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Embracing Technology: The Engine of Opportunity

**CHECK AGAINST DELIVERY**
Thank you and good morning, everyone.

Merci et bonjour à tous!

I want to thank Finance Montreal for inviting me to participate today, and I congratulate them on the work they have done in putting together such an impressive event.

It is a real pleasure to be here among so many technology entrepreneurs and alongside some of this country’s most forward-thinking financial services companies, to discuss how technology is reshaping and redefining the industry in which we work, and the world in which we live.

It’s especially exciting for me to be here representing TMX, because so much of what we do at TMX is about helping clients seize on opportunities to gain a competitive edge.

And, although I represent a company with roots dating back 165 years, the challenges we face running our business are very similar to many of you just starting out.

Last year, as you may have seen, we launched a global marketing campaign to celebrate breakthrough achievement in today’s business landscape, and to highlight the role TMX plays in connecting visionary clients to boundless opportunity.

That we chose the phrase “The Future Is Yours to See” as our mantra is no coincidence.

And so, how does “voir le futur, realiser l’avenir” capture who we are and what we do?

We have spent a lot of time over the last few years telling the world that we are more than a collection of exchanges, clearing services, and market data.

More than the Toronto Stock Exchange, TSX Venture Exchange, Montreal Exchange, Canada’s equities and derivatives clearinghouses CDS and CDCC, and TSX Trust.

The fact is, we strive to be much more than just the sum of our parts. We are working to earn a leadership position in the global trading, data and analytic solutions marketplace.

It’s a fundamental and essential balanced business model: TMX is both an operator of systemically important businesses with a critical public interest mandate, and a multifaceted solutions provider, pushing the evolution of our organization into the future.

A great example of this thinking is illustrated in a quote from BlackRock co-founder Robert Kapito, on digital disruption:

“Apple was not in the music industry, Google was not in the mobile phone industry and Amazon was not in the groceries business — until they were,” he said. “Tech companies are going to enter the financial services market in a very, very aggressive way.”

The key point here is that the value that Amazon originally provided, for example, wasn’t selling books online but rather providing convenience and unheard-of selection. Understanding the true source of its value allowed Amazon to expand exponentially beyond books.
Technology is the enabler and key driver in the execution of any business model, but the value provided and a robust commercial model will ultimately determine the degree of success.

And for TMX the shift in business model - driven by technology - from infrastructure to solutions is having a positive impact across our business.

Starting in our data and analytics division, we are leveraging technology to create decision-making advantages for our clients.

TMX markets generate an immense amount of data. And we are continuously looking to extract more value from that data, including developing new artificial-intelligence based analytic solutions and by scaling our capabilities through cloud technology.

The fourth industrial revolution is upon us. Organizations have a vital opportunity to participate; to innovate, adapt and thrive into the future.

When I arrived at TMX four years ago, we did not have one single application in the cloud. Today, we have a cloud-based, enterprise-wide data capability and we are utilizing technology to uncover new ways for clients to put market data to work.

As you may have seen earlier today, we announced a new 3-year partnership between MX’s regulatory division and IVADO, an academic consortium here in Quebec, to apply machine learning techniques to MX data in order to develop market analysis and surveillance solutions.

The goal here is to merge the brightest young minds with experienced market experts to find ways to detect and prevent negative trading behaviours and manipulation, ensuring that our derivatives markets remain liquid, fair and transparent.

In addition to working on building out our existing capability, we have recently taken steps to significantly expand our global data and analytics business.

Late last year, we acquired Trayport, a London-based, world-leading provider of technology and software solutions for energy traders, brokers and exchanges.

The addition of Trayport, a fully deployed SAAS platform, immediately established a foothold in the European energy trading space and positioned TMX to capitalize on emerging trends in global energy markets.

This acquisition, along with the divestiture of other assets, rebalanced TMX to be a company with 52% of our revenues being recurring, and 30% of our total revenues emanating from outside of Canada.

The future is bright here in Montreal for Canada’s derivatives markets as well.

With already 40% of our trading volumes coming to MX from outside of Canada, we are pursuing technology-enabled opportunities to serve a growing global client base.

Earlier this month, MX launched extended trading hours, opening for trading at 2:00 am, or 7:00 am in London, to align us with the European time zone and enhance MX’s competitive position among the world’s leading derivatives markets.
For MX, a flexible and scalable technology platform allows us to make our benchmark products available for trading during peak times for global markets.

MX trading on London time enables us to address the growing demand for Canadian derivatives around the world, improve the overall depth of liquidity for all participants, while also positioning Canada’s markets for long-term international growth.

Another TMX business area that is embracing technology in building for the future is one that might not be front of mind: TMX’s clearing and depository business.

There are two major components to this business:

The Canadian Depository for Securities, or CDS, Canada's national securities depository, clearing and settlement hub, which serves equity, fixed income and money markets.

And the Canadian Derivatives Clearing Corporation, or CDCC, the central clearing counterparty for exchange-traded derivative products in Canada and other customized financial instruments.

Together, CDS and CDCC constitute the backbone of the Canadian financial markets and, in keeping with the theme of my comments this morning, the technology platforms are essential engines of Canada’s markets.

How so?

CDS and CDCC clear and settle the vast majority of capital markets trades that occur in Canada, processing almost one trillion dollars in value every night.

We are deep into the work of modernizing the underlying technology infrastructures for both CDS & CDCC, as well as moving them to a common platform.

This foundational technology upgrade will serve to establish a base for the future of clearing and depository services and enable us to deploy emerging technologies, like blockchain, when and if those opportunities prove ready.

Developing this critical capability has allowed us to explore a significant opportunity to leverage a Canadian asset to global advantage.

We recently announced that we have signed a memo of understanding with the Shanghai Clearing House to serve as the North American China Link for investing in the Chinese domestic corporate bond market - leveraging our technology platform as the North American gateway to help open the Chinese Bond Markets.

In our capital formation, or equity listings business, TMX has evolved into the most unique and successful capital formation ecosystem in the world as opportunistic new paradigms have emerged.

How unique and successful are we?

TSX Venture Exchange is the number one marketplace for small and medium-sized enterprises, or SMEs, to raise growth capital.
What is an SME really? It is a smaller-sized company that needs capital to grow their business. It could even be a pre-revenue company.

We think of this crucial segment of the market as the “Growth Capital Marketplace”.

Growth capital is the lifeblood of building a business. Incubation is important, but growth creates jobs, wealth and drives economies.

So, according to a study published last month by the World Federation of Exchanges:

TSX Venture Exchange, or TSXV, listings account for 24% of the Global Growth Capital marketplace and 83% of the marketplace in the Americas.

57% of all graduates, meaning companies moving from junior to senior exchanges in the Global marketplace, were from TSXV to TSX, and;

32% of all financing raised in the Global Growth Capital marketplace was done on TSXV.

And the profile of these issuers is diversifying. Over the last few years, the TMX Capital Formation ecosystem has evolved beyond a resource play - into a dynamic vehicle for generating growth capital for any type of company.

If we look back just a few years to 2013, there were no publicly-traded marijuana companies.

And there were no publicly-traded blockchain companies.

Today, five short years later, these companies are flourishing on TSX and TSXV.

As of September 30, our exchanges had 43 issuers in the legal cannabis sector on with a total market value of $47B.

And 15 blockchain-related issuers with a combined market cap of $781M.

This ever-evolving capital formation ecosystem - where newly defined sectors are reshaping the landscape - has become the preferred channel globally for raising venture capital in a public model.

At TMX, we view the concept of innovation and disruption from a unique vantage point: at the intersection of traditional and non-traditional ways of doing business, between legacy public markets and venture capital, and, yes, even burgeoning peer-to-peer markets like crowd-funding.

TMX is the leader in a growing Global Public Venture Marketplace.

And it is exciting to work in collaboration with our many stakeholders, including regulators and participants, in an effort to build our marketplace even stronger for the future.

When I first arrived at TMX Group in 2014, we had reached a crossroads and it was time to build a new TMX - reinvent, revitalize and reposition - or face disruption.
My advice for all of you out there building businesses and faced with crucial, forward-looking decisions:

Embrace Technology and Innovation but get the business model right.

And then communicate it clearly and consistently!

Landing at the appropriate model is the key to lasting success.

Technology will enable the success of that model but, without the right commercial model, technology is a great invention that never gets out of the garage.

I can tell you I have seen that first hand. I joined a tiny startup called Bloomberg in 1988. That product was built on Perkin-Elmer mainframes and written in Fortran code.

In the 14 years I was there, Bloomberg went from a company with a few million in revenue to a multi-billion dollar enterprise.

Looking back now, the technology, considered so critical an element to our success at the time, was not the number one factor in setting the stage for long-term success.

The key has always been the business model.

New technologies have come and gone since that time, and Bloomberg has been successful in leveraging them to adapt and advance their business model, integrating mineable data with analytics and community, rooted in the unwavering commitment to delivering value for clients.

Over the last few years, TMX has undergone a major transformation. And really, we have started down a ceaseless path of evolution, squarely focused on understanding the impact of new technologies on how our clients do business.

Because, like most companies in Canada’s capital markets ecosystem, a number of whom are represented here, TMX’s success is defined by the success of our clients.

To continue our evolution as a global solutions provider, we are necessarily engaged at the cutting edge, to understand the next wave of potentially disruptive technologies before they disrupt.

To seek out ways we can deploy them to our advantage when the time comes.

Some of the TMX innovation initiatives we have announced include:

- An e-proxy voting blockchain prototype designed with Accenture to improve the efficiency and accuracy of the voting process during shareholder meetings,
- The ‘Liquidity Alliance’, a collaboration with an international group of central securities depositories to seek out ways to leverage distributed ledger technology to overcome existing hurdles when moving collateral across various jurisdictions, making the transfer faster and more efficient, and
- The Jasper 3 research project, an undertaking with the Bank of Canada, Payments Canada, CDS and participant banks where we’ve taken the Canadian dollar and applied the current blockchain technology against it to assess the business model of real-time settlement.
The connective tissue in these initiatives is not merely the technology, it is the vision - the pursuit of relevant use-cases to address challenges across our broader industry.

We are collaborating with our stakeholder partners across the industry, including participants and regulators to find meaningful ways to leverage technology to strengthen Canada’s markets, to build a bridge between the traditional and non-traditional ways of doing business, and ultimately to enhance our stature on the global stage into the future.

TMX is focused on solutions that are driven by technology.

The way we see it, it is simply not enough to be just an infrastructure company, or a technology company, or a data company.

The marketplace demands that we operate with dexterity and a clear future vision.

And that is really the point I want to close with, and to share with any company represented here this week - that technology and data are only as valuable as the application you build to deploy it and the ability for that application to address the needs of the marketplace.

That is our top strategic imperative at TMX, to constantly pursue ways to evolve to meet the needs of clients.

And we believe strongly that creative and progressive leveraging of technology is the only way to make that happen.

Thank you for your time and enjoy the rest of the conference,

Merci.