

**INDEPENDENT TRADING GROUP (ITG), Inc.**

**Best Execution Policies**

**October 2022**

## **1. Summary**

The purpose of this document is to provide an overview on Independent Trading Group Inc. (herein referred to as ITG) order execution policy and approach to providing “Best Execution” to its clients in accordance with the Universal Market Integrity Rules “UMIR” and applicable securities laws in Canada. This document is published and updated, as necessary.

## **2. Scope**

This policy applies to business conducted with institutional (as defined in IIROC’s Dealer Member Rules) and Order Execution Only (OEO) clients (“Clients”) and applies to listed securities and over-the-counter (“OTC”) securities.

## **3. Requirements**

### **3.1 What is the “BEST EXECUTION” Obligation?**

Best execution is the requirement to take all reasonable steps to obtain the best possible result for our clients. Considering price, costs, speed, likelihood of execution and settlement, size, nature and/or any other consideration relevant to the execution of an order or any other scenario where our clients place legitimate reliance on us to protect your interests (“Execution Factors”).

To achieve best execution when executing an order on behalf of an institutional or OEE client we consider the following factors (the “Execution Factors”):

- Price at which the trade would occur
- Speed of execution
- Certainty of execution
- Transaction cost and risks relevant to the execution
- Size and nature of the order
- Market impact
- Any other consideration deemed relevant to the execution of an order

When considering these circumstances, ITG will also consider the prevailing market conditions and consider such factors as:

- Prices and volumes of the last sale and previous trades
- Direction of the market of the security
- Posted size on the bid and offer
- The size of the spread; and
- Liquidity of the security

With respect to institutional clients, when determining the relative importance of the execution factors, we will consider the characteristics of:

- The client, including the categorization of the client as institutional or retail
- The client orders
- The financial instruments that are subject of the client order
- The execution venues to which the client order can be directed

### **3.2 When does the Best Execution obligation apply**

ITG owes our clients an obligation to take all reasonable steps to obtain best execution when executing orders on a client's behalf. We regard ourselves to typically be in receipt of an order and acting on a client's behalf where they legitimately rely on us to protect their interests in relation to the Execution Factors relevant to that transaction and to act on your behalf. This will include but is not limited to the following situations

where we are:

- executing an order by dealing as an agent.
- executing an order by dealing as a principal.
- "working an order" on a client's behalf.

In all other circumstances, for example when we deal on our own account in response to a request for quote ("RFQ"), we will assess whether you are placing legitimate reliance on us to protect your interest in relation to the Execution Factors relevant to that transaction.

To make this assessment the following four factors (the "four-fold test") will be considered. These factors will be considered collectively and not in isolation; any one factor, or a combination thereof, may require us to apply best execution:

- i) which party initiated or solicited the transaction - it is more likely that the client will be placing reliance on us where we propose the transaction.
- ii) whether there is a market practice and the existence of a convention to "shop around (i.e., seek quotes from other brokers)" – it is more likely that the client will be placing reliance on us in markets where there is not a convention for you to "shop-around (i.e. seek quotes from other brokers)" for a quote;
- iii) the relative levels of price transparency within a market - it is more likely that placing reliance upon us where the level of price transparency available to the client is not the same or similar to that available to us.
- iv) information provided by ITG, and any agreement reached - it is more likely that the client will be placing reliance on us where there are arrangements and agreements in place which state we will provide best execution and indicates or suggest a relationship of reliance.

We do not guarantee that we will be able to achieve best execution for every transaction received, however, in all cases we will comply with the Policy.

### **3.3 When does Best Execution “not” apply?**

ITG’s best execution obligation for FX and Structured Products may not apply in circumstances in which ITG is transacting with a client as principal on the basis of a published quote, or one providing a response to a Request For Quote (RFQ) enquiry. ITG concludes that best execution is not owed as we consider that clients do not place reliance on ITG. The rationale for this is that clients initiate such transactions, there is a convention for Clients to "shop around" by approaching several dealers for a quote, and a high level of price transparency exists.

ITG best execution obligation does not apply in circumstances where we offer eligible institutional clients sponsored access to a Canadian Equity Marketplace. With sponsored access, buy-side direct electronic clients use the marketplace’s application to send orders directly to the conditional order venue therefore ITG only acts as a gatekeeper sponsoring the participation of the buy-side client.

ITG does not have a duty to protect the client’s interest in relation to the execution factors outlined in section 3.1

### **3.4 Specific Instructions from Clients**

Where we are provided with specific instructions in relation to one or more Execution Factors, we will execute the order in accordance with those instructions so far as reasonably possible while maintaining adherence with respect to applicable market conduct and business conduct regulatory requirements.

Where instructions relate to only part of an order, in following those instructions we will be deemed to have taken all reasonable steps to provide best execution in respect of that part of the order.

In respect of those aspects of the order not covered by specific instructions, we will apply the Policy accordingly.

Please be advised that when provided with specific instructions, this may prevent us from taking some or all the steps in the Policy that are designed to obtain the best possible result for the execution of orders in respect of the elements covered by those instructions.

### **3.5 Application of Best Execution across Classes of Instruments**

While the obligation to deliver best execution applies to all financial instruments, the differences in market structures or the structure of financial instruments means that it is necessary to apply the best execution obligations in a manner that considers the different circumstances associated with the execution of orders related to particular types of financial instruments.

ITG may leverage the use of artificial intelligence to deliver the best possible execution quality for its clients.

Determining the relative importance of the Execution Factors is a dynamic process and may depend upon several variables and characteristics. In determining the relative importance of the Execution Factors, we will apply our commercial judgement and expertise, considering the prevailing market conditions, as well as

considering:

- your characteristics.
- the characteristics of your transaction.
- the characteristics of the financial instruments that are the subject of your transaction; and the characteristics of the execution venues to which your transaction can be directed.
- In many circumstances, price will merit a high relative importance in obtaining Best Execution. However, in some circumstances, ITG may judge that other Execution Factors will be more important than price in obtaining the best possible result in the execution of the client order.

### **3.6 Execution Venues and Brokers**

In respect of each class of securities, "Execution Venues", at the end of this documents, lists those execution venues that should enable us to obtain on a consistent basis the best possible result for the execution of your transactions. This list may, from time to time, be updated and any new venue will be selected in accordance with the Policy and could include regulated markets, multi-lateral trading facilities, crossing systems/dark venues, market makers and other liquidity providers.

The factors that have been considered in determining the attached list of execution venues may include the depth of liquidity a particular venue is able to offer, the likelihood of execution, speed of execution, reliability and system availability, historical trading activity and the robustness of the clearing arrangements.

In Canada, ITG executes transactions on exchanges and marketplaces that it may be a member of. ITG may be a market maker, or otherwise act as principal, on various entities to which ITG routes client orders. ITG may from time to time, trade with client orders on these venues.

#### **Non-Canadian venues.**

Transactions executed in the US, will be handled by one of our US regulated execution partners. These orders will be required to be executed in accordance with the local rules and regulations and could result in the executing broker applying different criteria on the assessment of execution quality. The executing broker in this case may act as principal or agent and as a result derive compensation from the transaction. Additional information is available upon written request.

Transactions in the US or a non-Canadian marketplace on inter-listed securities will be executed on a Foreign Organized Regulated Market "FORM" or Trade Reporting Facilities ("TRFs") as defined by IIROC.

ITG will not structure or charge commissions in a way as to discriminate unfairly between Execution Venues.

### **3.7 Matters Outside of the Control of the Participants**

In certain cases, a result of system failures, disrupted markets or otherwise, it may be necessary to execute orders in a different manner to that documented in the Policy for the securities in question.

In such circumstances we will still seek to achieve the best possible result available for you in the prevailing circumstances.

#### **4. Governance and Oversight**

Best Execution Committee

ITG's Best Execution Committee (the "Committee") has oversight for this policy.

##### **Monitoring**

ITG monitors best execution arrangements on an ongoing basis to identify and implement any appropriate enhancements. This would include reviewing the order handling policy any other broker dealers we route client orders to ensure order handling conducted by 3<sup>rd</sup> party brokers best align with ITG's expectations respecting best execution.

ITG evaluates, on a risk basis, transactions in Relevant Orders to which the Best Execution Obligation applies for best execution and compliance with this policy through post-execution benchmarking and analysis. The Committee receives reports relating to the monitoring program and will consider whether enhancements to this policy and/or best execution arrangements are required.

##### **Client Disclosure**

Canadian provincial and territorial securities laws require securities registered firms such as ITG when they trade in or advise with respect to their own securities or securities of certain issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules.

ITG has established procedures that are designed to identify and manage such conflicts of interest.

#### **5. Ownership and Responsibility for the Policy**

This Policy owned by ITG Senior Management and Trading Management

The Committee will review this policy at least annually to consider whether this policy and ITG's best execution arrangements include all reasonable steps to obtain the best possible result for the execution of Relevant Orders. Specifically, it will review:

- whether to exclude or to include additional or different execution venues.
- whether to assign different relative importance to the Execution Factors; and
- whether to modify any other aspects of this policy and/or the best execution arrangements.

The Committee will also conduct a review whenever a material change occurs that could affect ITG's ability to comply with the Best Execution Obligation. What is material will depend on the nature and scope of any change.

## **7. Further Information on How We Manage Orders**

We have further policies and procedures in place to ensure we execute and allocate orders promptly and fairly, considering the need to manage any potential conflicts of interest that may exist.

We will execute orders in line with other comparable client orders sequentially and promptly, unless

- (i) the characteristics of an order or prevailing market conditions make this impracticable; or
- (ii) the clients' interests require otherwise. Where specific instructions are not provided, we will execute and allocate orders as soon as reasonably practicable, unless we reasonably consider that delaying the execution is the clients' best interests.

Consistent with Best Execution, we may reject or modify an order whenever we deem necessary without any obligation to provide the client with notice of any such rejection or modification. We are not liable for any loss, expense or damage suffered if we reject or modify any instructions with respect to an order.

When executing an order, we may decide to aggregate orders with a transaction for our own accounts or that of another client. Such aggregation will be taken, for example, to provide a better price or to reduce transaction costs by allowing us to execute in larger size. We will only aggregate orders if it is unlikely that the aggregation will work overall to your disadvantage. Where we are unable to fill an aggregated order in full, we will allocate the executed notional on a fair and equitable basis. We will endeavor to communicate the order execution and allocation status of your order to you soon as reasonably practicable.

### **Multiple Marketplaces in Canada**

We recognize that a client's order in a listed security can be executed on number of different Canadian venues. The following is meant to inform clients of conditions and activities that could affect them in this trading environment. ITG is committed to use all reasonable efforts to ensure that clients achieve "best execution" of their orders for securities that are quoted or traded on all Canadian marketplaces and follows the following procedures in order to meet its best execution obligations.

### **Principal Marketplace**

"Primary Marketplace" for all securities listed on the Toronto Stock Exchange, TSX Venture Exchange, Canadian Securities Exchange or Aequitas NEO Exchange, will be the exchange on which the security is listed, whether or not the security is trading on other alternate marketplaces.

### **Smart Order Routing**

Where accessing markets electronically in Canada, ITG's routing decisions, including those processed and made by our Smart Order Router (SOR) logic, the primary objective of the SOR is to achieve the best possible outcome for our clients. ITG's interactions with execution venues are guided by objectively observed and calculated parameters.

The decision as to which execution venues and price points to target can be taken based upon both the explicit instructions accompanying the relevant order from the client, and the SOR's programmed parameters.

The SOR may potentially break the client orders into smaller sized "child orders" and send them to one or many execution venues, either in parallel or in sequence and will be responsible for determining the precise quantities, limit prices and timing of each child order always respecting the client's original instructions.

Best execution obligations will be applicable on the child orders as well as on the overall original client order.

### **Hours of Operation for trading in Listed Canadian Securities**

ITG trading staff and systems will be available for order execution between the hours of 9:30 am ET and 4:00 pm ET ("Hours of Operation"), Monday through Friday, not including statutory holidays in Ontario. Staff may be available outside of Principal Marketplace hours; however, order taking and/or trade execution outside of the Hours of Operation will be treated on a best-efforts basis.

### **Standard Handling of Orders**

#### **Pre-open**

An order received prior to the opening (9:30 AM) will be booked on the principal marketplace for execution on the opening. These orders will not be routed to the alternative marketplace, as not all marketplaces open at the same time. This may influence the price and the volume of an order which is entered for execution in the pre-opening period.

For this reason, automated systems may not be relied upon during the pre-opening session to obtain best execution of client's orders, unless otherwise instructed by the client

#### **Post-Opening Market**

Unfilled orders are moved to the post opening session of the marketplace where they were originally entered and will remain until the order is filled, expired, changed or cancelled. Order received by ITG trading team during the post opening session will be routed using a smart order router which will source out the best available market at the time of receipt of the order. The best market is the market that displays the best bid price and best offer price, offering the best liquidity, and where ITG has reasonably determined that the order has the best option for completion.

Changes to an outstanding order, or portion of an outstanding order, will be handled the same as a new order received and will be entered into the "best market" at the time of the change will the unfilled balance being entered on the principal marketplace. In all efforts of achieving best execution, ITG may route client orders resting on an alternative marketplace to the primary marketplace if we feel such actions will increase the likelihood of obtaining an execution on our client orders

#### **After the close – 4pm**



An order received after the 4pm may be held and entered the next business day in the preopening on the principal marketplace or may be entered on a marketplace that offers afterhours trading, if requested by the client. These orders will not route to an alternative marketplace.

### **Risk Factors Trading in Extended Hours**

Purchases and sales of securities outside of regular trading hours may entail special risks, including the following:

- a. **Risk of Lower Liquidity.** Liquidity refers to the ability of market participants to buy and sell securities. The more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for customers to buy or sell securities, and as a result, customers are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, customer's order may only be partially executed, or not executed at all.
- b. **Risk of Higher Volatility.** Volatility refers to the changes in price that securities undergo when trading. The higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, customer's order may only be partially executed, or not at all, or customer may receive an inferior price in extended hours trading than customer would during regular market hours.
- c. **Risk of Changing Prices.** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours or upon the opening of the next morning. As a result, customers may receive an inferior price in extended hours trading than they would during regular market hours.
- d. **Risk of Unlinked Markets.** Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, customers may receive an inferior price in one extended hours trading system than they would in another extended hours trading system.
- e. **Risk of News Announcements.** Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.
- f. **Risk of Wider Spreads.** The spread refers to the difference in price between what customers can buy a security for and what customers can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.
- g. **Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value ("IIV").** For certain derivative securities products, an updated underlying index value or IIV may not be

calculated or publicly disseminated in extended trading hours. Since the underlying index value and IIV are not calculated or widely disseminated during the pre-market and post-market sessions, an investor who is unable to calculate implied values for certain derivative securities products in those sessions may be at a disadvantage to market professionals

## **Order Execution**

Certain types of orders have specific handling implications in a multiple marketplace environment.

These have been addressed as follows:

### **DAY ORDERS**

A Day Order is an order to trade that expires if it is not executed the day that it is booked to the marketplace.

Day Orders will be handled in accordance with the "Standard Handling of Orders". All Day Orders expire, if not filled in full, upon the close of the marketplace where the last portion of the order remains live, unless otherwise agreed to between the client and the Firm's representative.

### **Good Till Cancelled (Open) Orders**

Open orders are orders that will remain open for 90 days. These orders will be entered on the primary listing exchange if they are not immediately executable on an alternative marketplace at the time of entry. The order will remain booked until executed, cancelled, or upon expiry after 90 days, whichever comes first.

### **Market Orders**

A Market Order is an order to buy or sell a security at whatever prices are available in the marketplace to help ensure a complete and full fill. Upon entry to the marketplace, these orders require immediate completion unless we reasonably consider that delaying the execution of your order is in your best interests. Market Orders will be handled in accordance with the "Standard Handling of Orders". These orders will expire, if not filled in full, on the marketplace where the last portion of the order remains live at the close of the marketplace.

### **Limit Orders**

A Limit Order is an order for a security at a specific minimum sale price or maximum purchase price that is not to be exceeded. Limit Orders will be handled in accordance with the "Standard Handling of Orders". The order will expire, if not filled in full, upon the close of the marketplace where the last portion of the order remains live.

### **Special Terms Orders**

Special Terms Orders are orders with specific terms that may not be executable in the regular marketplace. Special Terms Orders will only post to the Special Terms Market of the principal

marketplace, unless they are immediately executable on an alternative marketplace at the time of entry. Special Terms Orders will expire at the close of the principal marketplace.

### **Stop Loss orders**

Stop Loss Orders are orders that become limit orders when a board lot is traded at, or superior to, the stop loss price on the marketplace in which the order has been booked. These orders will only be directed to the primary listing exchange until executed or they expire, whichever comes first.

### **Orders contingent on a complete fill**

In situations where a client provides an order which is contingent either on acquiring a specific minimum volume of securities or a complete fill, ITG can accept the order.

Typically, these orders will not be immediately entered on a trading facility's or marketplace's central order book but will only be traded when a minimum volume or the entire order can be filled. It should be noted that ITG will consider trading opportunities on all trading facilities or marketplaces when filling such orders.

### **Fill or Kill Orders**

ITG will accept "fill or kill" orders but will only execute these orders on the understanding that they will execute the fills on the trading facility or marketplace which will provide the best price for our client. All trading facilities and marketplaces will be reviewed for "fill" opportunities before the order will be "Killed."

### **Market-on-close Orders**

Currently the TSX is the only marketplace which offers a market-on-close ("MOC") facility. All orders must be entered on the TSX's MOC facility prior to 3:40 pm EST and will be executed at the calculated closing price for that security on the TSX. It should be noted that trading on the MOC facility will be executed at the same time as other trading facilities or marketplaces will be offering quotes on their visible order book and therefore ITG cannot guarantee that the order will be executed at the best price.

### **Disclosure of Marketplace**

An order executed on one or more marketplace or alternative marketplace will be reported to the client using a single confirmation with the marketplace on which the order was filled, identified by name on the confirmation.

## Execution Venues

The list below represents **Execution Venues** that should enable ITG to obtain on a consistent basis the best possible result for the execution of Client transactions. The Execution Venues List may, from time-to-time, be updated and any new Execution Venue will be selected in accordance with this Policy.

Execution	Venue Product
TSX Venture Exchange	Cash Equities
TSX Inc.	Cash Equities
Alpha Exchange Inc.	Cash Equities
Aequitas NEO	Cash Equities
Aequitas Lit	Cash Equities
Canadian Securities Exchange (CSE)	Cash Equities
Nasdaq CXC	Cash Equities
Nasdaq CX2	Cash Equities
Omega ATS / Lynx	Cash Equities
Dark Execution	Venue Product
MATCH Now (operated by TriAct)	Cash Equities
Nasdaq Chi X Dark	Cash Equities
NEO-D (Dark)	Cash Equities
Foreign Brokers/Affiliates	Region Product

Citadel Securities, LLC US	US Equities
Instinet	US Equities
Lime Brokerage	US Equities
Paulson	US Equities
Siebert	US Equities
Speedroute	US Equities
San Blas Securities	US Equities
Clear Street	US Equities