TMX Group Inc.

2008 Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of TMX Group Inc.'s (TMX Group)[1] 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, 2008, compared with the year ended December 31, 2007. This MD&A is dated January 28, 2009 and should be read carefully together with our 2008 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.tsx.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.

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 are included in TMX Group's consolidated results from May 1, 2008.

On August 29, 2008, MX acquired an additional 21.9% interest in the Boston Options Exchange Group, LLC (BOX) from the Boston Stock Exchange (BSE), giving MX a majority ownership interest of 53.3% in, and control of, the U.S. equity options exchange. Prior to the completion of this transaction, MX's 31.4% investment in BOX was accounted for under the equity method under which our 31.4% of the earnings from BOX was reported as income from investment in an affiliate. From the acquisition of control on 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%.

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

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[1] Following shareholder approval on June 11, 2008, we amended our Restated Articles of Incorporation were amended to change our name from TSX Group Inc. / Groupe TSX Inc. to TMX Group Inc. / Groupe TMX Inc.

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

Non-GAAP Financial Measures

Toronto Stock Exchange customers are billed for initial and additional listing fees, and with this system, 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 have adopted the terms “issuer services fees billed”, “initial listing fees billed” and “additional listing fees billed”.

Certain measures used in this MD&A, specifically “initial listing fees billed”, “additional listing fees billed”, “total revenue based on initial and additional listing fees billed” and “issuer services revenue based on initial and additional listing fees billed” do not have standardized meanings prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. We present these non-GAAP revenue measures as 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. 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.

We present “earnings per share prior to a reduction in the value of the future tax asset” as an indication of operating performance exclusive of tax charges, which primarily relate to lower federal corporate income tax rates and other adjustments. This measure does not have a standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers. Management uses this measure to assess financial performance excluding the reduction of the future tax asset.

We present “adjusted earnings per share prior to a reduction in the value of the future tax asset in 2007 and prior to loss on termination of joint venture in 2008” as an indication of operating performance exclusive of the adjustment to the value of the future tax asset (see above) and 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 our proposed derivatives joint venture. This measure does not have a standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers. Management believes this measure allows it to assess operating performance excluding the reduction of the future tax asset and the type of payment made to ISE Ventures.

Executive Summary of Vision, Strategies and Priorities[2]

Our vision: To be a leading Canadian public company that is the best operator of electronic marketplaces on a global standard.

Our strategy: To expand our integrated business, both domestically and internationally, by offering innovative cash and derivatives products across multiple asset classes.

Our priorities:

- *Integrate:*

  We completed our combination with MX to further diversify our revenue base and to realize revenue and cost synergies. The combination also creates a substantially larger entity that is better positioned to compete.

- *Enhance*:

  We will continue to enhance our product and services offering to compete for increased market share in cash, derivatives and energy markets.

- *Innovate*:

  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 derivatives markets.

Market Conditions and Outlook[3]

Capital markets across the world experienced severe volatility in 2008. The deterioration of the U.S. residential mortgage market that began in 2007 precipitated a global credit crisis prompting unprecedented responses from governments and central banks.

Our revenue is highly dependent upon the level of market activity on our exchanges, 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. The contraction of credit has resulted in a reduction in corporate financing and fixed income activity. While it is not possible to quantify the potential decline in some of these measures, current and future economic and market conditions may result in a decrease in some or all of these revenue drivers,

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[2] The "*Executive Summary of Vision, Strategies and Priorities*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

[3] The "*Market Conditions and Outlook*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

which would negatively impact future revenue and net income since we have limited ability to substantially alter our cost structure, given its fixed nature.

Though we face these challenging economic and market conditions in Canada, the U.S. and internationally in the near term, we believe that over the long term, exchanges and clearing houses will become even more important in providing transparent markets for price discovery, well regulated venues for capital formation and effectively collateralized clearing mechanisms for managing counterparty credit risk.

Overview of the Business

We own and operate cash, derivatives, energy, fixed income markets and clearing houses in Canada and the U.S.

- Our cash markets, Toronto Stock Exchange and TSX Venture Exchange, are the primary venues for capital formation and liquidity in Canada. The total market capitalization of the 4,013 issuers listed on our equity exchanges at December 31, 2008 was $1.3 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 our two equity exchanges in 2008 was 153.3 billion compared with 149.2 billion in 2007. The information from trading and other sources was supplied through over 162,000 professional and equivalent subscriptions to our TSX Datalinx real-time market data at the end of 2008 compared with over 160,000 at the end of 2007.

- Our derivatives exchange, MX, is Canada's only standardized financial derivatives exchange. Headquartered in Montreal, MX offers interest rate, index and equity derivatives. Through the Canadian Derivatives Clearing Corporation (CDCC), MX's wholly-owned subsidiary, we provide clearing, settlement and risk management services, as well as being 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 of some over-the-counter, or OTC products. 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. MX 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. Our derivatives markets derive revenue from MX's trading, clearing, market data and business services activities as well as from trading on BOX.

- Our energy market, NGX, is a Canadian-based exchange that provides customers with an electronic platform that trades and provides clearing and settlement services for natural gas and electricity contracts across North America. During 2008, 14.5 million terajoules in natural gas and electricity contracts were traded or cleared on NGX compared with 11.2 million terajoules in 2007. In October 2006, we added to our energy business when we acquired Oxen Inc. (Oxen), which owns the Alberta Watt Exchange Limited (Watt-Ex), a provider of ancillary services to the Alberta

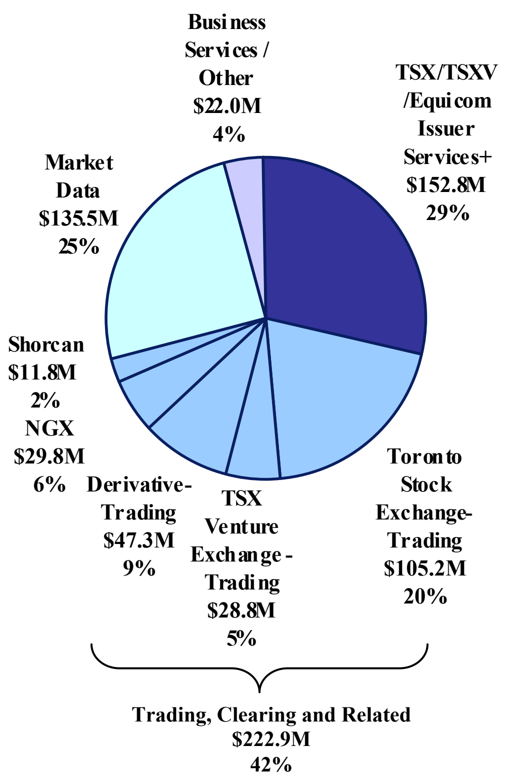
Electric System Operator which is used to balance supply and demand on the Alberta grid.

- We acquired our fixed income market, Shorcan Brokers Limited (Shorcan), Canada's first fixed income inter-dealer broker (IDB) in December 2006. This complemented the October 2006 purchase of PC-Bond, which offers the leading Canadian fixed income indices and PC-Bond analytics applications.

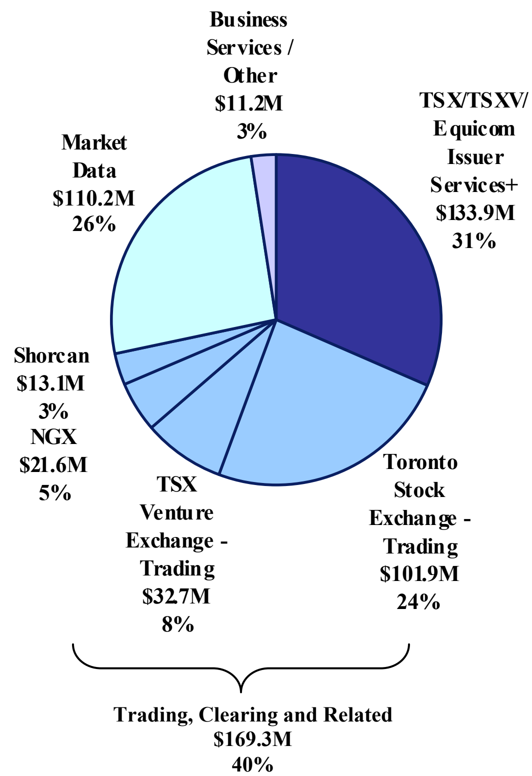
Core Business of TMX Group

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

2008 revenue reported of $533.2 million[4]



2007 revenue reported of $424.6 million



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

[4] Includes revenue from Montréal Exchange from May 1, 2008.

[+] Includes $7.7 million in revenue from Equicom for the seven months from acquisition on June 1, 2007 and full year 2008.

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 report using International Financial Reporting Standards (IFRS), currently account for these fees.

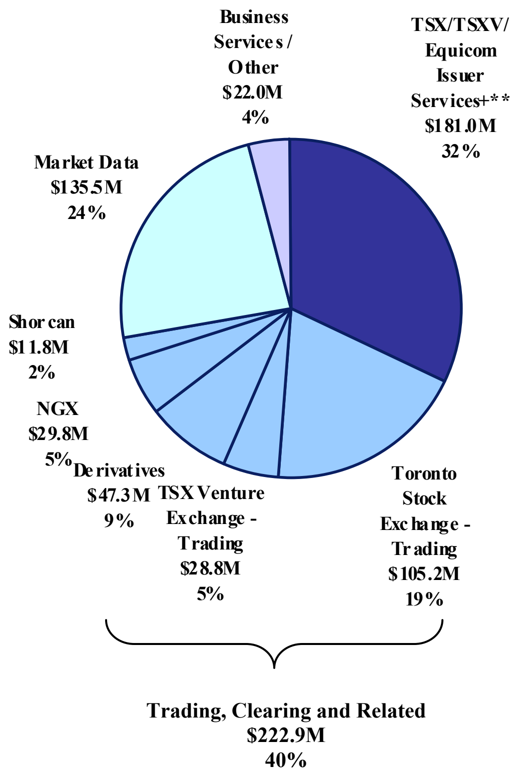
The following is a reconciliation of total revenue based on initial and additional listing fees billed* to total revenue based on initial and additional listing fees reported:

(in millions of dollars)

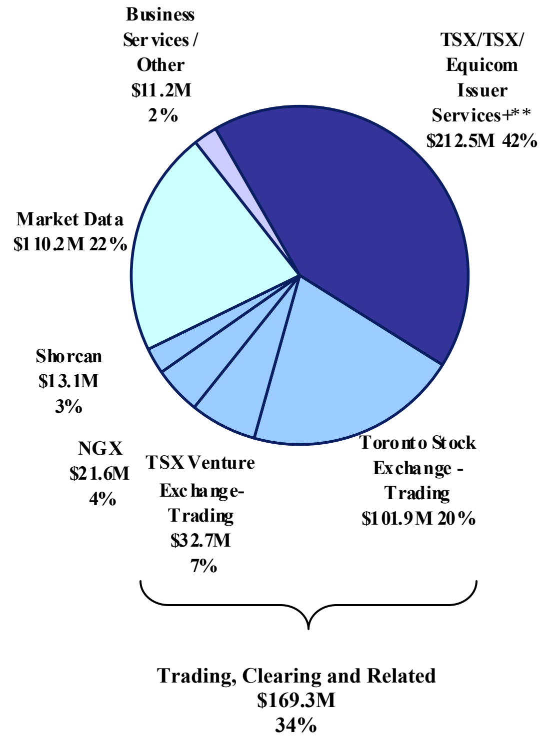
	2008	2007
Total revenue based on initial and additional listing fees billed*	$ 561.4	$ 503.2
Initial and additional listing fees billed* and deferred to future periods	($ 90.0)	($ 129.0)
Recognition of initial and additional listing fees billed* and previously included in deferred revenue	$ 61.8	$ 50.4
Total revenue based on initial and additional listing fee revenue reported	$ 533.2	$ 424.6
Excess of initial and additional listing fees billed* over initial and additional listing revenue reported	$ 28.2	$ 78.6

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

2008 revenue of $ 561.4 million[5]
(total revenue based on initial
and additional listing fees billed*)



2007 revenue of $ 503.2 million
(total revenue based on initial
and additional listing fees billed*)



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[5] Includes revenue from Montréal Exchange from May 1, 2008.

+ Includes $7.7 million in revenue from Equicom for the seven months from acquisition on June 1, 2007 and full year 2008.

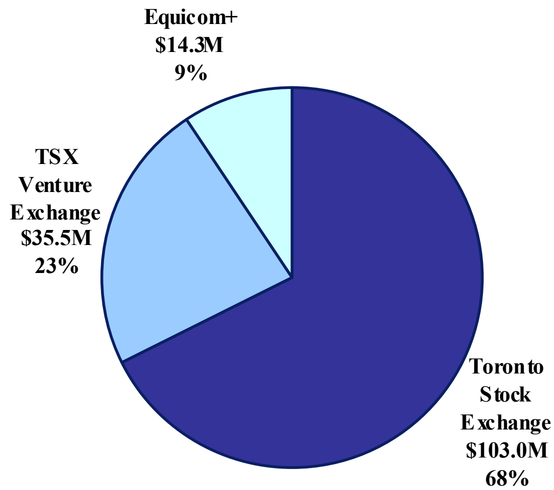
∗ See discussion under the heading Non-GAAP Financial Measures.

**See discussion under the heading Non-GAAP Financial Measures. The composition of issuer services revenue based on initial and additional listing fee revenue billed is available in our Review of Operations 2008 under the heading "*Issuer Services Revenue*", and a reconciliation to issuer services revenue based on initial and additional listing fee revenue reported is located on Page 8.

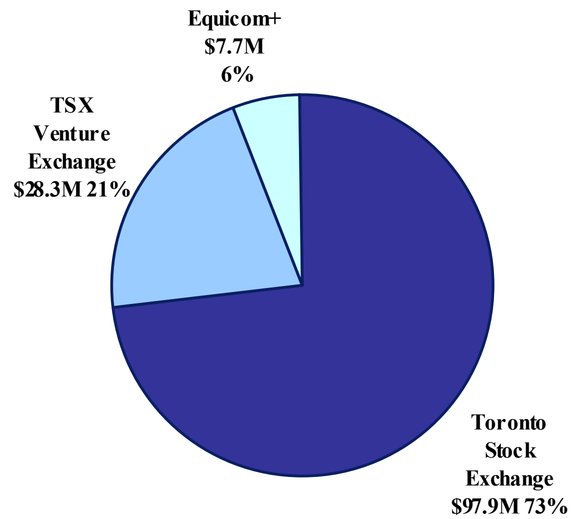
Issuer Services

Revenue Composition

2008 issuer services revenue reported of $ 152.8 million



2007 issuer services revenue reported of $ 133.9 million



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:

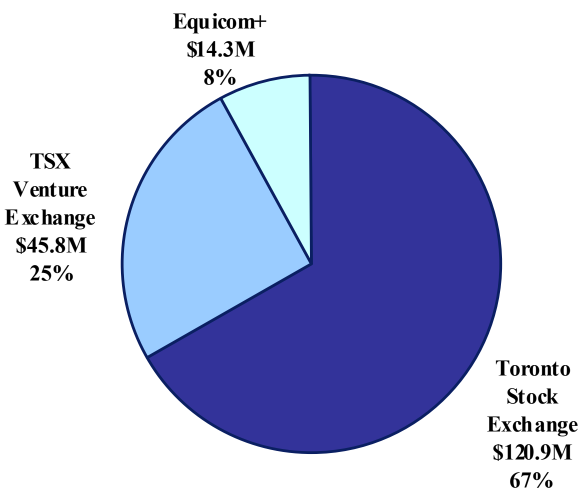
(in millions of dollars)

	2008	2007
Issuer services revenue based on initial and additional listing fees billed*	$ 181.0	$ 212.5
Initial and additional listing fees billed* and deferred to future periods	($ 90.0)	($ 129.0)
Recognition of initial and additional listing fees billed* and previously included in deferred revenue	$ 61.8	$ 50.4
Issuer services revenue based on initial and additional listing fee revenue reported	$ 152.8	$ 133.9
Excess of initial and additional listing fees billed* over initial and additional listing revenue reported	$ 28.2	$ 78.6

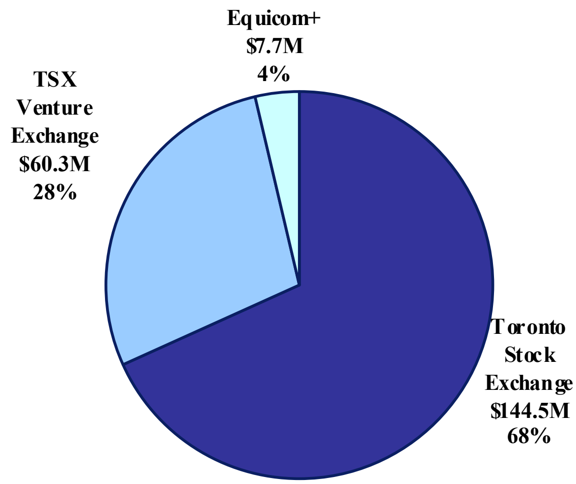
* See discussion under the heading Non-GAAP Financial Measures.

+ Includes $7.7 million in revenue from Equicom for the seven months from acquisition on June 1, 2007 and full year 2008.

2008 issuer services revenue of $ 181.0 million based on initial and additional listing fees billed*



2007 issuer services revenue of $ 212.5 million based on initial and additional listing fees billed*



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[6] 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 (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, exchange-traded fund units, income trust units and structured products.

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

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6 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.

+ Includes $7.7 million in revenue from Equicom for the seven months from acquisition on June 1, 2007 and full year 2008.

capital, liquidity for existing investors, mentorship programs and the prestige and market exposure associated with being listed on one of Canada's premier national stock exchanges.

On June 1, 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, 2008, 1,570 issuers with an aggregate market capitalization of $1.3 trillion were listed on Toronto Stock Exchange, compared with 1,613 issuers at December 31, 2007 with an aggregate market capitalization of $2.1 trillion.

- At December 31, 2008, 2,443 issuers with an aggregate market capitalization of $17.1 billion were listed on TSX Venture Exchange, compared with 2,338 issuers at December 31, 2007 with an aggregate market capitalization of $58.5 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. Most issuers listed on Toronto Stock Exchange and TSX Venture Exchange will pay a lower sustaining fee in 2009 as a result of a decrease in their market capitalization at the end of 2008 when compared with 2007. 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.

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).

2009 Pricing[7]

Toronto Stock Exchange

On November 20, 2008, we announced a revised listing fee schedule for Toronto Stock Exchange. The new fee schedule was effective January 1, 2009. TSX expects most of its individual listed issuers to experience a reduction in sustaining fees in 2009, due to their lower market capitalization at December 31, 2008. Overall, we anticipate this reduction will be partially offset by an increase in sustaining fees, as a result of the introduction of the new schedule. Listing fees at all major exchanges were reviewed to ensure TSX fees remain competitive with those marketplaces.

The amendments to the listing fee schedule include changes to the base and maximum sustaining fees for corporate issuers (variable fee rates remain unchanged); the fees payable for corporate reorganizations, which include income trust conversions; and the maximum fees payable for security-based compensation arrangements (minimum fees and the variable fee rates remain unchanged). The original listing and additional listing fee schedules (other than for security-based compensation arrangements) remain unchanged.

TSX Venture Exchange

On December 16, 2008 we announced certain amendments to TSX Venture Exchange's listing fee schedule, which came into effect on January 1, 2009. The fee increases apply to all original listings transactions and all additional listings transactions that involve a financing. All other fees remain unchanged.

Overall, based on data as of December 8, 2008, we expect that the impact from the lower market capitalization of issuers on both of our exchanges, somewhat offset by higher sustaining fees on Toronto Stock Exchange, will result in an estimated $11.0 to $13.0 million reduction in total sustaining fees for 2009.

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[7] The "*2009 Pricing-Toronto Stock Exchange*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

Competition

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

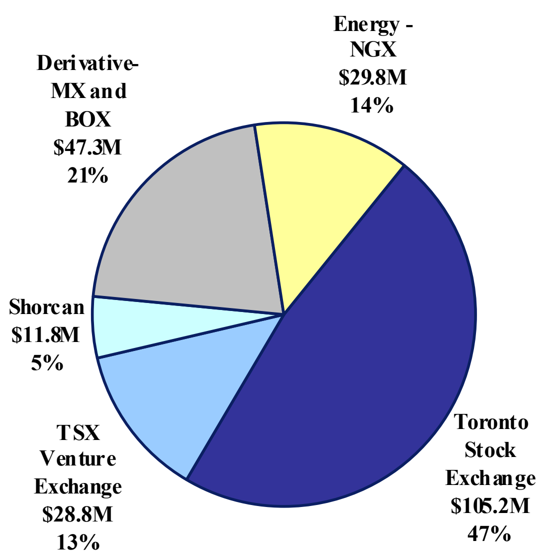
In Canada, TSX Venture Exchange has designed specific financing vehicles like the CPC product and implemented a mentorship program to support early stage companies in their first experience of being public. In December 2008, we obtained approval from the OSC to launch a program for Toronto Stock Exchange to list Special Purpose Acquisition Corporations (SPACs).

While many 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, 2008 there were 266 issuers interlisted on other exchanges, including 83 on NYSE, 44 on NASDAQ, 35 on AIM and 22 on ASX. Only 23 Canadian issuers bypassed our markets to list solely outside of Canada.

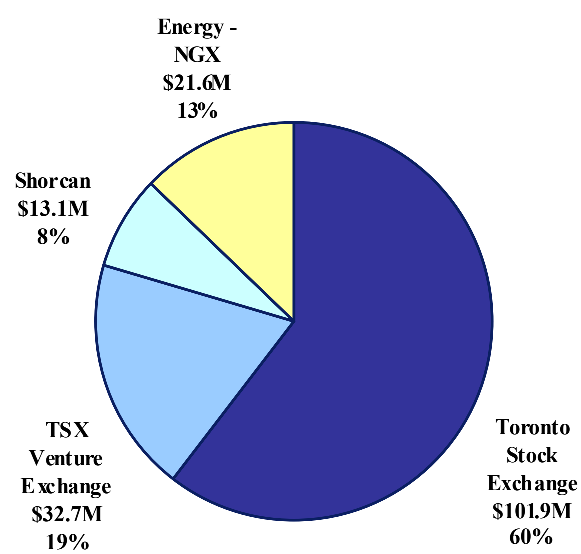
In 2008 we completed our second annual U.S. roadshow promoting TMX Group equity exchanges in seven cities. We also took our roadshow to six cities in China and visited Australia, Argentina, Chile, Peru, Hong Kong, South Africa, U.K., Russia and Israel in 2008. These international campaigns have been a success, as we added 48 new international issuers (excluding TSX Venture Exchange graduates) in 2007 and 42 issuers in 2008, despite difficult market conditions.

Trading – TSX Markets, MX, NGX and Shorcan

2008 trading, clearing and related revenue of $222.9 million



2007 trading and related revenue of $169.3 million



TSX Markets – Cash Equities Trading

Overview and Description of Products and Services

Our cash equities trading operations for both Toronto Stock Exchange and TSX Venture Exchange are conducted by TSX Markets. Participating Organizations and Member Firms (collectively, POs), acting as principals or agents for retail and institutional investors, place orders to buy or sell listed securities using our fully electronic trading systems.

Trading occurs on a continuous basis throughout the day but begins at market open in an auction format and ends 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 shareholders are the major Canadian chartered banks and the Investment Industry Regulatory Organization of Canada (IIROC).

We meet market demands by offering superior technology distribution, innovative products and competitive trading fees.

Technology – TSX Quantum[8]

We began a phased roll-out of our next generation trading engine, TSX Quantum, in December 2007 and the migration of all Toronto Stock Exchange symbols was completed in June 2008.

The advent of algorithmic trading has intensified the exchange industry focus on increasing capacity and reducing latency of the trading enterprise. The peak ratio of messages sent to trades executed has continued to grow on Toronto Stock Exchange, from 3:1 in 2002 to 60:1 in 2008. We have worked to decrease response times while meeting the spike in activity. In December 2008, we set a daily record for volume traded and in September, 2008 we set a daily record for number of transactions. Overall, Toronto Stock Exchange trading volumes were up 14% while transactions were up 54% in 2008 compared with 2007, further evidence we believe, of the growth of algorithmic trading in Canada.

We have a business continuity plan designed to provide continuous operations in the event of a disruption to our main facility. As part of this plan, we operate two data centres in separate locations, allowing for back-up recovery in the event that one of the centres experiences a failure. Unrelated to TSX Quantum, on December 17, 2008, our systems experienced complications with data synchronization, which impacted the delivery of our Level 1 equity market data feeds. Because not all investors could access information about trading on the market, the decision was made to halt trading on Toronto Stock Exchange and TSX Venture

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[8] The "*Technology*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties"* for a discussion of risks and uncertainties related to such statements.

Exchange to ensure fair and equal treatment for all participants. Trading resumed without incident the following day.

Products and Services[9]

Part of our strategy to compete with new market entrants is to continue to implement new, innovative trading features and methodologies to meet diverse customer requirements for trade execution. The following products and services were launched in 2008:

- In October 2008, we announced the launch of a new Electronic Liquidity Provider incentive program, offering significant fee incentives to experienced high-velocity traders. The addition of experienced Electronic Liquidity Providers should benefit the Canadian equity markets by tightening spreads, reducing friction costs, increasing overall turnover and attracting more liquidity from outside of Canada.

- In December 2008, we launched a smart order routing solution (SOR) powered by Lava ColorBook® II technology on a pilot basis. This marketplace neutral solution has been designed to assist POs to efficiently meet their best price regulatory obligations by routing trades to any exchange or alternative trading systems (ATSs) in Canada. Full roll-out is scheduled for February 2009.

Key Statistics

- The volume of securities traded on Toronto Stock Exchange in 2008 increased by 14% over 2007 (109.2 billion securities in 2008 versus 96.1 billion securities in 2007). Transactions increased by 54% in 2008 compared with 2007 (182.9 million in 2008 versus 118.6 million in 2007).

- The volume of securities traded on TSX Venture Exchange in 2008 decreased by 17% over 2007 (44.1 billion securities in 2008 versus 53.2 billion securities in 2007). Transactions decreased by 32% in 2008 compared with 2007 (5.9 million in 2008 versus 8.7 million in 2007).

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.

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[9] The "*Products and Services*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

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

2009 Pricing [10]

We implemented trading fee changes for Toronto Stock Exchange and TSX Venture Exchange effective January 1, 2009. These changes were designed to provide savings for market participants and are intended to attract additional participants and volume to our marketplaces by introducing further incentives for adding liquidity to our central limit order books. In addition, revised pricing models for Toronto Stock Exchange market makers and exchange traded funds are expected to improve liquidity and promote trading growth in these areas.

Given that many of the changes are structured to respond to customer needs, it is expected that the impact of the proposed changes will be to improve TMX Group's competitive position in North America. Based on historical trading activity, patterns, and product mix, changes to the trading fee structure could reduce trading revenue by approximately $11.0 to $14.0 million on an annual basis if offsetting benefits, including increased volumes, are not realized. However, actual trading revenue will depend on future trading activity, patterns and product mix. It is possible that trading volumes could decline in 2009 depending on future economic and market conditions.

Competition

On December 1, 2001, regulatory changes permitting the creation of ATSs in Canada were introduced. There are currently a number of ATSs operating in Canada, both dark and visible trading venues including a new ATS formed by a group of Canada's leading banks and investment dealers. In Q4/08, Toronto Stock Exchange held a 95% share of senior equities volume traded in Canada.

We also compete for trading activity in the United States in those issuers which 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. TSX Markets has a sales team 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.

[10] The "*2009 Pricing*" above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

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.

Technology – SOLA[11]

MX developed a state-of-the-art robust, scalable, reliable and portable electronic trading platform, called SOLA, currently in use at MX and at BOX. During 2007, MX completed the development and implementation of SOLA Surveillance, a market surveillance software, for BOX. MX also implemented SOLA Surveillance for its own regulatory environment and full product deployment is planned for 2009. In June 2008, the MX Information Technology Services team released the first stages of SOLA Clearing, a clearing software which is intended to provide increased performance and functionality to CDCC and its members. SOLA Clearing is expected to be completely operational by the end of Q2/09.

We have a business continuity plan designed to provide continuous operations in the event of a disruption to our main facility. As part of this plan, we operate two data centres in separate locations, allowing for back-up recovery in the event that one of the centres experiences a failure.

Products and Services

Derivatives-Trading

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.

BOX is one of the seven options exchanges in the U.S., offering an electronic equity derivatives market on almost 1,500 options classes.

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

[11] The "*Technology – SOLA*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

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.

<u>Derivatives-Regulatory Division</u>

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 11% (24.8 million contracts traded from May 1, 2008 – December 31, 2008 versus 27.9 million contracts traded from May 1, 2007 – December 31, 2007).

- BOX volumes increased by 29% (62.8 million contracts from September 1, 2008 - December 31, 2008 versus 48.7 million contracts traded from September 1, 2007 - December 31, 2007).

- For the full year 2008, including the period when we did not own MX, volumes decreased by 11% (38.1 million contracts 2008 versus 42.7 million in contracts traded in 2007). While there was reduced trading in fixed income contracts (BAX and CGB), there was increased trading in equity derivatives.

- For the full year 2008, including the period when we did not control BOX, volumes increased by 38% (178.7 million contracts in 2008 versus 129.8 million contracts traded in 2007).

Pricing

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 the 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.

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 SEC.

2009 Pricing

There have been no announcements with respect to price changes for 2009.

Competition[12]

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, we may in the future also face similar competition from Canadian marketplaces.

[12] The "*Competition*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

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

However, insofar as its new mission of providing clearing services for certain OTC-traded contracts is concerned, 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 markets and competes with Chicago Board Options Exchange (CBOE), ISE, NASDAQ OMX PHLX (PHLX), NASDAQ Options Market (NOM), NYSE Amex Options (AMEX) and NYSE Arca Options (ARCA). In 2008, BOX daily volumes grew 38% over 2007 and its overall market share in equity products was 5.4% in 2008 compared with 5.0% in 2007.

NGX

Overview and Description of Products and Services[13]

NGX is a Canadian-based energy exchange with an electronic platform that trades and provides clearing and settlement services for natural gas and electricity contracts. On March 28, 2007, we announced the formation of a transformative technology and clearing alliance for the North American natural gas and Canadian power markets between NGX and IntercontinentalExchange Inc. (ICE). Launched in February 2008, the alliance brings together the respective strengths of NGX, North America's leading physical clearing and settlement facility in energy, and ICE, a world leading electronic 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.

At the end of 2008, NGX was providing physical clearing services at ten key U.S. hubs, or pricing points, in addition to the 14 Canadian hubs. On the current program we plan to provide physical clearing services at additional U.S. hubs as we build up our operational expertise and add committed customers with an objective of 20 U.S. hubs by the end of 2009.

In September 2007, we purchased an option from Enbridge and Circuit Technology to acquire all the shares of NetThruPut Inc. (NTP), the Calgary-based leading Canadian electronic platform and clearing facility for crude oil. We intend to exercise the option and acquire the shares of NTP

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[13] The "*Overview and Description of Products and Services*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

in the first half of 2009. NGX plans to start providing trading and clearing services for physical crude oil products in 2009.

Key Statistics

- In 2008, the volumes of natural gas and electricity contracts traded or cleared on NGX increased by 29% over 2007 (14.5 million terajoules in 2008 versus 11.2 million terajoules in 2007). These volumes figures exclude the Watt-Ex volumes, which represent electric operating reserve procurement for the Alberta Electric System Operator. The impact of the global credit crisis is expected to result in much lower growth in energy trading and clearing in 2009.

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), once effective.

2009 Pricing [14]

NGX expects to continue with the same pricing model in 2009 and implemented a nominal increase to transaction fees for certain core products.

Competition

We continue to provide complementary products for the OTC energy markets. 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

Overview and Description of Products and Services

Shorcan provides a facility for matching orders for federal, provincial, corporate and mortgage bonds and treasury bills for anonymous buyers and sellers in the secondary market.

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[14] The "*Pricing 2009*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

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 31.9% or $656 billion in 2008 versus about 33.6% or $770 billion in 2007

Pricing

Shorcan charges a commission on orders that are matched against an existing communicated order. These fees are built into the settlement prices of trades and revenues are generated on trade date.

2009 Pricing[15]

In 2009, Shorcan plans to conduct a full review of all commissions charged to customers.

Competition[16]

Shorcan has several competitors in the fixed income IDB market, including Freedom Bond Brokers owned by Cantor Fitzgerald and Tullett Prebon, owned by Collins Stewart. Shorcan continues to work towards increasing market share as well as diversifying revenue.

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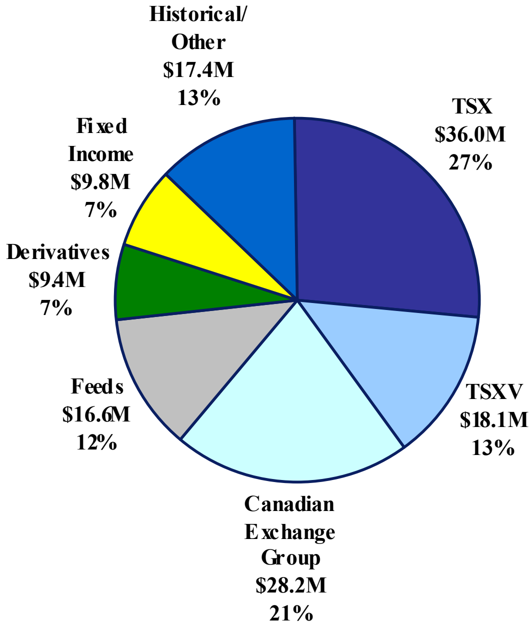
[15] The "*Pricing 2009*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

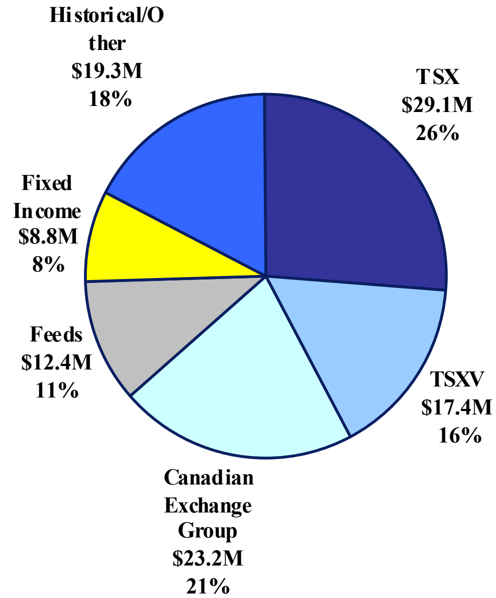
[16] The "*Competition*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

Market Data - TSX Datalinx and MX

2008 market data revenue of $135.5 million



2007 market data revenue of $110.2 million



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 TSX Datalinx into real-time market data products and delivered, directly or indirectly, to end users via more than 100 Canadian and global market data vendors that sell data feeds and desktop information services.

In 2008, we launched The Consolidated Data Feed (CDF) of pre- and post-trade data for equity marketplaces in Canada in order to reduce the time to market and costs of building multiple feed formats for vendors and clients, and to help facilitate best execution and trade through obligations. The second phase of the CDF, the Canadian Best Bid and Offer (CBBO) real-time data feed, was launched in November 2008. CDF and CBBO provide ultra low-latency access to market data from multiple Canadian equity market centres.

Co-Location[17]

As part of our on-going effort to deliver low-latency solutions that support algorithmic and high velocity trading, in 2008 we began to offer clients the opportunity to locate their trading

[17] The "*Co-Location*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

applications in the same physical data centre as the TSX Quantum equity trading engine and the TSX market data content provider. In 2009, with the completion of the integration of MX and TSX data centres, co-location services will be expanded to include derivatives trading and data clients.

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 2007, we expanded our distribution network for TSX market data information across North America by establishing demarcation points in New York and Chicago with connection to the Secure Financial Transaction Infrastructure (SFTI). 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. In August 2008, as part of our continuing tradition of market transparency, we became the first North American exchange to offer a daily summary of insider buying and selling with the launch of the Insider Trade Marker Report, which provides information for all Toronto Stock Exchange and TSX Venture Exchange issuers.

Index Products – Equities

TSX 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 exchange-traded funds (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 fixed income indices are the most 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, 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.

Derivatives Market Data

MX sells real-time trading and quotation data (quotes, prices, size and trades) and historical data to market participants on a global basis. 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 exchanges, 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.

The derivatives market data business was integrated into TSX Datalinx in the second quarter of 2008.

Key Statistics

- There were over 162,000 professional and equivalent real-time market data subscriptions to TSX Datalinx products at December 31, 2008 compared with over 160,000 at December 31, 2007.
- There were over 28,000 MX market data subscriptions at December 31, 2008 and at December 31, 2007.

Pricing[18]

Subscribers for TSX 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. Given current economic and market conditions that are impacting employment levels in the financial services sector, it is likely that the number of market data subscriptions will decline 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 exchange, a Daily Record and a Monthly Review, both of which are sold on a subscription and firm license basis.

In 2008, approximately 28% of our market data revenue was billed in U.S. dollars. We do not hedge this revenue and are therefore subject to foreign exchange fluctuations.

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

[18] The "*Pricing*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

2009 Pricing [19]

In October 2008, we announced changes to MX and TSX Datalinx market data prices which took effect January 1, 2009. This decision followed a review of market data fees on other major global exchanges, and changes in the US currency rate. Based on subscriptions at June 30, 2008, it is anticipated that total market data revenue would have increased by approximately $4.0 to $6.0 million on an annual basis. However, future product mix and usage may vary, which could impact market data revenue.

Competition

We provide the CDF for Canadian equities with data, in a common data format, from a number of market centres including: PURE, MatchNow and Chi-X Canada. The new ATS formed by a group of Canadian leading banks and investment dealers is the only Canadian market centre not currently providing data to the CDF.

Business Services and Other Revenue

We have assembled a team of exchange technology professionals with extensive industry experience in installing and operating trading and related systems at other global exchanges.

- In 2008, business services and other revenue represented $22.0 million, or 4% of our revenue.
- In 2007, business services and other revenue represented $11.2 million, or 3% 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 an agreement which also details service levels.

In addition, we provide services to several other customers.

Derivatives Markets Business Services

Business services revenue includes 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 is eliminated upon the consolidation of BOX.

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[19] The "*Changes to Market Data Pricing for 2009*" section above contains certain forward looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

MX offers professional services to BOX and Boston Options Exchange Regulation, LLC (BOXR), which include the technical operation and maintenance of BOX's electronic trading and surveillance platforms as well as the development of technology solutions for use both internally and by third parties. SOLA, MX's proprietary trading platform, is currently in use at BOX and BOXR. MX entered into technical operational services agreements with BOX and BOXR pursuant to which MX provides the technical operations services related to BOX's trading and surveillance platforms. MX charges BOX and BOXR for salaries, telecommunication services, computer equipment and other services at rates set out in its agreement with BOX and BOXR. These transactions are undertaken in the ordinary course of business.

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. Commodity Futures Trading Commission. CDCC is regulated as a self-regulatory organization in Quebec by the AMF and is subject to regulatory requirements of the SEC and various U.S. state securities regulators. BOX is regulated as an exchange in the United States. Shorcan Brokers Limited is an Ontario Securities Commission 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 U.S. Securities and Exchange Commission regulates BOX.

Year Ended December 31, 2008 Compared with Year Ended December 31, 2007

Net income was $182.0 million or $2.48 per common share for 2008 ($2.47 on a diluted basis), compared with net income of $148.7 million, or $2.19 per common share ($2.17 on a diluted basis) for 2007, representing an increase of 22%. This increase was largely due to higher revenue as a result of the combination with MX, partially offset by higher overall expenses, including interest expense, loss on mark to market of interest rate swaps and acquisition related expenses, primarily relating to a $15.2 million payment to ISE Ventures with respect to the termination of our derivatives joint venture. The 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, the future tax asset was 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).

The following is a reconciliation of earnings per share to earnings per share prior to a reduction in the value of the future tax asset in 2007 and prior to loss on termination of joint venture in 2008*:

Reconciliation for 2008 and 2007

	2008		2007	
	Basic	**Diluted**	**Basic**	**Diluted**
Earnings per share	$2.48	$2.47	$2.19	$2.17
Adjustment related to loss on termination of joint venture	$0.21	$0.21		
Adjustment related to reduction of the future tax asset	-	-	$0.22	$0.22
*Earnings per share prior to a reduction in the value of the future tax asset in 2007 and prior to loss on termination of joint venture in 2008**	$2.69	$2.68	$2.41	$2.39

Revenue

Revenue was $533.2 million for 2008, up $108.6 million, or 26% compared with $424.6 million for 2007, reflecting $63.4 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. In addition, revenue in 2008 included $14.5 million from Equicom, acquired June 1, 2007, compared with $7.7 million in 2007.

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

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 2008 and 2007.

(in millions of dollars)

	Reported				*Billed**			
	2008	**2007**	**$ increase**	**% increase**	**2008**	**2007**	**$ increase/ (decrease)**	**% increase/ (decrease)**
Initial listing fees	$ 16.0	$ 13.8	$ 2.2	16%	$ 18.6	$ 32.3	($ 13.7)	(42%)
Additional listing fees	$ 51.3	$ 44.0	$ 7.3	17%	$ 76.9	$104.1	($ 27.2)	(26%)
*Sustaining listing fees***	$ 69.6	$ 68.0	$ 1.6	2%	$ 69.6	$ 68.0	$ 1.6	2%
Other issuer services	$ 15.9	$ 8.1	$ 7.8	96%	$ 15.9	$ 8.1	$ 7.8	96%
Total	$152.8	$133.9	$ 18.9	14%	$181.0	$212.5	($ 31.5)	(15%)

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 with this system, 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 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)	**2008**	**2007**
Initial listing fees billed*	$ 18.6	$ 32.3
Initial listing fees billed* and deferred to future periods	($ 17.4)	($ 30.7)
Recognition of initial listing fees billed* and previously included in deferred revenue	$ 14.8	$ 12.2
Initial listing fee revenue reported	$ 16.0	$ 13.8

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

** Sustaining listing fees billed, as shown in this table, represents the amount recognized for accounting purposes during the period. 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.

Additional Listing Fees (in millions of dollars)	**2008**	**2007**
Additional listing fees billed*	$ 76.9	$ 104.1
Additional listing fees billed* and deferred to future periods	($ 72.6)	($ 98.3)
Recognition of additional listing fees billed* and previously included in deferred revenue	$ 47.0	$ 38.2
Additional listing fee revenue reported	$ 51.3	$ 44.0

- *Initial and additional listing fees reported* increased due to capital market activity and listing fee price increases during the period from April 1, 1998 to December 31, 2008 compared with the period from April 1, 1997 to December 31, 2007. *Initial and additional listing fees billed** in 2008, as compared with 2007, reflect deteriorating market conditions during 2008 that resulted in a decline in the value of securities issued and reserved. This was somewhat offset by the impact of changes to the pricing model for each equity exchange that were effective January 1, 2008.

- 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 increase in *sustaining listing fees* was due to fee increases on TSX Venture Exchange that were effective January 1, 2008, and the overall higher market capitalization of listed issuers at the end of 2007 compared with the end of 2006, partially offset by a decrease in *sustaining listing fees* from issuers listed on Toronto Stock Exchange.

- *Other issuer services* includes revenue of $14.5 million from Equicom, compared with $7.7 million in 2007. Equicom was acquired June 1, 2007 and provides investor relations and related corporate communications services to public issuers in Canada.

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

Trading, Clearing and Related Revenue

(in millions of dollars)

	2008	2007	$ increase/ (decrease)	% increase/ (decrease)
Cash markets:				
• *Toronto Stock Exchange*	$ 105.2	$ 101.9	$ 3.3	3%
• *TSX Venture Exchange*	$ 28.8	$ 32.7	($ 3.9)	(12%)
	$ 134.0	$ 134.6	($ 0.6)	(1%)
• *Shorcan*	$ 11.8	$ 13.1	($ 1.3)	(10%)
Cash markets revenue	$ 145.8	$ 147.7	($ 1.9)	(1%)
Derivatives markets revenue	$ 47.3	-	$ 47.3	-
Energy markets revenue	$ 29.8	$ 21.6	$ 8.2	38%
Total	$ 222.9	$ 169.3	$ 53.6	32%

Cash Markets

- *Cash markets* equity trading revenue from Toronto Stock Exchange increased as a result of a 14% increase in the volume of securities traded on Toronto Stock Exchange in 2008 over 2007 (109.2 billion securities in 2008 versus 96.1 billion securities in 2007). This was somewhat offset by the impact of changes in our pricing model, which were effective November 1, 2007, as well as changes in trading activity, patterns and product mix.

- *Cash markets* equity trading revenue from TSX Venture Exchange decreased due to a 17% decrease in the volume of securities traded in 2008 over 2007 (44.1 billion securities in 2008 versus 53.2 billion securities in 2007). This was partially offset by the impact of changes in our pricing model, which were effective November 1, 2007, as well as changes in trading activity, patterns and product mix.

- The decrease in revenue from Shorcan primarily reflects a decrease in trading in Government of Canada and provincial bonds in 2008 versus 2007.

Derivatives Markets

- Derivatives markets revenue includes $39.0 million in trading revenue from MX (which was combined with TMX Group on May 1, 2008) and BOX (following MX's acquisition of control on August 29, 2008; MX has a 53.8% ownership interest). In addition, we received $8.3 million in clearing revenue related to MX.

- MX volumes decreased by 11% (24.8 million contracts traded from May 1, 2008 – December 31, 2008 versus 27.9 million contracts traded from May 1, 2007 – December 31, 2007) reflecting reduced trading in both the BAX and CGB contracts, partially offset by an increase in equity derivatives trading.

- BOX volumes increased by 29% (62.8 million contracts from September 1, 2008 - December 31, 2008 versus 48.7 million contracts traded from September 1, 2007 - December 31, 2007).

Energy Markets

- In 2008, the volumes of natural gas and electricity contracts traded or cleared on NGX increased by 29% over 2007 (14.5 million terajoules in 2008 versus 11.2 million terajoules in 2007). This excludes the Watt-Ex volumes, which represent electric operating reserve procurement for the Alberta Electric System Operator.

- The increased transaction volumes are a result of additional products and more customers. NGX Canadian products launched in February 2008 through the ICE alliance and the U.S. products, launched in March 2008 through the ICE alliance, provided a wider distribution to more customers. These launches and the addition of 40 new products contributed to the volume growth.

- The increase in revenue also reflects price increases that were effective in January 2008.

- In 2008, on a net basis, NGX deferred more revenue than in 2007, which somewhat offset the increase in revenue.

Market Data Revenue

(in millions of dollars)

2008	2007	$ increase	% increase
$ 135.5	$ 110.2	$25.3	23%

- *Market data* revenue increased partly due to a 10% increase in the average number of professional and equivalent real-time market data subscriptions to TSX Datalinx products in 2008 compared with 2007. There were over 162,000 professional and equivalent real-time market data subscriptions at December 31, 2008.

- *Market data* revenue included $9.4 million in revenue related to the business operations of MX from May 1, 2008 and BOX, following MX’s acquisition of control on August 29, 2008. There were over 28,000 MX market data subscriptions at December 31, 2008 and at December 31, 2007.

- The increase was also attributable to higher data feed revenues, increased equities and fixed income index revenues, the launch of co-location services and fee changes that were effective January 1, 2008.

Business Services and Other Revenue

(in millions of dollars)

2008	2007	$ increase	% increase
$ 22.0	$ 11.2	$10.8	96%

- *Business Services* revenue includes $6.7 million in revenue related to the business operations of MX from May 1, 2008, of which $5.0 million was attributable to technology and other related services provided to BOX from May 1, 2008 to August 28, 2008, prior to BOX becoming a subsidiary of MX. Revenue from BOX from August 29, 2008 to December 31, 2008 is eliminated on the consolidation of BOX.

- The increase was also due to foreign exchange gains on U.S. dollar receivables.

Operating Expenses

Operating expenses in 2008 were $227.8 million, an increase of $46.3 million, or 26%, as compared with $181.5 million in 2007. The increase was primarily due to the inclusion of $43.3 million of expenses related to the business operations of MX, following the combination with TMX Group on May 1, 2008 and the operations of BOX from August 29, 2008. In addition, there were $11.7 million of expenses related to the business operations of Equicom, acquired June 1, 2007, in 2008 compared with $6.9 million in 2007. The overall increase was somewhat offset by lower compensation and benefits costs related to organizational transition costs and short-term and long-term incentive plans.

Compensation and Benefits

(in millions of dollars)

2008	2007	$ increase	% increase
$ 110.5	$ 96.3	$14.2	15%

- *Compensation and benefits* costs increased primarily due to the inclusion of $16.8 million in costs related to MX and BOX. There were $5.7 million in costs related to the business operations of Equicom (acquired on June 1, 2007) in 2008 compared with $3.6 million in 2007.

- The increase was partially offset by lower costs associated with the short-term and long-term incentive plans and lower organizational transition costs.

- There were 845 employees at December 31, 2008, which included 221 MX employees and 23 BOX employees, versus 603 at December 31, 2007.

Information and Trading Systems

(in millions of dollars)

2008	2007	$ increase	% increase
$ 36.4	$ 26.5	$9.9	37%

- *Information and trading systems* costs included $4.7 million in costs related to MX and BOX.

- *Information* and *trading systems* costs also increased due to ongoing expenses primarily related to NGX's initiative with ICE as well as costs associated with the TSX Quantum trading engine and gateway, smart order router and consolidated data feed.

General and Administration

(in millions of dollars)

2008	2007	$ increase	% increase
$ 55.6	$ 43.0	$12.6	29%

- *General and administration* costs included $12.3 million in costs related to MX and BOX. There were also $5.5 million in costs associated with the business operations of Equicom (which was acquired June 1, 2007) in 2008 compared with $3.1 million in 2007.

- *General and administration* costs also increased as a result of paying higher fees to Market Regulation Services Inc. (RS) and IIROC for regulation services, as well as higher occupancy costs.

- These increases were somewhat offset by a decrease in fees paid to external advisors and reduced initiative spending.

Amortization

(in millions of dollars)

2008	2007	$ increase	% increase
$ 25.3	$ 15.8	$9.5	60%

- *Amortization* costs increased reflecting amortization of $9.5 million related to MX and BOX, and increased amortization from intangible assets primarily related to TSX Quantum.

Income from Investments in Affiliates

(in millions of dollars)

2008	2007	$ increase
$ 1.4	$ 0.4	$ 1.0

- *Income from investments in affiliates* includes $0.7 million representing MX's share of BOX income based on a 31.4% interest in BOX from May 1, 2008 to August 29, 2008. BOX volumes increased by 26% from May 1, 2008 to August 29, 2008, compared with May 1, 2007 to August 29, 2007 (59.9 million contracts traded from May 1, 2008 to August 29, 2008 versus 47.6 million contracts traded from May 1, 2007 to August 29, 2007).

- *Income from investments in affiliates* also includes $0.7 million, representing TSX Inc.'s share of CanDeal income for 2008 based on a 47% interest in CanDeal, compared with $0.4 million for 2007. CanDeal is an electronic trading system for the institutional debt market.

Investment Income

(in millions of dollars)

2008	2007	$ increase	% increase
$ 14.8	$ 14.0	$0.8	6%

- *Investment income* includes $5.3 million of *investment income* earned by MX since May 1, 2008.

- This was largely offset by lower investment income due to a decrease in cash available for investment and lower returns on investments during 2008 compared with 2007.

Interest Expense

(in millions of dollars)

2008	2007	$ increase	% increase
$ 10.5	$ 0.1	$10.4	-

- *Interest expense* increased as a result of financing a portion of the purchase price of the business combination with MX. On April 30, 2008, we drew down $430.0 million in Canadian funds on a three-year term facility related to financing the cash consideration of the purchase price for MX (*see* **Long-term Debt**).

Mark to Market on Interest Rate Swaps

(in millions of dollars)

2008	2007	$ increase	% increase
$ 13.3	-	$ 13.3	-

We entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on the non-revolving three year term facility, effective August 28, 2008 (*see* **Long-term Debt**). The instruments are intended to partially hedge the interest rate risk that is present within the non-revolving term loan that was put in place in connection with the combination with MX and drawn down on April 30, 2008.

During Q3/08, we designated these interest rate swaps as cash flow hedges, in accordance with Section 3865 of the CICA Handbook. We determined that the hedges were effective and paid and recognized interest expense of $0.2 million, representing the net amount owing on the interest rate swaps. In addition, we recognized an unrealized fair value loss on the swaps of $3.4 million ($2.3 million net of tax) in Other comprehensive income.

While the hedges continued to be effective from an economic perspective, we determined that it was no longer appropriate to designate the interest rate swaps as cash flow hedges for accounting purposes in Q4/08. As a result, the unrealized fair value loss on the swaps of $3.4 million ($2.3 million net of tax) recognized as Other comprehensive income in Q3/08 was recorded as an unrealized loss of $3.4 million in the income statement in Q4/08, as mark to market on interest rate swaps. An additional unrealized loss of $9.1 million related to mark to market on interest rate swaps was also recorded in Q4/08. Realized losses recognized in Q4/08 were $0.8 million, of which $0.2 million was previously recognized as interest in Q3/08.

Other Acquisition Related Expenses

(in millions of dollars)

2008	2007	$ increase
$ 15.9	$ -	$ 15.9

- 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 and paid MX $5.0 million. We amortized this amount over five years, the remaining term in the 1999 Memorandum of Agreement with MX, or $1.0 million per annum. As a result of the May 1, 2008 business combination, we have now expensed the remaining balance in *Other Assets* of $0.7 million.

Income Taxes

(in millions of dollars)

		Effective tax rate (%)	
2008	2007	2008	2007
$ 98.1	$ 108.7	35%	42%

- The effective tax rate for 2008 was lower than that for 2007 partially due to a lower federal tax rate.

- The effective tax rate in 2008 was higher than our statutory rate of 33% primarily due to making a payment of $15.2 million to ISE Ventures, which is not being deducted for tax purposes.

- The effective tax rate in 2007 was somewhat higher than our statutory tax rate of 35% for 2007 partially due to adjustments to the value of the future income tax asset.

Non-controlling Interest[20]

Upon the acquisition of control of BOX on August 29, 2008, the results of BOX have been fully consolidated into our consolidated statements of income. MX now has a 53.8% ownership interest in BOX. The non-controlling interests represent the other BOX unitholders' share of net income.

Comprehensive Income

As a result of our combination with MX on May 1, 2008, our consolidated financial statements include Statements of Comprehensive Income not previously included in our consolidated financial statements and accompanying notes for the year ended December 31, 2007.

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

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

Upon the acquisition of control of BOX on August 29, 2008, the results of BOX have been fully consolidated into our consolidated statements of income. The non-controlling interests represent the other BOX unitholders' share of net income.

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 an official 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 MX.

Amounts invoiced for 2008, from May 1, 2008 to August 29, 2008, covering the period before BOX became a subsidiary are $5.0 million. These transactions were undertaken in the normal course of business.

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[20] In October 2008, BOX repurchased some of its common shares thereby increasing MX's ownership interest from 53.3% to 53.8%.

Segment Analysis

Cash Markets –Equities and Fixed Income

(in millions of dollars)

	2008	2007	$ increase	% increase
Revenue	$439.6	$402.6	$37.0	9%
Net Income	$155.7	$144.4	$11.3	8%

The increase in revenue primarily reflects higher issuer services and market data revenue partially offset by a decline in Shorcan trading revenue. Net income increased as a result of higher revenue, somewhat offset by higher interest expense as well as by the $15.2 million payment to ISE Ventures with respect to the termination of our derivatives joint venture.

(in millions of dollars)

	December 31, 2008	December 31, 2007	$ increase/ (decrease)
Goodwill	$113.8	$44.6	$69.2
Total Assets	$517.4	$647.3	($129.9)

The increase in Goodwill was attributable to additional payments related to the acquisitions of Shorcan and Equicom, as well as the allocation of $67.1 million of goodwill from the acquisition of MX. The decrease in Total Assets at December 31, 2008 primarily reflects decreased cash and marketable securities due to the repurchase of common shares under our normal course issuer bid (NCIB). In 2008, we repurchased 7,523,249 common shares at a cost of $285.4 million under our NCIB.

Derivative Markets – MX and BOX

(in millions of dollars)

	2008	2007	$ increase	% increase
Revenue	$63.4	-	$63.4	-
Net Income	$18.1	-	$18.1	-

The increase in revenue and net income relates to the 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.

(in millions of dollars)

	December 31, 2008	December 31, 2007	$ increase
Goodwill	$515.4	-	$515.4
Total Assets	$1,969.3	-	$1,969.3

Total Assets increased 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 $515.4 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. In addition, $67.1 million of goodwill from the acquisition of MX was allocated to the Cash Markets segment Also included were Daily Settlements and Cash Deposits of $497.3 million and Cash and Cash Equivalents and Marketable securities of $99.4 million.

Energy Markets – NGX

(in millions of dollars)

	2008	2007	$ increase	% increase
Revenue	$30.2	$22.0	$8.2	37%
Net Income	$ 8.2	$ 4.3	$3.9	91%

The increase in revenue primarily reflects increased volumes following the successful launch of our arrangement with ICE on February 9, 2008 which provided us with access to substantially more customers and included the launch of new products and price increases that were effective in January 2008. The increase in net income reflects the higher revenue somewhat offset by information and technology expenses related to our arrangement with ICE.

(in millions of dollars)

	December 31, 2008	December 31, 2007	$ increase
Goodwill	$21.3	$21.3	-
Total Assets	$1,185.3	$876.6	$308.7

Total Assets increased due to an increase in energy contracts receivable of $231.1 million and an increase of $80.4 million in the fair value of open energy contracts. The increase reflects higher natural gas prices at the end of December 2008 compared with the end of December 2007.

Liquidity and Capital Resources

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

December 31, 2008	December 31, 2007	$ (decrease)
$ 198.7	$ 302.8	($ 104.1)

- The decrease was due to four dividend payments of $0.38 per common share, or $114.1 million in aggregate, as well as to payments totalling $285.4 million relating to the repurchase of 7,523,249 common shares under our NCIB program in 2008.

- In addition, the decrease was due to a payment of $15.2 million to ISE Ventures relating to the termination of our previously announced derivatives joint venture, additions to intangible assets of $8.4 million primarily related to TSX Quantum and SOLA internal development costs as well as capital expenditures of $5.3 million.

- The decrease was partially offset by cash generated from operating activities of $244.2 million.

- While the combination with MX was financed with long-term debt and common shares, we did acquire cash and marketable securities when we combined with MX. At December 31, 2008, MX had $99.4 million of cash and cash equivalents and marketable securities, after paying $58.0 million for the increased investment in BOX on August 29, 2008.

Total Assets

(in millions of dollars)

December 31, 2008	December 31, 2007	$ increase
$ 3,672.1	$ 1,523.9	$ 2,148.2

- *Total assets* primarily increased due to the inclusion of $827.2 million of intangible assets and $582.5 million of goodwill related to both the combination with MX on May 1, 2008 and the acquisition of control of BOX on August 29, 2008.

- *Total assets* also increased due to the inclusion of MX daily settlements and cash deposits receivable of $497.3 million as at December 31, 2008 related to MX's clearing operations. MX also carried offsetting liabilities related to daily settlements and cash deposits which were $497.3 million at December 31, 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 option transactions each day that are required to be collected from/paid to clearing members prior to the commencement of the next trading day.

- The overall increase was also due to higher energy contracts receivable of $976.4 million at December 31, 2008 related to the clearing operations of NGX, compared with $745.4 million at the end of 2007. The higher level of receivables reflected higher natural gas prices at the end of December 2008 compared with the end of December 2007 and higher volumes. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were $976.4 million at December 31, 2008 compared with $745.4 million at the end of 2007.

- The overall increase also reflected an increase in current assets related to the fair value of open energy contracts ($155.3 million as at December 31, 2008, compared with $74.9 million at December 31, 2007). The higher level of receivables reflected higher natural gas prices at the end of December 2008 compared with the end of December 2007 and higher volumes. NGX also carried offsetting liabilities related to the fair value of open energy contracts which were $155.3 million at December 31, 2008 compared with $74.9 million at December 31, 2007.

- Partially offsetting these increases in *Total assets*, cash and cash equivalents and marketable securities decreased by $104.1 million.

Credit Facilities and Guarantee

Long-term Debt

(in millions of dollars)

December 31, 2008	December 31, 2007	$ increase
$428.3	-	$ 428.3

- In connection with the combination with MX, we established a non-revolving three-year term unsecured credit facility of $430.0 million with a syndicate of seven financial institutions. In addition, we also established a revolving three-year unsecured credit facility of $50.0 million with the same syndicate. TMX Group 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, the acceptance fee rate for Bankers' Acceptances and margin for LIBOR loans is 0.45%. On April 30, 2008, we drew down $430.0 million in Canadian funds on the three-year 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 by fixing the interest rate relating to $300.0 million of principal as follows:

Notional value (in millions of dollars)	**Interest rate we will pay under swap** (excludes 0.45% fee)	**Maturity date of swap**
Swap #1 - $100.0	3.496%	August 31, 2009
Swap #2 - $100.0	3.749%	August 31, 2010
Swap #3 - $100.0	3.829%	April 18, 2011

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, 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, 2008, all covenants were met.

Other Credit Facilities and Guarantee

As part of its clearing operations, NGX becomes the counterparty to each transaction conducted through its electronic trading platform. 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.

NGX requires each contracting party to provide collateral in the form of cash or letters of credit based on the margins required for its unsettled contractual obligations, which may be accessed by NGX in the event of a default by such contracting party.

The collateral provided in the form of cash (the cash collateral deposits) is segregated in individually designated bank accounts held by NGX at a major Canadian chartered bank. The cash collateral deposits, together with letters of credit provided by the contracting parties, exceed all of the outstanding credit exposure, as determined by NGX in accordance with its margining methodology, for all its unsettled contractual obligations at any point in time.

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.

Borrowings under the facilities, which are required to be collateralized, bear interest based on the bank's prime rate plus 0.75%.

These facilities have not been drawn upon at December 31, 2008.

Shareholders' Equity

(in millions of dollars)

December 31, 2008	December 31, 2007	$ increase
$ 794.6	$ 171.9	$ 622.7

- *Shareholders' equity* increased primarily due to an increase in share capital of $806.6 million relating to the issuance of 15.3 million shares upon our combination with MX. We earned $182.0 million of net income in 2008. In addition, proceeds of $7.0 million were received on the exercise of options in 2008.

- The increase in *shareholders' equity* was partially offset by the repurchase of shares in connection with our NCIB announced on August 1, 2007. There were no repurchases between December 10, 2007 (when we announced the MX transaction) and May 1, 2008 (when we closed the transaction). From May 2, 2008 to July 22 2008, we repurchased 4,441,189 common shares at a cost of $185.2 million under our original NCIB. This completed the expired NCIB under which we repurchased 6,841,051 shares for cancellation at a weighted average price of $42.79, which was the maximum allowable under the plan.

- We renewed our NCIB and from August 18, 2008 to December 31, 2008, we repurchased 3,082,060 common shares at a cost of $100.2 million. Under the new NCIB, we may repurchase up to 7,595,585 of our common shares. All shares purchased by TMX Group under the NCIB have been cancelled. We entered into a pre-defined plan with our designated broker to allow for the repurchase of common shares at times when we would not ordinarily be active in the market due to our own internal trading blackout periods, insider trading rules or otherwise. These purchases will terminate on August 17, 2009 or such earlier date as we complete our permitted purchases. We will make our purchases in accordance with Toronto Stock Exchange requirements and the price we pay for any such common shares will be the market price of such shares at the time of acquisition. We may enter into one or more private agreements to purchase common shares, provided that we first obtain an order from the relevant securities regulatory authority to permit such agreements. All purchased common shares will be cancelled.

- In addition, we paid $114.1 million in dividends during 2008.

- In connection with the combination with MX, on May 1, 2008, we issued 162,194 share options in exchange for 208,400 MX share options.

- We have obtained conditional approval from Toronto Stock Exchange to issue up to 1.5 million common shares to satisfy a portion of the purchase price payable for NetThruPut Inc. (NTP) from Enbridge Inc. (Enbridge) and Circuit Technology Ltd. (Circuit Technology). We expect to exercise the option and acquire the shares of NTP in the first half of 2009.

- At December 31, 2008, there were 74,403,577 common shares issued and outstanding. In 2008, 331,848 common shares were issued on the exercise of share options. At December 31, 2008, 4,252,296 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At December 31, 2008, there were 1,021,819 options outstanding.

- At January 27, 2009, there were 74,403,577 common shares issued and outstanding and 1,021,819 options outstanding under the share option plan.

Cash Flows from Operating Activities

(in millions of dollars)

	2008	2007	Increase in cash
Cash Flows from Operating Activities	$ 244.2	$ 221.7	$ 22.5

Cash Flows from Operating Activities were $22.5 million higher in 2008 compared with 2007 due to:

(in millions of dollars)

	2008	2007	Increase/ (decrease) in cash
Net income	$182.0	$148.7	$ 33.3
Amortization	$ 25.3	$ 15.8	$ 9.5
Unrealized (gain)/loss on marketable securities	($ 1.2)	$ 3.1	($ 4.3)
(Increase) in future income tax asset	($ 9.3)	($ 3.1)	($ 6.2)
Payment to ISE Ventures related to termination of joint venture	$ 15.2	-	$ 15.2
Unrealized loss on interest rate swaps	$ 12.5	-	$ 12.5
(Increase) in accounts receivable and prepaid expenses	($ 1.2)	($ 15.2)	$ 14.0
(Increase)/decrease in other assets	$ 4.9	($ 3.1)	$ 8.0
Net (decrease)/increase in accounts payable and accrued liabilities	($ 27.3)	$ 7.0	($ 34.3)
Increase in deferred revenue	$ 34.6	$ 78.0	($ 43.4)
Net increase/(decrease) in income taxes payable	$ 5.0	($ 11.5)	$ 16.5
Net increase in other items	$ 3.7	$ 2.0	$ 1.7
Cash Flows from Operating Activities	$244.2	$221.7	$ 22.5

Cash Flows from (used in) Financing Activities

(in millions of dollars)

	2008	2007	Increase in cash
Cash Flows from (used in) Financing Activities	$ 33.1	($207.4)	$ 240.5

Cash Flows from Financing Activities were $240.5 million higher in 2008 compared with 2007 due to:

(in millions of dollars)

	2008	2007	Increase/ (decrease) in cash
Net proceeds on term loan used to finance cash portion of purchase price for MX	$ 427.8	-	$427.8
Dividends paid on common shares	($ 114.1)	($103.5)	($ 10.6)
Repurchase of common shares under NCIB	($ 285.4)	($107.6)	($177.8)
Proceeds from exercised options	$ 7.0	$ 4.4	$ 2.6
Net (decrease) in other items	($ 2.2)	($ 0.7)	($ 1.5)
Cash Flows from (used in) Financing Activities	$ 33.1	($207.4)	$240.5

(in millions of dollars)

	2008	2007	(Decrease) in cash
Cash Flows from (used in) Investing Activities	($ 230.7)	$ 2.1	($ 232.8)

Cash Flows (used in) Investing Activities were $232.8 million higher in 2008 compared with 2007 due to:

(in millions of dollars)

	2008	2007	Increase/ (decrease) in cash
Acquisitions of MX, controlling interest in BOX, Shorcan and Equicom, net of cash	($405.3)	($ 8.2)	($397.1)
Payment to ISE Ventures related to termination of joint venture	($ 15.2)	-	($ 15.2)
Payments related to option to purchase NetThruPut Inc. shares	-	($ 10.3)	$ 10.3
Capital expenditures primarily related to technology investments and leasehold improvements	($ 5.3)	($ 6.5)	$ 1.2
Additions to intangible assets including TSX Quantum and SOLA internal development costs	($ 8.4)	($ 6.2)	($ 2.2)
Net sale of marketable securities	$203.5	$ 33.3	$170.2
Cash Flows from (used in) Investing Activities	($230.7)	$ 2.1	($232.8)

Summary of Cash Position and Other Matters[21]

We had $198.7 million of cash and marketable securities at December 31, 2008 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 2008, with revenues of $533.2 million, we incurred operating expenses of $227.8 million. We had $430.0 million of debt outstanding under a term loan, which is due in April 2011. It is expected that this loan would 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 facility could be largely repaid with existing cash as well as future cash flow from operations. Cash flow from operations was $244.2 million in 2008. 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

[21] The "*Summary of Cash Position and Other Matters*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

policy if market conditions were to deteriorate to the point where we felt it necessary to maintain more cash to support operations. We paid $114.1 million in dividends on common shares in 2008. While we repurchased almost 3.1 million common shares of the 7.6 million common shares allowable under our current NCIB during 2008 at a cost of $100.2 million, we could elect to suspend further purchases under the existing pre-defined plan in order to conserve cash.

In the first half of 2009, we expect to exercise our option and acquire NTP, which we estimate will require cash of approximately $20.0 million to $30.0 million in addition to issuing approximately $25.0 to $35.0 million of TMX Group common shares. Future investments 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 tests imposed by securities regulators (*see* **Capital Disclosures**).

The recognition order of TMX Group and TSX Inc. contains certain financial viability tests that must be met (*see* **Capital Disclosures**). 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 Ontario Securities Commission, 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 Ontario Securities Commission 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 (*see* **Capital Disclosures**). Under its recognition order, MX is also subject to certain financial viability tests that must be met (*see* **Capital Disclosures**). 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 Autorité des marchés financiers, 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* **Capital Disclosures**).

Defined Benefit Pension Plans[22]

The next actuarial valuation for funding purposes is December 31, 2008. We estimate a funding deficit of $15.0 to $25.0 million on a solvency basis.

Financial Instruments

Cash, Cash Equivalents and Marketable Securities

Our financial instruments include cash, cash equivalents and investments in marketable securities. This includes units in a money market fund and a short-term bond and mortgage fund,

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[22] The "*Defined Benefit Pension Plans*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

managed by an external advisor. These funds do not have any investments in non-bank, asset-backed commercial paper. Marketable securities also includes the investment portfolio of MX, which is managed by an external advisor, which 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 and the unrealized gains of $1.2 million were recorded in investment income in 2008, compared with unrealized losses of $3.1 million in 2007.

CDCC - Daily Settlements and Cash Deposits

Amounts due from and to clearing members as a result of marking open futures positions to market and settling option 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 are credit risk and market risk. For a description of these risks, please refer to **Credit Risk – CDCC** and **Market Risk – CDCC**.

Long-term Debt

In connection with the combination with MX, we established a non-revolving three-year term unsecured credit facility of $430.0 million. In addition, we also established a revolving three-year unsecured credit facility of $50.0 million with the same syndicate (see **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**.

Derivative Financial Instruments

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 partial fair value hedge to the share appreciation rights of deferred share units (DSUs) and 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 month 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 $5.8 million at December 31, 2008 and an asset of $4.1 million at December 31, 2007. During 2008, unrealized losses of $10.0 million were reflected as an increase in compensation and benefits costs and general and administration costs. During 2007, unrealized gains of $3.0 million were reflected as a decrease in compensation and benefits costs and general and administration costs.

NGX - Fair Value of Open Energy Contracts

As part of its clearing operations, NGX becomes the central counterparty to each transaction. 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. 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 **Market Risk – NGX**.

Option to Acquire NTP

On September 6, 2007, we entered into an agreement with Enbridge and Circuit Technology granting us the option to acquire all the shares of NTP, at a time after March 15, 2009, for a price between $40.0 million and $95.0 million, subject to certain closing conditions. This agreement also provides Enbridge and Circuit with the right to sell all the shares of NTP under the same terms to the Company, subject to certain closing conditions. The fair value of this option at December 31, 2008 is considered to approximate its carrying value.

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 non-revolving three year 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. At December 31, 2008, the fair value of these interest rate swaps was a liability of $12.5 million. During 2008, unrealized losses of $12.5 million and realized losses of $0.8 million have been reflected in net income, compared with *nil* and *nil* in 2007.

Contractual Obligations

(in thousands of dollars)

	Total	Less than 1 year	1 – 3 years	4-5 years	5+ years
Capital Lease Obligations	$ 71	$ 42	$ 29	$ –	$ –
Operating Leases	85,321	22,541	27,132	6,840	28,809
Other Obligations	473,949	8,479	434,600	2,300	28,569
Total	559,341	31,062	461,761	9,140	57,378

Selected Annual Information

(in thousands of dollars, except per share amounts)

	2008	2007	2006
Revenue	$ 533,189	$ 424,587	$ 352,847
Net income	$ 181,952	$ 148,697	$ 131,524
Total assets	$3,672,086	$1,523,919	$1,572,838
Long-term liabilities	$ 690,997	$ 42,967	$ 43,450
Deferred revenue – initial and additional listing fees (current and long-term)	$ 452,855	$ 424,674	$ 346,133
Earnings per share:			
Basic	$ 2.48	$ 2.19	$ 1.92
Diluted	$ 2.47	$ 2.17	$ 1.91
Cash dividends declared per common share	$ 1.52	$ 1.52	$ 1.32

Revenue, Net Income and Earnings per Share

2008

- The 2008 results reflect higher revenue, largely due to the inclusion of $63.4 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, higher interest expense, and acquisition related expenses, primarily relating to a $15.2 million payment to ISE Ventures with respect to the termination of our derivatives joint venture. The 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).

2007

- The 2007 results reflect significantly higher revenue across all of the primary revenue streams in our core business and also include $31.4 million of revenue from the acquisitions Shorcan, Watt-Ex and PC-Bond (acquired in Q4/06) and Equicom (acquired in Q2/07) compared with $2.6 million in 2006. This increase in revenue was partially offset by an increase in overall operating expenses including $28.3 million relating to these acquisitions, compared with $2.2 million in 2006. In 2007, there was a higher income tax expense primarily due to a larger decrease in the value of our future tax asset compared with 2006.

Total Assets

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.

2007

- *Total assets* decreased primarily due to lower energy contracts receivable of $745.4 million at December 31, 2007 related to the clearing operations of NGX, compared with $889.4 million at the end of 2006. The reduced level of receivables reflected lower natural gas prices at the end of December 2007 compared with the end of December 2006. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were $745.4 million at December 31, 2007 compared with $889.4 million at the end of 2006.

- The overall decrease was partially offset by an increase to current assets following a change in accounting policy adopted effective January 1, 2007. We recorded $74.9 million related to the fair value of open energy contracts as at December 31, 2007. NGX also carried offsetting liabilities related to the fair value of open energy contracts which were $74.9 million at December 31, 2007.

Long-term Liabilities

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 addition, a future income tax liability of $221.1 million was established in connection with the combination with MX and the acquisition of control of BOX.

Deferred Revenue - Initial and Additional Listing Fees

Deferred revenue-initial and additional listing fees increased from 2006 through 2008 as the fees received from initial and additional listings during this period were higher than the amount of revenue recognized for these fees related to prior periods.

Quarterly Information

(in thousands of dollars except per share amounts)

	Dec. 31 /08	Sept. 30 /08	June 30/08	Mar. 31 /08	Dec. 31 /07	Sept. 30 /07	June 30/07	Mar. 31 /07
Revenue	$151,395	$139,364	$130,077	$112,353	$111,191	$105,930+	$106,364+	$101,102+
Net Income	49,035	50,944	49,227	32,746	30,439	42,682	39,128	36,448
Earnings per share:								
Basic	0.65	0.66	0.65	0.49	0.46	0.63	0.57	0.53
Diluted	0.65	0.66	0.65	0.49	0.45	0.62	0.57	0.53

2007

- Revenue in Q1/07 improved over revenue in Q4/06 primarily due to higher market data and issuer services revenue. Net income for Q1/07 increased over Q4/06 primarily due to the increased revenue partially offset by higher overall expenses.

- Revenue in Q2/07 improved over revenue in Q1/07 primarily due to higher issuer services, trading and market data revenue. Net income for Q2/07 increased over Q1/07 primarily due to the increased revenue and lower overall expenses, somewhat offset by lower investment income.

- Revenue in Q3/07 declined slightly over revenue in Q2/07. Increased revenue from issuer services was more than offset by decreases in other sources of revenue. Net income for Q3/07 increased over Q2/07 primarily due to higher investment income and lower income taxes.

- Revenue in Q4/07 increased over revenue in Q3/07 primarily due to higher issuer services, trading and market data revenue. Net income for Q4/07 decreased over

+ Revenue adjusted to reflect reclassification of interest income from Business Services and Other Revenue to Investment income.

Q3/07 primarily due to increased income taxes and expenses which more than offset the higher revenue.

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.

Review of Fourth Quarter Results

Compared with Q4/07

- Revenue in Q4/08 improved over revenue in Q4/07 primarily due to the inclusion of revenue from MX and BOX, as well as increased issuer services, cash equity trading, energy trading and market data revenue. Net income for Q4/08 increased over Q4/07 primarily due to the increased revenue and lower income taxes, somewhat offset by higher operating expenses, interest expense and a $13.3 million mark to market adjustment on our interest rate swaps. In Q4/07, the future tax asset was reduced, and income tax expense increased by $13.3 million, primarily as a result of decreases in federal corporate income tax rates which were enacted in December 2007. The adjustment resulted in a reduction in net income of $13.3 million. Cash flows from operating activities in Q4/08 of $60.8 million increased by $7.6 million compared with $53.2 million in Q4/07 largely due to higher net income and a larger decrease in deferred revenue. Cash flows used in financing activities of $58.2 million were slightly lower in Q4/08 compared with $59.3 million in Q4/07 primarily due to a reduction in the cost of repurchases of our common shares under the NCIB, largely offset by an increase in dividends paid on common shares. Cash flows from investing activities of $19.9 million were somewhat higher in Q4/08 compared with $13.4 million in Q4/07 primarily due to an increase in cash related to acquisitions.

Compared with Q3/08

- 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. Cash flows from operating activities in Q4/08 of $60.8 million increased by $6.2 million compared with $54.6 million in Q3/08. Net income was $50.4 million in Q3/08 compared with $49.0 million in Q4/08; however, net income in Q4/08 was reduced by an unrealized loss of $12.5 million on the interest rate swaps. There was no similar reduction for this non-cash item in Q3/08. This was somewhat offset by a larger decrease in deferred revenue. Cash flows used in financing activities of $58.2 million in Q4/08 decreased by $94.0 million compared with $152.2 million in Q3/08 primarily due to a reduction in the amount of our common shares repurchased under the NCIB. Cash flows from investing activities of $19.9 million in Q4/08 decreased by $36.7 million compared with $56.6 million in Q3/08, primarily due to decreases in cash from the sale of marketable securities, somewhat offset by a reduction in cash outflows related to acquisitions.

Critical Accounting Estimates

Revenue from Initial and Additional listing fees

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. The service period selected affects the rate at which deferred revenue is recognized, as well as the value of the future tax asset 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. We accrue our obligations and include them in accounts payable and accrued liabilities and other liabilities. In prior years, these obligations were estimated and recorded at a targeted payout amount which was not necessarily based on the maximum amount that might be paid. 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. 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.

Impairment of Goodwill and Intangible Assets

As required by CICA Handbook Section 3062 *Goodwill and other Intangible Assets* and Section 3063 *Impairment of long-lived assets,* we performed impairment tests on our reporting units to determine whether our reporting units or their assets could be impaired. The tests required us to make assumptions regarding projected cash flows, including long-term growth rates, for the various reporting units. The tests also required us to apply a discount rate based on our risk adjusted cost of capital. These assumptions are subjective judgments based on our experience, knowledge of operations and knowledge of the economic environment in which we operate. It is possible that, if future cash flow projections or discount rates are significantly different to those used, the outcome of future impairment tests could result in some or all of our reporting units and their associated goodwill and intangible assets being impaired.

Adoption of Accounting Policies

Capital Disclosures

On January 1, 2008, we adopted standards set by the CICA in Handbook Section 1535 “Capital Disclosures”, which establishes standards for disclosing an entity’s objectives, policies and processes for 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.

We have complied with these externally imposed capital requirements.

- In respect of TSX Venture Exchange, as required by various provincial securities commissions to maintain adequate financial resources.

We have complied with these externally imposed capital requirements.

- 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.

We have complied with these externally imposed capital requirements.

- In respect of Shorcan, by IIROC which requires Shorcan to maintain a minimum level of shareholder's equity of $0.5 million.

We have complied with this externally imposed capital requirement.

- 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.

Future Change in Accounting Policy

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 will adopt this new standard effective January 1, 2009 (the first day of our 2009 fiscal year) retrospectively with a restatement of prior periods. Implementation of this new standard is not expected to have a material impact on our financial statements and disclosures.

International Financial Reporting Standards

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to our reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS.

We commenced our IFRS conversion project in 2008. Our IFRS project consists of three phases – scoping, evaluation and design, and implementation and review. We have commenced the scoping phase of the project, which consists of project initiation and awareness, identification of high-level differences between Canadian GAAP and IFRS and project planning and resourcing. We have completed a high level scoping exercise, identified priorities, and a high-level conversion plan has been prepared. A project team has been identified and an external advisor has been engaged to assist with the conversion.

A detailed assessment of the impact of adopting IFRS on our consolidated financial statements, accounting policies, information technology and data systems, internal controls over financial reporting, disclosure controls and procedures, and the various covenants and capital requirements and business activities has not been completed. The impact on such elements will depend on the particular circumstances prevailing at the adoption date and the IFRS accounting policy choices we make. We have not completed our quantification of the effects of adopting IFRS.

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

Financial Instruments Disclosure and Presentation

On January 1, 2008, we adopted standards set by the CICA in Handbook Section 3862 "Financial Instruments – Disclosure" and Section 3863 "Financial Instruments – Presentation". These sections enhance disclosure requirements on the nature and extent of risks arising from financial instruments and how the entity manages these risks.

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, excluding MX, 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, 2008, the investment portfolio was comprised of 62% in short-term bond and mortgage funds and 38% in money market funds, compared with 33% in short-term bond and mortgage funds and 67% in money market funds at December 31, 2007.

MX manages exposure to credit risk arising from investments in marketable securities by limiting total short term investment in bonds to a maximum of 30% in Schedule A Canadian chartered banks (Bank bonds) with the balance in Federal and Provincial bonds, while limiting total medium-term investment in corporate bonds to a maximum of 35% with the balance in Federal and Provincial bonds. Corporate bonds must have a minimum credit rating of AAA by DBRS Limited. At December 31, 2008, the MX investment portfolio was comprised of 7% in Bank bonds, 77% in Federal and Provincial bonds and 16% in Corporate Bonds. At December 31, 2008, MX did not have any investments in non-bank, asset-backed commercial paper.

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 non-revolving term loan (*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 – NGX, Shorcan and CDCC

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.

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.

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, 2008, NGX held cash collateral deposits of $716.5 million and letters of credit of $2,366.3 million, compared with cash collateral deposits of $273.6 million and letters of credit of $2,230.9 million at December 31, 2007. The increases reflected higher volumes and more volatility. 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, 2008.

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 some OTC products. 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.

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 their 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'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, 2008, CDCC held margin collateral deposits of $4,502.0 million and clearing fund deposits of $201.5 million, 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. Borrowings under these facilities would be required to be collateralized. This facility has not been drawn upon at December 31, 2008.

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. In addition, customers that fail to maintain their account in good standing risk loss of listing or trading 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 arising from our utilization of total return swaps to partially hedge the share appreciation rights of DSUs and RSUs that are awarded to our directors and employees. 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 month 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, 2008, a 25% increase in the share price of the Company would result in a net $0.2 million increase in net income. A 25% decrease in the share price of the Company would result in a net $0.1 million decrease 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, 2008, we held $96.3 million in these funds, compared with $249.4 million at December 31, 2007. 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

We are exposed to interest rate risk on our long-term debt. In order to partially manage our exposure to interest rate fluctuations, we have entered into a series of interest rate swap agreements which took effect on August 28, 2008, which fix the interest rate relating to $300.0 million of the principal amount.

Interest Rate Risk – Interest Rate Swaps

We have entered into a series of interest rate swaps agreements to partially manage our exposure to interest rate fluctuations on the non-revolving term loan. At December 31, 2008, the fair value of these interest rate swaps was a liability of $12.5 million. The approximate impact of a 1% rise in interest rates on the fair value of the swaps is a $4.3 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 $4.4 million increase in the liability respectively.

Foreign Currency Risk

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. At December 31, 2008, cash and cash equivalents and accounts receivable excluding BOX, and current liabilities, excluding BOX, include U.S. $15.0 million, compared with U.S. $8.7 million at December 31, 2007, and U.S. $0.4 million at December 31, 2008 compared with nil at December 31, 2007, 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, 2008 is a $1.6 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, 2008 is a $1.8 million increase in net income. In addition, the net assets related to BOX are denominated in U.S. dollars, and the effect of exchange rate movements on MX's share of these net assets is included within **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, 2008 is a $14.1 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, 2008 is a $15.5 million increase in other comprehensive income.

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.

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, 2008. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective as of December 31, 2008.

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, 2008 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, 2008.

Changes in Internal Control over Financial Reporting

As previously discussed, on May 1, 2008, we completed our business combination with MX, previously a reporting issuer subject to the certification requirements of Canadian securities legislation. Following the combination, we have extended our compliance program to include internal control over financial reporting of MX. There were no changes to internal control over financial reporting during the quarter ended December 31, 2008 that materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Strategy[23]

The landscape of the global exchange sector has changed significantly in the past year. We believe that the market uncertainty has created new challenges, but also certain opportunities for exchanges. We believe that transparent, liquid, price discovering and neutral markets could be in a position to flourish as participants and regulators look for solutions to the current crisis and measures to prevent a similar severe market downturn in the future. Centralized clearing and settlement operations also play an important role in the evolving marketplace, offering participants counterparty risk mitigation solutions.

In our view, Canada needs a strong integrated marketplace that offers trading in cash and derivatives, energy and fixed income with centralized clearing and settlement functions in order to compete globally. Our corporate strategy has evolved through our assessment of the exchange sector and of our business.

Our strategy: To expand our integrated business, both domestically and internationally, by offering innovative cash and derivatives products across multiple asset classes.

[23] The "*Strategy*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

Our priorities:

- *Integrate:*

  ◦ We completed our combination with MX to further diversify our revenue base and to realize revenue and cost synergies. The combination also creates a substantially larger entity that is better positioned to compete:

    - The combination allows us to further diversify our revenue base by including revenue from trading and clearing derivatives as well as by distributing MX market data.

    - The combination is anticipated to create value for our shareholders through realizing cost synergies. By the fourth quarter of 2009, we expect to achieve $25.0 million of cost synergies on a run rate basis when compared with the business plans of the separate organizations. As part of the plan, our offices, data centres and certain corporate support functions will be consolidated, and we will eliminate 85 corporate support and operational positions, or approximately 10% of our workforce, through 2009. The rationalization of data centres will enable customers to consolidate their connectivity networks and co-locate at one location which greatly reduce their technology and communication expenditures. We estimate that synergies of approximately $1.0 million per month were realized on a run-rate basis in Q4/08.

    - In addition, we plan to reinvest in new products such as a futures contract based on a Canadian volatility index and mini-sized equity index futures contracts. Our plans call for the expansion of clearing of over-the-counter derivatives and further development of the SOLA technology platform. These initiatives are anticipated to eventually generate more than $10.0 million annually in new revenue[24] and will require us to enhance our pool of expertise by adding approximately 30 highly skilled, value-added jobs in clearing, technology application development and product and services development at the MX office in Montreal.

    - The combination also allows TMX Group to generate growth prospects outside of Canada, particularly in the U.S. through MX's majority interest in BOX.

- *Enhance:*

  ◦ We will continue to enhance our product and service offering to compete for increased market share in cash, derivatives and energy markets.

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[24] The $10 million represents management's estimate of the potential revenue opportunity based on similar products in Canadian and global markets. Actual results could differ materially from the estimates and could result in minimal revenue depending on customer acceptance, market conditions and competitive factors. Please refer to "*Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

- Leveraging our strengths in the natural resource sector and our SME expertise, we have been promoting Toronto Stock Exchange and TSX Venture Exchange as listing destinations globally. In 2008, we completed a successful seven-city U.S. campaign with a particular focus on SMEs. We remain committed to further establishing our markets in China, as our listings road show visited Beijing (twice), Nanjing, Shenzhen, Shanghai and Qingdao in 2008. We also visited Australia, Argentina, Chile, Peru, Hong Kong, South Africa, U.K., Russia and Israel in 2008.

- In December 2007, we launched TSX Quantum, our new trading engine. The phased roll-out continued throughout 2008 and has increased the capacity and improved the performance of our senior equity trading platform. The second component of the TSX Quantum program is the launch of the new gateway technology planned for Q3/09. We expect the new gateway will provide reduced latency and greater efficiencies.

- In order to provide low-latency solutions to better support algorithmic and high velocity trading, we have launched the first phase of our co-location program. Co-location provides the opportunity for Toronto Stock Exchange and TSX Venture Exchange clients to locate their trading applications in the same physical data centre as the TSX Quantum trading engine and the TSX market data content provider, which reduces response times. In November 2008, we announced that our co-location services would be expanded in 2009 to include additional client cabinets for both equity and derivatives clients.

- In July 2008, we announced an agreement with Citi to develop a smart order routing solution (SOR) powered by Lava ColorBook® II technology, which we launched on a pilot basis in December 2008. This marketplace neutral solution has been designed to assist POs to efficiently meet their best price regulatory obligations by routing trades to any exchange or ATSs in Canada. Full roll-out is scheduled for February 2009.

- In October 2008, we announced the launch of a new Electronic Liquidity Provider incentive program, offering aggressive fee incentives to experienced high-velocity traders using proprietary capital and passive electronic strategies on the Toronto Stock Exchange central limit order book. The addition of experienced Electronic Liquidity Providers should benefit the Canadian equity markets by tightening spreads, leading to reduced friction costs to trading, increased overall turnover and attracting significant liquidity from outside Canada.

- In June 2008, the MX Information Technology Services team released the first stages of SOLA Clearing, the most recent addition to SOLA software products. SOLA Clearing is intended to provide increased performance and functionality to CDCC and its members.

- In November 2008, we launched the CBBO, the second phase of our CDF of pre- and post-trade data for equity marketplaces in Canada. CDF and CBBO provide ultra low-latency access to market data from multiple Canadian equity market centres. The equity markets currently participating in the CDF and CBBO are Toronto Stock Exchange, Chi-X Canada, Pure Trading and Omega ATS. We plan to expand the product offering to include deeper consolidated pre-trade order book information, consolidated trade information and opaque market information.

- In February 2008, NGX launched an arrangement to combine its strengths in physical clearing with the advanced technology capabilities of ICE, whereby NGX provides the marketplace with a clearinghouse for physical gas transactions across North America and ICE offers NGX access to thousands of trading desks. This alliance has been successful and has expanded NGX's continental footprint for its gas and electricity contracts. NGX now offers their clearing services at ten U.S. hubs with plans to expand to twenty by the end of 2009.

- *Innovate*:

◦ 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.

◦ We have announced several innovative initiatives across our business:

- In October 2008, we hosted more than 140 investors, investment bankers and analysts at the Toronto Stock Exchange and Sustainable Development Technology Canada Cleantech Investor Day. More than 20 public and private cleantech companies presented their value propositions at the co-sponsored event. At December 31, 2008 there are 110 cleantech companies listed on either Toronto Stock Exchange or TSX Venture Exchange with a combined market capitalization of approximately $6.4 billion. We believe there could be significant growth in investment in the cleantech area over the coming years, which could represent an opportunity for our integrated equities and derivatives markets, particularly regarding developing equity and derivatives products and also environmental products that would trade on MCeX.

- In 2008, issuer services continued to expand its national relationship management program to bring more value added products and services to our issuers. Through this program, issuers have been given access to a number of new services. New market data tools such as Anonymous Trading Activity Reports and enhancements to our TSXconnect platform were all introduced in 2008. We also launched the TSX Learning Academy, our online educational platform for information relevant to being or becoming a public company. We continued to develop the On the Radar program and introduced a special pricing tier for the S&P Market Access Program, designed to help TSX and TSX Venture companies improve their profile in the U.S. We also enhanced our investor relations service offerings through Equicom.

- In a subsequent phase currently scheduled for 2010, the TSX Quantum gateway will be expanded to route derivatives orders as well, giving market participants a single point of access to our equities and derivatives markets.

- On May 30, 2008, MCeX, the first regulated environmental market in Canada officially launched trading of a new futures contract on Canada carbon dioxide equivalent (CO_2e) units. Our goal is to lead the growth in Canadian environmental markets and deliver market solutions to help Canadian industries efficiently manage greenhouse gas emissions. MX has a 51% interest in MCeX, which was jointly created with Chicago Climate Exchange Inc.

- On August 29, 2008, MX increased its holdings in BOX when it completed an acquisition giving it a majority ownership interest of 53.3% in, and control of, BOX. MX acquired a 21.9% ownership position from another senior BOX partner, the BSE, as agreed in December 2007. Under the terms of the agreement with the BSE, MX paid US$52.5 million in cash for the 21.9% partnership interest in BOX held by the BSE. This transaction was financed with existing cash resources. In October 2008, BOX bought back some of its shares and as a result, MX's ownership in BOX increased to 53.8%. The principal business activity of BOX is to provide an electronic equity options market. MX is the technical operator and technology developer for BOX. Unlike other bigger U.S. competitors, BOX does not pay for order flow. We believe we are well positioned to capture an increasing market share as the U.S. regulatory climate shifts toward imposing tighter constraints on the options marketplace.

- In September 2007, we purchased an option from Enbridge and Circuit Technology to acquire all the shares of NTP, the Calgary-based leading Canadian electronic platform and clearing facility for crude oil. We intend to exercise the option and acquire the shares of NTP in the first half of 2009. NTP currently trades in 16 locations in Canada and nine locations in the United States and has approximately 230 products overall.

Forward-Looking Information, Risks and Uncertainties

This MD&A contains "forward looking information" (as defined in applicable Canadian securities legislation) that is based on expectations, estimates and projections 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 involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of TMX Group to be materially different from any future results, performance or achievements expressed or implied by the forward looking information in this MD&A.

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 the business, financial position, operations and prospects of TMX Group, including the creation (through the combination with MX) of opportunities to create cost and revenue synergies, which are subject to significant risks and uncertainties, including 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; 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 NGX's and CDCC's 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 MX within TMX Group; and dependence on market activity that cannot be controlled; and the risk that the cost savings, anticipated revenues from new product development; growth prospects and any other synergies expected to result from the combination with MX may not be fully realized or may take longer to materialize than expected. Actual results 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 exchanges; the accuracy, timing and ability to realize the projected synergies in respect of expected cash flows, cost savings and profitability, which will be dependent on, but not limited to, such factors as optimizing technology and data centres, reducing corporate costs and rationalizing premises (cost synergies are presented in this MD&A to provide one strategic rationale to support the benefits of the combination with MX and these estimated cost synergies should not be relied on for any other purpose); 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/charges; 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.** See **Risks and Uncertainties** below and risk factors outlined in materials filed with the securities regulatory authorities in Canada from time to time, including our most recent annual information form and the impact upon them of subsequently reported items.

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 Senior Management oversees 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 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.

We Face Competition from Other Exchanges, ATSs, OTC Markets and Other Sources

Our 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 ATSs 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 may continue to intensify in the future, especially as these technological advances create pressure to develop more efficient and less costly trading in global or regional markets. If we cannot maintain and enhance our ability to compete or respond to competitive threats, this will have an adverse impact on our operating results.

Each of Toronto Stock Exchange, TSX Venture Exchange and MX are required to provide order and trade information to an information processor (IP), or if there is no IP, to an information vendor that meets the standards set by a regulation services provider such as IIROC. In July 2006, the Canadian Securities Administrators (CSA) requested applications from interested parties to become an IP. The IP would consolidate and disseminate real time data from various marketplaces. We submitted a formal application to the CSA in August 2006 to become an IP for equity securities. Since that time, we have responded to various information requests from the CSA. In December 2008, the CSA indicated that it expected to finalize its review of applications by March 31, 2009. If an IP for equity securities other than TSX Inc. is chosen, our market data revenue may be impacted.

The trend for exchanges to form alliances or consolidate and become for-profit and publicly traded is continuing and will result in our competitors becoming stronger. If we are not included in any alliances, these developments could materially adversely affect our business 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.

ATSs have a framework to operate in Canada under the ATS Rules and may become our significant competitors in our cash equities markets in the future. In November 2008, a group of Canada's leading banks and investment dealers launched an ATS to trade Toronto Stock Exchange listed securities. There are also a number of other ATSs, both dark and visible trading venues, which trade Toronto Stock Exchange listed securities. In the fourth quarter of 2008, Toronto Stock Exchange had a 95% share of senior equities volume traded in Canada.

These ATSs 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 offers 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. If these ATSs are successful in attracting significant order flow, our trading revenue could be materially adversely affected.

MX and BOX Face Competition from Other Marketplaces

MX and BOX are in direct competition with, among others, securities, options and other derivatives exchanges as well as ATSs 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. These competitors 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 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 and pressure on transaction prices, among other things, 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 and, in turn, 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.

NGX, CanDeal and Shorcan Face Competition from OTCs and Other Sources

NGX's business of trading and clearing energy 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. If NGX is unable to compete with these platforms and markets including voice brokers, NGX may not be able to expand, which could materially affect its business and operating results.

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. 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.

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 recent shortage of liquidity and credit combined with volatility and weakness in global markets could lead to a global economic recession. Since listing, financing and trading activities are significantly affected by economic, political and market conditions and the overall level of investor confidence, a prolonged slowdown in economic activity caused by a recession may reduce listing activity (including a reduction in IPOs), the market capitalization of our issuers, trading volumes and sales of data across our markets.

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 and value of securities traded on our derivatives 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);
- 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 if our revenue decreases, which could have an adverse effect on our operating results and financial condition.

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 markets are conducted exclusively on an electronic basis. SOLA, the MX proprietary trading system, is currently in use at BOX. 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, 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 and derivatives information technology systems may not effectively or efficiently support our changing business requirements. We have, on both our cash equities and derivatives platforms over the past several years, 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.

We will need to continuously improve our information technology systems for cash equities and derivatives markets so that we can handle increases and changes in our trading activity and to respond to customer demand for improved performance. This will require ongoing expenditures which may require us to expend significant amounts in the future.

In June 2008, we completed the roll out of TSX Quantum, the next generation of our trading engine, for all Toronto Stock Exchange trading symbols. TSX Quantum is designed to provide our customers with greater speed and capacity which we believe will enable us to attract higher volumes and even more liquidity. If the TSX Quantum trading enterprise or the SOLA derivatives trading enterprise fail to perform in accordance with expectations or does not result in the expected higher trading volumes and liquidity, 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 and MX's trading and clearing services, including the services it 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.

Our Exchanges Depend on the Development and Acceptance of New Products

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

We Face Risks Associated With Integrating the Operations, Systems and Personnel of MX within TMX Group

The success of the combination with MX will depend in large part on the success of the management of TMX Group in integrating the operations and systems of MX, as well as retaining and integrating key personnel of MX. The failure to successfully integrate the operations of TMX Group and MX, or otherwise to realize any of the anticipated benefits of the combination, could impair the operating results, profitability and financial results of TMX

Group. In particular, a failure to realize the cost synergies in whole or in part, and the enhanced growth opportunities described (under the section **Strategy-***Integrate*) could materially adversely affect TMX Group's operating results. Realization of the anticipated benefits of the combination will depend in part on whether the operations, systems and personnel can be completely integrated in an efficient and effective manner. Moreover, the overall integration of the companies may result in unanticipated operational issues, expenses and liabilities.

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 new products, 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.

As part of our strategy to sustain growth, we 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. 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.

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 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.

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.

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 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 agency 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 MX's self-regulatory responsibilities and some of its market participants. Although MX has 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. 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. Unexpected and new regulatory requirements could materially adversely affect our organization, customers, market position and results of operations.

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.

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 2008, approximately 66% of our trading revenue on Toronto Stock Exchange and approximately 57% of our trading revenue on TSX Venture Exchange were accounted for by the top ten POs on each exchange. During 2008, approximately 44% of our trading revenue on Toronto Stock Exchange and approximately 38% 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 Licence 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 licence agreement may provide opportunities for us, but it may also impose restrictions on us. If we fail to renew licence 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.

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 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.

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

NGX is the central counterparty to each transaction conducted through its electronic platform. 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 U.S. $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.

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.

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 trade-marks 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 licence. 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 licence for the intellectual property from the owner. We may not succeed in developing or obtaining a licence 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.

January 28, 2009