



TDWCI Best Execution and Fair Pricing  
Client Disclosure

August 2021

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## **1. PURPOSE OF THIS DOCUMENT**

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This document describes the arrangements put in place by TD Direct Investing, TD Wealth Financial Planning and TD Wealth Private Investment Advice, which are divisions of TD Waterhouse Canada Inc. (together, "TDWCI"), to provide best execution and fair pricing for client orders.

## **2. SCOPE OF THE DOCUMENT**

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This document applies to TDWCI client orders for listed equity securities and over-the-counter ("OTC") fixed income.

TDWCI is a non-Executing Dealer Member of the Investment Industry Regulatory Organization of Canada ("IIROC"). TDWCI's best execution obligations under IIROC Rule 3300<sup>1</sup> are therefore met by engaging the execution services of other broker/dealers.

For the purchase or sale of listed equities, TDWCI directs client orders to the following brokers/dealers for execution:

- TD Securities Inc. ("TDSI") for Canadian equity order flow
- TD Ameritrade ("TDA") for US equity order flow<sup>2</sup>
- Third party dealers for international order flow

For the purchase or sale of OTC fixed income, TDWCI directs client orders to TDSI for execution.

**Details about the execution of your order are available upon your request.**

## **3. BEST EXECUTION OBLIGATION**

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Best execution means obtaining the most advantageous execution terms for a client order that are reasonably available under the circumstances. IIROC Dealer Members are obligated to establish policies and procedures that are designed to achieve best execution when acting for a client. These policies and procedures must take into consideration factors such as price, speed of execution, certainty of execution and the overall cost of the transaction, when costs are passed on to clients.

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<sup>1</sup> As of December 31, 2021, DMR 3300 will be replaced with IIROC Plain Language Rulebook Sections 3119 to 3129

<sup>2</sup> **Elements of your US equity orders may require special handling and may be routed to TDSI for execution**

As a non-Executing Dealer Member, TDWCI oversees best execution of its clients' orders for Canadian listed equities and OTC fixed income executed by TDSI.

#### **4. GOVERNANCE & OVERSIGHT**

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The TDWCI Best Execution and Fair Pricing Committee (the "Committee") has oversight of the TDWCI Best Execution and Fair Pricing Policy.

The Committee undertakes to oversee Executing Dealer Members' fulfillment of their best execution and fair pricing obligations on behalf of TDWCI client orders. This includes a review of their publicly available client disclosure and order routing practices.

TDWCI will obtain annual attestations from TDSI and TDA that they have complied with and tested their best execution policies and procedures.

TDWCI is committed to reviewing its best execution and fair pricing policies and procedures at least annually to ensure they remain effective and will correct any deficiencies identified during its review.

#### **5. TD WATERHOUSE CANADA INC. CLIENT ORDER FLOW**

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##### **5.1. TD Securities Inc. and TD Waterhouse Inc. Order Routing Arrangement**

TDWCI has entered into a Routing Arrangement<sup>3</sup> with TDSI to route TDWCI client orders to TDSI for execution. To address its best execution obligation, TDSI has established written policies and procedures and a Canadian Equities Best Execution Committee. TDWCI has members on this Committee to provide an oversight function.

For more information, please refer to TDSI's best execution disclosure:

[https://www.tdsecurities.com/tds/content/CM\\_BestExecution?language=en\\_CA](https://www.tdsecurities.com/tds/content/CM_BestExecution?language=en_CA)

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<sup>3</sup> **Routing Arrangement** means an arrangement under which a Participant that is a member, user or subscriber permits an investment dealer or a foreign dealer equivalent to electronically transmit an order relating to a security containing the identifier of the Participant:

- a) through the systems of the Participant for automatic onward transmission to a marketplace; or
- b) directly to a marketplace without being electronically transmitted through the systems of the Participant.

## **5.2. TD Ameritrade and TD Waterhouse Canada Inc. Order Routing Agreement**

TDWCI has entered into order routing and services agreements with TDA and other market centers. TDA is subject to similar best execution obligations under U.S. securities law requirements. TDA provides TDWCI order routing services for U.S. equity and option orders to market centres<sup>4</sup> with which TDA has order execution arrangements, including support services, such as, thinkorswim ("TOS") trading platform. The terms of the arrangement seek to achieve best execution obligations.

For more information, please refer to TDA's Order Execution Frequently Asked Questions:

<https://www.tdameritrade.com/tools-and-platforms/order-execution.html>

## **5.3. International Equity Order Flow**

TDWCI executes their international equities through a third party IROC Dealer Member that is subject to the best execution obligation. These orders are manually handled by TDWCI on a best effort basis.

## **5.4. Inter-listed Equities**

The securities of certain reporting issuers are listed on both Canadian and U.S. marketplaces ("inter-listed equities"). It is possible that, after giving effect to currency conversion, the price of an inter-listed equity could be better achieved in one market as compared to the other. Unless the client or the client's advisor directs otherwise, TDWCI routes orders for the purchase or sale of inter-listed securities for execution in the Canadian market if settled in CAD or the U.S. market if settled in USD. Where the client or the client's advisor directs an order for inter-listed equities to either the Canadian or the U.S. market, the order will be routed as directed and will not be screened by TDWCI to determine whether a better price is available on a market not chosen by the client or the client's advisor.

## **6. OVER THE COUNTER ("OTC") FIXED INCOME FAIR PRICING**

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TDWCI directs fixed income client orders to TDSI for execution. TDWCI is responsible for ensuring that the end price it offers to its clients for OTC fixed income is fair and reasonable, taking into consideration the reasonableness of any compensation or mark-up/mark-down (i.e.

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<sup>4</sup> Market Centre is an order fulfillment point. For the securities industry, the market centers are comprised of the floor of a stock exchange (via a specialist), market makers and electronic communication networks (ECNs).

the spread) on a transaction and the market value of the security. TDSI has established written policies and procedures and a Canadian OTC Best Execution Committee to address its fair pricing obligation. TDWCI has members on this Committee to provide an oversight function.

For more information, please refer to TDSI's Best Execution/Fixed Income disclosure:

[https://www.tdsecurities.com/tds/content/CMkt\\_BestExecution?language=en\\_CA](https://www.tdsecurities.com/tds/content/CMkt_BestExecution?language=en_CA)

TD Wealth Direct Investing and TD Wealth Financial Planning apply commissions to OTC fixed income based on predetermined pricing grids. TD Wealth Private Investment Advice ("PIA") has discretion over commissions based on recommended pricing grids on OTC corporate bonds. TDWCI monitors and reviews spreads on OTC corporate bond transactions to ensure they align with the TDWCI Fixed Income Pricing Policy. If spreads are over the allowable threshold set out in the TDWCI Fixed Income Pricing Policy, the commission is subsequently cancelled and amended.

## **7. CONFLICTS DISCLOSURE**

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TDWCI has established order routing arrangements with TDSI and TDA. TDWCI is an affiliated entity of TDSI. The Toronto-Dominion Bank, through its subsidiaries, has an investment in the Charles Schwab Corporation who acquired TDA on November 25, 2019. **The transaction closed on October 6, 2020.**

TDWCI routing arrangements with TDSI and TDA have been entered into with a view toward the perceived execution quality provided by these market centers, evaluated on the basis of price improvement performance, liquidity enhancement and speed of execution. All client orders that are subject to these order routing arrangements are sent to market centers that are subject to the principles of best execution.

TDWCI receives payment in the form of a rebate from TDA in return for routing client orders in U.S. equities and options pursuant to the order routing arrangement. In accordance with the routing agreement, TDA will allocate to TDWCI a portion of the payment for order flow revenue received. TDWCI has an obligation to monitor performance of TDA and to exercise its right to route client orders to other brokers, as appropriate, in order to ensure it continues to obtain best execution for TDWCI clients.