

# TD Bank International S.A

# Best Execution

# Policy

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## Definitions

### All Venues

LSE, Chi-x, BATS & Turquoise.

### ATS

Alternative Trading Systems are United States EC approved non-exchange trading venues specifically designed to match buyers and sellers to find counterparties for transactions.

### BATS

BATS Europe is an MTF offering secondary market trading for pan-European equity securities.

### BCP

Business Continuity Plan, which is a plan detailing the steps, actions and procedures to be taken in the event of a disaster to ensure continuous use of the Order Management System (OMS).

### CFD

Contract for Differences is an arrangement made in a futures contract whereby differences in settlement are made through cash payments, rather than the delivery of physical goods or securities.

### Chi-x

Chi-x Europe (a wholly-owned subsidiary of BATS) is an MTF offering secondary market trading for pan-European equity securities.

### COBS

The FCA Conduct of Business Sourcebook sets out the conduct of business requirements as they apply to UK regulated entities.

### Cofunds

Cofunds Limited. The operator of a platform for the trading, settlement and custodianship of TD DI's UCITS business.

### Commission de Surveillance du Secteur Financier (CSSF)

The CSSF is the independent, statutory body that regulates the financial services industry in Luxembourg.

### Counterparties

Third party investment firms and brokers which may trade for themselves, act as market makers, market internalizers and as liquidity providers.

### Execution Factors

The CSSF Rules, as directed by MIFID, set out a number of "execution factors" which must be considered when executing an order. These are:

- the price of the financial instrument;
- the costs related to execution;
- the speed of settlement;
- the likelihood of execution and settlement;
- the size of the order;
- the nature of the order; and
- any other consideration relevant to the execution of an order.

### ERMC

The Enterprise Risk Management Committee of TD Wealth International (which includes TD DI) established to provide senior executive oversight, direction and guidance on governance, risk and control issues arising from the planning and execution of its strategies and to promote an integrated and effective risk management culture.

### EMS

Exchange Market Size is the minimum quantity, as specified by the LSE, of securities for which a market maker is obliged to quote a firm two way price on the trading system.

### Execution Venue

A regulated market, an MTF, a systematic internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.

### Extended Settlement

The standard settlement period for UK trades is three working days. Anything traded with a settlement date beyond that is classed as extended settlement.

### Fill or Kill

An order that must immediately be filled in its entirety or, if this is not possible, it is cancelled.

### FCA

The Financial Conduct Authority is the independent, non-governmental statutory body that regulates the financial services industry in the UK

### FSB

Financial Spread Bet is a type of CFD that involves making a bet on the price movement of a security.

### Funds

Regulated collective investment schemes, as defined in the Glossary to the FCA handbook.

### ISDX

ICAP Securities & Derivatives Exchange, a London-based stock exchange providing cash trading and listing, derivatives and technology services acting as a regulated market and an MTF.

### IFS

Intelligent Financial Systems Limited. A Company that provides market data and analysis tools.

### KRI

Key Risk Indicator

### Limit Order

An order to buy or sell a set number of shares at a specified price or better.

### LSE

London Stock Exchange is the primary stock exchange in the UK.

### Market Maker

A member firm of the LSE which is registered as such and is obliged to quote prices in at least the EMS.

### Market Order

An order to buy or sell a stock immediately at the best available current price.

### MiFID

The Markets in Financial Instruments Directive is a European Union directive that aims to integrate European financial markets and to facilitate the amount of cross border investment orders.

### MTF

A Multilateral Trading Facility (e.g. BATS, Chi-x & Turquoise) offers retail investors and investment firms an alternative venue to trading on an RIE.

### NBBO

National Best Bid and Offer refers to the United States SEC requirement that brokers are required to execute customer trades at the best available price when buying or selling securities.

### OMS

TD DI's proprietary UK Order Management System.

### Primary Exchange

The main market by volume and value for trading within a country.

### Proquote

Proquote Limited is a company owned by the LSE. It provides real-time market data coverage of the global markets, trading and best execution services.

### Regulated Market

A multilateral system operated by a market operator such as the LSE, which brings together third-party buying and selling interests in financial instruments, where the instruments traded are admitted to the market according to its rules/systems, and the market is authorised and functions regularly and in accordance with the provisions of MiFID.

### RFQ

Request For Quote is the UK model for price discovery with RSPs responding to an automated request for a price quotation.

### RIE

Recognised Investment Exchange is a market place in which stocks and bonds in listed securities are traded such as the LSE.

### RSP

Retail Service Providers are market makers who receive Order Flow from the Order Management System to enable electronic trading in UK Listed Securities.

### SEC

The United States Securities and Exchange Commission .

### STP

Straight Through Processing is a solution that automates the end-to-end processing of client orders.

### Stop Loss

An order placed to automatically sell a security when it falls to a certain price.

### TDA

TD Ameritrade, a company in which TD Bank has a 45% shareholding

### TD Bank

The Toronto-Dominion Bank. The ultimate holding company of TD DI.

### TD DI

TD Direct Investing (Europe) Ltd. A TD subsidiary business located in the United Kingdom that provides the securities trading / transactional services for TDBI.

### TDBI

TD Bank International S.A.

### TDS TD Securities

A company owned by TD Bank.

### TDWCI

TD Waterhouse Canada Inc. A company owned by TD Bank.

### Turquoise

An MTF offering secondary market trading for pan-European equity securities.

### TRSC

The Trading Risk Sub-Committee is a sub-committee of the ERMC, established to provide dedicated senior executive oversight, direction and guidance to ERMC on trading risk.

### UBS

UBS AG. A counterparty for the trading, settlement and custodianship of TD DI European and Asia Pacific Equity trading.

### UK Listed Securities

Securities listed or admitted to trading on the LSE.

### UCITS

Undertakings for Collective Investment in Transferable Securities are open-ended Collective Investments such as Unit Trusts and OEICs.

### Yellow Strip

The yellow band on a Stock Exchange Automated Quotations or Stock Exchange Electronic Trading System screen which displays the highest bid and the lowest offered prices that competing market makers are offering in a security. They are known as the best bid and offer, 'touch' or 'yellow strip' prices.

## Best Execution – TD’s Commitment

This document provides information about how we deliver Best Execution of client’s orders. It includes questions and answers TDBI believes might be asked in order to understand what it does and why when satisfying its obligations to clients.

### 1. Background

TDBI uses the brokerage, settlement and custodial facilities of TD Direct Investing (Europe) Limited (“TD DI” or the “counterpart”), which is a fully owned subsidiary of TD Bank.

Its counterpart is required to establish, implement and maintain an order execution policy detailing the comprehensive approach to meeting its best execution obligation as defined within MiFID.

As such, TDBI applies the Best Execution Policy of TD DI, which is a UK FCA regulated company and abides by the European Markets in Financial Instruments Directive (MiFID).

The TD DI trading service is designed to facilitate online trading in global securities markets. The TD DI trading platform seeks to deliver as close to 100% Straight Through Processing (STP) as possible to those clients wishing to execute trades.

The objective of delivering a global online securities trading service on an STP basis is a key factor in how TD DI defines what it considers to be the best possible result for trades placed by clients.

When executing or receiving and transmitting orders TD DI must take all reasonable steps to achieve what it considers to be best execution taking into account the execution factors within the meaning of the FCA rules and in compliance with MiFID. To do this TD DI has put together a Policy and related procedures designed to achieve what TD DI considers the best possible result. It is important to note that this does not necessarily always equate to the best headline price for client orders in every case. In addition to price TD DI takes into account other factors to protect the best interests of clients as a whole in the context of the Best Execution Policy.

### 2. TDBI’s relationship with clients

TDBI will ensure that its counterpart, TD DI, will maintain the FCA permissions required to permit trading as an agency stockbroker/outsourcer provider of trading services to its clients. Any change in TDDI’s FCA permissions will be reviewed by TDBI and an alternative service provider should be sought if required to do so to ensure its own compliance with MiFID.

All TDBI clients are classified as retail clients for regulatory purposes affording them the highest protection under the regulatory regime.

### 3. What is Best Execution?

Best execution is a regulatory obligation for to seek the best terms reasonably available when executing orders to obtain the best possible result for its clients in the context of its documented Best Execution Policy.

In summary TDBI is required to take into account the following factors as defined by MiFID directive:

- price
- costs
- speed
- likelihood of execution and settlement
- size
- nature; and,
- any other consideration relevant to the execution of an order

### 4. How is Best Execution Policy determined?

The counterpart TDBI aims to provide an online share trading service with STP that seeks to make sure orders are only placed with credit worthy institutions.

In accordance with MiFID Guidelines, when executing a client order, TDBI must take into account the following criteria for determining the relative importance of the execution factors:

- the characteristics of the client including the categorisation of the client as retail or professional;
- the characteristics of the client order;
- the characteristics of financial instruments that are the subject of that order;
- the characteristics of the execution venues to which that order can be directed.

This is considered in TDBI’s Best Execution Policy. The policy is prepared with this in mind as TD DI’s market experts keep TDBI up to date with market practise and developments. The Policy is subject to review and approval at various levels within TDBI up to and including the Board of Directors.

## 5. Does Best Execution guarantee that the price received will always be the best quoted for the trade?

TDBI has balanced the factors involved in providing best execution in a way designed to deliver the online service offered. TDBI will generally give price the highest degree of importance for orders executed on client’s behalf but TDBI also considers other factors important to client’s best interests.

These include:

- the need for timely execution,
- availability of price improvement,
- the liquidity of the market (which may make it difficult to execute an order),
- potential price impact,
- the size of the order, the nature of the financial transaction, and
- the credit worthiness of the institution with whom we ultimately place your order.

For these reasons, the counterpart TD DI does not automatically seek prices from all RSP’s because many do not offer adequate stock coverage, consistent price availability and from a balance sheet perspective do not meet TD DI’s strict financial criteria.

Although TD DI may not always get the best price, TD DI does undertake comprehensive monitoring of its trading performance across a number of venues to ensure that these instances are minimal.

TDBI service is designed as far as possible to ensure orders are dealt in its entirety on a STP basis, as fast as reasonably possible at the price quoted or better. This approach is taken to ensure an online service that protects clients’ best interests and ensuring as far as possible trades’ security.

### 6. How are specific instructions treated?

The counterpart TD DI has the flexibility to accommodate a number of different client requirements when handling dealing instructions. A standard instruction would be an execution-only instruction to deal ‘at best’ in the market on a T+2 settlement depending on the market. Anything beyond this would be classified as specific instructions. The counterpart is required to execute the order following the specific instruction.

Acting on a specific instruction may prevent TDBI from taking steps to obtain the best possible result for the execution of clients’ order in respect of the elements covered by the specific instruction. TDBI will be treated as having satisfied the best execution obligation in respect of the part or aspect of the order to which the specific instructions relate. However, where any specific instructions cover only one part or aspect of the order, this will not be treated as releasing TDBI from the best execution obligations in respect of any other part or aspect of the order that are not covered by such instructions.

### 7. How to know if an order was dealt in accordance with your Best Execution policy?

Trades are monitored to check that they are placed in accordance with TDBI Best Execution Policy. Upon request a written explanation can be provided of how a trade met the Best Execution Policy. TDBI will use reasonable endeavors to deal with such a request within twenty (20) business days.

### 8. How are UK Market orders routed?

The counterpart TD DI’s Order Management System (OMS) polls those Retail Service Providers (RSPs) that TD DI has chosen based on competitive pricing and Financial stability. When a trade is placed, TD DI polls the RSPs and will automatically display and trade at the best price returned. In the event that an order cannot be executed electronically the client will be given the option to send the order through by phone.

### 9. How are international market orders routed?

The counterpart TD DI routes international orders to Counterparties who TD DI considers to be established market leaders in the markets in which they operate. They will either trade directly on the Primary Exchange or Multilateral Trading Facility (MTF) that offers the best price and liquidity for orders placed.

### 10. How are mutual fund orders routed?

In establishing venues for trading in funds TD DI will enter into arrangements with selected counterparties whereby orders are transmitted to them for execution.

In developing and maintaining counterparties trading relationships the counterpart TD DI will connect to those counterparties that are believed to be the ones that can best assist in achieving the fund trading objectives outlined in the Best Execution Policy.

## 11. How are trading volumes managed during busy periods?

There may be some instances where the counterpart TD DI is unable to poll all those RSPs on its platform. These would include during extreme market conditions or loss of electronic connection. In these circumstances TD DI may poll a reduced number of RSPs to ensure that the order is executed in a timely manner. When this happens TD DI will continue to ensure that the best price is achieved for the order from the RSPs polled.

## 12. How often is the Best Execution Policy reviewed?

A commitment to undertaking a review of the Best Execution Policy and order execution arrangements on an annual basis is taken. A review and revision is carried on when any material change occurs that affects the order execution arrangements. This disclosure will be updated in line with material trading developments. Any updates will be reflected in this document and can be accessed by client direct request.

## 13. Execution Venues

The Execution Factors will also contribute to the counterpart's decision when selecting execution venues for executing their orders.

When selecting execution venues, the counterpart TD DI would select those execution venues that are competitive primarily on price, cost, speed of execution, likelihood of execution and size of the order. TD DI polls a number of Retail Service Providers (RSPs) for prices when executing client orders and it is important that these trades can be executed at the best available price and as quickly as possible.

In the UK, TD DI executes trades on a number of execution venues, for overseas trades TD DI transmits orders to chosen counterparties who themselves use multiple market centres for trade execution.

In the UK, the venues TD DI has selected for trades in UK securities is the London Stock Exchange (LSE). This is because the LSE is the dominant UK exchange for retail client orders with a comprehensive rule book designed to provide an orderly market.

For international trading, Execution Venue selection is undertaken by the Counterparties TD DI has chosen based on the international markets that we wish to offer.

TD DI transmits orders to TDS for execution in Canada.

TDS is a TD Group company, this enables TD DI to arrange a competitive pricing agreement to allow us to keep the same flat rate commission structure across all International markets and only pass on any foreign exchange charges to clients should they choose to settle in a different currency when an order is received TD DI transmits it to TDS. The TDSI platform routes the order to the local market it considers most appropriate dependent on where the liquidity and Best Price is to achieve execution at a price better than NBBO.

TDS employs routing technology which is able to assess all available Venues simultaneously (both traditional exchanges and ATS) and to direct orders to the markets that it considers are most likely to fill the order in its entirety, at the best possible price.

TD DI monitors performance by utilizing the IFS system for Canadian orders.

TD DI is regularly assessing the Execution Venues and Counterparties against its Best Execution Policy and related criteria to ensure satisfaction remains.

The table below lists the Execution Venues currently used and comprises those Execution Venues on which significant reliance is placed. TDBI reserves the right to use other Execution Venues and third parties where it considers that it is appropriate in the light of Best Execution Policy, and may from time to time add or remove an Execution Venue or third party from this list.

Financial Instrument	Execution Venue	Primary Venue
UK Equities/ Covered Warrants / Exchange Traded Funds / Exchange Traded Commodities	London Stock Exchange ICAP Securities & Derivatives Exchange	Primary Venue
Government & Corporate Bonds	London Stock Exchange	Primary Venue
European Equities	France - Paris Euronext Belgium - Brussels Euronext Germany - Frankfurt Xetra Ireland - Irish Stock Exchange Italy - Milan Stock Exchange Netherlands - Amsterdam Euronext Spain - Madrid SIX Swiss Exchange Sweden - Stockholm	Primary Venue

U.S Equities and Bonds	NASDAQ OMX Group New York Stock Exchange Citadel Execution Services Citigroup Direct Edge KCG NYSE Arca Equities UBS Securities Two Sigma (SOHO) LAVA (Part of Citi) Canaccord	Client order is directed to the venue that offers a price better than or equal to the National Best Bid or Offer.
Canadian Equities and Bonds	Toronto Stock Exchange Canadian Venture Exchange CSE Alpha Pure Omega Omega Lynx Chi-X Chi-X 2 Triact TMX Select* Omega Lynx	Client order is directed to the venue that offers a price better than or equal to the National Best Bid or Offer.
Unit Trust and OEICS	Respective Fund Manager CoFunds	Share class, Net Settlement and STP capacity
Asia Pacific	Australian Stock Exchange Hong Kong Stock Exchange Singapore Stock Exchange	Primary Venues

\* TD Securities Inc. ("TDSI"), an affiliate of TD Direct Investing (Europe) Limited, owns an equity interest in TMX Group Limited ("TMX") and has a nominee director serving on the board thereof. As such, TDSI may be considered to have an economic interest in the listing and trading of securities on an exchange owned or controlled by TMX, including the Toronto Stock Exchange, the TSX Venture Exchange and Alpha Exchange, and in the clearing, settlement and depository services provided by The Canadian Depository for Securities and its affiliates. No person or company is required to obtain products or services from TMX or its affiliates as a condition of TDSI or its affiliates continuing to supply a product or service.

## 14. Prior express consent when trading outside a RM or MTF

TDBI will obtain prior express consent from its clients before proceeding to execute their orders outside a RM or MTF. The instances in which this might occur include trading with a Systematic Internalizer and trading agency crosses and broker-to-broker trades.

Prior express consent in the above situation cannot be tacit. Consent must involve some form of action by the client, e.g. click on a website or verbally consenting.

It is considered that instances where prior express consent would be required would be minimal. Agency cross and broker-to-broker trades are relatively rare occurrences. Furthermore, the TDBI counterpart has a policy to not ordinarily trade with SIs unless exceptional circumstances dictate otherwise. Should one of these instances occur such orders would be received via the telephone rather than the online facility due to the nature of the order, i.e. size and security type. Therefore, consent will be requested via the telephone and recorded on TDBI's Client Relationship Tool.

The counterpart TD DI only executes client orders on the LSE (equities, ETFs and Covered Warrants). In all other circumstances (for example, international trading), TD DI transmits to a selected counterparty. Should that counterparty execute the order outside a regulated market or an MTF, TD DI is not required to capture the prior express consent of its clients before proceeding with the order.

## 15. TDBI oversight of the counterpart TD DI

TDBI's trading facilities are solely provided by and executed through the counterpart TD DI. Further to this, TDBI is subject to the best execution standards of TD DI.

TD DI's policy is reviewed by TDBI through the TD Wealth International ("TDWI") Enterprise Risk Management Committee ("ERMC") and appropriate sub committees. TDBI has appropriate management representation at these committees.

TD DI has invested in an independently developed best execution monitoring solution provided by IFS. The IFS system provides market data and analysis tools that analyse market conditions and replay consolidated order books at the time of particular trades. On a monthly basis the trades are uploaded into the IFS system to produce an analysis of price achievement TD DI monitor performance against a number of Key Risk Indicator (KRI) which compares actual price performance against the worse than price achieved on the Venues. These KRIs are reported on a monthly basis to both TRSC and ERMC and the benchmark is assessed as part of the Annual Best Execution Policy review.

Continuing validation that these standards remain within TDBI's Best Execution policy and the MIFID regulation will be performed through adequate and documented reporting to TDWI's ERMC and appropriate sub committees.

TDBI will regularly meet key stakeholders of TD DI where the counterpart's trading service will form a critical part of the ongoing performance management oversight of best execution provided to TDBI clients.