

## Morgan Stanley's Canada Equity Order Handling & Routing Practices

(Last Updated: April 2018)

This document is part of Morgan Stanley Canada Limited's ("MS Canada") ongoing efforts to provide transparency to its institutional clients about its business practices. MS Canada's primary objective in handling client orders is to deliver the best execution by obtaining the most advantageous execution terms reasonably available under the circumstances for Listed Securities<sup>1</sup> and Foreign Exchange-traded Securities<sup>2</sup>. MS Canada may execute client orders through a variety of means by accessing both exchanges and alternative marketplaces through its' routing strategies for clients. If after reviewing this document you have additional questions, please contact your MS Canada representative.

### **1. Hours of Operation**

For Canadian listed equities, MS Canada will generally be available to accept orders for execution between the hours of 7:00 a.m. and 5:00 p.m., Eastern Time ("ET"), Monday through Friday, not including statutory Canadian holidays. The high touch desk can accept and directly send pre- and post- market orders to the marketplaces. The low touch desk can accept pre- and post- market orders. Low touch clients can participate in the pre- and post- market trading by using MS Canada's SORTPP strategy. SORTPP will enter orders in the marketplace between 8:00 a.m. – 9:30 a.m. ET and from 4:00 p.m. – 5:00 p.m. ET. If used, SORTPP will trade continuously from 8:00 a.m. to 5:00 p.m. ET so that orders not only participate in pre- and post-market trading but also during regular market hours. After market close, all unexecuted low touch non-SORTPP orders will be cancelled. Please contact your MS Canada representative for additional details concerning support outside of regular market hours and specific configurations for your order flow.

### **Canadian Equity Marketplaces that MS Canada Accesses: Hours of Operation**

#### **List of protected marketplaces**

The orders displayed on the following marketplaces are protected because either the marketplace meets the market share threshold and/or the orders are for securities that are listed by and traded on that marketplace:

<b>Marketplace</b>	<b>Standard Trading Hours</b>	<b>Market Share</b>	<b>Status</b>	<b>Reason Protected</b>
CSE	8:00 a.m. to 5:00 p.m.*	6.11	Protected	Meets market share threshold
Nasdaq CXC	8:30 a.m. to 5:00 p.m.	12.46	Protected	Meets market share threshold
Nasdaq CX2	8:30 a.m. to 5:00 p.m.	5.16	Protected	Meets market share threshold
OMEGA	8:00 a.m. to 5:00 p.m.	5.26	Protected	Meets market share threshold
TSX	9:30 a.m. to 4:00 p.m.	46.23	Protected	Meets market share threshold

<sup>1</sup> "Listed Security" means a security listed on an exchange, other than an option.

<sup>2</sup> "Foreign Exchange-traded Security" means a security, other than a listed security, that is listed on a foreign organized regulated market.

TSX VENTURE	9:30 a.m. to 4:00 p.m.	13.12	Protected	Meets market share threshold
AEQUITAS Lit Book	8:00 a.m. to 5:00 p.m.*	2.00	Protected for Aequitas-listed securities only	Exchange protected for its listed securities

\*CSE and Aequitas Lit Listed Securities hours are 9:30 a.m. to 4:00 p.m.

### List of unprotected marketplaces

Orders displayed on the following marketplaces will be unprotected:

Marketplace	Standard Trading Hours	Market Share	Status	Reason Protected
AEQUITAS Neo Book	8:00 a.m. to 5:00 p.m.	2.21	Unprotected	Does not provide automated trading functionality
ALPHA	8:00 a.m. to 5:00 p.m.	7.16	Unprotected	Does not provide automated trading functionality
AEQUITAS Lit Book	8:00 a.m. to 5:00 p.m.	2.00	Unprotected for securities other than Aequitas-listed securities	Does not meet market share threshold
LYNX	8:00 a.m. to 5:00 p.m.	0.28	Unprotected	Does not meet market share threshold
MATCHNOW	9:30 a.m. to 4:00 p.m.		Unprotected	Does not display orders

This table summarizes each Canadian marketplace's status under the Order Protection Rule ("OPR"). The status under OPR is effective April 1, 2018 through March 31, 2019 as prescribed by the Investment Industry Regulatory Organization of Canada.

## 2. Order Routing Behaviour

MS Canada systems are designed to route marketable orders received to the Canadian protected transparent market with the best price in order to comply with National Instrument 23-101 Trading Rules Part 6 and to obtain the best execution available under the prevailing market conditions. Factors considered may include but are not limited to the direction of the market of the security, the depth of the posted market, the last sale and the prices and volumes of previous trades, the size of the spread and the liquidity of the security. MS Canada may also consider liquidity on other marketplaces that have demonstrated that there is a reasonable likelihood of liquidity for a specific security, including foreign marketplaces. MS Canada is connected to Canadian marketplaces (both protected and unprotected) listed above when routing its client orders, in order to provide its clients with available sources of liquidity and allow MS Canada to meet best execution obligations. If client orders are routed to a foreign intermediary for execution outside of Canada, such as MS Canada's foreign affiliate Morgan Stanley & Co. LLC ("MSCO"), the orders will not be sent in bulk without considering other liquidity sources, including liquidity sources in Canada, and will be subject to the order handling and routing practices of such foreign intermediary, which have been reviewed by MS Canada. Orders may be moved from one marketplace to another based on but not limited to the prevailing market conditions, fills and order modification by the client.

### **3. Day Orders**

An order that is only valid on and for the day it is entered is a Day Order (“Day Order”). Day Orders will generally be valid and traded until the closing of the market on which they are routed, which is 4:00 p.m. ET with the exception of SORTPP orders which are valid until 5:00 p.m.

### **4. Good-Till-Cancel Orders (“GTC”) Orders**

MS Canada does not generally accept GTC orders. Please contact your MS Canada representative if you have questions about specific configurations for your order flow.

### **5. Market and Limit Orders**

A market order is an order to buy or sell that is to be executed immediately within the context of the marketplace (e.g., buy at the NBO and sell at the NBB). Limit orders are orders to buy or sell at a specified price or better. Low touch market and limit orders received before 9:30 a.m. ET will be entered on the primary listing market for such security (which may include TSX, TSX-Venture, Aequitas Lit or CSE) with the intent to participate in the market opening rotation.

### **6. Market on Close (“MOC”) Orders**

MOC market and limit orders are only available on the TSX and TSX-Venture and can generally be entered into the MOC book from 7:00 a.m. to 3:40 p.m. Once the MOC imbalance is published, offsetting MOC limit orders can be entered into the MOC book on the opposite side of the imbalance (if the symbol has an imbalance) between 3:40 p.m. and 4:00 p.m. and potentially 4:00 p.m. to 4:10 p.m. (if the price movement is invoked). There is no guarantee that the MOC order will be completed and client’s may not know the price and volume of execution until the closing price has been calculated and published. Further detail related to MOC orders can be found at <http://www.tsx.com/resource/en/1/>

### **7. Orders with Special Terms ( “OST”)**

Orders with Special Terms are orders with specific terms which are not immediately executable in the regular marketplace, which can include delayed settlement orders, all-or-none orders (“AON”), or minimum size orders. MS Canada does not accept any AON orders for any marketplace. Other OSTs, such as minimum size orders will only be posted to the Special Terms market of the TSX or TSX-Venture. Please contact your MS Canada representative regarding any other OSTs.

### **8. Fill or Kill Orders (“FOK”)**

MS Canada does not accept FOK orders.

### **9. Immediate or Cancel (“IOC”)**

An IOC order is eligible to receive a full or partial fill. Any portion not filled is cancelled immediately.

### **10. Circuit Breaker Halts**

The Investment Industry Regulatory Organization of Canada “IIROC” seeks to co-ordinate trading halts with markets in the U.S. when “circuit breakers” are invoked on those markets. If the U.S. markets are closed then the Canadian Circuit Breaker is based off the average closing level of the S&P/TSX Composite Index in the month immediately preceding the calendar quarter. IIROC provides quarterly updates on Circuit Breaker levels which are available at:

<http://www.iiroc.ca/English/Policy/CircuitBreakers/Pages/default.aspx>

## **11. Details of Order Execution and Marketplaces**

The details of trade executions are generally provided on fill messages post-trade, including individual execution prices, marketplaces, and the capacity in which MS Canada acted. All available information is made available upon request at no additional charge.

## **12. Related Marketplaces**

MS Canada is a wholly-owned subsidiary of Morgan Stanley. MSCO, MS Canada's U.S. affiliate, owns and operates internal dark pools. In addition, MSCO or an affiliate holds an indirect minority ownership stake in BIDS. Additional details and a link to MSCO's US Order Handling & Routing Practices Frequently Asked Questions can be found at: <http://www.morganstanley.com/disclosures>

## **13. Marketplace Fees and Rebates**

MS Canada may access exchanges, alternative trading systems (ATSs). Certain venues offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books (and certain venues invert this practice). The amount of credits that MS Canada receives from one or more venues may exceed the amount that MS Canada. MS Canada may also receive incremental pricing benefits from venues if certain volume thresholds are met.

## **14. Request for additional order details**

If you have any questions about this document or to request details on your orders and executions, please contact your MS Canada representative.

## **15. Complaints**

Additional information on how to resolve a complaint can be found on the IIROC website: <http://www.iiroc.ca/investors/makingacomplaint/Pages/default.aspx>

You may also e-mail [msclcompliance@morganstanley.com](mailto:msclcompliance@morganstanley.com).

By mail: Morgan Stanley Canada Limited, Attention: Compliance Department, 181 Bay Street, Suite 3700, Toronto, ON, M5J 2T3

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