# Institutional Order Handling – TD Securities (USA) LLC

This document is being provided by TD Securities (USA) LLC ("TDS" or "the Firm") to our Institutional clients regarding TDS's business practices for US equity products and contains information and disclosures regarding our order handling and routing practices, as well as other regulatory disclosures and best practices.

## Order Handling and Best Execution

Our objective in handling your order is to deliver high quality executions while fulfilling our best execution obligations, and we will use reasonable diligence to ascertain the best market for your order such that the resulting price is as favorable as possible under prevailing market conditions.

TDS will consider many factors when seeking best execution for your order. Factors include, but are not limited to, the size and type of order, the trading characteristics of the security, the price, speed and likelihood of execution, the accessibility of quotations, transaction costs, the terms and conditions of the order, and the customer's overall objectives. TDS regularly and rigorously reviews transactions for execution quality.

Orders may be executed in an agency, principal or riskless principal capacity, and in the event of multiple executions, may be executed in more than one capacity (mixed capacity). Orders may be routed directly to the market, to exchanges, ATS's, dark pools, or other brokers to achieve best execution. The Firm may pay transaction fees or receive transaction rebates when routing certain orders to certain marketplaces. The Firm's routing choices are not based on transaction fees paid or rebates received from trading venues.

## Client Instructions and "Not-Held" Orders

Orders accepted by TDS will be handled on a "Not-Held" basis, unless stated otherwise or received with specific order instructions, terms, or conditions to the contrary. A "Not-Held" order provides TDS with discretion and flexibility to exercise its brokerage judgement regarding the price and time at which a trade is to be executed and to seek the best execution of your order. Should you have any questions or wish us to treat your orders as anything other than "Not-Held", please contact your sales representative.

## FINRA Rule 5320

FINRA Rule 5320 generally provides that a broker-dealer handling a customer order in an equity security is prohibited from trading that security on the same side of the market for its own account at a price that would satisfy the customer order, unless the firm immediately executes the customer's order up to the size of its own order at the same or better price. While the rule generally applies to all types of customers and order sizes, certain exemptions to the rule allow TDS to trade for its own account while handling customer orders without providing price protection for orders that are considered large-sized (10,000 shares or more or greater than $100,000 in value) or received from an "institutional account."[1]

Under Rule 5320, a customer may "opt-in" to the Rule 5320 protections with respect to all orders or on an order-by-order basis by notifying TDS in writing. Additionally, Rule 5320 permits TDS to trade for its own account provided the principal trading desk has "no knowledge" of a customer order that would trigger price protection. Consistent with the "no knowledge" exemption under Rule 5320, TDS has implemented internal controls, including information barriers, to prevent desks within its principal trading and market making unit from obtaining knowledge of orders outside of that unit. Accordingly, TDS will trade for its own account while handling orders for Institutional Accounts unless the Institutional Account opts-in to Rule 5320 protection via notification to TDS.

## FINRA Rule 2124

Orders received from an "institutional account" may be executed on a "net" basis, unless instructed otherwise. A "net" transaction is a principal transaction in which TDS, after having received an order to buy (sell) an equity security, purchases (sells) the equity security at one price (from (to) another broker-dealer or another customer) and then sells to (buys from) the customer at a different price. If you do not consent to receiving executions on a "net" basis, please contact your sales representative directly.

## FINRA Rule 5270

FINRA Rule 5270 generally prohibits TDS from trading for its own account in a security or related financial instrument[2] when in possession of knowledge concerning an imminent client block transaction in the security or related instrument, prior to the time the information concerning the block transaction has been made publicly available.

The rule provides certain exceptions, one of which permits TDS to trade for its own account for the purpose of facilitating the execution of a customer's block order. TDS may trade alongside or ahead of your block order in these instances. While TDS conducts this trading activity in a manner designed to limit market impact and consistent with its best execution obligations, clients are advised that TDS's trading activity in these scenarios could impact the market price of the securities that are the subject of the block order.

[1] As defined in FINRA Rule 4512(c), the term "institutional account" means the account of: (1) a bank, savings and loan association, insurance company or registered investment company; (2) an investment adviser registered either with the SEC under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or (3) any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least $50 million.

[2] For purposes of FINRA Rule 5270, the term "related financial instrument" means any option, derivative, security-based swap, or other financial instrument overlying a security, the value of which is materially related to, or otherwise acts as a substitute for, such security, as well as any contract that is the functional economic equivalent of a position in such security.

## Indications of Interest and Trading Advertisements

TDS uses certain service providers to publish indications of interest ("IOIs") and advertisements of trade executions. Indications of interest are expressions of trading interest that contain one or more of the following elements: security name, side of the market, size, and/or price. When publishing IOIs, TDS will adhere to the regulatory guidance and guidelines disseminated by the service providers used by the Firm. IOIs may be designated as either "natural" or "non-natural". Natural IOIs represent interest the Firm represents on an agency basis or interest on a principal basis related to TDS's market-making activity, including the facilitation of customer orders, hedging activity and unwinding of risk positions.

TDS's executed trading volume is generally advertised on a post-trade, non-directional, aggregated basis, via Bloomberg or other service providers and adheres to all relevant guidelines provided by the providers. Clients may opt out of TDS advertising your executions and/or publishing IOIs by contacting your sales representative.

## SEC Rule 605

SEC Rule 605 of Regulation NMS requires market centers that trade National Market System ("NMS") securities to make available to the public monthly electronic reports that include uniform statistical measures of execution quality. The SEC requires that the disclosure of a market center's order execution information be made available free and readily accessible to the public. While TDS does not have any covered orders under the rule, information regarding TDS's most recent SEC Rule 605 quality of executions information is available at this link: https://www.tdsecurities.com/ca/en/legal

## SEC Rule 606

In accordance with SEC Rule 606, TDS makes publicly available quarterly reports of the routing by TDS of non-directed orders in NMS stocks that are submitted on a held basis and of non-directed orders that are customer orders in NMS securities that are option contracts. Information regarding TDS's most recent SEC Rule 606 Reports is available at this link: TDS USA 606a1 Quarterly Reports

As a TDS customer, you may request additional order routing information specific to your orders handled by the Firm. Please reach out to your TDS sales representative for further information or to request an on-demand routing report.

## Clearly Erroneous Transactions

If the SEC, FINRA, a self-regulatory organization, or other regulatory body determines that an executed transaction is "clearly erroneous" or should otherwise be cancelled, TDS will be required to cancel the transaction and will not honor the executed price or terms of the transaction.

Additionally, TDS reserves the right to adjust, cancel, correct, or take other appropriate action when it reasonably deems an executed transaction to be erroneous in nature. In either circumstance, TDS shall have no responsibility for the canceled or corrected portion of the transaction.

**Pre-Market and Post-Market Trading**

In accordance with FINRA Rule 2265 and CBOE Rule 9.20, Extended Hours Trading Risk Disclosure, TDS may execute client orders outside of regular market trading hours (9:30AM to 4:00PM) if specifically directed by a client to do so.

Clients should consider and be aware of the following factors and risks before engaging in pre-market and post-market trading:

- *Risk of Lower Liquidity*. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors 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 trading hours. As a result, your order may only be partially executed, or not at all.

- *Risk of Higher Volatility*. Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular trading hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price when engaging in extended hours trading than you would during regular trading hours.

- *Risk of Changing Prices*. The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular trading hours, or upon the opening the next morning. As a result, you may receive an inferior price when engaging in extended hours trading than you would during regular trading hours.

- *Risk of Unlinked Markets*. Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.

- *Risk of News Announcements*. Normally, issuers make news announcements that may affect the price of their securities after regular trading hours. Similarly, important financial information is frequently announced outside of regular trading 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.

- *Risk of Wider Spreads*. The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

- *Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value ("IIV") and Lack of Regular Trading in Securities Underlying Indexes*. For certain products, an updated underlying index or portfolio value or IIV will not be calculated or publicly disseminated outside of regular market trading hours. Since the underlying index or portfolio value and IIV may not be calculated or widely disseminated outside of regular market trading hours, an investor who is unable to calculate implied values for certain products may be at a disadvantage to market professionals. Additionally, securities underlying the indexes or portfolios will not be regularly trading as they are outside of regular market trading hours, or may not be trading at all. This may cause prices outside of regular market trading house to not reflect the prices of those securities when they open for trading.