace for execution and client may receive a confirmation of trade execution on such marketplace

UNLESS client specifically chooses to participate in the Pre-Opening Session of the TSX.

If client submits an order **after 4:00 p.m. EST** and this order is a limit order which is, or becomes, a marketable order on another marketplace after 4:00 PM EST, it will be IMMEDIATELY EXPOSED for execution to the Principal Marketplace's Extended Trading Session (where applicable) and to the relevant marketplace for execution and client may receive a confirmation of trade execution on either marketplace. **REMINDER, client cannot direct an order to the marketplace of client's choice 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.**

**6. Does the order fully execute?**

If the order fully executes, transaction is complete. If none or part of the order executes, the balance continues through the routing process.

**7. Transaction complete?**

The full order has been executed.

**8. Has order become non-marketable at this destination?**

As the market data changes, the order may no longer be marketable at its current destination. If it remains marketable, the order is left at the current destination. If it becomes non-marketable, the algorithm checks to see whether it is marketable at other destinations.

**9. Have 10 seconds elapsed?**

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 routing consideration, and the order routing decision process begins again.

**10. Is it marketable at another destination?**

If the order is marketable on at least one other eligible venue, it is cancelled at its current destination and starts the routing decision process again. If the order is not marketable at any other venue, it remains at its current destination. The routing algorithm continues to monitor market data and scan all venues for a marketable destination.

**11. Has a better price become available?**

If a better price becomes available at another destination, the unexecuted balance of your order is cancelled and the order-routing decision process begins again.

## **12. Cancel balance of order and restart routing decision process.**

The unexecuted balance of a client order is cancelled at the current destination and the routing decision process starts again. If an order is cancelled because it "times out" (10 seconds elapse), the algorithm checks to see whether it has been routed through all eligible venues. If it has, then all venues are included for consideration. If it hasn't been routed through all venues, the current destination is removed from consideration until all other venues have been exhausted.