Caution Regarding Forward-Looking Information

This MD&A 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 MD&A. 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 MD&A 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 MD&A is presented for the purpose of assisting readers of this document in understanding our financial condition and results of
operations and 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 MD&A.

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 MD&A. 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. These factors are not intended to represent a complete list of the factors that could affect us. A description of the above-mentioned items is contained in this Annual MD&A under the heading Risks and Uncertainties.

Management’s Discussion and Analysis

February 10, 2010

This Management’s Discussion and Analysis (MD&A) of TMX Group Inc.’s (TMX Group) financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the year ended December 31, 2009, compared with the year ended December 31, 2008. This MD&A is dated February 10, 2010 and should be read carefully together with our 2009 audited annual financial statements, including notes, which are prepared in accordance with Canadian generally accepted accounting principles (GAAP). Each of these documents is filed with Canadian securities regulators and can be accessed through
www.sedar.com, or our website at www.tmx.com. The financial measures included in this MD&A are based on financial statements prepared in accordance with Canadian GAAP, unless otherwise specified. All amounts are in Canadian dollars unless otherwise indicated.

Our MD&A is organized into the following key sections:

- **Overview of the Business** - a discussion of our business segments and key revenue drivers;
- **Vision, Strategies and Priorities** – our vision, strategy and plans for future growth, together with a discussion of current market conditions and our competitive environment;
- **Core Business of TMX Group**;
- **Results of Operations** - a year over year comparison of our results, both on a consolidated and segmented basis;
- **Selected Annual and Quarterly Information**
- **Liquidity and Capital Resources** - a discussion of changes in our cash flow, our outstanding debt and the resources available to finance existing and future commitments;
- **Accounting and Control Matters** - a discussion of our critical accounting estimates and changes to our current accounting policies and future accounting changes, including the 2011 conversion to International Financial Reporting Standards (IFRS) and an evaluation of our disclosure controls and procedures, internal control over financial reporting and changes to internal control over financial reporting;
- **Risks and Uncertainties** – a discussion of the risks to our business as identified through our risk management process.

On May 1, 2008, we completed our business combination with Montréal Exchange Inc. (MX or Montréal Exchange) to create TMX Group, a leading, integrated, multi-asset class exchange group. The business combination was completed by TMX Group acquiring all of MX’s outstanding common shares for a total consideration of 15.3 million TMX Group common shares and $428.2 million in cash. For those MX shareholders who elected to receive cash or were deemed to have so elected, this represents an amount, for each MX common share, of $16.26 in cash and 0.4540 of a TMX Group common share. Those who elected to receive shares of TMX Group received 0.7784 of a TMX Group common share for each MX common share. The consideration was distributed to MX shareholders on May 2, 2008. The results of MX and BOX are included in TMX Group’s consolidated results from May 1, 2008.

On August 29, 2008, MX acquired an additional 21.9% interest in Boston Options Exchange Group LLC (BOX) from the Boston Stock Exchange for $58.0 million (U.S. $52.5 million), giving MX a majority ownership interest of 53.3%. Prior to the completion of this transaction, MX’s 31.4% investment in BOX was accounted for under the equity method under which MX’s 31.4% of the earnings from BOX was reported as income from investment in an affiliate and included in our 2008 results from May 1, 2008. From August 29, 2008, the results of BOX have
been fully consolidated into TMX Group’s consolidated results, with an adjustment made for the non-controlling interests. In October 2008, as a result of a buy back of units by BOX, MX’s ownership increased to 53.8%.

On May 1, 2009, we completed the acquisition of NetThruPut Inc. (NTP), a leading Canadian electronic trading platform and clearing facility for crude oil products. The aggregate purchase price of $66.9 million was comprised of: $23.7 million in cash and the issuance of 878,059 TMX Group common shares, valued at $32.1 million; the book value of the option to acquire NTP in the amount of $9.5 million; and direct transaction costs and restructuring costs of $1.6 million. Their results have been included in TMX Group’s consolidated financial statements from that date.

Certain comparative figures have been reclassified in order to conform with the financial presentation adopted in the current year.

Additional information about TMX Group, including our most recent Annual Information Form is available through www.sedar.com and on our website, www.tmx.com. We are not incorporating information contained on the website in this MD&A.

Non-GAAP Financial Measures

Certain measures used in this MD&A do not have standardized meanings prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other Canadian issuers.

“Issuer services fees billed”, “Initial listing fees billed”, “additional listing fees billed”, “issuer services revenue based on initial and additional listing fees billed” and “total revenue based on initial and additional listing fees billed”

Toronto Stock Exchange customers are billed for initial and additional listing fees, and there is a lag between the time when securities are issued or reserved and the time when these listing fees are paid by Toronto Stock Exchange listed issuers. For TSX Venture Exchange issuers, fees are paid either prior to, or at the time of, listing or reserving securities. In order to reflect these activities, we use the terms “issuer services fees billed”, “initial listing fees billed”, “additional listing fees billed”, “issuer services revenue based on initial and additional listing fees billed” and “total revenue based on initial and additional listing fees billed”.

Management uses these measures to assess the effectiveness of our strategy to serve our listed issuers and to manage the listings portion of our business. This is how our international peers, who currently report using International Financial Reporting Standards (IFRS), account for these fees. These non-GAAP revenue measures provide investors with an indication of how initial and additional listing activity and the fees billed or received in connection with the listing or reserving of securities impact the financial performance and cash flows of our business.
“Adjusted net income” and “Adjusted earnings per share”

We present “adjusted net income” and “adjusted earnings per share” as an indication of operating performance exclusive of:

i) for 2009, income tax charge related to lower Ontario corporate income tax rates, which reduced the value of future tax assets and liabilities;

ii) the non-cash goodwill impairment charge in 2009 related to our investment in BOX;

iii) the payment made on April 1, 2008 to ISE Ventures, LLC (ISE Ventures), a wholly-owned subsidiary of International Securities Exchange Holdings, Inc. (ISE), related to terminating DEX, our proposed derivatives joint venture; and

iv) for 2007, income tax charge primarily as a result of decreases in federal corporate tax rates, which reduced the value of future tax assets.

These measures allow management and investors to assess operating performance excluding non-cash items such as the net impact from reductions in the value of future tax assets and liabilities, and the non-cash impairment charge related to BOX. In addition, it allows them to assess operating performance excluding the impact of non-recurring payments such as that made to ISE Ventures in 2008.
Overview of the Business

We own and operate equities, energy and fixed income, cash and derivative markets and clearing houses in Canada and the U.S. that we report in the following three segments:

Cash Markets Segment

Toronto Stock Exchange and TSX Venture Exchange are the primary venues for public equity capital formation and liquidity in Canada. The total market capitalization of the 3,837 issuers listed on our equity exchanges at December 31, 2009 was $1.8 trillion, making our combined equity exchanges the third largest in North America and the eighth largest in the world.

The total volume of securities traded on Toronto Stock Exchange and TSX Venture Exchange was 165.3 billion securities in 2009 on 196.6 million transactions.

TMX Datalinx sells real-time trading data and other information. At December 31, 2009, TMX Datalinx distributed data to over 153,000 professional and equivalent subscriptions.

Our fixed income interests are in Shorcan Brokers Limited (Shorcan), Canada’s first fixed income inter-dealer broker (IDB) and Candeal.ca Inc. (CanDeal), a dealer to client electronic fixed income platform of which we own 47%. In addition, we own PC-Bond, which offers the leading Canadian fixed income indices and PC-Bond analytics applications.
Derivatives Markets Segment

MX is Canada’s only standardized financial derivatives exchange. Headquartered in Montréal, MX offers interest rate, index and equity derivatives. In 2009, 34.8 million contracts were traded on MX and there were over 22,000 MX market data subscriptions at December 31, 2009.

Through the Canadian Derivatives Clearing Corporation (CDCC), MX’s wholly-owned subsidiary, we provide clearing, settlement and risk management services. As the issuer of every option traded on MX’s markets, CDCC is the central counterparty and guarantor of all transactions carried out on MX’s markets and over-the-counter, or OTC, products that are cleared by CDCC.

MX has a 53.8% ownership interest in BOX, a U.S. automated equity options market for which MX is the technical operator and technology developer. In 2009, 137.8 million contracts were traded on BOX.

MX also has a 51% ownership in the Montréal Climate Exchange Inc., or MCeX, a market for environmental products in Canada, jointly created with the Chicago Climate Exchange Inc. On May 30, 2008, MCeX launched trading of futures contracts on Canadian carbon dioxide equivalent units.

In March 2009, MX granted the London Stock Exchange Group plc (LSE) a license to use a customized version of SOLA® Trading, a leading derivatives trading technology developed by MX, for certain LSE affiliates and partners, including EDX London Limited (EDX). In addition, we acquired a 19.9% stake in EDX, the equity derivatives business of LSE on May 7, 2009, for $7.7 million.

We believe the acquisition of this equity position in EDX provides an avenue for us to participate in the growth and development of the European derivatives market, which adds a new geographic element to our diversification strategy. Trading on EDX was migrated to the SOLA trading platform in December 2009.

1 The “Derivatives Market” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.

2 MX revenue and income is included from May 1, 2008. Revenue from BOX is included from May 1, 2008 to August 28, 2008 as an equity investment, and then consolidated from August 29, 2008, with an adjustment made for non-controlling interests.

*Net income for 2009 was reduced by the non-cash goodwill impairment charge of $77.3 million.
Energy Markets Segment

Natural Gas Exchange Inc. (NGX) is a Canadian-based exchange through which customers can trade, clear and settle natural gas, crude oil and electricity contracts across North America. In 2009, NGX set a new record for energy volume with 14.8 million terajoules of natural gas and electricity contracts traded or cleared. These volumes exclude the Alberta Watt Exchange Limited (Watt-Ex) volumes, which represent electric operating reserve procurement for the Alberta Electric System Operator.

On May 1, 2009, we completed the acquisition of NTP, a leading Canadian electronic trading platform and clearing facility for crude oil products. Trading and clearing of NTP products was immediately transitioned to NGX’s crude oil clearing facility.

In August 2009, NGX launched clearing capabilities for the United States crude oil marketplace, adding further depth to NGX’s product offering as a full-service energy marketplace with clearing capabilities for both natural gas and crude oil to U.S. customers.

As of December 2009, NGX lists over 15 crude oil grades at 10 trading hubs in Canada and the U.S. NGX’s crude oil volumes for 2009 averaged over 4.1 million Bbls/mo (135,000 barrels per day).

Vision, Strategies and Priorities

Our Vision: To lead in the development and operation of efficient, integrated, neutral and transparent marketplaces providing services that facilitate the flow of capital while creating value for investors and businesses of all sizes.

Strategy: We are working to grow our diversified business horizontally, vertically and geographically by offering innovative cash and derivatives products across multiple asset classes.

We currently offer a broad range of cash and derivatives products, including products based on interest rates, equities, equity indices, foreign exchange, energy and environmental financial products. We plan to innovate by continuing to introduce new, customer-focused products, services and solutions to our marketplaces, including those that combine the cash and derivative markets.

Horizontal Expansion

- Further diversify our revenue base through expansion into new asset classes and products and create a substantially larger entity that is better positioned to compete globally.

3 NTP revenue and income is included from May 1, 2009 when we completed the acquisition.

4 The “Vision, Strategies and Priorities” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.
Vertical Expansion

- Further expand the depth of our product and service offerings to enhance our competitive position in cash, derivatives and energy markets.

Geographic Expansion

- Continue to extend our services and offerings outside of Canada to a broader array of investors and issuers by capitalizing on our strengths in natural resources, small and medium sized enterprises (SMEs) and technology.

TMX Group’s Strategic Priorities and Recent Accomplishments

**Strategic Priorities**

**Issuer Services**

- Enhancing our premium brand, promoting market integrity, expanding our superior product and service offerings, while maintaining competitive pricing.
- Increasing global marketing and business development and expanding our network of influencers and advisors.
- Diversifying our suite of products and services offered to issuers and enhancing existing products and services.
- Increasing investor participation and new sources of capital, and advocating for proportionate regulation and streamlined access to our markets.

**Trading**

**Cash Equities**

- Continuing to implement core technology initiatives, such as the TSX enterprise expansion to meet growing demand for reduced latency and expanded capacity.
- Reducing barriers to entry in our markets and continuing to pursue new international equities traders. This represents an opportunity to grow our overall trading volumes.
- Maintaining competitive pricing structure that reflects the value of our products and services.

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5 The “TMX Group’s Strategic Priorities and Recent Accomplishments” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information, Risks and Uncertainties” for a discussion of risks and uncertainties related to such statements.
• Identifying new opportunities to diversify revenue sources: including introducing new trading products such as on-book dark order types that will position TMX as the connectivity hub and a leading destination for dark trading in Canada.

Energy

• Maintaining and continuing to grow Canadian natural gas liquidity.
• Growing NGX’s market share of Canadian crude oil trading and clearing.
• Continuing U.S. expansion in natural gas and crude oil.
• Implementing clearing enhancements to reduce customer capital costs.
• Analyzing and pursuing new product opportunities.
• Enhancing technology for transaction efficiency.

Derivatives

• Accelerating the development of a Canadian exchange-traded derivatives market by promoting the strengths of our model: price transparency, liquidity and central counter-party clearing.
• Broadening our clearing service offering by pursuing and implementing opportunities in OTC markets.
• Leveraging alliances.

Market Data

• Continuing to enhance our product offering and adding global content across asset classes.
• Expanding international and web sales efforts.
• Pursuing opportunities within our multi-market environment to provide low latency consolidated datafeeds, co-location and data delivery solutions.

Recent Accomplishments

In 2009 and to date in 2010, we successfully advanced our strategy by executing on a number of initiatives across our business:

Issuer Services

• In 2009, 38 new exchange traded funds and exchange traded notes (ETFs) listed on Toronto Stock Exchange, bringing the total number to 122 with a total market capitalization of approximately $33.7 billion at December 31, 2009.
Our third annual U.S. roadshow promoting TMX Group equity exchanges held events in five cities in 2009. We also took our roadshow to seven cities in China and hosted TMX events in Australia, Brazil, Colombia, Peru, Hong Kong, South Africa, U.K., and Israel in 2009. We added 38 new international issuers (excluding TSX Venture Exchange graduates) in 2009, despite difficult market conditions.

In 2009, we held Clean Technology investor events in Vancouver, Montréal, San Diego and Los Angeles, where leading public and private clean technology and renewable power companies met with members of the Canadian financial and investment community to promote Canadian capital markets. Clean Technology and Renewable Power companies continue to raise capital and grow on Toronto Stock Exchange and TSX Venture Exchange, as we now list the highest number of clean technology companies in the world, raising more than $1 billion in equity financing in 2009, up more than 100% from 2008. At December 31, 2009 there were 123 clean technology companies listed on either Toronto Stock Exchange or TSX Venture Exchange with a combined market capitalization of approximately $12.9 billion.

Trading

Cash Equities

- In April 2009, we completed the launch of our smart order routing solution for Toronto Stock Exchange and TSX Venture Exchange Participating Organizations and Member Firms (collectively, POs). The TMX Smart Order Router provides subscribers with trading access to all visible Canadian marketplaces trading Toronto Stock Exchange and TSX Venture Exchange listed securities. The TMX router solution is designed to help customers operate more efficiently and cost effectively in a multiple marketplace environment.

- In May 2009, we completed the successful migration of all of TSX Venture Exchange symbols to the TSX Quantum trading engine.

- In November 2009, we successfully completed the implementation of our new TSX Quantum Order Entry Gateway, which was designed to support the dramatic increase in messaging rates and performance demands from the trading community.

- In January 2010, we commenced new technology initiatives designed to strengthen our competitive position and expand the breadth of the products and solutions offered to clients. Internal networks and storage infrastructure are being upgraded to further increase throughput capability. In addition, we are greatly expanding capacity to handle the ever-increasing number of messages; the first expansion phase, which is expected to be complete in Q1/10, is designed to more than double throughput capability in our TSX Quantum trading system.

Energy

- On May 1, 2009, we completed the acquisition of NTP. Trading and clearing of NTP products was immediately transitioned to NGX’s trading system and clearing facility.
In August 2009, NGX launched clearing capabilities for the United States crude oil marketplace, adding further depth to NGX’s product offering as a full-service energy marketplace with clearing capabilities for both natural gas and crude oil to U.S. customers.

NGX continued to expand its U.S. natural gas presence in 2009, launching physical clearing at ten additional hubs for a total of 20 U.S. locations at year end. In January 2010 NGX added three new natural gas clearing points, bringing the total number of U.S. locations to 23.

Derivatives

In 2009, MX re-introduced a five-year Government of Canada bond futures contract, and launched implied pricing functionality for our flagship Bankers’ Acceptance interest rate futures contract and a mini-sized futures contract on the S&P/TSX Composite Index.

In May 2009, we successfully launched the SOLA Clearing system. The new clearing platform, which leverages the strength of the SOLA technology, provides both better service to clients as well as the flexibility to enhance CDCC’s product offering.

On December 15, 2009, the Investment Industry Association of Canada (IIAC) announced that it had selected CDCC as a preferred partner to develop the infrastructure for central-counterparty services to the Canadian fixed income market. We believe our work on this project will bring important efficiencies to this market and support broad regulatory initiatives in fixed income clearing.

During 2009, we consolidated our equities and derivatives data centres to reduce customer costs of connectivity and facilitate the launch of new products.

In December, 2009, EDX and Oslo Børs began trading Nordic and Russian derivatives on TMX Group’s SOLA® trading system. The migration of these markets to SOLA trading technology brings a high level of performance and capacity and increased functionality, and serves to mark the completion of the first step in the development of the strategic partnership in derivatives between TMX Group and the LSE announced in March, 2009. TMX Group’s strategic alliance with the LSE was cemented when TMX Group took a 19.9% ownership stake in EDX in May 2009. Borsa Italiana is scheduled to transition to the SOLA platform in the second half of 2010.

Market Data

In January 2009, PC-Bond announced the launch of new benchmark bond indices for the Canadian fixed income marketplace – Volume BLOX™. The two initial Volume BLOX indices are based on bonds issued by the Provinces of Ontario and Quebec. Each new index includes six issues representing coverage across the yield curve for those issues at the benchmark term, with the greatest liquidity as measured by actual trade volume. These new indices further diversify our current product suite and offer the potential for future derivative products on the Montréal Exchange family of bond indices for the Canadian fixed income marketplace.
• In June 2009, the Canadian Securities Administrators (CSA) announced that TSX Inc., a wholly-owned subsidiary of TMX Group, will act as an information processor for exchange-traded equity securities for a period of five years. The role of an information processor is to provide a central source of consolidated Canadian equity market data that meets standards approved by regulators. We believe that our solution will serve the interests of all equity market participants, offering high-speed access to Canadian marketplace content for domestic and international clients.

• In September 2009, we announced a major expansion of our co-location services to offer additional equity and derivatives trading and market data clients the opportunity to co-locate and achieve lowest latency access to the TSX Quantum and SOLA trading enterprises. Co-location at our facilities will offer clients reduced response times, increase their effectiveness and permit them to better serve their own customers as high frequency multi-asset class trading becomes an increasingly important component of capital markets activity.

• In December 2009, TMX Datalinx announced its arrangement with NYSE Technologies to deliver innovative and world class data consolidation and connectivity solutions for the Canadian capital markets. The arrangement includes extending the global availability of TMX Datalinx Canadian market data through connectivity to NYSE Technologies’ Secure Financial Transaction Infrastructure® (SFTI®) locations across the United States and Europe; providing TMX Datalinx clients with enhanced international market data, including the U.S. consolidated tapes and global exchange feeds; and utilizing NYSE Technologies’ low-latency data consolidation platform to power the CSA-designated TMX Information Processor.

Market Conditions

Our revenue is impacted by the levels and nature of market activity on our exchanges. This activity is influenced by customer and product mix, including: volumes/contracts traded in cash equities and fixed income products, as well as derivatives and energy products; the number and market capitalization of listed issuers; the number and value of new and additional listings; as well as the number of subscribers to market data. While it is not possible to quantify the potential changes in some of these measures, future economic and market conditions will continue to affect these revenue drivers and impact future revenue and net income given our largely fixed cost structure.

The economic and market conditions in Canada and the rest of the world over the last year, had a mixed impact on the different aspects of our business and these revenue drivers. For example, the need and capability for issuers to rebuild their balance sheets led to record financing activity on our exchanges while the historically low and stable interest rate environment reduced the need for hedging and thus lowered trading activity in our interest rate derivative products.

6 The “Market Conditions and Outlook” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.
In addition, we continue to operate in the highly competitive exchange industry. Recently in Canada, new equity trading venues have entered the market and while volumes on our exchanges have grown, we have lost market share to these new entrants and significant pricing pressure is evident as we compete for order flow. A hyper-competitive environment also exists in the U.S. options market and has had a negative effect on BOX’s market share and revenue.

From a macro perspective, a recovery in the global and Canadian economies should have an overall positive impact on our key revenue drivers, as a growing economy typically leads to new public offerings and higher financing activity, while the growth of capital drives more investing and trading activity across all asset classes and venues.

Our belief is that over the long term, neutral exchanges and clearing houses with unconflicted ownership structures will become even more important. They will continue to provide transparent markets for price discovery, well regulated venues for capital formation and effectively collateralized clearing mechanisms for managing counterparty credit risk. We believe we are strategically positioned domestically and internationally to succeed in this environment.

**Core Business of TMX Group**

We derive revenue primarily from trading and clearing, issuer services and market data.

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**2009 revenue reported of $556.3 million**

- **Issuer Services**: 142.1 million (26%)
- **Market Data**: 146.0 million (26%)
- **Cash Markets**: 119.4 million (21%)
- **NGX***: 39.4 million (7%)
- **Derivatives****: 78.5 million (14%)

**2008 revenue reported of $532.6 million**

- **Issuer Services**: 152.2 million (29%)
- **Market Data**: 155.4 million (25%)
- **Cash Markets**: 145.7 million (27%)
- **NGX***: 29.8 million (6%)
- **Derivatives****: 47.2 million (9%)

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**Includes revenue from MX from May 1, 2008 and BOX from August 29, 2008 with an adjustment made for non-controlling interests) and full year 2009.**

**Includes revenue from NTP from May 1, 2009.**

Canadian GAAP requires that we recognize initial and additional listing fees over an estimated service period related to the fees, which we have determined to be ten years, even though we receive these fees upon completion of the transaction and they are non-refundable to customers.
We believe it is helpful to also show total revenue based on initial and additional listing fees billed* as this measure links these listing fees more closely with the listing transactions and cash flows we generate from these transactions. This is how our international peers, who currently report using International Financial Reporting Standards (IFRS), account for these fees.

The following is a reconciliation of total revenue based on initial and additional listing fees billed* to total revenue based on initial and additional listing fees reported:

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
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<tbody>
<tr>
<td>Total revenue based on initial and additional listing fees billed*</td>
<td>$ 586.6</td>
<td>$ 560.8</td>
</tr>
<tr>
<td>Initial and additional listing fees billed* and deferred to future periods</td>
<td>($ 99.8)</td>
<td>($ 90.0)</td>
</tr>
<tr>
<td>Recognition of initial and additional listing fees billed* and previously included in deferred revenue</td>
<td>$ 69.5</td>
<td>$ 61.8</td>
</tr>
<tr>
<td>Total revenue based on initial and additional listing fee revenue reported</td>
<td>$ 556.3</td>
<td>$ 532.6</td>
</tr>
<tr>
<td>Excess of initial and additional listing fees billed* over initial and additional listing revenue reported</td>
<td>$ 30.3</td>
<td>$ 28.2</td>
</tr>
</tbody>
</table>

** Includes revenue from MX from May 1, 2008 and BOX from August 29, 2008 with an adjustment made for non-controlling interests) and full year 2009.

*** Includes revenue from NTP from May 1, 2009.

* See discussion under the heading Non-GAAP Financial Measures.
Issuer Services

Revenue Composition

The following is a reconciliation of issuer services revenue based on initial and additional listing fees billed* to issuer services revenue based on initial and additional listing fees reported:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer services revenue based on initial and additional listing fees billed*</td>
<td>$172.4</td>
<td>$180.4</td>
</tr>
<tr>
<td>Initial and additional listing fees billed* and deferred to future periods</td>
<td>($99.8)</td>
<td>($90.0)</td>
</tr>
<tr>
<td>Recognition of initial and additional listing fees billed* and previously included in deferred revenue</td>
<td>$69.5</td>
<td>$61.8</td>
</tr>
<tr>
<td>Issuer services revenue based on initial and additional listing fee revenue reported</td>
<td>$142.1</td>
<td>$152.2</td>
</tr>
<tr>
<td>Excess of initial and additional listing fees billed* over initial and additional listing revenue reported</td>
<td>$30.3</td>
<td>$28.2</td>
</tr>
</tbody>
</table>

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* See discussion under the heading Non-GAAP Financial Measures.
Overview and Description of Products and Services

Our listings operations take place through Toronto Stock Exchange, our senior market, and TSX Venture Exchange, our junior market. TSX Venture Exchange also offers a board called NEX\(^7\) for issuers that have fallen below TSX Venture Exchange’s ongoing listing standards.

In general, issuers initially list on Toronto Stock Exchange either in connection with their initial public offerings (IPOs), or by graduating from TSX Venture Exchange. Junior companies generally list on TSX Venture Exchange either in connection with their IPOs or through alternative methods such as TSX Venture Exchange’s Capital Pool Company\(^{TM}\) (CPC) program or reverse takeovers.

Issuers list a number of different types of securities including conventional securities such as common shares, preferred shares, rights and warrants, and a variety of alternative types of securities such as exchangeable shares, convertible debt instruments, limited partnership units, ETFs and structured products. In December 2008, Toronto Stock Exchange amended its rules to list Special Purpose Acquisition Corporations (SPACs). The SPAC is an investment vehicle allowing issuers to go public with the intention to later merge with or acquire an operating company.

Issuers that meet initial and ongoing listing requirements of Toronto Stock Exchange or TSX Venture Exchange receive a range of benefits, including opportunities to efficiently access public capital, liquidity for existing investors, access to mentorship programs and the prestige and market exposure associated with being listed on one of Canada’s premier national stock exchanges. While we list issuers from a wide range of industries, we are a leader in listing issuers in the resource sectors, including mining and oil and gas companies. In addition, we are a

\(^7\) Unless otherwise indicated, market statistics and financial information for TSX Venture Exchange includes information for NEX.

\(^*\) See discussion under the heading Non-GAAP Financial Measures.
leader in listing SMEs, as well as issuers in the Clean Technology sector. In 2009, total financings raised on Toronto Stock Exchange were $60.0 billion, which surpassed the previous record of $47.6 billion set in 2007. TMX Group’s equity exchanges were sixth in the world by equity capital raised in 2009, an increase from our 2008 standing of seventh in the world.

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 companies in Canada.

**Key Statistics**

- At December 31, 2009, 1,462 issuers with an aggregate market capitalization of $1.8 trillion were listed on Toronto Stock Exchange, compared with 1,570 issuers at December 31, 2008 with an aggregate market capitalization of $1.3 trillion.

- At December 31, 2009, 2,375 issuers with an aggregate market capitalization of $36.3 billion were listed on TSX Venture Exchange, compared with 2,443 issuers at December 31, 2008 with an aggregate market capitalization of $17.1 billion.

**Pricing**

We generate issuer services revenue primarily by charging issuers the following types of fees:

*Initial Listing Fees*

Toronto Stock Exchange and TSX Venture Exchange issuers pay initial fees based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Initial listing fees billed fluctuate with the number of transactions and value of securities being listed or reserved in a given period. For accounting purposes, we recognize revenue from initial listing fees on a straight-line basis over a ten year period. Unamortized balances are recorded as part of “Deferred revenue - initial and additional listing fees” on the consolidated balance sheet.

*Additional Listing Fees*

Issuers already listed on one of our equity exchanges pay fees in connection with subsequent capital market transactions, such as the raising of new capital through the sale of additional securities. Additional listing fees are based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Additional listing fees billed fluctuate with the number of transactions and value of securities being listed or reserved in a given period. For accounting purposes, we recognize additional listing fees on a straight-line basis over a ten year period. Unamortized balances are recorded as part of “Deferred revenue - initial and additional listing fees” on the consolidated balance sheet.
Sustaining Listing Fees

Issuers listed on one of our equity exchanges pay annual fees to maintain their listing, based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. Sustaining listing fees provide a recurring revenue stream that typically fluctuates with the number of companies listed and their market capitalization. Sustaining listing fees are billed during the first quarter of the year, recorded as deferred revenue and amortized over the year on a straight-line basis.

Toronto Stock Exchange and TSX Venture Exchange expect most of their listed issuers to experience an increase in sustaining fees in 2010, due to higher market capitalization at December 31, 2009 when compared with December 31, 2008.

Prior to becoming effective, changes to Toronto Stock Exchange listing fees are filed with the Ontario Securities Commission (OSC). Any changes to TSX Venture Exchange listing fees must receive approval from the British Columbia Securities Commission (BCSC) and the Alberta Securities Commission (ASC).

2010 Pricing

Toronto Stock Exchange

We implemented a new listing fee schedule effective January 1, 2010. The key amendments to the listing fee schedule include changes to the additional listing variable rates and maximum fees (minimum fees remain unchanged). We previously increased additional listing fees in 2008. Initial listing and sustaining listing fee rates remain unchanged. Based on historical financing activity, it was anticipated that total issuer services revenue reported would have increased by less than one percent and total issuer services fees billed∗ would have increased by about three to four percent on an annual basis as a result of these changes. Listing fees at all major exchanges were reviewed to ensure TSX fees remain competitive with those marketplaces.

TSX Venture Exchange

There are no planned price changes for 2010.

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8 The “Sustaining Listing Fees” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.

9 The “2010 Pricing-Toronto Stock Exchange” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.

∗ See discussion under the heading Non-GAAP Financial Measures.
**Competition**

We compete for listings both in North America and internationally, particularly for SMEs and resource companies. Domestically, we compete for junior listings with Canadian National Stock Exchange (CNSX).

While some Canadian companies seek a listing on another major North American or international exchange, the vast majority of these issuers tend to list on Toronto Stock Exchange or TSX Venture Exchange and do not bypass our markets. At December 31, 2009 there were 274 issuers interlisted on other exchanges, including 88 on NYSE, 41 on NASDAQ, 38 on AIM and 26 on ASX. In 2009, only 22 Canadian issuers bypassed our markets to list solely outside of Canada.

**Trading – Toronto Stock Exchange and TSX Venture Exchange, MX, NGX and Shorcan**

Trading, clearing and related revenue

<table>
<thead>
<tr>
<th>2009 trading, clearing and related revenue of $237.3 million</th>
<th>2008 trading, clearing and related revenue of $222.7 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy - NGX***</td>
<td>59.4</td>
</tr>
<tr>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Cash Markets</td>
<td>119.4</td>
</tr>
<tr>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>Derivatives-MX and BOX**</td>
<td>78.5</td>
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<tr>
<td>33%</td>
<td></td>
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<tr>
<td>Energy - NGX</td>
<td>29.8</td>
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<td>13%</td>
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<tr>
<td>Cash Markets</td>
<td>145.7</td>
</tr>
<tr>
<td>66%</td>
<td></td>
</tr>
<tr>
<td>Derivatives-MX and BOX**</td>
<td>47.2</td>
</tr>
<tr>
<td>21%</td>
<td></td>
</tr>
</tbody>
</table>

**Includes revenue from MX from May 1, 2008 and BOX from August 29, 2008 with an adjustment made for non-controlling interests) and full year 2009.**

***Includes revenue from NTP from May 1, 2009.

**Toronto Stock Exchange and TSX Venture Exchange – Cash Equities Trading**

**Overview and Description of Products and Services**

Toronto Stock Exchange and TSX Venture Exchange trading occurs on a continuous basis on our fully electronic trading systems throughout the day. POs, acting as principals or agents for retail and institutional investors, place orders to buy or sell securities. Trading sessions begin with the market open in an auction format. Toronto Stock Exchange sessions end with an extended trading session in which trades occur at the closing price, referred to as a single price closing call market. Trading also occurs through crosses in which POs internally match orders and report them through the exchanges. All trades are cleared and settled through The Canadian Depository for Securities Limited (CDS), a recognized clearing agency in which we have an
approximate 18% ownership interest. The other owners of CDS are the major Canadian chartered banks and the Investment Industry Regulatory Organization of Canada (IIROC).

We work to meet market demands by offering superior technology distribution, innovative products and competitive trading fees. In Q4/08, we announced the launch of a new Electronic Liquidity Provider (ELP) incentive program, offering significant fee incentives to experienced high velocity traders. It is our view that ELP program participants benefit the Canadian equity markets by tightening bid/ask spreads, reducing friction costs, increasing overall turnover and attracting more liquidity from outside Canada.

**Technology**

In April 2009, we completed the launch of our smart order routing solution for Toronto Stock Exchange and TSX Venture Exchange POs. In May 2009, we completed the successful migration of all of TSX Venture Exchange’s symbols to the TSX Quantum engine. Toronto Stock Exchange symbols completed migration in May 2008. Most recently we launched the enhanced TSX Quantum gateway. The new gateway is built on the same technology as the TSX Quantum trading engine, and we completed the rollout in November 2009.

In keeping with our commitment to deliver state of the art levels of technology to our markets, we are continuing to invest in and are planning a multi-phased initiative to upgrade the infrastructure across our trading and data enterprise. With increased volumes from high frequency traders, it is also critical that we 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 Q1/10, 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 hardware beginning in 2H/10. 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.

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10 The “Technology” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.
**Key Statistics**


- The volume of securities traded on TSX Venture Exchange in 2009 increased by 6% over 2008 (46.8 billion securities in 2009 versus 44.1 billion securities in 2008). Transactions decreased by 10% in 2009 compared with 2008 (5.3 million in 2009 versus 5.9 million in 2008).

**Pricing**

We have a volume-based fee structure for issues traded on Toronto Stock Exchange and TSX Venture Exchange. This model was structured so that market participants have an incentive to enter orders in the central limit order book. When liquidity is added to the central limit order book, executed passive orders receive a credit on a per security basis, and when liquidity is removed from the central limit order book, each executed active order is charged on a per security basis. This trading revenue is recognized on the date when the trade is executed.

Effective October 1, 2009, fees under the ELP program were replaced with a single tier model (previously three tiers) which reduced the passive credit paid to ELP program participants. The active fee paid by ELP Program participants was also reduced in some cases. Also effective October 1, 2009, there was a reduction in active trading fees on stocks trading at less than $1 in the post-open continuous market.

In 2009, we announced a packaged pricing program offered to customers for a limited time period. Clients who qualify and enter into the equity trading packaged pricing program with TSX will receive the applicable program benefits provided the minimum thresholds are maintained.

Prior to becoming effective, changes to Toronto Stock Exchange and TSX Venture Exchange trading fees are filed with the OSC, BCSC and ASC.

**2010 Pricing**

On February 1, 2010, we announced comprehensive changes to the equity trading fee structure for securities trading under $1 on TSX Venture Exchange and Toronto Stock Exchange. The changes represent on average a reduction of approximately 50% in trading fees for these securities. The new fee structure will take effect on March 1, 2010, subject to regulatory approval.

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11 The “Pricing 2010” above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information, Risks and Uncertainties” for a discussion of risks and uncertainties related to such statements.
The new fee structure includes the elimination of the tiered pricing model that saw fees adjusted based on trader volumes and its replacement by a new, lower single fee schedule for securities trading under $1. This will benefit both active and passive traders in organizations of all sizes.

Based on recent historical trading activity, patterns, product and customer mix, changes to the trading fee structure could reduce revenue by approximately $15.0 to $18.0 million on an annual basis (or approximately 3% of our total revenue for 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.

**Competition and Market Share**

On December 1, 2001, regulatory changes permitting the creation of alternative trading systems (ATSs) in Canada were introduced. There are currently a number of ATSs operating or who intend to operate in Canada, both dark and visible trading venues, including mechanisms to internalize order flow within a PO. The largest competitive impact thus far has been from an ATS created by a group of Canada’s leading banks and investment dealers with multiple interests.

In 2009, TSX and TSX Venture Exchange held an 86% share of equities volume traded in Canada, compared with 98% in 2008. For the month of December 2009, our equity exchanges traded 76% of total volume traded in Canada, compared with 96% in December 2008. The competitive landscape has changed significantly as competitors pursue aggressive tactics while leveraging their liquidity relationships in order to procure market share from our equity exchanges. Our international business development efforts, core technology initiatives and responsive new products are fundamental to growing overall trading volumes.

We also compete for trading activity in the United States for those issuers that seek additional listings on other exchanges, referred to as interlistings, or dual listings. Interlistings generally raise the profile of issuers in the global market, and trading volumes for these issuers’ securities often increase across all markets as well as on Toronto Stock Exchange. Whether a significant portion of trading of a particular issuer remains in Canada following its interlisting depends on a number of factors, including the location of the issuer’s shareholder base and the location of research analysts who cover the issuer. Our cash equities sales team is focused on U.S. accounts with the goal of attracting more participants and order flow by raising the level of awareness regarding the benefits of trading on Toronto Stock Exchange and TSX Venture Exchange.

**MX and BOX - Derivatives Trading and Clearing**

**Overview and Description of Products and Services**

Our financial derivatives trading is conducted through MX, Canada’s only standardized financial derivatives exchange. In addition, MX owns 53.8% of BOX, a U.S. automated equity options market. Our derivatives markets derive revenue from MX’s trading, clearing, market data and business services activities as well as from trading on BOX.
MX developed a state-of-the-art robust, scalable and reliable electronic trading platform, called SOLA, currently in use at MX, BOX, EDX and Oslo Børs. In June 2009, we successfully launched the SOLA Clearing system. The new clearing platform, which leverages the strength of the SOLA technology, provides the flexibility to enhance CDCC’s product offering.

Products and Services

Derivatives-Trading

MX

MX offers interest rate, index and equity derivatives. Currently, the most important of these products are the Three-Month Canadian Bankers’ Acceptance Futures contract (BAX), the Ten-Year Government of Canada Bond Futures contract (CGB) and the S&P Canada 60 Index Futures contract (SXF). MX connects participants to its derivatives markets, builds business relationships with them and works with them to ensure that the derivatives offerings meet investor needs. In 2009 we re-introduced a five-year Government of Canada bond futures contract, introduced implied pricing functionality for our flagship Bankers’ Acceptance interest rate futures contract and launched a mini-sized futures contract on the S&P/TSX Composite Index.

BOX

BOX is an all-electronic equity derivatives market and was created as a simpler, faster, more transparent and less costly alternative to the existing U.S. market models. BOX was established in February 2002 by the Boston Stock Exchange, Inc. (BSE), MX and Interactive Brokers Group LLC, with MX as the principal shareholder, holding a 35% interest which was acquired with an initial investment of $4.3 million. With the addition of major U.S. liquidity providers as investing partners in 2003, MX’s interest in BOX was reduced to 31.7%. BOX began trading equity options in February 2004. MX implemented its SOLA® trading system at BOX in 2006.

In January 2005, two new shareholders of BOX purchased additional shares. Following these transactions, MX’s interest in BOX was reduced from 31.7% to 30.7%. In June 2005, MX acquired 0.7% of the capital stock of BOX for a cash consideration of $1.0 million, increasing its share in BOX to 31.4%.

MX announced on December 21, 2007 that it had reached an agreement to increase its ownership position in BOX from 31.4% to 53.2%. Under the terms of the agreement with the BSE, MX agreed to pay US$52.5 million in cash for the 21.9% partnership interest in BOX held by the BSE. On May 1, 2008, TMX acquired 100% of the MX. As part of the acquisition, all of the assets of the MX, including the 31.4% interest in BOX were fair valued. BOX was fair valued based on the agreement announced in December 2007. As a result of this exercise, TMX wrote up the carrying value of BOX to $75.9 million.

Subsequent to the May 1, 2008 fair value write-up, MX acquired the additional 21.9% interest in BOX for $58.0 million CAD giving MX the majority ownership interest of 53.3% in, and control of, BOX. In Q4/09, we determined that the carrying value of BOX was greater than its fair value.
As a result, we took a non-cash impairment charge of $77.3 million related to BOX (see Impairment of Goodwill).

BOX is one of multiple options markets in the U.S., offering an electronic equity derivatives market on almost 1,500 options classes. The options market in the U.S. is highly competitive. BOX had a unique make-or-take pricing structure rather than the payment for order flow model which became industry standard. As market share erosion accelerated in 2009, BOX changed the pricing model considerably in three stages, eliminating the make-or-take pricing and transitioning to more standard pricing. BOX has made further pricing changes for 2010 (see 2010 Pricing).

Derivatives-Clearing

Through CDCC, MX’s wholly-owned subsidiary, we generate revenue from clearing and settlement, as well as from options and futures exercise activities. CDCC offers central counterparty and clearing and settlement services for all transactions carried out on MX’s markets and on some OTC products. In addition, CDCC is the issuer of options traded on MX markets and the clearing house and guarantor for options and futures contracts traded on MX markets and for some products on the OTC market. CDCC reduces investor risk by guaranteeing all contractual commitments made between parties for transactions executed on MX’s markets. CDCC received a long-term rating of AA and a short-term rating of A1 from Standard and Poor’s. On December 15, 2009, the IIAC announced that it had selected CDCC as a preferred partner to develop the infrastructure for central-counterparty services to the Canadian fixed income market.

 Derivatives-Regulatory Division

MX is a self-regulatory organization (SRO) that has a major responsibility for maintaining the transparency, credibility and integrity of the exchange-traded derivatives market in Canada. MX’s Regulatory Division, which is operated independently of its other operations, is responsible for the regulation of its markets and its trading participants. The Regulatory Division is subject to the sole internal oversight of MX’s Special Committee – Regulatory Division. The Special Committee – Regulatory Division, which is appointed by the Board of Directors of MX, is composed of a majority of independent members, none of whom is a member of the Board of Directors of MX or CDCC. The Regulatory Division operates on a non-profit/cost-recovery basis.

Revenues generated by the Regulatory Division are from two sources: (1) regulatory fees, which are principally comprised of market surveillance fees collected by MX on behalf of its Regulatory Division, and (2) regulatory fine revenues, which are generated from fines levied by the Regulatory Division. Market regulation fees are recognized in the month in which the services are provided.

Any surplus in the Regulatory Division must be, subject to the approval of the Special Committee – Regulatory Division, redistributed to MX’s approved participants (excluding regulatory fine revenues, which cannot be redistributed) and any shortfall must be made up by a special assessment by MX’s participants or by MX upon recommendation of the Special
Committee – Regulatory Division. Regulatory fine revenues are accounted for separately from regulatory fees revenues and can be used only for specifically approved purposes, such as charitable or educational donations. Regulatory fine revenues are reflected in Trading, Clearing and Related Revenue.

**Key Statistics**

- MX volumes decreased by 9% (34.8 million contracts traded in 2009 versus 38.1 million contracts traded in 2008).

- BOX volumes decreased by 23% (137.8 million contracts in 2009 versus 178.7 million contracts traded in 2008).

**Pricing**

MX participants are charged fees for buying and selling derivatives products on a per transaction basis, determined principally by contract type and participant status. Since MX trading fee rates are charged on a per transaction basis, this trading revenue is directly correlated to the volume of contracts traded on the derivatives market. Derivatives trading revenue is recognized on the transaction date of the related transaction.

MX participants are charged fees for clearing and settlement on a per contract basis. These fees are charged at various rates based on the type of customer or member. Clearing and settlement revenues are correlated to the trading volume of such products and therefore fluctuate based on the same factors that affect our derivatives trading volume. Derivatives clearing revenue is recognized on the settlement date of the related transaction.

BOX participants are charged fees on a per transaction basis. Trading fees are directly correlated to the volume of contracts traded. Transaction fee revenue is considered earned upon execution of a trade and is recognized on a trade date basis.

Prior to becoming effective, changes to MX trading fees are filed with the Autorité des marchés financiers (AMF). Changes to BOX trading fees are filed with the US Securities and Exchange Commission (SEC).

**2010 Pricing**

There have been no major price changes announced by MX for 2010.

On January 1, 2010, BOX adjusted its pricing by establishing a tiered pricing schedule for market makers based on average daily volume. In addition, BOX reduced fees related to removing liquidity in various products as well as in contracts traded via its Price Improvement Period mechanism.
Competition

In Canada, our competition in derivatives is the over-the-counter, or OTC market.

While MX and CDCC are the only standardized financial derivatives exchange and clearing house in Canada, their various component activities are exposed, in varying degrees, to competition. We compete by offering market participants a state-of-the-art electronic trading platform, an efficient, cost-effective and liquid marketplace for trade execution, transparent market and quotation data and excellent product design. Additionally, we are continually enhancing our product offering and providing additional efficiencies to our customers. We are committed to improving the technology, services, market integrity and liquidity of our markets. In addition to competition from foreign derivatives exchanges that offer comparable derivatives products, the majority of derivatives trading occurs over the counter, or OTC, or bilaterally between institutions. We may in the future also face competition from Canadian marketplaces.

If a market were to be established in Canada in competition with MX, CDCC would be in a position to offer clearing services to that market, subject to obtaining the requisite regulatory approvals.

With respect to providing clearing services for certain OTC-traded contracts, CDCC is targeting markets that already are or could easily be the focus of foreign clearing houses. The nature of these markets makes them attractive targets for all clearing houses in good standing throughout the world. Once such services are in place in a given clearing house, the main criterion for attracting such business is merely that both counterparties to a transaction clear through members of the clearing house.

In the United States, MX competes for market share of trading single stock options based on Canadian-based interlistings, or dual listings. However, options traded in the U.S. are not fungible with those traded in Canada.

BOX operates in the highly competitive U.S. equity options market. BOX’s overall market share declined from 5% in 2008 to 4% in 2009. For the month of December 2009, BOX traded 2% of equity options traded in the U.S., compared with 7% in December 2008.

NGX

Overview and Description of Products and Services

NGX is a Canadian-based energy exchange with an electronic platform that trades and provides clearing and settlement services for natural gas, crude oil and electricity contracts. In February 2008, we embarked on a transformative technology and clearing alliance for the North American

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12 The “Competition” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.

13 The “Overview and Description of Products and Services” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.
natural gas and Canadian power markets between NGX and IntercontinentalExchange Inc. (ICE). This 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 energy and soft commodities marketplace. Under the arrangement, North American physical natural gas and Canadian electricity products are offered through ICE’s leading electronic commodities trading platform. NGX serves as the clearinghouse for these products.

In January 2010, NGX opened three new natural gas clearing points, and now serves 23 key U.S. hubs, or pricing points, in addition to the 14 Canadian hubs. We plan to provide physical clearing services at an additional 10 U.S. hubs as we build up our operational expertise and add committed clearing customers in 2010.

On May 1, 2009, we completed the acquisition of NTP, a leading Canadian electronic trading platform and clearing facility for crude oil products, and launched crude oil products on NGX’s trading system and clearing facility. The NGX model provides significant capital efficiencies to customers who trade in multiple commodities, however, the transition to a fully collateralized model is not automatic and we continue to work with customers to communicate the benefits and convert them. All but two NTP customers have moved to NGX and over 30 are active. In October 2006, we acquired Oxen Inc. (Oxen), which owns the Watt-Ex, a provider of ancillary services to the Alberta Electric System Operator which is used to balance supply and demand on the Alberta grid.

Key Statistics

- In 2009, NGX set a new record for energy volume with 14.8 million terajoules traded or cleared in natural gas, OTC, bilateral and crude oil contracts, surpassing the previous record of 14.4 million terajoules set in 2008, representing an overall increase of 3%. These volumes exclude the Watt-Ex volumes, which represent electric operating reserve procurement for the Alberta Electric System Operator.

- As of December 2009, NGX lists over 15 crude oil grades at 10 trading hubs in Canada and the U.S. NGX’s crude oil volumes for 2009 averaged over 4.1 million Bbls/mo (135,000 barrels per day).

Pricing

NGX generates trading and clearing revenue by applying fees to all transactions based on the contract volume traded or centrally cleared through the exchange, and charges a monthly fixed subscription fee to each trading customer who trades on NGX.

Fee changes are filed with the ASC and U.S. Commodity Futures Trading Commission (CFTC).

2010 Pricing

There have been no major price changes announced for 2010.
Competition

NGX’s business of trading and clearing natural gas, electricity and crude oil contracts faces primary competition in energy markets in Canada and the United States from other marketplaces, electronic trading and clearing platforms and from the OTC or bilateral markets (with support from voice brokers). Voice brokers continue to provide efficient contract matching services for both standardized and structured products and are expanding their service offerings to include access to clearing facilities for trading parties who may have credit constraints. Our alliance with ICE positions us to compete in the OTC markets for trading while providing clearing for OTC bilateral contracts. NGX is working with the energy voice brokers to provide clearing alternatives for standard off-exchange bilateral energy transactions.

Shorcan - Fixed Income & Energy Trading

Overview and Description of Products and Services

Shorcan primarily provides a facility for matching orders for Canadian federal, provincial, corporate and mortgage bonds and treasury bills and derivatives for anonymous or name-give-up buyers and sellers in the secondary market. Shorcan Energy Brokers Inc., a wholly owned subsidiary of Shorcan, provides a facility for matching buyers and sellers of energy products, including crude oil.

Key Statistics

- We estimate that the IDB market represents about 37% of total fixed income trading in Canada and that Shorcan’s share of this market is about 32% in 2009.

Pricing

Shorcan charges a commission on orders that are matched against an existing communicated order.

2010 Pricing

There have been no major price changes announced for 2010.

Competition

Shorcan has several competitors in the fixed income IDB and energy markets in Canada. Shorcan continues to work towards increasing market share as well as diversifying revenue.
Overview and Description of Products and Services

Real-Time Market Data Products

Trading activity on our equity exchanges produces a stream of real-time data reflecting orders and executed transactions. This stream of data is supplemented with value added content (e.g. dividends, earnings) and packaged by TMX Datalinx into real-time market data products and delivered, directly or indirectly, to end users directly or via more than 100 Canadian and global market data vendors that sell data feeds and desktop information services.

For our cash equities markets, we offer Level 1 and Level 2 real-time services for Toronto Stock Exchange and TSX Venture Exchange, including NEX. Level 1 provides trades, quotes, corporate actions and index information. Our Level 2 services provide a more in-depth look at the order book. Level 2 real-time products include Market-by-Price and Market Book for Toronto Stock Exchange and MarketDepth by Price and MarketDepth by Order for TSX Venture Exchange, which display all committed orders and trades. We offer direct data feeds to clients with trading strategies that require lower latency. We also provide market participants with low-latency access to consolidated real-time market data by way of our Consolidated Data Feed (CDF) and Canadian Best Bid and Offer (CBBO).

On June 5, 2009, the CSA announced that TSX Inc., a wholly-owned subsidiary of TMX Group, will act as an information processor for exchange-traded equity securities for a period of five years. The TMX Information Processor will offer the CDF, CBBO, Consolidated Last Sale (CLS) and the Consolidated Depth of Book (CDB) products. Three of the four IP products are

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14 The “Real-Time Market Data Products” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.
now in the market, although without the data contribution of one marketplace. The final IP product, the CDB, will be launched after that last marketplace provides its data. These products use third-party technology and are delivered to clients through existing telecommunication links with TSX Inc.

TMX Datalinx Canadian market data is available globally through connectivity to NYSE Technologies’ Secure Financial Transaction Infrastructure® (SFTI®) locations across the United States and Europe.

Co-Location

As part of our on-going effort 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 1H/10. 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 Q1/10 and we anticipate the next phase will be completed by Q2/10 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 2H/10.

Historical Market Data Products and Corporate Information

Historical market data products include market information (such as historical pricing, index constituents and weightings) and corporate information (such as dividends and corporate actions) used in research, analysis and trade clearing.

In June 2008, we launched www.tmxmoney.com, a new financial portal for Canadian and North American investors with new features, market information and investment tools.

Index Products – Equities

TMX Datalinx has an arrangement with Standard & Poor’s under which we share license fees received from organizations that create products, such as mutual funds and ETFs, based on the S&P/TSX indices. In general, these license fees are based on a percentage of funds under management in respect of those products.

Index and Analytics Products - Fixed Income

Our PC-Bond fixed income indices are widely used fixed income performance benchmarks in Canada. The best known of these indices is the Universe Bond Index, which tracks the broad Canadian bond market. In addition to this index, we now publish a variety of sub-indices for different term and credit sectors, as well as indices for tracking other segments of the market,

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15 The “Co-Location” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.
including high yield bonds, Euro Canadian bonds, maple bonds (Canadian dollar bonds issued by a non-Canadian issuer), Yankee bonds, inflation-indexed real return bonds, treasury bills and residential and commercial mortgage-backed securities.

In January 2009, PC-Bond announced the launch of new benchmark bond indices for the Canadian fixed income marketplace – Volume BLOX™. The two initial Volume BLOX indices are based on bonds issued by the Provinces of Ontario and Quebec. Each new index includes six issues representing coverage across the yield curve for those issues at the benchmark term, with the greatest liquidity as measured by actual trade volume.

PC-Bond offers an analytical software system for trading and managing fixed income securities, leveraging an extensive database of issue information and historical pricing.

Derivatives Real-Time Market Data

MX sells real-time trading and historical data to market participants on a global basis.

The SOLA High Speed Vendor Feed (HSVF) is a real-time service for the Montréal Exchange’s real-time trading and statistical information (comprised of trades, quotes, market depth, strategies, bulletins, summaries and other statistics). The MX Data Feed provides access to both level one and level two real-time data. The feed covers all securities traded on MX, including Canadian interest rate, currency, index and equity derivatives contracts.

Market data revenue is also generated by the sale of data to resellers of information as well as the sale of individual quotes via the Internet.

BOX also resells its market data. Like the other U.S. options markets, it resells such data through a marketplace service known as OPRA (Options Price Reporting Authority), which collects data from the options exchanges and disseminates it to entities which then resell it.

Key Statistics

- There were over 153,000 professional and equivalent real-time market data subscriptions to TMX Datalinx products at December 31, 2009 compared with over 162,000 at December 31, 2008.
- There were over 22,000 MX market data subscriptions at December 31, 2009 and over 28,000 at December 31, 2008.
- Combined, our web properties www.tmx.com and www.tmxmoney.com attract over 1.2 million unique visitors a month, and generated a total of over 311 million page views in 2009.

Pricing

Subscribers to TMX Datalinx data generally pay fixed monthly rates for access to real-time streaming data, which differ depending on the number of end users and the depth of information.
accessed. In addition to streaming data, many individual investors consume real-time quote data, for which we charge on a per quote basis. Real-time data fees are primarily driven by the number of market data subscriptions and therefore are partly related to industry employment. Unfavourable economic and market conditions in late 2008 and 2009 impacted employment levels in the financial services sector. This caused a decline in the number of market data subscriptions in 2009. Generally, there is a lag effect between the timing of announced industry employment reductions and subscription cancellations. We charge market data vendors and direct feed clients a fixed monthly fee for access to data feeds.

Generally, we sell historical data products for a fixed amount per product accessed. Fees vary depending on the type of end use. Data products to be used for commercial purposes require an enterprise-wide license for internal and external redistribution. We produce two electronic reference data publications for each equity exchange, a Daily Record and a Monthly Review, both of which are sold on a subscription and firm license basis.

In 2009, approximately 40% of our market data revenue was billed in U.S. dollars. We do not currently hedge this revenue and are therefore subject to foreign exchange fluctuations.

Prior to becoming effective, changes to certain TMX Datalinx market data fees related to Toronto Stock Exchange and TSX Venture Exchange market data are filed with the OSC, BCSC and ASC. Changes to MX market data fees are filed with the AMF.

2010 Pricing

In October 2009, we announced changes to TMX Datalinx market data prices which took effect January 1, 2010. This decision followed a review of market data fees on other major global exchanges, and changes in the US currency rate. Based on historical subscription levels, it is anticipated that total market data revenue could increase by approximately 1-2% (based on 2009 market data revenue) on an annual basis. However, future product mix and usage may vary, which could impact market data revenue.

Competition

With the advent of a multi-marketplace environment in Canada, we face competition from these venues in market data. Market data is generated from trading activity and the success of certain data products is contingent on maintaining order flow. We have continued to diversify and target new data customers with recent initiatives such as the combination of our equities and derivatives data centres and the expansion of our co-location services. We have also expanded our market data business internationally with our recently announced data technology and distribution agreement with NYSE Technologies.

16 The “2010 Pricing” section above contains certain forward looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.
Business Services and Other Revenue

We provide technology solutions to exchanges and other industry participants in circumstances where there is a financial or strategic interest. Our team of exchange technology professionals have extensive industry experience in installing and operating trading and related systems at our exchanges as well as other global exchanges.

- In 2009, business services and other revenue represented $30.9 million, or 6% of our revenue.
- In 2008, business services and other revenue represented $22.3 million, or 4% of our revenue.

Cash Markets Business Services

We currently provide IIROC technology and related services necessary for it to conduct its review and real-time monitoring of trading on equity marketplaces. IIROC pays us fees for these services, negotiated on an arm’s length basis, in accordance with a five year agreement which also details service levels.

Derivatives Markets Business Services

In 2008, business services revenue included revenue from technology services provided to BOX for the four months prior to August 29, 2008, the date when BOX became a subsidiary of MX. Revenue from BOX from August 29, 2008 to December 31, 2008 and in 2009 is eliminated upon consolidation.

Business services revenue for 2009 includes a one-time license fee of $13.5 million from the technology services arrangement with the LSE to license a customized version of SOLA Trading for certain LSE affiliates and partners.

Regulation

TMX Group, TSX Inc., TSX Venture Exchange Inc. and MX are all regulated as exchanges in Canada. NGX is regulated as an exchange and a clearing agency in Canada. NGX is also registered as a derivatives clearing organization with the U.S. CFTC. CDCC is regulated as an SRO in Quebec by the AMF and is subject to regulatory requirements of the SEC and various U.S. state securities regulators. BOX is an electronic equity options market and is regulated by the SEC. Shorcan is an OSC registrant under the category of “limited market dealer” and has been approved by the IIROC to act as an inter-dealer broker.

The OSC is the lead regulator for TMX Group and TSX Inc. (which operates Toronto Stock Exchange). The AMF is the lead regulator for MX. The Alberta and British Columbia Securities Commissions are the joint lead regulator for TSX Venture Exchange Inc. (which operates TSX Venture Exchange), and the Alberta Securities Commission is also the lead regulator for NGX in Canada. The SEC regulates BOX.
Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

The following is a reconciliation of net income to adjusted net income** prior to the non-cash goodwill impairment charge in 2009 related to BOX, income tax charges which reduced the value of future tax assets and liabilities in 2009 and a loss on termination of joint venture in 2008:

Net Income GAAP to non-GAAP Reconciliation for 2009 and 2008

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$104.7</td>
<td>$182.0</td>
</tr>
<tr>
<td>Adjustment related to non-cash impairment of goodwill pertaining to investment in BOX</td>
<td>$ 77.3</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment related to a reduction in the value of future tax assets and liabilities</td>
<td>$ 10.4</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment related to loss on termination of joint venture</td>
<td>-</td>
<td>$ 15.2</td>
</tr>
<tr>
<td>Adjusted net income</td>
<td>$192.4</td>
<td>$197.2</td>
</tr>
</tbody>
</table>

** See discussion under the heading “Non-GAAP Financial Measures”.

35
The following is a reconciliation of earnings per share to adjusted earnings per share** prior to the non-cash goodwill impairment charge in 2009 related to BOX, income tax charges which reduced the value of future tax assets and liabilities in 2009 and a loss on termination of joint venture in 2008:

## Earnings per share GAAP to non-GAAP Reconciliation for 2009 and 2008

<table>
<thead>
<tr>
<th></th>
<th>2009 Basic</th>
<th>2009 Diluted</th>
<th>2008 Basic</th>
<th>2008 Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>$1.41</td>
<td>$1.41</td>
<td>$2.48</td>
<td>$2.47</td>
</tr>
<tr>
<td>Adjustment related to non-cash impairment of goodwill pertaining to investment in BOX</td>
<td>$1.04</td>
<td>$1.04</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment related to a reduction in the value of future tax assets and liabilities</td>
<td>$0.14</td>
<td>$0.14</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment related to loss on termination of joint venture</td>
<td>-</td>
<td>-</td>
<td>$0.21</td>
<td>$0.21</td>
</tr>
<tr>
<td>Adjusted earnings per share</td>
<td>$2.59</td>
<td>$2.59</td>
<td>$2.69</td>
<td>$2.68</td>
</tr>
</tbody>
</table>

Net income was $104.7 million or $1.41 per common share for 2009 on a basic and diluted basis, compared with net income of $182.0 million or $2.48 per common share ($2.47 on a diluted basis) for 2008, representing a decrease in net income of 42%. Net income for 2009 was reduced by a non-cash goodwill impairment charge of $77.3 million, or $1.04 per common share, on a basic and diluted basis related to BOX. Net income for 2009 was also reduced by a write-down in the value of future tax assets and liabilities which related to a reduction in Ontario corporate income tax rates. The tax adjustment also had no impact on cash flows and resulted in a reduction in net income for 2009 of $10.4 million, or 14 cents per common share on both a basic and diluted basis. In 2008, net income was reduced by $15.2 million, or 21 cents per common share on a basic and diluted basis due to a payment to ISE Ventures with respect to the termination of our derivatives joint venture.

Adjusted net income** for 2009 of $192.4 million, or adjusted EPS** of $2.59 per common share on a basic and diluted basis, was lower than adjusted net income** of $197.2 million, or adjusted EPS** of $2.69 per common share ($2.68 on a diluted basis) for 2008, due to lower cash markets equity trading revenue, lower issuer services revenue, increased expenses, partially related to new technology initiatives, and lower investment income. The decreases were partially offset by higher energy trading, cash markets fixed income trading and market data revenue and higher business services revenue which included the license fee of $13.5 million (or 14 cents per

** See discussion under the heading “Non-GAAP Financial Measures”.

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common share on a basic and diluted basis) from the LSE. In addition, our 2009 financial statements reflect a full year of MX results compared with eight months of results in 2008. BOX’s results were consolidated in our 2009 financial statements (with an adjustment made for non-controlling interests) and were only consolidated in our 2008 financial statements from August 29, 2008. From May 1, 2008, to August 28, 2008, 31.4% of earnings from BOX were included as Income from investments in affiliates.*

Revenue

Revenue was $556.3 million in 2009, up $23.7 million, or 4% compared with $532.6 million for 2008, reflecting $113.9 million in revenue related to the business operations of MX and BOX, compared with $63.5 million from MX following the combination on May 1, 2008 and BOX from August 29, 2008. The increase was also due to increased energy and cash markets fixed income trading and market data revenue, which was more than offset by lower cash markets equity trading and issuer services revenue, related to sustaining listing fees and other issuer services.

Issuer Services Revenue

The following is a summary of issuer services revenue reported based on initial and additional listing fee revenue reported, and issuer services revenue based on initial and additional listing fees billed** (reconciled below in this section) in 2009 and 2008.

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th></th>
<th>Billed**</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2008</td>
<td>$ increase/</td>
<td>% increase/</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(decrease)</td>
<td>(decrease)</td>
</tr>
<tr>
<td>Initial listing fees</td>
<td>$16.9</td>
<td>$16.0</td>
<td>$0.9</td>
<td>6%</td>
</tr>
<tr>
<td>Additional listing fees</td>
<td>$57.6</td>
<td>$51.3</td>
<td>$6.3</td>
<td>12%</td>
</tr>
<tr>
<td>Sustaining listing fees</td>
<td>$54.7</td>
<td>$69.6</td>
<td>($14.9)</td>
<td>(21%)</td>
</tr>
<tr>
<td>Other issuer services</td>
<td>$12.9</td>
<td>$15.3</td>
<td>($2.4)</td>
<td>(16%)</td>
</tr>
<tr>
<td>Total</td>
<td>$142.1</td>
<td>$152.2</td>
<td>($10.1)</td>
<td>(7%)</td>
</tr>
</tbody>
</table>

Initial and additional listing fees are non-refundable fees paid by listed issuers for the listing or reserving of securities. These fees are recorded as “deferred revenue – initial and additional listing fees” and recognized on a straight-line basis over an estimated service period of ten years.

In the case of Toronto Stock Exchange, listed issuers are billed for initial and additional listing fees and there is a lag between the time when securities are issued or reserved and the time when these listing fees are paid by Toronto Stock Exchange listed issuers. For TSX Venture Exchange issuers, fees are paid either prior to, or at the time of, listing or reserving securities. The

* Based on MX’s ownership interest in BOX, prior to acquisition of control.

** See discussion under the heading “Non-GAAP Financial Measures”.


following is a reconciliation of initial and additional listing fees billed** to initial and additional listing fees reported:

### Initial Listing Fees (in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial listing fees billed**</td>
<td>$12.8</td>
<td>$18.6</td>
</tr>
<tr>
<td>Initial listing fees billed** and deferred to future periods</td>
<td>($12.3)</td>
<td>($17.4)</td>
</tr>
<tr>
<td>Recognition of initial listing fees billed** and previously included in deferred revenue</td>
<td>$16.4</td>
<td>$14.8</td>
</tr>
<tr>
<td>Initial listing fee revenue reported</td>
<td>$16.9</td>
<td>$16.0</td>
</tr>
</tbody>
</table>

### Additional Listing Fees (in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional listing fees billed**</td>
<td>$92.0</td>
<td>$76.9</td>
</tr>
<tr>
<td>Additional listing fees billed** and deferred to future periods</td>
<td>($87.5)</td>
<td>($72.6)</td>
</tr>
<tr>
<td>Recognition of additional listing fees billed** and previously included in deferred revenue</td>
<td>$53.1</td>
<td>$47.0</td>
</tr>
<tr>
<td>Additional listing fee revenue reported</td>
<td>$57.6</td>
<td>$51.3</td>
</tr>
</tbody>
</table>

- **Initial and additional listing fees reported** increased in 2009 compared with 2008, reflecting an increase in capital market activity during the period from April 1, 1999 to December 31, 2009 compared with the period from April 1, 1998 to December 31, 2008. **Initial listing fees billed** decreased in 2009 compared with 2008. While the value of initial financings on Toronto Stock Exchange in 2009 increased compared with 2008, substantially all IPOs related to ETFs or structured products, for which we charge a lower fee. The corporate IPOs were high value transactions, for which issuers paid the maximum listing fee. In addition, there was also a decrease in initial financings on TSX Venture Exchange. **Additional listing fees billed** in 2009 increased over 2008 due to an increase in additional financings on Toronto Stock Exchange. While the value of additional financings on Toronto Stock exchange increased in 2009, this was driven by a larger proportion of high value transactions, for which issuers paid the maximum additional listing fee. The positive impact from additional financings on Toronto Stock Exchange was somewhat offset by a decrease in additional financings on TSX Venture Exchange.

- Issuers listed on Toronto Stock Exchange and TSX Venture Exchange pay annual sustaining listing fees primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. The decrease in sustaining listing fees was due to the overall lower market capitalization of listed issuers at the end of the prior calendar year. **See discussion under the heading “Non-GAAP Financial Measures”**.
of 2008 compared with the end of 2007, somewhat offset by price changes on Toronto Stock Exchange that were effective January 1, 2009.

- Other issuer services revenue of $12.9 million decreased from $15.3 million in 2008, reflecting lower demand for investor relations services.

Trading, Clearing and Related Revenue

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ increase/ (decrease)</th>
<th>% increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash markets revenue</td>
<td>$ 119.4</td>
<td>$ 145.7</td>
<td>$( 26.3)</td>
<td>(18%)</td>
</tr>
<tr>
<td>Derivatives markets revenue</td>
<td>$ 78.5</td>
<td>$ 47.2</td>
<td>$ 31.3</td>
<td>66%</td>
</tr>
<tr>
<td>Energy markets revenue</td>
<td>$ 39.4</td>
<td>$ 29.8</td>
<td>$  9.6</td>
<td>32%</td>
</tr>
<tr>
<td>Total</td>
<td>$ 237.3</td>
<td>$ 222.7</td>
<td>$ 14.6</td>
<td>7%</td>
</tr>
</tbody>
</table>

Cash Markets

- Cash markets equity trading revenue decreased due to the impact of changes to our equity trading fee schedule which were effective January 1, 2009, and a change in trading mix. The fee changes included increased credits to ELP market participants, a reduction in the spread between active fees and passive credits, and the elimination of a premium fee on ETF transactions. We implemented further changes to the equity trading fee schedule on October 1, 2009. Fees under the ELP Program were replaced with a single tier model which reduced the passive credit paid to ELP Program participants. The active fee paid by ELP Program participants was also reduced in some cases. Effective October 1, 2009, there was also a reduction in active trading fees on stocks trading at less than $1 in the post-open continuous market.

- In addition, during 2009, there were changes in customer and product mix including a higher proportion of volumes coming from market makers and new ELP market participants.

- This decrease was partially offset by a 9% increase in the volume of securities traded on Toronto Stock Exchange in 2009 over 2008 (118.5 billion securities in 2009 versus 109.2 billion securities in 2008) and a 6% increase in the volume of securities traded on TSX Venture Exchange in 2009 over 2008 (46.8 billion securities in 2009 versus 44.1 billion securities in 2008).

- The decrease in Cash Markets equity trading revenue was partially offset by an increase in Shorcan Cash Markets fixed income trading revenue related to Government of Canada bonds and provincial bonds in 2009 versus 2008.
Derivatives Markets

- Derivatives markets revenue reflects $78.5 million in trading and clearing revenue from MX and trading revenue from BOX for the full year 2009, compared with $47.2 million from MX in 2008 following the combination on May 1, 2008 and BOX from August 29, 2008 when BOX’s results were consolidated into our financial statements, with an adjustment for non-controlling interests.

- MX volumes decreased by 9% (34.8 million contracts traded in 2009 versus 38.1 million contracts traded in 2008) reflecting reduced trading in both the BAX and CGB contracts, as well as stock index derivatives, partially offset by an increase in stock options and ETF options derivatives trading. We believe the reduction in fixed income futures trading was a reflection of the recent interest rate environment of historically low rates with little volatility.

- BOX volumes decreased by 23% (137.8 million contracts in 2009 versus 178.7 million contracts traded in 2008) reflecting increased competition and a weakening market share in the U.S. equity options trading market.

Energy Markets

- Energy markets revenue increased due to the inclusion of revenue from crude oil trading following the acquisition of NTP on May 1, 2009. NGX’s crude oil volumes for 2009 averaged over 4.1 million Bbls/mo or 135,000 barrels per day.

- The increase was also due to pricing changes on natural gas contracts that were effective January 1, 2009, the change in the exchange rate of the U.S. dollar relative to the Canadian dollar in 2009 compared with 2008 and also as a result of NGX having deferred less revenue in 2009, on a net basis, than in 2008 due to a reduced level of forward contracts.

- Energy markets revenue also increased due to a 3% increase in the volumes of natural gas, over the counter, or OTC, bilateral and crude oil contracts traded or cleared on NGX over 2008 (14.8 million terajoules in 2009 compared to 14.4 million terajoules in 2008). This excludes Watt-Ex volumes.

Market Data Revenue

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ increase</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 146.0</td>
<td>$ 135.4</td>
<td>$ 10.6</td>
<td>8%</td>
</tr>
</tbody>
</table>

- Market data revenue included $16.2 million in revenue related to the business operations of MX and BOX in 2009, compared with $9.4 million from MX from May 1, 2008 and BOX from August 29, 2008. There was a 13% decrease in the average number of MX market data subscriptions in 2009 compared with the eight months from May 1, 2008 to
December 31, 2008. There were over 22,000 MX market data subscriptions at December 31, 2009.

- The increase was also due to higher revenue from data feeds, index products, usage-based quotes, indices and other data products, the change in the exchange rate of the U.S. dollar relative to the Canadian dollar in 2009 compared with 2008, as well as pricing changes that were effective January 1, 2009.

- The increase was partially offset by an 8% decrease in the average number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products in 2009 compared with 2008. There were over 153,000 professional and equivalent real-time market data subscriptions at December 31, 2009.

- In addition, the increase was partially offset by lower revenue recoveries related to under-reported usage of real-time quotes in 2009 compared with 2008 and an increase in revenue provisions.

**Business Services and Other Revenue**

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ increase</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$30.9</td>
<td>$22.3</td>
<td>$8.6</td>
<td>39%</td>
</tr>
</tbody>
</table>

- *Business services* revenue increased primarily due to $13.5 million in revenue received from the LSE under our technology license agreement.

- The increase was partially offset by the elimination of revenue from BOX for technology and other services provided by MX. *Business services* revenue in 2008 included four months of related revenue from BOX. This revenue has been eliminated as BOX is now a consolidated subsidiary of MX.

- The increase was also partially offset by net foreign exchange losses on U.S. dollar accounts receivable.

**Operating Expenses**

Operating expenses in 2009 were $273.1 million, an increase of $45.9 million, or 20%, as compared with $227.2 million in 2008. The increase was due primarily to the inclusion of $75.9 million of expenses related to MX and BOX, versus $43.3 million related to MX from May 1, 2008 to December 31, 2008 and the operations of BOX from August 29, 2008 to December 31, 2008. In addition, we incurred higher expenses related to various technology initiatives in 2009 compared with 2008.

These higher expenses were partially offset by the cost synergies related to the integration with MX. By Q4/09, we had achieved the previously announced $25.0 million in cost synergies on a
run rate basis when compared with the 2008 business plans of the separate organizations through headcount reductions, reducing corporate support costs, combining our data centres and other technology initiatives.

**Compensation and Benefits**

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ increase</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$129.4</td>
<td>$110.6</td>
<td>$18.8</td>
<td>17%</td>
</tr>
</tbody>
</table>

- **Compensation and benefits** costs increased primarily due to the inclusion of $28.6 million in costs related to MX and BOX. There were $16.9 million in costs related to MX in 2008 following the combination on May 1, 2008 and BOX from August 29, 2008.

- The increase was also attributable to higher costs associated with technology initiatives, increased overall costs related to certain performance incentives, higher organizational transition costs and increased costs associated with salary increases compared with 2008, partially offset by lower costs related to an accounting adjustment to post retirement benefit costs of $0.8 million.

- There were 849 employees at December 31, 2009, which included 7 NTP employees, versus 845 employees at December 31, 2008. The number of additional employees related to technology initiatives was more than offset by a reduction in the number of employees due to efficiencies realized through the integration of MX.

**Information and Trading Systems**

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ increase</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$46.1</td>
<td>$35.6</td>
<td>$10.5</td>
<td>29%</td>
</tr>
</tbody>
</table>

- **Information and trading systems** costs included $6.6 million in costs related to MX and BOX, compared with $3.9 million in costs related to MX in 2008 following the combination on May 1, 2008 and BOX from August 29, 2008.

- **Information and trading systems** costs also increased due to costs associated with our technology initiatives including enterprise expansion, the TSX Quantum gateway and the smart order router.

- In addition, there were higher expenses related to NGX’s arrangement with ICE.

- During Q4/09, we reclassified some leases as capital leases versus operating leases. As a result, **Information and Trading Systems** costs were reduced and amortization of the related costs increased (see Amortization).
General and Administration

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ increase</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 65.5</td>
<td>$ 55.7</td>
<td>$9.8</td>
<td>18%</td>
</tr>
</tbody>
</table>

- *General and administration* costs included $23.5 million in costs related to MX and BOX, compared with $13.0 million in costs related to MX in 2008 following the combination on May 1, 2008 and BOX from August 29, 2008.

- *General and administration* costs also increased as a result of higher insurance costs relating to NTP, which were more than offset by lower lease costs of $1.3 million resulting from a change in estimate of a lease liability.

Amortization

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ increase</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 32.2</td>
<td>$ 25.3</td>
<td>$6.9</td>
<td>27%</td>
</tr>
</tbody>
</table>

- *Amortization* costs increased reflecting amortization of $15.2 million related to MX and BOX, compared with $9.5 million related to MX in 2008 following the combination on May 1, 2008 and BOX from August 29, 2008.

- During Q4/09, we entered into a number of new capital leases. In addition, we reclassified some leases as capital leases versus operating leases. As a result, *Amortization* costs increased by $2.7 million.

- The increase was somewhat offset by reduced amortization relating to assets that were fully depreciated by 2009.

Income from Investments in Affiliates

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 0.4</td>
<td>$ 1.4</td>
<td>($ 1.0)</td>
</tr>
</tbody>
</table>

- *Income from investments in affiliates* of $0.4 million represents TSX Inc.’s share of CanDeal income for 2009 based on its 47% interest in CanDeal, compared with $0.7 million from 2008. CanDeal is an electronic trading system for the institutional debt market.
• In 2008, *Income from investments in affiliates* included $0.7 million representing MX’s share of BOX income, based on its 31.4% interest in BOX from May 1, 2008 to August 28, 2008.

**Impairment of Goodwill**

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 77.3</td>
<td>-</td>
<td>$ 77.3</td>
</tr>
</tbody>
</table>

• Primarily due to increased competition and a weakening market share in the US equity options trading market, which resulted in a decline in current and forecasted revenues, we recorded a non-cash goodwill impairment charge of $77.3 million related to our investment in BOX.

**Investment Income**

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ (decrease)</th>
<th>% (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 4.6</td>
<td>$ 14.8</td>
<td>($10.2)</td>
<td>(69%)</td>
</tr>
</tbody>
</table>

• *Investment income* decreased due to a reduction in cash available for investment and lower overall returns on investments during 2009 compared with 2008.

**Interest Expense**

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ (decrease)</th>
<th>% (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 6.1</td>
<td>$ 10.5</td>
<td>($4.4)</td>
<td>(42%)</td>
</tr>
</tbody>
</table>

• *Interest expense* decreased as a result of lower interest rates on the debt outstanding. On April 30, 2008, we borrowed $430.0 million in Canadian funds related to financing the cash consideration of the purchase price for MX (*see Long-term Debt*).
Mark to Market on Interest Rate Swaps – Loss

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ (decrease)</th>
<th>% (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1.4</td>
<td>$13.3</td>
<td>($11.9)</td>
<td>(89%)</td>
</tr>
</tbody>
</table>

- We entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on our long-term debt, effective August 28, 2008 (see Long-term Debt).

- During 2009, unrealized gains of $6.8 million and realized losses of $8.2 million were reflected in net income, compared with unrealized losses of $12.5 million recorded in 2008 and realized losses of $0.8 million recognized in 2008.

Other Acquisition Related Expenses

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ -</td>
<td>$15.9</td>
<td>($15.9)</td>
</tr>
</tbody>
</table>

- In August 2007, TMX Group and ISE Ventures announced the execution of a shareholders’ agreement for CDEX Inc. (CDEX), which was created to operate DEX, a new Canadian derivatives exchange scheduled to begin operations in March 2009. In connection with the agreement to combine with MX, we provided ISE Ventures with a notice of a competing transaction as required under the terms of the CDEX shareholders’ agreement, and subsequently paid ISE Ventures $15.2 million on April 1, 2008.

- When we acquired NGX in 2004, TMX Group entered into an arrangement with MX for $5.0 million. TMX Group amortized this amount over five years, the remaining term of the 1999 Memorandum of Agreement with MX. As a result of the May 1, 2008 business combination with MX, we expensed the unamortized balance of $0.7 million in 2008.

Income Taxes

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Effective tax rate (%)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2008</td>
<td>2009</td>
<td>2008</td>
</tr>
<tr>
<td>$ 97.0</td>
<td>$ 98.1</td>
<td>48%</td>
<td>35%</td>
</tr>
</tbody>
</table>

- In November 2009, the Ontario government substantively enacted legislation to reduce the general corporate tax rate from 14% in 2009 to 12% effective July 1, 2010, with further reductions to 10% by July 1, 2013. As a result of these changes to Ontario
corporate tax rates, there was a reduction in the value of future tax assets and liabilities and a corresponding net increase in income taxes of $10.4 million. Excluding this revaluation, the effective tax rate for 2009 was lower compared with 2008 due to an increase in income attributable to the Province of Quebec in 2009, compared with the period from May 1, 2008 to December 31, 2008. In our case, this income is taxed at a lower tax rate in Quebec due to a tax holiday which ends after 2010.

- The goodwill impairment charge in 2009 of $77.3 million increased the effective tax rate, as this amount is non-deductible for income tax purposes.
- In addition, there was a lower federal income tax rate in 2009 compared with 2008.
- In 2008, we paid $15.2 million to ISE Ventures in 2008, which was not deducted for income tax purposes.

**Non-controlling Interests**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ increase</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1.8</td>
<td>$1.8</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

- As a result of the acquisition of control of BOX on August 29, 2008, the results of BOX are now fully consolidated into our consolidated statements of income. MX holds a 53.8% ownership interest in BOX. The non-controlling interests represent the other BOX unitholders’ share of BOX’s income before taxes.

**Comprehensive Income**

Comprehensive Income was $83.8 million for 2009 and is comprised of Net Income of $104.7 million and Other Comprehensive Losses of $20.9 million.

Other comprehensive losses includes the unrealized loss on the foreign currency translation of BOX, a self-sustaining foreign operation, which amounted to $20.9 million for 2009.

Accumulated Other Comprehensive Income of $3.2 million as at December 31, 2009 is included as a component of **Shareholders’ Equity**.

Comprehensive Income was $206.1 million for 2008 which was comprised of Net Income of $182.0 million and Other Comprehensive Income of $24.1 million.

---

17 In October 2008, BOX repurchased some of its common shares thereby increasing MX’s ownership interest from 53.3% to 53.8%.
Other comprehensive income includes the unrealized gain on the foreign currency translation of BOX, a self-sustaining foreign operation, which amounted to $24.1 million for 2008.

Our Accumulated Other Comprehensive Income of $24.1 million as at December 31, 2008 is included as a component of Shareholders’ Equity.

Related Party Transactions

In 2001, MX signed an agreement with BOX to provide, for a fee, the technology and related services required for its electronic trading system. In addition, beginning in February 2004, MX became a supplier to BOX and charges at the exchange amount, being the amount established and agreed to by BOX, salaries, telecommunication services, computer equipment, and other services. On August 29, 2008, BOX became a subsidiary of TMX Group.

Amounts invoiced for the year ended December 31, 2008, covering the period before BOX became a subsidiary, are $5.0 million. These transactions were undertaken in the normal course of business. Starting August 29, 2008, due to the acquisition of control, these amounts are eliminated upon consolidation.

Segment Analysis

Cash Markets –Equities and Fixed Income

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ (decrease)</th>
<th>% (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$403.1</td>
<td>$438.9</td>
<td>($35.8)</td>
<td>(8%)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$133.5</td>
<td>$155.7</td>
<td>($22.2)</td>
<td>(14%)</td>
</tr>
</tbody>
</table>

- The decrease in revenue primarily reflects lower cash equity trading and issuer services revenue related to sustaining listing fees and other issuer services, partially offset by increased market data revenue and fixed income trading revenue. Net income decreased due to the decreased revenue and an increase in expenses primarily related to various technology initiatives partially offset by a reduction in interest expense. Net income for 2009 was also reduced by a write-down in the value of future tax assets which related to a reduction in Ontario corporate income tax rates. The tax adjustment had no impact on cash flows. In addition, in 2008, net income was reduced by $15.2 million due to a payment to ISE Ventures with respect to the termination of our derivatives joint venture.
(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2009</th>
<th>December 31, 2008</th>
<th>$ increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>$116.9</td>
<td>$113.8</td>
<td>$3.1</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$522.1</td>
<td>$529.8</td>
<td>($7.7)</td>
</tr>
</tbody>
</table>

- The amount of goodwill and total assets remained relatively constant in 2009 compared with 2008.

**Derivative Markets – MX and BOX**

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ increase/ (decrease)</th>
<th>% increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$113.9</td>
<td>$63.5</td>
<td>$50.4</td>
<td>79%</td>
</tr>
<tr>
<td>Net Income (loss)</td>
<td>($42.9)</td>
<td>$18.1</td>
<td>($61.0)</td>
<td>(337%)</td>
</tr>
</tbody>
</table>

- The increase in revenue relates to the inclusion of MX’s results for all of 2009 compared with eight months of results in 2008. BOX’s results were consolidated in our 2009 financial statements (with an adjustment made for non-controlling interests) and were only consolidated in our 2008 financial statements from August 29, 2008. From May 1, 2008, to August 28, 2008, 31.4% of earnings from BOX were included as *Income from investments in affiliates*. Net income for 2009 was reduced by the non-cash goodwill impairment charge of $77.3 million related to BOX.

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2009</th>
<th>December 31, 2008</th>
<th>$ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>$415.0</td>
<td>$515.4</td>
<td>($100.4)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$1,942.9</td>
<td>$1,970.1</td>
<td>($27.2)</td>
</tr>
</tbody>
</table>

- The decrease in Goodwill related mainly to the non-cash goodwill impairment charge of $77.3 million related to BOX.
- Total Assets decreased primarily due to a reduction in goodwill due to the impairment charge, somewhat offset by an increase in Daily Settlements and Cash Deposits of $68.1 million. MX also carried offsetting liabilities related to daily settlements and cash deposits which were $68.1 million higher at December 31, 2009 compared with December 31, 2008.

* Based on MX’s ownership interest in BOX prior to acquisition of control.
Energy Markets – NGX

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>$ increase</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$39.3</td>
<td>$30.2</td>
<td>$9.1</td>
<td>30%</td>
</tr>
<tr>
<td>Net Income</td>
<td>$14.1</td>
<td>$ 8.2</td>
<td>$5.9</td>
<td>72%</td>
</tr>
</tbody>
</table>

- The increase in revenue and net income was due to the addition of revenue from NGX’s crude oil operations, the change in the exchange rate of the U.S. dollar relative to the Canadian dollar in 2009 compared with 2008, pricing changes that were effective January 1, 2009, and also as a result of NGX having deferred less revenue in 2009, on a net basis, than in 2008 due to a reduced level of forward contracts.

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2009</th>
<th>December 31, 2008</th>
<th>$ increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>$51.9</td>
<td>$21.3</td>
<td>$30.6</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$1,059.5</td>
<td>$1,188.8</td>
<td>($129.3)</td>
</tr>
</tbody>
</table>

- Total Assets decreased largely due to a decrease in energy contracts receivable of $261.9 million which was the result of lower natural gas prices at the end of December 2009, compared with the end of December 2008. This decrease was partially offset by an increase of $47.4 million in the fair value of open energy contracts receivable. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were also $261.9 million lower at the end of December 2009 compared with the end of December 2008. NGX also carried offsetting liabilities related to the fair value of open energy contracts which were $47.4 million higher at December 31, 2009 compared with December 31, 2008. In addition, the overall decrease in total assets was partially offset due to recording $49.6 million in intangible assets and $30.6 million in goodwill related to the purchase of NTP on May 1, 2009.
Liquidity and Capital Resources

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

<table>
<thead>
<tr>
<th>December 31, 2009</th>
<th>December 31, 2008</th>
<th>$ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 191.1</td>
<td>$ 198.7</td>
<td>($ 7.6)</td>
</tr>
</tbody>
</table>

- The decrease was due to:
  - Four dividend payments of $0.38 per common share, or $113.0 million in aggregate, as well as to payments totalling $30.4 million relating to the repurchase of 1,000,000 common shares under our NCIB program in 2009.
  - Cash paid of $24.2 million in relation to the May 1, 2009 acquisition of NTP, net of cash acquired.
  - Cash paid of $7.7 million for a 19.9% interest in EDX on May 7, 2009.
  - Non-acquisition related additions to intangible assets of $13.2 million, the payment of $6.4 million in dividends to non-controlling interests in BOX and $7.1 million in capital expenditures.
  - The decrease was largely offset by cash generated from operating activities of $204.9 million.

Total Assets

(in millions of dollars)

<table>
<thead>
<tr>
<th>December 31, 2009</th>
<th>December 31, 2008</th>
<th>$ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 3,524.5</td>
<td>$ 3,688.6</td>
<td>($ 164.1)</td>
</tr>
</tbody>
</table>

- Total assets decreased due to lower energy contracts receivable of $714.5 million at December 31, 2009 related to the clearing operations of NGX, compared with $976.4 million at the end of 2008. The lower level of receivables reflected lower natural gas prices at the end of December 2009 compared with the end of December 2008. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were $714.5 million at December 31, 2009 compared with $976.4 million at the end of 2008.
  - Total assets also decreased due to the reduction in goodwill related to the impairment charge of $77.3 million related to BOX.
  - The overall decrease was partially offset by higher MX daily settlements and cash deposits of $565.4 million as at December 31, 2009 related to MX’s clearing operations,
compared with $497.3 million at the end of 2008. MX also carried offsetting liabilities related to daily settlements and cash deposits which were $565.4 million at December 31, 2009 compared with $497.3 million at the end of 2008. Daily settlements due from/to clearing members consist of amounts due from/to clearing members as a result of marking open futures positions to market and settling options transactions each day that are required to be collected from/paid to clearing members prior to the commencement of the next trading day.

- The decrease was also partially offset by an increase in current assets related to the fair value of open energy contracts ($202.8 million as at December 31, 2009, compared with $155.3 million at December 31, 2008). NGX also carried offsetting liabilities related to the fair value of open energy contracts which were $202.8 million at December 31, 2009 compared with $155.3 million at December 31, 2008.

- In addition, the overall decrease in Total assets was partially offset due to recording $49.6 million in intangible assets and $30.6 million in goodwill related to the purchase of NTP on May 1, 2009, less cash paid of $24.2 million related to the acquisition.

Credit Facilities and Guarantee

Long-term Debt

(in millions of dollars)

<table>
<thead>
<tr>
<th>December 31, 2009</th>
<th>December 31, 2008</th>
<th>$ increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>$429.0</td>
<td>$428.3</td>
<td>$ 0.7</td>
</tr>
</tbody>
</table>

- In connection with the combination with MX, we established a non-revolving three-year term unsecured credit facility of $430.0 million, the Term Facility. In addition, we also established a revolving three-year unsecured credit facility of $50.0 million with the same syndicate. We may draw on these facilities in Canadian dollars by way of prime rate loans and/or Bankers’ Acceptances or in U.S. dollars by way of LIBOR loans and/or U.S. base rate loans. Currently, TMX Group’s acceptance fee or spread on the loan is 0.45%. On April 30, 2008, we borrowed $430.0 million in Canadian funds on the Term Facility to satisfy the cash consideration of the purchase price for MX.
We entered into a series of interest rate swap agreements which took effect on August 28, 2008 in order to partially manage our exposure to interest rate fluctuations on our $430.0 million non-revolving three year term facility. On August 31, 2009, swap agreements with a notional value of $100.0 million (Swap #1), representing one third of the total notional value of the swaps, matured. The interest rate swaps in place at December 31, 2009 are as follows:

<table>
<thead>
<tr>
<th>Notional value (in millions of dollars)</th>
<th>Interest rate we will pay under swap (excludes 0.45% fee)</th>
<th>Maturity date of swap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swap #2 - $100.0</td>
<td>3.749%</td>
<td>August 31, 2010</td>
</tr>
<tr>
<td>Swap #3 - $100.0</td>
<td>3.829%</td>
<td>April 18, 2011</td>
</tr>
</tbody>
</table>

These credit facilities contain customary covenants, including a requirement that TMX Group maintain:

- a maximum debt to adjusted EBITDA ratio of 3.5:1, where adjusted EBITDA means earnings on a consolidated basis before interest, taxes, extraordinary, unusual or non-recurring items, depreciation and amortization, all determined in accordance with GAAP but adjusted to include initial and additional listing fees billed and to exclude initial and additional listing fees reported as revenue;

- a minimum consolidated net worth covenant based on a pre-determined formula; and

- a debt incurrence test whereby debt to adjusted EBITDA must not exceed 3.0:1.

At December 31, 2009, all covenants were met.

**Other Credit Facilities and Guarantee**

To backstop its clearing operations, NGX currently has a credit agreement in place with a Canadian chartered bank which includes a US$100.0 million clearing backstop fund. We are NGX’s unsecured guarantor for this fund up to a maximum of US$100.0 million.

CDCC has also arranged a total of $30.0 million in revolving standby credit facilities with a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member.

These facilities had not been drawn upon in the year ended December 31, 2009.

NGX also has an Electronic Funds Transfer (EFT) Daylight facility of $300.0 million in place with a Canadian chartered bank.
## Shareholders’ Equity

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2009</th>
<th>December 31, 2008</th>
<th>$ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 770.6</td>
<td>$ 794.6</td>
<td>($ 24.0)</td>
</tr>
</tbody>
</table>

- We earned $104.7 million of net income during 2009 and paid $113.0 million in dividends.
- We also recorded an unrealized foreign exchange loss of $20.9 million on translating the financial statements of BOX.
- Shareholders’ equity increased due to an increase of $32.1 million in share capital following the issuance of 878,059 TMX Group common shares in satisfaction of a portion of the purchase price for NTP on May 1, 2009.
- On August 14, 2008, we received approval from Toronto Stock Exchange to repurchase up to 7,595,585 of our common shares pursuant to an NCIB. Shareholders’ equity decreased partially due to the repurchase of shares in connection with our NCIB. In 2009, we repurchased for cancellation 1,000,000 shares for $30.4 million pursuant to two private agreements between TMX Group and an arm’s length third-party seller. These common shares were cancelled and the NCIB expired August 17, 2009.
- At December 31, 2009, there were 74,307,041 common shares issued and outstanding. In 2009, 25,405 common shares were issued on the exercise of share options. At December 31, 2009, 4,143,100 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At December 31, 2009, there were 1,382,569 options outstanding.
- At February 9, 2010, there were 74,310,047 common shares issued and outstanding and 1,338,859 options outstanding under the share option plan.
## Cash Flows from Operating Activities

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>(Decrease) in cash</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td>$204.9</td>
<td>$244.2</td>
<td>($39.3)</td>
</tr>
</tbody>
</table>

*Cash Flows from Operating Activities* were $39.3 million lower in 2009 compared with 2008 due to:

(in millions of dollars)

<table>
<thead>
<tr>
<th><strong>Net income</strong></th>
<th>2009</th>
<th>2008</th>
<th>(Decrease) in cash</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amortization</strong></td>
<td>$32.2</td>
<td>$25.3</td>
<td>$6.9</td>
</tr>
<tr>
<td><strong>Non-cash goodwill impairment charge related to BOX</strong></td>
<td>$77.3</td>
<td>-</td>
<td>77.3</td>
</tr>
<tr>
<td><strong>Payment to ISE Ventures related to termination of joint venture</strong></td>
<td>-</td>
<td>$15.2</td>
<td>($15.2)</td>
</tr>
<tr>
<td><strong>Net increase / (decrease) in future income taxes</strong></td>
<td>$3.5</td>
<td>($9.3)</td>
<td>$12.8</td>
</tr>
<tr>
<td><strong>Unrealized (gain) / loss on interest rate swaps</strong></td>
<td>($6.8)</td>
<td>$12.5</td>
<td>($19.3)</td>
</tr>
<tr>
<td><strong>(Increase) in accounts receivable and prepaid expenses</strong></td>
<td>($12.5)</td>
<td>($1.2)</td>
<td>($11.3)</td>
</tr>
<tr>
<td><strong>(Increase)/decrease in other assets</strong></td>
<td>($9.2)</td>
<td>$5.0</td>
<td>($14.2)</td>
</tr>
<tr>
<td><strong>Net (decrease) in accounts payable and accrued liabilities</strong></td>
<td>($7.9)</td>
<td>($27.3)</td>
<td>$19.4</td>
</tr>
<tr>
<td><strong>Increase in deferred revenue</strong></td>
<td>$33.2</td>
<td>$34.6</td>
<td>($1.4)</td>
</tr>
<tr>
<td><strong>Net (decrease)/increase in income taxes</strong></td>
<td>($15.0)</td>
<td>$5.0</td>
<td>($20.0)</td>
</tr>
<tr>
<td><strong>Net increase in other items</strong></td>
<td>$5.4</td>
<td>$2.4</td>
<td>$3.0</td>
</tr>
</tbody>
</table>

*Cash Flows from Operating Activities* | $204.9 | $244.2 | ($39.3)
### Cash Flows from (used in) Financing Activities

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>(Decrease) in cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from (used in) Financing Activities</td>
<td>($ 151.4)</td>
<td>$ 33.1</td>
<td>($ 184.5)</td>
</tr>
</tbody>
</table>

**Cash Flows (used in) Financing Activities** were $184.5 million higher in 2009 compared with 2008 due to:

(in millions of dollars)

<table>
<thead>
<tr>
<th>Activity</th>
<th>2009</th>
<th>2008</th>
<th>Increase/ (decrease) in cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends paid on common shares</td>
<td>($ 113.0)</td>
<td>($ 114.1)</td>
<td>$ 1.1</td>
</tr>
<tr>
<td>Repurchase of common shares under NCIB</td>
<td>($ 30.4)</td>
<td>($ 285.4)</td>
<td>$ 255.0</td>
</tr>
<tr>
<td>Dividends paid to BOX non-controlling interests</td>
<td>($ 6.4)</td>
<td>($ 2.0)</td>
<td>($ 4.4)</td>
</tr>
<tr>
<td>Proceeds on term loan</td>
<td>-</td>
<td>$ 427.8</td>
<td>($ 427.8)</td>
</tr>
<tr>
<td>Proceeds from exercised options</td>
<td>$ 0.6</td>
<td>$ 7.0</td>
<td>($ 6.4)</td>
</tr>
<tr>
<td>Net (decrease) in other items</td>
<td>($ 2.2)</td>
<td>($ 0.2)</td>
<td>($ 2.0)</td>
</tr>
</tbody>
</table>

**Cash Flows from (used in) Financing Activities**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>(Decrease) in cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from (used in) Financing Activities</td>
<td>($ 151.4)</td>
<td>$ 33.1</td>
<td>($ 184.5)</td>
</tr>
</tbody>
</table>
Cash Flows from (used in) Investing Activities

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>Increase in cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from (used in) Investing Activities</td>
<td>($ 65.3)</td>
<td>($ 230.6)</td>
<td>$ 165.3</td>
</tr>
</tbody>
</table>

Cash Flows (used in) Investing Activities were $165.3 million lower in 2009 compared with 2008 due to:

(in millions of dollars)

| Cost of acquisitions and investments, net of cash acquired | ($ 37.9) | ($ 405.3) | $ 367.4 |
| Payment to ISE Ventures related to termination of joint venture | - | ($ 15.2) | $ 15.2 |
| Capital expenditures primarily related to technology investments and leasehold improvements | ($ 7.1) | ($ 5.3) | ($ 1.8) |
| Additions to intangible assets including TSX Quantum gateway, smart order router and SOLA internal development costs | ($ 13.2) | ($ 8.4) | ($ 4.8) |
| Net (purchases) / sale of marketable securities | ($ 7.1) | $ 203.6 | ($ 210.7) |
| Cash Flows from (used in) Investing Activities | ($ 65.3) | ($ 230.6) | $ 165.3 |

Summary of Cash Position and Other Matters

We had $191.1 million of cash and cash equivalents and marketable securities at December 31, 2009 and have a three-year, $50.0 million revolving credit facility which is undrawn. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business. During 2009, with revenues of $556.3 million, we incurred operating expenses of $273.1 million. We had $430.0 million of debt outstanding under the Term Facility, which is due in April 2011. It is expected that this Term Facility will either be refinanced in whole or in part, or repaid, prior to that date. Based on current levels of cash flow from operations, we believe that this Term Facility could be repaid with a combination of existing cash, future cash flow from operations and refinancing, as required. We are currently considering a range of refinancing options, which include renewing the bank facilities as well as private or

18 The “Summary of Cash Position and Other Matters” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.
public debt issues. Cash flow from operations was $204.9 million in 2009. In addition, while there are no plans to reduce the existing dividend paid on common shares, we do have the flexibility to change our dividend policy if market conditions were to deteriorate to the point where we felt it necessary to maintain more cash to support operations. We paid $113.0 million in dividends on common shares in 2009. We repurchased 1.0 million common shares under our NCIB during 2009 at a cost of $30.4 million.

In Q3/09, 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 1H/10. 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 Q1/10 and we anticipate the next phase will be completed by Q2/10 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 2H/10.

In keeping with our commitment to deliver state of the art levels of technology to our markets, we are continuing to invest in and are planning a multi-phased initiative to upgrade the infrastructure across our trading and data enterprise. 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 Q1/10, 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 hardware beginning in 2H/10. 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.

Future investment opportunities that may require debt financing could be limited by current and future economic conditions, the covenants on TMX Group’s existing credit facilities and by our financial viability ratios imposed by securities regulators.

The recognition order of TMX Group and TSX Inc. contains certain financial viability tests that must be met. If TSX Inc. fails to meet any of these tests for a period of more than three months, 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 by OSC staff. TSX Venture Exchange is required by various provincial securities commissions to maintain adequate financial resources for the performance of its functions in a manner that is consistent with the public interest and the terms of its recognition orders. Under its recognition order, MX is also subject to certain financial viability tests that must be met. If MX fails to meet any of these tests for a period of more than three months, MX will not, without the prior approval of the AMF, pay dividends (among other things) until the deficiencies have been eliminated for at least six months. NGX is required by the Alberta Securities Commission to maintain adequate financial resources to operate its trading system and support its trade execution functions (see Managing Capital).
Defined Benefit Pension Plans\textsuperscript{19}

Based on the most recent actuarial valuation for funding purposes as at December 31, 2008, we estimate a funding deficit of approximately $15.5 million on a solvency basis, of which $6.4 million was funded in 2009 and reflected as an increase in Other assets.

Financial Instruments

Cash, Cash Equivalents and Marketable Securities

Our financial instruments include cash, cash equivalents and investments in marketable securities which are held to earn investment income. These instruments include units in a money market fund and a short-term bond and mortgage fund, managed by an external advisor. Marketable securities also include the investment portfolio of MX, which is managed by an external advisor; this portfolio includes federal, provincial and corporate bonds as well as bank-backed asset-backed debt securities. The primary risks related to these marketable securities are variation in interest rates and credit risk. For a description of these risks, please refer to Credit Risk – Marketable Securities and Interest Rate Risk – Marketable Securities.

These investments are recorded at fair value, which in the case of money market funds, bonds and bond funds are determined based on quoted market prices. Unrealized losses of $0.2 million were recorded in investment income in 2009, compared with unrealized gains of $1.2 million in 2008.

Accounts Receivable

Our financial instruments include accounts receivable, which represents amounts that our customers owe us. The fair value is based on the actual amounts owed by the customers, net of a provision for that portion which may not be collectible. The primary risk related to accounts receivable is credit risk. For a description of these risks, please refer to Credit Risk – Accounts Receivable.

CDCC - Daily Settlements and Cash Deposits

As part of CDCC’s clearing operations, amounts due from and to clearing members as a result of marking to market open futures positions and settling options transactions each day are required to be collected from or paid to clearing members prior to the commencement of trading the next day. The amounts due from and due to clearing members are recognized in the consolidated assets and liabilities as daily settlements and cash deposits. There is no impact on the consolidated statement of income. The primary risks associated with these financial instruments

\textsuperscript{19} The “Defined Benefit Pension Plans” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.
are credit risk and market risk. For a description of these risks, please refer to Credit Risk – CDCC and Other Market Price Risk – CDCC.

**Long-term Debt**

We established the Term Facility in connection with the combination with MX. We entered into a series of interest rate swaps to partially manage our exposure interest rate fluctuations on the Term Facility (see Credit Facilities and Guarantee - Long-term Debt). The long-term debt is subject to interest rate risk. For a description of this risk, please refer to Interest Rate Risk – Long-term Debt.

**Total Return Swaps**

We have entered into a series of total return swaps (TRSs) which synthetically replicate the economics of TSX Inc. purchasing our shares as a fair value hedge to the share appreciation rights of deferred share units (DSUs) and non-performance based restricted share units (RSUs) that are awarded to our directors and employees. We mark to market the fair value of the TRSs as an adjustment to income, and simultaneously mark to market the liability to holders of the share units as an adjustment to income. These TRSs are subject to credit risk and market risk. For a description of these risks, please refer to Credit Risk - Total Return and Interest Rate Swaps and Market Risk - Total Return Swaps. The fair value of the TRSs is based upon the excess or deficit of the volume weighted average price of our shares for the last five trading days of the reporting period compared with our share price at the date of entering into the TRSs. The fair value of the TRSs and the obligation to unit holders are reflected on the balance sheet. The contracts are settled in cash upon maturity.

The fair values of the TRSs were a liability of $0.5 million at December 31, 2009 and a liability of $5.8 million at December 31, 2008. During 2009, unrealized gains of $5.3 million were reflected as a decrease in compensation and benefits costs and general and administration costs. During 2008, unrealized losses of $10.0 million were reflected as an increase in compensation and benefits costs and general and administration costs.

**NGX - Energy Contracts**

As part of its clearing operations, NGX becomes the central counterparty to each transaction (whether it relates to natural gas, electricity or crude oil contracts) cleared through its clearing operations. We record NGX’s energy contract receivables and offsetting payables for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end but payments have not been made. There is no impact on the consolidated statement of income.

The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward financially settled trading contracts is recognized in the consolidated assets and liabilities as open energy contracts. There is no impact on the consolidated statement of income.
The primary risks related to these financial instruments are credit risk and market risk. For a description of these risks, please refer to Credit Risk – NGX and Other Market Price Risk – NGX.

**Interest Rate Swaps**

We have entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on the Term Facility, effective August 28, 2008 (see Long-term Debt). These interest rate swaps are subject to credit risk. For a description of this risk, please refer to “Credit Risk – Total Return and Interest Rate Swaps”. We mark to market the fair value of these interest rate swaps, which is determined by using observable market information. At December 31, 2009, the fair value of these interest rate swaps was a liability of $5.7 million. During 2009, unrealized gains of $6.8 million and realized losses of $8.2 million have been reflected in net mark to market on interest rate swaps, compared with unrealized losses of $12.5 million and realized losses of $0.8 million in 2008.

**Risks Associated with Financial Instruments**

**Credit Risk**

Credit risk is the risk of financial loss associated with a counterparty’s failure to fulfill its financial obligations and arises principally from investments in marketable securities, total return swaps, interest rate swaps, accounts receivable and the clearing and/or brokerage operations of Shorcan, NGX and CDCC.

**Credit Risk – Marketable Securities**

TMX Group manages exposure to credit risk arising from investments in marketable securities by limiting the investment in short-term bond and mortgage funds to a maximum of 70% of the investment portfolio. Corporate bonds must have a minimum credit rating of BBB by DBRS Limited. Mortgages may not comprise more than 40% of the portfolio and must be either multi-residential conventional first mortgages or multi-residential government guaranteed mortgages. TMX Group does not have any investments in non-bank, asset-backed commercial paper.

At December 31, 2009, the investment portfolio was comprised of 70% in short-term bond and mortgage funds and 30% in money market funds.

**Credit Risk – Total Return and Interest Rate Swaps**

We have entered into total return swaps which synthetically replicate the economics of TSX Inc. purchasing our shares as a partial economic hedge to the share appreciation rights of DSUs and RSUs that are awarded to our directors and employees. The contracts are settled in cash upon maturity. The obligation to unit holders is reflected on the balance sheet. In addition, we entered into interest rate swaps, which took effect on August 28, 2008, in order to partially manage our exposure to interest rate fluctuations on our Term Facility (see Long-term Debt). To manage
credit risk, we entered into these total return and interest rate swaps with major Canadian chartered banks.

**Credit Risk**

We are exposed to credit risk in the event that customers, in the case of Shorcan, contracting parties, in the case of NGX, or clearing members, in the case of CDCC, fail to settle on the contracted settlement date.

**Credit Risk - Shorcan**

Shorcan’s risk is limited by its status as an agent, in that it does not purchase or sell securities for its own account. As agent, in the event of a failed trade, Shorcan has the right to withdraw its normal policy of anonymity and advise the two counterparties to settle directly.

**Credit Risk - NGX**

NGX requires each contracting party to provide sufficient collateral, in the form of cash or letters of credit, to exceed its outstanding credit exposure as determined by NGX in accordance with its margining methodology. The cash collateral deposits and letters of credit are held by a major Canadian chartered bank. This collateral may be accessed by NGX in the event of default by a contracting party. NGX measures total potential exposure for both credit and market risk for each contracting party on a real-time basis as the aggregate of:

- outstanding energy contracts receivable;
- “Variation Margin”, comprised of the aggregate “mark to market” exposure for all forward purchase and sale contracts with an adverse value from the perspective of the customer; and
- “Initial Margin”, an amount that estimates the worst expected loss that a contract might incur under normal market conditions during a liquidation period.

As a result of these calculations of contracting party exposure, at December 31, 2009, NGX held cash collateral deposits of $1,040.3 million and letters of credit of $1,963.7 million, compared with cash collateral deposits of $716.5 million and letters of credit of $2,366.3 million at December 31, 2008. These amounts are not included in our consolidated balance sheet.

NGX also maintains an unsecured clearing backstop fund of U.S. $100.0 million. TMX Group is the unsecured guarantor of this fund. This facility has not been drawn upon at December 31, 2009.

**Credit Risk – CDCC**

CDCC is exposed to the risk of default of its clearing members. CDCC is the central counterparty and guarantor of all transactions carried out on MX’s markets and on the OTC
market when the transaction is cleared through CDCC. It primarily supports the risk of one or more counterparties, meeting strict financial and regulatory criteria, defaulting on their obligations, in which case the obligations of that counterparty would become the responsibility of CDCC. This risk is greater if market conditions are unfavourable at the time of the default.

CDCC’s principal risk management practice is the collection of risk-based margin deposits in the form of cash, letters of credit, equities and liquid government securities. Should a clearing member fail to meet a daily margin call or otherwise not honour their obligations under open futures and options contracts, margin deposits would be available to apply against the costs incurred to liquidate the clearing member’s positions.

CDCC’s margining system is complemented by a stress reporting system. This process evaluates the financial strength of a clearing member to meet margin requirements that might result from a sudden adverse change in the market. Clearing members who fail to meet the criteria are required to deposit a stress margin.

CDCC also maintains a clearing fund through deposits of cash and securities from all clearing members. The aggregate level of clearing funds required from all clearing members must cover the worst loss that CDCC could face if one counterparty is failing under various extreme but plausible market conditions. Each clearing member contributes to the clearing fund in proportion to its margin requirements. If, by a clearing member’s default, further funding is necessary to complete a liquidation, CDCC has the right to require other clearing members to contribute additional amounts equal to their previous contribution to the clearing fund.

CDCC’s margin collateral deposits and clearing fund deposits are held by approved depositories under irrevocable agreements. This collateral may be accessed by CDCC in the event of default by a clearing member. As a result of these calculations of clearing member exposure at December 31, 2009, CDCC held margin collateral deposits of $2,931.0 million and clearing fund deposits of $187.5 million, compared with $4,502.0 and $201.5 respectively at December 31, 2008, primarily in collateral securities. These amounts are not included in our consolidated balance sheet.

CDCC maintains $30 million in revolving standby credit facilities in the event of default by a clearing member. This facility has not been drawn upon at December 31, 2009.

**Credit Risk – Accounts Receivable**

Our exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of our customers, many of whom are banks and financial institutions. There is no concentration of credit risk attributable to transactions with a single customer and customers are dispersed across varying geographic locations. In addition, customers that fail to maintain their account in good standing risk loss of listing, trading or data access privileges.
Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect our income or the value of our holdings of financial instruments.

Market Risk – Total Return Swaps

We are exposed to market risk when we grant DSUs and RSUs to our directors and employees. We utilize total return swaps to partially hedge this exposure. The fair value of the total return swaps is based upon the excess or deficit of the volume weighted average price of our shares for the last five trading days of the reporting period compared with our share price at the date of entering into the total return swaps. The change in the fair value of the total return swaps is generally offset by the change in the obligation to DSU and RSU holders. As at December 31, 2009, a 25% increase in the share price of the Company would result in a net $0.3 million decrease in net income. A 25% decrease in the share price of the Company would result in a net $0.5 million increase in net income.

Interest Rate Risk – Marketable Securities

We are exposed to interest rate risk on our marketable securities. We have engaged external investment fund managers to manage the asset mix and the risks associated with these investments. At December 31, 2009, we held $103.2 million in these funds, compared with $96.3 million at December 31, 2008. The approximate impact of a 1% rise in interest rates is a decrease of $1.9 million on the carrying value of these investments and the approximate impact of a 1% fall in interest rates is an increase of $2.0 million on the carrying value of these investments.

Interest Rate Risk – Long-term Debt and Interest Rates Swaps

We are exposed to interest rate risk on our Term Facility. The approximate impact on net income of a 1% rise and a 1% fall in interest rates with respect to this facility is a decrease of $4.3 million and an increase of $4.3 million respectively.

In order to partially manage our exposure to interest rate fluctuations, we entered into a series of interest rate swap agreements that took effect on August 28, 2008, which fixed the interest rate relating to $300.0 million of the principal amount. On August 31, 2009, swap agreements with a notional value of $100.0 million, representing one third of the total notional value of the swaps, matured. At December 31, 2009, the fair value of the remaining interest rate swaps was a liability of $5.7 million. The approximate impact of a 1% rise in interest rates is a $1.9 million decrease in the liability and the approximate impact of a 1% fall in interest rates on the fair value of the swaps is a $1.7 million increase in the liability.

Foreign Currency Risk

(See Risks and Uncertainties – Currency Risk)
Other Market Price Risk – NGX, Shorcan and CDCC

We are exposed to other market price risk from the activities of Shorcan, NGX and CDCC if a customer, contracting party or clearing member, as the case may be, fails to take or deliver either securities, energy products or derivatives products on the contracted settlement date where the contracted price is less favourable than the current market price.

Shorcan’s risk is limited by its status as an agent, in that it does not purchase or sell securities for its own account, the short period of time between trade date and settlement date and the defaulting customer’s liability for any difference between the amounts received upon sale of the securities and the amount paid to acquire the securities.

Both NGX’s and CDCC’s measure of total potential exposure, as described previously, includes measures of market risk which are factored into the collateral required from each contracting party or clearing member.

We are also exposed to other market price risk on a portion of our sustaining listing fee revenue, which is based on the quoted market values of listed issuers as at December 31 of the previous year.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due.

We manage liquidity risk through the management of our revolving and non revolving credit facilities (see Long-term Debt) and capital (see Managing Capital).

Contractual Obligations

(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Less than 1 year</th>
<th>1 – 3 years</th>
<th>4-5 years</th>
<th>5+ years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Leases</td>
<td>9,336</td>
<td>3,639</td>
<td>4,887</td>
<td>810</td>
<td>-</td>
</tr>
<tr>
<td>Operating Leases</td>
<td>85,126</td>
<td>22,135</td>
<td>27,201</td>
<td>16,003</td>
<td>19,787</td>
</tr>
<tr>
<td>Other Obligations</td>
<td>461,096</td>
<td>434,720</td>
<td>3,600</td>
<td>3,600</td>
<td>19,176</td>
</tr>
<tr>
<td></td>
<td>555,558</td>
<td>460,494</td>
<td>35,688</td>
<td>20,413</td>
<td>38,963</td>
</tr>
</tbody>
</table>
Selected Annual Information

(in thousands of dollars, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$556,316</td>
<td>$532,614</td>
<td>$424,587</td>
</tr>
<tr>
<td>Net income</td>
<td>$104,701</td>
<td>$181,952</td>
<td>$148,697</td>
</tr>
<tr>
<td>Adjusted net income**</td>
<td>$192,312</td>
<td>$197,104</td>
<td>$163,788</td>
</tr>
<tr>
<td>Total assets</td>
<td>$3,524,475</td>
<td>$3,688,645</td>
<td>$1,523,919</td>
</tr>
<tr>
<td>Long-term liabilities****</td>
<td>$1,113,433</td>
<td>$1,090,423</td>
<td>$405,821</td>
</tr>
<tr>
<td>Earnings per share:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$1.41</td>
<td>$2.48</td>
<td>$2.19</td>
</tr>
<tr>
<td>Diluted</td>
<td>$1.41</td>
<td>$2.47</td>
<td>$2.17</td>
</tr>
<tr>
<td>Adjusted earnings per share**:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$2.59</td>
<td>$2.69</td>
<td>$2.41</td>
</tr>
<tr>
<td>Diluted</td>
<td>$2.59</td>
<td>$2.68</td>
<td>$2.39</td>
</tr>
<tr>
<td>Cash dividends declared per common share</td>
<td>$1.52</td>
<td>$1.52</td>
<td>$1.52</td>
</tr>
</tbody>
</table>

Net Income GAAP to Non-GAAP Reconciliation for 2009, 2008 and 2007

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$104.7</td>
<td>$182.0</td>
<td>$148.7</td>
</tr>
<tr>
<td>Adjustment related to non-cash impairment of goodwill pertaining to investment in BOX</td>
<td>$77.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment related to a reduction in the value of future tax assets and liabilities</td>
<td>$10.4</td>
<td>-</td>
<td>$15.1</td>
</tr>
<tr>
<td>Adjustment related to loss on termination of joint venture</td>
<td>-</td>
<td>$15.2</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted net income</td>
<td>$192.4</td>
<td>$197.2</td>
<td>$163.8</td>
</tr>
</tbody>
</table>

** See discussion under the heading “Non-GAAP Financial Measures”.

**** Includes deferred revenue.
Earnings per Share GAAP to Non-GAAP Reconciliation for 2009, 2008 and 2007

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>$1.41</td>
<td>$1.41</td>
<td>$2.48</td>
<td>$2.47</td>
<td>$2.19</td>
<td>$2.17</td>
</tr>
<tr>
<td>Adjustment related to non-cash impairment of goodwill pertaining to BOX</td>
<td>$1.04</td>
<td>$1.04</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment related to a reduction in the value of future tax assets and liabilities</td>
<td>$0.14</td>
<td>$0.14</td>
<td>-</td>
<td>-</td>
<td>$0.22</td>
<td>$0.22</td>
</tr>
<tr>
<td>Adjustment related to loss on termination of joint venture</td>
<td>-</td>
<td>-</td>
<td>$0.21</td>
<td>$0.21</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted earnings per share</td>
<td>$2.59</td>
<td>$2.59</td>
<td>$2.69</td>
<td>$2.68</td>
<td>$2.41</td>
<td>$2.39</td>
</tr>
</tbody>
</table>

Revenue, Net Income and Earnings per Share

2009

- (See Year Ended December 31, 2009 Compared with Year Ended December 31, 2008)

2008

- The 2008 results reflect higher revenue, largely due to the inclusion of $63.5 million in revenue related to the business operations of MX which were combined with TMX Group on May 1, 2008 and revenue from the operations of BOX from August 29, 2008 and increased issuer services and market data revenue. This increase was partially offset by higher overall expenses, including $43.3 million of expenses related to the business operations of MX and BOX, interest expense related to the Term Facility, used to finance a portion of the purchase price of the combination with MX, and acquisition related expenses, primarily relating to a $15.2 million payment to ISE Ventures with respect to the termination of DEX, our derivatives joint venture. This adjustment resulted in a reduction in net income for 2008 of $15.2 million, or 21 cents per common share (on a basic and diluted basis). In 2007, future tax assets were reduced, and income tax expense increased by $15.1 million, primarily as a result of decreases in federal corporate income tax rates which were enacted in June and December 2007. The adjustment resulted in a reduction in net income for 2007 of $15.1 million, or 22 cents per common share (on both a basic and diluted basis).
**Total Assets**

2009

- *Total assets* decreased due to lower energy contracts receivable of $714.5 million at December 31, 2009 related to the clearing operations of NGX, compared with $976.4 million at the end of 2008. The lower level of receivables reflected lower natural gas prices at the end of December 2009 compared with the end of December 2008. Total assets also decreased due to the reduction in goodwill related to the non-cash impairment charge of $77.3 million related to BOX. The overall decrease was partially offset by higher MX daily settlements and cash deposits of $565.4 million as at December 31, 2009 related to MX’s clearing operations, compared with $497.3 million at the end of 2008. The decrease was also partially offset by an increase in current assets related to the fair value of open energy contracts ($202.8 million as at December 31, 2009, compared with $155.3 million at December 31, 2008). In addition, the overall decrease in *Total assets* was partially offset due to recording $49.6 million in intangible assets and $30.6 million in goodwill related to the purchase of NTP on May 1, 2009, less cash paid of $24.2 million for the acquisition.

2008

- *Total assets* increased primarily due to inclusion of the operations of MX which were combined with TMX Group on May 1, 2008 and BOX from August 29, 2008, following acquisition of control. The increase included Goodwill of $582.5 million and Intangible Assets of $827.2 million, primarily comprised of derivatives products and trading participants in the amount of $630.9 million and $148.2 million, respectively. Also included were Daily Settlements and Cash Deposits of $497.3 million and Cash and Cash Equivalents and Marketable securities of $99.4 million.

**Long-term Liabilities**

2009

- Long-term liabilities increased in 2009 over 2008 primarily due to an increase in deferred revenue and obligations under capital leases, somewhat offset by a reduction in the fair value of interest rate swaps.

2008

- Long-term liabilities increased primarily due to drawing on a non-revolving three-year term unsecured credit facility of $430.0 million to finance the cash consideration of the purchase price for MX (see Long-term Debt).
- In 2008, a future income tax liability of $221.1 million reflected the combination with MX and the acquisition of control of BOX.
- In addition, there was an increase in deferred revenue in 2008 compared with 2007.
Quarterly Information

(in thousands of dollars except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Dec. 31 /09</th>
<th>Sept. 30 /09</th>
<th>June 30 /09</th>
<th>Mar. 31 /09</th>
<th>Dec. 31 /08</th>
<th>Sept. 30 /08</th>
<th>June 30 /08</th>
<th>Mar. 31 /08</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$152,974</td>
<td>$130,243</td>
<td>$137,521</td>
<td>$135,578</td>
<td>$151,050</td>
<td>$139,183</td>
<td>$130,036</td>
<td>$112,345</td>
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<td>Net Income/(loss)</td>
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<td>46,871</td>
<td>42,918</td>
<td>49,035</td>
<td>50,944</td>
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<tr>
<td>Earnings per share:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Basic</td>
<td>(0.36)</td>
<td>0.56</td>
<td>0.63</td>
<td>0.58</td>
<td>0.65</td>
<td>0.66</td>
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<td>0.49</td>
</tr>
<tr>
<td>Diluted</td>
<td>(0.36)</td>
<td>0.56</td>
<td>0.63</td>
<td>0.58</td>
<td>0.65</td>
<td>0.66</td>
<td>0.65</td>
<td>0.49</td>
</tr>
</tbody>
</table>

2008

- Revenue in Q1/08 increased over revenue in Q4/07 primarily due to higher market data and issuer services revenue. Net income for Q1/08 increased over Q4/07 primarily due to a decrease in expenses and higher revenue. Net income for Q1/08 was reduced due to an expense of $15.2 million to ISE Ventures related to exiting our previously announced joint venture to operate DEX, whereas in Q4/07, net income was reduced due to increased income taxes as a result of a $13.3 million reduction to the value of the future income tax asset.

- Revenue in Q2/08 improved over revenue in Q1/08 primarily due to revenue associated with the combination with MX on May 1, 2008 and increased issuer services and market data revenue. Net income for Q2/08 increased over Q1/08 primarily due to the increase in revenue, somewhat offset by an increase in expenses, including interest expense, and a decrease in investment income.

- Revenue in Q3/08 improved over revenue in Q2/08 primarily due to a full quarter of revenue from the combination with MX. In addition, 100% of BOX’s revenue is consolidated from acquisition of control on August 29, 2008, with an adjustment made for non-controlling interests. Net income for Q3/08 increased over Q2/08 primarily due to the increase in revenue, somewhat offset by an increase in expenses related to MX and BOX, interest expense, and a decrease in investment income.

- Revenue in Q4/08 increased over revenue in Q3/08 primarily due to higher revenue from cash equity trading, derivatives trading and energy trading and higher market data revenue. Net income for Q4/08 decreased over Q3/08 primarily due to higher operating expenses and a $13.3 million mark to market adjustment on our interest rate swaps, partially offset by higher revenue and investment income.

2009

- Revenue in Q1/09 decreased over revenue in Q4/08 primarily due to lower cash equity trading and issuer services revenue. Net income for Q1/09 decreased over Q4/08.
primarily due to the reduced revenue and an increase in compensation and benefits expenses.

- Revenue in Q2/09 increased over revenue in Q1/09 largely due to higher revenue from TSX Venture Exchange cash equities trading and energy trading, including revenue from NTP, effective May 1, 2009. Net income for Q2/09 increased over Q1/09 primarily due to the increased revenue and a decrease in compensation and benefits expenses.

- Revenue in Q3/09 decreased over revenue from Q2/09 largely due to lower revenue from Toronto Stock Exchange cash equities trading and market data. Net income for Q3/09 decreased over Q2/09 primarily due to the decreased revenue and an increase in compensation and benefits costs, information and trading systems expenses as well as amortization.

- Revenue in Q4/09 increased over revenue from Q3/09 primarily due to increased business services revenue, which included a one-time license fee of $13.5 million from the LSE, as well as higher revenue from issuer services, cash markets trading and market data. This was partially offset by lower revenue from derivatives and energy trading. There was a net loss in Q4/09 largely due to the non-cash goodwill impairment charge of $77.3 million related to BOX and an increase in income taxes due to a write-down in the value of future tax assets and liabilities of $10.4 million, partially offset by the increased revenue and lower overall expenses compared with Q3/09.

**Review of Fourth Quarter Results**

**Compared with Q4/08**

- Revenue in Q4/09 improved over revenue in Q4/08 primarily due to the increased business services revenue, which included a one-time license fee of $13.5 million from the LSE and increased revenue from energy trading, cash markets fixed income trading and MX.

- The increase in energy trading revenue was due to increased volumes traded or cleared on NGX over Q4/08, pricing changes and the inclusion of revenue from crude oil trading following the acquisition of NTP on May 1, 2009. The increase in Shorcan cash markets fixed income trading revenue primarily reflected an increase in trading of Government of Canada bonds and provincial bonds in Q4/09 versus Q4/08. Derivatives markets revenue from MX increased primarily due to higher volumes of contracts traded.

- The increases were partially offset by lower cash markets equities trading revenue and lower revenue from market data, BOX and issuer services, related to sustaining fees.

- The decrease in cash markets equities trading revenue was due to the impact of changes to our equity trading fee schedule in 2009, a change in trading mix and a decrease in the volume of securities traded on Toronto Stock Exchange in Q4/09 over Q4/08. Market data revenue decreased due to reductions in the number of professional and equivalent
real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products, a decrease in MX data subscriptions and a change in the exchange rate of the U.S. dollar relative to the Canadian dollar in Q4/09 compared with Q4/08. Derivatives markets revenue from BOX decreased primarily due to decreased volumes of contracts traded in Q4/09 compared with Q4/08. Issuer services revenue was lower as a result of a decrease in sustaining listing fees due to the overall lower market capitalization of listed issuers at the end of 2008 compared with the end of 2007.

- In Q4/08, net income was reduced by a $13.3 million mark to market adjustment on our interest rate swaps as compared with $0.6 million in Q4/09. Net income for Q4/09 decreased from Q4/08 due to the non-cash goodwill impairment charge of $77.3 million, or $1.04 per common share, related to BOX, higher operating expenses and higher income taxes, partially offset by higher revenue and lower interest expense. In Q4/09, the value of future tax assets and liabilities was reduced and income taxes increased by $10.4 million, primarily as a result of decreases in corporate tax rates which were enacted in November 2009. The tax adjustment had no impact on cash flows and resulted in a reduction in net income of $10.4 million.

- Cash flows from operating activities in Q4/09 of $56.5 million decreased by $4.3 million compared with $60.8 million in Q4/08 largely due to a decrease in deferred revenue. Cash flows used in financing activities in Q4/09 of $30.8 million decreased by $27.4 million compared with $58.2 million in Q4/08 as Q4/08 included $27.8 million in repurchases of our common shares under the NCIB with no corresponding amount in Q4/09, as our NCIB expired in August 2009. Cash flows used in investing activities in Q4/09 of $24.8 million increased by $44.7 million compared with $19.9 million of cash flows from investing activities in Q4/08, primarily due to increased purchases of marketable securities.

**Compared with Q3/09**

- Revenue in Q4/09 increased over revenue in Q3/09 due to increased business services revenue, which included a one-time license fee of $13.5 million from the LSE as well as higher revenue from issuer services, cash markets trading and market data. This was partially offset by lower revenue from derivatives and energy trading. Net income for Q4/09 decreased from Q3/09 primarily due to the non-cash impairment charge of $77.3 million related to BOX and lower investment income, partially offset by higher revenue and lower overall operating expenses. In Q4/09, the value of future tax assets and liabilities were reduced and income taxes increased by $10.4 million, primarily as a result of decreases in corporate tax rates which were enacted in November 2009. The tax adjustment had no impact on cash flows and resulted in a reduction in net income of $10.4 million.

- Cash flows from operating activities in Q4/09 of $56.5 million increased by $19.1 million compared with $37.4 million in Q3/09, partially due to higher net income (excluding the impairment of goodwill which resulted in a net loss) and a decrease in accounts receivable and prepaid expenses. Cash flows used in financing activities in Q4/09 of $30.8 million increased by $1.8 million compared with $29.0 million in Q3/09 primarily
due to an increase in capital lease payments. Cash flows used in investing activities used in Q4/09 of $24.8 million increased by $21.5 million compared with $3.3 million in Q3/08, primarily due to increased purchases of marketable securities.

**Critical Accounting Estimates**

**Revenue from Initial and Additional listing fees**

In the *Cash Markets* segment, we recognize revenue generated from initial and additional listing fees on a straight line basis over an estimated service period of ten years. The estimated service period of ten years was determined by conducting an historical review of listing activity. We determined that the average period of time that an issuer remained listed on Toronto Stock Exchange was approximately ten years. In addition, turnover rates were calculated for a Toronto Stock Exchange listed issuer and for a TSX Venture Exchange listed issuer and were determined to be in the range of ten to twelve years. Examining historical data allowed us to consider the impact of economic cycles and other trends in capital markets over time which impact the life of an issuer. The service period selected affects the rate at which deferred revenue is recognized, as well as the value of future tax assets related to these fees.

**Long-term Incentive Plan**

We have a long-term incentive plan under which we may grant RSUs. RSUs vest on December 31 of the second calendar year following the year in which the RSUs were granted and the cash award payable is determined by the total shareholder return (appreciation in share price plus dividends paid or TSR) at the end of that period. In each of our business segments, we accrue our obligations and include them in accounts payable and accrued liabilities and other liabilities. The maximum amount to be paid is not known until the RSUs have vested and will be based on TSR at the time of payout. Effective January 1, 2007, we changed our estimate of these obligations. The amount to be paid is uncertain because it is largely dependent on the future share price and dividend rate, which can fluctuate over time. Our estimate of TSR affects the amount of compensation and benefits expense recognized during the period. Our accrual is based on actual dividends paid, continuation of the most recent quarterly dividend and the closing share price of our common shares for the period. Having monitored fluctuations in our share price, we concluded that accruing our obligations in this manner provided a better estimate of the payout compared with an estimate based on a target. The impact of this change in methodology for making the estimate was to increase these obligations and compensation and benefits costs by $1.1 million for 2007. We have purchased derivative financial instruments that partially hedge the impact of our share price appreciation.
**Identifiable Intangible Assets and Goodwill**

We account for our business acquisitions using the purchase method of accounting. In each of our business segments, we allocate the total cost of an acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, we must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives, and therefore require considerable judgment. These determinations, if any, will affect the amount of amortization and impairment charges recorded in future periods.

As the valuation of identifiable intangible assets and goodwill requires significant estimates and judgment about future performance and fair values, our future results could be affected if our current estimates of future performance and fair values change. We review the carrying values of identifiable intangible assets with indefinite lives and goodwill at least annually to assess impairment because these assets are not amortized. Additionally, we review the carrying value of any intangible asset or goodwill whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Examples of such events or changes in circumstances include significant negative exchange industry or economic trends, a significant decrease in the market value of the asset, or a significant change in regulatory or competitive factors or in the business climate that could affect the value of the asset.

We test for impairment as follows:

**Goodwill**

We test goodwill for impairment on a “reporting unit” level. A reporting unit is a business for which: (a) discrete financial information is available; and (b) segment management regularly reviews the operating results of that business.

We test goodwill for impairment using the following two-step approach:

- In the first step, we determine the fair value of each reporting unit. If the fair value of a reporting unit is less than its carrying value, this is an indicator that the goodwill assigned to that reporting unit might be impaired, which requires performance of the second step.

- In the second step, we allocate the fair value of the reporting unit to the assets and liabilities of the reporting unit as if it had just been acquired in a business combination, and as if the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. We then compare that implied fair value of the reporting unit’s goodwill to the carrying value of that goodwill.

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20 The “Identifiable Intangible Assets and Goodwill” section above contains certain forward looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.
If the implied fair value is less than the carrying value, we recognize an impairment loss for that excess on the income statement.

We commenced our annual test for goodwill impairment in accordance with this policy in Q4/09. In the first step of the test, the fair values of our reporting units were determined using the income approach and confirmed by benchmarking against market comparables. Under the income approach, we estimated fair values for each reporting unit based on the present value of expected future cash flows and a terminal value. Using a discounted cash flow (DCF) approach, we estimate the discounted future cash flows for three to eight years, depending on the reporting unit, along with a terminal value. The expected cash flows are derived from our internal plans and adjusted for the probability of various scenarios that considered the market environment in which the reporting unit operates and general economic conditions. The terminal values incorporated a perpetual growth rate that varied by reporting unit based upon markets, trends and growth prospects. The discount rates used for each reporting unit were based upon our weighted average cost of capital and certain risk premiums.

**Identifiable Intangible Assets with Definite Life**

We compare the expected undiscounted future operating cash flows associated with the asset to its carrying value to determine if the asset is recoverable. If the expected future operating cash flows are not sufficient to recover the carrying value, we estimate the fair value of the asset. Impairment is recognized when the carrying amount of the asset is not recoverable and when the carrying value exceeds fair value.

**Identifiable Intangible Assets with Indefinite Life**

Identifiable intangible assets with indefinite lives include those related to derivative products, trade names, regulatory designation, crude oil products, electricity products and index licenses. We determine the fair values of our intangible assets with indefinite lives using an income approach based on a DCF model. Impairment is recognized when the carrying amount exceeds fair value.

We assessed the possible impairment of our identifiable intangible assets and goodwill related to all of our acquisitions by comparing their carrying values to fair values or recoverable amounts, as applicable. The determination of fair value involves significant management judgment. Our most significant acquisitions include MX and BOX, both of which operate derivatives markets, and a derivatives clearing house in the case of MX, as well as NTP, which trades and clears crude oil using NGX’s trading system and clearing facility.

**BOX**

In addition to the existing competition, there are new entrants into the U.S. options market offering various incentives to attract liquidity to their marketplaces. The various pricing, technology and ownership models have affected BOX’s ability to maintain market share and the growth rates that it had previously been achieving. The effect of this increased competitive environment, as reflected in an increased discount rate, and the reduction of the growth rates
from historical levels, were the prime factors that resulted in the impairment of goodwill. The value of the goodwill and intangibles prior to impairment was approximately $119.0 million. The estimate of the impairment ranged from $0 to approximately $119.0 million and a goodwill write down of $77.3 million was determined based on the estimated fair value of BOX (see **Impairment of Goodwill**). New management at BOX is developing new services and has introduced new pricing to reverse the reduction in market share, however it is premature to conclude whether these or other initiatives to incent liquidity will be successful.

**MX**

MX activity and growth was affected by the credit crisis and the follow on economic conditions. Specifically, the deleveraging of balance sheets and historically low and stable interest rates reduced fixed income and overall derivatives activity. However, the view of management is that this reduction is temporary and that the fundamental growth opportunities that were included in the original valuation of MX are still valid. As the economic recovery begins, the interest rate forecasts reflect a rising yield curve. The speculation and uncertainty with respect to future growth rates should lead to greater hedging and trading activity. In addition, the size of the Canadian derivatives market relative to the size of the underlying cash market is still substantially below that of global peers, thus leaving much room for growth if new technology, products and participants are added to the marketplace. Lastly, the global push from regulators and market participants to move over the counter derivatives products to exchange traded and/or centrally cleared models suggests further upside potential. It is the combination of the foregoing that resulted in management maintaining the growth projections and discount rates at levels that were in line with the original assumptions, such that MX goodwill is not impaired. Changes in these assumptions, which could occur if these growth opportunities are not achieved, could result in a material reduction in goodwill and intangible assets. This would be a non-cash charge in the derivatives segment that would impact net income and shareholder equity. If a write-down was to occur and it was greater than $410.0 million, it is possible that the financial covenants in our Term Facility would not be met and this debt would need to be repaid or refinanced. It is likely that the refinancing would be at less favourable rates.

**NTP Intangible Assets**

The intangible assets related to the acquisition of NTP are largely related to the cash flows and customer base of NTP. As we have converted NTP to NGX’s fully backstopped clearing model, a number of customers have not maintained their level of activity in these crude oil products. NGX has a number of initiatives to encourage these customers to grow their level of activity, however if NGX is unsuccessful in these efforts, it is possible that $48.8 million of intangible assets would need to be reduced. NTP was only converted to the NGX clearing model in May 2009. Based on current assumptions, the fair value of NTP intangible assets remains above carrying value.
Managing Capital

Our primary objectives in managing capital, which we define to include our share capital and various credit facilities, include:

- Maintaining sufficient capital for operations to ensure market confidence. Currently, we target to retain a minimum of $100 million in cash and marketable securities. This amount is subject to change. We do this by managing our capital subject to capital maintenance requirements imposed on our subsidiaries:
  - In respect of Toronto Stock Exchange, as required by the OSC to maintain certain regulatory ratios as defined in the OSC recognition order, as follows:
    - a current ratio not less than 1.1:1;
    - a debt to cash flow ratio not greater than 4:1; and
    - a financial leverage ratio consisting of adjusted total assets to adjusted shareholders’ equity not greater than 4:1.
  - In respect of TSX Venture Exchange, as required by various provincial securities commissions to maintain adequate financial resources.
  - In respect of NGX, to:
    - maintain adequate financial resources, as required by the ASC; and
    - maintain a current ratio of no less than 1:1 and a tangible net worth of not less than $9.0 million, as required by a major Canadian chartered bank.
- In respect of Shorcan, by IIROC which requires Shorcan to maintain a minimum level of shareholder’s equity of $0.5 million.
- In respect of MX, as required by the AMF to maintain certain regulatory ratios as defined in the AMF recognition order, as follows:
  - a working capital ratio of not less than 1.5:1;
  - a cash flow to total debt ratio of more than 20%; and
• a financial leverage ratio consisting of total assets to shareholders’ equity of less than 4:1.

We have complied with these externally imposed capital requirements.

• Maintaining sufficient capital to meet the covenants imposed in connection with our long-term debt (see Long-term Debt).

We have complied with these externally imposed capital requirements.

• Retaining sufficient capital to invest in, and continue to grow, our business both organically and through acquisitions.

• Increasing total returns to shareholders through methods such as dividends and purchasing shares for cancellation pursuant to normal course issuer bids.

Our objectives, policies and processes for managing capital have not changed in the current economic environment.

Changes in Accounting Policies

Goodwill and Intangible Assets

In February 2008, the CICA issued CICA Handbook Section 3064 – Goodwill and Intangible Assets, which replaces CICA Handbook Section 3062 – Goodwill and Other Intangible Assets as well as CICA Handbook Section 3450 – Research and Development. This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. As this standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008, we adopted this new standard effective January 1, 2009 (the first day of our 2009 fiscal year) retrospectively with a restatement of prior periods. The implementation of this new standard did not significantly impact our financial statements and disclosures.

Future Changes in Accounting Policies

International Financial Reporting Standards (IFRS)

In March 2009, the Canadian Accounting Standards Board reconfirmed in its second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous year, starting in the first quarter of 2011.

21 The “Future Changes in Accounting Policy - IFRS” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.
TMX Group commenced its IFRS conversion project in 2008. The IFRS project consists of three phases – (i) scoping, (ii) evaluation and design, and (iii) implementation and review.

The scoping phase, which is now complete, consisted of project initiation and awareness, identification of high-level differences between Canadian GAAP and IFRS and project planning and resourcing. As part of this stage, a project team was put in place, a detailed project plan was developed and an external advisor was engaged to assist with the conversion.

We completed a high level scoping exercise and a business impact study, which, at this stage of the transition project, identified the following IFRSs as being likely to have the most impact on our financial statements and/or processes: IFRS 1 - First Time Adoption of IFRS, IAS 18 - Revenue Recognition, IAS 19 - Employee Benefits, IFRS 3 - Business Combinations and IAS 12 - Income Taxes.

We are now in the evaluation and design phase of our conversion project. This phase includes analyzing the changes in and impacts on accounting policies, internal policies and procedures, internal control over financial reporting (ICFR) and disclosure controls and procedures (DC&P), and information systems and various covenants and regulatory requirements. It also includes analyzing the various alternatives available under IFRS, and ultimately analyzing and quantifying the impact on the financial statements and associated note disclosures. Each area identified during the scoping phase is specifically analyzed in order of significance and expected impact on TMX Group. Technical workshops, addressing these priority standards and others expected to impact us, are complete and we will monitor changes in IFRS and will change the project plan as necessary. Potential impacts identified as part of the workshops and some preliminary accounting policy decisions have been reviewed by the Finance & Audit Committee.

Our preliminary view is that the most significant area of impact will be around the recognition of Issuer Services Revenue related to initial and additional listing fees, including the valuation of the related Future income tax assets. However, TMX Group will not be in a position to make final accounting policy decisions on standards in effect as at the end of 2009 and to estimate potential impacts on the financial statements until Q2/10. Under Canadian GAAP, Issuer Services Revenue from initial and additional fees is currently recognized on a straight line basis over a 10 year period. Under IFRS, we expect that this revenue will be recognized as it is billed to our listed issuers. In addition, the deferral of this revenue under Canadian GAAP requires us to record a future tax asset, which is also amortized over the same 10 year period. Under IFRS, we expect that we will record revenue from these initial and additional listing fees when the fees are billed. As a result, we will no longer require the recognition of a future tax asset as the revenues for accounting purposes will be recorded in the same period as when listing fees are reported for income tax purposes.

For Business Combinations, under Canadian GAAP, we are currently required to record the purchase price based on fair market value for a reasonable period before and after the date that a transaction is announced. Under IFRS, we would be expected to record an acquisition based on the fair market value for a reasonable period before and after the date the transaction is closed. In converting to IFRS, it is possible that we may elect to apply this policy on a retrospective basis to some or all of our prior acquisitions.
As the review of accounting policies is completed, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made, including changes in controls or procedures to address reporting of first time adoption and opening balances under IFRS.

For example, the revenue recognition policy under IFRS differs significantly from the existing policy, and appropriate changes to controls in the affected processes will be designed and implemented to ensure that the revenues for each reporting period are fairly stated under IFRS. The certifying officers plan to complete the design, and initially evaluate the effectiveness of, these controls in the first half of 2010 to prepare for certification under IFRS in 2011. We will also ensure that key stakeholders, including our external auditors, are informed about the anticipated effects of the changes made under IFRS.

Management will continue to work closely with internal audit throughout 2010 and ensure that the certifying officers and the members of the Finance & Audit Committee of the Board are provided with sufficient assurance on the design and operation of the controls and procedures that change during the IFRS conversion.

A training plan has been developed whereby the core project team receives detailed training on relevant IFRS during the technical workshops discussed above and is ongoing throughout the conversion project, and separate training sessions have commenced for accounting staff and other affected employees. The Finance & Audit Committee of the Board (F&A) receive updates on the conversion project each quarter, and is receiving training which began in Q4 2009.

The financial position and performance as disclosed in our Canadian GAAP financial statements may be significantly different when such financial information is presented in accordance with IFRS.

The following table summarizes certain key activities and milestones associated with our IFRS conversion plan and their current status. Certain project activities and timelines could change as we proceed through the transition plan. For example, among other things, changes in IFRS or regulatory requirements from now until IFRS transition could result in changes to our conversion project and to the summary information provided below.
<table>
<thead>
<tr>
<th><strong>KEY ACTIVITY</strong></th>
<th><strong>MILESTONES</strong></th>
<th><strong>STATUS</strong></th>
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<tbody>
<tr>
<td><strong>Financial statement preparation:</strong></td>
<td></td>
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</tr>
<tr>
<td>• Identify accounting differences between Canadian GAAP and IFRS accounting policies, and any associated accounting policy choices available</td>
<td>Key differences identified and tentative accounting policy decisions made and presented to the F&amp;A Committee by the end of 2009.</td>
<td>Scoping phase completed and high-level differences identified. Currently in the evaluation and design phase, that includes an in-depth analysis and quantification of the significant differences identified and an assessment of the accounting policy choices available. Tentative accounting policy choices, including IFRS 1 elections, were reviewed with F&amp;A during Q4 2009. Development of financial statement format is scheduled to commence in Q1 2010.</td>
</tr>
<tr>
<td>• Select TMX Group’s ongoing IFRS policies</td>
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<tr>
<td>• Select the TMX Group’s IFRS 1 policy choices</td>
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<tr>
<td>• Develop IFRS-compliant financial statement format</td>
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<tr>
<td>• Quantify the effects of these changes on the financial statements</td>
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<tr>
<td><strong>Training:</strong></td>
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<tr>
<td>Define and introduce the appropriate level of IFRS expertise for the following:</td>
<td>Appropriate level of expertise in place throughout TMX Group by mid 2010.</td>
<td>Training plan completed. Detailed training underway for core team since 2008, and ongoing throughout conversion. Training of other affected finance staff commenced in Q3 2009. F&amp;A Committee receive quarterly IFRS updates.</td>
</tr>
<tr>
<td>• Core IFRS team</td>
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<tr>
<td>• Other affected finance staff</td>
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<tr>
<td>• Senior executives and the Board of Directors, including F&amp;A and Disclosure Committee members</td>
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<tr>
<td>KEY ACTIVITY</td>
<td>MILESTONES</td>
<td>STATUS</td>
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<tr>
<td><strong>IT infrastructure:</strong></td>
<td>Confirm that systems can support dual reporting requirements by Q4 2009. Business processes and systems required for additional disclosure and for budgeting to be in place by transition.</td>
<td>Review of dual reporting options is complete and relevant changes to the accounting and reporting systems are underway and are due for completion in early 2010. IT and business processes impact analysis included as part of the evaluation and design work. No major IT issues identified to date.</td>
</tr>
<tr>
<td>Confirm that business processes and systems are IFRS compliant, including:</td>
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<tr>
<td>• IT system upgrades and changes</td>
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<tr>
<td>• Gathering data for additional disclosure purposes</td>
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<tr>
<td>• Budget and forecasting under IFRS</td>
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<tr>
<td><strong>Control environment:</strong></td>
<td>Key controls and design effectiveness implications to be assessed as part of the evaluation and design phase.</td>
<td>Impact on ICFR and DC&amp;P considered as part of the evaluation and design phase; further analysis required during 2010.</td>
</tr>
<tr>
<td>• For all accounting policy changes identified, assess the control design and effectiveness implications (both ICFR and DC&amp;P)</td>
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<td>• Implement appropriate changes</td>
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<tr>
<td>KEY ACTIVITY</td>
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<tr>
<td><strong>External reporting:</strong></td>
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<td>Assess the effects of key IFRS-related accounting policy and financial statement changes on external reporting, including:</td>
<td>Publish regular updates on the status of the IFRS transition in the 2009 and 2010 annual and quarterly MD&amp;A.</td>
<td>IFRS disclosure in the MD&amp;A will be updated throughout the project.</td>
</tr>
<tr>
<td>- Identify the impact on financial covenants and regulatory capital adequacy requirements, and complete any required renegotiations/discussions</td>
<td>Publish 2011 quarterly and annual financial statements and MD&amp;A in accordance with IFRS, including 2010 comparatives and IFRS 1 required disclosures.</td>
<td>Identification of covenants and regulatory ratios that may be affected by the transition is complete. Potential impact on the various covenants considered as part of the evaluation and design phase – further analysis required during 1H 2010.</td>
</tr>
<tr>
<td>- Consider expected MD&amp;A communications up to and following transition</td>
<td>Covenants and regulatory requirements to be reviewed and addressed as necessary by Q3 2010.</td>
<td>Investor communication plan prepared during Q4 2009.</td>
</tr>
<tr>
<td>- Consider the investor relations process for responding to IFRS-related queries, and confirm that 2011 investor relations communications are IFRS compliant</td>
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</table>

**Disclosure Controls and Procedures and Internal Control over Financial Reporting**

**Disclosure Controls and Procedures**

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining adequate disclosure controls and procedures, as defined in National Instrument 52-109 - *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our filings under securities legislation is accumulated and communicated to management, including the CEO and CFO as appropriate, to allow timely decisions regarding public disclosure. They are also designed to provide reasonable assurance that all information required to be disclosed in these filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. We regularly review our disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.
Our management, including the CEO and CFO, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2009. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective as of December 31, 2009.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in NI 52-109. Internal control over financial reporting means a process designed by or under the supervision of the CEO and CFO, and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of TMX Group; (2) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of TMX Group are being made only in accordance with authorizations of management and directors of TMX Group; and (3) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of TMX Group’s assets that could have a material effect on the financial statements.

All internal control systems have inherent limitations and therefore our internal control over financial reporting can only provide reasonable assurance and may not prevent or detect misstatements due to error or fraud.

Our management, including the CEO and CFO, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2009 using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Based on this evaluation, the CEO and CFO have concluded that our internal control over financial reporting was effective as of December 31, 2009.

Changes in Internal Control over Financial Reporting

There were no changes to internal control over financial reporting during the quarter beginning October 1, 2009 and ended December 31, 2009 that materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Risks and Uncertainties

We have in place an integrated risk management process in which the Board assumes overall stewardship responsibility for risk; the Finance & Audit Committee of the Board assesses the adequacy of risk management policies and procedures; and the Risk Management Committee (comprised of senior management) oversees the implementation of risk management policies and processes. The management framework supporting the risk management objectives includes regular assessments of principal risks, and implementation of risk management tactics, which are
monitored and adjusted as required. The chart at the end of this section provides an overview of our principal risk mitigation strategies.

The risks and uncertainties described below are not the only ones facing TMX Group. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also adversely affect our business. If any of the following risks actually occur, our reputation, business, financial condition, or operating results could be materially adversely affected.

**Competition Risk**

**We Face Competition from Other Exchanges, ATs, OTC Markets and Other Sources**

Our listing and trading cash equities, derivatives, energy and fixed income markets face competition from other exchanges as well as from other marketplaces, the OTC markets and other sources. Technological advances have lowered barriers to entry and have facilitated the establishment of new marketplaces and trading mechanisms, such as ATs and electronic communication networks (ECNs as they are known in the United States), to electronically trade cash equities, derivatives and other financial instruments outside traditional exchanges. This competition has intensified domestically in our cash equities markets and may continue to intensify in the future, especially as these technological advances create pressure to develop more efficient and less costly trading in both global and regional domestic markets. If we cannot maintain and enhance our ability to compete or respond to competitive threats, this will have an adverse impact on our business, financial condition and operating results.

**Our Equity Exchanges Face Increased Competition from Other Exchanges, New Marketplaces and Trading Mechanisms**

We face increased competition for business from other exchanges, especially those in the United States as they consolidate and investing becomes more global. We face competition from foreign exchanges for listings of Canadian-based issuers and trading in their securities. If we are unable to continue to provide competitive trade execution, the volume traded in Canadian-based interlisted issuers on our equity exchanges could decrease in the future and adversely affect our operating results.

ATs have a framework to operate in Canada under the ATs Rules. The ATs formed by a group of Canada’s banks and investment dealers to trade Toronto Stock Exchange and TSX Venture Exchange listed securities has become a significant competitor in our cash equities markets. There are also a number of other ATs, both dark and visible trading venues, including mechanisms to internalize order flow within a PO, which trade or intend to trade Toronto Stock Exchange and TSX Venture Exchange listed securities. Some ATs appear to operate without apparent profit motives.

These ATs may, among other things, respond more quickly to competitive pressures because they are not subject to the same degree of regulatory oversight as we are, develop similar products to those Toronto Stock Exchange and TSX Venture Exchange offer that are preferred
by customers, or they may develop alternative competitive products, or they may price their trading and data products more competitively in order to gain market share, develop and expand their network infrastructures and offerings more efficiently, adapt more swiftly to new or emerging technologies and changes in customer requirements and use better, more user friendly and reliable technology. If these ATSs attract significant order flow, our trading and market data revenue could be materially adversely affected.

There is intense price competition in the cash equities markets. While we have developed a pricing mix to attract greater liquidity to our markets, the competitive environment in which we operate places significant pricing pressures on our trading and market data offerings. Some competitors may seek to increase their share of trading by reducing their transaction fees, by offering larger liquidity payments, by offering inverted pricing or by offering other forms of financial or other incentives. Our business, financial condition and results of operations could be materially adversely affected as a result of these developments.

**Our Derivatives Markets Face Competition from Other Marketplaces**

MX and BOX are in direct competition with, among others, securities, options and other derivatives exchanges as well as ATSSs or ECNs and other trading and crossing venues, some of our clearing member firms and interdealer brokerage firms. This competition exists particularly in the United States, but also in Europe and Asia. In Canada, MX’s competition in derivatives trading is the OTC market. In the United States, BOX will face increased competition as new entrants are expected to enter the market in 2010. These competitors may, among other things, respond more quickly to competitive pressures as in some cases they are not subject to the same degree of regulatory oversight as we are, develop similar products to those MX and BOX offer that are preferred by customers or they may develop alternative competitive products, they may price their products more competitively, develop and expand their network infrastructures and offerings more efficiently, adapt more swiftly to new or emerging technologies and changes in customer requirements and use better, more user friendly and reliable technology. Increased competition could lead to reduced interest in MX’s and BOX’s products which could materially adversely affect our business and operating results.

The derivatives trading industry is characterized by intense price competition. While our derivatives markets have developed a pricing mix to attract greater liquidity to these markets while maintaining our average price per contract, market conditions may result in increased competition which, in turn, may place significant pricing pressures in the future. Some competitors may seek to increase their share of trading by reducing their transaction fees, by offering larger liquidity payments or by offering other forms of financial or other incentives. Our business, financial condition and results of operations could be materially adversely affected as a result of these developments.

**Our Energy Market Faces Competition from OTC Markets and Other Sources**

NGX’s business of trading and clearing natural gas, electricity and crude oil contracts faces primary competition in energy markets in Canada and the United States from other marketplaces, electronic trading and clearing platforms and from the OTC or bilateral markets (with support...
Voice brokers continue to provide efficient contract matching services for both standardized and structured products and are expanding their service offerings to include access to clearing facilities for trading parties who may have credit constraints. If NGX is unable to compete with these platforms and markets including voice brokers, NGX may not be able to maintain or expand its business, which could materially affect its business and operating results.

**Our Fixed Income Markets Face Competition from OTC Markets and Other Sources**

CanDeal faces competition primarily from the telephonic OTC market. If CanDeal fails to attract institutional order flow from this market, it would adversely affect its operating results.

Shorcan has several competitors in the fixed income IDB market. If Shorcan fails to attract institutional dealer order flow from this market, it would adversely affect its operating results.

**New Technologies Make It Easier to Disseminate Our Information**

Technological advances, and in particular the Internet, have made it easier to download and disseminate electronic information. As a result, third parties may be able to copy, infringe or otherwise profit from our proprietary rights without authorization. This may cause the value of our information to deteriorate since it is difficult to enforce restrictions on the use of information that is transmitted electronically. We may not be able to maintain or increase market data revenue if we cannot enforce our proprietary rights in the future.

**Technology Risk**

**We Depend Heavily on Information Technology, Which Could Fail or Malfunction**

We are extremely dependent on our information technology systems. Trading on our cash equities markets and trading and clearing on our derivatives and energy markets are conducted exclusively on an electronic basis. SOLA, the MX proprietary trading system, is currently in use at BOX and other venues. In addition, MX provides the technical operations services related to BOX’s trading and surveillance platform.

We have incident and disaster recovery and contingency plans as well as back-up procedures to manage, mitigate and minimize the risk of an interruption or failure of the critical information technology of Toronto Stock Exchange, TSX Venture Exchange, TMX Datalinx, NGX, MX and BOX. We also test and exercise our disaster recovery plans for trading on Toronto Stock Exchange, TSX Venture Exchange and MX, and, in the case of our cash equities markets, include customers in that process. However, depending on an actual failure, those plans may not be adequate as it is difficult to foresee every possible scenario and therefore we cannot entirely eliminate the risk of a system failure or interruption. We have experienced occasional information technology failures and delays in the past, and we could experience future information technology failures and delays.
The current technological architecture for our cash equities, energy, derivatives and market data information technology systems may not effectively or efficiently support our changing business requirements. Over the past several years, we have made hardware and software upgrades in response to increases in order message and quote message volumes and transactions and to reduce overall average response time and optimize executed speeds to our cash equities, derivatives, energy and market data platforms.

We are continually improving our information technology systems so that we can handle increases and changes in our trading and clearing activities and market data volumes to respond to customer demand for improved performance. This requires ongoing expenditures which may require us to expend significant amounts in the future.

If the TSX Quantum trading enterprise or the SOLA derivatives trading enterprise fails to perform in accordance with expectations, our business, financial condition and operating results may be materially adversely affected.

If our systems are significantly compromised or disrupted or if we suffer repeated failures, this could interrupt our cash equities trading services, MX’s trading and MX and NGX’s clearing services, as well as the services MX provides to BOX; cause delays in settlement; cause us to lose data; corrupt our trading and clearing operations, data and records; or disrupt our business operations, including BOX’s operations. This could undermine confidence in our exchanges and materially adversely affect our reputation or operating results, and may lead to customer claims, litigation and regulatory sanctions.

**Our Networks and Those of Our Third Party Service Providers May be Vulnerable to Security Risks**

We expect the secure transmission of confidential information over public networks to continue to be a critical element of our operations. Our networks and those of our third party service providers, our POs and approved participants and our customers may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations, any of which could have a material adverse effect on our business, financial condition and results of operations. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any breaches. Although we intend to continue to implement industry-standard security measures, these measures may prove to be inadequate and result in system failures and delays that could lower trading volume and have a material adverse effect on our business, financial condition and results of operations.

**Execution/Strategic Risk**

**We May Not Be Successful in Implementing Our Strategy**

We invest significant resources in the development and execution of our corporate strategy to grow profitability and maximize shareholder returns. We may not succeed in implementing our
strategies. We have limited experience pursuing new business opportunities or growth opportunities in new geographic markets. We may have difficulty executing our strategies because of, among other things, increased global competition, difficulty developing and introducing products, or introducing new products on a timely basis, barriers to entry in other geographic markets, and changes in regulatory requirements. Any of these factors could materially adversely affect the success of our strategies.

**New Business Activities May Adversely Affect Income**

We may enter new business activities that could have an adverse effect on our existing profitability. While we would expect to realize new revenue from these new activities, there is a risk that this new revenue would not be greater than the associated costs or any related decline in existing revenue sources.

**Expansion of Our Operations Internationally Involves Special Challenges that We May Not Be Able to Meet**

We plan to continue our efforts to expand our operations internationally, including by obtaining regulatory authorizations or exemptions to allow remote access to our markets by approved participants outside Canada and by relying on distribution systems established by strategic alliance partners. We expect that the expansion of access to our electronic markets will continue to increase the portion of our business that is generated from outside Canada. We face certain risks inherent in doing business in international markets, particularly in the regulated exchange and clearing business. These risks include:

- restrictions on the use of trading terminals or the contracts that may be traded;
- reduced protection for intellectual property rights;
- difficulties in staffing and managing foreign operations;
- potentially adverse tax consequences;
- enforcing agreements and collecting receivables through certain foreign legal systems; and
- foreign currency fluctuations for international business.

We would be required to comply with the laws and regulations of foreign governmental and regulatory authorities of each country in which we obtain authorizations or exemptions for remote access to our markets. These may include laws, rules and regulations relating to any aspect of the business.

Any of these factors could have a material adverse effect on the success of our plans to grow our international presence and market products and services and consequently on our business, financial condition and results of operations.
Economic Risk

We Depend on the Economy of Canada

Our financial results are affected by the Canadian economy. If the profit growth of Canadian-based companies is generally lower than the profit growth of companies based in other countries, the markets on which those other issuers are listed may be more attractive to investors than our equity exchanges. The threat of a prolonged economic downturn may also have a negative impact on investment performance, which could materially adversely affect the number of new listed issuers, the market capitalization of our listed issuers, additional securities being listed or reserved, trading volumes and market data sales.

Our Operating Results May be Adversely Impacted by Global Economic Uncertainties

The economic and market conditions in Canada and the rest of the world in 2009 had a mixed impact on the different aspects of our business and our revenue drivers. Because listing, financing and trading activities are significantly affected by economic, political and market conditions and the overall level of investor confidence, the extent of economic and market recovery will impact the level of listing activity (including IPOs), the market capitalization of our issuers, trading volumes and sales of data across our markets. In addition, customers on our energy markets that rely on the banks for credit facilities are now facing higher credit costs associated with complying with NGX’s margining regime which could result in lower volumes on NGX.

We Depend on Market Activity that is Outside of Our Control

Our revenue is highly dependent upon the level of activity on our exchanges, including: the volume of securities traded on our cash markets; the number of transactions, volume of contracts or products traded and cleared on our derivatives and energy markets; the number and market capitalization of listed issuers; the number of new listings; the number of active traders and brokerage firms; and the number of subscribers to market data.

We do not have direct control over these variables. Among other things, these variables depend upon the relative attractiveness of securities traded on our exchanges and the relative attractiveness of our exchanges as a place to trade those securities as compared to other exchanges and other trading mechanisms. Those variables are in turn influenced by:

- the overall economic conditions in Canada and the United States in particular, and in the world in general (especially growth levels and political stability);
- broad trends in business and corporate finance, including capital market trends and the mergers and acquisitions environment;
- the condition of the resource sector;
- the interest rate environment and resulting attractiveness of alternative asset classes;
• the regulatory environment for investment in securities;
• the relative activity and performance of global capital markets;
• investor confidence in the prospects and integrity of our listed issuers, and the prospects of Canadian-based listed issuers in general;
• pricing volatility of global commodities and energy markets; and
• changes in tax legislation that would impact the relative attractiveness of certain types of securities.

We may be able to indirectly influence the volume and value of trading by providing efficient, reliable and low-cost trading; maximizing the availability of timely, reliable information upon which research, advice and investment decisions can be based; and maximizing the ease of access to trading facilities. However, those activities may not have a positive effect on or effectively counteract the factors that are outside of our control.

Our Cost Structure is Largely Fixed

Most of our expenses are fixed and cannot be easily lowered in the short-term if our revenue decreases, which could have an adverse effect on our operating results and financial condition.

Regulatory Risk

We Are Subject to Significant Regulatory Constraints

We operate in a highly regulated industry and are subject to extensive government regulation and we could be subject to increased regulatory scrutiny in the future. The provincial securities regulators regulate us and our exchanges, and in the case of CDCC and NGX, our clearing operations, and regulators in other jurisdictions may regulate our future operations. In addition, MX carries on activities in accordance with the regulations of securities regulators in the United States, France and the U.K. CDCC is also subject to regulatory requirements of the SEC and various U.S. state securities regulators. NGX is registered as a derivative clearing organization by the U.S. CFTC. BOX is an electronic equity options market and is regulated by the SEC.

The Canadian securities regulators regulating our cash equities, derivatives and energy exchanges and the SEC which regulates BOX have broad powers to audit, investigate and enforce compliance with their regulations and impose sanctions for non-compliance.

Those Canadian and United States regulators are vested with broad enforcement powers to prohibit us from engaging in some of our business activities or suspend or revoke approval as a recognized exchange or clearing agency, as the case may be, and, in the case of MX, as an SRO. In the case of actual or alleged non-compliance with legal or regulatory requirements, our exchanges or clearing agencies could be subject to investigations and administrative or judicial proceedings that may result in substantial penalties, including revocation of our approval as a
recognized exchange, clearing agency and SRO, as applicable. Any such investigation or proceeding, whether successful or not, would result in substantial costs and diversions of resources and might also harm our reputation, any of which may have a material adverse effect on our business, financial condition and results of operations.

In addition, there may be a conflict between our self-regulatory responsibilities and some of our market participants. Although we have implemented stringent governance measures to avoid such conflicts, any failure by them to diligently and fairly regulate their approved participants or to otherwise fulfill their regulatory obligations could significantly harm our reputation, prompt regulatory scrutiny and materially adversely affect our business, financial condition and results of operations.

This regulation may impose barriers or constraints which limit our ability to build an efficient, competitive organization and may also limit our ability to expand foreign and global access. Securities regulators also impose financial and corporate governance restrictions on us and our equity, derivatives and energy exchanges. Some of the securities regulators must approve or review our exchanges’ listing rules, trading rules, fee structures and features and operations of, or changes to our systems. These approvals or reviews may increase our costs and delay our plans for implementation. In Canada, ATSs operate under different rules than exchanges and we are subject to regulatory constraints or obligations that do not apply to all of our competitors. There could also be regulatory changes that impact our customers and that could materially adversely affect our business and results of operations.

Regulatory trends are not always predictable. The economic crisis, the advent of a multi-market environment in Canada and the increasing amount of high frequency trading in the Canadian market could lead to more aggressive regulation of our markets and could extend to areas of our business that to date have not been regulated. Expanding US regulation and proposed initiatives, if implemented, could increase the regulation of and cost of compliance for our markets whose business is impacted by US regulatory developments. Unexpected and new regulatory requirements could materially adversely affect our organization, customers, market position and results of operations.

Product/Service Relevance Risk

**Our Exchanges Depend on the Development and Acceptance of New Products and Services**

We are dependent to a great extent on developing and introducing new investment trading and clearing products and services and their acceptance by the investment community. While we continue to review and develop new products and services that respond to the needs of the marketplace, we may not continue to develop successful new products and services. Our current offerings may become outdated or lose market favour before we can develop adequate enhancements or replacements. Other exchanges, ATSs or ECNs may introduce new products or services or enhancements that make our offerings less attractive. Even if we develop an attractive new product, we could lose trading activity to another marketplace that introduces a similar or identical offering which offers greater liquidity or lower cost. We also may not receive
regulatory approval (in a timely manner or at all) for our new offerings. Any of these events could materially adversely affect our business, financial condition and operating results.

Human Resources Risk

We Need to Retain and Attract Qualified Personnel

Our success depends to a significant extent upon the continued employment and performance of a number of key management personnel whose compensation is partially tied to vested share options and long-term incentive plans that mature over time. The value of this compensation is dependent upon total shareholder return performance factors, which includes appreciation in our share price. The loss of the services of key personnel could materially adversely affect our business and operating results. We also believe that our future success will depend in large part on our ability to attract and retain highly skilled technical, managerial and marketing personnel. There can be no assurance that we will be successful in retaining and attracting the personnel we require.

Interface/Dependency Risk

We Depend on Adequate Numbers of Customers

If we determine that there is not a fair market, the markets will be shut down. There will not be a fair market if too few POs, or approved participants are able to access our cash equity or derivatives exchanges, including market data information generated from these exchanges, or if too few contracting parties are able to access NGX’s market. If trading on our exchanges is interrupted or ceases, it could materially adversely affect our equity, derivatives or energy operations, respectively, our financial condition and our operating results.

Our Trading Operations Depend Primarily on a Small Number of Clients

During 2009, approximately 32% of our trading revenue on Toronto Stock Exchange and approximately 62% of our trading revenue on TSX Venture Exchange were accounted for by the top ten POs on each exchange. During 2009, approximately 4% of our trading revenue on Toronto Stock Exchange and approximately 44% of our trading revenue on TSX Venture Exchange was accounted for by the six largest Canadian banks and investment dealers. Our business, financial condition or operating results could be materially adversely affected if any one of these POs significantly reduced or stopped trading on our exchanges, or if two or more POs consolidated.

We Depend on Third Party Suppliers

We depend on a number of third parties, such as CDS, IIROC, data processors, software and hardware suppliers, communication and network suppliers and suppliers of electricity for elements of our trading, data and other systems. These providers may not be able to provide
these services without interruption and in an efficient, cost-effective manner. They also may not be able to adequately expand their services to meet our needs. If a service provider suffers an interruption in or stops providing services and we cannot make suitable alternative arrangements, it could materially adversely affect our business, financial condition and operating results.

We Depend on and Are Restricted by Our License Agreements and Other Arrangements

Some of our products and systems depend on license agreements with third parties, which in some cases expire within the next few years. We may not be able to renew these agreements on favourable terms or at all. Any future license agreement may provide opportunities for us, but it may also impose restrictions on us. If we fail to renew license agreements on favourable terms or at all, it may materially adversely affect our business.

We are also party to agreements with IIROC and CanDeal under which we provide services for fees. If those agreements terminate or are not renewed, it may have an adverse effect on our operations.

Currency Risk

We Are Subject to Fluctuations in Exchange Rates

We are exposed to foreign currency risk on revenue, cash and cash equivalents, marketable securities, accounts receivable and accounts payable principally denominated in U.S. dollars. In 2009, we recognized U.S. dollar denominated revenue of approximately U.S. $110.0 million, including BOX, less various U.S. dollar expenses. The approximate impact of a 10% rise and a 10% decline in the Canadian dollar compared to the US dollar on these transactions as at December 31, 2009 is a $5.5 million decrease or increase in net income respectively. At December 31, 2009, cash and cash equivalents and accounts receivable, excluding BOX, and current liabilities, excluding those of BOX, include US $11.9 million and US $0.6 million respectively, which are exposed to changes in the U.S. – Canadian dollar exchange rate. The approximate impact of a 10% rise in the Canadian dollar compared to the US dollar on these exposed balances at December 31, 2009 is a $1.2 million decrease in net income. The approximate impact of a 10% decline in the Canadian dollar compared to the US dollar on these exposed balances at December 31, 2009 is a $1.2 million increase in net income. In addition, net assets related to BOX are denominated in US dollars, and the effect of exchange rate movements on the Company’s share of these net assets is included in other comprehensive income. The approximate impact of a 10% rise in the Canadian dollar compared to the US dollar on the translation of the net assets related to BOX at December 31, 2009 is a $5.8 million decrease in other comprehensive income. The approximate impact of a 10% decline in the Canadian dollar compared to the US dollar on the translation of the net assets related to BOX at December 31, 2009 is a $5.8 million increase in other comprehensive income.

We do not employ hedging strategies and therefore significant moves in exchange rates, specifically a strengthening of the Canadian dollar against the US dollar can have an adverse affect on the value of our revenue, expenses, assets or liabilities in Canadian dollars.
**Integration Risk**

**We Face Risks Associated with Integrating the Operations, Systems and Personnel of New Acquisitions**

As part of our strategy to sustain growth, we have and expect to continue to pursue appropriate acquisitions of other companies and technologies. An acquisition will only be successful if we can integrate the acquired businesses’ operations, products and personnel; retain key personnel; and expand our financial and management controls and our reporting systems and procedures to accommodate the acquired businesses. It is possible that integrating an acquisition could result in less management time being devoted to other parts of our core business. If an investment, acquisition or other transaction does not fulfill expectations, we may have to write down its value in the future or sell at a loss. In 2009, we wrote-off $77.3 million of goodwill related to our investment in BOX.

**Business Continuity/Geopolitical Risk**

**Geopolitical and Other Factors Could Interrupt Our Critical Business Functions**

The continuity of our critical business functions could be interrupted by geopolitical upheaval, including terrorist, criminal, political and cyber, or by other types of external disruptions, including human error, natural disasters, power loss, telecommunication failures, sabotage and vandalism.

We have a series of integrated disaster recovery and business continuity plans for critical business functions to mitigate the risk of an interruption. We currently maintain duplicate facilities to provide redundancy and back-up to reduce the risk and recovery time of system disruptions for key systems at Toronto Stock Exchange, TSX Venture Exchange, MX, CDCC and BOX. However, not all systems are duplicated, and any major disruption may affect our existing and back-up facilities. Any interruption in our services could impair our reputation, damage our brand name, and negatively impact our financial condition and operating results.

**Credit Risk**

**We Could Suffer Losses as a Result of NGX’s Clearing Activities**

NGX is the central counterparty to each transaction (whether it relates to natural gas, electricity or crude oil contracts) cleared through its clearing operations. By providing a clearing and settlement facility, NGX is subject to the risk of a counterparty defaulting simultaneously with an extreme market price movement. NGX manages this risk by applying standard rules and regulations, and using a conservative margining regime based on globally-accepted margin concepts. This margining regime involves valuing the market stress of client portfolios in real-time and requiring participants to deposit liquid collateral in excess of those valuations. NGX conducts market stress scenarios regularly to test the ongoing integrity of its clearing operation.
NGX also relies on established policies, instructions, rules and regulations as well as procedures specifically designed to actively manage and mitigate risks. There is no assurance that these measures will be sufficient to protect us from a default or that our business financial condition and results of operations will not be materially adversely affected in the event of a significant default.

To backstop its clearing operations, NGX has a credit agreement in place with a Canadian chartered bank which includes a US$100 million clearing backstop fund. We are NGX’s unsecured guarantor for this fund up to a maximum of US$100 million. In addition, NGX has covenanted under the agreement to maintain a minimum of $9 million of tangible net assets. If NGX suffers a loss on its clearing operations, it could lose its entire net worth. The bank could also realize up to a maximum of US$100 million on our unsecured guarantee, to the extent required to cover the loss.

NGX faces operational and other risks associated with the clearing business, which, if realized, could materially affect its business and operating results.

We cannot assure you that these measures will be sufficient to protect us from a default or that our business financial condition and results of operations will not be materially adversely affected in the event of a significant default.

**We Could Suffer Losses as a Result of CDCC’s Clearing Activities**

CDCC acts as the central counterparty and guarantor of all transactions executed on MX’s markets and on some OTC products. As a result, CDCC is exposed to the risk of default of its clearing members. CDCC primarily supports the risk of one or more counterparties, meeting strict financial and regulatory criteria, defaulting on their obligations, in which case the obligations of that counterparty would become the responsibility of CDCC. This risk is greater if market conditions are unfavourable at the time of the default.

In order to manage the risks associated with the default of its clearing members, CDCC’s principal technique is the collection of risk-based margin deposits in the form of cash, letters of credit, equities and liquid government securities. Should a clearing member fail to meet a daily margin call or otherwise not honour its obligations under open futures and options contracts, margin deposits would be available to apply against the costs incurred to liquidate or transfer the clearing member’s positions.

CDCC’s margining system is complemented by a stress reporting system. This process evaluates the financial strength of a clearing member to meet margin requirements that might result from a sudden adverse change in the market. Clearing members who fail to meet the criteria are required to deposit a stress margin.

CDCC also maintains a clearing fund through deposits of cash and securities from all clearing members. The aggregate level of clearing funds required from all clearing members must cover the worst loss that CDCC could face if one counterparty was failing under various extreme but plausible market conditions. Each clearing member contributes to the clearing fund in proportion to its margin requirements. If, by a clearing member’s default, further funding is necessary to
complete a liquidation, CDCC has the right to require other clearing members to contribute additional amounts equal to their previous contribution to the clearing fund.

CDCC has also arranged a total of $30.0 million in revolving standby credit facilities with a major Canadian chartered bank to provide liquidity in the event of default by a clearing member.

We cannot assure you that these measures will be sufficient to protect us from a default or that our business financial condition and results of operations will not be materially adversely affected in the event of a significant default.

Our Derivatives Business Could be Harmed by a Systemic Market Event

Some MX market participants could be overleveraged. In case of sudden, large price movements, such market participants may not be able to meet their obligations to brokers who, in turn, may not be able to meet their obligations to their counterparties. The impact of such an event could have a material adverse effect on our business. In such cases, it could be possible that clearing members default with CDCC. [As referred to in the “Credit Risk – CDCC” section,] CDCC would use its risk management mechanisms to manage such a default. In extreme situations such as large scale market price moves or multiple defaults occurring at the same time, all these mechanisms may prove insufficient to cover losses and this would result in a loss.

Intellectual Property Risk

We May Be Unable to Protect Our Intellectual Property

To protect our intellectual property rights, we rely on a combination of trade-mark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements, and other contractual arrangements with our affiliates, customers, strategic partners, and others. This protection may not be adequate to deter others from misappropriating our proprietary information. We may not be able to detect the unauthorized use of, or take adequate steps to enforce, our intellectual property rights. We have registered, or applied to register, our trademarks in Canada and in some other jurisdictions. If we fail to protect our intellectual property adequately, it could harm our brand and affect our ability to compete effectively. It could also take significant time and money to defend our intellectual property rights, which could adversely affect our business, financial condition, and operating results.

We license a variety of intellectual property from third parties. Others may bring infringement claims against us or our customers in the future because of an alleged breach of such a license. If someone successfully asserts an infringement claim, we may be required to spend significant time and money to develop or license intellectual property that does not infringe upon the rights of that other person or to obtain a license for the intellectual property from the owner. We may not succeed in developing or obtaining a license on commercially acceptable terms, if at all. In addition, any litigation could be lengthy and costly and could adversely affect us even if it is successful.
Corporate Structure Risk

We May Not be Able to Meet Cash Requirements Because of Our Holding Company Structure and Restrictions on Paying Dividends

As a holding company, our ability to meet our cash requirements and 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. In particular, the recognition order of TMX Group and TSX Inc. provides that if TSX Inc. fails to maintain any of its financial viability tests for more than three months, 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 by OSC staff. In addition, the recognition order of MX imposes similar restrictions on the payment of dividends. If MX fails to meet the financial viability ratios for more than three months, MX will not, without the prior approval of Quebec’s AMF, pay dividends (among other things) until the deficiencies have been eliminated for at least six months.

Restrictions on Ownership of TMX Group Shares May Restrict Trading and Transactions

Under the Securities Act (Ontario) and related regulations and orders, and pursuant to an undertaking we provided to the AMF as a condition to obtaining approval of the combination with MX, no person or company may own or exercise control or direction over more than 10% of any class or series of our voting shares, without obtaining the prior approval of the OSC and the AMF. Each of the OSC and the AMF will have complete discretion to grant its approval and may also change the 10% threshold in the future. A shareholder (or shareholders acting together) who contravenes these provisions may have its shares redeemed and have dividend and voting entitlements on its shares suspended. These restrictions may discourage trading in and may limit the market for our shares, may discourage potential acquisition and strategic alliance proposals, and may prevent transactions in which our shareholders could receive a premium for their shares.

Litigation Risk

We Are Subject to Litigation Risks

Some aspects of our business involve risks of litigation. Dissatisfied customers, among others, may make claims with respect to the manner in which we operate or they may challenge our regulatory actions, decisions or jurisdiction. Although we benefit from certain contractual indemnities and limitations on liabilities, these rights may not be sufficient. In addition, with the introduction of civil liability for misrepresentations in our continuous disclosure documents and statements and the failure to make timely disclosures of material changes in Ontario and certain other jurisdictions, dissatisfied shareholders can more easily make claims against us. We could incur significant legal expenses defending claims, even those without merit. If a lawsuit or claim is resolved against us, it could materially adversely affect our reputation, business, financial condition and operating results.