

# Trade Execution Disclosure

BMO Nesbitt Burns Inc. and BMO InvestorLine Inc., as IROC Dealer Members, are required to establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to achieve 'best execution' when acting for a client. This Trade Execution Disclosure ("Disclosure") is intended to provide a synopsis of the measures undertaken by BMO Financial Group to achieve 'best execution' for client orders. This document applies to products traded by Bank of Montreal's ("BMO") entities, including institutional and retail clients of BMO Nesbitt Burns Inc. and retail order execution only clients of BMO InvestorLine Inc.

This Disclosure is applicable to trades in listed equities, fixed income, preferred shares, futures and options as well as securities traded over-the-counter ("OTC") with standardized contract terms. This Disclosure is not applicable to OTC securities with non-standardized contract terms that are customized to the needs of clients and for which there is no established secondary market.

BMO diligently pursues the execution of each client order on the most advantageous execution terms reasonably available under the circumstances, considering prevailing market conditions, in accordance with our best execution obligation.<sup>1</sup>

The determination of whether best execution has been achieved is subject to reasonable efforts and should be interpreted in the context of several factors including:

- Price;
- Speed of execution;
- Certainty of execution;
- Quality of execution; and/or
- Overall cost of execution.

For trades in OTC securities, BMO conforms to the requirements identified in 'Fair Dealing' regulations and, as such, has policies and procedure to ensure that any trades in OTC securities are executed at prices that are fair and reasonable in relation to prevailing market conditions.

BMO may transact in listed equity securities on all Canadian marketplaces. As these securities trade on one or more Exchanges or alternative trading system ("ATS"), BMO employs advanced smart order routing ("SOR") technology to automate the decision-making process when routing orders. BMO monitors market conditions and evaluates order routing options that might achieve best execution for client orders. This may include considering foreign markets, including U.S. marketplaces, if appropriate. BMO reserves the right to amend, cancel, or reject any order that is not in compliance with regulatory requirements and/or to maintain market integrity. In the event a marketplace is not available, BMO may move orders to another marketplace.

In executing clients' orders, BMO may incur certain costs, or receive rebates or other payments, depending on the marketplace or intermediary, including a foreign intermediary, where orders are routed. BMO will consider cost of execution as one of the criteria in determining optimal routing of client orders and will consider marketplace fees and rebates in its SOR logic. Fees paid and/or rebates received are not passed on directly to clients.

In certain circumstances BMO may provide market data to clients as a service. BMO takes all reasonable measures to ensure that data provided is complete and accurate. However, clients should be aware that in certain circumstances, market data provided to clients may be on a delayed basis or may be incomplete as a result of factors beyond BMO's controls. Clients should be aware

that trades based on incomplete or delayed data may not be representative of the market as viewed by the client at the time of order entry.

BMO does not currently have an ownership interest in any equity marketplaces to which orders may be routed. BMO also currently does not have any arrangement with third-party intermediaries regarding order routing or execution. In the event an order is routed to an intermediary, it will be subject to the order handling and routing practices of the intermediary. BMO may review the order handling and routing practices of the intermediary to ensure they are reasonably designed to achieve best execution.

The following summary provides important information regarding trade execution for listed equity securities for clients of BMO. Please read carefully and keep a copy for your records.

### **Hours of Operation**

Trading in listed equity securities will take place between the hours of 9:30 a.m. and 4:00 p.m. ET ("Regular Trading Session"), Monday through Friday, not including Canadian statutory holidays. Orders received outside of the Regular Trading Session will be handled as outlined below.

### **Default Marketplace**

For all orders, BMO sets the Default Marketplace based on selected best execution criteria. This may be an Exchange or an ATS, as selected by BMO, and may differ from the primary listing Exchange.

### **Handling of Orders**

Orders received for listed equity securities will be handled as follows:

#### **1. Pre-Open**

Orders received prior to the Regular Trading Session will be entered to the pre-open session of the Default Marketplace, which in the pre-open is the primary listing Exchange, and will not be routed to an alternative marketplace unless otherwise requested by the client. Pre-open orders, if tradable, will receive the opening price of the Default Marketplace. Any unfilled portion of an order and passive limit orders<sup>2</sup> will remain on the Default Marketplace for the Regular Trading Session until the order is filled, changed, or cancelled. Requests to change or cancel orders between 9:28 a.m. and 9:30 a.m. ET will be handled on a best effort's basis.

#### **2. Regular Trading Session**

Orders received during the Regular Trading Session will be routed to the marketplace with the best price as determined by our order routers at the time an order is sent to a marketplace for execution. Any unfilled portion of an order and passive limit orders will be booked to the Default Marketplace and will remain there until the order is filled, changed, or cancelled. Day orders may participate in the market-on-close ("MOC") or after-hours trading sessions subsequent to the Regular Trading Session if specific criteria are met, and not cancelled by the client. Unfilled day orders will expire at 5:00 p.m. ET on the day of entry.

#### **3. Post-Close**

Orders received after the Regular Trading Session will be entered to the pre-open of the Default Marketplace on the next business day unless otherwise requested by the client. Post-close, the Default Marketplace is the primary listing market. Requests to route an order to a Marketplace other than the Default Marketplace will be handled on a best efforts basis and will expire at the close of trading of that Marketplace on the day of entry.

## Order Types

Orders may be entered as market orders, limit orders, or on-stop orders. Clients are encouraged to use aggressively priced limit orders<sup>3</sup> in place of market orders to reduce the risk of an order trading at an unexpected price. BMO will attempt to accommodate client instructions to the extent possible, taking into consideration regulatory requirements and operational considerations. BMO reserves the right to convert market orders to limit orders or to make other amendments as necessary to avoid creating undue short-term volatility in stock prices or to otherwise mitigate potential for adverse impact on markets in accordance with our gatekeeper obligations.

## Order Duration

Unless otherwise specified, all orders will be treated as day orders. Day orders will participate in the Regular Trading Session subsequent to the time of entry and will expire at 5:00 p.m. ET on the day of entry. Good-Till-Cancelled (“GTC”) and Good-Till-Date (“GTD”) are also available to clients; however, the duration of these orders cannot exceed one calendar year.

## Dark Marketplaces

Dark Marketplaces differ from ‘lit’ or visible Marketplaces in that they do not offer pre-trade transparency of orders. BMO may choose to access one or more dark Marketplaces to achieve best execution for client orders.

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<sup>1</sup> Best Execution is an obligation on Participants to diligently pursue the execution of each client order on the most advantageous execution terms reasonably available under the circumstances. The four general factors considered for best execution include: i) price; ii) speed of execution; iii) certainty of execution; and iv) the overall cost of the transaction. Participants are also required to take into account prevailing market conditions considering such factors as: i) prices and volumes of the last sale and previous trades; ii) direction of the market for the security; iii) posted size on the bid and offer; iv) the size of the spread; and v) liquidity of the security.

<sup>2</sup> Passive limit orders are orders that are not immediately executable.

<sup>3</sup> For example, if stock XYZ is trading at \$10.00-\$10.02, an aggressively priced limit order would be to buy 10,000 XYZ at \$10.25 in place of buying 10,000 XYZ at market.

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