

6.4.4 BEST EXECUTION

A. What is best execution? “Best execution” has been defined by IIROC as obtaining the most advantageous execution terms reasonably available under the circumstances.

B. What factors must be considered for achieving best execution? Best execution must have regard for the following four key factors:

1. Price;
2. Speed of Execution;
3. Certainty of Execution; and
4. Overall cost of the transaction.

Each trade executed for a client must attempt to optimize the outcomes for the client in terms of these four aspects of the trade. Clearly, these are broad factors and there are subjective elements to each of these factors. This policy serves to provide guidance for how MCC’s employees can reasonably weigh and create the best combination of these factors to achieve the best outcome for the client.

C. What is MCC’s trading process? MCC’s trading process, and guidance for each step in the trading process, is as follows:

1. Subject to compliance with any regulatory requirement, MCC must consider the instructions provided by the client;
2. Consider the differences between the order handling and routing practices used during core trading hours and outside of trading hours. Outside of core trading hours, MCC’s trading approach continues to be guided by the client’s directions, as well as the surrounding factors including the current marketplace for the securities;
3. MCC employees must identify any potential conflicts of interest that may arise. MCC does not deploy its capital on the opposing side of a client trade, which reduces the potential for a conflict of interest with our clients. Where an employee is concerned that there may be a potential conflict of interest, MCC employees should consider the guidance provided in Section 1.6, which identifies one of MCC’s guiding principles as “all material conflicts of interest are to be addressed in a fair, equitable and transparent manner, and considering the best interests of the client or clients.” In this instance, optimizing the results for the client based on the four factors listed above in Section 6.4.4.B.;
4. Given that MCC executes through its carrying broker, instructions must be provided to MCC’s carrying broker in order to access all appropriate marketplaces for the trade orders. MCC’s carrying broker must comply with all trading rules;
5. If considering whether to execute orders for listed securities on unprotected marketplaces, the following factors should be considered:
 - a. client orders could be reasonably be expected to execute on the unprotected marketplace at a better price;
 - b. the displayed volume on protected marketplaces has historically not been adequate to fully execute client orders on advantageous terms; and

- c. the unprotected marketplace has historically demonstrated a reasonable likelihood of liquidity for securities for which MCC accepts orders; and
6. Confirmation with RR that pre-trade disclosures have been provided.

Best execution for each trade must be considered independently, as the liquidity, price and anticipated movement of a security is continuously changing, along with the market environment, and the goal(s) of each client must be reviewed so that the client's priorities are addressed. The following non-exhaustive list of issues should be taken into consideration when executing any given trade for the benefit of the client:

- the client's priorities;
- order size;
- demand and supply of the security for sale/purchase in the marketplace;
- trade history of the security, including the last sale price and the prices and volumes of previous trades;
- the depth of the posted market;
- reliability of quotes;
- the size of the spread;
- involvement of a foreign market intermediary in a trade;
- liquidity of the security;
- fees, commissions and/or settlement costs (both internal and external);
- market impact of trade (price movement that occurs when executing an order); and
- price and opportunity cost of executing the trade at this time (to attempt to obtain a better price for the client at a more advantageous time).

Accordingly, it may be that trade orders submitted by the same client in the same security at different times or with a different goal may reasonably result in a different trade strategy in order to achieve best execution. MCC employees also have the responsibility to ensure that MCC's carrying broker is following the same best execution guidelines. If there are any concerns with trade instructions received, consult with the Designated Supervisor responsible for the opening of new accounts and the supervision of account activity.

D. How is best execution achieved for over-the-counter securities? Clients must be provided with sufficient disclosure to determine whether bid and offer prices for over-the-counter securities ("**OTC securities**") are fair and reasonable in relation to prevailing market conditions. MCC employees will follow the same trading process and considerations as are outlined in 6.4.4.C. above. The market value of the security, as well as the compensation received, must be reasonable. In other words, both compensation (taking into account all commissions paid) and the price component (fair market value of the securities, including any mark-up or mark-down, as compared to spreads over benchmarks and comparing retail versus wholesale trades) of the transaction are relevant in determining whether an aggregate transaction price is fair and reasonable. To be clear, excessive commissions, mark-ups or mark-downs on trades executed by MCC employees are not permitted.

E. Can we rely upon our carrying broker to assist with best execution? Yes. MCC is ultimately responsible for ensuring that all regulatory activities are performed properly

and in compliance with relevant IIROC requirements, including those activities carried out on its behalf. Given that MCC carries out its trades through its carrying broker's software, MCC's carrying broker must also be achieving best execution on its trades. MCC's carrying broker will provide an annual attestation, confirming that it has followed and tested its best execution policies and procedures in compliance with IIROC Dealer Member Rule 3300. MCC's carrying broker also provides a document on its website confirming that it provides best execution (see <http://www.haywood.com/docs/default-source/default-document-library/trading-of-canadian-listed-securities-best-execution-procedures.pdf> for further information), which MCC can rely upon. MCC's carrying broker has a history of complying with best execution requirements.

F. Ongoing review of best execution process.

Due to the dynamic nature of the Canadian market, MCC will regularly review the way in which client orders and order flow are managed in order to ensure that these best execution policies and procedures remain optimized.

1. Who will conduct the review?

The Designated Supervisor responsible for the opening of new accounts and the supervision of account activity will review compliance with the best execution obligation on an ongoing basis.

2. How often will the review be conducted?

Beginning in 2018, the report will be conducted once per calendar year and delivered on or before December 31st of each calendar year.

However, in response to a material change to the trading environment or market structure, an additional review of these best execution policies will occur. Examples of material events which would trigger an additional review include:

- the launch of a new marketplace;
- a significant change to trading functionality offered by an existing marketplace;
- a revision to securities laws or MCC's regulatory environment impacting its trading process;
- a change in MCC's carrying broker or in the carrying broker's best execution policies; or
- a concern advanced with respect to best execution policies and procedures is advanced by a client, IIROC or MCC employee.

3. What Information Sources will be used?

The Designated Supervisor responsible for the opening of new accounts and the supervision of account activity will use:

- internal trading records, with a focus on orders that were unfilled or only partially filled over a period of time; and
- MCC's carrying broker's public disclosure confirming best execution and annual attestation to MCC that it has tested and acted in accordance with its best execution policies in compliance with IIROC Rule 3300.

4. What is the review procedure?

The Designated Supervisor responsible for the opening of new accounts and the supervision of account activity will review a sample of internal trading records, with a focus on orders that were unfilled or only partially filled over a period of time, to ensure that MCC's policies and procedures have been followed and that the carrying broker's execution results are consistent with its best execution disclosure.

5. External inputs required?

The Designated Supervisor responsible for the opening of new accounts and the supervision of account activity must ensure that MCC's carrying broker continues to use all reasonable efforts to achieve best execution and receive the required attestation annually.

6. Who will receive the review?

Beginning in 2018, the review report will be conducted once per calendar year and delivered on or before December 31st of each calendar year by the Designated Supervisor responsible for the opening of new accounts and the supervision of account activity to the CCO and CEO/UDP. Considerations and factors used in the best execution analysis must be reviewed and any concerns and/or suggested improvements will be included in the report.

7. How long must records related to this policy be retained?

A period of seven years.