

**TMX GROUP INC.**

**ANNUAL  
INFORMATION  
FORM**

**March 25, 2010**

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*Unless otherwise noted, the information contained in this Annual Information Form is given as at February 26, 2010, and all dollar amounts are expressed in Canadian dollars.*

## INFORMATION INCORPORATED BY REFERENCE

Certain disclosure in this annual information form (“AIF”) is derived from and incorporated by reference from TMX Group Inc.’s Management’s Discussion and Analysis for the year ended December 31, 2009 (“2009 MD&A”) which is contained in our 2009 Annual Report and from our Management Information Circular dated March 22, 2010 (“Information Circular”). The table below identifies pages from the 2009 Annual Report and our Information Circular which are incorporated by reference into this AIF. These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on our website at [www.tmx.com](http://www.tmx.com).

AIF Item	2009 Annual Report	Information Circular
GENERAL DEVELOPMENT OF THE BUSINESS		
Three Year History – Initiatives, Investments, Alliances and Acquisitions.....	16-18, 19-30, 24-26, 26, 50-51	
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## CORPORATE STRUCTURE

### Name, Incorporation and Address

TMX Group Inc. (referred to, with its consolidated subsidiaries, as the context requires, as “TMX Group”, “we”, or “us”) is a leading, integrated, multi-asset exchange group with a history that dates back over 150 years. The Toronto Stock Exchange was founded in 1852. It demutualized and continued as The Toronto Stock Exchange Inc. under the *Business Corporations Act* (Ontario) on April 3, 2000. We renamed The Toronto Stock Exchange Inc. as TSX Inc. on July 10, 2002.

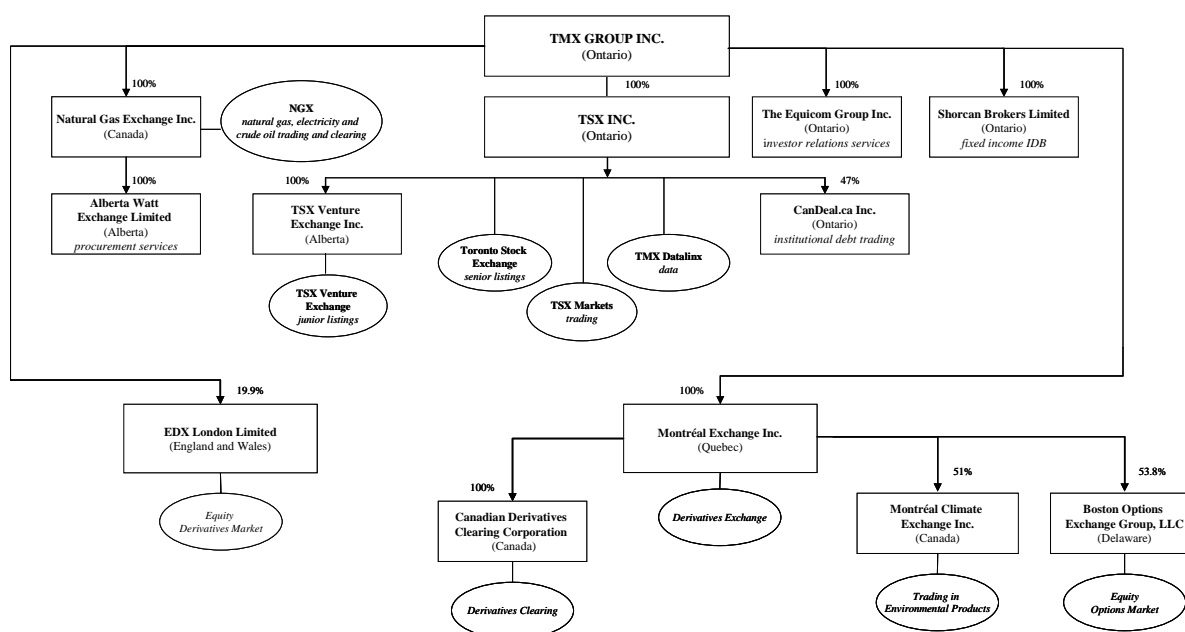
Immediately before we closed our initial public offering of our common shares on November 12, 2002, TSX Inc. and its affiliates completed a corporate reorganization under a court approved plan of arrangement. As part of the reorganization, TSX Group Inc., as it was then called, newly incorporated under the *Business Corporations Act* (Ontario) on August 23, 2002, acquired all of the outstanding shares of TSX Inc. and became the holding company for the TSX group of companies. The shareholders of TSX Inc. were issued shares of TSX Group Inc. in exchange for their shares of TSX Inc.

On May 1, 2008, we completed our business combination with Montréal Exchange Inc. (“MX” or “Montréal Exchange”), and to reflect this combination, following shareholder approval on June 11, 2008, we changed our name from TSX Group Inc./Groupe TSX Inc. to TMX Group Inc./Groupe TMX Inc.

Our head and registered offices are at The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2. We also have offices in Montreal, Calgary, Vancouver, Houston, Boston, Chicago and Washington D.C. Our website is [www.tmx.com](http://www.tmx.com). We are not incorporating information contained on our website in our AIF.

### Intercompany Relationships<sup>1</sup>

We carry on our business directly or indirectly through the companies (boxed) and operations (circled) shown below:



<sup>1</sup> The chart above outlines the jurisdiction in which each company was incorporated, continued, formed or organized and the percentage of votes attaching to all voting securities of each company held directly or indirectly by TMX Group or its subsidiaries.

## GENERAL DEVELOPMENT OF THE BUSINESS

Advances in technology, globalization, consolidation, regulation and the introduction of alternative trading venues have changed the way global exchange markets operate. Exchanges have combined across jurisdictions and across asset classes and have moved to integrated, diversified and multi-product business models in order to broaden their revenue sources and realize efficiencies. Market participants are demanding faster, less expensive, and more sophisticated trading capability and are seeking new sources of liquidity, which has resulted in the creation of alternative trading venues that are competing aggressively with exchanges for order flow.

These trends are apparent in Canada as a number of alternative trading systems (“ATS”) operating both dark and visible trading venues have entered the equity trading market. In the past year, competition has intensified. While volumes on our equity exchanges have grown, we have lost market share to these new entrants, and we are under significant pricing pressure as we compete for order flow. These trends, including the increasingly competitive environment in which we operate, have impacted the development of our business, strategies and outlook and will continue to do so going forward.

The credit and economic crisis that occurred in late 2008 and 2009 has raised the political and regulatory impetus for increased transparency and stability in financial markets in order to reduce systemic risk and avoid another crisis. This has led in particular to increased scrutiny of over the counter (“OTC”) markets for derivatives and regulatory proposals requiring market participants to trade and/or clear these securities through regulated exchange platforms and centralized clearing houses, respectively.

### Overview of Our Business

TMX Group has grown and diversified its business over the past decade. We own and operate equities, energy and fixed income cash and derivatives markets, and clearing houses in Canada and the United States. The following table outlines our evolution from a stock exchange to a multi-asset class exchange group, offering a wide range of products and services.

Year	Asset Class	Brand
1852	Senior Equities	Toronto Stock Exchange
2001	Junior Equities	TSX Venture Exchange
2002	Fixed Income – dealer to client electronic platform	CanDeal <sup>2</sup>
2004	Energy – trading and clearing natural gas and electricity contracts	NGX

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<sup>2</sup> 47 percent ownership interest.

Year	Asset Class	Brand
2006	Electricity – providing ancillary services to the Alberta System Operator	Watt-Ex
	Fixed Income – leading Canadian fixed income indices and PC-Bond analytics applications	PC-Bond
	Fixed Income – fixed income inter-dealer broker (“IDB”)	Shorcan
2007	Investor relations and corporate communications services	Equicom
2008	Derivatives trading – standardized interest rate, index and equity derivatives contracts	Montréal Exchange
	Derivatives clearing – all transactions on MX’s markets and certain OTC products	CDCC
	Derivatives trading – equity options	BOX <sup>3</sup>
2009	Crude Oil – trading and clearing	NetThruPut
	Equity derivatives market	EDX <sup>4</sup>

### **Three Year History - Initiatives, Investments, Alliances and Acquisitions<sup>5</sup>**

Over the past three years, we have undertaken many initiatives which have enabled us to grow through diversification. We also embarked on other initiatives with the intention of growing our core business, expanding our products and services, and offering superior technology.

#### **2007**

##### ***Energy***

After entering into the energy trading and clearing business in March 2004 when we purchased Natural Gas Exchange Inc. (“NGX”), a Canadian-based energy exchange and clearing house, in March 2007 we announced a transformative technology and clearing alliance for the North American natural gas and Canadian power markets between NGX and IntercontinentalExchange, Inc. (“ICE”). The alliance brings together the respective strengths of NGX, North America’s leading physical clearing and settlement facility in energy, and ICE, a world leading electronic

<sup>3</sup> 53.8 percent ownership interest.

<sup>4</sup> 19.9 percent ownership interest.

<sup>5</sup> The “Three Year History - Initiatives, Investments, Alliances and Acquisitions” section contains certain forward-looking information. Please refer to “Forward-Looking Information” on page 34 of this AIF for a discussion of assumptions, risks and uncertainties related to such statements.

energy and soft commodities marketplace. Under the arrangement, North American physical natural gas and Canadian electricity products are offered through ICE's electronic commodities trading platform. NGX serves as the clearing house for these products and maintains responsibility for exchange trading in certain of these products. In February 2008, NGX's Canadian energy products were launched through the ICE alliance and cleared U.S. products were launched in stages throughout 2008, beginning in March 2008.

### ***Issuer Services***

In June 2007, we further expanded our service offerings to issuers with the purchase of The Equicom Group Inc. ("Equicom"), a leading provider of investor relations and related corporate communication services to public issuers in Canada.

### ***Technology***

In 2006, we began the internal development on our next generation equities trading engine, TSX Quantum™. TSX Quantum, which contains patented technology, is a state-of-the-art platform designed to have world-class messaging capabilities and response times. We began a phased roll-out of TSX Quantum in December 2007. We completed the migration of all Toronto Stock Exchange symbols to the TSX Quantum trading engine in 2008. In May 2009, all of TSX Venture Exchange's symbols were successfully migrated to TSX Quantum. In November 2009, we completed the implementation of our new low latency TSX Quantum Order Entry Gateway. This gateway was designed to support the dramatic increase in messaging rates and performance demands from the trading community.

## **2008**

### ***Derivatives***

On May 1, 2008, we completed our business combination with MX. MX is the Canadian derivatives exchange and is headquartered in Montreal. MX offers trading in Canadian interest rate, index and equity derivatives, and, through its subsidiary, Canadian Derivatives Clearing Corporation ("CDCC"), provides clearing, settlement and risk management services.

The combination was effected by a series of amalgamations (the "Amalgamation") whereby TMX Group indirectly acquired all of MX's outstanding common shares for a total consideration of 15,316,608 TMX Group common shares and \$428.2 million in cash. We also incurred direct transaction and restructuring costs in the amount of \$19.6 million in connection with our business combination with MX. Upon the completion of the Amalgamation, MX became a direct subsidiary of TMX Group.

In connection with the combination with MX, we recorded goodwill of approximately \$460.1 million and intangible assets of approximately \$797.0 million, which primarily related to the value ascribed to MX's derivative products and customer bases, in our consolidated financial statements for the year ended December 31, 2008.

On the date of the Amalgamation, MX had a 31.4 percent ownership interest in Boston Options Exchange Group, LLC ("BOX"), an all-electronic equity options market. On December 21, 2007, MX announced that it reached an agreement to increase its ownership position in BOX from 31.4 percent to 53.3 percent. Under the terms of the agreement with the Boston Stock Exchange, Inc. ("BSE"), MX agreed to pay US\$52.5 million in cash for the 21.9 percent

partnership interest in BOX held by the BSE. On August 29, 2008, MX acquired the additional 21.9 percent interest in BOX from the BSE, giving MX a majority ownership interest of 53.3 percent in, and control of, BOX. The aggregate purchase price, including direct transaction costs for the increased ownership interest, amounted to \$58.0 million. In October 2008, as a result of a buy-back of units by BOX, MX's ownership increased to 53.8 percent. Please refer to the "*Core Business of TMX Group – MX and BOX – Derivatives Trading and Clearing*" section of our 2009 MD&A on pages 24 to 26 of our 2009 Annual Report for additional information on BOX.

In connection with the acquisition of control of BOX, we recorded goodwill of approximately \$106.7 million and intangible assets of approximately \$28.8 million, which primarily related to the value ascribed to BOX's customer base, in our consolidated financial statements for the year ended December 31, 2008. In the fourth quarter of 2009, we reviewed the carrying values of these assets and determined that it was appropriate to write down the value of the goodwill related to MX's investment in BOX by \$77.3 million. This write-down was recognized as a charge in our consolidated statement of income for the year ended December 31, 2009. This non-cash, accounting charge reflects increased competition and a weakening market share in the U.S. equity options trading market at the end of 2009. New management at BOX is developing new services and has introduced new pricing with the goal of reversing the reduction in market share. It is, however, premature to conclude whether these or other initiatives to incent liquidity will be successful. Please refer to the "*Critical Accounting Estimates - Identifiable Intangible Assets and Goodwill*" section of our 2009 MD&A on pages 50 and 51 of our 2009 Annual Report for additional information on the write down of goodwill related to MX's investment in BOX.

## **2009**

### ***Derivatives – Trading and Clearing***

In March 2009, we announced the formation of a new strategic alliance with the London Stock Exchange Group plc ("LSE"). As part of this collaboration, MX granted the LSE a license to use a customized version of SOLA® Trading, the derivatives trading technology developed by MX, for certain LSE affiliates and partners, including EDX London Limited ("EDX"), the equity derivatives business of the LSE. In December 2009, EDX and Oslo Børs began trading Nordic and Russian derivatives on SOLA. Borsa Italiana is scheduled to transition to the SOLA platform in the fourth quarter of 2010. As part of this strategic alliance, in May 2009, we acquired a 19.9 percent ownership interest in EDX for \$7.7 million.

In May 2009, we launched the SOLA Clearing system, which is intended to provide better service to clients as well as to provide the flexibility to enhance CDCC's product offering for exchange traded and OTC derivatives. In addition, in December 2009, the Investment Industry Association of Canada selected CDCC as a preferred partner to develop the infrastructure for central counterparty services to the Canadian fixed income market.

### ***Energy***

On May 1, 2009, we acquired 100 percent of the outstanding common shares of NetThruPut Inc. ("NetThruPut"), a Canadian electronic trading platform and clearing facility for physical crude oil products, from its shareholders, Enbridge Inc. ("Enbridge") and Circuit Technology Limited ("Circuit Technology"). We satisfied the aggregate purchase price of \$66.9 million by issuing 878,059 of our common shares, valued at \$32.1 million, and cash of \$23.7 million. The purchase price also included restructuring and direct transaction costs of \$1.6 million, as well as the cost of the option to acquire NetThruPut in the amount of \$9.5 million. This put and call option was



entered into in September 2007. Please refer to the “*Core Business of TMX Group – NGX – Overview and Description of Products and Services*” section of our 2009 MD&A on page 26 of our 2009 Annual Report for additional information on NetThruPut.

### ***Cash Equities***

In keeping with our goal of offering superior technology distribution and innovative products, we introduced the following new products in 2009. In April, we completed the launch of the TMX Smart Order Router which provides subscribers with trading access to all visible Canadian marketplaces trading Toronto Stock Exchange and TSX Venture Exchange listed securities. The smart order routing solution is designed to help customers operate more efficiently and cost effectively in a multiple marketplace environment. In November, as outlined above under “2007 – *Technology*”, we completed the rollout of the TSX Quantum gateway.

In June 2009, the Canadian Securities Administrators (the “CSA”) announced that TSX Inc. will act as an information processor for exchange-traded equity securities for a period of five years, commencing July 1, 2009. The role of an information processor is to provide a central source of consolidated Canadian equity market data that meets standards approved by regulators. Please refer to “*Regulatory Matters - TSX Inc. as Information Processor*” on page 11 for more information on TSX Inc.’s role as an information processor.

As part of our on-going efforts to deliver low-latency solutions that support the wide range of market participants, in 2008 we began to offer clients the opportunity to locate their trading and data applications in the TMX data centre. In September 2009, we announced a major expansion of our co-location services and facilities in response to significant international demand. Construction has begun to prepare the new space for targeted rollout beginning in the first six months of 2010. The new facility is designed to accommodate up to 200 co-location spaces, which will meet current and medium-term demand for the services. The capital expenditures associated with the expansion project are being incurred from the first quarter of 2010 and we anticipate the first phase will be completed by the second quarter of 2010 at a cost of approximately \$10.0 million, which we plan to amortize over ten years. We expect to realize incremental revenue beginning in the second half of 2010.

### **2010 Initiatives<sup>6</sup>**

#### ***Technology***

In keeping with our commitment to deliver state of the art levels of technology to our markets, in January 2010, we announced a multi-phased initiative to upgrade the infrastructure across our trading and data enterprise. With increased volumes from high frequency traders, we believe it is also critical to continue to deliver low latency solutions to our customers. In order to increase throughput capability, we are upgrading our internal networks, storage and application servers. The first expansion phase, which is expected to be complete in the first quarter of 2010, is designed to more than double throughput capability. We expect to incur annual operating expenses, including amortization, of approximately \$8.0 million to support this initiative. However, we estimate these costs will be largely offset by the decommissioning of legacy

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<sup>6</sup> The “2010 Initiatives” section contains certain forward-looking information. Please refer to “*Forward-Looking Information*” on page 34 of this AIF for a discussion of assumptions, risks and uncertainties related to such statements.

hardware beginning in the second half of 2010. The upgrade of the trading and data enterprise is designed to improve our overall infrastructure to better serve our existing customers and to attract additional customers and order flow to our marketplace.

### *Cash Equities*

On March 19, 2010, we announced a reduction in trading fees for securities trading at \$1 and higher on Toronto Stock Exchange and TSX Venture Exchange. These fee changes will take effect on April 1, 2010, subject to regulatory approval. They represent an overall fee reduction that will benefit both active and passive traders in organizations of all sizes and will decrease the average fee spread. In addition, the current three-tier fee structure will be replaced by a simpler two-tier structure. On that date, we introduced a separate program to reward qualifying high-volume participating organizations.

Based on recent historical trading activity, patterns, product and customer mix, reductions to the trading fees for securities valued at \$1 and higher could reduce revenue by approximately \$11 to \$15 million on an annual basis (or approximately 2.0% to 2.7% of revenue for the 12 months ended December 31, 2009) if offsetting benefits, including increased volumes, are not realized. However, actual trading revenue will depend on future trading activity, patterns, product and customer mix.

A discussion of additional initiatives can be found in the “*Vision, Strategies and Priorities*” section of our 2009 MD&A and throughout the “*Core Business of TMX Group*” section on pages 16 to 18 and pages 19 to 30 of our 2009 Annual Report.

### **Vision, Strategies and Priorities and Market Conditions**

Information on our vision, strategies and priorities, and market conditions is located in the “*Vision, Strategies and Priorities*” and “*Market Conditions*” sections of our 2009 MD&A on pages 16 to 18 and pages 18 to 19 of our 2009 Annual Report. The “*Core Business of TMX Group*” section of our 2009 MDA on pages 19 to 30 of our 2009 Annual Report also contains information on our market conditions and on our strategies and priorities and recent accomplishments.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

### **Our Business Operations**

A complete description of the operations, revenues and results of operations of our equities, energy and fixed income cash and derivatives markets and clearing houses, including a description of our products and services, key statistics, pricing and competition can be found in the “*Overview of the Business*”, “*Core Business of TMX Group*”, “*Year Ended December 31, 2009 Compared with Year Ended December 31, 2008*”, “*Segment Analysis*”, “*Liquidity and Capital Resources*”, “*Selected Annual Information*”, “*Quarterly Information*” and “*Critical Accounting Estimates*” sections of our 2009 MD&A on pages 14 and 15, 19 to 42 and pages 46 to 51 of our 2009 Annual Report.

## **Regulatory Matters**

Different organizations regulate or monitor participants in the Canadian capital markets including issuers, brokerage firms, exchanges, ATSS, trading and quotation systems and IDBs. Self-regulatory authorities, such as Investment Industry Regulatory Organization of Canada (“IIROC”), regulate the activities of brokerage firms and their capital requirements, as well as their business and trading conduct. Our equity exchanges, Toronto Stock Exchange and TSX Venture Exchange, also establish standards for their listed issuers to maintain quality marketplaces and investor confidence.

We are a reporting issuer in all provinces and territories of Canada. TSX Venture Exchange Inc., TSX Inc. and TMX Group are all regulated as exchanges in Canada. TSX Inc. is also regulated as an information processor by Quebec’s Autorité des marchés financiers (the “AMF”) and will operate as an information processor in accordance with a determination made by the CSA Chairs. NGX is regulated as an exchange and a clearing agency in Canada. In addition, NGX currently operates as an exempt commercial market (“ECM”) pursuant to the U.S. *Commodity Exchange Act* (“CEA”) and is registered as a derivatives clearing organization (“DCO”) with the U.S. Commodity Futures Trading Commission (the “CFTC”). MX is regulated as an exchange and a self-regulatory organization (“SRO”) in Canada. As outlined below, under “*Recognition and Regulation of Exchanges, Clearing Agencies and Information Processor – MX and CDCC*”, MX is subject to certain regulatory requirements imposed by foreign regulators. CDCC is regulated as an SRO in Canada. CDCC is also subject to regulatory requirements of the U.S. Securities and Exchange Commission (the “SEC”) and various U.S. state securities regulators. BOX is regulated in the U.S. by the SEC. CanDeal.ca Inc. (“CanDeal”) is registered as an ATS. Shorcan Brokers Limited (“Shorcan”) is an Ontario Securities Commission (the “OSC”) registrant under the category of “exempt market dealer” and has been approved by IIROC to act as an IDB.

### **Recognition and Regulation of Exchanges, Clearing Agencies and Information Processor**

An exchange or clearing agency operating in Canada must be recognized in certain jurisdictions under applicable legislation. In some circumstances, an exchange or clearing agency may obtain an exemption from this requirement. The Quebec, Ontario, Alberta and British Columbia securities regulatory authorities have issued recognition orders and oversee our operations and those of Toronto Stock Exchange, TSX Venture Exchange, NGX, MX and CDCC to ensure we operate in the public interest. The OSC is the lead regulator for TMX Group and TSX Inc. (which operates Toronto Stock Exchange), the Alberta and British Columbia securities commissions are the joint lead regulator for TSX Venture Exchange Inc. (which operates TSX Venture Exchange), the Alberta Securities Commission (the “ASC”) is the lead regulator for NGX and the AMF is the lead regulator for MX and CDCC.

The lead regulator of an exchange or clearing agency focuses, among other things, on the listing or eligibility standards and trading or clearing activities (embodied in the rules of the exchange or the clearing agency), including its market quality rules, and, in the case of our equity exchanges, universal market integrity rules (“UMIR”) approved by all the recognizing regulators. Generally, the lead regulator must approve any new standards or rules or changes to existing rules. In some instances, new rules or changes to existing rules must be published for a 30-day public comment period as part of the rule approval process. With respect to MX and CDCC, under Quebec’s *Derivatives Act*, new rules pertaining to market activities or new products, or rule changes must be submitted to the AMF in accordance with the self-certification process. Significant rule changes must also be published for a 30-day public comment period before self-certification. The lead regulator also has the general power to make any decision for an exchange or clearing

agency that it deems necessary in the public interest, and can review any direction, decision, order or ruling of that exchange or clearing agency at the request of the regulator's executive director, or equivalent position, or any person directly affected by the direction, decision, order or ruling.

### ***TMX Group and Toronto Stock Exchange***

TSX Inc. (which operates Toronto Stock Exchange) and TMX Group, as the parent holding company of TSX Inc., are recognized and regulated by the OSC as carrying on business as a stock exchange, subject to certain terms and conditions. TSX Inc. has received an exemption from recognition from the regulators in British Columbia, Alberta and Quebec.

The terms and conditions of the OSC recognition order for TSX Inc. include the following:

- TSX Inc. must ensure that its governance structure provides for fair and meaningful representation on its board of directors and any governance committee of the board, including a requirement that at least 50 percent of its board of directors be independent. A director is independent if he or she is independent within the meaning of Section 1.4 of National Instrument 52-110 - *Audit Committees* ("NI 52-110"), and he or she meets the additional standards established by our board of directors. The additional standards establish examples of when an individual is considered to have a material relationship with TSX Inc. and is therefore considered not to be independent (e.g., an employee of a participating organization). Approximately 93 percent of the current members of the board of TSX Inc. are independent for these purposes. TSX Inc. is also required to take reasonable steps to ensure that each of its directors and officers is fit to serve in that role.
- TSX Inc. is required to meet specified financial viability tests to ensure that it maintains sufficient financial resources to properly perform its functions. Those financial ratios are:
  - a current ratio that must be greater than or equal to 1.1-to-1 based on current assets to current liabilities (where current assets are adjusted to exclude the current portion of the future tax asset related to deferred revenue-initial and additional listing fees and current liabilities are adjusted to exclude the current portion of deferred revenue-initial and additional listing fees);
  - a debt to cash flow ratio that must be less than or equal to 4-to-1 based on total debt used to finance TSX Inc.'s operations to adjusted earnings before interest, taxes, depreciation and amortization for the most recent twelve months (adjusted to include initial and additional listing fees billed and to exclude initial and additional listing fees reported as revenue); and
  - a financial leverage ratio that must be less than or equal to 4-to-1, based on adjusted total assets to adjusted shareholders' equity (where adjusted total assets is calculated as total assets as reported on TSX Inc.'s balance sheet less the portion of the future tax asset on TSX Inc.'s balance sheet that is related to deferred revenue - initial and additional listing fees as reported on TSX Inc.'s balance sheet ("Adjusted Future Tax Asset") and adjusted shareholders' equity is calculated as shareholders' equity as reported on TSX Inc.'s balance sheet plus deferred revenue - initial and additional listing fees as reported on TSX Inc.'s balance sheet less Adjusted Future Tax Asset).

- If any of these tests is not met for a period of more than three months, TSX Inc.'s Chief Executive Officer must immediately deliver a letter advising the OSC staff of the reasons for the continued deficiencies and the steps being taken to rectify the situation. In these circumstances, TSX Inc. will not, without the prior approval of the Director of the OSC, pay dividends (among other things) until the deficiencies have been eliminated for at least six months or a shorter period of time as agreed to by OSC staff.
- All fees imposed by TSX Inc. on participating organizations must be equitable and cannot have the effect of creating barriers to access.
- TSX Inc. must meet requirements for the capacity and integrity of the components of its trading system.
- Any material agreement or transaction entered into between TSX Inc. and TMX Group or a subsidiary or associate of TMX Group must be on terms that are at least as favourable to TSX Inc. as market terms and conditions.
- TSX Inc. is required to maintain board-approved policies and procedures to: evaluate and approve material outsourcing arrangements with parties except TMX Group or an affiliate or associate of TMX Group; assess the risk of any such arrangement; and in certain circumstances ensure that the outsourcing contract permits the OSC to have access to any data and information maintained by the service provider.
- TSX Inc. has special terms and conditions relating to the listing of TMX Group shares on Toronto Stock Exchange, which are described below in the section entitled "*Listing of our Shares on Toronto Stock Exchange*".

TMX Group has similar requirements to TSX Inc. under the terms of its recognition order for governance structure, including the independence requirement (TMX Group's independent directors are the same as TSX Inc.'s independent directors) and fitness of officers and directors. TMX Group is also required to allocate sufficient financial and other resources to TSX Inc., so long as TSX Inc. carries on business as a stock exchange, to permit TSX Inc. to operate in accordance with the terms of its recognition order. In addition, TMX Group is required to do everything in its control to cause TSX Inc. to comply with the terms and conditions in its recognition order.

### ***TSX Inc. as Information Processor***

TSX Inc. will also operate as an information processor for exchange-traded securities other than options. The information processor will offer the following products: (i) the Consolidated Data Feed; (ii) the Canadian Best Bid and Offer; (iii) the Consolidated Last Sale; and (iv) the Consolidated Depth of Book. TSX Inc. is recognized by the AMF to act as an information processor subject to certain terms and conditions, and the CSA Chairs have determined that it is not contrary to the public interest for TSX Inc. to act as the information processor for exchange-traded securities other than options, based on regulatory filings and undertakings provided by TSX Inc. to the CSA. TSX Inc.'s information processor mandate continues until June 30, 2014. TSX Inc. can determine in its discretion to re-apply to operate as an information processor for a subsequent period.

The terms and conditions of the AMF recognition order for TSX Inc. as information processor include the following:

- The governance structure for carrying on the TSX Inc. information processor business must ensure: (i) fair and significant representation of each data contributing marketplace on the governance committee created for the information processor business; and (ii) appropriate representation of data contributing marketplaces and those parties who access information processor services.
- TSX Inc. must not discriminate in favour of any particular marketplace when collecting, processing, disseminating or publishing the information.
- All fees charged must be transparent, fair and reasonable.
- The financial and other resources allocated to the information processor business must be sufficient for the proper performance of the information processor's functions and must ensure the information processor's financial viability.

The undertakings made by TSX Inc. to the CSA in connection with its role as the information processor for exchange-traded securities other than options include the following:

- TSX Inc. must establish policies and procedures to separate TSX Inc.'s marketplace business operations from the information processor operations, and manage inherent conflicts of interest.
- Data required to be provided to the information processor cannot be used for other products without the permission of the data contributors
- As of July 1, 2012, TSX Inc. will conduct a review of its pass-through fee model and provide the results of its review to the CSA.
- TSX Inc. will conduct an annual self-assessment of its compliance with provisions in National Instrument 21-101 – *Marketplace Operations*.

### ***TSX Venture Exchange***

The ASC and the British Columbia Securities Commission (the "BCSC") jointly recognize and regulate TSX Venture Exchange Inc. (which operates TSX Venture Exchange) as an exchange, subject to certain terms and conditions. TSX Venture Exchange Inc. is exempt from recognition by the securities regulatory authorities in Ontario, Manitoba and Quebec.

The ASC and BCSC recognition orders for TSX Venture Exchange Inc. recognize it as an exchange and impose similar terms and conditions to those in the OSC recognition order for TSX Inc. regarding: governance structure, including the independence requirement (TSX Venture Exchange Inc.'s independent directors are the same as TSX Inc.'s independent directors), fitness of directors and officers, fees and equality of access to the trading facilities, trading system capacity and integrity, material related party agreements or transactions, and material outsourcing. In addition, at least 25 percent of the directors of TSX Venture Exchange Inc. must have expertise in or be associated with the Canadian public venture capital market. The current members of the board for this purpose are Messrs. Fox, Hagg, Jaako, Cedraschi, Martel, Turmel, Mulvihill and Kloet and Mss. Chicoyne, O'Neill and Sinclair, who together comprise

approximately 79 percent of the directors. TSX Venture Exchange Inc. cannot, without the prior approval of the ASC and BCSC, implement any significant changes to its governance structure and the practices of its board of directors.

The ASC and BCSC recognition orders also state that TSX Venture Exchange Inc. will not cease to operate or suspend, discontinue or wind-up all or a significant portion of its operations, or dispose of all or substantially all of its assets, without: (i) providing the ASC and the BCSC at least six months' prior written notice of its intention; and (ii) complying with any terms and conditions that they may impose in the public interest for the orderly discontinuance of its operations or the orderly disposition of its assets.

In addition, the ASC and BCSC recognition orders state that TSX Venture Exchange Inc. will not cease to be wholly-owned or directly controlled by TSX Inc. or TMX Group without TSX Venture Exchange Inc.: (i) providing the ASC and BCSC at least three month's prior notice of its intention; and (ii) complying with any terms the ASC or BCSC may impose in the public interest.

TSX Inc. and TMX Group have provided related undertakings (the "Undertakings Regarding TSX Venture Exchange"), including allocating sufficient financial and other resources to TSX Venture Exchange Inc. to permit it to operate in accordance with its recognition orders. They have also agreed not to cause or permit TSX Venture Exchange Inc. to cease to operate or suspend, discontinue or wind-up all or a significant portion of its operations, or dispose of all or substantially all of TSX Venture Exchange Inc.'s assets without: (i) providing the ASC and BCSC with at least six months' prior notice of their intention; and (ii) complying with any terms and conditions that the ASC or BCSC may impose in the public interest.

In addition, TMX Group and TSX Inc. have represented in the Undertakings Regarding TSX Venture Exchange that they will do everything in their control to cause TSX Venture Exchange Inc. to comply with the terms and conditions of its recognition orders. TMX Group has also created and agreed to maintain a public venture market committee of its Board of Directors. Please refer to "*Description of Share Capital of TMX Group – Restrictions on Ownership of TSX Inc., TSX Venture Exchange Inc. and Montréal Exchange Inc.*" for a description of the principal restrictions relating to share ownership of TSX Venture Exchange Inc. contained in the Undertakings Regarding TSX Venture Exchange.

### ***MX and CDCC***

The AMF recognizes and regulates MX as an exchange and an SRO for the purpose of carrying on business in Quebec, subject to certain terms and conditions. MX received an exemption from recognition as an exchange and registration as a commodities futures exchange from the OSC.

The AMF recognition order for MX imposes similar terms and conditions to those in the OSC recognition order for TSX Inc. regarding: the independence requirement of MX's governance structure (MX's independent directors are the same as TSX Inc.'s independent directors), fitness of directors and officers, fees and equality of access to the trading facilities, trading system capacity and integrity, material related party agreements or transactions, and material outsourcing of its business functions.

The terms and conditions of the AMF recognition order for MX (and CDCC to the extent applicable) also include the following:

- In addition to the independence requirement, MX's governance structure shall provide:
  - that at least twenty-five (25 percent) of its directors are residents of Quebec at the time of their election or appointment;
  - fair and meaningful representation of directors with expertise in derivatives on the board of directors and the Special Committee – Regulatory Division (the "Special Committee"). The MX's Special Committee is responsible for the MX's regulatory division (the "Regulatory Division"). Members of the Special Committee are appointed by the MX Board of Directors, and a majority of the Special Committee members must be residents of Quebec and must satisfy the same independence requirements as those set out for MX directors.
- The Regulatory Division must have a separate administrative structure and must be completely autonomous in performing its functions and in its decision-making process. The Regulatory Division must be a separate business unit of MX and operate on a cost-recovery/not-for-profit basis. Any changes to the Regulatory Division's administrative and organizational structure or to the Special Committee that may materially affect regulatory duties and operations must be approved by the AMF. The AMF imposes periodic financial reporting, activity reporting and other reporting obligations regarding the Regulatory Division's regulatory functions.
- The head office and executive offices of MX and CDCC will remain in Montreal, Quebec, and the most senior executive officer of each of MX and CDCC will be a resident of Quebec at the time of his or her appointment and for the duration of his or her term of office and will work in Montreal, Quebec.
- MX will not cease to operate or suspend, discontinue or wind-up all or a significant portion of its operations, or dispose of all or substantially all of its assets, without:
  - (i) providing the AMF at least six months' prior written notice of its intention; and
  - (ii) complying with any terms and conditions that the AMF may impose in the public interest for the orderly discontinuance of its operations or the orderly disposition of its assets.
- MX shall maintain sufficient financial and other resources to ensure: (i) its financial viability and the proper performance of its functions; and (ii) the exercise of the self-regulatory functions of the Regulatory Division and must meet the following financial viability tests:
  - a working capital ratio of greater than 1.5:1 (current liquid assets, i.e., cash, short-term investments, accounts receivable and long-term investments cashable at any time / current liabilities);
  - a cash flow to/total debt outstanding ratio greater than twenty percent (20 percent) (adjusted net earnings for the 12 most recent months of items that do not affect liquidities, i.e., amortization, deferred taxes and any other expenses that do not impact liquidities / short and long-term debts); and



- a financial leverage ratio of less than 4:1 (total assets / capital).
- The above-mentioned ratios are calculated based on consolidated and non-consolidated financial statements and in the case of the consolidated financial statements do not include the following items: (a) daily settlements due from clearing members; (b) daily settlements due to clearing members; (c) clearing members' cash margin deposits (in assets and liabilities); and (d) clearing fund cash deposits (in assets and liabilities).
- Should MX fail to respect any of the above-mentioned financial ratios for a period of more than three months, it shall promptly inform the AMF in writing of the reasons for the continued ratio deficiencies and the steps being taken to rectify the problem and re-establish its financial equilibrium. In these circumstances, MX will not, without the prior approval of the AMF, pay dividends (among other things) until the ratio deficiencies have been eliminated for at least six months.

As a condition to obtaining the necessary approval for the combination with MX, on April 9, 2008, we provided the AMF with a written undertaking in support of the AMF recognition order for MX (the "TMX Group Undertaking") which provides for certain restrictions and undertakings. Please refer to "*Description of Share Capital of TMX Group – Restrictions on Ownership of Our Voting Shares*" and "*Restrictions on Ownership of TSX Inc., TSX Venture Exchange Inc. and Montréal Exchange Inc.*" on pages 19 and 20 of this AIF for a description of the principal restrictions relating to share ownership of TMX Group and MX contained in the TMX Group Undertaking.

In addition to restrictions relating to share ownership, we agreed in the TMX Group Undertaking that 25 percent of TMX Group directors will be residents of Quebec. We also agreed to cause five MX nominees (meaning the five persons designated by MX on May 1, 2008 to join the TMX Group Board of Directors) to be nominated for election to the Board at each of the three annual meetings of TMX Group called following the date of the TMX Group Undertaking, April 9, 2008. The TMX Group Undertaking also states that if any of the MX nominees were to resign, become ineligible or otherwise unable to serve as directors, the remaining MX nominees would nominate the requisite number of replacement candidates for election. The MX nominees must, among other qualifications, be residents of Quebec. Mr. Bertrand retired from the Board on June 30, 2009, and the remaining MX nominees designated Mr. Cedraschi as an MX nominee. The MX nominees are Ms. Chicoyne, Messrs. Cedraschi, Martel, Turmel and Verreault. We also agreed in the TMX Group Undertaking that TMX Group shall cause the existing derivatives trading and related products operations of MX (as these operations existed on May 1, 2008) to remain in Montreal.

MX is also subject to certain foreign regulatory requirements imposed by the regulators which have granted MX specific authorizations. The U.S. CFTC granted no-action relief to MX in 2002 permitting U.S. broker-dealers to have remote access to most of MX's futures products. According to the no-action relief, MX is required to report to the CFTC on a regular basis and disclose any material changes affecting its application. In the U.K., the Financial Services Authority ("FSA") granted comfort to MX to allow remote access to its futures and options products to U.K. "authorized persons". MX is required to notify the FSA of material changes to its business that could affect its status in the U.K. In France, the *Autorité des marchés financiers* recognized MX as an exchange, thereby enabling it to give remote access to its futures and

options markets to French broker-dealers. MX is required to notify France's *Autorité des marchés financiers* of any material changes affecting its recognition.

The AMF recognizes and regulates CDCC as an SRO in Quebec (since 1987, when CDCC was known as Trans Canada Options Inc. and recognized by the Commission des valeurs mobilières du Québec, predecessor to the AMF). CDCC must provide the AMF, and the OSC through the AMF, with specified information on a regular basis in compliance with AMF requirements and pursuant to the terms and conditions of the OSC exemption order for MX, such as the rules that it files for review and approval with the AMF and financial information. CDCC is also subject to regulatory requirements of the U.S. SEC and various U.S. state regulators.

### **NGX**

The ASC recognizes and regulates NGX as an exchange for the trading of natural gas, electricity and crude oil contracts (the "Contracts"), exempts NGX from the requirement of obtaining acceptance from the ASC of the form of NGX's current Contracts as exchange contracts and exempts NGX from registration requirements for the contracting parties who enter into NGX's standard form exchange agreement with NGX. The ASC also recognizes NGX as a clearing agency for clearing and settlement of natural gas, electricity and crude oil contracts, certain of which constitute exchange contracts, futures contracts or options. The terms and conditions of the ASC recognition orders require NGX to comply with certain operating and clearing principles, reporting requirements, notification and other obligations.

NGX currently operates as an ECM in natural gas, electricity, and other energy sources pursuant to the U.S. CEA, and is also registered as a DCO with the U.S. CFTC. In order to operate as an ECM, NGX provided notice to the U.S. CFTC on November 5, 2002. As an ECM, NGX must comply with certain legislative requirements for the purpose of trading agreements, contracts, and transactions in exempt commodities that are traded on a principal-to-principal basis on electronic trading facilities between eligible commercial entities. The terms and conditions of the U.S. CFTC order of registration of NGX as a DCO include the operation of its clearing system in accordance with certain clearing principles as well as reporting and other obligations.

### **BOX**

BOX is regulated by the SEC. BOX's options trades are cleared through the Options Clearing Corporation. BOX is also a party to a regulatory services agreement with NASDAQ OMX Group, Inc., NASDAQ OMX BX, Inc. ("BX"), formerly BSE, and Boston Options Exchange Regulation LLC ("BOXR"), a wholly-owned subsidiary of BX. Under this agreement, BX has delegated to BOXR certain of its day-to-day responsibilities for the surveillance operations of the BOX marketplace and also administers the regulatory aspects of BOX's relationship with BOX Participants and has also delegated other market regulation services under a regulation services agreement to the Financial Industry Regulatory Authority, Inc., an SRO.

## **Regulation of Brokerage Firms — Operations and Business Conduct Generally**

All brokerage firms trading through Toronto Stock Exchange, TSX Venture Exchange or MX must be members of a recognized SRO which regulates its members. These organizations regulate the broker-client relationships, business conduct, and capital adequacy of their members. This regulation seeks to maintain the credibility of marketplaces, protect investors' interests and instill investor confidence by addressing general issues of trading ethics and investor protection in the markets. Participating organizations and member firms (collectively, "POs") trading on

Toronto Stock Exchange and TSX Venture Exchange, and Canadian approved participants trading on MX are regulated by IIROC. Foreign approved participants trading through MX must be regulated by a recognized SRO or regulator in their jurisdiction. The exchanges, however, also have criteria for access to their markets.

### **Regulation of Market Participants — Market Trading Conduct**

In Canada, an exchange can regulate its markets and its participants and enforce its requirements either directly, or through a regulation services provider. IIROC is the SRO that provides regulation services to both Toronto Stock Exchange and TSX Venture Exchange, monitoring and enforcing compliance with UMIR.

The regulatory functions of MX are conducted by the Regulatory Division of MX. As a recognized exchange and SRO, MX, through its Regulatory Division, is responsible for regulating its markets and its participants on a day-to-day basis. The Regulatory Division achieves this by adopting and enforcing rules and policies governing MX's markets and the conduct of approved participants.

MX's Regulatory Division is independent from its other operations and is under the sole internal oversight of MX's Special Committee – Regulatory Division, which is fully independent from MX and its management. The objective of creating the Regulatory Division was to ensure neutrality and impartiality when the Regulatory Division applies the rules that govern MX's markets and the relationships between MX and its market participants. More information on the Special Committee and the Regulatory Division can be found in the "*Core Business of TMX Group - MX and BOX – Derivatives Trading and Clearing – Derivatives – Regulatory Division*" section of our 2009 MD&A on page 25 of our 2009 Annual Report.

### **Issuers of Securities**

In Canada, there is one securities regulatory body in each province or territory. These provincial and territorial securities regulatory authorities regulate the offering of securities by issuers and their reporting and continuous disclosure requirements and, in certain cases, the conduct of various market participants including exchanges and intermediaries.

The ASC and BCSC have required TSX Venture Exchange to review and approve certain prospectuses filed by issuers listed on TSX Venture Exchange.

Each of our equity exchanges establishes standards for listed issuers, and enforces compliance with those standards through the exchange's powers to halt trading in a security or to suspend or delist the listing of a security.

### **Listing of our Shares on Toronto Stock Exchange**

Toronto Stock Exchange and staff of the OSC approved the listing and posting for trading of our common shares on Toronto Stock Exchange under the symbol "X" on November 12, 2002. The OSC established procedures which require Toronto Stock Exchange to promptly report to the OSC any conflicts or potential conflicts of interest that arise or may arise with respect to our continued listing or the initial listing or continued listing of a competitor of TMX Group or its affiliates. Under these procedures, we established a conflicts committee, with at least two members who are independent of TSX Inc., and all conflict determinations and resolutions must be approved by staff of the OSC.

In addition, under Ontario securities legislation, the OSC has overriding powers to make decisions about Toronto Stock Exchange if it appears to be in the public interest. Toronto Stock Exchange's reporting requirements and the OSC's monitoring function for the listing of our common shares are set out in TSX Inc.'s recognition order.

### **Social Policies**

Our charitable contributions support our customers, employees and communities through a targeted program which ties into our brand and enhances our reputation as a corporate citizen. In this we foster initiatives which address family and community issues, health and research, the arts, educational endeavours improving literacy, and post-secondary investor education programs which are closely aligned with the capital markets industry. We also have a corporate matching program which supports organizations important to individual employees by matching a portion of their personal gifts.

Our major contributions in 2009 included support for the United Way, the Paralympic Curling team, Frontier College, Nazareth House and St. Michael's Hospital Foundation, in addition to a number of not-for-profit organizations in communities across Canada.

Shorcan, through its annual charity day, supported All-A-Board Youth Ventures, Toronto Youth Developments, Princess Margaret Hospital Foundation, Big Brothers/Big Sisters, Pelletier Homes for Youth as well as a number of other not-for-profit entities.

We made major donations in support of investor education programs in 2009 to the Capital Markets Institute, the DeGroote School of Business, École des hautes études commerciales de Montréal, Concordia's Institute for Governance of Private and Public Organizations, the University of British Columbia and the University of New Brunswick.

### **Risk Factors**

A discussion of risk factors related to TMX Group and its businesses appears in our 2009 MD&A under the heading "*Risks and Uncertainties*" on pages 55 to 63 of our 2009 Annual Report.

## **DESCRIPTION OF SHARE CAPITAL OF TMX GROUP**

On November 12, 2002, immediately before we closed our initial public offering, TSX Inc. and its affiliates completed a corporate reorganization under a court approved plan of arrangement. As part of the reorganization, we acquired all of the outstanding shares of TSX Inc. and became the holding company for the TMX group of companies and operating divisions. We also issued shares to the former shareholders of TSX Inc. in exchange for their shares of TSX Inc.

On May 1, 2008, we completed our business combination with MX to create TMX Group. The business combination was completed by TMX Group indirectly acquiring all of MX's outstanding common shares in exchange for cash and TMX Group common shares. We issued 15,316,608 of our common shares in connection with the combination. For more information on the combination with MX, please refer to the section "*Three Year History – Initiatives, Alliances and Acquisitions - 2008*" on page 5 of this AIF.

On May 1, 2009 we completed the acquisition of NetThruPut and issued 878,059 of our common shares to satisfy a portion of the purchase price payable for NetThruPut to Enbridge and Circuit

Technology. For more information on this acquisition, please refer to the section “*Three Year History – Initiatives, Alliances and Acquisitions - 2009*” on page 6 of this AIF.

Our authorized capital consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series. Currently, only common shares of TMX Group are issued and outstanding. No preference shares have been issued.

### **Common Shares**

Each of our common shares is entitled to one vote at all meetings of our shareholders, except for meetings where only holders of another class or series of our shares are entitled to vote separately as a class or series. Each common share is also entitled to receive dividends if, as and when declared by the Board of Directors. If the Board of Directors declares and pays dividends, it must do so in equal amounts per share on all common shares (and subject to certain priority rights of the preference shares, if any). Common shareholders are entitled to participate in any distribution of our net assets if we liquidate, dissolve or wind-up (but subject to certain priority rights of preference shareholders, if any). The common shares do not have any pre-emptive, redemption, purchase or conversion rights except for the compulsory provisions described below related to enforcing the restrictions on ownership of our voting shares.

### **Preference Shares**

The Board of Directors may issue preference shares at any time and in one or more series. If the Board of Directors issues preference shares, it will, before they are issued, fix the number, consideration per share, designation of, and rights and restrictions for the preference shares of each series (subject to the special rights and restrictions attached to all preference shares). Each series of preference shares will rank equally with all other series of preference shares for the payment of dividends and return of capital if we liquidate, dissolve or wind-up. The preference shares have a priority right to receive dividends and any return of capital before the common shares and any other junior shares. We cannot amend the preference shares’ special rights and restrictions as a class without obtaining any approval required by law, and the approval of at least two-thirds of the votes cast at a meeting of preference shareholders called and held for that purpose. To date, we have not issued any preference shares.

### **Restrictions on Ownership of Our Voting Shares**

Section 21.11 of the *Securities Act* (Ontario), as amended by regulation and an order of the OSC under section 21.11(4) of the *Securities Act* (Ontario) states that no person or company (or combination of persons or companies acting jointly or in concert) may beneficially own or exercise control or direction over more than ten percent of any class or series of our voting shares without the prior approval of the OSC (together with the share ownership restrictions outlined below are collectively referred to as the “Share Ownership Restrictions”).

As a condition to obtaining the necessary approval for the combination with MX, on April 9, 2008, we provided the AMF with the TMX Group Undertaking in which we agreed that we are subject to the restriction that no person or combination of persons acting jointly or in concert may beneficially own or exercise control or direction over more than ten percent of any class or series of our voting shares, without the prior approval of the AMF. The TMX Group Undertaking took effect on May 1, 2008, the effective date of the combination.

The OSC and the AMF can change the Share Ownership Restrictions (including the ownership percentage threshold) in the future.

### **Share Ownership Restrictions in Our Articles**

Our articles contain restrictions on voting share ownership (the “TMX Group Share Restrictions”) which are substantively identical to the Share Ownership Restrictions. Our common shares are currently our only outstanding voting shares. The articles provide that these restrictions will automatically change or be removed if the Share Ownership Restrictions are changed or removed.

Our articles contain provisions to enforce the TMX Group Share Restrictions, including our ability to suspend voting rights, forfeit dividends or any other distribution, prohibit share transfers, require a sale of shares or redeem and suspend other shareholder rights. The Board of Directors may at any time require holders of, or subscribers for, voting shares and certain other persons to make declarations and provide related information with respect to ownership, direction, or control of voting shares and certain other matters relevant to this restriction. The Board of Directors may also require holders or subscribers to produce documents, provide responses to written questions, and attend in person to answer questions concerning any declaration. We are prohibited from accepting any subscription or issuing or registering a transfer of voting shares if it would result in a violation of the TMX Group Share Restrictions.

### **Strategic Investor Policy**

We have established a policy that sets out criteria that we will follow to determine whether we will support a potential investor’s application for approval from the OSC and the AMF to own more than ten percent of our voting shares. Under this policy, we will take into consideration all factors that we consider relevant including: the potential investor’s ability to promote our growth and development; any synergies we identify as likely to result from the investment; any intention to maintain a balance of competing interests of our shareholders; involvement of the potential investor in our business; the potential investor’s knowledge or expertise in capital markets or in areas otherwise relevant to our operations; and our interest in ensuring the continued integrity of the Canadian capital market. The OSC and the AMF will have the ultimate discretion to approve such an application regardless of whether or not we support it.

### **Restrictions On Ownership of TSX Inc., TSX Venture Exchange Inc. and Montréal Exchange Inc.**

#### **TSX Inc.**

Section 21.11 of the *Securities Act* (Ontario), as amended by regulation, states that no person or company (or combination of persons or companies acting jointly or in concert) may beneficially own or exercise control or direction over more than ten percent of any class or series of TSX Inc.’s voting shares without the prior approval of the OSC. Therefore, the corporate reorganization effected before we closed our initial public offering on November 12, 2002 which resulted in TSX Group Inc. (as it was then called) acquiring all the outstanding shares of TSX Inc. required the prior approval of the OSC. The OSC granted an order under section 21.11(4) of the *Securities Act* (Ontario) approving TSX Group Inc.’s acquisition of all the outstanding voting shares of TSX Inc. on the condition that TSX Group Inc. continue to own, directly or indirectly, all of the issued and outstanding voting shares of TSX Inc. Any change to the ownership of TSX Inc. not contemplated in this order requires the prior approval of the OSC.

### **TSX Venture Exchange Inc.**

As outlined above under the section “*Recognition and Regulation of Exchanges, Clearing Agencies and Information Processor*”, the ASC and BCSC recognitions orders for TSX Venture Exchange Inc. impose conditions related to changes in ownership. TSX Inc. and TMX Group also agreed in the TSX Venture Undertakings not to complete or authorize a transaction that would result in TSX Venture Exchange Inc. ceasing to be a wholly-owned or directly controlled by TSX Inc. without: (i) providing the ASC and BCSC at least three months’ prior notice of their intention; and (ii) complying with any terms and conditions that the ASC or BCSC may impose in the public interest.

### **Montréal Exchange Inc.**

As outlined above under the section “*Recognition and Regulation of Exchanges, Clearing Agencies and Information Processor*”, the AMF recognition order for MX states that no person or company and no combination of persons or companies acting jointly or in concert shall own or exercise control or direction over more than ten percent of any class or series of voting shares of MX without the prior approval of the AMF, except for TMX Group or an affiliate of TMX Group.

TMX Group has also agreed, in the TMX Group Undertaking, that we will not complete or authorize a transaction that would result in any person or company, or any combination of persons or companies acting jointly or in concert, owning or exercising control or direction over more than ten percent of any class or series of voting shares of MX, without obtaining the prior authorization of the AMF, except for TMX Group or an affiliate of TMX Group. Furthermore, TMX Group undertook to continue to exercise control or direction over more than 50 percent of all classes or series of voting shares of MX. We also undertook not to complete or authorize a transaction that would result in more than 50 percent of any class or series of voting shares of MX ceasing to be controlled by TMX Group, directly or indirectly, without obtaining the prior authorization of the AMF.

### **Normal Course Issuer Bids**

On August 1, 2007, we obtained approval from Toronto Stock Exchange to purchase up to 6,841,051 of our common shares through the facilities of Toronto Stock Exchange by way of a normal course issuer bid (“NCIB”). By July 22, 2008, we had purchased the maximum number of common shares possible under the NCIB for an aggregate of \$292.8 million. These common shares were cancelled once purchased.

On August 14, 2008, we obtained approval from Toronto Stock Exchange to renew our NCIB to repurchase up to 7,595,585 of our common shares, which represented ten percent of the public float on August 5, 2008. In 2009, we repurchased 1,000,000 shares for an aggregate of \$30.4 million pursuant to two private agreements between TMX Group and an arm’s length third party seller. We repurchased in total 4,082,060 common shares under the NCIB for an aggregate cost of \$130.7 million. These common shares were cancelled once purchased. The NCIB expired on August 17, 2009.

## **Ratings**

A discussion of CDCC's rating can be found in the "*Core Business of TMX Group – MX and BOX - Derivatives Trading and Clearing – Derivatives Clearing*" section of our 2009 MD&A on page 25 of our 2009 Annual Report.

## **DIVIDENDS**

We paid a dividend of \$0.38 on each outstanding common share on March 12, 2010 to shareholders of record at the close of business on February 26, 2010.

In each of 2009, 2008 and 2007, we paid dividends totalling \$1.52 on each outstanding common share.

As a holding company, our ability to pay dividends on our shares depends in large part upon our subsidiaries paying dividends and other amounts to us. Our subsidiaries must comply with corporate and securities laws and with their agreements before they can pay dividends to us. We are not aware of any restriction that could prevent us from paying dividends, except as imposed by the OSC on TSX Inc. and the AMF on MX if certain financial viability ratios are not met, and as imposed by the debt covenants in our credit facility. These regulatory restrictions are outlined above under the heading "*Recognition and Regulation of Exchanges, Clearing Agencies and Information Processor*" and our debt covenants are outlined under the "*Liquidity and Capital Resources - Credit Facilities and Guarantee*" section of our 2009 MD&A on page 39 of our 2009 Annual Report.

The Board of Directors has adopted a dividend policy that is based on the following factors:

- a long-term intention to provide shareholders with regular and growing dividends, within the constraints arising from changes in our prevailing and projected earnings;
- prevailing market dividend yields, including those of comparable publicly traded stock exchanges and other Canadian financial institutions;
- the need to retain capital to support our stability and growth; and
- compliance with applicable law, regulation and orders.

This dividend policy is reviewed periodically by the Board of Directors. The Board of Directors has the sole discretion to declare and to adjust or eliminate dividends based on the above factors or other considerations.



## MARKET FOR SECURITIES

Our common shares are listed on Toronto Stock Exchange under the symbol “X.” The following table sets out the high and low sale prices per common share and the volume of common shares traded for the periods indicated, as reported on Toronto Stock Exchange.

2009	High (\$)	Low (\$)	Volume
January	32.76	24.79	8,036,403
February	34.74	29.49	11,950,730
March	36.25	29.59	10,448,158
April	38.38	31.60	10,634,112
May	33.29	30.25	12,325,642
June	35.19	31.06	8,906,508
July	35.90	31.80	6,518,150
August	35.50	32.80	6,945,936
September	36.14	32.65	8,983,462
October	36.11	28.50	7,138,357
November	30.74	28.05	9,831,600
December	33.33	29.30	5,093,374

## DIRECTORS AND OFFICERS

### Directors

Directors are elected annually and will hold office until our next annual meeting of shareholders or until the director resigns, becomes ineligible, unable to serve or until his or her successor is elected or appointed. We are incorporating into this AIF the information about our Board of Directors who are standing for election at our annual and special meeting of shareholders on April 28, 2010, on pages 5 to 14 of our Information Circular.

### **Board Charter**

In early 2004, the Board of Directors adopted a formal charter which was amended in November 2008 and February 2010. The charter recognizes the primary responsibility of the Board of Directors to provide governance and stewardship and sets out the Board of Directors’ responsibilities for:

- appointing and supervising officers comprising the executive officers (including setting roles and responsibilities for the Chair of the Board of Directors and the Chief Executive Officer);
- strategic planning;
- risk management;
- financial reporting and management;
- shareholder communication;
- corporate governance; and

- adopting and monitoring compliance with a Board Code of Conduct and an Employee Code of Conduct.

The complete text of the charter of the Board of Directors and other related information is available on our website at [www.tmx.com](http://www.tmx.com).

### **Committees of the Board of Directors**

The Board of Directors currently has four standing committees: a governance committee, a finance and audit committee, a public venture market committee and a human resources committee. Each of the committees has a charter which contains detailed information about the committee. Each of the standing committees' charters is posted on our website at [www.tmx.com](http://www.tmx.com). A summary of each committee's responsibilities is set out below. The members of each committee are listed on page 14 of our Information Circular.

#### **Governance Committee**

The governance committee is responsible for providing the Board of Directors with recommendations relating to corporate governance in general, including, without limitation, all matters relating to the stewardship role of the Board of Directors in respect of the management, the size, composition, including the candidate selection process and the orientation of new members, and compensation of the Board of Directors and such procedures as may be necessary to allow the Board to function independently of management and non-independent directors.

The governance committee also reviews, approves and reports to the Board of Directors on codes and policies associated with an efficient system of corporate governance and oversee compliance therewith. Such policies include our Board Code of Conduct, our Employee Trading Policy, our Director Qualification Policy, our Internal Process for Handling Shareholder Communications to Directors, and our Timely Disclosure, Confidentiality and Insider Trading Policy ("Insider Trading Policy").

The Insider Trading Policy applies to all Directors and employees. Under that Insider Trading Policy, we have established a Disclosure Committee that is responsible for updating the policy regularly; monitoring the effectiveness of and compliance with the Insider Trading Policy; educating our Directors, officers and employees about the policy; reviewing and authorizing written, electronic and oral disclosure by us; and monitoring our website.

#### **Finance and Audit Committee**

The finance and audit committee assists the Board of Directors in fulfilling its responsibilities to oversee and supervise financial, audit and accounting matters. The committee has oversight and supervisory responsibilities for the integrity of our audited and unaudited financial statements, including through discussions with our external auditors, as well as for the adequacy and effectiveness of our internal controls and financial reporting and disclosure. The committee also oversees and reviews our external audit process and our internal audit process and assurance, and is responsible for reviewing and assessing the adequacy of our risk management policies and procedures. The committee is also responsible for reviewing our business plans (including our operating and capital budgets), our investment opportunities and our financing plans and reviews and assesses management's reports on pension plan oversight.

For fiscal years beginning on or after January 1, 2011, we will be required to prepare our financial statements in accordance with International Financial Reporting Standards (“IFRS”). The committee receives quarterly updates of management’s progress against its IFRS conversion plan. In addition, the committee will review management’s accounting policy decisions related to the conversion to IFRS prior to their implementation.

As required under NI 52-110, the committee:

- is directly responsible for overseeing the work of the external auditor in connection with the audit of the annual financial statements and the review of the interim financial statements and any other audit, review or attest functions the external auditor performs for TMX Group, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- must pre-approve all non-audit services to be provided to TMX Group or its subsidiaries by the external auditor;
- must review TMX Group’s financial statements and related management’s discussion and analysis, and annual and interim earnings press releases before they are publicly disclosed;
- must be satisfied that adequate procedures are in place and must periodically assess the adequacy of those procedures for the review of TMX Group’s public disclosure of financial information extracted or derived from our financial statements, other than the public disclosures referred to above;
- must establish procedures for (i) the receipt, retention and treatment of complaints received by TMX Group regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith; and
- review and approve the hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

### *Charter*

The full text of the finance and audit committee’s charter is included as Appendix A to this AIF.

***Composition of the Committee and Relevant Education and Experience of its Members***

The following are the members of the finance and audit committee, each of whom is a Director and is independent under Sections 1.4 and 1.5 of NI 52-110. The members of the audit committee are each financially literate under Section 1.6 of NI 52-110 and bring significant skill and experience to their responsibilities including professional experience in accounting, business and finance. The specific education and experience of each member that is relevant to the performance of his or her responsibilities as a member of the committee is set out below:

J. Spencer Lanthier (Chair)	Mr. Lanthier is a chartered accountant and served as a partner of KPMG Canada LLP from 1972 until his retirement in 1999 and from 1993 until 1999 he was Chairman and Chief Executive Officer of KPMG Canada.
Raymond T. Chan	Mr. Chan is a chartered accountant and is the Executive Chairman (since January 1, 2009) and a director of Baytex Energy Trust. From September 2003 to December 2008, Mr. Chan was the Chief Executive Officer of Baytex. Over the past 28 years, he has, among other senior executive positions, served as a Chief Financial Officer or Chief Executive Officer of various public oil and gas companies.
Denyse Chicoyne	Ms. Chicoyne has worked in the securities industry as a top ranked analyst for brokerage firms such as BMO Nesbitt Burns, Nesbitt Thomson, and McNeil Mantha and was also a senior analyst and portfolio manager for the Caisse de dépôt et placement du Québec. Ms. Chicoyne holds an MBA in Finance and International Business from McGill University (1981) and has been a designated Chartered Financial Analyst (CFA) since 1986. Ms. Chicoyne is a member of the Montreal Society of Financial Analysts as well as of the CFA Institute.
Harry A. Jaako	Mr. Jaako is the Executive Officer and a Director and Principal of Discovery Capital Management Corp. ("DCMC") (a venture capital firm) and is also President and a Director of British Columbia Discovery Fund (VCC) Inc., a British Columbia venture capital fund managed by DCMC. As a venture capital professional, Mr. Jaako has directed investments in over 30 companies during the past 13 years, and has been responsible for monitoring the financial reporting of many of these investments. He has also, over the past 20 years, served as a senior executive and/or director of numerous reporting and non-reporting issuers and been involved with all aspects of their financial reporting in such executive or board capacities. Throughout his career, Mr. Jaako has also served in an advisory capacity to securities regulators and SROs in matters related to corporate finance.

Kathleen M. O'Neill	Ms. O'Neill is a chartered accountant and a fellow of the Institute of Chartered Accountants of Ontario. She has also been accredited through the Institute of Corporate Directors/Rotman School of Management Directors Education Program. Prior to January 2005, she was Executive Vice President of BMO Bank of Montreal. Prior to joining BMO Bank of Montreal in 1994, Ms. O'Neill was with PricewaterhouseCoopers for 19 years including eight years as a tax partner.
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### ***Pre-Approval Policies and Procedures***

As set out in the committee's charter, the committee is responsible for pre-approving any non-audit services to be provided to TMX Group or its subsidiaries by its external auditor, with reference to compatibility of the service with the external auditor's independence.

### ***External Auditor Service Fees (by category)***

The aggregate fees billed by KPMG LLP, TMX Group's auditor, related to the years ended December 31, 2009 and 2008 for professional services are set out below:

<b>Services Rendered</b>	<b>Fees billed by KPMG</b>	
	<b>Fiscal 2009</b>	<b>Fiscal 2008</b>
Audit Fees <sup>(1)</sup>	\$982,500	\$1,046,000
Audit Related Fees <sup>(2)</sup>	\$189,000	\$ 155,000
Tax Fees <sup>(3)</sup>	\$-	\$ 225,000

- (1) For the audit of our financial statements, including the review of our quarterly financial statements and for services normally provided by the auditor in connection with statutory and regulatory filings. The 2009 audit fees include fees for audit services related to our acquisition of NetThruPut. The amount for 2008 includes audit fees for MX and its subsidiaries and also reflects fees for audit services related to our business combination with MX and MX's acquisition of an additional 21.9 percent ownership interest in BOX.
- (2) For assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported in (1), including the audit of the pension plan for our employees, French translation services and a Section 5970 report on internal control procedures at a service organization.
- (3) Fees for services provided to MX related to tax compliance, tax advice and tax planning.

### **Public Venture Market Committee**

The public venture market committee advises and makes recommendations to the Board of Directors on all policy issues and matters that are likely to have a significant impact on the public venture capital market in Canada and our role in relation to those matters.

### **Human Resources Committee**

The human resources committee ensures that we have high calibre executive management in place and a total compensation plan that is aligned with our performance, as well as being competitive, motivating and rewarding for participants. The human resources committee reviews and makes recommendations to the Board of Directors for the appointment and compensation of our executive officers, including the Chief Executive Officer, and the establishment of, and any

material changes to, executive compensation programs (including the general compensation philosophy and guidelines, incentive plan design and other remuneration and any adjustments to that compensation (salary, incentives, benefits or other perquisites)), including that of the Chief Executive Officer. The committee reviews annually the Chief Executive Officer's performance targets and corporate goals and objectives; reviews and approves the Chief Executive Officer's performance evaluation against these targets, goals and objectives; and reviews and recommends to the Board of Directors the Chief Executive Officer's compensation. The committee approves and reports to the Board of Directors on management succession plans, including Chief Executive Officer succession plans. On an annual basis, the committee reviews the Employee Code of Conduct and recommends to the Board for approval any amendments to the Code of Conduct. It is also responsible for overseeing our employee benefits plans, including the design and administrative management of our pension plans.

### **Executive Officers**

As at the date of this AIF, the following are the executive officers of TMX Group, their titles and their municipalities of residence.

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Principal Occupation During the Five Preceding Years</b>
Wayne C. Fox Oakville, Ontario	Chair of the Board, TMX Group	Mr. Fox is a Corporate Director. Since May 29, 2001, Mr. Fox has been the Chair of the Board of TMX Group or its predecessor. From September 2001 to September 1, 2005, he was the Vice-Chairman and Chief Risk Officer, Treasury, Balance Sheet and Risk Management, Canadian Imperial Bank of Commerce ("CIBC"). Prior to September 2001, he held several increasingly senior positions in CIBC and in several CIBC affiliates.
Thomas A. Kloet Toronto, Ontario	Chief Executive Officer, TMX Group	Mr. Kloet became Chief Executive Officer on July 14, 2008. Prior to joining TMX Group, he was, from 2003, Senior Executive Vice-President and Chief Operating Officer of the American Zone for Fimat and its successor company, Newedge Group. Previously, from 2000 to 2002, he served as the first Chief Executive Officer and Executive Director of the Singapore Exchange Limited.

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Principal Occupation During the Five Preceding Years</b>
Kevan Cowan Toronto, Ontario	President, TSX Markets and Group Head of Equities, TMX Group	Mr. Cowan became President, TSX Markets and Group Head of Equities on September 8, 2008. Prior to that date, Mr. Cowan was Senior Vice President, Listings, TSX Inc. from April 30, 2007 to September 8, 2008 and was President, TSX Venture Exchange Inc. from April 30, 2007 to July 30, 2009. He was Vice President, Listings, TMX Group from April 2004 to April 2007. Mr. Cowan was appointed Senior Vice President, TSX Venture Exchange in August 2001.
Brenda Hoffman Toronto, Ontario	Senior Vice President, Group Head of Information Technology, TMX Group	Ms. Hoffman became Chief Information Officer and Senior Vice President, TMX Group on April 30, 2007. Ms. Hoffman was Vice President Information & Trading Technologies, Development, TSX Technologies from January 2001 to April 2007. Prior to joining TMX Group, she was Director at Worldwide Competency Centre for e-Markets and e-Brokerage Solutions at ISM, a division of IBM Global Services.
Mary Lou Hukezalie Toronto, Ontario	Vice President, Group Head of Human Resources, TMX Group	On January 11, 2010, Ms Hukezalie became Vice President, Group Head of Human Resources, TMX Group. Prior to joining TMX Group, Ms. Hukezalie held the position of Vice President, Talent Strategies and Executive Resources at CIBC from August 2005 to December 2009. Before that time, she was an executive at the Bank of Montreal in Human Resources from 1998 until 2004.
Peter Krenkel Calgary, Alberta	President, Natural Gas Exchange Inc., and Senior Vice President, Group Head of Energy, TMX Group	Mr. Krenkel became Senior Vice President, Energy, TMX Group on April 27, 2004 and President of NGX upon its inception in 1994, a position he continues to hold, including an eight-month period in 2001 and 2002 when he was also the Head of the UK Power Exchange in London, a then-affiliated company. From 1998 through 2000, Mr. Krenkel was also the acting President of NRG Information Systems. Prior to joining NGX, from 1989 to 1993, he was President of Canadian Hydrocarbons Marketing Inc., and the Vice-President of Operations at ICG Resources Ltd. from 1984 to 1989.

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Principal Occupation During the Five Preceding Years</b>
Alain Miquelon Montréal, Quebec	President and Chief Executive Officer, Montréal Exchange Inc., and Senior Vice President, Group Head of Derivatives, TMX Group	Mr. Miquelon became President and Chief Executive Officer, Montréal Exchange and Senior Vice President, Group Head of Derivatives on July 1, 2009. From February 1, 2009 to June 30, 2009, he was Executive Vice President, Chief Operating Officer and Head of Strategic Development, Montréal Exchange. From August 6, 2007, to January 31, 2009, Mr. Miquelon was Executive Vice President, Chief Financial Officer and Head of Strategic Development, Montréal Exchange. Prior to joining the Montréal Exchange, he served as Chief Operating Officer of Mediagrif Interactive Technologies (Mediagrif) from December 2004 to February 2007 and as Executive Vice President and Chief Financial Officer of Mediagrif from January 2000 to December 2004.
Sharon C. Pel Toronto, Ontario	Senior Vice President, Group Head of Legal and Business Affairs, TMX Group	Ms. Pel became Senior Vice President, Legal and Business Affairs on February 24, 2004. Prior to that, from July 2003 to February 2004, Ms. Pel was Vice President, Corporate Development, General Counsel and Corporate Secretary of TMX Group. Prior to joining TMX Group she practiced corporate and securities law at Torys LLP for 21 years including 13 years as a partner.
Michael Ptasznik Thornhill, Ontario	Senior Vice President and Chief Financial Officer, TMX Group	Mr. Ptasznik became Senior Vice President, TMX Group on January 25, 2005 and Chief Financial Officer of TSX Inc. in July 2002, a position he continues to hold. Prior to that, from September 2000 to July 2002, he was Vice President, Finance and Administration and Treasurer, TSX Inc. From October 1996 to September 2000, Mr. Ptasznik was Director, Finance and Administration, The Toronto Stock Exchange (a predecessor of TSX Inc.). Prior to joining TMX Group, he held a number of finance positions at Procter & Gamble Canada.



<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Principal Occupation During the Five Preceding Years</b>
Eric Sinclair Toronto, Ontario	President, TMX Datalinx and Group Head of Data Services, TMX Group	Mr. Sinclair became President, TMX Datalinx and Group Head of Data Services, TMX Group on February 10, 2010. Prior to that date, he was Senior Vice President, TMX Group and Senior Vice President, TSX Datalinx from February 1, 2006. From February 2003 to February 1, 2006, he was Vice President, TMX Group and Senior Vice President, TSX Datalinx. From May 1999 to December 2002, he was Executive Vice President, Global Sales for the Wealth Management Division of Sanchez Computer Associates Inc.

### **Shareholdings of Directors and Executive Officers**

To our knowledge, as at February 26, 2010, the directors and executive officers of TMX Group as a group, beneficially owned, directly or indirectly, or exercised control or direction over approximately 223,000 of our common shares, representing less than 0.50 percent of our outstanding common shares and no director or executive officer of TMX Group beneficially owned or controlled voting securities of any of our subsidiaries.

### **Corporate Cease Trade Orders or Bankruptcies**

There have been no bankruptcies, receiverships or similar proceedings against us or any of our subsidiaries, or any voluntary bankruptcies, receiverships or similar proceedings by us or any of our subsidiaries, within the three most recently completed financial years or current financial year.

To our knowledge and except as otherwise disclosed in this AIF or that portion of our Information Circular, incorporated by reference, in the last ten years, no director or executive officer of TMX Group is or has been a director, a chief executive officer, chief financial officer or executive officer, as the case may be, of an issuer that: (i) while that person was acting in the capacity as a director, chief executive officer or chief financial officer, was the subject of a cease trade order or similar order, or an order that denied the issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; or (ii) while that person was acting in the capacity as a director or executive officer or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Penalties or Sanctions**

To our knowledge, no director or executive officer of TMX Group (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory

authority, or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Personal Bankruptcies**

To our knowledge, in the last ten years, no director or executive officer of TMX Group has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

### **Conflicts of Interest**

To our knowledge, no director or executive officer of TMX Group has an existing or potential material conflict of interest with us or any of our subsidiaries.

### **Employees**

We had a total of 849 employees as at December 31, 2009 compared with a total of 845 employees as at December 31, 2008. At December 31, 2009, 816 employees were located in Canada and 33 were located in the United States, compared with 817 and 28, respectively in 2008.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

We have provided services in the ordinary course of business to some of our POs. As at the date of this AIF, we do not have any members of our Board of Directors who are employees of our POs. In prior years, some of our POs or approved participants had employees who were members of our Board of Directors.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for our common shares is CIBC Mellon Trust Company at its principal offices in Vancouver, Calgary, Toronto, London, Montreal and Halifax.

## **MATERIAL CONTRACTS**

The following is the only material contract, other than the contracts entered into the ordinary course of business, which has been entered into after January 1, 2002 and during the year ended December 31, 2009 and are still in effect:

- Credit Agreement dated as of April 18, 2008 between TMX Group and a syndicate of financial institutions. We entered into the Credit Agreement in connection with the combination with MX. Further details relating to the credit facility, including financial covenants, are located in our 2009 MD&A under the heading “*Liquidity and*

*Capital Resources - Credit Facilities and Guarantee*” on page 39 of our 2009 Annual Report.

A copy of this document has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com) and on our website at [www.tmx.com](http://www.tmx.com).

## **EXPERTS**

Our auditor is KPMG LLP, who has prepared the Auditors’ Report to the Shareholders in respect of our audited annual consolidated financial statements. KPMG LLP is independent with respect to TMX Group within the meaning of the Rules of Professional Conduct/Code of Ethics of the Institute of Chartered Accountants of Ontario.

## **ADDITIONAL INFORMATION**

Additional information about us, including directors’ and officers’ remuneration and indebtedness, principal holders of our securities, options to purchase securities and interests of insiders in material transactions (where applicable), and our corporate governance approach and procedures, may be found in our Information Circular dated March 22, 2010 for our annual and special meeting of shareholders on April 28, 2010. We also provide additional financial information in our audited comparative consolidated financial statements for the year ended December 31, 2009 and in the related 2009 MD&A.

We will provide to any person, upon request to our Investor Relations Department at The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2 (or phone (416) 947-4277 or 1 (888) 873-8392; fax (416) 947-4727; or email [shareholder@tsx.com](mailto:shareholder@tsx.com)), a copy of this AIF and any documents we incorporate by reference, a copy of our audited comparative consolidated financial statements for the year ended December 31, 2009 together with the accompanying auditors’ report and the related 2009 MD&A, a copy of any interim financial statements and related interim MD&A subsequent to the financial statements for the year ended December 31, 2009. If you are not our shareholder, we may require you to pay a reasonable charge for a copy of any of these documents. Additional information about us, including copies of these documents, may be found on our website at [www.tmx.com](http://www.tmx.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## FORWARD-LOOKING INFORMATION

This AIF contains “forward-looking information” (as defined in applicable Canadian securities legislation) that is based on expectations, assumptions, estimates, projections and other factors that management believes to be relevant as of the date of this AIF. Often, but not always, such forward-looking information can be identified by the use of forward-looking words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “targeted”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, or variations or the negatives of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved or not be taken, occur or be achieved. Forward-looking information, by its nature, requires us to make assumptions and is subject to significant risks and uncertainties which may give rise to the possibility that our expectations or conclusions will not prove to be accurate and that our assumptions may not be correct.

Examples of such forward-looking information in this AIF include, but are not limited to, factors relating to stock, derivatives and energy exchanges and clearing houses and the business, strategic goals and priorities, market condition, pricing, proposed technology and other initiatives, financial condition, operations and prospects of TMX Group, which are subject to significant risks and uncertainties. These risks include: competition from other exchanges or marketplaces, including alternative trading systems and new technologies, on a national and international basis; dependence on the economy of Canada; adverse effects on our results caused by global economic uncertainties; failure to retain and attract qualified personnel; geopolitical and other factors which could cause business interruption; dependence on information technology; vulnerability of our networks and third party service providers to security risks; failure to implement our strategies; regulatory constraints; risks of litigation; dependence on adequate numbers of customers; failure to develop or gain acceptance of new products; currency risk; adverse effect of new business activities; not being able to meet cash requirements because of our holding company structure and restrictions on paying dividends; dependence and restrictions imposed by licenses and other arrangements; dependence of trading operations on a small number of clients; new technologies making it easier to disseminate our information; risks associated with our clearing operations; challenges related to international expansion; restrictions on ownership of TMX Group shares; inability to protect our intellectual property; dependence on third party suppliers; adverse effect of a systemic market event on our derivatives business; risks associated with the credit of customers; cost structures being largely fixed; risks associated with integrating the operations, systems, and personnel of new acquisitions; and dependence on market activity that cannot be controlled.

The forward looking information contained in this AIF is presented for the purpose of assisting readers of this document in understanding our strategies, priorities and objectives and may not be appropriate for other purposes. Actual results, events, performances, achievements and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this AIF.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions in connection with the ability of TMX Group to successfully compete against global and regional marketplaces; business and economic conditions generally; exchange rates (including estimates of the U.S. dollar - Canadian dollar exchange rate), the level of trading and activity on markets, and particularly the level of trading in TMX Group’s key products; the continued availability of financing on appropriate terms for future projects; productivity at TMX Group, as well as that of TMX Group’s competitors; market competition; research & development activities; the successful introduction of new derivatives

and equity products; tax benefits/changes; the impact on TMX Group and its customers of various regulations; TMX Group's ongoing relations with its employees; and the extent of any labour, equipment or other disruptions at any of its operations of any significance other than any planned maintenance or similar shutdowns.

While we anticipate that subsequent events and developments may cause our views to change, we have no intention to update this forward-looking information, except as required by applicable securities law. This forward-looking information should not be relied upon as representing our views as of any date subsequent to the date of this AIF. We have attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward-looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. See "Risks and Uncertainties" outlined in our 2009 MD&A filed with the securities regulatory authorities in Canada.

## **TRADE-MARKS**

Canadian Best Bid and Offer, Equicom, Groupe TMX, Groupe TSX, Natural Gas Exchange, NEX, NGX, PC-Bond, Shorcan, TMX, TMX Group, TMX Datalinx, Toronto Stock Exchange, TSX, TSX Datalinx, TSX Group, TSX Markets, TSX Quantum, TSX Technologies, TSX Venture Exchange, TSXV and their respective designs are trade-marks of TSX Inc.

Montréal Exchange, Bourse de Montréal, Canadian Derivatives Clearing Corporation, CDCC, SOLA and their respective designs are trade-marks of Montréal Exchange Inc. and are used under license.

Boston Options Exchange, BOX and their respective designs are trade-marks of Boston Options Exchange Group, LLC and are used under license.

EDX and EDX London are registered trade-marks of EDX London Limited.

ICE is a trade-mark of IntercontinentalExchange Inc. and is used under license.

Montréal Climate Exchange, MCeX and their respective designs are trade-marks of Chicago Climate Exchange Inc. and are used under license.

NetThruPut and design are trade-marks of NGX and are used under license.

All other trade-marks used in this AIF are the property of their respective owners.

**APPENDIX A**  
**TO ANNUAL INFORMATION FORM OF TMX GROUP INC.**  
**MARCH 25, 2010**

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**TMX GROUP INC.**  
**(the “Corporation”)**  
**FINANCE & AUDIT COMMITTEE**  
**CHARTER**

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**1.     General**

The Board of Directors of the Corporation (the “Board”) has established a Finance and Audit Committee (the “Committee”) to take steps on its behalf as are necessary to assist the Board in fulfilling its oversight responsibilities regarding:

- (a)     the integrity of the Corporation’s financial statements;
- (b)     the internal control systems of the Corporation;
- (c)     the external audit process;
- (d)     the internal audit and assurance process;
- (e)     risk management;
- (f)     investment opportunities and the raising of funds by the Corporation;
- (g)     the administration, financial reporting and investment activities of the pension plan(s);
- (h)     the Corporation’s compliance with legal and regulatory requirements, and
- (i)     any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

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**2.     Members**

The Board will in each year appoint a minimum of four (4) directors as members of the Committee. All members of the Committee will be independent directors as required by law and all recognition orders and exemption orders issued in respect of the Corporation by applicable securities regulatory authorities.

All members of the Committee shall be financially literate. While the Board shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

The Chief Executive Officer (“CEO”) of the Corporation and, to the extent the Chair of the Board is not otherwise a member of the Committee, the Chair, and all other non-management directors who are not members of the Committee may attend all meetings of the Committee in an ex-officio capacity and will not vote. Directors who are also members of management, other than the CEO, shall be entitled to attend meetings of the Committee if invited to do so by the Chair of the Committee. The CEO shall not attend in-camera sessions.

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### 3. **Duties**

The Committee shall have the following duties:

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#### (a) **Financial Reporting and Disclosure**

- (1) **Audited Annual Financial Statements**: Review the audited annual financial statements, all related MD&A, and earnings press releases for submission to the Board for approval.
- (2) **Quarterly Review**: Following their review by the external auditor, review the quarterly financial statements, the related management discussion and analysis (“MD&A”), and earnings press releases for submission to the Board for approval.
- (3) **Significant Accounting Principles and Disclosure Issues**: Review with management and the external auditor, significant accounting principles and disclosure issues, including complex or unusual transactions, highly judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions. This shall be undertaken with a view to understanding their impact on the financial statements, and to gaining reasonable assurance that the statements are accurate, complete, do not contain any misrepresentations, and present fairly the Corporation’s financial position and the results of its operations in accordance with Canadian GAAP.
- (4) **Compliance**: Confirm through discussions with management that Canadian GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with.
- (5) **Legal Events**: Review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future effect on the Corporation’s financial statements, and the manner in which these have been disclosed in the financial statements.
- (6) **Off-Balance-Sheet Transactions**: Discuss with management the effect of any off-balance-sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Corporation’s financial

condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components or revenues and expenses.

- (7) Other Disclosures: Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information, other than the public disclosure of the information referred to in sections 1 and 2 above, and periodically assess the adequacy of those procedures.

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(b) **Oversight of Internal Controls**

- (1) Review and Assessment: Review and assess the adequacy and effectiveness of the Corporation's system of internal control and management information systems through discussions with management, the Chief Internal Auditor ("CIA"), and the external auditor.
- (2) Oversight: Oversee system of internal control, by:
- (i) Monitoring and reviewing policies and procedures for internal accounting, internal audit, financial control and management information;
  - (ii) Consulting with the external auditor regarding the adequacy of the Corporation's internal controls;
  - (iii) Reviewing with management its philosophy with respect to internal controls and, on a regular basis, all significant control-related findings together with management's response; and
  - (iv) Obtaining from management adequate assurances that all statutory payments and withholdings have been made.
- (3) Fraud: Oversee investigations of alleged fraud and illegality relating to the Corporation's finances.
- (4) Complaints: Review with management that appropriate procedures exist for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith.



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(c) **External Audit**

- (1) Appointment or Replacement: Recommend the appointment or replacement of the external auditor to the Board, who will consider the recommendation prior to submitting the nomination to the shareholders for their approval.
- (2) Compensation: Review with management, and make recommendations to the Board, regarding the compensation of the external auditor. In making a recommendation with respect to compensation, the Committee shall consider the number and nature of reports issued by the external auditor, the quality of internal controls, the size, complexity and financial condition of the Corporation, and the extent of internal audit and other support provided by the Corporation to the external auditor.
- (3) Reporting Relationships: The external auditor will report directly to the Committee.
- (4) Performance: Review with management, on a regular basis, the terms of the external auditor's engagement, accountability, experience, qualifications and performance. Evaluate the performance of the external auditor.
- (5) Transition: Review management's plans for an orderly transition to a new external auditor, if required.
- (6) Audit Plan: Review the audit plan and scope of the external audit with the external auditor and management, and consider whether the nature and scope of the planned audit procedures can be relied upon to detect weaknesses in internal controls, frauds or other illegal acts.
- (7) Audit Plan Changes: Discuss with the external auditor any significant changes required in the approach or scope of their audit plan, management's handling of any proposed adjustments identified by the external auditor, and any actions or inactions by management that limited or restricted the scope of their work.
- (8) Review of Results: Review, in the absence of management, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor's preferred treatment, and any other material communications with management.
- (9) Disagreements with Management: Resolve any disagreements between management and the external auditor regarding financial reporting.

- (10) Material Written Communications: Review all other material written communications between the external auditor and management, including the post-audit management letter containing the recommendations of the external auditor, management's response and, subsequently, follow up identified weaknesses.
- (11) Interim Financial Statements: Engage the external auditor to review all interim financial statements and review, in the absence of management, the results of the auditor's review of the interim financial statements and the auditor's review of the related MD&A.
- (12) Other audit matters: Review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards.
- (13) Meeting with External Auditor: Meet with the external auditor in the absence of management at least quarterly to discuss and review specific issues as appropriate as well as any significant matters that the auditor may wish to bring to the Committee for its consideration.
- (14) Correspondence: Review with management and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies.
- (15) Independence: At least annually, and before the external auditor issues its report on the annual financial statements, review and confirm the independence of the external auditor through discussions with the auditor on their relationship with the Corporation, including details of all non-audit services provided. Consider the safeguards implemented by the external auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external auditor. Consider the number of years the lead audit partner has been assigned to the Corporation, and consider whether it is appropriate to recommend to the Board a policy of rotating the lead audit partner more frequently than every five years, as is required under the rules of the Canadian Public Accountability Board.
- (16) Non-Audit/Audit Services: Pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the external auditor, with reference to compatibility of the service with the external auditor's independence.
- (17) Hiring Policies: Review and approve the hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

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(d) **Internal Audit and the Provision of Assurance**

- (1) Chief Internal Auditor: Review and approve the appointment, replacement or dismissal of the CIA. The CIA reports to the Chief Executive Officer (“CEO”) administratively and to the Committee functionally.
- (2) Assurance Activities: Review with management and the CIA the mandate, staffing, plans, activities, and results of the Corporation’s assurance providers to gain reasonable assurance that their activities are appropriately comprehensive, effective and coordinated with the external auditor.
- (3) Assurance Findings: Discuss the impact of any significant assurance findings, together with the appropriateness of management’s response, on the adequacy and effectiveness of the Corporation’s system of internal control.
- (4) Meeting: Meet with the CIA in the absence of management at least annually to discuss and review specific issues as appropriate as well as any significant matters that the CIA may wish to bring to the Committee for its consideration, including a discussion of any restrictions or limitations placed on the CIA with respect to scope of work or access to required information.

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(e) **Risk Management**

- (1) Adequacy of Policies and Procedures: Review and assess the adequacy of the Corporation’s risk management policies and procedures with regard to identification of the Corporation’s principal risks annually, and review (at least semi-annually) updates on these risks from the Director, Risk Management. Review and assess the adequacy of the implementation of appropriate systems to mitigate and manage the risks, and report regularly to the Board.

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(f) **Financial Planning and Investments**

- (1) Business Plan: Review and recommend the Business Plan, including the annual Operating and Capital Budgets for submission to the Board for approval. Review periodic financial forecasts.
- (2) Investment Opportunities: Review and assess investment opportunities of a value exceeding management’s authority, in accordance with procedures established by the Board from time to time.

- (3) Guidelines and Policies: Review and approve guidelines and policies for the investing of cash and marketable securities and review reports from management on the results of such investments against established benchmarks.
- (4) Additional Funds for Investment: Review and assess management's plans with respect to raising additional funds whether through debt or capital, in accordance with procedures established by the Board from time to time.

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(g) **Pension Plan**

- (1) Oversight: Review and assess management's reports on pension plan oversight including:
  - (i) Review management controls and processes with respect to the administration of investment activities, financial reporting and funding of the plan(s).
  - (ii) Confirm the following appointments for the management of the plan(s), subject to exceptions where the appointment authority is assigned to another party as per plan documents:
    - Auditor
    - Trustee
    - Fund Manager
  - (iii) Review the actuarial assumptions used for the valuation, including the rate of return on investments and the discount rate used to arrive at the funding requirements.
  - (iv) Review and approve the plan(s) investment objectives and guidelines annually and amend if necessary.
  - (v) Review the investment performance of the funds and the investment managers, and their compliance with the investment objectives and guidelines and applicable legislation.
  - (vi) Review and approve the annual audited financial statements of the plan(s).

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(h) **Compliance**

- (1) Filings with Regulatory Authorities: Review with management the Corporation's relationship with regulators, and the timeliness and accuracy of Corporation filings with regulatory authorities.

- (2) Employee Code of Conduct: Confirm that adequate and effective systems are in place to enforce compliance with the Employee Code of Conduct. Ensure the Employee Code of Conduct is disclosed in the Corporation's annual report or information circular at least every three years or following a material amendment. Alternatively, confirm with management that an up-to-date version of the Employee Code of Conduct is disclosed on the Corporation's website.

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(i) **Communication**

- (1) Communication Channels: Establish and maintain direct communication channels with management, the CIA, the external auditor and the Board to discuss and review specific issues as appropriate.
- (2) Coordination with Management: The Committee will coordinate with management on audit and financial matters, and will:
- (i) Meet privately with management to discuss any areas of concern to the Committee or management; and
  - (ii) Review expenses incurred by the Chair of the Board and CEO of the Corporation. Ensure that the CEO reviews all expenses incurred by direct executive reports of the CEO.

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(j) **Related Party Transactions**

- (1) Related Party Transactions: Review with management all related party transactions and the development of policies and procedures related to those transactions.

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(k) **Board Relationship and Reporting**

- (1) Adequacy of Charter: Review and assess the adequacy of the Committee Charter annually and submit such amendments as the Committee proposes to the Governance Committee.
- (2) Disclosure: Oversee appropriate disclosure of the Committee's Charter, and other information required to be disclosed by applicable legislation, in the Corporation's Annual Information Form and all other applicable disclosure documents.
- (3) Reporting: Report regularly to the Board on Committee activities, issues and related recommendations.

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**4. Chair**

The Board will in each year appoint the Chair of the Committee. The Chair shall have accounting or related financial expertise. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair will have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members as appropriate prior to the exercise of any powers and will, in any event, advise all other members of any decisions made or powers exercised.

**5. Meetings**

The Committee shall meet at the request of its Chair, but in any event it will meet at least four times a year. Notices calling meetings shall be sent to all Committee members, to the CEO of the Corporation, to the Chair of the Board and to all other directors. The external auditor or any member of the Committee may call a meeting of the Committee.

**6. Quorum**

A majority of members of the Committee, present in person, by teleconferencing, or by videoconferencing will constitute a quorum.

**7. Removal and Vacancy**

A member may resign from the Committee, and may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to be a director. The Board will fill vacancies in the Committee by appointment from among the directors of the Board in accordance with Section 2 of this Charter. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all its powers.

**8. Experts and Advisors**

The Committee may retain or appoint, at the Corporation's expense, such experts and advisors as it deems necessary to carry out its duties, and to set and pay their compensation. The Committee shall provide notice to the Governance Committee of its actions in this regard.

**9. Secretary and Minutes**

The Chief Financial Officer of the Corporation, or such other person as may be appointed by the Chair of the Committee, will act as Secretary of the Committee. The minutes of the Committee will be in writing and duly entered into the books of the Corporation. The minutes of the Committee will be circulated to all members of the Board.