TMX Group Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 3, 2015

This management's discussion and analysis (MD&A) of TMX Group Limited's (TMX Group) financial condition and financial performance is provided to enable a reader to assess our financial condition, material changes in our financial condition and our financial performance, including our liquidity and capital resources, for the year ended December 31, 2014 compared with the year ended December 31, 2013. This MD&A should be read together with our 2014 audited annual consolidated financial statements as at and for the year ended December 31, 2014 (financial statements).

Our financial statements and this MD&A for the year ended December 31, 2014 are filed with Canadian securities regulators and can be accessed through www.sedar.com or our website at www.tmx.com. The financial measures included in this MD&A are based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS), unless otherwise specified. All amounts are in Canadian dollars unless otherwise indicated.

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

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

MD&A Structure

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

- Overview of the Business – a discussion of our business segments and key revenue drivers;
- Vision and Corporate Strategy;
- Market Conditions, Initiatives and Regulatory Changes – a discussion of our current business environment, initiatives and regulatory changes;
- Our Business – a detailed description of our operations and our products and services;
- Impact of Recognition Orders (including Fee Regulation) on our Business - a discussion of certain regulatory constraints and costs on our business;
- Results of Operations – a year-over-year comparison of results;
- Liquidity and Capital Resources – a discussion of changes in our cash flow, our outstanding debt and the resources available to finance existing and future commitments;
- Managing Capital - an outline of objectives for managing our cash and cash equivalents, marketable securities, share capital, Commercial Paper, Debentures, and various credit facilities;

- Financial Instruments;
- Critical Accounting Estimates - a review of our goodwill and intangible assets;
- Select Annual and Quarterly Financial Information - a discussion of the fourth quarter of 2014 compared with 2013 and the results over the previous eight quarters;
- Risks and Uncertainties – a discussion of the risks to our business as identified through our risk management process as well as Financial Risk Management;
- Accounting and Control Matters – a discussion of our current accounting policies and future accounting changes, an evaluation of our disclosure controls and procedures and internal control over financial reporting and changes to internal control over financial reporting and related party relationships and transactions; and
- Caution Regarding Forward-Looking Information.

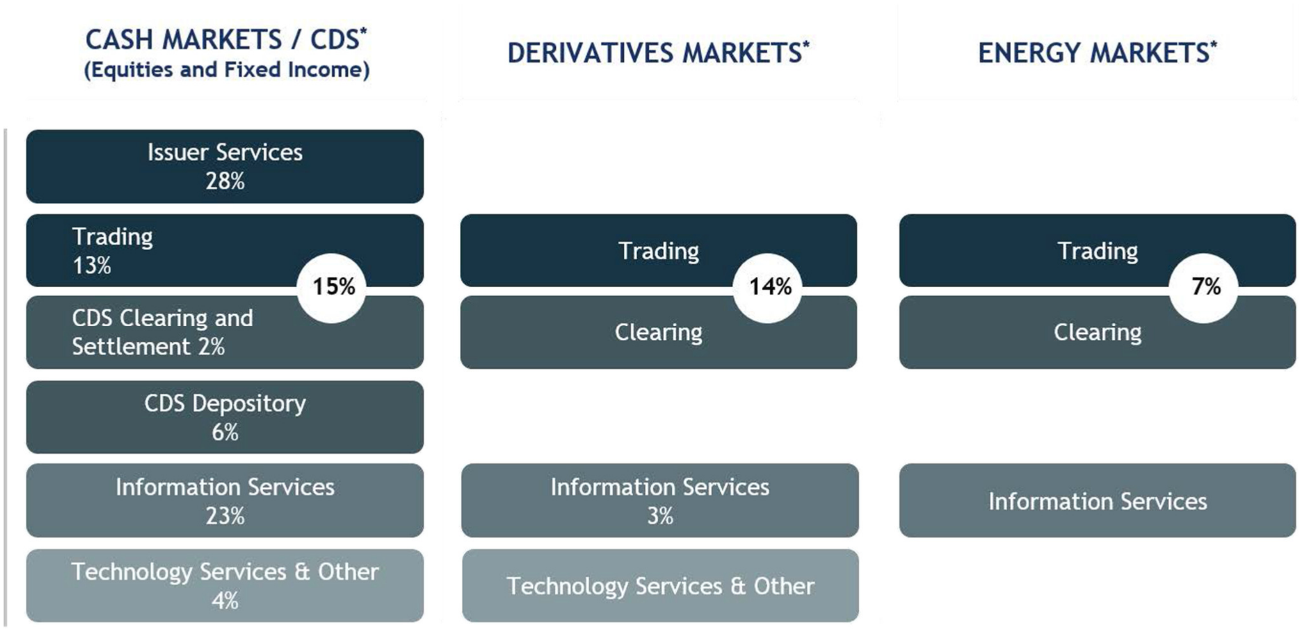
OVERVIEW OF THE BUSINESS

Summary

TMX Group operates equities, fixed income, derivatives, and energy markets. We provide services encompassing listings, trading, clearing, settlement and depository facilities, information services as well as technology services for the international financial community.

TMX Group Limited

(based on 2014 revenue of $717.3 million)



*Percentages based on 2014 revenue of $717.3 million for TMX Group. Derivatives Markets includes 100% of BOX revenue, of which MX held a 53.8% ownership interest in 2014.

Our revenue by segment is categorized as follows:

	SEGMENTS													
	Cash Markets								CDS	Derivatives Markets			Energy Markets	
2014 Revenue (In millions of dollars) **$717.3**	TSX	TSXV	TMX Select	Alpha	Equicom	Shorcan Fixed Income	Equity Transfer	TMX Techn-ologies	CDS	MX	BOX	CDCC	NGX	Shorcan Energy Brokers
Issuer Services **$198.3**	√	√			√	√	√		√					
Trading, Clearing & Depository **$303.9**	√	√	√	√		√			√	√	√	√	√	√
Information Services **$187.8**	√	√		√					√	√	√		√	√
Technology Services & Other **$27.3**								√		√				

Our business is represented by the following entities:

- Toronto Stock Exchange (TSX) is Canada's senior equities market, providing issuers with a venue for raising capital and providing domestic and international investors with the opportunity to invest in and trade those issuers' securities.

- TSX Venture Exchange (TSXV) is Canada's premier junior listings market, providing companies at the early stages of growth with the opportunity to raise capital and providing investors with the opportunity to invest in and trade those issuers' securities.

- TMX Select Inc. (TMX Select) is a Canadian alternative trading system (ATS) trading TSX and TSXV listed securities. TMX Select offers additional execution options to the industry through differentiated features and pricing.

- Alpha is an exchange that provides equities trading for TSX and TSXV listed securities. Alpha offers a continuous limit order book. Alpha offers additional execution options to the industry through differentiated features and pricing.

- The Canadian Depository for Securities Limited (CDS) is Canada's national securities depository, clearing and settlement hub. CDS supports Canada's equity, fixed income and money markets and is accountable for the safe custody and movement of securities, the processing of post-trade transactions, and the collection and distribution of entitlements relating to securities deposited by participants.

- TSX Private Markets provides a voice-brokered service that offers enhanced access to capital for private and public issuers and exempt market liquidity for approved dealers and their accredited investors.

- The Equicom Group Inc. (Equicom) is a provider of investor relations and corporate communications services.

- TMX Equity Transfer Services Inc. (Equity Transfer) is a provider of corporate trust, securities transfer and registrar, and employee plan administration services for issuers.

- Shorcan Brokers Limited (Shorcan) is Canada's first inter-dealer broker (IDB), providing facilities for matching orders for Canadian federal, provincial, corporate and mortgage bonds and treasury bills and derivatives for anonymous or name-give-up buyers and sellers in the secondary market.

- CanDeal.ca Inc. (CanDeal) is an electronic fixed income request-for-quotation system between clients and dealers. CanDeal provides online access to a large pool of liquidity for Canadian government bonds, money market instruments and interest rate swaps. We have a 47% ownership interest in CanDeal.

- Montréal Exchange Inc. (MX or Montréal Exchange) is Canada's standardized financial derivatives exchange. Headquartered in Montréal, MX offers trading in interest rate, index and equity derivatives.

- Canadian Derivatives Clearing Corporation (CDCC) offers clearing and settlement services for all MX transactions and certain over-the-counter (OTC) derivatives, including fixed income repurchase and reverse repurchase agreement (REPO) transactions.

- BOX Market LLC, (BOX) is a U.S. equity options market for which MX is the technical operator and technology developer. As at December 31, 2014, MX held a 53.8% ownership interest.

- Natural Gas Exchange Inc. (NGX) is a Canadian-based exchange through which customers can trade, clear and settle natural gas, crude oil and electricity contracts across North America.

- Shorcan Energy Brokers Inc. (Shorcan Energy Brokers) is an inter-participant brokerage facility for matching buyers and sellers of crude oil products.

- TMX Datalinx, our information services division, sells real time and historical data, data delivery services and other market information to a global customer base.

- TMX Atrium is a provider of low-latency network and infrastructure solutions for the global investment community.

- TMX Technology Solutions provides software and consulting services to various segments of the financial services industry. These technology products include recognized brands such as, SOLA for the derivatives market and Razor Risk Technologies Limited (Razor Risk) which provides risk management software.

VISION AND CORPORATE STRATEGY[1]

Our Vision

To be the provider of choice for capital markets infrastructure services in Canada and for select capital market services globally.

Corporate Strategy

- Expand our services and support to help drive the growth of the Canadian financial and capital markets.
- Leverage our portfolio of assets and create differentiated products and solutions through technological innovation.
- Make a global leadership position for TMX Group and Canada a priority.
- Evolve our performance culture committed to innovation, execution excellence and appropriate risk tolerance.

We are currently engaged in a comprehensive review of our portfolio of assets to establish the pillars of our go-forward strategy. The focus will be on our clients and developing products and services that create competitive advantages for them, while differentiating TMX. All of this involves a process grounded in market focus with a rigorous prioritization of investments to execute what is necessary to achieve our vision of leadership in capital markets here in Canada and around the world.

MARKET CONDITIONS, INITIATIVES AND REGULATORY CHANGES[2]

Market Conditions

During 2014, the S&P/TSX Composite Index increased 7% as there was an increase in index levels across a number of sectors. However, there were decreases in several key resource based sectors, including metals & mining, energy and materials. We experienced higher capital raising activity in 2014 compared with last year, in terms of both number of financings and total financing dollars raised. While the total market capitalization of issuers listed on TSX increased from the end of 2013 to the end of 2014, total market capitalization declined for issuers listed on TSX Venture Exchange. A significant proportion of issuers listed on TSXV are resource and energy industry companies, which have been adversely

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[1] The *"Vision and Corporate Strategy"* section above contain certain forward-looking statements. Please refer to "Caution Regarding Froward-Looking Information" for a discussion of risks and uncertainties related to such statements.

[2] The *"Market Conditions, Initiatives and Regulatory Changes"* section above contains certain forward-looking statements. Please refer to *"Caution Regarding Forward-Looking Information"* for a discussion of risks and uncertainties related to such statements.

impacted by lower commodity prices, particularly the declining price of crude oil. There are early indications in 2015 that there could be less capital spending by corporations in the energy sector.

As seen across North American markets, volatility remained low during 2014 with some increase towards the end of the year. For example, the average for the CBOE Volatility Index for the U.S. (VIX) was 14.2 for 2014 compared with an average of 22.1 for the previous five years.

In 2014, we experienced lower volatility for our interest rate products on Montréal Exchange, which can negatively impact trading volumes. This was particularly due to the fact that the Bank of Canada maintained the overnight interest rate target at 1.0% for 2014, where it had been since 2010. In January 2015, the Bank of Canada reduced the overnight interest rate target from 1.00% to 0.75%. The Bank said that its decision was in response to the recent sharp drop in oil prices, which it believes will be negative for growth and underlying inflation in Canada[3].

In our energy markets, in the aftermath of a very active winter with extreme weather conditions in Q1/14, energy volumes increased modestly in 2014 over 2013 reflecting the impact of short term market volatility in some of the regional natural gas markets served by NGX.

Initiatives and Regulatory Changes

TMX Group Limited (formerly Maple Group Acquisition Corporation or Maple) completed the acquisition of TMX Group Inc. on September 14, 2012 and the acquisitions of CDS and Alpha Trading Systems Inc. and Alpha Trading Systems Limited Partnership (collectively, Alpha) on August 1, 2012 (collectively, the Maple Transaction).

The integration of TMX Group, CDS and Alpha was largely completed in Q1/14. We achieved approximately $28.0 million in annualized net synergies on a run-rate basis in Q1/14, consistent with our revised expectation announced in November 2013, an increase of about 40% from our initial target of approximately $20.0 million in annual cost synergies on a run-rate basis, net of incremental costs of regulation. These synergies came from the consolidation of operations, including the migration of the Alpha trading platform to our proprietary trading engine (TMX Quantum), and the realization of efficiencies in overlapping functions. Total integration costs incurred in 2014 were approximately $6.7 million, and cumulative integration costs from Q3/12 were approximately $30.2 million.

In March 2014, we announced our plans to open an office in Singapore in 2014, subject to local regulatory approval. The new office will focus on building new business relationships and exploring new opportunities for TSX, TSXV and MX in the region, while enhancing our product and service offering to our growing number of Asia-Pacific clients.

In March and April 2014, we announced memorandums of understanding with the China Financial Futures Exchange and the Zhengzhou Commodity Exchange. The goals of these agreements are to enhance understanding of our respective businesses and to help broaden our activities in the Chinese market. We continue to explore business opportunities for our technology and risk management services with these organizations.

In May 2014, the Canadian Securities Administrators (CSA) published a notice and request for comments on proposed amendments to National Instrument 23-101 (NI 23-101), *Trading Rules*. These are the most significant proposed changes since the ATS Rules were issued in 2001. The proposed amendments relate to, among other things, the order protection rules (OPR), which require that better-priced orders be executed before inferior-priced orders regardless of the

[3] Source: Bank of Canada, January 21, 2015 press release.

marketplace on which the order is displayed. Specifically, the proposed amendments include a definition for orders protected under the OPR to include only those displayed on marketplaces that meet or exceed a 5% market share threshold. We support regulatory changes that balance competing objectives, including the 5% threshold for marketplace orders that are protected by the OPR. With respect to trading fees, the notice includes consideration of future caps on trading fees of $0.0030 per share or unit traded for equities or units priced at or above $1.00. It is our view that trading fee caps are not necessary since trading fees are subject to sufficient controls as a result of competitive forces, and regulatory oversight in the form of fee review and approval. In addition, the CSA also sought feedback regarding a pilot study to examine the payment of rebates by marketplaces to their participants under the maker-taker pricing model. This pilot would include the elimination of the practice of paying rebates. We are concerned that the proposed pilot study could have significant negative implications for liquidity and marketplace competition that may impact the quality of Canadian markets. This is particularly true if U.S. inter-listed securities are included in the pilot study, and U.S. regulators continue to allow U.S. marketplaces to make rebate payments to customers. The notice from the CSA also included a proposal that would require marketplaces to submit their professional market data fees for review and re-approval annually and to justify these fees in the context of the results of applying a relative value assessment of real-time market data. The CSA is also considering taking action that could involve a cap or the implementation of a separate methodology for non-professional market data fees. In our comments we have advocated for a principled approach versus a prescriptive approach to regulating market data fees. We believe that a prescriptive approach will result in added complexity, cost and arbitrage opportunities. The net impact on our business is uncertain as the final Instrument has not been issued following the public comment period. Therefore, the full impact will not be known until changes are implemented. We responded with our comments to these proposed amendments in September 2014.

In May 2014, TMX Group established a commercial paper program (Commercial Paper Program) under which it may issue up to $400.0 million in unsecured short-term promissory notes (Commercial Paper). In June 2014, we issued approximately $293.0 million of Commercial Paper, and had approximately $233.9 million outstanding under the program at December 31, 2014. Net cash proceeds were used to refinance a portion of TMX Group's long-term debt. The Commercial Paper was rated R-1 (low) with a Stable trend by DBRS Limited (DBRS). On September 8, 2014 DBRS confirmed the A (high) ratings on TMX Group Limited and on our debentures, which have an aggregate principal amount of $1.0 billion. It also confirmed the Commercial Paper rating of R-1 (low), all with Stable trends. In connection with the Commercial Paper Program, TMX Group entered into a new credit agreement that provides a 100% backstop to the Commercial Paper Program. This new credit agreement replaces the amended and restated credit agreement (Amended and Restated Credit Agreement) dated September 30, 2013. (See **Commercial Paper** and **Loans Payable** under the heading **COMMERCIAL PAPER, DEBENTURES, CREDIT AND LIQUIDITY FACILITIES**.)

We announced the successful launch of TMX Quantum XA on TSX in June 2014 and on TSXV in September 2014. The platform was first implemented on TMX Select in Q3/13. TMX Quantum XA provides our customers with dramatically improved performance. At the end of 2014, the median response time was approximately 38 microseconds.

In June 2014, NGX announced the launch of trading of physical power products for the Western Electricity Coordinating Council (WECC) market through the Intercontinental Exchange Inc.'s WebICE trading platform. NGX extended its natural gas markets in the United States with the addition of market delivery points.

In July 2014, CDCC, CDS and NGX, TMX Group's clearing entities, were designated by the Bank of Canada and certain provincial commissions as qualifying central counterparties (QCCPs) pursuant to the standards developed by the Basel Committee on Banking Supervision and adopted by the Office of the Superintendent of Financial Institutions (OSFI). This QCCP status, which recognizes the TMX Group central counterparties' efforts to meet the highest international standards consistent with the Principles for Financial Market Infrastructures (PFMIs), allows certain bank exposures to the central counterparties to be subject to lower capital requirements.

In August 2014, TMX Atrium, our global marketplace infrastructure provider, announced that it would be launching a new cross border marketplace connectivity network that uses industry best-practice microwave technology, with services available to all market participants. TMX Atrium advanced its connectivity strategy through the acquisition of the microwave network business of New York-based Strike Technologies Services, LLC (Strike), a wholly-owned subsidiary of Global Trading Systems on October 31, 2014.

In September 2014, MX reduced the minimum price fluctuation for the second, third and fourth quarterly BAX contract months from a full tick (0.01 or C$25.00 per contract) to a half-tick (0.005 or C$12.50 per contract). This is intended to enhance the efficiency of the BAX contract by enhancing pricing precision, attracting further domestic and international participation and increasing the proportion of buy-side activity on the BAX contract.

In October 2014, we announced the restructuring of our equities trading offering to strengthen Canada's capital markets and meet our customers' evolving needs, subject to regulatory approval including public comment periods. The changes are aimed at further improving the Canadian trading landscape by introducing a domestic trading model with superior trading economics for retail and institutional orders, offering effective solutions to participants who do not use speed-based trading strategies, and reducing market complexity. In June 2015, we plan to introduce a new trading model on Alpha that will offer improved execution quality for natural trading flow, while incentivizing liquidity providers willing to commit to a minimum order size. In Q4/15, we plan to introduce a new Long Life order type on TSX and TSXV. These orders will be required to commit to a minimum resting time in the book, and in return, Long Life orders will receive priority over non-Long Life orders at the same price. Effective June 2015, we intend to close TMX Select as well as Alpha's IntraSpread facility. In addition, key features and functionality will be harmonized across TSX, TSXV and Alpha to provide an improved user experience. This will streamline our market structure to more effectively serve client needs, while minimizing complexity, fragmentation and associated costs. We will continue to offer diverse equity market trading services to meet wide ranging investment strategies and provide innovative technology on a North American basis.

In November 2014, we launched TSX Private Markets, to facilitate capital raising and the trading of securities in the exempt market, thereby serving Canadian private companies throughout their evolution from startup to private issuer to public issuer. TSX Private Markets provides a voice-brokered business for both private and public companies in the exempt market, which is intended to benefit customers, including registered dealers, accredited investors, and other exempt investors. TSX Private Markets is operated by our wholly-owned subsidiary, Shorcan, a registered Exempt Market Dealer.

In November 2014, the CSA published for comment proposed National Instrument 24-102, *Clearing Agency Requirements*, the purpose of which is to implement the PFMIs as rule requirements in a unified manner in Canada via provincial regulators. Together with the Bank of Canada, the CSA has also developed supplementary guidance to clarify aspects of the PFMIs in the Canadian context. Regulation 24-102 also contains some new proposals, such as the requirement to designate a chief compliance officer, and for notification to regulators of proposed new or modified fees for FMI-type services. The comment period closes on February 10, 2015. The CSA expects the Regulation to be in force by October 2015.

In January 2015, BOX Holdings Group LLC (which holds all the membership units of BOX) launched a program to incent market participants to provide liquidity to BOX. In exchange for providing this liquidity, market participants will receive volume performance rights (VPRs) vesting over a five-year period (if liquidity commitments are met), that will include membership units of BOX Holdings Group LLC (subject to U.S. SEC approval). BOX management is working with the SEC and expects to finalize the required regulatory filing in 2016. If all VPRs ultimately vest, our interest in BOX will decrease to less than 50%.

OUR BUSINESS

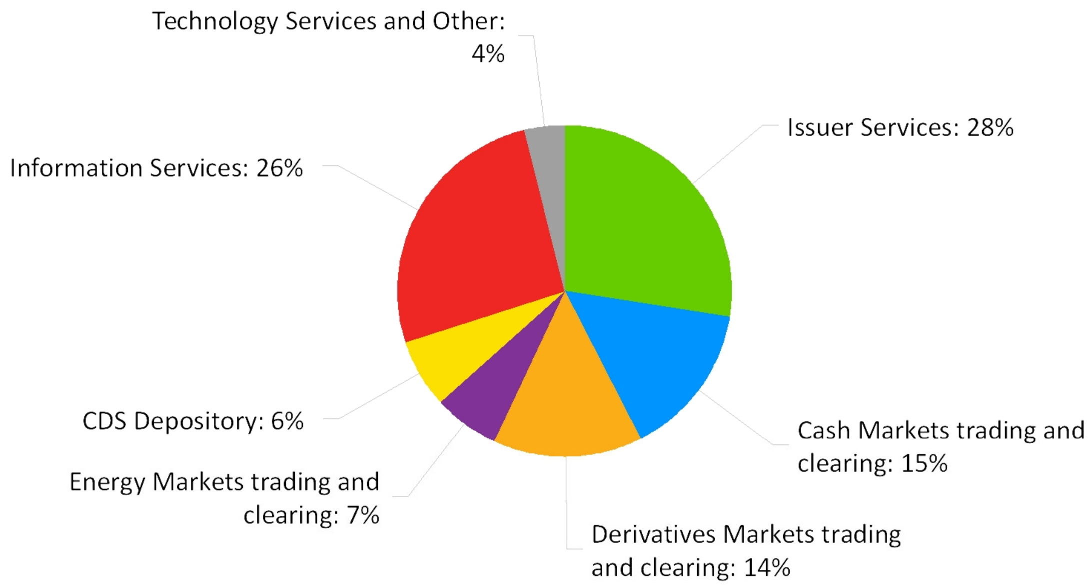
On the following pages, we provide an overview and description of products and services, strategy and revenue description for each of our revenue streams as outlined below:

1. Issuer services
2. Trading, clearing, depository and related
    a. Cash trading, clearing and depository
        i. Equities trading
        ii. Fixed income trading
        iii. Equities and fixed income - clearing, settlement and depository
    b. Derivatives trading and clearing
    c. Energy trading and clearing
3. Information services
4. Technology services and other revenue

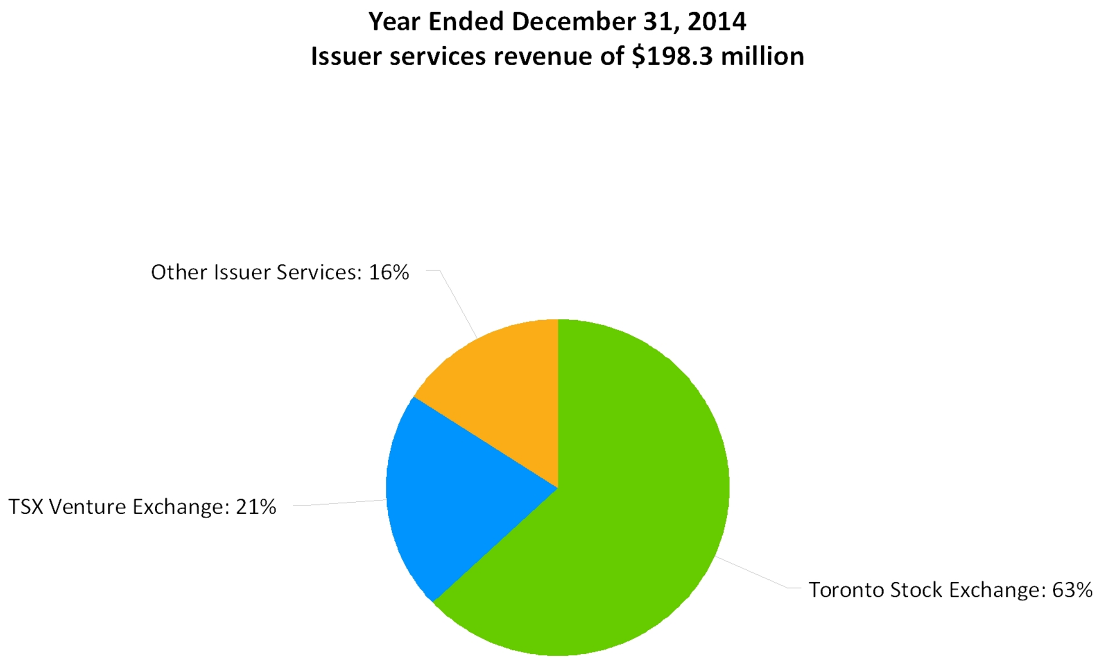
For key statistics related to each business above, please see **Results of Operations**.

We derive revenue primarily from issuer services, trading, clearing, settlement and depository services, and information services.

Year ended December 31, 2014
Total Revenue of $717.3 million



Issuer Services[4]



Overview and Description of Products and Services

We carry out our core listings operations through TSX, our senior market, and TSXV, our junior market. TSXV also provides a market called NEX[5] for issuers that have fallen below TSXV's ongoing listing standards.

In general, issuers initially list on TSX in connection with their Initial Public Offerings (IPOs), by graduating from TSXV or by seeking a secondary listing in addition to a current listing venue. Junior companies generally list on TSXV either in connection with their IPOs or through alternative methods such as TSXV's Capital Pool Company (CPC) program or Reverse Takeovers (RTOs).

The CPC program provides an alternative, two-phased process to listing on TSXV. Through the program, CPC founders with financial markets experience raise a pool of capital that is listed on the TSXV as a CPC. The CPC founders then seek

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[4] The "*Issuer Services*" section above contains certain forward-looking statements. Please refer to *"Caution Regarding Forward-Looking Information"* for a discussion of risks and uncertainties related to such statements.

[5] Unless otherwise indicated, market statistics and financial information for TSXV include information for NEX.

out growth and development-stage companies to invest in and when an appropriate fit is identified, they complete a business combination known as a Qualifying Transaction (QT).

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 structures such as exchangeable shares, convertible debt instruments, limited partnership units as well as exchange traded funds (ETFs) and structured products such as investment funds.

Being listed on TSX or TSXV provides many benefits, including opportunities to efficiently access public capital, providing liquidity for existing investors, numerous products, such as TSX InfoSuite, and the prestige and market exposure associated with being listed on one of Canada's premier national stock exchanges. While we list issuers from a wide range of industries, we are a global leader in listing issuers in the resource sectors, including mining and oil and gas companies. In addition, we are a global leader in listing small and medium-sized enterprises (SMEs), as well as in the clean technology sector.

Together, TSX and TSXV were fourth in the world among global exchanges by number of new listings in 2014[6]. The ranking was part of a report from the World Federation of Exchanges (WFE) as of December 31, 2014. TSX listed 121 new issuers, including 22 graduates, and TSXV listed 122 new issuers for a total of 243 new listings in 2014. TMX Group was second in the world for new international listings in 2014, with 12.

Issuers listed on TSX and TSXV raised a combined $57.8 billion in 2014 ($52.6 billion on TSX and $5.2 billion on TSXV).

In addition to listings, we provide other services to our listed issuers:

Our subsidiary, Equicom, provides investor relations and corporate communications services.

CDS Clearing and Depository Services Inc. (CDS Clearing) offers a book-entry-only (BEO) service to issuers. CDS Securities Management Solutions Inc. (CDS Solutions) provides a Registrar and Paying Agent (RPA) service, a Holders of Record Report and a Confirmation of Registered Holdings. In addition, CDS Solutions is the national numbering agency for International Security Identification Numbers (ISINs) and provides these numbers to issuers upon request. In 2014, CDS Solutions also launched a service to provide Legal Entity Identifier registration and maintenance.

TMX Equity Transfer Services Inc. (Equity Transfer) is the transfer agent and corporate trust services business TMX Group acquired from Equity Financial Holdings Inc. (Equity). We have filed an application with the Office of the Superintendent of Financial Institutions (OSFI) for a trust license and are awaiting approval. Equity will continue to provide trust services, which must be provided by a trust company, until we obtain the requisite trust license. We paid $64.0 million for these assets, which were funded from existing cash and credit facilities.

[6] Source: World Federation of Exchanges Statistics.

Strategy

- Continue to diversify listings business into non-resource sectors.
- Continue international listings business development efforts in target markets.
- Focus on expanding global platform for listing SMEs.
- Enhance customer facilitation, service excellence and advocacy.
- Expand public company product and service offering.
- Continue to develop private company services.
- Leverage our central market position to provide expanded operations support services

Revenue Description

We generate issuer services revenue from several types of services, including:

Initial Listing

TSX and TSXV issuers pay initial listing fees based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Initial listing fees fluctuate with the value of securities being listed or reserved in a given period. Issuers who graduate from TSXV to TSX are considered initial listings, but pay no application fee and may receive a discount in certain circumstances up to a maximum of 25% of the initial listing fee.

Additional Listing

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 and reserving additional shares to be issued under stock option plans. 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 fluctuate with the value of securities being listed or reserved.

Sustaining Listing

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 for existing issuers are billed during the first quarter of the year, recorded as deferred revenue and amortized over the year on a straight-line basis. Sustaining listing fees for new issuers are billed in the quarter that the new listing takes place and are amortized over the remainder of the year on a straight-line basis.

On January 1, 2015 TSX implemented changes to the TSX Listing Fee Schedule with respect to sustaining listing fees. Issuers with low market capitalization may experience a reduction in sustaining fees while issuers with market capitalization over $1.2 billion will see their annual sustaining fees increase by $15,000. Furthermore, Eligible Non-Domestic Issuers will benefit from a 25% annual sustaining fee discount. These changes are intended to better align TSX listing fees to those of our peers. Prior to these changes, TSX sustaining fees have been unchanged since 2009.

Fees charged to issuers vary based on the type of issuer (corporate, structured product or ETF).

Other Services

Transfer agent revenue is primarily derived from a contractual monthly charge that clients pay for a full range of transfer agent services. Corporate trust fees relate to services that include acting as trustee for debt instruments, depository for takeover offers, warrant agent, subscription receipt agent, and agent for voluntary escrow arrangements. This revenue is normally transactional. Net margin income is the interest earned on balances held on behalf of clients less interest paid to clients. Foreign exchange revenue is earned on the difference between negotiated and actual rates on foreign exchange transactions executed on behalf of clients.

Equicom generates revenue by providing investor relations services including strategic message development, IPO roadshow services, M&A communication, financial media relations, annual and quarterly report production, web development, and event management.

CDS

CDS's services, including the issuance of International Security Identification Numbers (ISINs), depository eligibility, securities registration-related services including certificate and late request fees as well as entitlement and corporate action (E&CA) event management provide significant value and efficiency to issuers. At this time, however, CDS charges only for ISIN issuance, depository eligibility, and registration-related services, and does not charge issuers for E&CA event management. In November 2014, CDS submitted to its regulators a notice of publication in respect of amendments to the CDS issuer services program fee schedule.

The proposed amendments to the CDS Fee Schedule are:

I. The introduction of E&CA event management fees and optional agency fees;

II. The simplification and standardization of the pricing structure for ISIN Issuance services; and

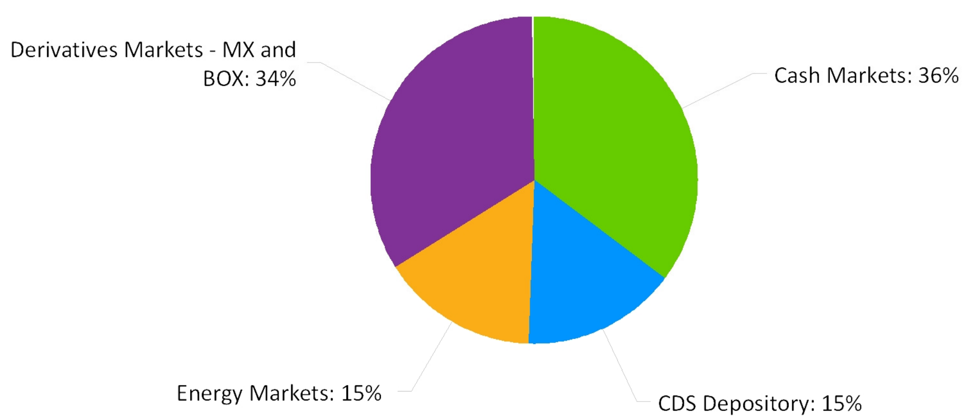
III. The introduction of a security eligibility administration fee, a certificate fee and late request fees.

For certain services (e.g., fees for certificates), CDS has determined that a fee reduction is warranted where those services require fewer resources and management.

Subject to regulatory approval, CDS intends to implement the proposed amendments early in Q2/15 with appropriate notice to stakeholders.

Trading, clearing, depository and related[7]

Year ended December 31, 2014
Trading, clearing, depository and related revenue of $303.9 million



Cash trading, clearing, and depository – TSX, TSXV, Alpha Exchange, TMX Select, Shorcan, and CDS

Overview and Description of Products and Services

Equities – Trading

Trading on TSX, TSXV, TMX Select, and Alpha occurs on a continuous basis throughout the day on our fully electronic trading systems. Retail, institutional and other proprietary investors place orders to buy or sell securities through Participating Organizations (POs) who act as principals or agents. TSX, TSXV and Alpha sessions begin with the market open in an auction format. TSX and TSXV continuous sessions end with a closing auction which establishes the benchmark closing price for our listed issues. Extended trading sessions after the close on TSX, TSXV and Alpha allow trades to occur at the closing price, while TMX Select continues to support continuous trading during this time. Non-displayed trading

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[7] The *"Trading, clearing, depository and related*" section above contains certain forward-looking statements. Please refer to *"Caution Regarding Forward-Looking Information"* for a discussion of risks and uncertainties related to such statements.

offering price improvement during continuous trading hours also occurs through TSX, TSXV and Alpha using non-displayed order, or dark order, types. Trading also occurs through crosses in which POs internally match orders and report them through the exchanges at no cost.

Fixed Income – Trading

Shorcan's fixed income operations primarily provide a facility for matching orders for Canadian federal, provincial, corporate and mortgage bonds and treasury bills and derivatives for anonymous or name-give-up buyers and sellers in the secondary market.

Equities and Fixed Income – Clearing, Settlement, and Depository

CDS manages the clearing and settlement of trades in both domestic and cross-border depository-eligible securities.

CDS's domestic clearing and settlement services enable participants to report, confirm or match, reconcile, net and settle exchange and OTC traded equity, debt and money market transactions, as well as derivatives transactions in depository-eligible securities (e.g., the processing of rights and warrants and the settlement of exercised options). CDS also offers related services such as buy-ins, risk controls and reporting, and facilitates trading in CDSX (CDS's multilateral clearing and settlement system) eligible securities before they are publicly distributed (trades in these securities settle after public distribution).

CDS Depository is accountable for the safe custody and movement of depository-eligible domestic and international securities, accurate record-keeping, processing post-trade transactions, and collecting and distributing entitlements arising from securities deposited by customers.

Strategy

- Continue international business development efforts.
- Focus on expanding global platform for trading SMEs.
- Continue development of core and new technology capabilities.
- Offer market solutions to improve the execution quality for customers, reward committed liquidity and reduce market complexity.
- Introduce new products for trading.
- Develop exempt market trading services.
- Expand fixed income customer base.
- Advance technology for, and accelerate, electronic fixed income trading.
- Deepen CDS's central role among clearing members by continuing to deliver exceptional value through existing and innovative new services.
- Seek targeted market-transforming opportunities for CDS to grow its presence in select market segments with existing and new customers.

Revenue Description

Equity Trading

We have volume-based fee structures for issues traded on TSX, TSXV, TMX Select and Alpha. There are differences in our fee structures which provide our customers with multiple execution options. Most models are structured so that market participants have an incentive to enter passive orders into 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. All trading revenue is recognized in the month in which the trade is executed.

TMX Select supports an inverted pricing model. Under this fee structure, executed passive orders are charged on a per security basis while executed active orders receive a credit on a per security basis.

In May 2014, the CSA issued a number of proposals for comment, and in October 2014, we announced a number of initiatives (see **Initiatives and Regulatory Changes - Cash Markets Trading and Clearing**).

Fixed Income – Trading

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

Equities and Fixed Income – Clearing and Depository

CDS is Canada's only securities depository, clearing, and settlement hub for cash equity and fixed income securities.

Clearing activities include the reporting and confirmation of all trade types within CDSX. Clearing activities also include the netting and novation of exchange trades through CDS's Continuous Net Settlement (CNS) service prior to settlement. CDSX is designated by the Bank of Canada as being systematically important, under the Payment Clearing and Settlement Act (Canada)

For reported trades, both exchange trades and OTC trades, CDS charges clearing fees to participants on a per trade basis. Clearing fees are recognized as follows:

- Reporting fees are recognized when the trades are delivered to CDS.
- Netting/novation fees are recognized when the trades are netted and novated.

Other clearing related fees are recognized when the services are performed.

For those trades that are netted in CNS, settlement fees are charged on the basis of the number of netted trades settled. Settlement fees for those trades that are not netted (i.e., trades that are settled individually on a trade-for-trade (TFT) basis) are charged on a per transaction basis. Settlement related fees are recognized when the trades are settled.

Depository fees are charged per transaction and custody fees are charged based on a daily average of volume (i.e., number of shares held for equity securities and nominal value held for fixed income securities) and positions held. Depository fees are charged for custody of securities, depository related activities, and processing of entitlement and corporate actions, and are recognized when the services are performed.

International revenue consists of revenue generated through offering links as channels to participants to effect cross-border transactions and custodial relationships with other international organizations. The related fees are recognized as follows:

- Fees are charged to participants based on participant usage of National Securities Clearing Corporation (NSCC) and Depository Trust Company (DTC) services. Participants are sponsored into NSCC and DTC services via the New York Link service and the DTC Direct Link service respectively.
- Custodial fees and other international services related revenues are recognized when the services are performed.

Derivatives Trading and Clearing – MX, CDCC and BOX

Overview and Description of Products and Services

Our domestic financial derivatives trading is conducted through MX. BOX is an equity options market located in the U.S. Our derivatives markets derive revenue from MX's trading and clearing and from trading on BOX.

Derivatives Trading

MX

MX offers interest rate, index, equity and exchange-rate derivatives to Canadian and international market participants. 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. More than half of MX's volume in 2014 was represented by three futures contracts – the Three-Month Canadian Bankers' Acceptance Futures contract (BAX), the 10-Year Government of Canada Bond Futures contract (CGB) and the S&P/TSX 60 Standard Futures contract (SXF) – with the balance largely represented by our equity and ETF options market.

BOX

BOX is an all-electronic equity derivatives market and was created as a simpler, faster, more transparent and less costly alternative to the other U.S. market models. BOX is one of a number of equity options markets in the U.S., offering an electronic equity derivatives market on over 1,500 options classes. All BOX trade volume is cleared through the Options Clearing Corporation. BOX's Price Improvement Period (PIP) auction, an automated trading mechanism, permits brokers to seek to improve executable client orders. BOX runs on our SOLA technology, a leading-edge technology for equity options.

Derivatives – Clearing

Through CDCC, MX's wholly-owned subsidiary, we generate revenue from clearing and settlement, as well as from options and futures exercise activities. CDCC offers central counterparty and clearing and settlement services for all transactions carried out on MX's markets and on some OTC products. In addition, CDCC is the issuer of options traded on MX markets and the clearing house for options and futures contracts traded on MX markets and for some products on the OTC market.

<u>Derivatives – Regulatory Division</u>

MX is an SRO that has 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.

The Regulatory Division generates revenues 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 donations or educational initiatives.

Strategy

- Continue expansion of product suite.
- Expand Canadian retail and institutional customer base.
- Attract new order flow from international participants.
- Strengthen our core franchise in interest rate and equity listed derivatives.
- Expand BOX's positioning within the U.S. options market.

Revenue Description

MX participants are charged fees for buying and selling derivatives products on a per transaction basis, determined principally by contract type and participant status. Since MX trading fee rates are charged on each transaction based on the number of contracts included in each transaction, MX trading revenue is directly correlated to the volume of contracts traded on the derivatives market. Derivatives trading revenue is recognized in the month in which the trade is executed.

CDCC clearing members (Clearing Members) pay fees for clearing and settlement, including OTC fixed income and REPO transactions, on a per transaction basis. Fees for fixed income transactions are based on the size and term of the original agreement, and Clearing Members pay a minimum monthly fee. Clearing Members are also eligible for a revenue sharing arrangement based on annual cleared volumes of REPO transactions. Clearing and settlement revenues other than for REPO transactions 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. Clearing revenue for fixed income REPO agreements is recognized on the novation date of the related transaction.

BOX participants are charged fees per transaction based on the volume of contracts traded. In Q1/14, BOX adjusted the tiered pricing schedule in auction transactions and introduced a volume rebate for PIP (Price Improvement Period) and COPIP (Complex Order Price Improvement Period) orders to be more competitive with other exchanges. In 2014, all of BOX's revenue was billed in U.S. dollars. We do not currently hedge this revenue or the operating expenses related to BOX and, therefore, the income from operations is subject to foreign exchange fluctuations.

Energy Trading and Clearing – NGX and Shorcan Energy Brokers

Overview and Description of Products and Services

NGX is a Canadian-based energy exchange with an electronic platform that trades and provides clearing and settlement services for natural gas, crude oil and electricity contracts. We have a technology and clearing alliance for North American natural gas and Canadian power with IntercontinentalExchange, Inc. (ICE). 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. Currently, NGX offers products and clearing services at over 80 natural gas, crude oil, and power locations in North America, including almost 60 in the U.S.

In July 2013, NGX entered into an agreement with NASDAQ OMX Commodities Clearing Company (NOCC) for the transfer of NOCC's physical energy products and customers to NGX, and subsequently launched its U.S. physical power clearing services in the Electric Reliability Council of Texas (ERCOT) market. NGX owns The Alberta Watt Exchange (Watt-Ex), a provider of ancillary services to the Alberta Electric System Operator which uses Watt-Ex to procure its operating reserve electricity for the Alberta grid.

Shorcan Energy Brokers provides an inter-participant brokerage facility for matching buyers and sellers of energy products, including crude oil.

Strategy

- Develop and implement additional energy products for trading.
- Add delivery points and new geographic markets.
- Extend the NGX business model to additional asset classes.

Revenue Description

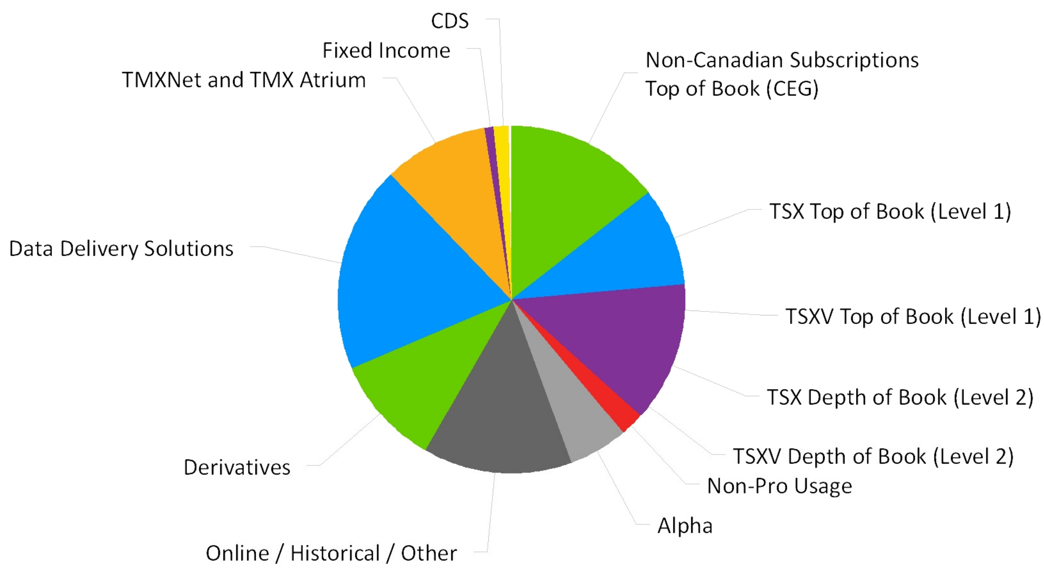
NGX generates trading and clearing revenue by applying fees to all transactions based on the contract volume traded or centrally cleared through the exchange, and charges a monthly fixed subscription fee to each customer which maintains a clearing account with NGX. Energy trading and clearing revenue is recognized over the period the relevant services are provided.

In 2014, approximately 45% of NGX revenue was billed in U.S. dollars. We do not currently hedge this revenue and, therefore, it is subject to foreign exchange fluctuations.

Shorcan Energy Brokers charges a commission on orders that are matched against existing communicated orders.

Information Services[8]

Year ended December 31, 2014
Information services revenue of $187.8 million



Overview and Description of Products and Services

Real-Time Market Data Products – Canadian Exchange Group (CEG), Level 1 and Level 2 and Alpha Feeds

Trading activity on TSX, TSXV, TMX Select and Alpha produces a stream of real-time data reflecting orders and executed transactions. This stream of data is supplemented with value-added content (e.g. dividends, earnings) and packaged by TMX Datalinx into real-time market data products and delivered to end users directly or via more than 100 Canadian and global redistributors that sell data feeds and desktop market data. TMX Datalinx market data is available globally through TMX Atrium, our low-latency financial network, and through a variety of network carriers and extranets. In October 2014, we acquired Strike (see Initiatives and Regulatory Changes).

We offer our subscribers Level 1 and Level 2 real-time services for TSX and TSXV (including NEX), TMX Select, and Alpha. Level 1 provides trades, quotes, corporate actions and index level information. Level 2 provides a more in-depth look at

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

the order book and allows distributors to obtain Market Book for TSX, TSXV, TMX Select, and Alpha. Market Book is an end-user display service that includes MarketDepth by Price, MarketDepth by Order and MarketDepth by Broker for all committed orders and trades. We offer direct data feeds to clients with trading strategies that require lower latency. Our TMX Quantum Feed provides clients with Level 1 and Level 2 binary data translated to a standard, highly efficient format for predictable latency for TSX, TSXV, TMX Select, and Alpha.

We also provide market participants with low-latency access to real-time Level 1 and Level 2 market data consolidated to include all domestic equities marketplaces, by way of our TMX Information Processor Consolidated Data Feed (CDF), Canadian Best Bid and Offer (CBBO), Consolidated Last Sale (CLS), and Consolidated Depth of Book (CDB) services. Our Information Processor mandate from securities regulators was renewed for a four year period commencing on July 1, 2014.

Real-Time Derivative Market Data Products

We also derive information services revenue from MX and BOX.

TMX Datalinx distributes MX real-time trading and historical data to market participants on a global basis directly and through data distributors.

The SOLA High Speed Vendor Feed (HSVF) is a real-time service for MX's real-time trading and statistical information (comprised of trades, quotes, market depth, strategies, bulletins, summaries and other statistics). The MX HSVF provides access to both Level 1 and Level 2 real-time data for MX-traded futures and options products.

BOX distributes its market data, like the other U.S. options markets, 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.

Data Delivery Solutions – Co-location, Infrastructure and Managed Services

TMX Datalinx provides co-location services to a broad range of domestic and international market participants. TMX co-location services clients, through pre-wired co-location cabinets, benefit from stable, low-latency access to TSX, TSXV, TMX Select, Alpha, and MX trading engines and market data feeds, as well as access to other capital market clients, financial content providers, and technology providers.

TMX Group's co-location services offering was introduced in 2008 and has since expanded. In 2013, TMX Datalinx added several new strategic co-location services clients, including the largest data distributors. This significantly advanced our strategy to diversify the financial community in our data centre because their services are used by the largest financial institutions globally. Additionally, TMX Datalinx rolled out 10G access to TMX trading engines and data fees within the co-location environment. At December 31, 2014, over 80% of capacity was contracted or sold.

TMX Atrium is a provider of low latency terrestrial and wireless network solutions, and co-location services with over 30 Points of Presence (POPs), to global capital markets. TMX Atrium has a presence in 12 countries across North America, Europe and Asia, providing connectivity to over 30 major trading venues, covering all asset classes and offering low latency access to over 500 data sources.

Index Products – Equities and Derivatives

TMX Datalinx has an arrangement with S&P Dow Jones Indices LLC (S&P Dow Jones) under which we share license fees received from organizations that create products, such as mutual funds and ETFs, based on the S&P/TSX indices[9]. In general, these license fees are based on a percentage of funds under management in respect of those products.

Together with S&P Dow Jones, we launched the following new indices in 2014: the S&P/TSX ESG Indices, the GICS indices for the S&P/TSX 60 Index, the GICS indices for the S&P/TSX Small Cap Index, the S&P/TSX Composite Buyback Indices, the S&P/TSX Composite Shareholder Yield Indices and the USD version of the S&P/TSX composite High Dividend Index.

TMX Datalinx offers a suite of S&P/TSX Index data product packages. These products support the wide array of benchmark and investable indices offered in the S&P/TSX family of indices, covering Canadian equity markets and international global mining markets. Index data provided include comprehensive index level files, index constituent data files and index notices (upcoming changes).

Historical, Online, and Other Market Data Products

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. Other market data products include information services from NGX and third-party data. Third-party data involves redistribution of exchange data from other markets in North America. We also provide live inter-bank foreign exchange rates and a TSX/CP Equities News service in partnership with The Canadian Press. In addition, TMX Datalinx distributes all public trade reports from TriAct Canada Marketplace LP's MATCH Now non-quoting marketplace, as well as a Canadian implied volatility and Greeks analytics feed for options traded on MX. In 2014, we also launched Alpha Historical Trade Data products and Alpha Insider Trade Marker products.

Fixed Income – Index and Analytics Products

In 2013, we completed the combination of our fixed income index business, PC-Bond, with FTSE Group's (FTSE) existing international fixed income index business. FTSE is part of the London Stock Exchange Group.

In April 2014, FTSE TMX Global Debt Capital Markets Limited announced that it had acquired the indices business of MTS, a provider of benchmark indices for European fixed income. This broadens the product portfolio with indices that track the performance of the largest and most widely traded government-issued European bonds. Following the acquisition, our ownership interest in FTSE TMX Global Debt Capital Markets Limited was reduced to 24.3 per cent from 25.0 per cent. Income from our 24.3 per cent interest is recorded under **Share of net income of equity accounted investees** and **Information services revenue** (as a royalty).

CDS Computer Services (Managed Network Services)

Users of CDS Clearing services pay a network services fee to maintain and support network connections to those services.

[9] "S&P" is the trade-mark of Standard & Poor's Financial Services LLC and is used under license. "TSX" is the trade-mark of TSX Inc.

Strategy

- Add and diversify content through addition of third-party data.
- Expand low latency networks.
- Launch additional analytics products.
- Enhance global sales capabilities.

Revenue Description

Subscribers to TMX Datalinx and Alpha Market Services 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. We charge market data vendors and direct feed clients a fixed monthly fee for access to data feeds.

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

Real-time market data revenue is recognized based on usage as reported by customers and vendors, less a provision for sales allowances from the same customers. Other information services revenue is recognized when the services are provided.

Subscribers to TMX Group's managed services, which includes co-location services, pay a fixed monthly fee depending on the number of cabinets and other related services they receive. Subscribers to TMX Atrium's service also pay a fixed monthly fee depending on the number of connections, distance, and bandwidth. Managed services and TMX Atrium services are normally contracted for a period of one to five years.

In 2014, approximately 38% of our information services revenue was billed in U.S. dollars. We do not currently hedge this revenue and therefore it is subject to foreign exchange fluctuations.

On January 1, 2014, we implemented some changes to our fee structure, including a single price tier for CEG professional subscribers, an increase in CEG non-professional subscriber rates, the introduction of a TSX Level 1 non-professional fee cap for POs, and a reduction in TSXV Level 1 non-professional subscriber fees.

Technology Services[10]

Razor Risk

TMX Technology Solutions provides software and consulting services to exchanges and other financial services industry participants around the world. Our team of capital markets technology professionals have extensive industry experience in designing, building, installing, and operating trading, risk, and related systems at our exchanges as well as other global exchanges. Technology services and other revenue is recognized when the software license is sold or when the service is provided.

Through Razor Risk, we also provide risk management technology solutions to clearing houses, stock exchanges, financial institutions and brokerages around the world. Razor Risk develops and integrates economic capital, market, credit and liquidity risk management requirements across multiple asset classes. In Q4/13, Razor Risk entered into license and services agreements with NetOTC, a London-based multilateral netting and risk mitigation platform for managing non-standardized OTC derivative transactions. Under the terms of these agreements, TMX Technology Solutions has, throughout 2014, been providing NetOTC with a range of software products, our enterprise risk management software, as well as integration and consulting services.

CDS – SEDAR, SEDI and NRD services

CDS INC. operated, until January 13, 2014, the System for Electronic Document Analysis and Retrieval (SEDAR), the System for Electronic Disclosure by Insiders (SEDI), and the National Registration Database (NRD), the electronic database containing information with respect to various registrants under Canadian securities laws. The operations were transitioned to a new service provider on January 13, 2014, and the agreement ended on January 31, 2014. We did not earn any revenue from securities regulators for these services after January 31, 2014.

Strategy

- Further develop technology services product suite.
- Expand international sales efforts.

Revenue Description

- Generally, Razor Risk customers pay annual fees for enterprise risk management software licensing and support. Razor Risk also engages in consulting services on a project basis. Revenue for software licensing and support as well as consulting services is recognized over the period the relevant services are provided.
- Razor Risk also develops customized risk management solutions for customers. Revenue for development projects is recognized when pre-determined project milestones are reached.

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[10] The "*Technology Services*" section above contains certain forward-looking statements. Please refer to *"Caution Regarding Forward-Looking Information"* for a discussion of risks and uncertainties related to such statements.

IMPACT OF RECOGNITION ORDERS (INCLUDING FEE REGULATION) ON OUR BUSINESS

Constraints on Fees, Fee Models and Incentives

As a result of the various recognition orders issued by the securities regulators with respect to the Maple Transaction (the Recognition Orders), we are subject to extensive additional regulation and oversight with respect to, among other things, fees, fee models, discounts and incentives.

With respect to fees charged by TSX Inc. and Alpha Exchange Inc., the Ontario Securities Commission (OSC) has under the Recognition Orders the right to require those marketplaces to submit a fee, fee model or incentive that has previously been approved by the OSC for re-approval. In such circumstances, if the OSC decides not to re-approve the fee, fee model or incentive, the previous fee model or incentive must be revoked. This power extends to fees, fee models and incentives that are currently in place for TSX Inc. and Alpha Exchange Inc. and, accordingly, could result in existing fees, fee models and incentives being revoked in the future.

With respect to the fees charged by all of our equity exchange marketplaces (TSX, Alpha Exchange, and TSXV), the Recognition Orders also impose prohibitions and restrictions on arrangements or volume-based discounts or incentives that are accessible only to a particular marketplace participant or class of marketplace participants. Such prohibitions and restrictions may limit the ability of our equity exchange marketplaces to introduce new products in the future or to introduce them on a timely basis, which could materially adversely affect the success of our future strategies, financial condition and results of operations. Prior to becoming effective, changes to TSX, TMX Select and Alpha fees are filed for approval with the OSC at least seven business days in advance. Fee changes for TSXV are filed for approval with the Alberta Securities Commission (ASC) and British Columbia Securities Commission (BCSC) at least seven business days in advance. It is possible that the regulators may require more time to review the fee filing, object, or require revisions to the proposed fee changes.

Under the CDS Recognition Orders granted by the OSC, Autorité des marchés financiers (AMF) and BCSC, fees for services and products offered by CDS Clearing will be those fees in effect on November 1, 2011 (the 2012 base fees).

CDS cannot adjust fees without the approval of the OSC, AMF and BCSC. In addition, we may only seek approval for fee increases on clearing and other core CDS Clearing services (which services are outlined in the OSC and AMF Recognition Orders) where there has been a significant change from circumstances as at August 1, 2012, the effective date of the Recognition Orders.

50:50 Rebates on Core CDS Services

For the period starting November 1, 2012 and subsequent fiscal years starting on January 1, 2013, CDS shares with participants, on a 50:50 basis, any annual increases in revenue on clearing and other core CDS Clearing services, as compared with revenues in fiscal year 2012 (the 12-month period ending October 31, 2012). Rebates are paid on a pro rata basis to participants in accordance with the fees paid by such participants for these services.

Additional Rebates

In addition, CDS must rebate an additional amount to participants in respect of exchange clearing services for trades conducted on an exchange or ATS as follows for each year ending October 31:

- $2.75 million in the 12-month period ending October 31, 2013
- $3.25 million in the 12-month period ending October 31, 2014
- $3.75 million in the 12-month period ending October 31, 2015
- $4.0 million in the 12-month period ending October 31, 2016
- $4.0 million annually thereafter.

Rebates will be paid on a pro rata basis to participants in accordance with the fees paid by such participants for these services.

Prior to becoming effective, changes to MX trading fees are filed for approval with the AMF at least seven business days in advance. It is possible that the AMF may require more time to review the fee filing, object, or require revisions to, the proposed fee changes.

Prior to becoming effective, changes to CDCC fees are filed with the AMF and OSC.

Prior to becoming effective, changes to the BOX trading fees are filed with the SEC. It is possible at any point during this process that the regulators may object or require revisions to the proposed fee changes.

NGX fee changes are self-certified with the U.S. CFTC and filed with the ASC.

Prior to becoming effective, changes to TMX Datalinx market data fees related to TSX, TSXV, TMX Select, Alpha and MX market data and co-location fees are filed with the OSC, BCSC, ASC and the AMF, as applicable, for approval, seven business days before becoming effective. It is possible that the regulators may require more time to review the fee filing, object, or require revisions to the proposed fee changes.

Increased Cost of Regulation

We have incurred increased costs to comply with the additional regulatory requirements that are imposed pursuant to the Recognition Orders. These increased costs were netted against realized cost synergies of approximately $28.0 million **(see Maple Transaction - Integration)**. The AMF's Final Recognition Order for CDS also requires CDS to reimburse the AMF for the costs and fees incurred by the AMF for the analysis of applications for approval related to fees for CDS Clearing services. In addition, the OSC has amended its capital market filing fee structure to charge new participation and activity fees to specified regulated entities, including exchanges, ATSs, and clearing agencies.

For more information on the regulatory impact on our business, please see the *TMX Group Annual Information Form,* dated March 27, 2014.

RESULTS OF OPERATIONS

Year Ended December 31, 2014 Compared with Year Ended December 31, 2013

The information below reflects the financial statements of TMX Group for the year ended December 31, 2014 compared with the year ended December 31, 2013.

(in millions of dollars, except per share amounts)	Year ended December 31, 2014	Year ended December 31, 2013	$ increase/ (decrease)	% increase/ (decrease)
Revenue	**$717.3**	$700.5	$16.8	2%
Operating expenses	**438.7**	442.8	(4.1)	(1%)
Income from Operations	**278.6**	257.7	20.9	8%
Net income attributable to TMX Group shareholders	**100.5**	123.9	(23.4)	(19%)
Earnings per share[11]				
Basic	**1.85**	2.29	(0.44)	(19%)
Diluted	**1.85**	2.29	(0.44)	(19%)
Adjusted Earnings per share[12]				
Basic	**3.84**	3.38	0.46	14%
Diluted	**3.84**	3.38	0.46	14%
Cash flows from (used in) operating activities	**252.9**	294.9	(42.0)	(14%)

Net income attributable to TMX Group shareholders

Net income attributable to TMX Group shareholders in 2014 was $100.5 million, or $1.85 per common share on a basic and diluted basis, compared with net income of $123.9 million, or $2.29 per common share on a basic and diluted basis, for 2013. The decrease reflects the recognition of non-cash impairment charges related to BOX in Q2/14 primarily related to BOX's goodwill and customer list, of which our share was $63.6 million. This was partially offset by higher income from operations and lower finance costs following the refinancing of approximately $1.0 billion of debt under our credit facility through the issuance of debentures, the amendment of our credit facility under more favourable terms at the end of Q3/13, and the launch of our Commercial Paper Program in June 2014. In addition, during 2013, we incurred $16.4 million of credit facility refinancing expenses compared with $3.6 million in 2014. Net income for 2013 also reflects significantly higher income tax expense related to the sale of PC-Bond.

Non-IFRS Financial Measures

Adjusted earnings per share and adjusted diluted earnings per share provided for the years ended December 31, 2014 and December 31, 2013 are Non-IFRS measures and do not have standardized meanings prescribed by IFRS and are

[11] Earnings per share information is based on net income attributable to TMX Group shareholders.

[12] See discussion under the heading Non-IFRS Financial Measures.

therefore unlikely to be comparable to similar measures presented by other companies. We present adjusted earnings per share and adjusted diluted earnings per share to indicate operating performance exclusive of a number of adjustments that are not indicative of underlying business performance. These adjustments include credit facility refinancing expenses, the sale of PC-Bond and related income tax expense, the increase in deferred income tax liabilities resulting from the change in British Columbia (B.C.) corporate income tax rate, Maple Transaction and integration costs, non-cash impairment charges related to BOX (net of non-controlling interest (NCI)) and other assets, and the amortization of intangibles related to acquisitions. Management uses these measures to assess our financial performance, including our ability to generate cash, exclusive of these costs, and to enable comparability across periods.

Adjusted Earnings per Share[13] Reconciliation for Year Ended December 31, 2014

The following is a reconciliation of earnings per share to adjusted earnings per share[13]:

	Year ended December 31, 2014		Year ended December 31, 2013	
(unaudited)	**Basic**	**Diluted**	Basic	Diluted
Earnings per share[14]	**$1.85**	**$1.85**	$2.29	$2.29
Adjustments related to:				
Maple transaction and integration costs	**0.10**	**0.10**	0.11	0.11
Amortization of intangibles related to acquisitions	**0.53**	**0.53**	0.60	0.60
Credit facility refinancing expenses	**0.05**	**0.05**	0.22	0.22
Non-cash impairment charges related to BOX (net of NCI) and other assets	**1.31**	**1.31**	—	—
Sale of PC Bond and related income tax expense	**—**	**—**	0.11	0.11
Increase in deferred income tax liabilities resulting from the change in B.C. corporate income tax rate	**—**	**—**	0.05	0.05
Adjusted earnings per share[13]	**$3.84**	**$3.84**	$3.38	$3.38
Weighted average number of common shares outstanding	**54,241,388**	**54,333,221**	54,041,528	54,119,518

Adjusted earnings per share[13] increased by 14% from $3.38 in 2013 to $3.84 in 2014 reflecting a 2% increase in revenue, 1% decrease in operating expenses and a 42% decline in net finance costs.

Revenue

Revenue was $717.3 million for 2014, up $16.8 million or 2%, compared with revenue of $700.5 million for 2013. There were increases in issuer services and information services revenue and technology services and other revenue, partially offset by lower trading revenue from BOX. Increases in technology services and other revenue reflect significantly higher Razor Risk revenue, as milestones were achieved with one customer, and the positive impact of foreign exchange gains,

[13] See discussion under the heading Non-IFRS Financial Measures.

[14] Earnings per share information is based on net income attributable to TMX Group shareholders.

offsetting the elimination revenue from the discontinuation of CDS services largely relating to the administration of SEDAR, SEDI and NRD. These CDS operations were transitioned to a new service provider on January 13, 2014; the CDS agreement ended on January 31, 2014. In addition, there was a reduction in information services revenue following the sale of PC-Bond on April 5, 2013, partially offset by additional revenue from the acquisition of Strike (acquired October 31, 2014). Issuer services revenue included revenue from Equity Transfer (acquired April 5, 2013).

Issuer services revenue

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ increase/ (decrease)**	**% increase/ (decrease)**
Initial listing fees	**$12.1**	$14.6	$(2.5)	(17)%
Additional listing fees	**88.2**	76.9	11.3	15%
Sustaining listing fees	**66.4**	68.2	(1.8)	(3)%
Other issuer services	**31.6**	29.6	2.0	7%
	198.3	189.3	9.0	5%

- *Initial listing fees* for 2014 were lower than in 2013 reflecting a decrease in the number of new issuers listed on TSXV as well as a decrease in the number of TSX corporate listing transactions billed at the maximum fee.
- *Additional listing fees* in 2014 increased over 2013 reflecting an increase in the number of listing transactions billed on TSX (both at and below the maximum fee), as well as an increase in the number of financings on TSXV.
- The decrease in sustaining listing fees in 2014 compared with 2013 was partially due to a decline in the total number of issuers. While there was an overall increase in the market capitalization for issuers listed on TSX at December 31, 2013 compared with December 31, 2012, a number of issuers had reached the maximum fee; therefore, there was no incremental revenue. The decrease was also due to a decline in the market capitalization of issuers listed on TSXV at December 31, 2013 compared with December 31, 2012.
- *Other issuer services* revenue included revenue from Equity Transfer (acquired April 5, 2013) for twelve months in 2014 compared with nine months in 2013.

Trading, clearing, depository and related revenue

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ increase/ (decrease)**	**% increase/ (decrease)**
Cash markets trading and CDS clearing	**$107.7**	$106.8	$0.9	1%
CDS Depository	**46.3**	45.2	1.1	2%
Derivatives markets trading, clearing and related	**103.2**	109.2	(6.0)	(5)%
Energy markets trading and clearing	**46.7**	41.9	4.8	11%
	303.9	303.1	0.8	0%

Cash Markets

- The increase in *cash markets* trading and clearing revenue reflected the impact of a 2% increase in overall volume of securities traded on our equities marketplaces (141.7 billion securities in 2014 versus 138.6 billion securities in 2013). The increase in volume of securities traded and favourable customer and product mix on TSX and increases in volume of securities traded on TSXV and TMX Select were somewhat offset by a decrease in the volume of securities on Alpha. For 2014, our combined domestic equities trading market share was 75% compared with 80% in 2013. In addition, revenue from Shorcan was lower in 2014 compared with 2013, reflecting unfavourable product mix partially offset by higher volumes.

- *CDS clearing revenue*, net of rebates of $4.6 million, decreased in 2014 compared with 2013. In 2014, CDS processed 408.1 million exchange trades (332.1 million in 2013) and 21.3 million non-exchange/OTC trades (20.4 million in 2013). While there was an increase in trades processed, the positive impact was more than offset by an increase in rebates as $1.3 million of rebates previously netted against *CDS depository revenue* have been netted against *CDS clearing revenue* (see below and **Impact of Recognition Orders (Including Fee Regulation) on Our Business**)***.***

CDS Depository

- *CDS depository* revenue, net of rebates of $1.1 million for 2014 was $46.3 million compared with $45.2 million for 2013. The increase in revenue partially reflected an increase in volume of corporate action movements and the addition of new participants. In 2014, CDS held a daily average of approximately 319,000 equities positions (329,000 in 2013) with an average of 281.6 billion shares (275.5 billion in 2013) and a daily average of approximately 176,000 debt positions (180,000 in 2013) with an average par value of $2.4 trillion on deposit ($2.3 trillion in 2013). The increase in revenue was also due to now netting $1.3 million of rebates (that were previously netted against CDS depository revenue) against *CDS clearing revenue* (see above and **Impact of Recognition Orders (Including Fee Regulation) on Our Business**).

Derivatives Markets

- The decrease in *derivatives markets* revenue was largely due to a decline in revenue from BOX due to lower average fees as a result of the price reduction implemented in March 2014, partially offset by a 10% increase in BOX trading volumes (98.6 million contracts in 2014 versus 89.5 million contracts traded in 2013) and the positive impact of the appreciation of the U.S. dollar against the Canadian dollar in 2014 compared with 2013.

- Trading and clearing revenue from MX and CDCC for 2014 increased over 2013 reflecting a 6% increase in volumes traded on MX (70.0 million contracts traded in 2014 versus 66.2 million contracts traded in 2013). Open interest at December 31, 2014 was up 19% compared with December 31, 2013.

Energy Markets

- The increase in energy markets revenue reflected higher NGX access fees, effective July 1, 2014, and an increase in total energy volume NGX total energy volume includes trading and clearing in natural gas, crude oil and electricity on NGX (12.8 million terajoules in 2014 compared with 12.3 million terajoules in 2013). This volume increase reflects a 4% increase in natural gas volumes and a 7% increase in power volumes mainly due to the impact of extreme weather conditions in Q1/14, the addition of power markets in Texas in September 2013, Western U.S. power markets in June 2014, additional natural gas delivery points as well as well as volatility in Q4/14 in the markets served by NGX.

- The increase in revenue was also due to higher Shorcan Energy Brokers revenue in 2014 compared with 2013.
- The appreciation of the U.S. dollar against the Canadian dollar in 2014 compared with 2013 had a positive impact on the revenue of NGX and Shorcan Energy Brokers.

Information services revenue

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ increase**	**% increase**
	$187.8	$181.5	$6.3	3%

- The increase in *information services* revenue was primarily due to the positive impact of the appreciation of the U.S. dollar against the Canadian dollar in 2014 compared with 2013, higher revenue recoveries related to under-reported usage of real-time quotes in prior periods, higher revenue from TMX Atrium, feeds, co-location services, BOX, royalties from the FTSE transaction and revenue from Strike (acquired October 31, 2014).
- The increase in revenue was partially offset by the reduction in revenue following the sale of PC-Bond, which we did not consolidate following the closing of the transaction with FTSE to create FTSE TMX Global Debt Capital Markets on April 5, 2013, lower usage-based fees and lower index licensing revenue. In addition, during Q4/13, there were various revenue recoveries of approximately $2.8 million.
- The average number of professional market data subscriptions for TSX and TSXV products was essentially unchanged from 2013 to 2014 (115,695 professional market data subscriptions in 2014 compared with 115,318 in 2013). Given the reduction in pricing for non-professional subscriptions on TSXV effective January 1, 2014, our non-professional subscriptions are no longer priced at a level equivalent with what professional subscribers pay across our marketplaces. As such, effective Q1/14, we discontinued including professional-equivalent (non-professional) subscription statistics in the subscription data that we provide. There were other pricing changes effective January 1, 2014 that partially offset the impact of the pricing reduction for the non-professional subscribers to TSXV data.
- There was a 1% decrease in the average number of MX professional market data subscriptions (19,208 MX professional market data subscriptions in 2014 compared with 19,494 in 2013).

Technology services and other revenue

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ increase/ (decrease)**	**% increase/ (decrease)**
Technology services and other revenue	**$25.1**	$8.8	$16.3	185%
SEDAR, SEDI, NRD and other CDS revenue	**2.2**	17.8	(15.6)	(88)%
	27.3	26.6	0.7	3%

- The increase in technology services and other revenue was primarily due to significantly higher Razor Risk revenue, as milestones were achieved with one customer, and higher foreign exchange gains on U.S. dollar denominated balances in 2014 compared with 2013.
- The increase in technology services and other revenue was partially offset by the discontinuation of CDS services largely relating to the administration of SEDAR, SEDI and NRD. These operations were transitioned to a new service provider on January 13, 2014; the CDS agreement ended on January 31, 2014.

Operating Expenses

Operating expenses in 2014 were $438.7 million, down $4.1 million or 1%, from $442.8 million in 2013 reflecting the cost synergies realized as a result of the integration of TMX Group Inc., CDS and Alpha, the elimination of operating expenses related to PC-Bond that were no longer consolidated following the sale on April 5, 2013, lower operating expenses related to providing SEDAR, SEDI and NRD services following the termination of the agreement with Canadian securities regulators on January 31, 2014. These decreases were largely offset by increased costs related to initiatives and to support the growth in Razor Risk's revenue, the inclusion of twelve months of operating expenses for Equity Transfer in 2014 compared with nine months in 2013 (acquired April 5, 2013), higher professional fees and bad debt expense. A decrease in costs related to the reversal of a $2.5 million commodity tax provision taken in 2011 was more than offset by a charge of approximately $1.2 million relating to consolidation of facilities, a charge of approximately $1.6 million for the accelerated amortization of assets relating to the restructuring of our equities trading offering, and approximately $0.7 million due to recording a future obligation related to retiring assets.

Compensation and benefits

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ increase**	**% increase**
	$206.8	$204.8	$2.0	1%

- *Compensation and benefits* costs were higher due to increased costs related to initiatives and to support the growth in Razor Risk's revenue, the inclusion of expenses from Equity Transfer for twelve months in 2014 compared with nine months in 2013, annual salary increases as well as higher recruitment costs. Labour capitalization of technology initiatives in 2014 was also lower than in 2013.

- These increases were partially offset by the impact of realized cost synergies, lower overall employee performance incentive plan costs, lower organizational transition costs as well as lower operating expenses related to providing SEDAR, SEDI and NRD services following the termination of the agreement with Canadian securities regulators on January 31, 2014. In addition, there were lower operating expenses related to PC-Bond that were no longer consolidated following the sale on April 5, 2013.

- There were 1,323 TMX Group employees at December 31, 2014 versus 1,306 employees at December 31, 2013.

Information and trading systems

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ (decrease)**	**% (decrease)**
	$70.0	$74.2	$(4.2)	(6)%

- *Information and trading systems* expenses were lower primarily due to realized cost synergies, lower operating expenses related to providing SEDAR, SEDI and NRD services following the termination of the agreement with Canadian securities regulators on January 31, 2014 and lower operating costs.

- These decreases were partially offset by higher initiative costs to enhance our equities trading offerings. In addition, we incurred costs to support the growth in Razor Risk's revenue. We also included expenses from Strike for two months in 2014 (acquired October 31, 2014) and expenses from Equity Transfer for twelve months in 2014 compared with nine months in 2013.

General and administration

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ increase**	**% increase**
	$91.6	$91.2	$0.4	0%

- *General and administration* costs for 2014 were in line with 2013. There were higher initiatives costs, occupancy costs (including a charge of approximately $1.2 million in Q4/14 relating to consolidation of facilities), bad debts expense and professional fees in 2014 compared with 2013. In addition, expenses from Equity Transfer have been included for twelve months in 2014 compared with nine months in 2013.

- During Q4/14, we reversed a 2011 commodity tax provision of $2.5 million, which reduced *General and administration costs*. The increases in costs were also offset by lower BOX expenses, reduced direct costs related to other issuer services revenue, and lower operating expenses related to providing SEDAR, SEDI and NRD services following the termination of the agreement with Canadian securities regulators on January 31, 2014.

Depreciation and amortization

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ (decrease)**	**% (decrease)**
	$70.3	$72.6	$(2.3)	(3)%

- *Depreciation and amortization* costs reflect a reduction in depreciation and amortization relating to assets that were fully depreciated or written-down by the end of 2014 (including BOX assets) and PC-Bond assets which were sold on April 5, 2013.
- The decrease was somewhat offset by increased depreciation and amortization of other new intangible assets, including TMX Quantum XA, and of Equity Transfer assets following the acquisition in April 2013. The decrease was also offset by the accelerated amortization of assets in Q4/14 of approximately $1.6 million relating to the restructuring of our equities trading offering. In addition, this expense increased by approximately $0.7 million in Q4/14 due to recording a future obligation related to retiring assets.
- The *depreciation and amortization* costs of $70.3 million included $38.7million ($36.5 million, net of NCI) related to amortization of intangibles related to acquisitions ($0.53 per basic and diluted share).

Share of net income of equity accounted investees

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ increase**	**% increase**
	$3.0	$2.6	$0.4	15%

- *Share of net income of equity accounted investees* includes our share of net income from FTSE TMX Global Debt Capital Markets Limited and our 47% share of net income from CanDeal.
- The increase was primarily due the inclusion of twelve months of results for FTSE TMX Global Debt Capital Markets Limited in 2014 compared with nine months in 2013.

Impairment charges (Also see CRITICAL ACCOUNTING ESTIMATES)

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ increase**	**% increase**
	$136.1	$—	$136.1	-

In accounting for the Maple Transaction, all of our assets, including BOX, were recorded based on their estimated fair value in Q3/12, resulting in a significant amount of goodwill and intangible assets being recognized at the time.

Based on tests for impairment of goodwill and intangible assets at the end of the three months ended June 30, 2014, we recognized a non-cash impairment charge of $128.4 million pre-tax ($106.2 million after-tax) primarily related to BOX's goodwill and customer list. Of the $106.2 million after-tax impairment charge, $42.6 million was attributable to NCI. The net non-cash impact on shareholders of TMX Group was $63.6 million.

MX invested approximately $70.5 million to purchase its equity interest in BOX since its inception. Since then we also received dividends from BOX as well as technology services revenue related to the licensing of our SOLA technology. Net of the impairment charges in the three months ended June 30, 2014, the resulting carrying value of BOX was $45.2 million, net of NCI, on our condensed consolidated interim balance sheet as at June 30, 2014.

In addition to the BOX assets, we determined that certain other assets had recoverable amounts that were lower than their respective carrying amounts. As a result, we recognized a non-cash impairment charge of $7.7 million (pre and after-tax) related to goodwill for those assets at June 30, 2014

Gain on sale of PC-Bond

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ (decrease)**	**% (decrease)**
	$—	$5.4	$(5.4)	(100)%

- In 2013, we received $155.1 million in consideration, which included $104.0 million in cash and 250 Ordinary B shares of FTSE TMX Global Debt Capital Markets Limited, representing a 25% interest, which have been valued at $51.3 million. We disposed of net assets of $149.5 million. The disposed assets were previously revalued from a book value of $34.6 million to a fair value of $149.5 million upon the acquisition of TMX Group Inc. by Maple, resulting in an increase of $114.9 million of intangibles and goodwill.

Maple Transaction and integration costs

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ (decrease)**	**% (decrease)**
	$6.7	$7.2	$(0.5)	(7)%

- In 2014, we incurred lower costs compared with 2013 reflecting lower organizational transition expenses as part of the integration process. However, we did incur costs associated with the Alpha arbitration along with other integration costs including additional costs related to the actuarial assessment of future payments required to integrate postretirement benefit programs. The Alpha arbitration concluded in 2014 without the requirement for any payment by TMX Group to the claimants. The decision is final and binding with no right of appeal.

Net finance (income) costs

(in millions of dollars)	**Year ended December 31, 2014**	**Year ended December 31, 2013**	**$ (decrease)**	**% (decrease)**
	$42.6	$73.9	$(31.3)	(42)%

- The decrease in net financing costs from 2013 to 2014 is attributable to a decrease in finance costs of $17.4 million, a decrease in credit facility financing expenses of $12.8 million and an increase in finance income of $1.1 million.

- The reduction in finance costs in 2014 compared with 2013 relates primarily to a decrease in the refinancing expense and reduction in the effective interest rate following the refinancing of approximately $1.0 billion of debt under our credit facility through issuance of debentures at the end of Q3/13, the amendment of our previous credit facility under more favourable terms at the end of Q3/13, and the refinancing of approximately $293.0 million of debt under our credit facility through the issuance of Commercial Paper during Q2/14. In addition, there was a reduction in the amount of debt outstanding and a reduction in the amortization of prepaid financing fees in 2014 compared with 2013. (See **Commercial Paper** and **Loans Payable** under the heading **COMMERCIAL PAPER, DEBENTURES, CREDIT AND LIQUIDITY FACILITIES**.)

- Credit facility refinancing expenses of $16.4 million in 2013 included the write-off of $18.5 million of prepaid financing fees and other financing fees of $0.8 million, less a gain of $2.9 million from unwinding and de-designating interest rate swaps.

- Credit facility refinancing expenses for 2014 of $3.6 million included the write-off of $3.3 million of unamortized financing costs related to our previous credit facility (as a result of replacing this facility) and the balance primarily consisted of financing costs in connection with establishing the Commercial Paper Program.

- Finance income increased from 2013 to 2014 primarily as a result of higher yield on investments.

Income tax expense

Income Tax Expense (in millions of dollars)		**Effective Tax Rate (%)**	
Year ended December 31, 2014	Year ended December 31, 2013	**Year ended December 31, 2014**	Year ended December 31, 2013
$41.6	$60.9	**43%**	33%

- In Q2/14, there was a decrease in net deferred income tax liabilities of $22.2 million, with a corresponding decrease to income tax expense, resulting from the non-cash impairment charges primarily related to BOX's goodwill and customer list. (See **Critical Accounting Estimates** under the heading **ACCOUNTING AND CONTROL MATTERS,** as well as **Impairment charges**.)

- In 2013, we recognized deferred income tax expense of $11.3 million related to the sale of PC-Bond, which consists of $17.3 million of deferred income tax expense recognized for Q2/13 less $6.0 million deferred income tax recovery recognized for Q1/13.

- In 2013, the B.C. corporate income tax rate increased from 10% to 11%. As a result of this change, there was a net increase in the value of deferred income tax liabilities and a corresponding non-cash net increase in deferred income tax expense of $2.7 million for Q3/13.

- Excluding the adjustments primarily relating to the 2014 non-cash impairment charges, and the 2013 sale of PC-Bond and B.C. corporate income tax rate increase, the effective tax rate for both 2014 and 2013 would have been approximately 27%.

Net (loss) attributable to non-controlling interests

(in millions of dollars)	**Year ended December 31, 2014**	Year ended December 31, 2013	**$ increase**
Total	**$(45.9)**	$(0.2)	$45.7

At December 31, 2014, MX held 53.8% ownership interest in BOX. The results for BOX are consolidated in our Consolidated Income Statements. Net loss attributable to non-controlling interests represents the other BOX members' share of BOX's loss for the period.

In 2014, there was a *net loss attributable to non-controlling interests* primarily reflecting their share of the non-cash impairment charges related to BOX. (See **Impairment charges**.)

The increase in *net loss attributable to non-controlling interests* also reflects lower revenue from BOX in 2014 compared with 2013.

Total Equity attributable to Shareholders of TMX Group

(in millions of dollars)	**As at December 31, 2014**	**As at December 31, 2013**	**$ increase**
Total equity attributable to shareholders of TMX Group	$2,908.8	$2,887.8	$21.0

- At December 31, 2014, there were 54,315,079 common shares issued and outstanding and 1,604,326 options outstanding under the share option plan.

- At February 2, 2015, there were 54,315,079 common shares issued and outstanding and 1,597,036 options outstanding under the share option plan.

- The increase in Total Equity attributable to Shareholders of TMX Group is primarily attributable to the inclusion of net income of $100.5 million and proceeds received on the exercise of share options of $8.4 million, partially offset by the dividend payments to shareholders of TMX Group of $86.8 million and share option plan expenses of $2.7 million.

Segments

The following information reflects TMX Group's financial statements for the year ended December 31, 2014 compared with December 31, 2013. TMX Group has certain corporate costs and other balances not allocated across the other disclosed operating segments. These balances, along with certain consolidation and elimination adjustments (including fair value increments determined as a result of the Maple Transaction), are presented in the *Corporate* segment. Equity Transfer, PC-Bond (until April 5, 2013) and Strike (from October 31, 2014) are included in the *Cash Markets* segment.

2014

(in millions of dollars)	Cash Markets	Derivatives Markets	Energy Markets	CDS	Corporate	TMX Group
Revenue	$473.0	$124.8	$48.0	$76.3	$(4.8)	$717.3
Net Income (Loss) Attributable to TMX Group Shareholders	145.4	14.4	8.8	6.8	(74.9)	100.5

2013

(in millions of dollars)	Cash Markets	Derivatives Markets	Energy Markets	CDS	Corporate	TMX Group
Revenue	$446.9	$129.2	$43.1	$88.9	$(7.6)	$700.5
Net Income (Loss) Attributable to TMX Group Shareholders	130.2	26.4	8.6	11.0	(52.3)	123.9

Revenue

Cash Markets revenue increased primarily due to higher additional listing fee revenue on TSX and TSXV, an increase in revenue from the inclusion of Equity Transfer (acquired April 5, 2013), higher revenue from information services and from Razor Risk, partially offset by the reduction in revenue following the sale of PC-Bond on April 5, 2013.

Derivatives Markets revenue decreased primarily due to lower BOX revenues.

Energy Markets revenue increased primarily due to an increase in both natural gas and power volumes, higher NGX access fees and higher Shorcan Energy Brokers revenue in 2014 compared to 2013. The appreciation of the U.S. dollar against the Canadian dollar in 2014 compared with 2013 had a positive impact on the revenue of NGX and Shorcan Energy Brokers.

CDS revenue decreased primarily due to the discontinuation in revenues from providing services related to SEDAR, SEDI and NRD effective February 1, 2014 (see **Technology services and other revenue**).

Net income (loss) attributable to TMX Group shareholders

Net income attributable to TMX Group shareholders from *Cash Markets* increased reflecting the higher revenue, partially offset by higher initiative spending.

Net income attributable to TMX Group shareholders from *Derivatives Markets* decreased reflecting the non-cash impairment charges related to BOX in the three months ended June 30, 2014, as well as lower revenue from BOX.

Net income attributable to TMX Group shareholders from *Energy Markets* increased slightly reflecting higher revenue mostly offset by higher expenses.

Net income attributable to TMX Group shareholders from *CDS* decreased reflecting the discontinuation in revenues from providing services related to SEDAR, SEDI and NRD effective February 1, 2014 (see **Technology services and other revenue**), partially offset by lower operating and integration expenses (including realized cost synergies) and a gain on the sale of software in Q1/14.

Net loss attributable to TMX Group shareholders allocated to the *Corporate* segment increased by $22.6 million. The increase in net loss was largely due to the non-cash impairment charges related to BOX and other assets, after tax. This was partially offset by a decline in financing costs. In addition, during Q3/13 we incurred $16.4 million of credit facility refinancing expenses. Financing costs have declined considerably since Q3/13 following the refinancing of approximately $1.0 billion of debt under our credit facility through issuance of debentures at the end of Q3/13, the amendment of our previous credit facility under more favourable terms at the end of Q3/13, and the launch of our Commercial Paper Program in Q2/14.

Total Assets and Total Liabilities

(in millions of dollars)	Cash Markets	Derivatives Markets	Energy Markets	CDS	Corporate	TMX Group
Total assets:						
As at December 31, 2014	**$1,941.4**	**$9,896.8**	**$999.8**	**$526.1**	**$1,600.0**	**$14,964.1**
As at December 31, 2013	1,902.1	11,291.8	941.9	532.1	1,827.6	16,495.5
Total liabilities:						
As at December 31, 2014	**994.1**	**8,781.1**	**946.9**	**457.9**	**838.2**	**$12,018.2**
As at December 31, 2013	998.7	10,244.7	893.6	469.5	918.2	13,524.7

Total assets include goodwill and intangible assets acquired in connection with the Maple Transaction. In addition, the *Derivatives Markets, Energy Markets, and CDS* segments hold assets related to their clearing operations (see **Total Assets**).

Total liabilities in our various segments include the segments' share of Debentures and Commercial Paper, which were $997.2 million and $233.9 million respectively as at December 31, 2014. In addition, the *Derivatives Markets, Energy Markets and CDS* segments carry offsetting liabilities related to the clearing assets described above (see **Total Assets**).

The decrease in total assets and total liabilities was primarily due to the decrease in Balances with Clearing Members at CDCC in *Derivatives Markets* of $1,387.9 million and the write-down of BOX and other assets (primarily goodwill and customer list).

Geographical Information

The following information provides revenue and non-current assets by geography for and as at the years ended December 31, 2014 and December 31, 2013.

2014

(in millions of dollars)	Canada	U.S.	Other	TMX Group
Revenue	$496.5	$151.8	$69.0	$717.3
Non-current assets	4,662.5	79.5	21.9	4,763.9

2013

(in millions of dollars)	Canada	U.S.	Other	TMX Group
Revenue	$509.9	$149.5	$41.1	$700.5
Non-current assets	4,706.5	190.1	21.8	4,918.4

- Revenue is allocated based on the country to which customer invoices are addressed. While Canadian and U.S. revenue did not change substantially from 2013 to 2014, there was a significant increase in revenue from outside of Canada and the U.S., reflecting higher revenue from businesses such as TMX Atrium and Razor Risk.

- Non-current assets are primarily comprised of goodwill and intangible assets, investments in equity accounted investees, and other assets and exclude both accrued employee benefit assets and deferred income tax assets. While non-current assets in Canada, and outside of Canada and the U.S, did not change substantially from 2013 to 2014, non-current assets in the U.S. declined significantly reflecting the write-down of BOX and other assets (primarily goodwill and customer list).

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

The following tables provide the summary of cash flows for TMX Group for 2014 compared with 2013.

(in millions of dollars)	As at December 31, 2014	As at December 31, 2013	$ increase/ (decrease) in cash
Cash Flows from (used in) Operating Activities	**$252.9**	$294.9	$(42.0)
Cash Flows from (used in) Financing Activities	**(225.3)**	(277.5)	52.2
Cash Flows from (used in) Investing Activities	**(27.6)**	36.8	(64.4)

- The decrease in *Cash flows from operating activities* in 2014 compared with 2013 was primarily due to a significant decrease in trade and other payables, somewhat offset by an increase in income from operations (excluding depreciation and amortization).

- In 2014, *Cash flows used in financing activities* were lower than in 2013 primarily due to lower net repayments on our debt and lower interest paid.

- In 2014, *Cash flows used in investing activities* were higher than in 2013. In 2013, *Cash flows from investing activities* included the proceeds from the sale of PC-Bond, partially offset by the cash used to acquire Equity Transfer, resulting in a net cash inflow of $40.0 million. In 2014, there was a net cash outflow of $14.7 million related the cost of acquisitions (net of cash acquired). In addition, there was a decrease in the sale of marketable securities in 2014 compared with 2013.

Summary of Cash Position and Other Matters[15]

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)	**As at December 31, 2014**	**As at December 31, 2013**	**$ (decrease)**
	$273.7	$279.2	($5.5)

We had $273.7 million of cash and cash equivalents and marketable securities at December 31, 2014. There was a decrease in cash, cash equivalents and marketable securities primarily reflecting cash flows from operating activities of $252.9 million which were more than offset by net debt repayments of approximately $101.6 million, dividends to TMX Group shareholders of $86.8 million, interest payments of $37.3 million, and additions to premises and equipment, intangible assets of $27.8 million and the cost of acquisitions (net of cash acquired) of $14.7 million. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business, make interest payments, and meet our covenants under the Trust indentures and Credit Facility and the terms of the Commercial Paper Program (see **Loans Payable**) and the capital maintenance requirements imposed by regulators.

Debt financing of future investment opportunities could be limited by current and future economic conditions, the covenants in the Credit Facility and the Debentures, and by capital maintenance requirements imposed by regulators (see **MANAGING CAPITAL**).

Total Assets

(in millions of dollars)	**As at December 31, 2014**	**As at December 31, 2013**	**$ (decrease)**
	$14,964.1	$16,495.5	($1,531.4)

- Our consolidated balance sheet as at December 31, 2014 includes outstanding balances on open REPO agreements within Balances with Clearing Members and Participants. These balances have equal amounts included within *Total Liabilities*. Balances with Clearing Members and Participants relating to CDCC were $8,446.0 million at December 31, 2014.
- The decrease in *Total Assets* of $1,531.4 million from December 31, 2013 to December 31, 2014 was largely attributable to the decrease in Balances with Clearing Members of $1,387.9 million for CDCC, and the write-down of BOX and other assets (primarily goodwill and customer list).

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

Defined Benefit Pension Plan[16]

Based on the most recent actuarial valuations, we estimate a net deficit of approximately $2.4 million (which includes a surplus of $1.2 million for the CDS SERP), of which $2.4 million was funded in 2014.

Commercial Paper, Debentures, Credit and Liquidity Facilities

Commercial Paper

(in millions of dollars)	As at December 31, 2014	As at December 31, 2013	$ increase
	$233.9	$—	$233.9

- On May 30, 2014, TMX Group established a Commercial Paper Program to offer potential investors up to $400.0 million (or the equivalent U.S. dollars) of Commercial Paper to be issued in various maturities of no more than one year from the date of issue. The Commercial Paper bears interest rates based on the prevailing market conditions at the time of issuance. We entered into a new credit agreement (Credit Agreement) with a syndicate of lenders establishing a new credit facility (Credit Facility) to provide 100% backstop to the Commercial Paper Program (see Loans Payable below).

- The Commercial Paper issued represents an unsecured obligation and ranks equally with all other senior unsecured obligations of TMX Group. The Commercial Paper has been assigned a rating of "R-1 (low)" with a Stable trend by DBRS Limited (DBRS).

- In June 2014, we issued approximately $293.0 million of Commercial Paper, and there was $233.9 million outstanding under the program at December 31, 2014 reflecting net repayments of approximately $59.1 million in 2014. The Commercial Paper outstanding at December 31, 2014 included $147.0 million issued in Canadian dollars and U.S. $75.0 million issued in U.S dollars. Commercial paper is short term in nature, and the average term to maturity from the date of issue in Q4/14 was 39 days on Canadian dollar Commercial Paper and 32 days on U.S.-dollar Commercial Paper. When the program commenced in June 2014, the net cash proceeds from the initial issuance were used to pay down **Loans Payable**. The Commercial Paper Program may also be used for general corporate purposes.

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

Debentures

(in millions of dollars)	As at December 31, 2014	As at December 31, 2013	$ increase
	$997.2	$996.4	$0.8

- In 2013, TMX Group completed the offering of $1.0 billion aggregate principal amount of Debentures (the Offering) to accredited investors in Canada. The Debentures, all of which received a credit rating of A (high) with a Stable trend from DBRS, consist of:

Debenture	Principal Amount ($ millions)	Coupon	Maturity Date
Series A	$400.0	3.253% per annum, payable in arrears in equal semi-annual installments (long first coupon)	October 3, 2018
Series B	250.0	4.461% per annum, payable in arrears in equal semi-annual installments (long first coupon)	October 3, 2023
Series C	350.0	3-month Canadian Dealer Offered Rate (CDOR) plus 70 bps payable quarterly in arrears (long first coupon)	October 3, 2016

- The Series A and Series B Debentures may be redeemed in whole or in part at the redemption price equal to the greater of the applicable Canada Yield Price (as defined in the relevant Indenture) and 100% of the principal amount of the Debentures being redeemed to the date fixed for redemption, together with accrued and unpaid interest to the date fixed for redemption at the option of TMX Group. For the Series B Debentures, if redeemed on or after the date that is three months prior to the maturity date of such series, the redemption price is equal to 100% of the aggregate principal amount outstanding on the Series B Debentures redeemed.

- Series C Debentures may be redeemed in whole or in part at the option of TMX Group on any interest payment date. The redemption price is equal to the greater of the CDOR Yield Price (as defined in the relevant Indenture) and 100% of the principal amount of the Debentures being redeemed. Accrued and unpaid interest will be paid to the holder of the Series C Debentures on the relevant record date for such interest payment.

- The trust indentures governing the Debentures (the Trust Indentures) include the following covenants:

  - Negative pledge – which restricts the ability of TMX Group and each of its material subsidiaries (as defined in the Indentures) to create a lien on these entities' assets unless the Debentures are similarly secured on an equal and rateable basis

  - Limitation on indebtedness of material subsidiaries of TMX Group – the Trust Indentures impose restrictions on the ability of material subsidiaries to enter into certain types of indebtedness

- Repurchase on change of control of TSX Inc. or MX coupled with a triggering event – in the event of a change of control (as such term is defined in the Trust Indentures) of either TSX Inc. or MX and if the rating of the Debentures is lowered to below investment grade (as defined in the Trust Indentures), TMX Group will be required, at the option of the Debenture holder to repurchase, in whole or in part the holder's Debentures at a cash price of 101% of the outstanding principal amount of the Debentures plus all accrued and unpaid interest up to the date of repurchase.

Loans Payable

(in millions of dollars)	As at December 31, 2014	As at December 31, 2013	$ (decrease)
	$—	$331.4	$(331.4)

- The table below summarizes the change in *Loans payable* since December 31, 2013:

(in millions of dollars)	December 31, 2013	Repayment and Amortization/Write-off of Financing Fees	December 31, 2014
Revolving facility drawn	$26.0	$(26.0)	**$ -**
Term facilities	309.5	(309.5)	**-**
Principal loans outstanding	335.5	(335.5)	**-**
Deferred financing fees	(4.1)	4.1	**-**
Loans payable	331.4	$(331.4)	**$ -**

Loans Payable were refinanced through the issuance of Commercial Paper in June 2014. We repaid approximately $101.6 million of debt in 2014, including approximately $59.1 million of net repayments of Commercial Paper.

On May 30, 2014, TMX Group entered into a Credit Agreement with a syndicate of lenders establishing a Credit Facility to provide 100% backstop to the Commercial Paper Program. It is also available for general corporate purposes. The amount available under the TMX Group credit facility is limited to $400.0 million less the amount of Commercial Paper outstanding at any point in time.

The TMX Group Credit Facility of $400.0 million, with a maturity date of August 1, 2016, replaces the Amended and Restated Credit Agreement dated September 30, 2013, which included a $309.5 million term facility and $150.0 million revolving facility.

In addition, the terms of the new credit agreement include, among others, the elimination of the requirement to reduce commitments upon incurrence of indebtedness and the removal of the $50.0 million limitation on aggregate acquisitions, which were previously included in the terms of the Amended and Restated Credit Agreement.

The new credit agreement contains various covenants, which were unchanged from the Amended and Restated Credit Agreement, including a requirement that TMX Group maintain:

- an Interest Coverage Ratio of more than 4.0:1, where Interest Coverage Ratio at any time means the ratio of adjusted EBITDA for the period comprised of the four most recently completed financial quarters to the consolidated interest expense for such four financial quarters;

- a Total Leverage Ratio of not more than:

  - 4.25:1 until December 31, 2014;

  - 4.0:1 on and after January 1, 2015 until December 31, 2015;

  - 3.5:1 on January 1, 2016 and thereafter

- As at December 31, 2014, all covenants were met.

- The following table summarizes the current Applicable Rates and Fee Rates and corresponding Total Leverage Ratios under the new credit agreement. These rates were unchanged from the Amended and Restated Credit Agreement. The Standby Fee is charged on the unutilized portion of the revolving facility. The Applicable Rate represents the corporate spread that is included in the interest rate that is applied to our **Loans Payable**. Total Leverage Ratio at any time is the ratio of consolidated debt as at such time to adjusted EBITDA for the period comprised of the four most recently completed financial quarters. Adjusted EBITDA means earnings on a consolidated basis before interest, taxes, extraordinary, unusual or non-recurring items, depreciation and amortization, Maple Transaction and integration costs, as well as non-cash items.

Total Leverage Ratio	Applicable rate for Standby Fee for undrawn portion of Revolving Facility	Applicable rate for BA Instruments, LIBOR Loans, and Letters of Credit
≤ 2.0	14 bps	70 bps
> 2.0 but ≤ 2.5	17 bps	85 bps
> 2.5 but ≤ 3.0	20 bps	100 bps
> 3.0 but ≤ 3.5	25 bps	125 bps
> 3.5	30 bps	150 bps

Interest Rate Swaps (IRS)

The IRSs with a notional value of $200.0 million at a rate of 1.312% matured on September 30, 2014 and were not renewed. The other outstanding IRSs were unchanged from December 31, 2013. We currently have the following IRSs in place:

Interest Rate	Maturity Date	Principal (in millions)
1.416%	September 30, 2015	$50.0
1.499%	July 31, 2016	$350.0

Effective Interest Rates

- The effective interest rates as at December 31, 2014 for the Debentures and Commercial Paper are shown below:

Debentures and Commercial Paper	Principal ($ millions)	Maturity	Reference Rate	Spread	Swap Rate	All-in Rate
Series A Debentures	$400.0	Oct. 3, 2018				3.253%
Series B Debentures	250.0	Oct. 3, 2023				4.461%
Series C Debentures	350.0	Oct. 3, 2016	3-mo CDOR[17]	0.70%	1.499%	2.199%
Commercial Paper - Unhedged	$97.0	Jan. 5, 2015 to Jan. 28, 2015				1.23%[18]
Commercial Paper - Hedged (Interest Rate)	$50.0	Jan. 5, 2015 to Jan. 28, 2015				1.35%[18]
Commercial Paper, USD - Unhedged	$15.0	Jan. 12, 2015				0.18%[19]
Commercial Paper, USD - Hedged (Currency)	$60.0	Jan. 14, 2015 to Jan. 20, 2015				1.07%[18]

Other Credit and Liquidity Facilities

CDCC maintains daylight liquidity facilities for a total of $600.0 million to provide liquidity on the basis of collateral in the form of securities that have been received by CDCC. The daylight liquidity facilities must be cleared to zero at the end of each day.

CDCC maintains a syndicated revolving standby liquidity facility to provide end-of-day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. Advances under the facility are secured by collateral in the form of securities that have been pledged to or received by CDCC. The facility was increased from $200.0 million to $300.0 million on March 7, 2014. As at December 31, 2014, CDCC had drawn $2.2 million to facilitate a failed REPO settlement. The amount is fully offset by liquid securities included in cash and cash equivalents and was fully repaid subsequent to the reporting date.

CDCC also maintains a repurchase facility with a syndicate of 6 Canadian Schedule I chartered banks. This facility is in place to provide end-of-day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. It will provide liquidity in exchange for securities that have been pledged to or received by CDCC. The overall size of this facility was increased to $12,264.0 million from $4,800 million on May 2, 2013, including $1,200.0 million in committed liquidity and $11,064.0 million in uncommitted liquidity.

In addition, CDCC has signed an agreement that would allow the Bank of Canada to provide emergency last-resort liquidity to CDCC at the discretion of the Bank of Canada. This liquidity facility is intended to provide end-of-day liquidity only in the event that CDCC is unable to access liquidity from the revolving standby liquidity facility and the syndicated REPO

[17] Canadian Dealer Offered Rate.
[18] Rate denoted in CAD or CAD equivalent.
[19] Rate denoted in USD.

facility or in the event that the liquidity under such facilities is insufficient. Use of this facility would be on a fully collateralized basis.

CDS maintains unsecured operating demand loans totaling $6.0 million to support short-term operating requirements. To support processing and settlement activities of participants, an unsecured overdraft facility and demand loan of $15.0 million and an overnight facility of US$5.5 million are available. The borrowing rates for these facilities are the Canadian prime rate or the U.S. base rate, depending on the currency drawn. No amounts were drawn on these credit facilities as at December 31, 2014.

On December 23, 2014, CDS entered into a US$400.0 or Canadian dollar equivalent secured standby credit agreement with a syndicate of banks to support processing and settlement activities in the event of a participant default. On the same day, CDS cancelled its existing US$200.0 million secured standby credit arrangement. Borrowings under the secured facility are obtained by pledging or providing collateral pledged by participants primarily in the form of debt instruments issued or guaranteed by federal, provincial and/or municipal governments in Canada or U.S. treasury instruments. The facility can be drawn in either U.S. or Canadian currencies and depending upon the currency drawn, the borrowing rate for the secured standby credit arrangement is the U.S. base rate or the Canadian prime rate. No amounts were drawn on these credit facilities as at December 31, 2014.

In addition, CDS has signed agreements that would allow the Bank of Canada to provide emergency last-resort liquidity to CDS at the discretion of the Bank of Canada. This liquidity facility is intended to provide end-of-day liquidity for payment obligations arising from CDSX, and only in the event that CDS is unable to access liquidity from its standby liquidity facility or in the event that the liquidity under such facilities is insufficient. Use of this facility would be on a fully collateralized basis.

To backstop its clearing operations, NGX currently has a credit agreement in place with a Canadian Schedule I bank which includes a US$100.0 million clearing backstop fund. TMX Group Inc. is NGX's unsecured guarantor for this fund up to a maximum of US$100.0 million. On July 11, 2014, the NGX credit facility was extended to July 31, 2015. No amounts were drawn on this facility as at December 31, 2014.

NGX also has an Electronic Funds Transfer (EFT) Daylight liquidity facility of $300.0 million in place with a major Canadian chartered bank. In addition, a $20.0 million overdraft facility is in place with the same major Canadian chartered bank. This facility is only available to repay the Daylight liquidity facility on the business day following a settlement day.

Shorcan maintains a facility with a major chartered bank to provide end of day liquidity to cover any shortfalls due to timing of payments and receipts. Utilization of this facility is secured by collateral in the form of securities.

Contractual Obligations

(in millions of dollars)	Total	Less than 1 year	1 – 3 years	4 – 5 years	5+ years
Debt	236.2	236.2	—	—	—
Debentures	1,007.8	7.8	350.0	400.0	250.0
Financial Lease Obligation	3.4	2.1	1.3	—	—
Operating Leases	153.3	21.6	34.1	18.7	78.9
Clearing and Other Obligations[20]	17,895.6	9,900.2	717.6	8.3	7,269.4

MANAGING CAPITAL[21]

Our primary objectives in managing capital, which we define to include our cash and cash equivalents, marketable securities, share capital, Commercial Paper, Debentures, and various credit facilities, include:

- Maintaining sufficient capital for operations to ensure market confidence and to meet regulatory requirements and credit facility requirements (see **Commercial Paper, Debentures, Credit and Liquidity Facilities** for a description of certain financial covenants under the Credit Agreement). Currently, we target to retain a minimum of $250.0 million in cash, cash equivalents and marketable securities. This amount is subject to change;

- Reducing the debt levels to be below the Total Leverage Ratios under the Credit Agreement, which decrease over time;

- Maintaining our credit ratings in a range consistent with our current A (high) and R1 (low) credit ratings from DBRS;

- Using excess cash to invest in and continue to grow the business; and

- Returning capital to shareholders through methods such as dividends paid to shareholders and purchasing shares for cancellation pursuant to normal course issuer bids.

We achieve the above objectives while managing our capital subject to capital maintenance requirements imposed on us and our subsidiaries. Certain of the requirements described below may impose restrictions on the amount of upstream dividends or other amounts that a subsidiary may distribute to its shareholders.

- In respect of TSX, as required by the OSC to maintain certain financial ratios on both a consolidated and non-consolidated basis, as defined in the OSC recognition order, as follows:

    - a current ratio of greater than or equal to 1.1:1;

    - a debt to cash flow ratio of less than or equal to 4:1; and

    - a financial leverage ratio of less than or equal to 4:1.

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[20] Clearing and Other Obligations includes fair value of open energy contracts, energy contracts payable, balances and cash collateral held with derivatives clearing members and balances with participants of CDS. There are offsetting assets in these clearing operations.

[21] The *"Managing Capital"* section above contains certain forward-looking statements. Please refer to *"Caution Regarding Forward-Looking Information"* for a discussion of risks and uncertainties related to such statements.

- In respect of TSXV, as required by various provincial securities commissions to maintain sufficient financial resources.
- In respect of NGX, to:
    - maintain adequate financial resources as required by the Alberta Securities Commission;
    - maintain a current ratio of not less than 1:1 as required by a major Canadian chartered bank;
    - maintain sufficient financial resources to cover 12 months of operating expenses as required by the U.S. Commodity Futures Trading Commission ("CFTC"); and
    - maintain sufficient financial resources to cover the failure of its single largest Contracting Party under extreme but plausible market conditions as required by the CFTC.
- 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 more than 1.5:1;
    - a cash flow to total debt outstanding ratio of more than 20%; and
    - a financial leverage ratio of less than 4.0.
- In respect of CDCC, to maintain certain amounts, as follows:
    - maintain sufficient financial resources as required by the OSC:
    - $5.0 million cash and cash equivalents or marketable securities as part of the Clearing Member default recovery process plus an additional $5.0 million in the event that the initial $5.0 million is fully utilized during a default; and sufficient cash, cash equivalents and marketable securities to cover 12 months of operating expenses, excluding amortization and depreciation; and
    - $20.0 million total shareholders' equity.
- In respect of Shorcan:
    - by IIROC which requires Shorcan to maintain a minimum level of shareholder's equity of $0.5 million;
    - by the National Futures Association which requires Shorcan to maintain a minimum level of net capital; and
    - by the OSC which requires Shorcan to maintain a minimum level of excess working capital.
- In respect of TMX Select, IIROC requires TMX Select to maintain an adequate level of risk adjusted capital.
- In respect of CDS and CDS Clearing, as required by the OSC and the AMF to maintain certain financial ratios as defined in the OSC recognition order, as follows:
    - a debt to cash flow ratio of less than or equal to 4.0; and
    - a financial leverage ratio of less than or equal to 4.0.

    - In addition, the OSC requires CDS and CDS Clearing to maintain working capital to cover 6 months of operating expenses (excluding, in the case of CDS, the amount of shared services fees charged to CDS Clearing).

- In respect of Alpha Exchange Inc., as required by the OSC to maintain certain financial ratios on both a consolidated and non-consolidated basis as defined in the OSC recognition order, as follows:

    - a current ratio of greater than or equal to 1.1:1;
    - a debt to cash flow ratio of less than or equal to 4.0:1; and
    - a financial leverage ratio of less than or equal to 4.0:1.

- As of December 31, 2014, we were in compliance with all of these externally imposed capital requirements. See **Loans Payable** in this MD&A for a description of the financial covenants imposed on us under the Credit Agreement.

FINANCIAL INSTRUMENTS

Cash, Cash Equivalents and Marketable Securities

Our financial instruments include cash, cash equivalents and investments in marketable securities which are held to earn investment income. These instruments include units in a money market fund and a short-term bond and mortgage fund, managed by an external advisor, as well as Bank deposits, notes and Treasury Bills.

We have designated our marketable securities as fair value through profit and loss. Fair values have been determined by reference to quoted market prices or are based on observable market information. Unrealized gains of $0.1 million and realized gains of $0.3 million have been reflected in net income for the year ended December 31, 2014, compared with unrealized losses of $0.2 million for the year ended December 31, 2013.

The primary risks related to cash, cash equivalents and marketable securities are credit risk, market risk and liquidity risk. For a description of these risks, please refer to **Credit Risk - Cash and cash equivalents, Credit Risk – Marketable Securities, Market Risk - Interest Rate Risk – Marketable Securities, Liquidity Risk - Cash and cash equivalents and Liquidity Risk - Marketable securities**.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents contains tax withheld by CDS on entitlement payments made by CDS on behalf of CDS participants. The restricted cash and cash equivalents related to this withheld tax is ultimately under the control of CDS; however, the amount is payable to various taxation authorities within a relatively short period of time and so is restricted from use in normal operations. An equivalent and offsetting amount is included in the consolidated balance sheet under the caption Participants' tax withholdings. At December 31, 2014, we had restricted cash and cash equivalents of $75.6 million.

The primary risks related to restricted cash and cash equivalents are credit risk and liquidity risk. For a description of these risks, please refer to **Credit Risk - Restricted Cash and cash equivalents and Liquidity Risk - Restricted Cash and cash equivalents**.

Trade Receivables

Our financial instruments include accounts receivable, which represents amounts that our customers owe us. The carrying value is based on the actual amounts owed by the customers, net of a provision for that portion which may not be collectible.

The primary risks related to trade receivables are credit risk and market risk. For a description of these risks, please refer to **Credit Risk – Trade Receivables and Market Risk - Foreign Currency Risk**.

CDS – Participant cash collateral and entitlements and other funds

As part of CDS's clearing operations, CDS Participant Rules require participants to pledge collateral to CDS in the form of cash or securities in amounts calculated in relation to their activities. Cash pledged and deposited with CDS is recognized as an asset and an equivalent and offsetting liability is recognized as these amounts are ultimately owed to the participants. There is no impact on the consolidated income statement. Securities pledged do not result in an economic inflow to CDS, and therefore, are not recognized.

Securities held in custody by CDS for participants and associated non-cash entitlement transactions on these securities are not financial assets of the corporation nor do these transactions give rise to a contractual or constructive obligation. All cash dividends, interest, and other cash distributions received by the corporation on securities held in custody awaiting distribution are recognized as an asset and offsetting liability as these amounts are ultimately owed to participants.

The primary risks associated with these financial instruments are credit risk, market risk and liquidity risk. For a description of these risks, please refer to **Credit Risk – CDS, Other Market Price Risk – CDS, Market Risk - Foreign Currency Risk, Liquidity Risk - Balances with Clearing members and participants, Liquidity Risk - New York Link service - CDS and Liquidity Risk - Credit and liquidity facilities - Clearing operations.**

CDCC – Daily Settlements due to and due from Clearing Members

As part of CDCC's clearing operations, amounts due from and to Clearing Members as a result of marking to market open futures positions and settling options transactions each day are required to be collected from or paid to Clearing Members prior to the commencement of trading the next day. The amounts due from and due to Clearing Members are recognized in the consolidated assets and liabilities as Balances with Clearing Members and participants. There is no impact on the consolidated statements of income.

The primary risks associated with these financial instruments are credit risk, market risk and liquidity risk. For a description of these risks, please refer to **Credit Risk – CDCC, Other Market Price Risk - CDCC, Liquidity Risk – Balances with Clearing members and participants** and **Liquidity Risk - Credit and liquidity facilities - Clearing operations.**

CDCC – Clearing Members’ cash margin deposits and clearing fund cash deposits

These balances represent the cash deposits of Clearing Members held in the name of CDCC as margins against open positions and as part of the clearing fund. The cash held is recognized as an asset and an equivalent and offsetting liability is recognized as these amounts are ultimately owed to the Clearing Members. There is no impact on the consolidated income statement. The primary risks associated with these financial instruments are credit risk, market risk and liquidity risk. For a description of these risks, please refer to **Credit Risk - CDCC, Other Market Price Risk - CDCC, Liquidity Risk - Balances with Clearing members and participants and Liquidity Risk - Credit and liquidity facilities - Clearing operations.**

CDCC – Net amounts receivable/payable on open REPO agreements

In February 2012, CDCC launched the clearing of fixed income REPO agreements. OTC REPO agreements between buying and selling Clearing Members are novated to CDCC whereby the rights and obligations of the Clearing Members under the REPO agreements are cancelled and replaced by new agreements with CDCC. Once novation occurs, CDCC becomes the counterparty to both the buying and selling Clearing Member. As a result, the contractual right to receive and return the principal amount of the REPO as well as the contractual right to receive and pay interest on the REPO is thus transferred to CDCC. These balances represent outstanding balances on open REPO agreements. Receivable and payable balances outstanding with the same Clearing Member are offset when they are in the same currency and are to be settled on the same day, as CDCC has a legally enforceable right to offset and the intention to net settle. The balances include both the original principal amount of the REPO and the accrued interest, both of which are carried at amortized cost. As CDCC is the central counterparty, an equivalent amount is recognized in both TMX Group's’ assets and liabilities.

The primary risks associated with these financial instruments are credit risk, market risk and liquidity risk. For a description of these risks, please refer to **Credit Risk - CDCC, Other Market Price Risk - CDCC, Liquidity Risk - Balances with Clearing members and participants and Liquidity Risk - Credit and liquidity facilities - Clearing operations.**

NGX – Energy Contracts

The NGX clearing balances include the following:

- Energy contracts receivable and energy contracts payable -- These balances represent the amounts receivable and payable where physical delivery of energy trading contracts has occurred and/or settlement amounts have been determined but payments have not yet been made. There is no impact on the consolidated income statement as an equivalent amount is recognized in both the assets and the liabilities.

- Fair value of open energy contracts – These balances represent the fair value at the balance sheet date of the undelivered physically settled energy trading contracts and the forward cash settled energy trading contracts. Fair value is determined based on the difference between the trade price when the contract was entered into and the settlement price. The settlement price is a price designated by NGX for each trading instrument in each trading hub at market close and is used in conjunction with published market price bands. Depending on the term and type of instrument, some settlement prices can be derived from actual trading data from NGX’s trading system, basis values for NGX markets compared to NYMEX, daily market surveys and/or industry reports. There is no impact on the consolidated income statement as an equivalent amount is recognized in both the assets and the liabilities.

The primary risks associated with these financial instruments are credit risk, market risk and liquidity risk. For a description of these risks, please refer to **Credit Risk – NGX, Other Market Price Risk – NGX, Market Risk - Foreign Currency Risk, and Liquidity Risk - Fair value of open energy contracts and Energy contracts payable - NGX and Liquidity Risk - Credit and liquidity facilities - Clearing operations.**

NGX Collateral Pledged

NGX requires each contracting party to provide sufficient collateral, in the form of cash or letters of credit, in excess of the outstanding credit exposure as determined by NGX in accordance with its margin methodology. The cash collateral deposits and letters of credit are held by a major Canadian chartered bank. The collateral may be accessed by NGX in the event of default by a contracting party. The collateral is not included on our consolidated balance sheet.

The primary risks associated with these financial instruments are credit risk, market risk and liquidity risk. For a description of these risks, please refer to **Credit Risk – NGX, Other Market Price Risk – NGX, Market Risk - Foreign Currency Risk, and Liquidity Risk - Fair value of open energy contracts and Energy contracts payable - NGX and Liquidity Risk - Credit and liquidity facilities - Clearing operations**.

Commercial Paper

On May 30, 2014, TMX Group established a Commercial Paper Program to offer potential investors up to $400.0 million (or the equivalent U.S. dollars) of Commercial Paper to be issued in various maturities of up to one year from the date of issue. The Commercial Paper bears interest rates based on the prevailing market conditions at the time of issuance.

The Commercial Paper issued represents an unsecured obligation and ranks equally with all other senior unsecured obligations of TMX Group. The Commercial Paper has been assigned a rating of "R-1 (low)" with a Stable trend by DBRS.

The Commercial Paper is subject to market risk and liquidity risk. For a description of these risks, please refer to **Market Risk – Interest Rate Risk - Commercial Paper and Debentures, Market Risk - Foreign Currency Risk and Liquidity Risk - Commercial Paper, Debentures and Credit Facility**.

Debentures

On September 30, 2013, we completed the offering of $1.0 billion aggregate principal amount of Debentures to accredited investors in Canada. The offering consisted of a $400-million principal amount Series A Debentures with a 3.253% coupon and a five-year term, a $250-million Series B Debentures with a 4.461% coupon and a 10-year term, a $350-million Series C Debentures with a floating rate coupon (three-month CDOR + 70 bps) and a three-year term (see **Commercial Paper, Debentures, Credit and Liquidity Facilities – Debentures**). The net proceeds were used to repay a significant portion of outstanding indebtedness under the TMX Group's Credit Agreement outstanding at that time. The Debentures received a credit rating of A (high) with a Stable trend from DBRS. The fair value of the Debentures was obtained using market prices as inputs.

The Debentures are subject to market risk and liquidity risk. For a description of these risks, please refer to **Market Risk – Interest Rate Risk - Commercial Paper and Debentures, Liquidity Risk - Commercial Paper, Debentures and Credit Facility.**

Interest Rate Swaps (IRS)

We entered into a series of IRS agreements to partially manage our exposure to interest rate fluctuations on the Series C Debentures payable. In addition, we entered into interest rate swaps with a notional value of $50.0 million that provide a partial economic hedge to interest rate fluctuations related to our Commercial Paper (see **Commercial Paper, Debentures, Credit and Liquidity Facilities – Interest Rate Swaps**). We mark to market the fair value of the IRSs, which is determined by using observable market information. At December 31, 2014, the fair value of the IRSs was a liability of $0.6 million. The counterparties on these IRSs are major Canadian chartered banks. The unrealized fair value loss on these IRSs designated as cash flow hedges was $0.2 million for 2014 (net of $0.1 million of tax). This is reflected in the calculation of Total comprehensive income. In addition, there was a charge of $1.3 million to net income related to the net settlement on these IRSs.

IRSs are subject to credit risk. For a description of this risk, please refer to **Credit Risk – Interest Rate Swaps (IRS).**

Total Return Swaps (TRS)

We have entered into a series of TRSs which synthetically replicate the economics of TMX Group purchasing our shares as a partial economic hedge to the share appreciation rights of the non-performance element of Restricted share units (RSUs). We have also entered into a series of TRSs as a partial fair value hedge against the share price appreciation associated with the Deferred share units (DSUs). 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 units as an adjustment to income. Fair value is obtained from a pricing service based on a discounted cash flow model. The fair value of the TRSs and the obligation to unit holders are reflected on the consolidated balance sheet. The contracts are settled in cash upon maturity.

Unrealized losses and realized gains of $1.7 million and $1.5 million, respectively, have been reflected in net income in the financial statements for the year ended December 31, 2014 (2013 – unrealized gains and realized losses of $0.6 million and $0.6 million, respectively).

TRSs are subject to credit risk. For a description of this risk, please refer to **Credit Risk – Total Return Swaps (TRS).**

Foreign Exchange Forwards

We have entered into foreign exchange forward contracts to manage our exposure to foreign exchange fluctuations of our U.S. dollar denominated Commercial Paper. Using observable market information, we mark to market the fair value of the foreign exchange forwards, as an adjustment to income and simultaneously mark to market the U.S. dollar Commercial Paper. The fair value of the foreign exchange forwards is reflected on the consolidated balance sheet. The contracts are settled in cash upon maturity.

Unrealized losses of $0.2 million and no realized losses have been reflected in net income in the financial statements for the year ended December 31, 2014 (2013 – nil).

Foreign Exchange Forwards are subject to credit risk. For a description of this risk, please refer to **Credit Risk – Foreign Exchange Forwards.**

CRITICAL ACCOUNTING ESTIMATES[22]

Goodwill and Intangible Assets – Valuation and Impairment Testing

We recorded goodwill and intangible assets valued at $4,650.3 million as at December 31, 2014, down by $156.6 million from $4,806.9 million at December 31, 2013, reflecting a non-cash impairment charge on BOX in Q2/14 and amortization for 2014. Management has determined that the testing for impairment for some of these assets involves making critical accounting estimates.

Goodwill is recognized at cost on acquisition less any subsequent impairment in value. We measure goodwill arising on a business combination as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Intangible assets are recognized at cost less accumulated amortization, where applicable, and any impairment in value. Cost includes any expenditure that is directly attributable to the acquisition of the asset. The cost of internally developed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

In accounting for the Maple Transaction, all of our assets were recorded based on fair value in Q3/12. The purchase price for TMX Group Inc. was based on a TMX Group Inc. share price of $50.00 per share. This resulted in a significant amount of goodwill and intangible assets.

Assets are considered to have indefinite lives where management believes that there is no foreseeable limit to the period over which the assets are expected to generate net cash flows.

We test for impairment as follows:

The carrying amounts of our goodwill and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, are tested for impairment at least annually even if there is no indication of impairment, and the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

[22] The *"Critical Accounting Estimates"* section above contains certain forward-looking statements. Please refer to *"Caution Regarding Forward-Looking Information"* for a discussion of risks and uncertainties related to such statements.

The recoverable amount of an asset or CGU is based on the higher of the value in use or fair value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses along with any related deferred income tax effects are recognized in the consolidated income statement.

Derivative Markets – BOX

Goodwill and intangible assets

As at June 30, 2014, we determined that the fair value of the BOX CGU was lower than its carrying amount. This fair value of BOX had declined below the carrying value primarily due to lower revenue projections for the business.

BOX operates in a highly competitive environment in the U.S. In Q3/12, BOX had a market share of 3.7%. In Q1/14, its market share declined to 2.1%. We took measures to improve BOX's performance, including implementing a number of price reductions in March 2014. While market share improved to 2.7% in Q2/14 as volumes increased as a result of price reductions, the increase in volume was not sufficient to offset the impact of these price reductions, and BOX revenue declined in Q2/14 compared with Q1/14.

We expect BOX to continue to face increased competition and slower long-term growth rates within the U.S. equity options market. In making this assessment of the fair value of BOX, we utilized a value in use calculation. The value in use for BOX was determined using a discounted cash flow methodology based on management's best estimate of the forecasted cash flows for the business discounted at a pre-tax discount rate of 13.8% (15.7% at December 31, 2013). The impact of the above calculation resulted in a non-cash impairment charge for Q2/14. This non-cash impairment charge had the effect of reducing the carrying value of BOX as follows:

(In millions of dollars)	Carrying value pre-asset impairment	Impairment charges	Carrying value as of June 30, 2014
Cash	$19.6	$ -	**$19.6**
Other assets	4.6	-	**4.6**
Technology	7.9	(5.1)	**2.8**
Customer list	129.6	(83.3)	**46.3**
Regulatory designations and trade name	6.2	(4.0)	**2.2**
Goodwill	36.0	(36.0)	**-**
Total net assets / impairment charge before income taxes	**203.9**	**(128.4)**	**75.5**
Deferred income tax assets	7.3	3.6	**10.9**
Deferred income tax liabilities	(25.0)	18.6	**(6.4)**
Total net assets / impairment charge	**186.2**	**(106.2)**	**80.0**
Non-controlling interests (46.2%)	(77.4)	42.6	**(34.8)**
Attributable to shareholders of TMX Group	**108.8**	**(63.6)**	**45.2**

Based on current assumptions, the recoverable amount for BOX remains above carrying value, and as such no further impairment has been identified.

Cash Markets – Toronto Stock Exchange (TSX)

Goodwill and Indefinite Life Intangible Assets

Included with the TSX CGU carrying values is $1,859.3 million of goodwill and indefinite life intangible assets recognized as a result of the acquisitions under the Maple Transaction in 2012.

Overall, equities markets trading volumes on TSX in 2014 increased by about 5% compared with 2013. In 2014, our combined monthly average share of volume, including TSX, TSXV, TMX Select, and Alpha, was 75%, down from the combined monthly average of 80% in 2013. The total value of financings raised on TSX increased by 32% in 2014 over 2013 and the year-end market capitalization of listed issuers increased by 8% from the end of 2013 to the end of 2014. The total number of listing transactions billed relating to additional listing fees increased in 2014 compared with 2013; however, the total number of corporate transactions billed relating to initial listing fees declined. In Q4/14, there was a significant overall decline in the number of listing transactions billed on TSX, which generated additional listing fee revenue.

In 2014, management updated its growth projections. The discount rate and the terminal growth rate were unchanged from 2013. The cash flow projections cover a period of five years.

Based on current assumptions, the recoverable amount for TSX remains above carrying value, and as such no impairment has been identified. However, management has identified three key assumptions, the pre-tax discount rate, the terminal growth rate, and the cash flow projections, where it would be reasonably possible that an individual change could cause the carrying amount to exceed the recoverable amount. Changes in these assumptions that would cause the carrying value to equal the recoverable amount are a 1.0% increase in the pre-tax discount rate, a 1.5% reduction in the terminal growth rate, or a 7.4% decrease in cash flow.

Cash Markets – TSX Venture Exchange (TSXV)

Goodwill and Indefinite Life Intangible Assets

Included with the TSXV CGU carrying value is $518.3 million of goodwill and indefinite life intangible assets recognized as a result of the acquisitions under the Maple Transaction in 2012.

Overall, TSXV equities markets trading volumes in 2014 increased by about 5% compared with 2013. The total value of financings raised on TSXV increased by 39%; however, the year-end market capitalization of listed issuers decreased by 20%. The S&P/TSX Venture composite index reached an all-time low in December 2014 and closed the year at 695.53 down by about 25% from the end of 2013. This reflects the impact of declining commodity prices, including energy prices. A significant proportion of issuers listed on TSXV are resource and energy industry based companies; therefore, TSXV's current ability to grow revenue from these customers is somewhat limited.

In 2014, management updated its growth projections. The discount rate and the terminal growth rate were unchanged from 2013. The cash flow projections cover a period of five years.

Based on current assumptions, the recoverable amount for TSXV remains above carrying value, and as such no impairment has been identified. However, management has identified three key assumptions, the pre-tax discount rate, the terminal growth rate, and the cash flow projections, where it would be reasonably possible that an individual change could cause the carrying amount to exceed the recoverable amount. Changes in these assumptions that would cause the carrying value to equal the recoverable amount are a 0.3% increase in the pre-tax discount rate, a 0.4% reduction in the terminal growth rate, or a 2.5% decrease in cash flow.

Derivative Markets – Montreal Exchange (MX)

Goodwill and indefinite life intangible assets

Included with the MX CGU carrying value are $937.3 million of goodwill and indefinite life intangible assets recognized as a result of the acquisitions under the Maple Transaction in 2012.

In January 2015, the Bank of Canada reduced its target for the overnight rate from 1.0% to 0.75%. It said that its decision was in response to the recent sharp drop in oil prices, which will be negative for growth and underlying inflation in Canada[23]. The low and stable interest rate environment has somewhat limited the growth in fixed income derivatives volumes and overall derivatives activity. However, the view of management is that this reduction is temporary and that the fundamental growth opportunities that were included in the original valuation of MX are still valid. There was a 6% increase in overall volumes for 2014 on MX, including volume increases in bond and interest rate futures. In addition, the size of the Canadian derivatives market relative to the size of the underlying cash market is still substantially below that of global peers, thus leaving much room for growth if new technology, products and participants are added to the

[23] Source: Bank of Canada January 21, 2015 press release.

marketplace. Lastly, the global push from regulators and market participants to move over-the-counter derivatives products to exchange traded and/or centrally cleared models suggests further upside potential.

In 2014, management updated its growth projections. The discount rate and the terminal growth rate were unchanged from 2013. The cash flow projections cover a period of eight years, which is consistent with the original acquisition economics, and reflects the stage of its product life cycle with significant long-term growth potential remaining beyond a five-year forecast.

Based on current assumptions, the recoverable amount for MX remains above carrying value, and as such no impairment has been identified. However, management has identified three key assumptions, the pre-tax discount rate, the terminal growth rate, and the cash flow projections, where it would be reasonably possible that an individual change could cause the carrying amount to exceed the recoverable amount. Changes in these assumptions that would cause the carrying value to equal the recoverable amount are a 0.8% increase in the pre-tax discount rate, a 1.3% reduction in the terminal growth rate, or an 11.1% decrease in cash flow.

Energy Markets – Natural Gas Exchange (NGX)

Goodwill and Indefinite Life Intangible Assets

Included with the NGX CGU carrying value is $121.6 million of goodwill and indefinite life intangible assets recognized as a result of the acquisitions under the Maple Transaction in 2012.

Overall, NGX trading volumes in 2014 increased by about 4% compared with 2013. In the aftermath of a very active winter with extreme weather conditions in Q1/14, natural gas trading volumes declined through to Q4/14 where they rebounded due to short term volatility in some of the natural gas markets serviced by NGX. NGX has continued to expand and diversify its product offering and added U.S. physical power clearing services in Western U.S. markets in 2014 as well as adding 12 new delivery points to increase geographic coverage in U.S. markets, which it expects will contribute to growth in revenue. In addition, NGX is looking to offer trading and clearing services for other asset classes. It expects this will also generate revenue growth. However, lower natural gas prices and low volatility may continue to limit NGX's ability to grow revenue.

In 2014, management updated its growth projections, which included assumptions related to new business opportunities. While the discount rate was increased from 2013, the terminal growth rate remained unchanged. The cash flow projections cover a period of five years.

Based on current assumptions, the recoverable amount for NGX remains above carrying value, and as such no impairment has been identified. However, management has identified three key assumptions, the pre-tax discount rate, the terminal growth rate, and the cash flow projections, where it would be reasonably possible that an individual change could cause the carrying amount to exceed the recoverable amount. Changes in these assumptions that would cause the carrying value to equal the recoverable amount are a 5.3% increase in the pre-tax discount rate, a 9.6% reduction in the terminal growth rate, or a 32.4% decrease in cash flow.

SELECT ANNUAL AND QUARTERLY FINANCIAL INFORMATION

Review of Fourth Quarter Results

Compared with Q4/13

- Revenue was $182.7 million in Q4/14, up $2.0 million, or 1%, from revenue of $180.7 million in Q4/13.

Revenue increased in the following:

- Cash markets trading revenue increased reflecting a 16% increase in overall volume of securities traded on our equities marketplaces.
- Canadian derivatives markets trading revenue increased reflecting a 23% increase in MX volumes.
- Energy markets trading revenue increased mainly due to a 12% increase in total energy volumes traded, an increase in Shorcan Energy Brokers revenue and the positive impact of the appreciation of the U.S. dollar against the Canadian dollar in Q4/14 compared with Q4/13.[24]
- There was an increase in Information services revenue reflecting the positive impact of the appreciation of the U.S. dollar against the Canadian dollar in Q4/14 compared with Q4/13 and new wireless revenue from the acquisition of the microwave network business of Strike (acquired October 31, 2014).
- Technology services and other revenue increased primarily due to significantly higher Razor Risk revenue, as milestones were achieved with one customer, and higher foreign exchange gains on U.S. dollar denominated balances.

The increases were largely offset by the following:

- Issuer services revenue declined reflecting a decrease in both initial and additional listing fees in Q4/14 compared with Q4/13. *Initial listing fee revenue* decreased reflecting a decline in the number of corporate listing transactions billed on TSX and a lower number of new issuers listed on TSXV. *Additional listing fee revenue* decreased reflecting a significant overall decline in the number of listing transactions billed on TSX.
- BOX revenue declined due to lower average fees as a result of the price reduction implemented in March 2014, partially offset by a 10% increase in trading volumes and positive impact of the appreciation of the U.S. dollar against the Canadian dollar in Q4/14 compared with Q4/13.
- The increase in Information services revenue was more than offset by other factors including lower revenue recoveries related to under-reported usage of real-time quotes in prior periods and lower index licensing revenue. During Q4/13, there were various revenue recoveries of approximately $2.8 million.

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[24] NGX total energy volume includes trading and clearing in natural gas, crude oil and electricity.

- Technology services and other revenue was somewhat reduced by the decrease in revenue from the discontinuation of CDS services largely relating to the administration of SEDAR, SEDI and NRD. These operations were transitioned to a new service provider on January 13, 2014; the CDS agreement ended on January 31, 2014.

- Operating expenses increased by 6% over Q4/13 reflecting increased costs related to initiatives and to support the growth in Razor Risk's revenue. These increases were partially offset by the elimination of operating expenses resulting from the termination of the agreement with Canadian securities regulators to provide SEDAR, SEDI and NRD services, which ended January 31, 2014. In addition, there was a decrease in costs related to the reversal of a $2.5 million commodity tax provision taken in 2011, which was more than offset by a charge of approximately $1.2 million relating to consolidation of facilities, a charge of approximately $1.2 million for the accelerated amortization of assets relating to the restructuring of our equities trading offering, and approximately $0.7 million due to recording a future obligation related to retiring assets.

- Net income attributable to TMX Group shareholders for Q4/14 decreased slightly from Q4/13. There were significantly higher costs related to initiatives to enhance our equities trading offerings, and to support the growth in Razor Risk's revenue. The increase in operating expenses was partially offset by slightly higher revenue, an increase in net income from equity accounted investees and lower net financing costs.

- The decrease in *Cash Flows from Operating Activities* in Q4/14 compared with Q4/13 reflected a decrease in income from operations (excluding depreciation and amortization) and a decrease in trade and other payables.

- In Q4/14, *Cash Flows used in Financing Activities* was higher than in Q4/13 primarily due to higher net drawings on CDCC's liquidity facility related to REPO transactions and higher interest paid.

- In Q4/14, *Cash Flows from Investing Activities* was lower than in Q4/13 reflecting higher costs related to additions to premises and equipment and intangible assets, and a net cash outflow of $14.7 million related the cost of acquisitions (net of cash acquired).

Compared with Q3/14

See table and analysis below.

A comparison of select financial information (including revenue, net income, total assets, non-current liabilities and earnings per share) for both 2014 and 2013 is contained in various sections of this MD&A. Cash dividends declared per common share were $1.60 in both 2013 and 2014. TMX Group was an acquisition corporation formed solely for the purpose of pursuing the Maple Transaction. Prior to the completion of the CDS and Alpha acquisitions on August 1, 2012 and the initial take up of 80% of the common shares of TMX Group Inc. on July 31, 2012, it had no material assets, history of earnings and had not commenced commercial operations. Management believes that the required historical annual information for the 2012 financial year would not be useful to investors and other users of our financial information in evaluating the operating performance and profitability for 2012. In the quarterly financial information table below, we have compared the results for the most recent eight quarters of TMX Group.

(in millions of dollars except per share amounts - unaudited)

	Dec 31 2014	**Sept 30 2014**	**Jun 30 2014**	**Mar 31 2014**	**Dec 31 2013**	**Sept 30 2013**	**Jun 30 2013**	**Mar 31 2013**
Revenue	$182.7	$170.2	$182.3	$182.1	$180.7	$165.3	$182.3	$172.2
Income from operations	67.0	63.1	71.3	77.3	71.3	58.9	67.3	60.2
Net Income attributable to TMX Group shareholders	41.1	39.4	(26.4)	46.4	41.4	19.2	25.5	37.8
Earnings per share:								
Basic	0.76	0.73	(0.49)	0.86	0.77	0.35	0.47	0.70
Diluted	0.76	0.73	(0.49)	0.86	0.77	0.35	0.47	0.70

Q4/14 compared with Q3/14

- Revenue in Q4/14 increased by 7% compared with Q3/14. Cash, Canadian derivatives and energy markets trading revenue increased in Q4/14 compared with Q3/14, reflecting higher overall volumes. In addition, there was higher CDS depository revenue, net of rebates, and significantly higher revenue from Razor Risk in Q4/14 compared with Q3/14, as milestones were achieved with one customer.

- Operating expenses increased by 8% from Q3/14 to Q4/14. Compensation and benefit costs and information and trading systems costs increased reflecting higher costs related to initiatives to enhance our equities trading offerings and to support the growth in Razor Risk's revenue. There was a decrease in costs related to the reversal of a $2.5 million commodity tax provision taken in 2011, which was more than offset by a charge of approximately $1.2 million relating to consolidation of facilities, an increase in charges of approximately $0.8 million for the accelerated amortization of assets relating to the restructuring of our equities trading offering, and approximately $0.7 million due to recording a future obligation related to retiring assets. Operating expenses included costs from Strike for two months in Q4/14 (acquired October 31, 2014). There were also higher information and trading systems operating costs and higher marketing expenses in Q4/14 compared with Q4/13.

- Income from operations increased by 6% from Q3/14, reflecting the impact of higher revenue that was partially offset by higher overall operating expenses.

- Net income attributable to TMX Group shareholders in Q4/14 increased by 4% compared with Q3/14. The increase reflects the higher income from operations partially offset by higher Maple transaction and integration costs.

Q3/14 compared with Q2/14

- Revenue in Q3/14 was 7% lower compared to Q2/14 due to typical seasonal effects. Revenue from issuer services, cash markets trading, depository and information services decreased, partially offset by higher technology services and other revenue including increased foreign exchange gains on U.S. dollar and Euro denominated balances and higher Razor Risk revenue. The decrease in issuer services revenue reflected a decline of almost $4.0 million in fees related to share compensation arrangements for issuers listed on the TSX.

- Operating expenses decreased by 4% from Q2/14 to Q3/14 primarily due to lower costs associated with our employee performance incentive plans, reduced external fees, lower depreciation and amortization expense and reduced marketing costs, partially offset by lower capitalization of labour and additional costs associated with initiatives including Razor Risk. Generally, there are higher initiative costs during the fourth quarter compared with other quarters.

- Income from operations decreased by 12% from Q2/14, reflecting the impact of lower revenue partially offset by lower overall operating expenses.

- There was net income attributable to TMX Group shareholders in Q3/14 compared to a net loss if Q2/14. In Q2/14, we recorded impairment charges related to BOX of which our share was $63.6 million. The impact of this was partially offset by higher income from operations in Q2/14 compared with Q3/14.

Q2/14 compared with Q1/14

- Revenue in Q2/14 was in line with Q1/14, reflecting higher revenue from initial and additional listing fees, offset by lower trading and clearing revenue across our marketplaces and the elimination of revenue related to providing SEDAR, SEDI and NRD services following the termination of the agreement with Canadian securities regulators on January 31, 2014.

- Operating expenses in Q2/14 increased by 6% from Q1/14 primarily due to higher costs associated with our employee performance incentive plans, increased recruitment costs, higher project and information and trading systems operating costs, and increased marketing expenses, partially offset by lower payroll taxes. Generally, there are lower marketing and initiative expenses during the first part of the year compared with the second half.

- Income from operations decreased by 8% from Q1/14, reflecting the impact of higher overall operating expenses.

- Net loss attributable to TMX Group shareholders in Q2/14 reflects the recognition of non-cash impairment charges related to BOX and other assets, lower income from operations, and higher net finance costs resulting from credit facility refinancing costs related to the establishment of a Commercial Paper Program.

Q1/14 compared with Q4/13

- Revenue in Q1/14 was 1% higher than Q4/13 primarily due to higher revenue from cash, Canadian derivatives, and energy markets trading and clearing, partially offset by lower revenue from initial listing fees and lower revenue related to providing SEDAR, SEDI and NRD services following the termination of the agreement with Canadian securities regulators on January 31, 2014.
- Operating expenses in Q1/14 decreased by 4% from Q4/13 primarily due to lower information and trading systems expenses, lower general and administration costs including reduced marketing expenses somewhat offset by higher bad debts expense, and lower operating expenses related to providing SEDAR, SEDI and NRD services following the termination of the agreement with Canadian securities regulators on January 31, 2014. The decreases were partially offset by higher compensation and benefits costs. Operating expenses in Q1/14 were somewhat lower due to the timing of initiative spending. Generally, there are lower marketing and other initiative costs in the first quarter compared with the fourth quarter, but higher payroll taxes in the first quarter compared with other quarters.
- Income from operations increased by 8% from Q4/13, reflecting the combined impact of higher revenue and lower overall operating expenses.
- Net income attributable to TMX Group Shareholders increased by 12% from Q4/13, reflecting higher income from operations, partially offset by an increase in Maple Transaction and integration costs.

Q4/13 compared with Q3/13

- Revenue in Q4/13 was 9% higher than Q3/13 primarily due to increased initial and additional listing fee revenue as well as increased information services and technology services and other revenue.
- Operating expenses in Q4/13 increased by 3% over Q3/13 primarily due to higher information and trading systems costs reflecting increased operating and telecommunications costs. In addition, there were higher general and administration costs reflecting increased marketing costs and initiative spending. These increases were partially offset by higher capitalization of costs associated with technology initiatives and lower short-term employee performance incentive plan expense.
- Income from operations increased by 21% from Q3/13, reflecting the combined impact of higher revenue somewhat offset by higher operating expenses.
- Net income attributable to TMX Group Shareholders increased by 116% from Q3/13 partially due to higher income from operations and lower finance costs. In addition, during Q3/13 net income was reduced by $16.4 million of credit facility refinancing costs.

Q3/13 compared with Q2/13

- Revenue in Q3/13 was 9% lower than in Q2/13 primarily due to lower additional listing fee revenue as well as both cash markets and derivatives markets trading and clearing revenue.
- Operating expenses in Q3/13 decreased by 7% over Q2/13 primarily due to reduced information and trading system costs reflecting lower fees to ICE (relating to NGX's technology and clearing alliance with ICE), and a

decrease in project costs. In addition, there were reduced general and administration costs reflecting lower bad debt expenses and overall reduced operating expenses due to realized synergies from the integration of TMX Group Inc., CDS, and Alpha.

- Income from operations decreased by 12% from Q2/13, reflecting the combined impact of lower revenue and somewhat offset by lower operating expenses.
- Net income attributable to TMX Group shareholders decreased by 25% primarily due to lower income from operations and $16.4 million of credit facility refinancing costs.

Q2/13 compared with Q1/13

- Revenue in Q2/13 was 6% higher than in Q1/13 primarily due to higher other issuer services revenue, including Equity Transfer (acquired April 5, 2013), higher initial and additional listing fee revenue, and higher derivatives markets trading and clearing revenue, somewhat offset by lower information services revenue following the sale of PC-Bond on April 5, 2013.
- Operating expenses in Q2/13 increased slightly over Q1/13 primarily due to the inclusion of Equity Transfer and an increase in general and administration expenses.
- Income from operations of $67.3 million increased by 12% reflecting the 6% increase in revenue, partially offset by a 3% increase in operating expenses.
- Net income attributable to TMX Group shareholders decreased in Q2/13 over Q1/13 primarily due to significantly higher income tax accounting adjustments related to the sale of PC-Bond. The decrease was partially offset by the higher revenue and the gain on the sale of PC-Bond. (See **Gain on sale of PC-Bond** and **Income tax expense**.)

RISKS AND UNCERTAINTIES

We have in place an integrated risk management framework in which the Board assumes overall stewardship responsibility. It oversees the adequacy and effectiveness of TMX Group's risk management framework and establishes TMX Group's Risk Appetite Statements (RAS). The Finance & Audit Committee of the Board assesses the adequacy of risk management policies and processes and the Risk Management Committee (RMC), comprised of senior management, oversees the implementation of risk management policies and processes. The management framework supporting the risk management objectives includes regular assessments of principal key enterprise risks (KERs), and implementation of risk management tactics, which are monitored and adjusted as required.

The RMC has established a list of KERs that it believes are the most significant risks that TMX Group is exposed to. The RMC undertakes a formal review of these KERs at least annually by evaluating the impact and likelihood of each risk after taking into account known mitigations and established internal controls. The RMC also discusses any new or emerging risks that should be considered. These KERs are grouped under one of the risk categories of strategic, financial, operational as well as legal and regulatory. The overall risk in each category is assessed against TMX Group's RAS. The RMC is not aware of the residual risk in any of the four categories exceeding TMX Group's RAS. These KERs are taken into account when developing and implementing TMX Group strategies, tactics, policies, operating procedures and governance processes, including the design and implementation of compensation policies and practices.

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.

Strategic Risks

Competition Risk

Our issuer services business competes with other exchanges, OTC markets, and other sources

We compete for listings with North American exchanges in a broad range of sectors and also internationally, particularly for resource companies and SMEs. Domestically, we compete for junior listings with Canadian Securities Exchange (CSE, formerly CNSX Markets Inc.).

While some Canadian issuers seek a listing on another major North American or international exchange, historically, the vast majority of these issuers also list on TSX or TSXV and do not bypass our markets. We also compete with institutions and various market participants that offer alternative forms of financing that are not necessarily traded in public markets including private venture capital and various forms of debt financing.

In addition, crowdfunding, a new way for start-ups and SMEs to raise capital through small amounts of money raised from a large number of people over the internet via an internet portal intermediary, is emerging. In December 2013 the securities regulatory authority in Saskatchewan published a general order creating an alternative form of crowdfunding prospectus exemption targeted at start-ups. In March 2014, the OSC published a proposed crowdfunding prospectus exemption along with proposed regulatory requirements applicable to online crowdfunding portals. Also in March 2014, the securities regulatory authorities in Manitoba, New Brunswick, Nova Scotia, Quebec and Saskatchewan published proposed prospectus exemptions related to crowdfunding, as well as general orders creating a form of crowdfunding prospectus exemption targeted at start-ups. In addition, the British Columbia Securities Commission proposed a start-up crowdfunding prospectus exemption similar to the existing Saskatchewan exemption.

Finally, as we build out our listed company services business, we may also face direct competition from domestic and international companies that provide various investor relations and other shareholder services.

Our equity exchanges face competition from other exchanges, other marketplaces and trading mechanisms

We face competition for business from other exchanges, especially those in the U.S. as they continue to consolidate and investing becomes more global. We face competition from foreign exchanges for listings of Canadian-based issuers and trading in their securities. In addition, the variety of other marketplaces and trading venues in the U.S. that trade Canadian securities, including dark markets and internalization facilities, places increasing competitive pressure on our business. Interlistings generally raise the profile of issuers in the global market, and trading volumes for these issuers' securities often increase across all markets including TSX. 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. For example, some market participants in the U.S., known as wholesalers, are currently able to pay our customers for order flow under U.S. securities laws and regulations. This practice is not permissible in Canada, and therefore puts us at a competitive disadvantage. IIROC recently published guidance and a technical notice to clarify the requirements for investment dealers when orders in Canadian-listed securities are executed away from Canadian markets, an important step in IIROC's approach to addressing concerns about the routing of orders to the U.S. If we are unable to continue to provide competitive trade execution, the volume traded in all interlisted issuers on our equity exchanges could decrease in the future and adversely affect our operating results. Our combined market share (including TSX, Alpha, and TMX Select) of the total volume traded in Canadian based interlisted issues was 32% versus U.S. exchanges in 2014, compared with 33% in 2013. Our cash equities sales team is focused on attracting more foreign participants and order flow by raising the level of awareness of the benefits of trading on TSX, TSXV and Alpha.

Domestic competition in our cash equities trading business has intensified with the establishment of ATSs in Canada. Technological advances have lowered barriers to entry and have created a multiple marketplace environment for trading TSX and TSXV listed securities. There are currently 12 Canadian equity marketplaces which trade, or intend to trade, TSX and TSXV listed securities, including dark and visible trading venues. There are also sophisticated mechanisms to internalize order flow, liquidity aggregators and smart order routers that also facilitate trading on other venues. New market entrants have fragmented domestic equities market share and we continue to face significant competitive pressure from existing venues, and potential new entrants. In 2014, our combined monthly average share of volume, including TSX, TSXV, TMX Select, and Alpha, was 75%, down from the combined monthly average of 80% in 2013.

In Q2/13, a group consisting of money managers, pension fund managers, and institutional and retail brokers, including a bank-owned dealer, announced plans to create a new stock exchange. The OSC granted its approval in November 2014 and the exchange is expected to launch its listings and trading operations in the first half of 2015.

These new entrants may, among other things, respond more quickly to competitive pressures, develop similar or alternative products and services to those that TSX, TSXV and Alpha offer that are preferred by customers, develop and expand their network infrastructures and offerings more efficiently, adapt more swiftly to new or emerging technologies and changes in customer requirements, and adopt better, more user friendly and reliable technology. If these trading venues attract significant order flow, or other market structure changes occur in the marketplace which negatively impacts our ability to effectively compete, our issuer services, trading and information services revenue could be materially adversely affected.

There is also intense price competition in the cash equities markets where competitors may price their trading and data products more competitively. While we have developed a pricing mix to attract greater liquidity to our markets, the competitive environment in which we operate places significant pricing pressures on our trading and market data offerings. Some competitors may seek to increase their share of trading by reducing their transaction fees, by offering larger liquidity payments, by also offering inverted pricing or by offering other forms of financial or other incentives. We have in the past lowered our equity trading fees and we may, in the future, be required to adjust our pricing to respond to competitive pricing pressure. If we are unable to compete successfully with respect to the pricing of our offerings, our business, financial condition and results of operations could be materially adversely affected.

Our derivatives markets and clearing house face competition from other venues

MX and BOX are in direct competition with, among others, securities, options and other derivatives exchanges as well as ATSs or Electronic Crossing Networks (ECNs) and other trading and crossing venues, some of our Clearing Members and interdealer brokerage firms. This competition exists particularly in the U.S., but also in Europe and Asia. In Canada, MX's competition in derivatives trading is the OTC market. In addition, OTC regulatory reform that is underway in Canada could encourage the formation of another clearing house in Canada. OTC alternative trading platforms (dark pools) represent increased competitive risk to MX with their lookalike futures products that are centrally cleared. We may in the future also face competition from other Canadian marketplaces. In the U.S., BOX will continue to face increased competition in the U.S. equity options market. These competitors may, among other things, respond more quickly to competitive pressures, develop similar products to those MX and BOX offer that are preferred by customers or they may develop alternative competitive products, they may price their products more competitively, develop and expand their network infrastructures and offerings more efficiently, adapt more swiftly to new or emerging technologies and changes in customer requirements and use better, more user friendly and reliable technology. Increased competition could lead to reduced interest in MX's and BOX's products which could materially adversely affect our business and operating results.

The Canadian exchange business is seeing more foreign entrants. CME, Board of Trade of the City of Chicago, Inc., Commodity Exchange, Inc., and New York Mercantile Exchange, Inc., each of which is a wholly-owned subsidiary of CME Group Inc. and each of which provides trading and execution services for a range of exchange-traded futures and options on futures, as well as a number of swap execution facilities, all received exemption orders from the OSC to operate as exchanges. In the U.S., 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.

The Canadian clearing services market may become more competitive. In 2013, Canada's central bank designated SwapClear, a global system for clearing over-the-counter interest rate swaps, as subject to its regulatory oversight, citing the potential to pose systemic risk to the Canadian financial system. SwapClear is operated by LCH, a U.K.-based company that operates several central counter-party services. In addition, CME (which operates CME Clearing) and ICE Clear Credit LLC, which clear other OTC products, as well as LCH, have all received exemption orders from the OSC to operate as clearing agencies. CDCC is regulated as a clearing house in Quebec, Ontario and British Columbia.

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

While MX and CDCC are the only standardized financial derivatives exchange and clearing house headquartered 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 and transparent market and quotation data. 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, the majority of derivatives trading occurs OTC or bilaterally between institutions. OTC alternative trading platforms (dark pools) represent increased competitive risk to MX with their look-alike futures products that are centrally cleared. We may in the future also face competition from other Canadian marketplaces.

With respect to providing clearing services for certain OTC-traded contracts, CDCC is targeting markets that already are or could easily be the focus of foreign clearing houses. The nature of these markets makes them attractive targets for all clearing houses 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.

BOX operates in a highly competitive environment in the U.S. In Q3/12, BOX had a market share of 3.7%. In Q1/14, its market share declined to 2.1%. We took measures to improve BOX's performance, including implementing price reductions in March 2014. While market share improved to 2.7% in Q2/14 as volumes increased as a result of price reductions, the increase in volume was not sufficient to offset the impact of these price reductions, and BOX revenue declined in Q2/14 compared with Q1/14. Based on tests for impairment of goodwill and intangible assets at the end of Q2/14 we recognized a non-cash impairment charge (see **Impairment Charges and CRITICAL ACCOUNTING ESTIMATES**). Despite the pricing reductions that were made earlier in 2014, BOX's market share declined to 2.3% in Q4/14 in this highly competitive environment.

Our energy markets face competition from OTC markets and other sources

The NGX business faces trading competition in Canada and in the U.S. from competing exchanges, OTC electronic trading platforms, and from the OTC voice and bilateral markets. NGX's clearing business faces competition from recognized clearing facilities as well as bilateral credit lines between counterparties in the OTC markets. In the U.S. physical power and gas markets, our competition comes from the bilateral markets.

Our alliance with ICE provides access to leading technology and distribution, which allows us to compete in the exchange markets and positions us to provide clearing services to the OTC markets. NGX has arrangements with energy voice brokers to provide OTC clearing services for standard off-exchange bilateral energy transactions. NGX also has an alliance with Shorcan Energy Brokers, a wholly-owned subsidiary of Shorcan, to provide clearing services for their physical and financial crude contracts.

Shorcan Energy Brokers faces competition primarily from other brokerage firms. If NGX or Shorcan Energy Brokers is unable to compete with these platforms and markets, they may not be able to maintain or expand their businesses, which could materially affect their business and operating results.

Our fixed income markets face competition from OTC markets and other sources

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.

Information Services

With the advent of a multi-marketplace environment in Canada, we face competition in market data, from other trading venues. Market data is generated from trading activity and the success of certain data products is linked to maintaining order flow. Our subsidiaries, including TMX Atrium and Strike Technologies, may face increased competition from other connectivity providers.

We have continued to diversify and target new data customers with initiatives such as the consolidation of our equities and derivatives data centres, new analytics products, the diversification of data content, and the expansion of our TMX Atrium network and co-location services.

Economic Risk

We depend on the economy of Canada

Our financial results are affected by the Canadian economy, including the resource sector. 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. 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 across our markets, the number of transactions related to our equity and fixed income clearing and settlement, depository, custodial and entitlement services and market data sales.

Our operating results may be adversely impacted by global economic conditions

The economic and market conditions in Canada, the United States, Europe and the rest of the world impact the different aspects of our business and our revenue drivers. In particular, lower commodity prices, including a declining price for crude oil, can negatively impact our business. In addition, increased uncertainty in Europe, including the possibility of sovereign defaults on debt, can also impact our business. Because listing, financing, trading and clearing activities are significantly affected by economic, political and market conditions and the overall level of investor confidence, they impact the level of listing activity (including IPOs), the market capitalization of our issuers, trading volumes and sales of data across our markets. In addition, our clearing customers face higher credit costs associated with complying with margining regimes which could result in lower volumes.

Global market and economic conditions have fluctuated in recent years and we have witnessed both high and low levels of volatility. While higher volatility in markets can generate increased transaction volume, prolonged negative economic conditions can adversely affect trading volumes and the demand for market data and can lead to slower collections of accounts receivable as well as increased counterparty risk which, in turn, could adversely affect our business, financial condition, and operating results. In addition, a low-volatility environment can result in lower levels of trading, particularly for derivative products.

We depend on market activity that is outside of our control

Our revenue is highly dependent upon the level of activity on our exchanges and clearing houses, including: the volume of securities traded on our cash markets; the number of transactions, volume of contracts or products traded and cleared on our derivatives and energy markets; the number and market capitalization of listed issuers; the number of new listings; the number of active traders and brokerage firms; the number of transactions related to our equity and fixed income clearing and settlement, depository services; 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 and monetary policies in Canada, the United States, Europe, and in the world in general (especially growth levels, political stability and debt crisis);

- broad trends in business and corporate finance, including trends in the exchange industry, capital market trends and the mergers and acquisitions environment;
- the condition of the resource sector;
- the level and volatility of interest rates and resulting attractiveness of alternative asset classes;
- the regulatory environment for investment in securities, including the regulation of marketplaces and other market participants;
- 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.

Strategic Planning Risk

Our strategic planning processes may not enable us to identify and properly respond to opportunities or threats resulting in our inability to develop new products that meet customers' evolving needs

Our strategic planning process includes a thorough analysis of the environment in which we operate as well as significant peer and competitive analysis. It is possible that we may not identify or respond to opportunities or threats in our industry despite the investment of time and resources in this process.

Execution Risk

We may not be successful in executing our strategy

We invest significant resources in the development and execution of our corporate strategy to grow profitability and maximize shareholder value. We may not succeed in executing our strategies effectively because of, among other things, increased global competition, inability to mobilize or co-ordinate internal resources on a timely basis, difficulty developing and introducing products or regulatory restrictions. In addition, we may have difficulty obtaining financing for new business opportunities, due to financial restrictions that currently or may in the future be placed on TMX Group under our Commercial Paper Program, Debentures, Credit Facility, Recognition Orders and under our regulatory oversight agreements. Any of these factors could materially adversely affect the success of our strategies.

New business activities may adversely affect income

We may enter new business activities which, while they could provide opportunities for us, may also impose restrictions on us and/or 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 unique challenges that we may not be able to meet

We continue to expand our operations internationally, including opening offices and acquiring distribution, technology and other systems in foreign jurisdictions, obtaining regulatory authorizations or exemptions to allow remote access to our markets by approved participants outside Canada. We expect that the expansion of access to our electronic markets will continue to increase the portion of our business that is generated from outside Canada. We face certain risks inherent in doing business in international markets, particularly in the regulated exchange and clearing businesses. 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. In many cases, the additional costs related to compliance can be substantial, and could outweigh the potential benefits. International expansion may expose TMX Group to geographic regions that may be subject to greater political, economic and social uncertainties than countries with developed economies.

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.

Commercial Risk

Our exchanges depend on the development, marketing and acceptance of new products and services

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

Integration Risk

We face risks associated with integrating the operations, systems, and personnel of acquisitions

As part of our strategy to sustain growth, we have and expect to continue to pursue appropriate acquisitions of other companies and technologies. An acquisition will only be successful if we can integrate the acquired businesses' operations, products and personnel; retain key personnel; and expand our financial and management controls and our reporting systems and procedures to accommodate the acquired businesses. It is possible that integrating an acquisition could result in less management time being devoted to other parts of our core business. In addition, pursuant to the Final Recognition Orders, prior regulatory approval is required before TMX Group can implement significant integration, combination or reorganization of businesses, operations or corporate functions among TMX Group entities. The requirement to obtain these approvals may restrict or delay TMX Group's ability to make planned changes to these aspects of its operations in the future which could have a material adverse effect on TMX Group's business, financial condition and results of operations. If an investment, acquisition or other transaction does not fulfill expectations, we may have to write down its value in the future and/or sell at a loss.

Operational Risks

Technology Risk

We depend heavily on information technology, which could fail or be subject to disruptions, including cyber attack

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

We have incident and disaster recovery and contingency plans as well as back-up procedures to mitigate the risk of an interruption, failure or disruption , including those due to cyber attacks on our critical information technology including that of TSX, TSXV, MX, CDCC and CDS .. We also test and exercise our disaster recovery plans for trading on TSX, TSXV, MX, CDCC and CDS, and, in the case of our cash equities markets, include customers in that process. However, depending on an actual failure or disruption, 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, delays or other interruptions.

The current technological architecture for our cash equities, energy, derivatives trading and clearing, and market data information technology systems may not effectively or efficiently support our changing business requirements. Over the past several years, we have made hardware and software upgrades in response to increases in order message and quote message volumes and to reduce overall average response time to optimize execution speeds of our cash equities, derivatives, energy, and market data platforms.

We are continually improving our information technology systems so that we can handle increases and changes in our trading, clearing, settlement and depository activities and market data volumes to respond to customer demand for improved performance. This requires ongoing expenditures which may require us to expend significant amounts of resources in the future. While system changes may introduce risk, we have and follow, standard deployment processes for managing and testing these changes.

If the TMX Quantum XA or, as applicable, TSX Quantum, trading enterprise, the SOLA derivatives trading enterprise, the SOLA Clearing platform or NGX's clearing system fails to perform in accordance with expectations, our business, financial condition and operating results may be materially adversely affected.

If our systems are significantly compromised or disrupted or if we suffer repeated failures, this could interrupt our cash equities trading services, MX's trading and CDCC's and NGX's clearing services, CDS's clearing, settlement and depository services, as well as the services we provide 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. Failure of CDS's systems could also affect other systemically important financial infrastructures such as the Large Value Transfer System operated by the Canadian Payments Association.

Our networks and those of our third-party service providers may be vulnerable to security risks

Our networks and those of our third-party service providers, our POs and approved participants and our customers may be vulnerable to cyber risks, including unauthorized access, computer viruses, denial of service attacks, and other security issues. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations which could damage the integrity of our markets and data provision, 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.

Geopolitical, Climate Change & Business Continuity Risks

Geopolitical, climate change 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 and political, or by other types of external disruptions, including human error, climate change, natural disasters, power loss, telecommunication failures, theft, sabotage and vandalism. Given our position in the Canadian capital markets, we may be more likely than other companies to be a target of such activities.

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 including those for TSX, TSXV, MX, CDCC and CDS. However, not all systems are duplicated, and any major disruption may affect our existing and back-up facilities. Any interruption in our key services could impair our reputation, damage our brand name, and negatively impact our financial condition and operating results.

Human Resources Risk

We need to retain and attract qualified personnel

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

Depository and Clearing Operations Risk

Our clearing and depository businesses could be exposed to loss due to operational failures

CDS holds securities on behalf of its participants in safe keeping. A portion of this securities inventory is held in physical form. This risk is mitigated through layers of physical security arrangements as well as insurance coverage. However, CDS may be exposed to the risk of the loss or theft of these securities.

The operational processes at CDS, CDCC and NGX, which provide clearing and central-counterparty services, are subject to the risk of failure for which they may be held liable. These process failures may result in material financial losses. To mitigate this risk, CDS and CDCC have instituted a comprehensive set of internal controls, which are audited by an external party on at least an annual basis. CDS, CDCC and NGX are the sole clearers for the transactions they process. Alternative arrangements would need to be made if they were unable to operate.

Operations Risk relating to Transfer Agent and Corporates Trust Services Business

Our transfer agent and corporate trust services business could be exposed to losses due to operational risks

The principal risks associated with the services and products offered by TMX Equity Transfer are operational in nature as TMX Equity Transfer does not lend money or trade in marketable securities. The most significant operational risks include securities issuance and transfers, corporate actions processing, disbursements, escrows, corporate trust and segregated accounts reconciliation activities. To mitigate these risks, the management has instituted a comprehensive set of internal controls, which are audited by an external party on at least an annual basis.

Model Risk

We are dependent on the accuracy and effective implementation of risk models

CDS, CDCC, and NGX use financial models to estimate risk exposures and the value of margin and collateral to mitigate those exposures. These models are subject to risks including the incorrect use of variables input into the models, the misspecification of the model or errors in the implementation and/or use of models and their results. The model risks are mitigated through model testing prior to implementation and ongoing internal controls to regularly assess the adequacy of the models. Failure of the models may result in under or over estimation of financial risk exposures and may create systemic risks.

Interface/Dependency Risk

We depend on an adequate number of clients

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, our financial condition and our operating results.

Our trading and clearing operations depend primarily on a small number of clients

During 2014, approximately 49% of our trading and related revenue, net of rebates, on TSX and approximately 63% of our trading and related revenue on TSXV were accounted for by the top ten POs on each exchange based on volumes traded.

Approximately 59% of CDS's revenue, net of rebates, in 2014 was accounted for by the top ten customers (excluding securities regulators).

Approximately 57% of MX and CDCC's trading and clearing revenue, net of rebates, in 2014 was accounted for by the top ten participants based on volume of contracts traded.

If there was a significant decrease in revenue from several of these customers, there would be a negative impact on our business.

We depend on third-party suppliers and service providers

We depend on a number of third parties, such as IIROC, data processors, software and hardware suppliers, communication and network suppliers, suppliers of electricity, and many other vendors, for elements of our businesses including trading, clearing, routing, providing market data and other products and services. These third parties may not be able to provide their services without interruption, or in an efficient, cost-effective manner. In addition, we may not be able to renew our agreements with these third parties on favourable terms or at all. These third parties also may not be able to adequately expand their services to meet our needs. If a third party suffers an interruption in or stops providing services and we cannot make suitable alternative arrangements, or if we fail to renew certain of our agreements on favourable terms or at all, our business, financial condition or operating results could be materially adversely affected.

Legal & Regulatory Risk

Regulatory Climate

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. Regulators in Canada, as well as regulators in other jurisdictions where we do business, such as the U.S., regulate us, our exchanges, and clearing houses. Regulators in other jurisdictions may regulate our future operations. Canadian regulators propose changes including amendments to National Instruments on an ongoing basis, and we regularly respond with our comments (see **Initiatives and Regulatory Changes - Cash Markets Trading and Clearing and Information Services**).

TSX Inc. has a representative office in China for TSX and TSXV, which is subject to regulation by the China Securities Regulatory Commission (CSRC).

MX is recognized as an exchange and SRO in Québec. In addition, MX carries on certain activities in the United States as a Foreign Board of Trade (FBOT) in compliance with a no-action letter issued by the Commodity Futures Trading Commission (CFTC) and is recognized as a foreign market in France. MX can also undertake certain activities in Israel subject to the conditions listed in a no-action letter issued by the Israel Securities Authority.

CDCC is regulated as a clearing house in Quebec, Ontario and British Columbia. The Canadian Derivatives Clearing Service (CDSC) operated by CDCC have been designated by the Bank of Canada (BOC) as being of systemic importance under the Payment Clearing and Settlement Act (Canada). Under such designation, the BOC has broad powers relating to the regulation and oversight of CDCC. CDCC is also subject to regulatory requirements of the SEC and various U.S. state securities regulators.

NGX operates as an FBOT and is registered as a Derivatives Clearing Organization by the CFTC.

BOX is an electronic equity options market and is regulated by the SEC. CDSX and CDCS have been designated by the Bank of Canada (BOC) as being of systemic importance under the Payment Clearing and Settlement Act (Canada). Under such designation, the BOC has broad powers relating to the regulation and oversight of CDS Clearing and CDCC.

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

Those Canadian and American regulators are vested with broad powers to prohibit us from engaging in certain business activities or suspend or revoke approval as a recognized exchange, ATS 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 marketplaces or clearing agencies could be subject to investigations and administrative or judicial proceedings that may result in substantial penalties, including revocation of our approval as a recognized exchange, ATS, 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.

There may be a conflict, real or perceived, between our regulatory responsibilities and the interests of some of our participants or our own business activities. Given our ownership structure, there may be conflicts or potential conflicts arising from the involvement of, among others, directors, officers or employees of certain shareholders in the management or oversight of our exchanges or clearing houses or in the interaction between certain Nominating Investors[25] and certain of our marketplaces, either directly or indirectly. While we have implemented stringent governance measures and have and will continue to put into place policies and procedures to manage conflicts and potential conflicts, any failure to diligently and fairly manage conflicts or potential conflicts could significantly harm our reputation, prompt regulatory action 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 global operations. Securities and other regulators also impose financial and corporate governance restrictions on us and our equity, derivatives and energy exchanges and clearing houses and operations. Some of our regulators must approve or review our exchanges' listing rules, trading rules, clearing, settlement and depository 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.

TMX Group could be subject to increased regulatory scrutiny in the future. The multi-market environment in Canada and the impact of global economic conditions continue to lead to more aggressive regulation of our businesses by securities and other regulatory agencies in Canada, the U.S., and abroad and could extend to areas of our businesses that to date have not been regulated. NGX and CDCC have applied to the European Commission to be recognized as foreign clearing houses under European Market Infrastructure Regulation, but have not yet been recognized.

Regulatory Compliance Risks

A number of regulatory initiatives and changes, for example the CPMI-IOSCO Principles for Financial Market Infrastructures (PFMIs), have been identified or proposed or are being implemented by regulators, including in Canada, the U.S., and Europe. In some cases we cannot be certain whether or in what form, regulatory changes will take place, and cannot predict with certainty their impact on our businesses and operations. Changes in, and additions to, the rules affecting our exchanges and clearing houses could require us to change the manner in which we and our members conduct business or govern ourselves. Failure to make the required changes and comply on a timely basis could result in material reductions to activity or revenue, sanctions and/or restrictions by the applicable regulatory authorities.

[25] "*Nominating Investors"* consist of Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., National Bank Group Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and TD Securities Inc., either directly or through an affiliate.

Expanding U.S. and European regulation and proposed initiatives will increase the regulation of and cost of compliance for our markets whose business is impacted by U.S. and European regulatory developments. Implementation of certain regulatory changes may have a cost and other impacts on participants, who may as a result, choose to restructure their trading and clearing activity. Market reaction may present opportunities for market infrastructures such as exchanges and clearing houses. However, any opportunities will depend on, in addition to other factors, market infrastructures' ability to align their products and services with these market changes in order to retain liquidity.

In Canada, the provincial securities regulators are in the process of releasing a series of rule proposals regarding the regulation of the Canadian OTC derivatives markets which could lead to expanded regulation and increase the cost of compliance for our markets whose business is impacted by these developments.

CDS Clearing, NGX, and CDCC operate financial market infrastructures including central counterparties for cash and derivative markets, commodity markets, securities settlement systems and central securities depositories which are subject to PFMIs for these types of services which are reflected in the requirements of CDS's, NGX's, and CDCC's regulators. The ongoing implementation of PFMIs by regulators of these businesses will continue to impact the cost of regulatory compliance.

Unexpected and new regulatory requirements could make it more costly to comply with relevant regulations and for affected markets to operate their existing businesses or to enter into new business areas. In addition, high levels of regulation may stifle growth and innovation in capital markets generally and may adversely affect our business, financial condition, and results of operations.

Equity Transfer is in the process of applying for the requisite trust licenses to continue to provide certain transfer agency and corporate trust services. These services must be provided by a trust company. We will continue to operate the transfer agent and trust business with Equity providing services that must be provided by a trust company until we obtain the requisite trust licenses.

Our recognition orders impose significant regulatory constraints on our ongoing business

Under the Final Recognition Orders, TMX Group and its regulated subsidiaries are subject to extensive additional regulation and regulatory oversight. The Recognition Orders impose significant regulatory constraints on our ongoing business. The additional regulatory and oversight provisions provided for in the Recognition Orders provide the applicable regulators with broad powers that could, depending on how such powers are exercised in the future, impose barriers or constraints which limit TMX Group's ability to build an efficient, competitive organization which could have a material adverse effect on TMX Group's business, financial condition and results of operations.

With respect to fees charged by TSX Inc., TMX Select Inc. and Alpha Exchange Inc., the OSC has, under the Final Recognition Orders, the right to require those marketplaces to submit a fee, fee model or incentive that has previously been approved by the OSC for re-approval. In such circumstances, if the OSC decides not to re-approve the fee, fee model or incentive, the previous fee model or incentive must be revoked. This power extends to fees, fee models and incentives that are currently in place for TSX Inc., TMX Select Inc. and Alpha Exchange Inc. and, accordingly, could result in existing fees, fee models and incentives being revoked in the future, which could have a material adverse effect on our business, financial condition and results of operations.

With respect to the fees charged by all of our equity marketplaces (TSX Inc., TMX Select Inc., Alpha Exchange Inc., and TSX Venture Exchange Inc.), the Recognition Orders also impose prohibitions on arrangements or volume-based discounts or incentives that are accessible only to a particular marketplace participant and also impose restrictions on arrangements or volume-based discounts or incentives that are accessible only to a class of marketplace participants. Such prohibitions and restrictions may limit the ability of our equity marketplaces to introduce new products in the future or to introduce them on a timely basis, which could materially adversely affect the success of our future strategies, financial condition and results of operations.

With respect to CDS, under the applicable Recognition Orders, all fees are subject to approval of the applicable regulators. In addition, we may only seek approval for fee increases on clearing and other core CDS Clearing services (which services are outlined in the OSC and AMF Recognition Orders) where there has been a significant change from circumstances as at August 1, 2012, the effective date of the Recognition Orders, and approval may or may not be granted. Accordingly, even where CDS costs may be rising in the future (including as a result of trading volumes falling), we would only be permitted to seek a fee increase on such services if we could establish to the applicable regulators that there has been a significant change. Such constraints on the ability to raise CDS fees could have a material adverse impact on our business, financial condition and results of operations in the future. In Q4/14, CDS proposed a number of changes to its fee schedule, which were published for public comment (see **Issuer Services - Revenue Description - CDS**).

We have incurred increased costs to comply with the additional regulatory requirements that are imposed pursuant to the Recognition Orders. The AMF's Final Recognition Order for CDS also requires CDS to reimburse the AMF for the costs and fees incurred by the AMF for the analysis of applications for approval related to fees for CDS Clearing services. In addition, TMX Group and its subsidiaries are subject to OSC participation and activity fees. The overall scope of the additional regulatory costs may have a material adverse effect on our business, financial condition, and results of operations.

Pursuant to the Recognition Orders, prior regulatory approval is also required before we can implement changes to a number of aspects of our operations. This includes prior regulatory approval of (a) changes to internal cost allocation models and any transfer pricing between affiliated entities, (b) significant integration, combination or reorganization of businesses, operations or corporate functions between TMX Group entities, (c) non-ordinary course changes to TSXV's operations, and (d) any outsourcing of key services or systems by a marketplace. The requirement to obtain approvals may restrict or delay our ability to make planned changes to these aspects of our operations in the future which could have a material adverse effect on our business, financial condition and results of operations.

Market Integrity

We may fail to maintain a well-regulated, fair market due to our actions relating to market operations

During 2014, there was an increased focus, particularly in the U.S., on high frequency trading including the impact on all market participants' ability to achieve best execution on their transactions in a transparent market environment. We have announced a number of changes aimed at further improving the Canadian trading landscape by introducing a trading model with superior trading economics for retail and institutional orders, offering effective solutions to participants who may not use speed-based trading strategies. While we believe that these changes will reduce market complexity and further contribute to a fair market environment, it is possible that regulators or market participants may not accept some or all of our proposed changes, or that if implemented the changes may not result in achieving our goals.

Litigation/Legal Proceedings Risk

We are subject to risks of litigation and legal proceedings

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 civil liability for misrepresentations in our continuous disclosure documents and statements and for 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.

Intellectual Property Risk

We may be unable to protect our intellectual property

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

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

Financial Risks

Cost Structure Risk

Our cost structure is largely fixed

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

Market Event Risk

Our derivatives and cash markets clearing businesses may be harmed by a systemic market event

In the case of sudden, large price movements, certain 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 CDCC and CDS's businesses. In such cases, it could be possible that Clearing Members and/or participants default with CDCC and/or CDS. As referred to in the ***Financial Risk Management – Credit Risk – CDS*** **and *Credit Risk – CDCC* sections**, CDCC and/or CDS 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 and could result in significant losses.

Capital Structure Risk

We have approximately $1.2 billion of indebtedness and are subject to ongoing covenants under the Trust Indentures governing the Debentures and the terms of our Credit Facility and Commercial Paper Program.

The Trust Indentures governing the Debentures impose various restrictions on TMX Group and its subsidiaries, including restrictions on the ability of TMX Group and each of its material subsidiaries (as defined in the Trust Indentures) to create a lien on these entities' assets, limitations on the ability of material subsidiaries of TMX Group to enter into certain types of indebtedness, and requirements to repurchase outstanding Debentures on change of control of TSX Inc. or MX coupled with a triggering event (i.e., rating of the Debentures is lowered to below investment grade).

The terms of our Credit Facility and Commercial Paper Program.

Our Credit Agreement requires us to satisfy and maintain an interest coverage ratio and a leverage ratio, among other covenants, including the timely payment of principal and interest when due. It is important that we meet all of the terms under our Credit Facility since it provides a 100% backstop to our Commercial Paper Program (see Loans Payable). Our ability to meet the financial ratios under the Credit Facility and other covenants, including the timely payment of principal and interest when due, under the Credit Agreement and Trust Indentures are dependent on our cash flows and earnings, level of indebtedness and other financial performance measures, which are affected by prevailing interest rates and general economic, market, financial, competitive, regulatory and other factors, such as the volume of securities traded on our equity markets, the number of transactions cleared and settled in our cash market clearing, settlement and depository services, the number of transactions, volume of contracts or products traded and cleared on our cash, derivatives and energy markets, the number of new and additional listings on our equity markets, the number and market capitalization of listed issuers, the number of subscribers to market data, fee regulation by securities regulatory authorities, and increased competition from other exchanges and marketplaces, all of which are beyond our control, as well as on our ability to control our expenses.

Based on the current level of operations and anticipated growth, we believe that our cash flows from operations and our available cash are adequate to meet our current liquidity needs. However, we cannot guarantee that our businesses will generate sufficient earnings or cash flows from operations or that anticipated growth will be realized or that we will be able to control our expenses in an amount sufficient to enable us to satisfy the financial ratios and other covenants, or pay our indebtedness or fund our other liquidity needs. If we do not have sufficient funds, we may be required to renegotiate the terms of, restructure, or refinance all or a portion of our indebtedness on or before our stated maturity, reduce or delay capital investments and acquisitions, reduce or eliminate our dividends, or sell assets. Our ability to renegotiate, restructure, or refinance our indebtedness would depend on the condition of the financial markets and our financial condition at that time. Failure to comply with the financial ratios as well as covenants of the Credit Agreement could result in a default under the Trust Indentures, which, if not cured or waived, could result in TMX Group being required to repay outstanding borrowings under both the Credit Agreement and the Debentures before their due dates. In addition, an event of default under the Trust Indentures governing the Debentures that would result in an acceleration of maturity of the applicable series of Debentures could lead to an acceleration of the maturity of the Credit Agreement.

In addition, if we fail to comply or are reasonably likely to fail to comply with any financial covenant or ratio contained in any Final Recognition Order, such failure could result in a default under the Credit Agreement as well, if a governmental authority issues a decision or orders restrictions on us or any of our subsidiaries as a result of the non-compliance where a requisite majority of the lenders determine that the restrictions have or will have a material adverse effect as defined in the Credit Agreement. It will also be a default under the Credit Agreement if a governmental authority issues a decision or orders restrictions on our or any of our subsidiaries' ability to move cash or cash equivalents among TMX Group and our subsidiaries, where a requisite majority of the lenders determine that the restrictions have or will have a material adverse effect. If these events of default under the Credit Agreement were to result in an acceleration of maturity under the Credit Agreement, the event(s) could constitute an event of default under the Trust Indentures, which in turn would result in the acceleration of maturity of the outstanding Debentures. If we are forced to refinance these borrowings on less favourable terms or cannot refinance these borrowings, our business, results of operations, and financial condition would be adversely affected.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly / Our hedging arrangements could also increase indebtedness

Borrowings under the Commercial Paper Program, Credit Agreement and floating rate Series C Debentures incur interest at variable rates and expose us to interest rate risk. If interest rates increase, our debt service obligations on our variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing the indebtedness, would correspondingly decrease. Although we have entered into various interest rate hedging arrangements to partially mitigate this risk, there is no assurance that such hedging arrangements will be effective. In addition, if interest rates decrease, we would accrue indebtedness in connection with these hedging arrangements, which may impact our ability to meet our financial ratios under the Credit Agreement.

Our ability to incur additional indebtedness could be impacted by adverse changes to our credit rating

In connection with the Debenture offering, we obtained an issuer rating of A (high) from DBRS with a Stable trend. The Debentures obtained the same credit rating from DBRS with a Stable trend. The Commercial Paper has been assigned a rating of "R-1 (low)" with a Stable trend by DBRS.

DBRS will regularly evaluate and monitor the rating of our Commercial Paper and the rating of our Debentures outstanding. A downgrade from our existing rating could adversely affect our cost of borrowing and/or our ability to access sources of liquidity and capital and reduce financing options available to us.

The shareholdings of the investors may adversely affect the liquidity of TMX Group shares

In aggregate the Nominating Investors[26] hold a significant proportion of the common shares outstanding of TMX Group. In addition, each of CIBC World Markets, National Bank Group Inc., Scotia Capital Inc. and 1802146 Ontario Limited, an affiliate of TD Securities Inc., has agreed to maintain a specified minimum ownership interest in TMX Group Limited for a period of five years following completion of the Maple Acquisition of TMX Group Inc. on September 14, 2012. The substantial number of common shares that are held by these investors may adversely affect the liquidity of the common shares held by the public. Based on the criteria for eligibility in the S&P/TSX Composite Index, there is a risk that we could be removed from the index if there is no improvement in the liquidity for our common shares which could make our shares less attractive to certain investors, particularly index funds.

Financial Risk Management

Credit Risk

Credit risk is the risk of loss due to the failure of a borrower, counterparty, clearing member or participant to honour their financial obligations. It arises principally from the clearing operations of CDS, NGX and CDCC, cash and cash equivalents, restricted cash and cash equivalents, marketable securities, trade receivables, total return swaps, interest rate swaps, the brokerage operations of Shorcan and Shorcan Energy Brokers, and the operations of Equity Transfer.

Credit Risk – CDS

The primary credit risk of CDS and its subsidiaries is the risk of loss due to the failure of a participant in CDS Clearing's clearing and settlement services to honour its financial obligations. To a lesser extent, CDS is exposed to credit risk through the performance of services in advance of payment.

Through the clearing and settlement services operated by CDS Clearing, credit risk exposures are created. During the course of each business day, transaction settlements can result in a net payment obligation of a participant to CDS Clearing or the obligation of CDS Clearing to pay a participant. The potential failure of the participant to meet its payment obligation to CDS Clearing results in payment risk, a specific form of credit risk. Payment risk is a form of credit risk in securities settlement whereby a seller will deliver securities and not receive payment, or that a buyer will make payment and not receive the purchased securities. Payment risk is mitigated by delivery payment finality in CDSX, CDS's multilateral clearing and settlement system, as set out in the CDS Participant Rules.

In the settlement services offered by CDS Clearing, payment risk is transferred entirely from CDS Clearing to participants who accept this risk pursuant to the contractual rules for the settlement services. This transfer of payment risk occurs primarily by means of participants acting as extenders of credit to other participants through lines of credit managed within the settlement system or, alternatively, by means of risk-sharing arrangements whereby groups of participants cross-guarantee the payment obligations of other members of the group. Should a participant be unable to meet its payment obligations to CDS Clearing, these surviving participants are required to make the payment. Payment risk is

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mitigated on behalf of participants through the enforcement of limits on the magnitude of payment obligations of each participant and the requirement of each participant to collateralize its payment obligation. Both of these mitigants are enforced in real time in the settlement system.

Through New York Link (NYL) and DTC Direct Link (DDL), credit risk exposures are created. During the course of each business day, settlement transactions by NSCC/DTC can result in a net payment obligation from NSCC/DTC to CDS Clearing or the obligation of CDS Clearing to make a payment to NSCC/DTC. As a corollary result, CDS has a legal right to receive the funds from sponsored participants in a debit position or has an obligation to pay the funds to sponsored participants in a credit position.

The potential failure of the participant to meet its payment obligation to CDS Clearing in CDS Clearing's NYL or DDL services results in a payment risk. To mitigate the risk of default, CDS Clearing has in place default risk mitigation mechanisms to minimize losses to the surviving participants as set out in the CDS Participant Rules. The process includes participants posting collateral with CDS Clearing and NSCC/DTC.

The risk exposure of CDS Clearing in these central counterparty services is mitigated through a daily mark-to-market of each participant's obligations as well as risk-based collateral requirements calculated daily. These mitigants are intended to cover the vast majority of market changes and are tested against actual price changes on a regular basis. This testing is supplemented with analysis of the effects of extreme market conditions on a collateral valuation and market risk measurements. Should the collateral of a defaulter in a central counterparty service be insufficient, either because the value of the collateral has declined or the loss to be covered by the collateral exceeded the collateral requirement, the surviving participants in the service are required to cover any residual losses.

As a result of calculations of participants' exposure at December 31, 2014, the total amount of collateral required by CDS Clearing was $3,690.7 million (2013 – $3,237.8 million). The actual collateral pledged to CDS Clearing at December 31, 2014 was $4,655.3 million (2013 $3,987.6 million). The collateral pledged at December 31, 2014 was comprised of Cash (included within Balances with participants on the consolidated balance sheet) of $348.5 million (2013 $318.9 million) and Treasury bills and Fixed Income Securities of $4,306.8 million (2013 - $3,668.7 million). Non-cash collateral is not included on our consolidated balance sheet.

CDS may receive payment from securities issuers for entitlements, for example, maturity or interest payments, prior to the date of payment to the participants holding those securities. In rare circumstances, due to the timing of receipt of these payments or due to market conditions, these funds may be held with a major Canadian chartered bank. As a result, CDS could be exposed to the credit risk associated with the potential failure of the bank.

See **Other Credit and Liquidity Facilities** for a description of CDS's credit and liquidity facilities.

Credit Risk – NGX

NGX is exposed to credit risk in the event that contracting parties default on their contractual obligations to NGX resulting in the failure to settle on the amounts due.

NGX is the central counterparty to each transaction (whether it relates to natural gas, electricity or crude oil contracts) cleared through its clearing operations. By providing a clearing and settlement facility, NGX is subject to the risk of a counterparty default. NGX manages this risk by applying standard rules and regulations, and using a conservative margining regime based on industry best practices. This margining regime involves monitoring client portfolios in real-time and requiring participants to deposit liquid collateral in excess of those valuations. NGX conducts market stress scenarios, liquidation simulations, and backtesting regularly to test the ongoing integrity of its clearing operation. NGX also manages and mitigates these risks through a framework of policies, regulations and procedures.

NGX requires each contracting party to provide sufficient collateral, in the form of cash or letters of credit, in excess of the 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; and
- "Initial Margin," an amount that estimates the potential contracting party loss in their portfolio under an adverse price movement to a 99.7% confidence interval during a liquidation period.

As a result of these calculations of contracting party exposure at December 31, 2014, NGX had access to cash collateral deposits of $555.0 million (2013 - $719.3 million) million and letters of credit of $2,768.7 million (2013 - $1,794.1 million). These amounts are not included in our consolidated balance sheet.

See **Other Credit and Liquidity Facilities** for a description of NGX's credit facilities.

Credit Risk – CDCC

CDCC is exposed to credit risk in the event that Clearing Members fail to satisfy any of the contractual obligations as stipulated within CDCC's rules**.**

CDCC is exposed to the risk of default of its Clearing Members since it acts as the central counterparty for all transactions carried out on MX's markets and on certain OTC markets which are serviced by CDCC. It primarily supports the credit risk of one or more counterparties defaulting on their financial obligations, in which case, the obligations of those counterparties would become the responsibility of CDCC.

The first line of defence in CDCC's credit risk management process is the adoption of strict membership criteria which include both financial and regulatory requirements. In addition, CDCC performs on-going monitoring of the financial viability of its Clearing Members against the relevant criteria as a means of ensuring the on-going compliance of its Clearing Members. In the event that a Clearing Member fails to continue to satisfy any of its membership criteria, CDCC has the right through its rules, to impose various sanctions on such Clearing Members.

One of CDCC's principal risk management practices with regards to counterparty credit risk is the collection of risk-based margin deposits in the form of cash, equities and liquid government securities. Should a Clearing Member fail to meet settlements and/or daily margin calls or otherwise not honour its obligations under open futures and options contracts, margin deposits would be seized and would then be available to apply against the costs incurred to liquidate the Clearing

Member's positions. CDCC's margining system is complemented by a Daily Capital Margin Monitoring (DCMM) process that evaluates the financial strength of a Clearing Member against its margin requirements. CDCC monitors the margin requirement of a Clearing Member as a percentage of its capital (net allowable assets). CDCC will make additional margin calls when the ratio of margin requirement/net allowable assets exceeds 100%. The additional margin is equal to the excess of the ratio over 100% and is meant to ensure that Clearing Member leverage in the clearing activities does not exceed the value of the firm.

An additional component to CDCC's overall credit risk is its exposure in the default management process. CDCC holds \$10.0 million of its cash and cash equivalents and marketable securities to cover the potential loss incurred due to Clearing Member defaults. This \$10.0 million would be accessed in the event that a defaulting Clearing Members' margin and clearing fund deposits are insufficient to cover the loss incurred by CDCC. The \$10.0 million is allocated into two separate tranches. The first tranche of \$5.0 million is intended to cover the loss resulting from the first defaulting Clearing Member. If the loss incurred is greater than \$5.0 million, and as such the first tranche is fully depleted, CDCC will fully replenish the first tranche using the second tranche of \$5.0 million. This second tranche is in place to ensure there is \$5.0 million available in the event of an additional Clearing Member default.

CDCC's cash margin deposits and cash clearing fund deposits are held at the Bank of Canada thereby alleviating the credit risk CDCC were to face with deposits held at commercial banks. The actual cash collateral pledged to CDCC at December 31, 2014 was \$511.6 million (2013 - \$309.3 million) CDCC's non-cash margin deposits and non-cash clearing fund deposits are pledged to CDCC under irrevocable agreements and are held by approved depositories. This collateral may be seized by CDCC in the event of default by a Clearing Member. At December 31, 2014, non-cash margin deposits of \$4,098.1 million (2013 - \$3,691.9 million) and non-cash clearing fund deposits of \$291.0 million (2013 - \$287.0 million) had been pledged to CDCC. Non cash collateral is held in government securities, put letters of guarantee, and equity securities and is not included in our consolidated balance sheet.

See **Other Credit and Liquidity Facilities** for a description of CDCC's credit facilities.

Credit Risk – Cash and cash equivalents and Restricted cash and cash equivalents

We manage our exposure to credit risk on our cash and cash equivalents and restricted cash and cash equivalents by holding the majority of our cash and cash equivalents with major Canadian chartered banks or in Government of Canada treasury bills.

Credit Risk – Marketable Securities

We manage exposure to credit risk arising from investments in marketable securities by holding investment funds that actively manage credit risk or by holding high-grade individual fixed income securities with credit ratings of A/R1-low or better. In addition, when holding individual fixed income securities, we will limit our exposure to any non-government security. Our investment policy will only allow excess cash to be invested within money market securities or fixed income securities.

The majority of the portfolio is held within Bank deposits, notes and Treasury Bills. In addition, a portion of the portfolio is held within a money market fund and a specific short-term bond and mortgage fund. The money market fund manages credit risk by limiting investments to government or government-guaranteed treasury bills, and high-grade corporate notes. The short term bond and mortgage fund manages credit risk by limiting investments to high-quality Canadian corporate bonds, government bonds and up to 40% of the fund's net assets in conventional first mortgages and mortgages guaranteed under the National Housing Act (Canada). Corporate bonds held must have a minimum credit rating of BBB by DBRS at the time of purchase. 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.

Credit Risk – Trade Receivables

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. We invoice our customers on a regular basis and maintain a collections team to monitor customer accounts and minimize the amount of overdue receivables. There is no concentration of credit risk arising from accounts receivable from a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing, trading, clearing, data access privileges and other services.

Credit Risk – Total Return Swaps (TRS)

Due to the bilateral nature of the TRSs, we are exposed to the counterparty credit risk. To manage this credit risk, we only enter into the TRSs with major Canadian chartered banks.

Credit Risk – Interest Rate Swaps (IRS)

Due to the bilateral nature of the IRSs, we are exposed to the counterparty credit risk. To manage this credit risk, we only enter into the IRSs with major Canadian chartered banks.

Credit Risk – Foreign Exchange Forwards

Due to the bilateral nature of the Foreign Exchange Forward contracts, we are exposed to the counterparty credit risk. To manage this credit risk, we only enter into the Foreign Exchange Forward contracts with major Canadian chartered banks.

Credit Risk – Shorcan and Shorcan Energy Brokers

Shorcan and Shorcan Energy Brokers are exposed to credit risk in the event that customers fail to settle on the contracted settlement date. This risk is limited by their status as agents, in that they do not purchase or sell securities for their own account. As agents, in the event of a failed trade, Shorcan or Shorcan Energy Brokers has the right to withdraw its normal policy of anonymity and advise the two counterparties to settle directly.

Credit Risk – Equity Transfer

Equity Transfer is exposed to credit risk on foreign exchange transactions processed for clients in the event that either the client or the financial counterparty fails to settle contracts for which foreign exchange rates have moved unfavourably. The risk of a financial counterparty failing to settle a transaction is considered remote as Equity Transfer deals only with reputable financial institutions comprised of major Canadian chartered banks.

Market Risk

Market risk is the risk of loss due to changes in market prices and rates such as equity prices, interest rates and foreign exchange rates.

Equity Price Risk – RSUs, DSUs, TRS

We are exposed to market risk relating to equity prices when we grant DSUs and RSUs to our directors and employees, respectively, as our obligation under these arrangements are partly based on our share price. We have entered into TRSs as a partial fair value hedge to the share appreciation rights of these RSUs and DSUs.

Interest Rate Risk – Marketable Securities

We are exposed to market risk on interest earned on our marketable securities. We have engaged external investment fund managers to manage the asset mix and the risks associated with the majority of these investments. At December 31, 2014, TMX Group held $59.7 million in marketable securities of which 48.2% were held in a short-term bond and mortgage fund, 48.4% were held in a money market fund, 0.8% were held in treasury bills and 2.6% were held in other term deposits.

Interest Rate Risk – Commercial Paper and Debentures

We are exposed to market risk relating to interest paid on our **Commercial Paper** and **Series C Debentures**. Assuming Commercial Paper outstanding of approximately $233.9 million (balance at December 31, 2014), the approximate annual impact on income before income taxes of a 0.25% rise and a 0.25% fall in interest rates with respect to Commercial Paper is a decrease of $0.6 million and an increase of $0.6 million, respectively. We partially manage the market risk relating to interest paid on our Commercial Paper through interest rate swaps with a notional value of $50.0 million. They will expire on September 30, 2015. The approximate impact on income before income taxes of a 0.25% rise and a 0.25% fall in interest rates with respect to our Series C Debentures is a decrease of $0.9 million and an increase of $0.9 million, respectively. We manage the market risk relating to interest paid on our Series C Debentures through interest rate swaps with a notional value of $350.0 million. They will expire on July 31, 2016. **(See Commercial Paper, Debentures, Credit and Liquidity Facilities – Interest Rate Swaps)**.

Other Market Price Risk – CDS, CDCC, NGX, Shorcan, and Shorcan Energy Brokers

We are exposed to market risk factors from the activities of CDS, NGX, CDCC, Shorcan, and Shorcan Energy Brokers 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 or delivery date where the contracted price is less favourable than the current market price.

CDS is exposed to market risk as a result of its role as central counterparty in its continuous net settlement services. In these services, CDS is obligated to fulfill security delivery and receipt and payment obligations to participants who are members of those services. The potential for security prices to change between trade execution and settlement creates replacement cost risk, a form of market risk. Should a participant counterparty to a transaction be ultimately unable to meet its security receipt and payment obligation or security delivery, the surviving counterparty can be exposed to replacement cost risk by having to execute a replacement transaction at a less favourable price.

Replacement cost risk exposure of CDS in these central counterparty services is mitigated through a daily mark-to-market of each participant's obligations as well as risk-based collateral requirements calculated daily. These mitigants are intended to cover the vast majority of market changes and are tested against actual price changes on a regular basis. This testing is supplemented with analysis of the effects of extreme market conditions on collateral valuation and market risk measurements. Should the collateral of a defaulter in a central counterparty service be insufficient, either because the value of the collateral has declined or the loss to be covered by the collateral exceeded the collateral requirement, the surviving participants in the service are required to cover any residual losses.

Settlements in the clearing and settlement services occur in both Canadian and U.S. dollars. Foreign exchange risk is created when the currency of the payment obligation is different from the valuation currency of the collateral supporting that payment obligation. This risk is mitigated by discounting the collateral value of securities where these mismatches occur.

CDCC is exposed to market risk in the event of a Clearing Member default and has risk management strategies in place to mitigate the potential to loss due to changing market conditions.

The primary mitigation to the market risk that CDCC would be facing further to a Clearing Member default is the collection of margin fund deposits that aim to cover any liabilities that a Clearing Member may incur by using CDCC's CCP services. Replacement Cost risk is managed by ensuring that the mark-to-market exposure of all open trade positions are covered daily. In addition, CDCC collects additional risk-based margin collateral that is representative of the worst-case liquidating value, under normal market conditions, that CDCC would be exposed to in the default management process.

CDCC also maintains a clearing fund of 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 were to fail under various extreme but plausible market conditions. Each Clearing Member contributes to the clearing fund in proportion to the residual risk that it brings to the clearing system. 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.

NGX is exposed to market price risk as a result of its role as a central counterparty to natural gas, electricity and crude oil transactions. NGX requires each contracting party to provide sufficient collateral, in the form of cash or letters of credit, in excess of the outstanding credit exposure which includes mark-to-market exposure of all open trade positions. In addition, NGX collects additional risk-based margin collateral that is representative of the liquidating value within a defined confidence interval and liquidation period under normal market conditions that NGX would be exposed to in the default management process.

Shorcan and Shorcan Energy Brokers' risk is limited by their status as an agent, in that they do not purchase or sell securities or commodities for their 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, and the amount paid to acquire, the securities or commodities.

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

Foreign Currency Risk

We are exposed to market risk relating to foreign currency rates applicable to our cash and cash equivalents, trade receivables and trade payables, principally denominated in U.S. dollars. We are also exposed to market risk on revenue and expenses where we invoice or procure in a foreign currency, principally in U.S. dollars. The approximate impact of a 10% rise or a 10% decline in the Canadian dollar compared with the U.S. dollar on these cash flows is a $5.6 million decrease or increase in cash. At December 31, 2014, cash and cash equivalents and trade receivables, net of current liabilities, excluding BOX, include US$28.5, which are exposed to changes in the US-Canadian dollar exchange rate (2013 – US$23.2), £0.5, which are exposed to changes in the British Pound Sterling-Canadian dollar exchange rate, and €0.9, which are exposed to changes in the Euro-Canadian dollar exchange rate. The approximate impact of a 10% rise or a 10% decline in the Canadian dollar compared with the U.S. dollar, AUD, and Euro on these balances as at December 31, 2014 is a $3.8 million decrease or increase in income before income taxes, respectively. In addition, net assets related to BOX, Finexeo, Razor and other operations are denominated in US dollars, Euros (EUR), Australian dollars (AUD) and British Pound Sterling (GBP) respectively, and the effect of foreign exchange rate movements on the Company's share of these net assets is included in other comprehensive income. These are denominated in U.S. dollars, Euros, and Australian dollars, respectively, and the effect of foreign exchange rate movements on TMX Group's share of these net assets is included in other comprehensive income. The approximate impact of a 10% rise or a 10% decline in the Canadian dollar compared with the U.S. dollar, AUD, and Euro on these transactions as at December 31, 2014 is a $7.2 million decrease or increase in equity attributable to equity holders, respectively.

We are exposed to market risk relating to foreign currency rates applicable to some of our Commercial Paper. As at December 31, 2014 we borrowed US$75.0 million under our Commercial Paper Program. U.S. $60.0 million has been fully hedged with the use of foreign exchange forward contracts and the maturity dates of these contracts coincide with the maturity dates of the underlying individual U.S. dollar denominated Commercial Paper. In addition, US$15.0 million is not hedged with forward contracts but is partially hedged by our U.S. dollar assets. With respect to the US$15.0 million of Commercial Paper, the approximate impact of a 10% rise or a 10% decline in the Canadian dollar compared with the U.S. dollar is a $1.5 million increase or decrease in income before income taxes, respectively.

NGX offers contracts denominated in both Canadian and U.S. dollars and accepts collateral in either currency. Settlement always occurs in the contracted currency. Market risk relating to foreign exchange rates could be created if there is a default and the currency of the required payment obligation is different from the currency of the collateral supporting that payment obligation. This risk is mitigated by converting the foreign denominated collateral at current foreign exchange rates and then adjusting collateral positions to mitigate any foreign exchange risk present.

Settlements in the clearing and settlement services offered by CDS occur in both Canadian and U.S. dollars. Market risk relating to foreign exchange rates could be created if there is a default and the currency of the payment obligation is different from the currency of the collateral supporting that payment obligation. This risk is mitigated by discounting the collateral value of securities where these mismatches occur.

We do not currently employ currency hedging strategies and therefore significant moves in exchange rates, specifically a strengthening of the Canadian dollar against the U.S. dollar can have an adverse effect on the value of our revenue or assets in Canadian dollars.

Liquidity Risk

Liquidity risk is the risk of loss due to the inability of TMX Group or its participants/customers to meet their financial obligations in a timely manner or at reasonable prices. We manage liquidity risk through the management of our cash and cash equivalents and marketable securities, all of which are held in short term instruments, and our Debentures, Commercial Paper as well as credit and liquidity facilities. In the clearing and depository services, liquidity risk results from the requirement to convert collateral to cash in the event of the default of a participant.

Cash and cash equivalents and Restricted cash and cash equivalents

Cash and cash equivalents and restricted cash and cash equivalents consist of cash and highly liquid investments.

Marketable securities

Our investment policy will only allow excess cash to be invested within money market securities or fixed income securities. The majority of the portfolio is held within Bank deposits, notes and Treasury Bills. In addition, a portion of the portfolio is held within a money market fund and a specific short-term bond and mortgage fund. The money market fund limits our investments to government or government-guaranteed treasury bills, and high-grade corporate notes. The short-term bond and mortgage fund limits our investments to high-quality Canadian corporate bonds, government bonds and up to 40% of the fund's net assets in conventional first mortgages and mortgages guaranteed under the National Housing Act (Canada). Fund units can be redeemed on any day that Canadian banks are open for business. Funds will be received the day following the redemption.

Individual fixed income securities held will have credit ratings of A/R1-low or better and are highly liquid.

CDS marketable securities are composed of Canadian and U.S. government-issued or government-backed fixed income securities with maturities of less than one year.

Balances with Clearing Members and participants

The margin deposits of CDCC and CDS and clearing fund margins of CDCC are held in liquid instruments. Cash margin deposits and cash clearing fund deposits from Clearing Members, which are recognized on the consolidated balance sheet, are held by CDCC with the Bank of Canada. Non-cash margin deposits and non-cash clearing fund deposits pledged to CDCC under irrevocable agreements are in government securities and other securities and are held with approved depositories. Cash collateral from CDS's participants, which is recognized on the consolidated balance sheet, is held by CDS at the Bank of Canada and NSCC/DTC. Non-cash collateral, which is not recognized on the consolidated balance sheet, pledged by participants under Participant Rules is held by CDS in liquid government and fixed income securities.

New York Link service – CDS

The design of CDS's New York Link service does not apply strict limits to a participant's end-of-day payment obligation, creating the potential for unlimited liquidity risk exposure if a user of the service were to default on its obligation. CDS manages this risk through active monitoring of payment obligations and a committed liquidity facility which covers the vast majority of potential participant default scenarios. Residual liquidity risk in excess of CDS's liquidity facility is transferred to surviving participant users of the New York Link service and as a result CDS's liquidity risk exposure is limited to a maximum of its available liquidity facility.

Fair value of open energy contracts and Energy contracts payable – NGX

NGX requires each contracting party to provide sufficient collateral, in the form of cash or letters of credit, to exceed its outstanding credit exposure, including contract replacement costs at current market prices, 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. NGX also ensures that it maintains sufficient liquid resources to cover twelve months of operating costs as well as the daily settlement requirement of its largest single participant under a stressed market scenario.

Credit and liquidity facilities – Clearing operations

In response to the liquidity risk that CDS, CDCC and NGX are exposed to through their clearing operations, they have arranged various facilities (see ***Other Credit and Liquidity Facilities***).

CDS maintains unsecured operating demand loans totaling $6.0 million to support short-term operating requirements. To support processing and settlement activities of participants, an unsecured overdraft facility and demand loans of $15.0 million and an overnight facility of US$5.5 million are available.

CDS maintains a secured standby liquidity facility of U.S. $400.0 million, or Canadian dollar equivalent that can be drawn in either U.S. or Canadian currency. . This arrangement is available to support processing and settlement activities in the event of a participant default. Borrowings under the secured facility are obtained by pledging or providing collateral pledged by participants primarily in the form of debt instruments issued or guaranteed by federal, provincial and/or municipal governments in Canada or U.S. treasury instruments.

In addition, CDS has signed agreements that would allow the Bank of Canada to provide emergency last-resort liquidity to CDS at the discretion of the Bank of Canada. This liquidity facility is intended to provide end of day liquidity for payment obligations arising from CDSX, and only in the event that CDS is unable to access liquidity from its standby liquidity facility or in the event that the liquidity under such facilities is insufficient. Use of this facility would be on a fully collateralized basis.

CDCC maintains daylight liquidity facilities for a total of $600.0 million to provide liquidity on the basis of collateral in the form of securities that have been received by, or pledged to, CDCC. The daylight liquidity facilities must be cleared to zero at the end of each day.

The syndicated revolving standby liquidity facility for a total of $300.0 million is in place to provide end of day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero as well as to provide a source of overnight funding for securities that are not eligible to be pledged at the Bank of Canada. Advances under the facility will be secured by collateral in the form of securities that have been received by CDCC. The syndicated REPO facility is also in place to provide end of day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. The facility will provide liquidity in exchange for securities that have been received by CDCC. CDCC also maintains a $12,264.0 million repurchase facility with a syndicate of six major Canadian chartered banks. This facility is comprised of $1,200.0 million in committed liquidity and $11,064.0 million in uncommitted liquidity and is in place to provide end of day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. The facility will provide liquidity in exchange for securities that have been received by CDCC.

Finally, CDCC's Bank of Canada liquidity facility is intended to provide end of day liquidity only in the event that CDCC is unable to access liquidity from the revolving standby liquidity facility and the syndicated REPO facility or in the event that the liquidity under such facilities is insufficient. Use of this facility would be on a fully collateralized basis.

Similarly, in response to the liquidity risk that NGX is exposed to through its clearing and settlement operations, it maintains an unsecured clearing backstop fund in the form of a letter of credit maintained with a custodian in an amount of US$100.0 million, a $300.0 million daylight liquidity facility, and an overdraft facility of $20.0 million.

Commercial Paper, Debentures and Credit Facility

Our capital structure includes approximately $1.2 billion of indebtedness. As highlighted in the **Capital Structure Risk**, we rely on our Commercial Paper Program, Debentures and Credit Facility as a source of financing. If our indebtedness under the terms of our Commercial Paper Program, Debentures or Credit Facility (if drawn) was to become due prior to the maturity dates as a result of not meeting covenants under the Trust Indentures, the terms of the Commercial Paper Program or the Credit Facility, we could be required to seek more costly sources of financing, or potentially would not be able to obtain an alternative form of financing. The specific liquidity risk related to Commercial Paper is that we are unable to borrow under a new Commercial Paper issuance in order to pay for Commercial Paper that is coming due because of a lack of liquidity or demand for our Commercial Paper in the market. To mitigate this risk, we entered into a Credit Agreement on May 30, 2014 that provides 100% coverage or backstop to the Commercial Paper Program (see **Loans Payable**).

ACCOUNTING AND CONTROL MATTERS

Changes in Accounting Policies

Effective January 1, 2014, we adopted the following new amendments and interpretation to IFRS:

- Investment Entities – Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 27, *Separate Financial Statements*;
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32, *Financial Instruments: Presentation*;
- Novation of derivatives and continuation of hedge accounting – Amendments to IAS 39, *Financial Instruments: Recognition and Measurement*; and
- International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*.

There was no impact on the financial statements as a result of their adoption.

Future Changes in Accounting Policies

A number of other new standards and amendments to standards are not yet effective and have not been applied in preparing the financial statements. These amended and new standards are required to be implemented for our financial year beginning on or after January 1, 2015, unless otherwise noted:

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19, *Employee Benefits*) – The narrow- scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments apply retrospectively for annual periods beginning on or after July 1, 2014 with earlier application permitted.

- Annual Improvements cycle 2010-2012, cycle 2011-2013, and cycle 2012-2014 (Amendments to various standards) – These narrow-scope amendments apply to a total of eleven standards as part of the IASB's annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014 for the 2010-2012 and 2011-2013 cycles and on or after January 1, 2016 for the 2012-2014 cycle. Earlier application is permitted with special transitional requirements.

- Business combination accounting for interest in a joint operation (Amendments to IFRS 11, *Joint Arrangements*) – The amendments require business combination accounting to be applied when a joint operation that constitutes a business is acquired. The amendments are effective for annual periods beginning on or after January 1, 2016 with earlier application permitted.

- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*) – The amendments require full gain recognition when the transfer of assets involving an associate or joint venture meet the definition of a business under IFRS 3, *Business Combinations.* The amendments also introduce new accounting that involves neither a cost nor full step-up of certain retained assets that are not businesses. The amendments are effective for annual periods beginning on or after January 1, 2016 with earlier application permitted.

- Clarification of acceptable methods of depreciation and amortization (Amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*) – The amendments explicitly prohibit the use of revenue-based methods of depreciation for property, plant and equipment and introduce a rebuttable presumption that its use for intangible assets is inappropriate. The amendments are effective for annual periods beginning on or after January 1, 2016 with earlier application permitted.

- IFRS 9, *Financial Instruments* – IFRS 9 replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, for the classification and measurement of financial assets and financial liabilities and new standards for hedge accounting. Financial assets will be classified into one of two categories on initial recognition: amortized cost or fair value. For financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the change recognized in profit or loss. IFRS 9 will provide for more hedging strategies to qualify for hedge accounting, introduce more judgment in assessing the effectiveness of a hedging relationship, and include a single, forward-looking “expected loss” impairment model. The mandatory date for IFRS 9 is for annual periods beginning on or after January 1, 2018, with early application permitted for annual periods beginning on or after January 1, 2015.

- IFRS 15, *Revenue from Contracts with Customers* – The IASB and the U.S. Financial Accounting Standards Board (“FASB”) jointly issued converged accounting standards on the recognition of revenue from contracts with customers; the IASB’s standard is IFRS 15, *Revenue from Contracts with Customers*. The previous requirements of both IFRS and U.S. GAAP were different and often resulted in different accounting for transactions that were economically similar. IFRS 15 and its U.S. GAAP equivalent, contain a single revenue model that applies to contracts with customers with the exception of contracts for insurance, financial instruments and leases. Under the model, there are two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The mandatory effective date for IFRS 15 is for annual periods beginning on or after January 1, 2017 with either full retrospective application, retrospective with optional practical expedients or a modified prospective approach with disclosure requirements.

We intend to adopt each of the above amendments and standards, as applicable, in the year in which they are effective. We are reviewing these new amendments and standards to determine the potential impact, if any, on our financial statements once they are adopted. At this time, the extent of the impact of adoption of these new standards and amendments has not yet been determined.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

TMX Group’s disclosure controls and procedures as defined in National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109) are designed to provide reasonable assurance that information required to be disclosed in our filings under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They are also designed to provide reasonable assurance that all information required to be disclosed in these filings is accumulated and communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as appropriate, to allow timely decisions regarding public disclosure. 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, 2014. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective as of December 31, 2014.

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 IFRS, 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 IFRS, 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, 2014 using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (2013). Based on this evaluation, the CEO and CFO have concluded that our internal control over financial reporting was effective as of December 31, 2014.

Changes in Internal Control over Financial Reporting

There were no changes to internal control over financial reporting during the quarter and year ended December 31, 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Related Party Relationships and Transactions

Parent

The shares of TMX Group are widely held and, as such, there is no ultimate controlling party of TMX Group. While in aggregate the Nominating Investors[27] own a significant portion of the common shares outstanding of TMX Group, under the OSC and AMF Recognition Orders, no person or combination of persons, acting jointly or in concert, is permitted to beneficially own or exercise control of direction over more than 10% of any class or series of voting shares of TMX Group without prior approval of the OSC and the AMF.

[27] *"Nominating Investors"* consist of Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., National Bank Group Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and TD Securities Inc., either directly or through an affiliate.

Key management personnel compensation

Compensation for key management personnel, including TMX Group's Board of Directors, was as follows for the year:

(in millions of dollars)	**2014**	2013
Salaries and other short-term employee benefits	**$9.6**	$9.7
Post-employment benefits	**1.4**	1.5
Share-based payments	**7.7**	9.8
	18.7	21.0

Related party transactions

In aggregate, the Nominating Investors[28] hold a significant proportion of our common shares outstanding. TMX Group and its subsidiaries transact with a number of the Nominating Investors[28] on a regular basis through their normal operations. Transactions are conducted at prevailing market prices and on general market terms and conditions.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

Examples of forward-looking information in this MD&A include, but are not limited to, factors relating to stock, derivatives and energy exchanges and clearing houses and the business, strategic goals and priorities, market condition, pricing, proposed technology and other initiatives, financial condition, operations and prospects of TMX Group which are subject to significant risks and uncertainties. These risks include: competition from other exchanges or marketplaces, including alternative trading systems and new technologies, on a national and international basis; dependence on the economy of Canada; adverse effects on our results caused by global economic uncertainties including changes in business cycles that impact our sector; 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; constraints imposed by our level of indebtedness, risks of litigation or regulatory proceedings; dependence on adequate numbers of customers; failure to develop, market or gain acceptance of new products; currency risk; adverse effect of new business activities; not being able to meet cash requirements because of our holding company structure and restrictions on paying dividends; dependence on third-party suppliers and service providers; dependence of trading operations on a small number of clients; risks associated with our clearing operations; challenges related to international expansion;

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restrictions on ownership of TMX Group common shares; inability to protect our intellectual property; adverse effect of a systemic market event on certain of our businesses; risks associated with the credit of customers; cost structures being largely fixed; dependence on market activity that cannot be controlled; the regulatory constraints that apply to the business of TMX Group and its regulated subsidiaries, costs of on exchange clearing and depository services, trading volumes (which could be higher or lower than estimated) and revenues; future levels of revenues being lower than expected or costs being higher than expected.

Forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions in connection with the ability of TMX Group to successfully compete against global and regional marketplaces; business and economic conditions generally; exchange rates (including estimates of the U.S. dollar-Canadian dollar exchange rate), the level of trading and activity on markets, and particularly the level of trading in TMX Group's key products; business development and marketing and sales activity; 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 and development activities; the successful introduction and client acceptance of new products; successful introduction of various technology assets and capabilities; the impact on TMX Group and its customers of various regulations; TMX Group's ongoing relations with its employees; and the extent of any labour, equipment or other disruptions at any of its operations of any significance other than any planned maintenance or similar shutdowns.

While we anticipate that subsequent events and developments may cause our views to change, we have no intention to update this forward-looking information, except as required by applicable securities law. This forward-looking information should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. We have attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward-looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect us. A description of the above-mentioned items is contained under the heading **RISKS AND UNCERTAINTIES** in this MD&A.