



TRADING IN CANADA'S CHANGING EQUITY MARKETPLACES

Canadian equity market structures are evolving at a rapid pace due to new electronic competitors to the Toronto Stock Exchange, regulatory changes and an increased global interest in trading Canadian shares electronically.

With the introduction of Alternative Trading Systems, it is now possible for the same security to be traded on multiple markets. The Canadian equity market is now composed of traditional exchanges and Alternative Trading Systems.

TRADITIONAL EXCHANGES

Exchanges are marketplaces that may list the securities of issuers, provide a two-sided market for a security on a continuous basis and set requirements governing the conduct of marketplace participants.

Traditionally, all buying and selling used to take place on a trading floor, where professional traders called out trade offers verbally. While great for busy stock market scenes in movies, trading began to evolve away from this model in the 1970s when NASDAQ implemented the world's first electronic stock market. Soon, in the early 1990s, the CME Group (Chicago Mercantile Exchange) launched its own electronic trading platform. These systems were faster, more visible and provided access to additional markets. Today, almost all trading is done electronically, however many of the traditional "trading floors" still exist.

ALTERNATIVE TRADING SYSTEMS

Alternative Trading Systems are automated trading systems that bring together orders from buyers and sellers of securities which are listed by any of the exchanges. By definition, alternative trading systems are not regulated on an exchange, but are useful venues for matching buy and sell orders, many of which are in large quantity and may skew market pricing if traded on a public exchange.

HOW DO ORDERS GET FILLED?

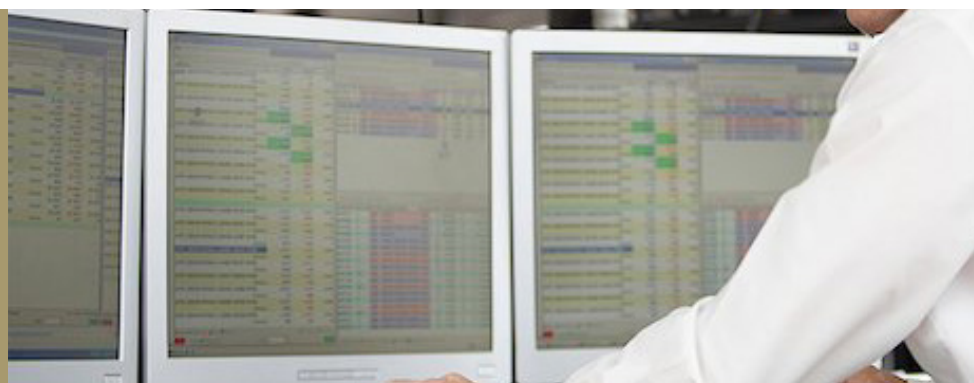
When we place an order on your behalf, it may be filled on multiple markets, as all available markets are considered when sourcing possible liquidity, including all visible markets and those that offer no pre-trade transparency.

Orders are sent to the market via smart order routers that scan all available marketplaces for liquidity and the best possible execution. If a limit order is not fully completed, the unfilled balance is placed on one of the available



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marketplaces. The smart router does not move orders between marketplaces once the unfilled balance is resting at its limit price.

THE BENEFITS OF ALTERNATIVE TRADING SYSTEMS

There are many benefits, including greater competition and liquidity, and more opportunities to receive best execution for orders. Factors impacting best execution include the likelihood that an order will be filled and the prices available in multiple marketplaces.

IF MY ORDER IS POSTED, IS IT VISIBLE TO OTHERS?

Yes. All traders and smart routers see consolidated quotes in which all marketplaces are represented. As well, dealers are held to “best execution” standards that force them to source all pools of liquidity when executing orders.

DOES TIME PRIORITY STILL EXIST?

Time priority still exists on each individual exchange or Alternative Trading System. Once entered, an order will receive a Priority Time Stamp that records the time at which the order is received by the Canadian exchanges’ trading engine and will be used to determine the sequence in which the order will be filled.

Note that any Change Former Order request will result in the order being routed through the smart router, and time priority will be lost; this includes extending a good-through date. Having time priority on one marketplace does not guarantee that the order will be filled next, as preferred destinations by each firm’s smart router can differ, and stock may trade at your price but on an alternate exchange or Alternative Trading System.

To learn more about trading in equity marketplaces, please contact us today.