

August 2020

Best Execution and Order Handling Disclosure

This document provides summary information regarding the order handling and routing practices employed by Virtu ITG Canada Corp.¹ (“Virtu” or “the Firm”). This document is accessible under the *Virtu ITG Canada Regulatory Disclosures* section of Virtu’s website².

Scope of Disclosure

This disclosure applies to each client of Virtu, all of whom are institutional customers and/or registered broker dealers that have the ability to trade listed and Over-the-Counter (“OTC”) equity securities with Virtu’s High Touch Trading Desk and/or Virtu’s Smart Order Router and suite of algorithms.

Factors Considered for the Purpose of Achieving Best Execution

Virtu considers various factors in its attempt to achieve best execution for all client orders, including:

- Fill prices including opportunities for price improvement;
- Speed of execution;
- Active, passive, and overall fill rates for protected and unprotected marketplaces;
- Likelihood of execution based on order size;
- Marketplace features³; and
- Venue latency and opportunity cost.

Order Handling and Routing Methodology

For Canadian-listed equities, Virtu accepts orders for execution between the hours of 7:00am and 5:00pm Eastern Time, Monday through Friday, not including Canadian statutory holidays. Staff may be further available for assistance before and after these hours. Orders submitted prior to 7:00am will be queued for execution at the open, unless otherwise agreed to by Virtu and the client.

Orders that are rejected by a marketplace during regular trading hours, but are immediately tradeable, are routed by the SOR to the venue with the next best available price. Outside of core trading hours, the orders are handled as follows:

- Pre-Open Session – Orders are queued for the opening auction, unless specifically directed by the client to a destination that will trade the orders in the pre-open as markets open and become available.
- Post-Market / Extended Trading Session – Orders received after market close to trade in the post-market trading session are routed to the marketplaces that offer extending trading.

All orders will be routed to either the Principal Marketplace⁴ or alternative marketplaces as follows, unless specific instructions are received from the customer to handle otherwise:

- Orders received prior to 9:30am and intended to trade at the opening price of the security are queued for the auction at the opening of the Principal Marketplace that day.

¹ Virtu ITG Canada Corp. is an Investment Dealer registered with the securities regulatory authorities in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Quebec and Saskatchewan, and is a Dealer Member of the Investment Industry Regulatory Organization of Canada.

² <https://www.virtu.com/regulatory-disclosures/>

³ Consideration of marketplace features includes, at a minimum, consideration of the following: opening and closing times, opening mechanisms, the order types accepted, whether the marketplace is protected or unprotected, and the treatment of marketplace trading fees and/or rebates.

⁴ The “Principal Marketplace” refers to the primary exchange on which a Canadian security is listed.



- Orders received after 4:00pm are queued and will be routed to the marketplace(s) at the opening of the Principal Marketplace on the following business day.
- Orders received between 9:30am and 4:00pm will be routed to the marketplace(s) by Virtu's Smart Order Router ("SOR") in a manner that uses routing and order handling logic to target multiple quotes across Canadian marketplaces, adjusting trading based on current market conditions. The SOR sends orders to multiple destinations to exhaust displayed volumes at the top of book on both protected and unprotected venues before moving to the next price level.
- Virtu does not support stop loss orders⁵ and stop loss orders routed to Virtu's SOR or algorithms will be rejected. In certain circumstances, the High-Touch Trading Desk may accept an order with instructions to trade the order as if it were a stop loss order. Should such an order be accepted by the High-Touch Trading Desk, Virtu will manually manage the order once the trigger price is reached.
- Changes to an outstanding order, or portion of an outstanding order, will be handled in the same way as a new order received and will be treated according to the routing conditions listed above.

If a client specifically instructs Virtu to execute an order in a manner other than as described in this document Virtu will abide by client instruction; however, Virtu may not necessarily achieve best execution for the client by adhering to the client's specifications.

If a marketplace is unavailable for technical reasons, Virtu will remove the marketplace from its routing until the technical issue(s) is resolved.

Virtu may reject orders it does not wish to accept and nothing in this document should be read as indicating otherwise.

Canadian Equity Marketplaces

Virtu considers and routes orders to all Canadian equity marketplaces, both protected and unprotected under the Order Protection Rule ("OPR"). The status of each marketplace is reviewed and changed, if applicable, by the Canadian Securities Administrators ("CSA") on an annual basis effective April 1. A table summarizing the protection status of each marketplace is available at the end of this disclosure.

The sequence in which Marketplaces are ordered on Virtu's Standard Routing Table based on an evaluation of the available Canadian marketplaces, which takes into consideration the following factors:

- Likelihood of available liquidity based on historical order and trade data;
- Each marketplace's status under OPR (protected or unprotected);
- Speed of execution, including whether a marketplace employs a speed bump;
- Certainty of execution;
- Reliability of quotes; and
- Overall cost of the transaction.

For new marketplaces and/or liquidity sources, Virtu will connect to and consider a new venue in its routing on the launch date, with the following caveats:

- New displayed venues are generally lowest in the sequence.
- New unprotected venues that do not display orders are introduced selectively to the Virtu High-Touch Trading Desk prior to being incorporated in client routing.
- Virtu will not post on a new venue until it has demonstrated technical stability.

⁵ As per IIFROC Guidance Note 13-0191, "A stop loss order is an order which is entered to buy or sell a particular security with a pre-determined 'trigger' price and which becomes executable once the trigger price has been reached."



Market Data

Virtu's trading products, including the SOR and algorithm suite, consume real-time market data from all displayed Canadian venues.

Virtu may also provide its clients with requested market data through its Triton execution management system. Clients should be aware of the potential risks of trading with incomplete trading data, including potential trade throughs of the visible quote.

Marketplace Fees and Rebates

Virtu may pay marketplace fees or receive marketplace rebates when routing certain orders to certain marketplaces for execution. These fees and rebates are incurred by Virtu when acting as the executing broker, and in some cases, are passed along to clients. Virtu may route to a marketplace based on fees paid or payments received. Canadian investment dealers utilizing Virtu's routing technology and executing under their own trading number will pay fees or receive rebates. Marketplace fee schedules are disclosed on the websites of each marketplace.

Affiliated Marketplaces

Virtu has a minority ownership in Aequitas Innovations Inc., which owns and operates Aequitas NEO Exchange and its NEO and Lit trading books. Virtu also holds a seat on the Board of Directors of Aequitas Innovations Inc. Any Virtu orders executed on these venues are disclosed on client confirmations.

Foreign Intermediaries

For orders in inter-listed securities⁶ where there is a better price in the U.S. market (after applying an FX rate), Virtu's Best Market Server ("BMS") is designed to route the order to Virtu ITG LLC⁷ for execution. If there is a better quote in the Canadian market, BMS is designed to target the Canadian quote. To minimize the risk of FX rate fluctuations, BMS applies the FX rate at the time of execution to any trades executed in the U.S.; thus, any FX rate fluctuation risk is borne by Virtu. Virtu acts as principal in any currency conversion transactions and earns revenue on the spread between the bid and ask prices and the cost of the currency.

For orders in securities that are not listed in Canada or where the better quote is outside the Canadian market, Virtu will route to certain affiliated and non-affiliated intermediaries to facilitate order execution:

- **Virtu Affiliates** – Virtu provides its clients with access to the global equity markets via a network of affiliated firms, all of which are registered brokerage firms in their local jurisdiction, including: Virtu ITG LLC (United States), Virtu Americas LLC (United States), Virtu ITG Europe Limited (Ireland, covering Europe), and Virtu Hong Kong Limited (Hong Kong) and Virtu Australia Limited (Australia) that collectively cover Asia Pacific. In certain markets Virtu may use a local broker to facilitate execution; additional details are available upon request.
- **Market Makers** - When routing client orders for securities that are not listed in Canada, Virtu's non-Canadian affiliates may send non-Canadian orders directly to market makers. These market makers are registered as broker-dealers in the jurisdictions in which they operate. Typically, orders may be routed to a market maker upon client request or to accommodate a more complex trading strategy involving American Depository Receipts, Exchange-Traded Funds, convertible debentures, warrants, rights or pairs trades.

⁶ "Inter-listed securities" refers to securities that are listed on both an exchange in Canada and a foreign jurisdiction; predominantly in the United States. Virtu only conducts trades of listed or quoted securities outside of Canada if such trades are executed on a Foreign Organized Regulated Market, as required under UMIR 6.4 subsection (2)(d). This ensures that trades conducted outside of Canada are conducted on a market that provides substantially the same standards as found in Canada for both regulatory monitoring and public data dissemination.

⁷ Virtu Americas LLC is an affiliate of Virtu ITG Canada Corp. and registered broker dealer, member of the Financial Industry Regulatory Authority.



Virtu considers the following additional factors when routing an order in an inter-listed security to a foreign intermediary for execution:

- Whether the foreign market has historically demonstrated a reasonable likelihood of liquidity for the listed security;
- The extent of trading in the security on the foreign market relative to the volume of trading on Canadian marketplaces;
- The extent of exposure to settlement risk in a foreign jurisdiction; and
- The extent of exposure to fluctuations in foreign currency exchange.

When an order is routed to a foreign intermediary, the order will be subject to the order handling and routing practices of that intermediary. For each intermediary, Virtu has obtained a copy of its order handling and routing practices for review and has determined that the order handling and routing practices as described within these documents are reasonably designed to achieve best execution. Whether an order was routed to an intermediary, along with the identity of the intermediary, can be provided on a trade-by-trade basis upon request.



Canadian Marketplaces – Status under OPR

	Status under OPR	Reason for Status
CSE	Protected	Meets market share threshold.
Nasdaq CXC	Protected	Meets market share threshold.
Nasdaq CX2	Protected	Meets market share threshold.
NEO-L	Protected	Meets market share threshold.
Omega	Protected	Meets market share threshold.
TSX	Protected	Meets market share threshold.
TSX Venture	Protected	Meets market share threshold.
ICX	Unprotected	Does not display orders.
Liquidnet	Unprotected	Does not display orders.
Lynx	Unprotected	Does not meet market share threshold.
MATCHNow	Unprotected	Does not display orders.
Nasdaq CXD	Unprotected	Does not display orders.
NEO-D	Unprotected	Does not display orders.
NEO-N	Unprotected	Does not provide automated trading functionality.
TSX Alpha	Unprotected	Does not provide automated trading functionality.

This table shows each Canadian marketplace's status under OPR effective April 1, 2020 through March 31, 2021. Any changes to the OPR status of Canadian marketplaces are announced by the CSA on an annual basis.