



**November 2020**

## **Best Execution and Order Handling Disclosure**

This document provides summary information regarding the order handling, Best Execution (“Best Ex”) and routing practices employed by Paradigm Capital (“Paradigm” or the “Firm”), and is found on the website [www.paradigmcap.com](http://www.paradigmcap.com)

### **Best Ex Product Scope:**

Paradigm typically trades listed equities on various Canadian and US marketplaces, using third-party Smart Order Router (“SOR”), and third-party Algorithms (“Algos”) which are designed to achieve Best Ex for client orders.

The SOR order-handling logic is to target in priority the marketplaces with historically the most available liquidity and lowest-latency of executions, thus exhausting available liquidity on all marketplaces while minimizing information leakage to other parties.

### **Best Ex Factors Considered:**

Paradigm’s third-party systems encompass multiple factors in its efforts to achieve Best Ex for client orders, using its various vendors to ensure overall Best Ex when considering:

- Principal Marketplace of the security
- Overall Average Fill prices
- Price improvement over pre-existing bid/ask
- Speed of executions
- Speed Bumps
- Protected Status
- Quote Visibility
- Quote reliability
- Certainty of Execution
- Overall Fill rates
- Use of Active versus passive orders
- Order allocation across protected and unprotected marketplaces, dark or lit
- Quantity on various marketplaces books versus client order size
- Various Marketplace features, order types and pricing



- Venue latency and opportunity cost
- Trading Fees and Rebates

### **Order Handling and Routing Methodology**

Paradigm starts accepting orders via FIX or over the telephone at 7am Eastern Time (“ET”) and stops accepting orders at 5pm ET. Orders will only be traded in the regular session marketplace hours of 9:30am to 4pm ET, unless the client specifies otherwise, and Paradigm agrees.

To accommodate clients who wish to enter orders before 7am ET, the FIX order entry session will accept orders from 6am ET, although they will not be sent on to the marketplaces before 7am ET.

Should clients want to trade in the pre-open and/or the after hours sessions, they must contact Paradigm and give specific instructions, and Paradigm must confirm the viability of the client request.

### **Supported Order Types**

- Day Orders
- Good Til Canceled (GTC)
- Special Terms
- Market Orders
- Limit Orders
- Market On Close
- Limit On Close
- Market On Open
- Limit On Open

### **Unsupported Order Types**

- Stop Loss
- Stop Buy
- Conditional

### **Marketplace Disclosures**

Paradigm will disclose on client confirmations the markets used for execution, or if multiple marketplaces, can have this data provided upon request.



## Registration

Paradigm Capital Inc. is a Participating Organization (#16) of the Toronto Stock Exchange and the TSX-Venture, and is a member of the Investment Industry Regulatory Organization of Canada (“IIROC”).

## Canadian Equity Marketplaces used by Paradigm

- TSX
- TSX-Venture
- Alpha
- Omega
- Lynx
- Aequitas NEO
- Aequitas Dark
- Nasdaq Canada
- CXD
- TriAct Canada Marketplace MATCHNow
- Canadian Securities Exchange

## Order Protection Rule (“OPR”)

Paradigm abides by the OPR, as prescribed by the Securities Act<sup>1</sup>, and reviewed by the Canadian Securities Administrators (“CSA”) annually and published April 1st of each year. This is accomplished by ensuring that the SOR is set to always first check for the National Best Bid or Offer (“NBBO”) on all marketplaces first, so as to never “trade through” the NBBO.

## Marketplace Malfunctions

Occasionally marketplaces may have quote or other technical malfunctions, requiring Paradigm to turn off that destination until it is repaired by the marketplace. Paradigm will continue to provide Best Es under these circumstances.

## Trades on a Marketplace

As per IIROC Universal Market Integrity Rules (“UMIR”) 6.4, Paradigm will always place trades of listed securities on a marketplace, unless there is permission granted by IIROC as per UMIR 6.4.

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<sup>1</sup> [https://www.osc.gov.on.ca/en/SecuritiesLaw\\_sn\\_20180125\\_23-321\\_market-share-threshold.htm](https://www.osc.gov.on.ca/en/SecuritiesLaw_sn_20180125_23-321_market-share-threshold.htm)



## **US Orders**

Paradigm also has a US FINRA affiliate, Paradigm Capital U.S. Inc. (“PCUS”), which is only used to deal with US institutional customers. However, Paradigm Capital Inc. does not use PCUS for US order executions, and sends orders for US securities to third party non-affiliate FINRA member firms for execution on the US marketplaces. PCUS, and thus Paradigm, relies upon the FINRA firms to ensure Best Execution for US orders.

Paradigm relies up these third parties for providing Best Ex, as governed by their Order Handling Documents.<sup>2</sup>

## **US Over the Counter (“OTC”)**

Occasionally clients may give Paradigm an order for a US OTC security. Paradigm will consider these on a case by case scenario. Generally, securities listed outside the US which are simply American Depository Receipts (“ADR”) or have a 5 letter US OTC clearing code, are acceptable securities. Penny stocks which are “caveat emptor” or worse may be rejected at the discretion of Paradigm.<sup>3</sup>

For these securities there be a heightened liquidity, settlement or other risk.

## **Non-North American Orders**

Orders for securities outside North America would, if possible, be sent to other non-affiliate brokers for execution. There are no guarantees on executions and costs from these brokers, and there may be other tax considerations that the client should identify independently.

## **Ownership Conflicts**

Paradigm has no ownership interest in any marketplace.

## **Principal Trading**

Paradigm does not often trade as principal, and it is usually done to facilitate client orders. Regardless, Paradigm will always disclose to clients when it trades as Principal.

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<sup>2</sup> <https://www.instinet.com/statement-order-routing-and-execution-practices>  
<https://www.virtu.com/uploads/documents/OrderHandlingandExecutionProtocols-1-19final.pdf>

<sup>3</sup> <https://www.otcmarkets.com/learn/caveat-emptor>



### **Market Making**

Paradigm does not make markets in securities.

### **Fees and Rebates**

Paradigm will absorb all Canadian marketplace fees and rebates, always keeping Best Execution at the top of mind.

### **Best Ex Governance**

Paradigm has a Best Ex Committee that meets at least annually, or more frequently if there are material marketplace changes or vendor changes, that require a review of the third-party vendor SOR parameters or performance.

### **Best Ex Committee**

Paradigm's Best Ex Committee is comprised of a senior representative from

- Trading
- Technology
- Compliance

### **Foreign Exchange**

Paradigm does not directly transact in Foreign Exchange ("FX"), and relies on its third-party vendors and or its Carrying Broker National Bank Investment Network ("NBIN") to provide FX services for clients.

### **Questions**

Please direct any questions on this document to [compliance@paradigmcap.com](mailto:compliance@paradigmcap.com)