Toronto Stock Exchange
TSX Venture Exchange
TMX Select
Alpha
Montréal Exchange
BOX
NGX
Shorcan
The Canadian Depository for Securities Limited
Canadian Derivatives Clearing Corporation
TMX Datalinx
TMX Atrium
TMX Technology Solutions
Equicom
TMX Equity Transfer Services

2013 ANNUAL REPORT

TMX GROUP LIMITED

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LETTER FROM THE CHAIR

This past year was important, as it marked the first full year of operations for TMX Group following the successful completion of the Maple Transaction. Our senior management and employees channelled their efforts towards the very successful integration of TMX Group Inc., CDS and Alpha. I am pleased to say that the integration is nearly complete and that we now expect to exceed our original target for cost synergies by about forty percent.

TMX Group is well positioned to be an even stronger, more efficient organization that can better tap into new growth opportunities, and be more competitive both in domestic and select global markets. These opportunities come from the diverse yet complementary services that TMX Group offers, as the company continues to expand into new and related technologies and services. As was evident last year, the company's strategy has contributed to its resilience in challenging and somewhat unfavourable market conditions.

TMX Group will continue to advance its operational goals while meeting its critical public interest mandate. The management of the company and my fellow Directors are fully committed to this.

Our CEO, Tom Kloet, announced his retirement earlier this week. On behalf of the Board of Directors, I want to thank Tom for his leadership and many contributions to TMX Group. I have personally enjoyed working with Tom as we managed the transition of TMX Group through a time of change and consolidation in the industry, and look forward to working with him in the coming months as we continue to execute on the organization's growth strategy and the transition to his successor.

TMX Group's vision is to be the provider of choice for capital markets infrastructure services in Canada and for select capital market services globally. We look forward to working with management to achieve this vision, to better serve our clients, to further improve the performance of TMX Group's business, and to continue to deliver shareholder value.

Charles Winograd
Chair, Board of Directors
TMX Group Limited
March 20, 2014

LETTER FROM THE CEO

In 2013, TMX Group took important steps to strengthen our evolving organization, advance our strategy and expand the key role we play in Canada's capital markets. Against a backdrop of less than ideal market conditions, we are pleased to report that 2013 was a solid year for TMX Group in terms of our accomplishments and execution.

2013 Highlights

In terms of size and scope, our most significant achievement of 2013 was the integration of TMX Group, CDS, and Alpha. This process is now largely complete. While not an easy task, our teams successfully navigated the challenges in integrating our businesses while seamlessly providing excellent service to our customers. We are pleased to have exceeded our initial estimated annualized net cost synergies by $8.0 million, to an increased target of $28.0 million in annualized net cost synergies on a run-rate basis in Q1/14. More importantly, the integration has resulted in improved execution and enhanced efficiency across our businesses, which better positions us to address competitive challenges and varying economic conditions.

In addition to these integration efforts we also made progress with our strategic priorities in continuing to build and diversify our business.

In Q1/13, we acquired Equity Financial Holdings' transfer agent and corporate trust services business, and renamed it TMX Equity Transfer Services Inc. This business is highly complementary to our existing suite of issuer services and provides both immediate scale and additional growth opportunities. On the same day, we completed the combination of our fixed income index business, PC-Bond, with FTSE's international fixed income index business. We hold a 25% interest in the resulting entity, FTSE TMX Global Debt Capital Markets Inc.

On our trading platforms, our technology team successfully launched our new high-performance trading engine, TMX Quantum XA, on TMX Select in Q3/13. TMX Quantum XA, which provides dramatically improved speed, reduced latency variability, and increased capacity, was shortlisted for a 2013 American Financial Technology Award for Most Cutting-Edge IT Initiative. We are now preparing for the planned migration of TMX Quantum XA on Toronto Stock Exchange starting in June 2014. Additionally, in Q4/13 Montreal Exchange completed an important upgrade of its SOLA derivative trading platform, which delivered a nearly 300% improvement in trading response time and doubled messaging capacity.

During the year, NGX added four natural gas clearing locations in the U.S. and further enhanced its U.S. business presence by achieving Foreign Board of Trade status. NGX also entered into an energy alliance with NASDAQ's physical energy entity that resulted in the transfer of NASDAQ's physical energy products and customers to NGX.

Lastly, at the end of Q3/13, we successfully completed a private placement offering of $1.0 billion of senior unsecured debentures and amended the terms of our credit facility. The proceeds were used to refinance our debt, which has resulted in a substantial reduction in our finance costs. We were very pleased with both the investment community's interest in our offering, and the market`s confidence in investing in our five and ten year debentures.

Review of 2013 Performance

Despite signs of improvement, market conditions in 2013 continued to be challenging. Our equities business was adversely impacted in both listings and trading, largely due to weakness in sectors that included metals and mining, materials, real estate, and utilities. In 2013, we had a lower number of initial and additional listing transactions compared with 2012, which was reflected in a reduction in initial and additional listing fees. Despite this softer listing business environment, the World Federation of Exchanges ranked our exchanges second in the world for number of new listings in 2013, third for number of new international listings, and seventh for equity capital raised. We are pleased that our global ranking and international reputation has remained strong.

On the trading side, consistent with lower overall trading volumes on Canadian equities markets, we recorded a 14% year-over-year reduction in combined trading activity on Toronto Stock Exchange, TSX Venture Exchange, Alpha, and TMX Select.

However, there was a noteworthy 70% increase in volumes on TMX Select year over year. As mentioned, we launched TMX Quantum XA on that market in the summer of 2013. The TMX Select pricing model also differentiates it from other markets in Canada. We believe these features are attracting more interest in TMX Select.

Looking at our derivatives segment, there was a 3% increase in trading and clearing volumes on MX and CDCC in 2013 compared with 2012. MX set several new volume and open interest records over the course of the year. In the U.S., however, BOX, the equity derivatives market in which we hold a 54% interest, faced a challenging and highly competitive environment. This resulted in a 38% decline in trading volumes for the year, reflecting a decrease in market share. To address this decline, BOX's management team is expanding the product offering, introducing new pricing structures and involving an increased number of market participants. Most notably, on March 1, 2014, BOX implemented a new pricing structure that is already having a favourable impact on its market share.

Turning to our energy business, NGX's trading and clearing volume was down 12% in 2013 compared with 2012, primarily due to a 13% decrease in natural gas volumes because of weak market conditions. We have taken several strategic initiatives to further the growth of this business, including the expansion into the power market in Texas. Higher revenues at Shorcan Energy Brokers driven by increased volumes in 2013 helped partially offset the decline at NGX

Looking Ahead

Several years ago, we made the strategic decision to diversify into additional asset classes and to broaden the range of our products and services. We continue to realize the benefits of the deployment of this strategy across our business. For example, our deepened issuer services offering helped mitigate the impact of a softer listings and trading environment in 2013. With the integration of CDS and Alpha almost complete, we expect to continue expanding into new products, services, and asset classes, while exploring ways to extend our global reach.

At the same time, we remain committed to enhancing and continuing to operate our core exchange, clearing, and depository businesses with excellence. We expect the implementation of TMX Quantum XA on Toronto Stock Exchange this year will further advance our technological leadership, and potentially increase participation in our markets. As market conditions improve, we believe we are well positioned to capitalize on opportunities that the market may present.

In closing, I want to comment on the announcement that I made earlier this week regarding my retirement at the end of August. It has been my honour to work with an incredibly talented team who devoted themselves to managing a company that, unlike any other, plays a unique role in the Canadian economy. We can all be very proud of what we have accomplished during my tenure as CEO. The exchange industry has been my passion for more than three decades, and it has evolved rapidly in recent years. I have been privileged to have had the opportunity to be part of the exciting emergence of TMX Group as Canada's national exchange group and a partner with many organizations across the globe.

TMX Group has built a strong team across a diverse set of businesses, and I thank our employees for their contributions to our company. I look forward to updating you on TMX Group`s progress when we report Q1/14 results in the Spring.

Thomas A. Kloet
CEO
TMX Group Limited
March 20, 2014

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Overview

Our Board of Directors (Board) and management are committed to remaining at the forefront of good governance and to ensuring the highest standard of corporate governance. TMX Group's corporate governance policies and practices are designed to support the Board in discharging its responsibilities and to enhance shareholder value. We review these policies and practices at least annually with a view to enhancing our governance structure and practices in an ever-evolving corporate governance environment.

TMX Group's corporate governance system complies with National Policy 58-201—Corporate Governance Guidelines (NP 58-201), National Instrument 58-101—Disclosure of Corporate Governance Practices (NI 58-101), National Instrument 52-110—Audit Committees (NI 52-110) as well as our recognition orders issued by the Ontario Securities Commission, Quebec's Autorité des marchés financiers, the British Columbia Securities Commission and the Alberta Securities Commission (collectively, the Recognition Orders). In addition, we review our corporate governance practices with reference to corporate governance guidelines recommended by institutional and other shareholder organizations.

Board Responsibilities

The Board is responsible for TMX Group's governance and stewardship and overseeing its corporate strategy, operations and management. The Board discharges its responsibilities, either directly or, where appropriate, through committees, and by selecting and holding management accountable for TMX Group's operations and for implementing its corporate strategy. The Board sets clear policies and direction for management's responsibilities and authority. Among its many specific duties, the Board annually monitors the performance of the Chief Executive Officer (CEO) against corporate objectives (established by the Board with the CEO), and sets the CEO's compensation. The Board also approves strategic plans and corporate objectives that the CEO is responsible for meeting, provides advice and counsel to the CEO, oversees ethical and legal conduct of executive management, and assesses the financial performance of TMX Group. In addition, the Board approves the adequacy and form of compensation paid to members of the Board (Directors). The Board Charter that describes the Board's responsibilities is available on our website.

At each regularly scheduled Board meeting, Directors and executive management examine, review and discuss a broad range of issues relevant to TMX Group's strategy, business interests and growth initiatives. In addition, management provides the Board with timely, periodic reports on operational and financial performance. During fiscal 2013 the Board held nine regular meetings and three special meetings and held 12 in camera sessions without management Directors present. Attendance by Directors at these meetings was 96%, either in person, by teleconference or by video conference. The Board plans to hold nine regular meetings in 2014. At each of these meetings, the Board will meet without management Directors to ensure it provides independent assessment and oversight. Each of the Finance and Audit Committee, Governance Committee, Human Resources Committee and the Regulatory Oversight Committee can, in its discretion, retain an outside advisor or expert. An individual Director or any other committee of the Board can retain an outside advisor or expert with the approval of the Governance Committee.

Board Independence and Composition

As at February 28, 2014, the Board has a non-executive Chair and knowledgeable and experienced Directors, 11 out of 17 (65%) of whom, including the Chair, are "independent" within the meaning of section 1.4 of NI 52 110 and our Recognition Orders. The Recognition Orders require: (i) at least 50% of Directors to be "independent", within the meaning of section 1.4 of NI 52-110; (ii) at least 50% of Directors to be unrelated to original Maple Group Acquisition Corporation (as TMX Group Limited was then named) (Maple) shareholders, for as long as any Maple nomination agreement is in effect; (iii) at least 25% of Directors to be resident of the Province of Québec; (iv) at least 25% of Directors to have expertise in derivatives; and (v) at least 25% of Directors to have expertise in the Canadian public venture market.

The Board also derives strength from the background, qualities, skills and experience of its Directors. The Governance Committee assists the Board by providing the Board with recommendations relating to corporate governance in general, including without limitation: (a) all matters relating to the stewardship role of the Board in respect of the management of TMX Group; (b) Board size and composition, including: (i) confirming the status of nominees to the Board as independent and/or unrelated to original Maple shareholders, as appropriate, before the individual is submitted to shareholders as a nominee for election to the Board; (ii) confirming on an annual basis that the status of the Directors that are independent and/or unrelated to original Maple shareholders, as appropriate, has not changed; and (iii) assessing and approving all nominees of management to the Board and any nominees pursuant to the Maple nomination agreements.

In identifying suitable candidates, the Governance Committee will consider independence, (including of nominees pursuant to the Maple nomination agreements) professional or board expertise, capital markets experience, public venture market experience, derivatives market experience, energy market experience, clearing experience, technology expertise and regulated company experience. As well, representation from geographic regions relevant to TMX Group's strategic priorities is taken into account when considering candidates. Qualities such as integrity, good character and high regard in his or her community or professional field will always be basic criteria for Board members.

Director Education, Access to Management, and Board/Committee Meetings

We provide new Directors with a Directors' Manual, which serves as a corporate reference, as well as with orientation materials describing our business, strategy, objectives and initiatives, so new Directors understand the nature and operations of our business and the role of the Board and its committees, as well as the contribution individual Directors are expected to make. Directors are invited to spend time at our offices and also have timely, periodic one-on-one meetings with the CEO and members of executive management.

The Chair sets the agenda for Board meetings and Directors receive a comprehensive package of information prior to each Board and committee meeting. As well, each committee delivers a report to the full Board on its work after each committee meeting. TMX Group also provides the Directors with a variety of other materials and presentations on an ad hoc basis, to keep them informed about internal developments as well as developments in, or which affect, our industry. All of these materials and other corporate materials are also accessible by Directors on a permanent, secure extranet.

Directors, with the approval of the Chair, may seek additional professional development education at the expense of TMX Group. As well, all Directors are members, at our expense, of the Institute of Corporate Directors (ICD) where Directors have access to ICD events and publications which provide additional sources of relevant information.

Board and Director Evaluation

The Governance Committee annually evaluates the overall performance and effectiveness of the Board, its committees and all Directors. This evaluation is conducted by written self-assessment and peer questionnaires and through formal interviews of each Director (other than the Chair) by the Chair of the Board and of the Chair by the chair of the Governance Committee. The Chair of the Board reports summary findings to the Governance Committee and to the full Board.

Code of Conduct

The Board's Code of Conduct (Board Code) for Directors sets standards for ethical behaviour of the Board, including for managing conflicts of interest. The Board monitors compliance with the Board Code and is responsible for considering and granting waivers from compliance with the Board Code, if any. No waivers have been granted nor have there been any violations of the Board Code. A copy of the Board Code is available on our website.

Committees

The Board has six standing committees with specific areas of responsibility to effectively govern TMX Group: Finance and Audit Committee, Derivatives Committee, Governance Committee, Human Resources Committee, Public Venture Market Committee and Regulatory Oversight Committee. All of the members of the Finance and Audit Committee, Governance Committee, Human Resources Committee and the Regulatory Oversight Committee are independent under both NI 52-110 and the Recognition Orders. The Board believes that the composition of its committees ensures that they operate independently from management to protect all shareholders' interests. The Board also believes that the members of the Finance and Audit Committee are financially literate, given their education and experience. Each standing Board committee has a formal written Charter, approved by the Board. These Charters are reviewed at least annually and are available on our website.

Majority Voting

The Board adopted a policy that provides that in an uncontested election of directors, any nominee of TMX Group who does not receive the support of a majority of the votes cast at an annual meeting of the shareholders will tender his or her resignation to the Board, to be effective when accepted by the Board. The Governance Committee will consider the resignation and recommend to the Board the action to be taken. The Governance Committee would be expected to recommend that the Board accept the resignation, except in exceptional circumstances. The Board will have 90 days following the annual meeting to make its decision and announce it by way of press release.

Subject to any corporate or securities law restrictions, requirements of TMX Group's Recognition Orders and the Maple nomination agreements, the Board may leave the resulting vacancy unfilled until the next annual meeting of shareholders, or the Board may fill the vacancy through the appointment of a new director with the appropriate background, experience and skills as described under Board Independence and Composition above.

Risk Management

TMX Group recognizes that risk management is integral to its business, operations and financial performance. We follow an integrated enterprise risk management (ERM) program that ensures that the outcomes of risk-taking activities across TMX Group are (i) transparent and understood; (ii) materially consistent with TMX Group's objectives and risk appetite; and (iii) appropriately balance risk and reward. The ERM program provides a framework to identify, assess, measure, manage, monitor and report on material risks. When identifying, assessing and measuring material risks, we consider the likelihood and potential impact of each risk. We develop strategies to manage, monitor, report on and mitigate each identified risk. One of these strategies includes a plan to mitigate the risk of interruptions to our critical business functions. The plan integrates disaster recovery and business continuity for critical functions to protect personnel and resources and to enable us to continue critical business functions if a disaster occurs. The Board provides oversight with respect to our ERM program and our strategies to manage material risks. The head of the Risk Management group, the Chief Risk Officer, reports to the Chair of the Finance and Audit Committee.

Internal Audit

The mandate of Internal Audit is to independently examine and evaluate the reliability of financial reporting and corporate compliance with applicable laws and regulations. Internal Audit provides independent assurance to the Finance and Audit Committee that TMX Group's internal control and management information systems are adequate and effective, and reports on management actions to address findings arising from audits and reviews. The head of Internal Audit, the Chief Internal Auditor, reports to the Chair of the Finance and Audit Committee. Internal Audit has full access to the personnel, premises and records of TMX and contracted third parties, and is authorized to review and appraise all policies, plans, procedures and activities.

Say on Pay and Executive Compensation

At its annual meeting, TMX Group provides shareholders the opportunity to vote on executive compensation, on a non-binding advisory basis.

In 2013, Towers Watson was retained by the Human Resources Committee to conduct a formal assessment of the features of TMX Group's compensation programs to ensure alignment of incentive compensation and the achievement of business objectives consistent with TMX Group's business strategy. Towers Watson also provided guidance to the board on recent advancements in good governance related to executive pay. As a result of this review and working in conjunction with management, the Board approved changes to TMX Group's executive compensation design. For more information on TMX Group's executive compensation practices, please refer to our Management Information Circular.

TMX Group is committed to demonstrating leadership in evolving governance issues including in the area of executive compensation.

Investor Communication

TMX Group and the Board are committed to open and proactive investor communication. Our investor relations staff provides information to current and potential investors and responds to their inquiries. We broadcast quarterly earnings conference calls live and archive these calls on our website. We also make recordings available via telephone to interested investors, the media and members of the public for three months after each call. Audio webcasts of such recordings are also available on our website for six months after each call. We promptly make available presentations from investor conferences on our website. We also make disclosure documents available via our website.

Shareholders who would like to communicate with the Board should contact us using email at TMXshareholder@tmx.com. Your communication will be provided to the Board for its consideration and response, if required.

Additional Information

For a full report on our corporate governance practices, please refer to our Management Information Circular, which may be accessed through www.sedar.com or through our website at www.tmx.com. The Circular also describes our corporate governance practices, and provides information about Directors, and the composition, responsibilities and activities of the Board's standing committees. All information about corporate governance practices in our Annual Report and in the Management Information Circular was adopted and approved by our Board.

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 4, 2014

This management's discussion and analysis (MD&A) of TMX Group Limited's (TMX Group), formerly Maple Group Acquisition Corporation (Maple), 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, 2013 compared with the year ended December 31, 2012. This MD&A should be read together with our 2013 audited consolidated annual financial statements as at and for the year ended December 31, 2013 (financial statements).

TMX Group completed the acquisition of TMX Group Inc. on September 14, 2012 and the acquisitions of The Canadian Depository for Securities Limited (CDS) and Alpha Trading Systems Inc. and Alpha Trading Systems Limited Partnership (collectively, Alpha) on August 1, 2012 (collectively, the Maple Transaction). The TMX Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements include the operating results of TMX Group Inc., CDS, and Alpha, the first full year that includes these operating results. Comparative financial statements for year ended December 31, 2012, and as at December 31, 2012, include the operating results of TMX Group Inc. from July 31, 2012 and CDS and Alpha from August 1, 2012.

Maple was an acquisition corporation formed solely for the purpose of pursuing the Maple Transaction. The most significant aspect of the Maple Transaction was the purchase of TMX Group Inc., which was a publicly traded company. Prior to the completion of the acquisitions of CDS and Alpha on August 1, 2012 and the initial take up of 80% of the common shares of TMX Group Inc. on July 31, 2012 under the Maple offer, Maple had no material assets and no history of earnings and had not commenced commercial operations. The approach taken in this MD&A is intended to provide readers with a more complete view of the operating performance of TMX Group. Therefore, TMX Group's revenue, operating expenses, net income (loss) attributable to non-controlling interests and cash flows for the year ended December 31, 2013 are compared with the combined financial information for TMX Group Inc. for the seven months ended July 31, 2012 and TMX Group for the year ended December 31, 2012, including TMX Group Inc. from July 31, 2012 and CDS and Alpha from August 1, 2012. This approach is similar to how the results would be reported if TMX Group Inc. was the acquirer of CDS and Alpha. Management believes that this is the most meaningful presentation for the purpose of our comparative discussion of revenue, operating expenses and net income (loss) attributable to non-controlling interests and cash flows.

Our financial statements and this MD&A for the year ended December 31, 2013 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 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 – our vision and strategic initiatives for future growth;

- Market Conditions – a discussion of our current business environment;

- Our Business – a detailed description of each of our operations and our products and services;

- 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;

- Accounting and Control Matters – a discussion of our critical accounting estimates and changes to 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

- Risks and Uncertainties – a discussion of the risks to our business as identified through our risk management process.

- Caution Regarding Forward-Looking Information.

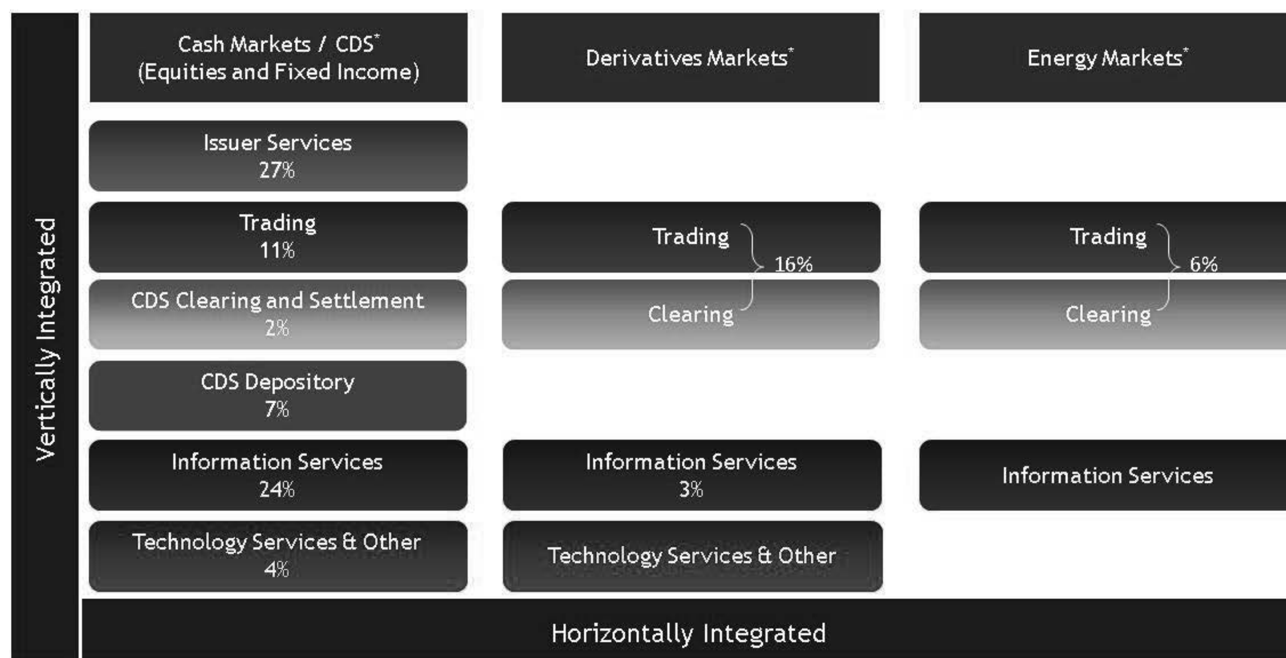
OVERVIEW OF THE BUSINESS

Summary

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

TMX Group Limited

(based on 2013 revenue of $700.5 million)



* Percentages based on 2013 revenue of $700.5 million for TMX Group. Derivatives Markets includes 100% of BOX revenue, of which MX holds a 53.8% ownership interest.

Our revenue by segment is categorized as follows:

SEGMENTS														
	Cash Markets								Derivatives Markets			Energy Markets		CDS
2013 Revenue $700.5M	TSX	TSXV	TMX Select	Alpha	Equicom	Shorcan Fixed Income	Equity Transfer	TMX Atrium	MX	BOX	CDCC	NGX	Shorcan Energy Brokers	CDS
Issuer Services $189.3M	√	√			√		√							√
Trading, Clearing & Depository $303.1M	√	√	√	√		√			√	√	√	√	√	√
Information Services $181.5M	√	√	√	√				√	√	√		√		√
Technology Services & Other $26.6M	√								√					√

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 the opportunity to raise capital and providing investors 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.

- 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, accurate record keeping, the processing of post-trade transactions, and the collection and distribution of entitlements relating to securities deposited by participants.

- 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.

(47% Ownership)

- 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.

(53.8% Ownership)

- BOX Market LLC, (BOX) is a U.S. equity options market for which MX is the technical operator and technology developer. We have a 53.8% ownership interest in BOX.

- 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 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

- Enhance and operate with excellence our core multi-asset class exchange, clearing and depository businesses.
- Expand into new products/services and asset classes leveraging our central position.
- Extend global reach of our products and services.
- Evolve our performance culture committed to innovation, execution excellence and appropriate risk tolerance.

We regularly assess strategic alternatives available to further accelerate and enable our strategy, thereby enhancing our competitive position in Canada and in global capital markets. We remain

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[1] The "*Vision and Corporate Strategy*" 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.

committed to exploring opportunities for growth and for advancing our strategy, both organically as well as in other ways (e.g. acquisitions, investments, joint ventures, partnerships or business combinations) that both fit our strategic plans and provide shareholder value.

MARKET CONDITIONS[2]

While major North American equities indices increased in 2013, the U.S. markets, as measured by the S&P 500 Index which rose by 30%, substantially outperformed the S&P/TSX Composite Index[∂], which rose by 10%. Much of the difference could be attributed to declines in the metals and mining, materials, REITs and real estate, and utilities sectors in the S&P/TSX Composite Index. The S&P/TSX Venture Composite Index, which is heavily weighted towards resources, declined by 24% during the year. Overall, Canadian equities markets experienced lower trading volumes in 2013 compared with 2012 due to reduced participation in those aforementioned sectors.

Although the Bank of Canada acknowledged that the global economy is expanding at a modest rate, it left the overnight interest rate unchanged in December 2013, citing that business investment spending continues to recover at a pace slower than anticipated and that there is no reason to change its expectation of a gradual return to full production capacity around the end of 2015. On the other hand, in the U.S., the economy appears to be gathering momentum backed by positive economic data, including a five-year low unemployment rate of 7% in November 2013.

We operate in the highly competitive exchange industry, both domestically and internationally. We expect that alternative equities marketplaces will continue to be launched by existing and new competitors. In addition to competing with North American ATSs and exchanges directly for trading volumes of our listed and interlisted issuers, we also compete internationally with global marketplaces for investment capital and order flow. For the full year, our combined equities trading market share[Ψ] was 80% compared with 85% in 2012[λ]. The modification of Alpha's non-displayed trading facility (IntraSpread), reduced latency arbitrage following the migration of Alpha onto our proprietary trading engine, and a competitor paying customers for printing cross-trades, which produces no revenue, are factors that contributed to somewhat lower market share. Our combined equities trading volumes were down 14% compared with 2012[λ], while the overall Canadian equities trading volumes were down 7%. Equities trading volumes on all our marketplaces increased during Q4/13 compared with Q3/13. Revenue from CDS's clearing and settlement operation is also dependent on trading activity on Canadian equities marketplaces. As a result, exchange trades and non-exchange/over-the-counter (OTC) trades processed by CDS decreased in 2013 compared with 2012.

In derivatives markets, there was a 3% increase in volumes for 2013 on MX, our domestic derivatives exchange, largely driven by volume increases in bond and interest rate futures. However, volumes on BOX, our U.S. equity options market, in which MX has a 53.8% ownership

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[2] The "*Market Conditions*" 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.

[∂] "S&P," as part of the composite mark of S&P/TSX which is used in the name S&P/TSX Composite Index, is a trade mark of Standard & Poor's Financial Services LLC and is used under license.

[Ψ] Source: Investment Industry Regulatory Organization of Canada (IIROC).

[λ] Includes Alpha for the comparable period in 2012.

interest, decreased by 38% compared with 2012, while the overall U.S. options market grew by 3%, reflecting a decrease in BOX's market share.

In energy markets, natural gas volumes being traded and cleared through NGX were lower in 2013 compared with 2012. This was due to a number of factors, including lower natural gas prices and reduced volatility reflecting increased supply arising from the production of shale gas in the U.S.

MAPLE TRANSACTION

Integration[3]

In 2013, we made substantial progress on the integration of TMX Group Inc., CDS and Alpha. Subsequent to the completion of the Maple Transaction, we announced a target of approximately $20.0 million in annual cost synergies, net of incremental costs of regulation, on a run-rate basis in Q1/14. In the third quarter of 2013, we exceeded our original expectation and increased our target to $28.0 million in annualized net synergies on a run-rate basis in Q1/14. During the year, we realized approximately $21.0 million of these net synergies. 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. We now estimate approximately $26.0 million in one-time costs to complete the integration, up from previous estimate of approximately $24.0 million, partially reflecting an increase in the costs required to achieve the higher synergy target. Total integration costs incurred in 2013 were approximately $5.6 million, and cumulative integration costs from Q3/12 were approximately $23.5 million.

Alpha Arbitration[3]

The aggregate purchase price payable by Maple under the agreement to acquire all of the outstanding equity interests in Alpha was $175.0 million. However, some securityholders of Alpha were entitled to seek payment from Maple of the fair value of the Alpha securities held by it pursuant to a binding arbitration process. On July 25, 2012, Maple received a request for arbitration in accordance with the terms and conditions of the agreement from holders of approximately 26% of the equity interests in Alpha. In no event will the arbitration process result in a price payable below a pro rata portion of $175.0 million. The exercise of these arbitration rights may result in us being required to pay additional consideration for the Alpha Acquisition in excess of the Alpha purchase price to those holders. We have not recorded any liability related to this arbitration.

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[3] The "*Integration*" and "*Alpha Arbitration*" sections above contain certain forward-looking statements. Please refer to "*Caution Regarding Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

OUR BUSINESS

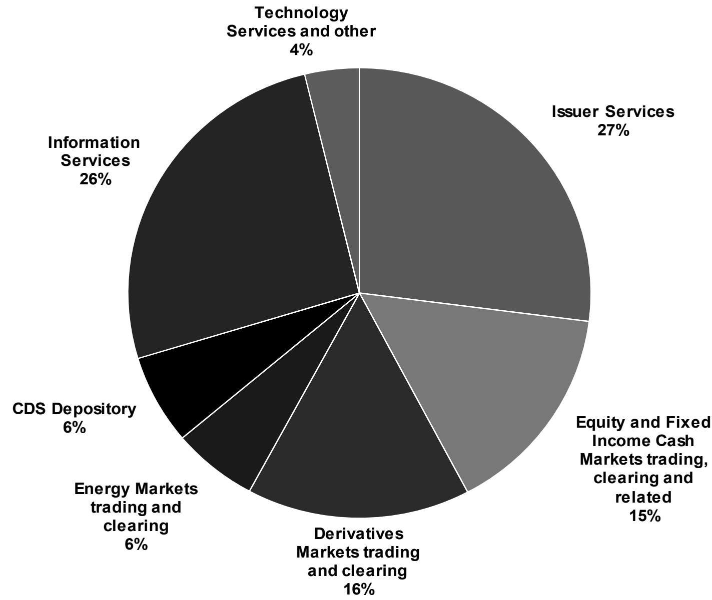
In the following pages, we provide an overview and description of products and services, strategy, pricing, fee regulation, competition and market share (where applicable) for each of our businesses as outlined below:

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**.

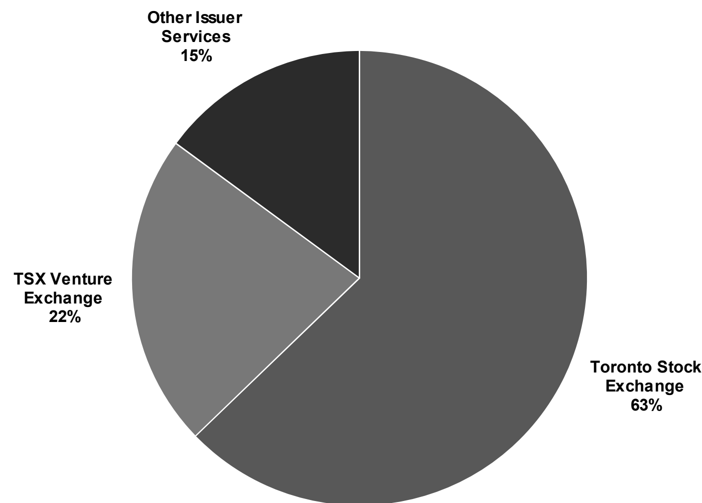
We derive revenue primarily from issuer services, trading, clearing, settlement and depository services, and information services.

Year ended December 31, 2013
Total Revenue of $700.5 million



Issuer Services

Year ended December 31, 2013
Issuer services revenue of $189.3 million



Overview and Description of Products and Services[4]

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

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

The CPC program provides an alternative, two-phased process to listing on TSX Venture Exchange. Through the program, CPC founders with financial markets experience raise a pool of capital that is listed on the Exchange as a CPC. The CPC founders then seek 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 Toronto Stock Exchange or TSX Venture Exchange 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 issuers in the clean technology sector.

Together, Toronto Stock Exchange and TSX Venture Exchange were second in the world among global exchanges by number of new listings in 2013[6]. The ranking was part of a report from the World Federation of Exchanges (WFE) as of December 31, 2013. Toronto Stock Exchange listed 108 new issuers, including 20 graduates, and TSX Venture Exchange listed 158 new issuers for a total of 266 new listings in 2013. TMX Group was third in the world for new international listings in 2013, with 25[6].

Issuers listed on Toronto Stock Exchange and TSX Venture Exchange raised a combined $43.6 billion in 2013 ($39.9 billion on Toronto Stock Exchange and $3.8 billion on TSX Venture Exchange).

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

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

[6] Source: World Federation of Exchanges Statistics.

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 Canada for International Security Identification Numbers (ISINs) and provides these numbers to issuers upon request.

In Q2/13, we completed the acquisition of the transfer agent and corporate trust services business of Equity Financial Holdings Inc. (Equity). The business, now called TMX Equity Transfer Services Inc. (Equity Transfer), is highly complementary to our existing issuer services business and provides both immediate scale and additional growth opportunities. Equity Transfer has four main sources of revenue, including transfer agent revenue, trust service fees, net margin income, and foreign exchange revenue. Equity will continue to provide trust services, which must be provided by a trust company, until we obtain the requisite trust licenses. We intend to file for a trust license in 1H/14. We paid $64.0 million for these assets, which were funded from existing cash and credit facilities. We expect the acquisition to be slightly accretive to earnings per share in the first year following the closing of the transaction.

Strategy[7]

- Continue to diversify listings business into non-resource sectors.
- Enhance customer facilitation, service excellence and advocacy.
- Continue international listings business development efforts in target markets.
- Focus on expanding global platform for listing SMEs.
- Introduce new products for listing.
- Expand public company product and service offering.
- Develop private company services.

[7] The "*Strategy*" 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.

Pricing[8]

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

Initial Listing Fees

Toronto Stock Exchange and TSX Venture Exchange 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 TSX Venture Exchange to Toronto Stock Exchange 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 Fees

Issuers already listed on one of our equity exchanges pay fees in connection with subsequent capital market transactions, such as the raising of new capital through the sale of additional securities 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 Fees

Issuers listed on one of our equity exchanges pay annual fees to maintain their listing, based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. Sustaining listing fees 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.

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

Equity Transfer

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.

Fee Regulation

Prior to becoming effective, changes to Toronto Stock Exchange fees are filed for approval with the Ontario Securities Commission (OSC) at least seven business days in advance. Fee changes for TSX Venture Exchange are filed for approval with the Alberta Securities Commission (ASC) and

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

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

Competition

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 Toronto Stock Exchange or TSX Venture Exchange and do not bypass our markets. At December 31, 2013, there were 331 issuers interlisted on other exchanges. There were also 208 issuers quoted on OTCQX, a U.S OTC marketplace. As at December 31, 2013, only six Canadian issuers bypassed our markets and were listed in the U.S., compared with 12 at the end of 2012.

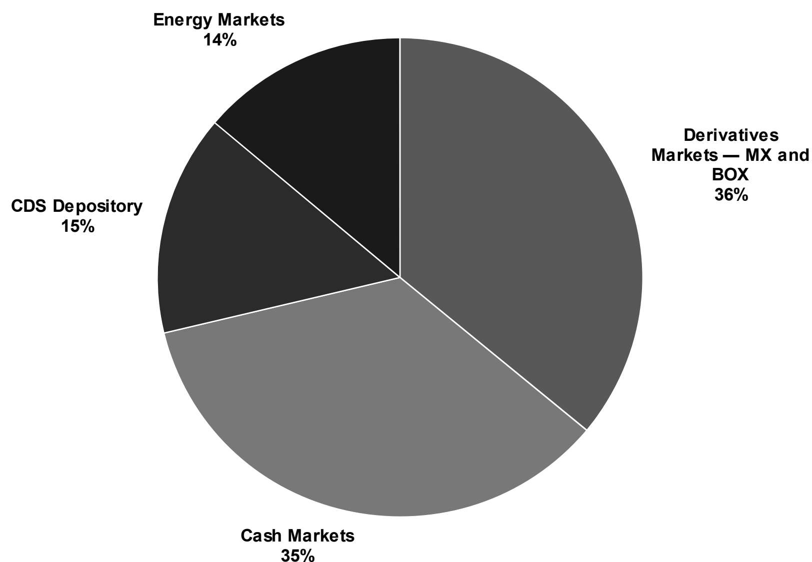
We also compete with institutions and various market participants that offer alternative forms of financing that are not necessarily traded in public markets including private venture capital and various forms of debt financing.

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 2012, the OSC published a consultation paper on potential capital raising prospectus exemptions in Ontario, including crowdfunding. In August 2013, the OSC released *OSC Notice 45-712 – Progress Report on Review of Prospectus Exemptions to Facilitate Capital Raising,* which indicated that the OSC is further considering a prospectus exemption for crowdfunding, including the development of a regulatory framework for funding portals.

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.

Trading, clearing, depository and related

Year ended December 31, 2013
Trading, clearing, depository and related revenue of $303.1 million



Cash trading, clearing, and depository – Toronto Stock Exchange, TSX Venture Exchange, Alpha Exchange, TMX Select, Shorcan, and CDS

Overview and Description of Products and Services[9]

Equities – Trading

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

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

occurs through crosses in which POs internally match orders and report them through the exchanges.

In Q3/13, we announced the successful implementation of our new high-performance trading engine, TMX Quantum XA, on TMX Select. TMX Quantum XA provides TMX Select customers with dramatically improved speed, with response time of approximately 30 microseconds, reduced latency variability, and increased capacity. TMX Select is the first TMX equity marketplace to use the new, robust platform. The migration of our other equities marketplaces to TMX Quantum XA is planned to begin mid-2014.

Our international and domestic business development efforts, core technology initiatives and the development of responsive new products are fundamental to growing overall trading volumes on our equity exchanges.

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 technologies capabilities, including TMX Quantum XA.
- Reposition multiple platform pricing programs and functionality.
- Introduce new listed products for trading.
- Grow trading transactional services.

- 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.

Pricing

Equity Trading

We have volume-based fee structures for issues traded on Toronto Stock Exchange, TSX Venture Exchange, 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.

In Q4/13, TMX Select introduced 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.

Fixed Income – Trading

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

Equities and Fixed Income – Clearing and Depository

CDS's core business includes clearing, settlement and depository services. 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.

For reported trades, both exchange trades and OTC trades, CDS charges clearing fees to participants on a per trade basis. 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. 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.

Clearing services

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 services are performed.

Settlement services

Settlement related fees are recognized when the trades are settled.

Depository services

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

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.

Fee Regulation

Prior to becoming effective, changes to Toronto Stock Exchange fees are filed for approval with the OSC at least seven business days in advance. Fee changes for TSX Venture Exchange are filed for approval with the ASC and 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.

Shorcan is regulated as an Exempt Market Dealer by the OSC and is subject to certain IIROC rules.

CDS Recognition Orders

Under the CDS recognition orders granted by the OSC, the 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.

Competition and Market Share

There are currently 12 Canadian equity marketplaces which trade or intend to trade Toronto Stock Exchange and TSX Venture Exchange 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 face significant competitive pressure from existing venues, and potential new entrants. In addition, the variety of other marketplaces and trading venues in the United States that trade Canadian securities, including dark markets and internalization facilities, place increasing competitive pressure on our business.

In 2013, our combined monthly average share of volume, including Toronto Stock Exchange, TSX Venture Exchange, TMX Select, and Alpha, was 80%, down from the combined monthly average of 85% in 2012.

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 expected to launch in 2015.

We also compete for trading activity in the United States for those issuers that seek additional listings on other exchanges, referred to as interlistings, or dual listings. Interlistings generally raise the profile of issuers in the global market, and trading volumes for these issuers' securities often increase across all markets including Toronto Stock Exchange. Whether a significant portion of trading of a particular issuer remains in Canada following its interlisting depends on a number of factors, including the location of the issuer's shareholder base and the location of research analysts who cover the issuer. Our combined market share (including Toronto Stock Exchange, Alpha, and TMX Select) of the total volume traded in Canadian based interlisted issues was 33% versus U.S. exchanges in 2013, compared with 41% in 2012 including Alpha. 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 Toronto Stock Exchange, TSX Venture Exchange, Alpha, and TMX Select.

Shorcan has several competitors in the Canadian fixed income IDB market.

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

Derivatives Trading and Clearing – MX, CDCC, and BOX[10]

Overview and Description of Products and Services

Our domestic financial derivatives trading is conducted through MX. Our U.S. derivatives trading is conducted through our controlled subsidiary, BOX, 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 2013 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.

In Q2/13, MX announced significant increases for position limits for equity and exchange-traded fund options. The increases were implemented to make the market more attractive to large institutional investors and encourage them to trade on MX, rather than over the counter (OTC).

In Q4/13, MX completed the upgrade of its SOLA derivative trading platform, which is the core technology for MX, CDCC, and BOX. The upgrade delivered a nearly 300% improvement in trading response time with an overall median response time measure at the network edge of

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[10] The "*Derivatives Trading and Clearing – MX, CDCC and BOX*" 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.

approximately 460 microseconds. Additionally, messaging capacity has been doubled to accommodate 100,000 quotes per second and is being offered to all approved participants.

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. BOX launched its Complex Order Book in Q2/13.

In April 2012, BOX received U.S Securities and Exchange Commission (SEC) approval of its application for registration as a national securities exchange and, after a corporate reorganization, newly-created BOX Options Exchange LLC began acting as self-regulatory organization (SRO) to BOX on May 14, 2012. We have a 40% economic interest and a 20% voting interest in the SRO.

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.

In Q1/12, CDCC launched the first phase of fixed income central counterparty services with the clearing of REPOs. CDCC's technology and industry specialists worked with the Investment Industry Association of Canada (IIAC), the Bank of Canada and industry stakeholders to develop the infrastructure for central-counterparty services for the Canadian fixed income market. The Canadian Derivatives Clearing Service (CDCS), operated by CDCC, was designated by the Bank of Canada as being subject to Bank of Canada oversight, being systematically important, under the Payment Clearing and Settlement Act (Canada). In 2013, CDCC cleared 55,314 REPO transactions comprised of 104 Government of Canada and 74 Provincial Government eligible ISINs with a total notional value of approximately $2.5 trillion. This was an increase from 20,556 REPO transactions between February 21, 2012 and December 31, 2012, comprised of 131 Government of Canada eligible ISINs with a notional value of $919.1 billion. In Q4/13, Provincial Government bonds became eligible, bringing the total number of eligible ISINs to 178. The development of our REPO clearing initiative continues.

In Q2/13, S&P Dow Jones Indices announced that it had licensed CDCC to clear OTC options based on the S&P/TSX suite of indices, the first such license for clearing OTC trades in Canada. This agreement provides the potential for increased risk management in the OTC equity derivatives marketplace served by these key indices. CDCC requires regulatory approval before it can launch this clearing service through its Converge offering.

CDCC is regulated as a clearing house in Quebec and British Columbia and is regulated in Ontario under a temporary exemption order but is in the process of applying to be recognized as a clearing agency.

Derivatives – Regulatory Division

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

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 positioning within the U.S. options market.

Pricing

MX participants are charged fees for buying and selling derivatives products on a per transaction basis, determined principally by contract type and participant status. Since MX trading fee rates are charged on 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.

In Q2/13, CDCC implemented increases in clearing fees for REPO transactions. In addition, it modified the revenue sharing arrangement for REPO transactions to reflect an increase in the share of revenue returned to Clearing Members based on certain thresholds for annual cleared volumes.

BOX participants are charged fees per transaction based on the volume of contracts traded.

In 2013, 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.

Fee Regulation

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.

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.

Competition

In Canada, our competition in derivatives trading and clearing is the OTC market and internationally we compete for a share of trading in derivatives of interlisted equities.

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.

The Canadian exchange business is seeing more foreign entrants. Chicago Mercantile Exchange Inc. (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 2013.

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.

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.

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.Clearnet Group Ltd. (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 recently received exemption orders from the OSC to operate as clearing agencies. CDCC is regulated as a clearing house in Quebec and British Columbia and is regulated in Ontario under a temporary exemption order but is in the process of applying to be recognized as a clearing agency.

BOX operates in the highly competitive U.S. equity options market. BOX's overall equity options market share decreased to 2.2% in 2013 from 3.6% in 2012. BOX competes for market share with 11 options exchanges in the U.S.

Energy Trading and Clearing – NGX and Shorcan Energy Brokers[11]

Overview and Description of Products and Services

NGX is a Canadian-based energy exchange with an electronic platform that trades and provides clearing and settlement services for natural gas, crude oil and electricity contracts. In 2008, we formed 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.

In Q2/13, NGX announced the addition of products relating to three new natural gas clearing locations in the U.S., and added one natural gas clearing location during Q4/13. Currently, NGX offers products and clearing services in a total of 71 natural gas, crude oil, and power locations in North America, including 49 in the U.S.

In Q2/13, NGX received approval from the U.S. CFTC to become the first registered foreign board of trade (FBOT). The FBOT registration replaces NGX's exempt commercial market status, which was eliminated by the enactment of the Dodd-Frank Act.

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[11] The "*Energy Trading and Clearing – NGX and Shorcan Energy Brokers*" 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 Q3/13, NGX announced the launch of its U.S. physical power clearing services in the Electric Reliability Council of Texas (ERCOT) market. This initiative was announced in July 2013 when 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. These products and customers have been successfully transferred and are available for trading through ICE's WebICE platform.

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 other commodities.

Pricing

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

In 2013, approximately 49% 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.

Fee Regulation

NGX fee changes are self-certified with the U.S. Commodity Futures Trading Commission (CFTC) and filed with the ASC.

Competition

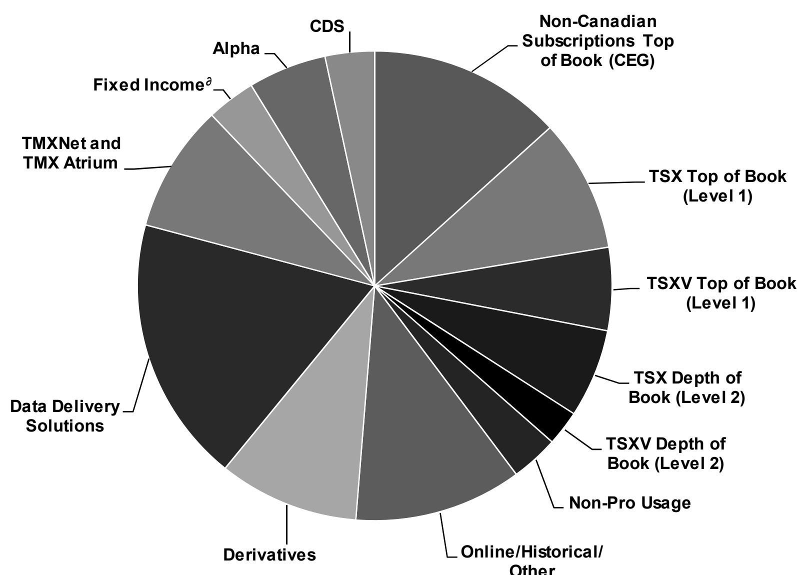
The NGX business faces trading competition in Canada and in the U.S. from competing exchanges, OTC electronic trading platforms, and from the OTC voice and bilateral markets. NGX's clearing business faces competition from recognized clearing facilities as well as bilateral credit lines between counterparties 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 has several competitors in the Canadian crude oil markets.

Information Services – TMX Datalinx, Alpha, CDS, MX, NGX and BOX

Year ended December 31, 2013
Information services revenue of $181.5 million



∂ On February 27, 2013, FTSE Group (FTSE), part of London Stock Exchange Group (LSEG), and TMX Group announced an agreement to combine their fixed income index businesses. TMX Group holds a 25% interest in this new enterprise. Closing took place on April 5, 2013. During Q1/13, the revenue from PC-Bond represented approximately 10% of total Information Services revenue.

Overview and Description of Products and Services

Real-Time Market Data Products – CEG, Level 1 and Level 2 and Alpha Feeds

Trading activity on Toronto Stock Exchange, TSX Venture Exchange, 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.

We offer our subscribers Level 1 and Level 2 real-time services for Toronto Stock Exchange and TSX Venture Exchange (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 the order

book and allows distributors to obtain Market Book for Toronto Stock Exchange, TSX Venture Exchange, 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 Toronto Stock Exchange, TSX Venture Exchange, 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. TMX is seeking to renew its Information Processor mandate with the Canadian Securities Administrators and Recognition Order with the Authorité des marches financiers in June 2014.

TMX Datalinx market data is available globally through TMX Atrium, our low-latency financial network, and through a variety of network carriers and extranets.

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 Toronto Stock Exchange, TSX Venture Exchange, 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, 2013, over 75% of capacity was contracted or sold.

TMX Atrium provides low-latency, scalable, and secure connectivity solutions for the financial services community, connecting clients to multiple marketplaces and participants, including

exchanges, buy-side asset managers, ATSs, clearing houses, brokers, and software and market data vendors. TMX Atrium has a presence in 11 countries across North America and Europe, providing connectivity to over 30 major trading venues 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. 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 five new indices in 2013: the S&P/TSX 60 Index (USD), the S&P/TSX High Income Energy Index, the S&P/TSX High Income Energy Index (USD), the S&P/TSX Composite Index (Net Total Return), and the S&P/TSX Equity Income Index (Net Total Return).

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, fixed income rates from CanDeal, a Dow Jones low-latency news and event data feed for trading and algorithmic strategies, 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.

Fixed Income – Index and Analytics Products

In Q2/13, 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. FTSE owns a 75 per cent majority stake and TMX Group holds a 25 per cent stake in this new enterprise, called FTSE TMX Global Debt Capital Markets Limited.

For TMX Group, the transaction enables more rapid global expansion as we export our fixed income index and analytic capabilities by leveraging the global distribution reach of FTSE, one of the world's most recognized index brands. FTSE TMX Global Debt Capital Markets Limited is using the power of PC-Bond's fixed income capabilities and methodology to offer the global financial and

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[≠] "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.

capital markets community a suite of proven and valuable fixed income indices and analytics tools and to use this as a platform for future expansion.

In addition to receiving a 25 per cent interest in this new business, TMX Group received $104.0 million in proceeds. We used $100.0 million from the proceeds of the transaction to pay down debt. The transaction was dilutive to adjusted earnings per share in 2013[12]. During Q1/13, the revenue from PC-Bond represented approximately 10% of total information services revenue. Income from our 25 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.

Strategy

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

Pricing[13]

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. Fixed income indices revenue is recognized over the period the service is provided. Other information services revenue is recognized when the services are provided.

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[12] Excludes the impact of a gain related to the sale of PC-Bond and related income tax expense. See **Adjusted Earnings per Share Reconciliation for the year ended December 31, 2013**.

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

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

In 2013, approximately 33% 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 Toronto Stock Exchange Level 1 non-professional fee cap for POs, and a reduction in TSX Venture Exchange Level 1 non-professional subscriber fees. We do not expect these changes to have a significant impact on our total revenue.

Fee Regulation

Prior to becoming effective, changes to TMX Datalinx market data fees related to Toronto Stock Exchange, TSX Venture Exchange, TMX Select, Alpha Exchange, and MX market data and co-location fees are filed with the OSC, BCSC, ASC and the AMF, as required, 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.

On November 8, 2012, the Canadian Securities Administrators (CSA) published a consultation paper - *CSA Consultation Paper 21-401 Real-Time Market Data Fees* - that examines the cost of real-time market data. The paper was out for public comment until Feb. 8, 2013.

On November 7, 2013, the CSA published *CSA Staff Notice 21-312 – Update on Consultation Paper 21-401 Real-Time Market Data Fees*. The notice included commentary indicating that CSA staff believe options which involve limiting fees that a marketplace can charge prior to achieving certain activity levels, and publishing data fee proposals or changes for external comment, should be explored further. Additionally, as part of its review of the Order Protection Rule (OPR), CSA staff will continue to examine market data fees, the impact of OPR on data fees, and the creation of a methodology for evaluation of market data fees. The OPR process is ongoing and feedback from stakeholders will be requested at a later date.

Competition

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.

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.

Technology Services

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 will provide 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.

Revenue related to the operations of the SEDAR, SEDI and NRD services are based on the recovery of the full cost of operating these services and include management fees. Revenue is recognized when the services are performed. The operations were transitioned to a new service provider on January 13, 2014, and the agreement ended on January 31, 2014. We will not be earning any revenue from securities regulators for these services after January 31, 2014. Expenses of $2.0 million associated with the wind down of the business operations have been recorded in compensation and benefits and general and administration expenses. We expect that approximately $17.9 million of annual revenue and approximately $8.0 million of annual costs, or approximately $9.9 million in income from operations, will be eliminated due to the termination of the contract.

Strategy

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

IMPACT OF RECOGNITION ORDERS 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 Final 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 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. 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 Inc., Alpha Exchange Inc., and TSX Venture Exchange Inc.), the Final Recognition Orders also impose prohibitions on arrangements or volume-based discounts or incentives that are accessible only to a particular marketplace participant and also may 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 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.

Under the CDS recognition orders granted by the OSC, 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.

Increased Cost of Regulation

We have incurred increased costs to comply with the additional regulatory requirements that are imposed pursuant to the Final Recognition Orders. These increased costs have been netted against the estimated cost synergies for a net estimate of $28.0 million (see ***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 28, 2013.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2013 COMPARED WITH YEAR ENDED DECEMBER 31, 2012

The information below reflects the financial statements of TMX Group for the year ended December 31, 2013, including the operating results of Equity Transfer from April 5, 2013. The comparative financial information for the year ended December 31, 2012 includes the operating results of TMX Group Inc. from July 31, 2012 and CDS and Alpha from August 1, 2012.

For the reasons outlined on earlier in this MD&A, management believes that the historical information for TMX Group in this table will be of limited use to investors and other users of our financial information in evaluating the operating performance of our company for the comparative periods.

(in millions of dollars, except per share amounts)

	Year ended		
	Dec. 31/13	**Dec. 31/12**	**$ Increase**
Revenue	$700.5	$294.5	$406.0
Operating expenses	$442.8	$179.4	$263.4
Net income attributable to TMX Group shareholders	$123.9	$15.1	$108.8
Earnings per share[∇]*:*			
Basic	$2.29	$0.72	$1.57
Diluted	$2.29	$0.72	$1.57
Cash flows from (used in) operating activities	$250.4	$(144.0)	$394.4

Non-IFRS Financial Measures

Adjusted earnings per share and adjusted diluted earnings per share provided for the year ended December 31, 2013 are Non-IFRS measures and do not have standardized meanings prescribed by IFRS and are 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, an adjustment related to 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, and the amortization of intangible assets 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. There is no comparative information on adjusted earnings per share for 2012.

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

Adjusted Earnings per Share° Reconciliation for Year Ended December 31, 2013

The following is a reconciliation of earnings per share to adjusted earnings per share°:

(unaudited)	Year Ended December 31, 2013	
	Basic	**Diluted**
Earnings per share∇	$2.29	$2.29
Adjustment:		
Related to credit facility refinancing expenses (includes write-off of prepaid financing fees and related items)	$0.22	$0.22
Related to the sale of PC-Bond and related income tax expense	$0.11	$0.11
Related to increase in deferred income tax liabilities resulting from the change in B.C. corporate income tax rate	$0.05	$0.05
Related to Maple Transaction and integration costs	$0.11	$0.11
Related to amortization of intangibles related to acquisitions	$0.60	$0.60
Adjusted earnings per share°	$3.38	$3.38

Weighted average number of basic common shares outstanding in the year ended Dec. 31/13 was 54,041,528

Weighted average number of diluted common shares outstanding in the year ended Dec. 31/13 was 54,119,518

SUPPLEMENTARY INFORMATION FOR YEAR ENDED DECEMBER 31, 2013 COMPARED WITH YEAR ENDED DECEMBER 31, 2012

The following table contains TMX Group revenue and operating expenses, income from operations, and net income attributable to non-controlling interests for the period from January 1, 2013 to December 31, 2013, including the operating results of Equity Transfer from April 5, 2013. As described earlier in this MD&A, in order to provide a meaningful discussion of the results of operations in this MD&A, we have compared TMX Group consolidated revenue and operating expenses, income from operations and net income (loss) attributable to non-controlling interests for the year ended December 31, 2013 with the combined financial information for TMX Group Inc. for the seven months ended July 31, 2012 and TMX Group for the year ended December 31, 2012, including TMX Group Inc. from July 31, 2012 and CDS and Alpha from August 1, 2012. This

° See discussion under the heading ***Non-IFRS Financial Measures***.

∇ Earnings per share information is based on net income attributable to TMX Group shareholders.

approach is similar to how the results would be reported if TMX Group Inc. was the acquirer of CDS and Alpha.

This information for the year ended December 31, 2012 differs from the TMX Group consolidated financial statements for that period. The TMX Group consolidated financial statements do not include financial information for TMX Group Inc. for the seven months ended July 31, 2012. Financial information for TMX Group Inc. has been included from July 31, 2012 and for CDS and Alpha from August 1, 2012.

(In millions of dollars) (Unaudited)

	TMX Group Jan-Dec/13 (audited)	**TMX Group Inc. Jan-July/12 TMX Group Jan-Dec/12♦** (unaudited)
Revenue:		
Issuer services	$189.3	$197.4
Trading, clearing, depository and related	303.1	272.6
Information services	181.5	179.3
Technology services and other	26.6	23.8
REPO interest:		
Interest income	73.4	35.7
Interest expense	(73.4)	(35.7)
Net REPO interest	-	-
Total revenue	700.5	673.1
Operating Expenses:		
Compensation and benefits	204.8	167.4
Information and trading systems	74.2	66.5
General and administration	91.2	83.8
Depreciation and amortization	72.6	53.0
Total operating expenses	442.8	370.7
Income from operations	257.7	302.4
Net income (loss) attributable to non-controlling interests	(0.2)	15.4

Revenue

Revenue was $700.5 million for 2013, up $27.4 million or 4%, compared with $673.1 million♦ for 2012. The increase attributable to acquisitions was $73.5 million and reflected the inclusion of revenue from CDS and Alpha, and approximately nine months of revenue of Equity Transfer (acquired April 5, 2013) totalling $117.5 million, versus five months of revenue from CDS and Alpha totalling $44.0 million in 2012. The increase was partially offset by lower revenue from additional listing fees on Toronto Stock Exchange and TSX Venture Exchange, cash markets trading on Toronto Stock Exchange, TSX Venture Exchange, and Alpha, and derivatives trading and information services on BOX, as well as the reduction in revenue following the sale of PC-Bond on April 5, 2013. Income from our 25% interest in FTSE TMX Global Debt Capital Markets

♦ TMX Group Inc. results for January 1, 2012 to July 31, 2012 and TMX Group results for January 1, 2012 to December 31, 2012, including TMX Group Inc., CDS, and Alpha for August 1, 2012 to December 31, 2012.

Limited is recorded under **Share of net income of equity accounted investees** and **Information services revenue** (as a royalty). In addition, 2012 revenue reflected the one-time receipt of approximately $5.0 million from IIROC, in connection with the termination of our contract to provide services effective March 31, 2012.

Issuer services revenue

(in millions of dollars)

	Year Ended			
	Dec. 31/13	**Dec. 31/12**[♦]	**$ increase/ (decrease)**	**% increase/ (decrease)**
Initial listing fees	$14.6	$16.4	$(1.8)	(11%)
Additional listing fees	$76.9	$94.6	$(17.7)	(19%)
Sustaining listing fees	$68.2	$70.7	$(2.5)	(4%)
Other issuer services	$29.6	$15.7	$13.9	89%
Total	$189.3	$197.4	$(8.1)	(4%)

- *Initial listing fees* in 2013 were lower primarily due to a decrease in the number of new listings and going-public transactions[⊕] on TSX Venture Exchange and Toronto Stock Exchange, partially offset by an increase in the value of new listings on Toronto Stock Exchange.

- *Additional listing fees* in 2013 decreased mainly due to a decrease in the number and value of additional financings on both Toronto Stock Exchange and TSX Venture Exchange.

- Issuers listed on Toronto Stock Exchange and TSX Venture Exchange pay annual *sustaining listing fees* primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. The decrease in sustaining listing fees was partially due to a decline in market capitalization of some issuers listed on Toronto Stock Exchange. While there was an overall increase in the market capitalization for issuers listed on Toronto Stock Exchange at December 31, 2012 compared with Dec. 31, 2011, 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 TSX Venture Exchange at December 31, 2012 compared with December 31, 2011.

- *Other issuer services* revenue in 2013 included $15.3 million of combined revenue from Equity Transfer (acquired April 5, 2013) for about nine months and CDS Solutions for the

[♦] TMX Group Inc. results for January 1, 2012 to July 31, 2012 and TMX Group results for January 1, 2012 to December 31, 2012, including TMX Group Inc., CDS, and Alpha for August 1, 2012 to December 31, 2012.

[⊕] For TSX Venture Exchange, this data includes Qualifying Transactions and Reverse Takeovers.

year, compared with $1.1 million from CDS Solutions for August to December 2012, representing an increase of $14.2 million in revenue.

Trading, clearing, depository and related revenue

(in millions of dollars)

	Year Ended			
	Dec. 31/13	Dec. 31/12♦	$ increase/ (decrease)	% increase/ (decrease)
Cash markets trading and clearing	$106.8	$94.6	$12.2	13%
CDS Depository	$45.2	$18.7	$26.5	142%
Derivatives markets trading, clearing and related	$109.2	$115.6	$(6.4)	(6%)
Energy markets trading and clearing	$41.9	$43.7	$(1.8)	(4%)
Total	$303.1	$272.6	$30.5	11%

Cash Markets

- The increase in *cash markets trading and clearing* revenue reflected $16.8 million of CDS clearing and settlement revenue, net of rebates, compared with $6.9 million for August to December 2012, representing an increase of $9.9 million in revenue. CDS processed 332.1 million exchange trades and 20.4 million non-exchange/OTC trades from January 1, 2013 to December 31, 2013, compared with 126.6 million exchange trades and 7.1 million non-exchange/OTC trades from August 1, 2012 to December 31, 2012.

- The revenue increase was also due to the impact of higher volumes from increased fixed income trading activity at Shorcan. In addition, there was a more favourable product mix on Toronto Stock Exchange in 2013 versus in 2012, as well as a 21% increase in the volume of securities traded on TMX Select (2.83 billion securities traded in 2013 versus 2.34 billion securities in 2012).

- The increase in *cash markets trading and clearing* revenue was partially offset by the impact of a 16% decrease in the volume of securities traded on TSX Venture Exchange (36.8 billion securities in 2013 versus 43.6 billion securities in 2012) and a 6% decrease in the volume of securities traded on Toronto Stock Exchange (77.8 billion securities in 2013 versus 82.5 billion securities traded in 2012).

- The decrease was also partially offset by the inclusion of $6.5 million of revenue from Alpha, compared with $3.5 million from Alpha for August to December 2012, which resulted

♦ TMX Group Inc. results for January 1, 2012 to July 31, 2012 and TMX Group results for January 1, 2012 to December 31, 2012, including TMX Group Inc., CDS, and Alpha for August 1, 2012 to December 31, 2012.

in $3.0 million of increased revenue. There were 20.9 billion securities traded on Alpha from January 1, 2013 to December 31, 2013, compared with 12.0 billion securities traded on Alpha from August 1, 2012 to December 31, 2012.

CDS Depository

- CDS *depository* revenue, net of rebates, was $45.2 million, compared with $18.7 million for August to December 2012, representing an increase of $26.5 million in revenue. CDS held a daily average of approximately 329,000 equities positions with an average of 275.5 billion shares and a daily average of approximately 180,000 debt positions with an average par value of $2.3 trillion on deposit from January 1, 2013 to December 31, 2013.

Derivatives Markets

- The decrease in *derivatives markets* revenue reflects lower revenues from BOX primarily as a result of a 38% decrease in BOX volumes (89.5 million contracts traded in 2013 versus 145.0 million contracts in 2012), reflecting a loss in market share. Revenue from BOX in 2012 was also higher due to the inclusion of Options Regulatory Fees. As of May 14, 2012, when the BOX self regulatory organization (SRO) commenced operations, the fees charged and the related costs incurred by the BOX SRO are not consolidated into TMX Group results.

- The decrease in *derivatives markets* revenue was partially offset by an increase in trading and clearing revenue from MX and CDCC, reflecting higher volumes. Volumes increased by 3% in 2013 (66.2 million contracts traded in 2013 versus 64.3 million contracts in 2012). Open interest increased by 2% at December 31, 2013 compared with December 31, 2012. In addition, there was an increase in repo fees in 2013 compared with 2012.

- The decrease in *derivatives markets* revenue was also partially offset by the positive impact of the appreciation of the U.S. dollar against the Canadian dollar on BOX's revenue in 2013 compared with 2012.

Energy Markets

- The decrease in *energy markets* was due to a revenue deferral in NGX in 2013 compared with a net recovery of revenue in 2012.

- The decrease also reflects a 12% decrease in total energy volume[#] on NGX in 2013 (12.3 million terajoules in 2013 versus 13.9 million terajoules in 2012), primarily due to a 13% decrease in natural gas volumes due to weak market conditions.

- The decrease in revenue was partially offset as a result of higher power volumes in 2013 than in 2012 due to volatility on the forward curve, increased liquidity, and the expansion into the power market in Texas during Q3/13. In addition, the appreciation of the U.S. dollar against the Canadian dollar in 2013 compared with 2012 had a positive impact on NGX's and Shorcan Energy Brokers' revenue.

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

- The decrease was also partially offset by higher revenue from Shorcan Energy Brokers, driven by higher volumes in 2013 compared with 2012.

Information services revenue

(in millions of dollars)

Year Ended			
Dec. 31/13	**Dec. 31/12♦**	**$ increase**	**% increase**
$181.5	$179.3	$2.2	1%

- The increase in revenue was due to the inclusion of $15.8 million of revenue from CDS and Alpha, compared with $6.9 million for August to December 2012, representing an increase of $8.9 million in revenue. The increase in revenue is also attributable to higher revenue from TMX Atrium, co-location services, feeds, and royalties received following the FTSE transaction during 2013 compared with 2012. During Q4/13, there were also various revenue recoveries of approximately $2.8 million. In addition, the appreciation of the U.S. dollar against the Canadian dollar in 2013 compared with 2012 had a positive impact on revenue.

- The average number of MX market data subscriptions was essentially flat (27,398 MX market data subscriptions in 2013 compared with 27,749[+] in 2012). There was a price increase effective April 1, 2012 related to certain data feeds.

- 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.

- The increase in revenue was also partially offset by the impact of net price reductions on Toronto Stock Exchange market data subscriptions effective April 1, 2012 and lower revenue from usage-based quotes. In addition, there was a decrease in BOX's OPRA tape revenue.

- Overall, there was an 8% decrease in the average number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (139,938 professional and equivalent real-time market data subscriptions in 2013 compared with 151,799[+] in 2012), which resulted in a reduction in revenue.

♦ TMX Group Inc. results for January 1, 2012 to July 31, 2012 and TMX Group results for January 1, 2012 to December 31, 2012, including TMX Group Inc., CDS, and Alpha for August 1, 2012 to December 31, 2012.

[+] Prior to August 1, 2012, data includes a base number of subscriptions for customers that had entered into enterprise agreements.

Technology services and other revenue[14]

(in millions of dollars)

	Year Ended			
	Dec. 31/13	Dec. 31/12♦	$ increase/ (decrease)	% increase/ (decrease)
Technology services and other revenue	$9.1	$17.0	$(8.3)	(49%)
SEDAR, SEDI, NRD and other CDS revenue	$17.9	$6.8	$11.1	163%
Total	$26.6	$23.8	$2.8	12%

- *Technology services and other revenue* includes $17.9 million of revenue from CDS services relating largely to the administration of SEDAR, SEDI, and NRD in 2013, compared with $6.8 million for August to December 2012, representing an increase of $11.1 million in revenue. The operations were transitioned to a new service provider on January 13, 2014, and the agreement ended on January 31, 2014. We will not be earning any revenue from securities regulators for these services after January 31, 2014. Expenses of $2.0 million associated with the wind down of the business operations have been recorded in compensation and benefits and general and administration expenses. We expect that approximately $17.9 million of annual revenue and approximately $8.0 million of annual costs, or approximately $9.9 million in income from operations, will be eliminated due to the termination of the contract.

- In addition, there were net foreign exchange gains on U.S. dollar accounts receivable in 2013, compared with net foreign exchange losses in 2012.

- In 2012, revenue was higher due to receipt of a one-time termination fee, recovery of disposal and severance costs, and recognition of previously deferred revenue from IIROC of approximately $5.0 million.

- The increase was also somewhat offset by the loss in revenue from IIROC following the termination of our contract to provide services effective March 31, 2012, which amounted to approximately $6.7 million on an annual basis, as well as lower Razor Risk revenue. In addition, revenue in 2012 included revenue related to services provided to CDS which have been eliminated upon consolidation effective August 1, 2012. This revenue from CDS was approximately $1.0 million in the first seven months of 2012.

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

♦ TMX Group Inc. results for January 1, 2012 to July 31, 2012 and TMX Group results for January 1, 2012 to December 31, 2012, including TMX Group Inc., CDS, and Alpha for August 1, 2012 to December 31, 2012.

Operating Expenses

Operating expenses in 2013 were $442.8 million, up $72.1 million or 19%, from $370.7 million♦ in 2012. The increase attributable to acquisitions was $63.9 million and reflected the inclusion of operating expenses from CDS and Alpha, net of synergies, and approximately nine months of operating expenses from Equity Transfer (acquired April 5, 2013) totalling $117.5 million, versus only five months of operating expenses from CDS and Alpha totalling $53.6 million in 2012. Operating expenses include $36.4 million from amortization of intangible assets related to TMX Group's acquisitions of TMX Group Inc., CDS, Alpha, and Equity Transfer (acquired April 5, 2013), compared with $14.8 million from amortization of intangibles related to the acquisitions of TMX Group Inc., CDS, and Alpha for August to December 2012, representing an increase of $21.6 million in depreciation and amortization. The increase was partially offset by the lower operating expenses related to PC-Bond that were no longer consolidated following the sale on April 5, 2013.

Compensation and benefits

(in millions of dollars)

Year ended			
Dec. 31/13	**Dec. 31/12♦**	**$ increase**	**% increase**
$204.8	$167.4	$37.4	22%

- *Compensation and benefits* costs include $40.3 million of combined costs related to CDS and Alpha for the full year in 2013, net of synergies, and Equity Transfer (acquired April 5, 2013) for about nine months, compared with combined costs of $16.7 million related to CDS and Alpha for August to December 2012, representing an increase of $23.6 million in costs. The combined CDS, Alpha, and Equity Transfer costs include $1.8 million of organizational transition costs associated with the wind down of the business operations related to SEDAR, SEDI and NRD services.

- There were higher *Compensation and benefits* costs in 2013 due to an increase in short-term employee performance incentive plan costs, lower capitalization of costs associated with technology initiatives, higher organizational transition costs, incremental costs related to Razor Risk, and higher merit and pension costs compared with 2012.

- The increase was offset by lower costs related to PC-Bond that were no longer consolidated following the sale on April 5, 2013.

- There were 1,306 TMX Group employees at December 31, 2013 versus 1,310 employees at December 31, 2012, reflecting a decrease in the number of employees due to integration, as well as a reduction from PC-Bond, partially offset by an increase related to 68 employees from Equity Transfer following the acquisition in April 2013.

♦ TMX Group Inc. results for January 1, 2012 to July 31, 2012 and TMX Group results for January 1, 2012 to December 31, 2012, including TMX Group Inc., CDS, and Alpha for August 1, 2012 to December 31, 2012.

Information and trading systems

(in millions of dollars)

Year ended			
Dec. 31/13	**Dec. 31/12♦**	**$ increase**	**% increase**
$74.2	$66.5	$7.7	12%

- *Information and trading systems* expenses included $18.6 million of combined expenses from CDS and Alpha for the full year in 2013, net of synergies, and Equity Transfer (acquired April 5, 2013) for about nine months, compared with $10.8 million of expenses related to CDS and Alpha for August to December 2012, representing an increase of $7.8 million in costs. In addition, there were higher costs related to CDS, MX, and smart order router technology initiatives, higher telecommunications costs, and TMX Atrium costs.

- The increase was offset by lower operating costs, and lower costs related to PC-Bond that were no longer consolidated following the sale on April 5, 2013.

General and administration

(in millions of dollars)

Year ended			
Dec. 31/13	**Dec. 31/12♦**	**$ increase**	**% increase**
$91.2	$83.8	$7.4	9%

- *General and administration* costs included $17.3 million of combined expenses from CDS and Alpha for the full year in 2013, net of synergies, and Equity Transfer (acquired April 5, 2013) for about nine months, compared with $7.3 million of expenses related to CDS and Alpha for August to December 2012, representing an increase of $10.0 million in costs.

- The increase was partially offset by lower marketing expenses and BOX linkage fees, as well as lower costs related to PC-Bond that were no longer consolidated following the sale on April 5, 2013.

- These increases were also partially offset by lower net BOX expenses due to the commencement of operations by the BOX SRO entity in May 2012.

♦ TMX Group Inc. results for January 1, 2012 to July 31, 2012 and TMX Group results for January 1, 2012 to December 31, 2012, including TMX Group Inc., CDS, and Alpha for August 1, 2012 to December 31, 2012.

Depreciation and amortization

(in millions of dollars)

Year ended			
Dec. 31/13	Dec. 31/12♦	$ increase	% increase
$72.6	$53.0	$19.6	37%

- *Depreciation and amortization* costs include $36.4 million of amortization of intangible assets related to TMX Group's acquisitions of TMX Group Inc., CDS, and Alpha for the full year in 2013 and Equity Transfer (acquired April 5, 2013) for about nine months (exclusive of amortization related to intangible assets previously held by TMX Group Inc., CDS, Alpha, and Equity Transfer), compared with $14.8 million from amortization of the intangibles related to the acquisitions of TMX Group Inc., CDS, and Alpha for August to December 2012, representing an increase of $21.6 million in costs. In addition, amortization further increased due to incremental amortization related to assets held by BOX. In addition, amortization further increased due to $4.9 million in combined depreciation and amortization costs associated with the business operations of CDS, Alpha, and Equity Transfer (nine months), compared with $4.0 million for August to December 2012, representing an increase of $0.9 million in costs.
- The increase was somewhat offset by a reduction in depreciation and amortization relating to assets that were fully depreciated by the end of 2013 and PC-Bond assets which were sold on April 5, 2013.
- The *Depreciation and amortization* costs of $72.6 million in 2013 included $40.1 million related to amortization of intangibles related to acquisitions (60 cents per basic and diluted share).

Net income (loss) attributable to non-controlling interests

(in millions of dollars)

Year ended			
Dec. 31/13	Dec. 31/12♦	$ (decrease)	% (decrease)
$(0.2)	$15.4	$(15.6)	(101%)

- MX holds a 53.8% ownership interest in BOX. The results for BOX are consolidated in our Condensed Consolidated Interim Income Statement. *Net income (loss) attributable to non-controlling interests* represents the other BOX members' share of BOX's income or loss for the period.

♦ TMX Group Inc. results for January 1, 2012 to July 31, 2012 and TMX Group results for January 1, 2012 to December 31, 2012, including TMX Group Inc., CDS, and Alpha for August 1, 2012 to December 31, 2012.

- In 2012, *net income attributable to non-controlling interests* included $3.5 million related to TMX Group Inc. TMX Group owned 80% of TMX Group Inc. from July 31, 2012 to September 13, 2012.

- In 2012, *net income attributable to non-controlling interests* included $11.9 million related to BOX, of which $6.2 million was their share of a non-cash reversal of an impairment loss on an intangible asset.

- The remaining decline in the *net income attributable to non-controlling interests* in BOX for 2013 reflected the decrease in BOX's revenue resulting from lower volumes due to a loss in market share. In addition, prior to May 14, 2012, BOX received Options Regulatory Fees (see **Revenue – *Derivatives Markets***), which contributed to higher revenue in 2012.

ADDITIONAL INFORMATION

The following information regarding share of net income of equity accounted investees, credit facility refinancing expenses, gain on sale of PC-Bond, Maple transaction and integration costs, net finance costs, and income tax expense has been derived from TMX Group financial statements for the year December 31, 2013 compared with the year ended December 31, 2012. The TMX Group financial statements reflect the accounts of TMX Group for the year ended December 31, 2013, including the operating results of TMX Group Inc. (including Equity Transfer from April 5, 2013), CDS, and Alpha. For 2012, the financial statements reflect the accounts of TMX Group, including TMX Group Inc. from July 31, 2012, and CDS and Alpha from August 1, 2012.

Share of net income of equity accounted investees

(in millions of dollars)

Year ended			
Dec. 31/13	**Dec. 31/12**	**$ increase**	**% increase**
$2.6	$2.0	$0.6	30%

- This includes our 25% share of net income from FTSE TMX Global Debt Capital Markets from April 5, 2013 and our 47% share of net income from CanDeal.

Gain on sale of PC-Bond

(in millions of dollars)

Year ended			
Dec. 31/13	**Dec. 31/12**	**$ increase**	**% increase**
$5.4	$ -	$5.4	-

- We received $155.1 million in consideration, which included $104.0 million in proceeds 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 $149.7 million. The disposed assets were previously revalued from a book value of $34.6 million to a fair value of $149.7 million upon the acquisition of TMX Group Inc. by Maple, resulting in an increase of $115.1 million of intangibles and goodwill (see **OUR BUSINESS– Information Services**).

Maple Transaction and integration costs

(in millions of dollars)

Year ended			
Dec. 31/13	**Dec. 31/12**	**$ (decrease)**	**% (decrease)**
$7.2	$49.9	$(42.7)	(86%)

- *Maple Transaction and integration costs* were lower in 2013 compared with 2012. In 2012, there were significant legal, advisory and other costs incurred related to completing the Maple Transaction. In 2013, we incurred $7.2 million of costs primarily related to organizational transition and systems integration expenses as part of the integration process.

Net finance (income) costs

(in millions of dollars)

	Year ended		
	Dec. 31/13	**Dec. 31/12**	**$ increase/ (decrease)**
Finance (income)	$(3.1)	$(2.4)	$(0.7)
Finance costs	$60.6	$27.9	$32.7
Credit facility refinancing expenses	$16.4	$ -	$16.4
Net finance costs	$73.9	$25.5	$48.4

- *Net finance costs* primarily relate to interest expense and fees incurred during the period from January 1, 2013 to December 31, 2013 on the Loans Payable and Debentures Payable (see **DEBENTURES, CREDIT AND LIQUIDITY FACILITIES**), compared with interest expense and fees incurred on the Loans Payable from August 1, 2012 to December 31, 2012.

- In Q3/13, we incurred net costs of $16.4 million related to the refinancing of the credit facility (22 cents per basic and diluted share). These costs consisted of:

  - The write-off of $18.5 million of prepaid financing fees (see **DEBENTURES, CREDIT AND LIQUIDITY FACILITIES – Loans Payable**) and other financing fees of $0.8 million

- Less the gain of $2.9 million from unwinding and de-designating interest rate swaps (see **DEBENTURES, CREDIT AND LIQUIDITY FACILITIES – Interest Rate Swaps**).

Income tax expense

(in millions of dollars)

Year ended		Effective Tax Rate (%)	
Dec. 31/13	**Dec. 31/12**	**Dec. 31/13**	**Dec. 31/12**
$60.9	$21.2	33%	51%

- *Income tax expense* for 2013 relates to TMX Group's operating businesses. In 2012, TMX Group included operating results of TMX Group Inc. only from July 31, 2012 and CDS and Alpha from August 1, 2012.

- The effective tax rate was higher in 2012 mainly due to the transaction costs incurred by Maple in 2012 in acquiring TMX Group Inc., CDS and Alpha, which are non-deductible for income tax purposes.

- For 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 British Columbia 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 2013.

- Excluding the adjustments in 2013 primarily related to the sale of PC-Bond and the British Columbia corporate income tax rate increase, the effective tax rate would have been approximately 27%.

SEGMENTS

The following information reflects TMX Group's financial statements for and as at the years ended December 31, 2013 and December 31, 2012. This information for the year ended December 31, 2012 includes the operating results of TMX Group Inc. from July 31, 2012 and CDS and Alpha from August 1, 2012. TMX Group has certain corporate costs and other balances not allocated across the other disclosed segments which are included within the Corporate segment. Equity Transfer and PC-Bond (until April 5, 2013) are included in the Cash Markets segment.

2013

(in millions of dollars)

	Cash Markets	Derivatives Markets	Energy Markets	CDS	Corporate	TMX Group
Revenue	$450.4	$129.2	$43.1	$88.9	$(11.1)	$700.5
Net Income (Loss) Attributable to TMX Group Shareholders	$130.2	$26.4	$8.6	$11.0	$(52.3)	$123.9

2012

(in millions of dollars)

	Cash Markets	Derivatives Markets	Energy Markets	CDS	Corporate	TMX Group
Revenue	$189.5	$52.5	$18.6	$37.1	$(3.2)	$294.5
Net Income (Loss) Attributable to TMX Group Shareholders	$48.1	$13.3	$5.6	$ -	$(51.9)	$15.1

- *Revenue* for 2013 includes the accounts of TMX Group, including the operating results of TMX Group Inc., Alpha, CDS, and their respective subsidiaries for 12 months, whereas revenue for 2012 includes the results of these companies for a five-month period.

- *Net Income Attributable to TMX Group Shareholders* includes the accounts of TMX Group, including the operating results of TMX Group Inc., Alpha, CDS, and their respective subsidiaries for 12 months, whereas *Net Income Attributable to TMX Group Shareholders* includes the results for a five-month period.

- *Net Loss Attributable to TMX Group Shareholders* allocated to the Corporate segment of $52.3 million for 2013 was primarily attributable to the amortization of intangibles of $36.4 million related to the Maple Transaction and the acquisition of Equity Transfer, deferred income tax expense of $11.3 million related to the sale of PC-Bond (see **ADDITIONAL INFORMATION – Income tax expense**), as well as credit facility refinancing expenses of $16.4 million (see **ADDITIONAL INFORMATION – Net finance (income) costs)**, partially offset by the gain on sale of PC-Bond of $5.4 million.

- *Net Loss Attributable to TMX Group Shareholders* allocated to the Corporate segment of $51.9 million for 2012 was primarily attributable to Maple Transaction and integration costs and the amortization of intangibles related to the Maple Transaction.

As at December 31, 2013

(in millions of dollars)

	Cash Markets	Derivatives Markets	Energy Markets	CDS	Corporate	TMX Group
Total assets	$1,850.0	$11,291.8	$941.9	$532.1	$1,879.7	$16,495.5
Total liabilities	998.7	10,244.7	893.6	469.5	918.3	13,524.8

As at December 31, 2012

(in millions of dollars)

	Cash Markets	Derivatives Markets	Energy Markets	CDS	Corporate	TMX Group
Total assets	$2,003.2	$8,867.1	$844.3	$513.5	$1,814.1	$14,042.2
Total liabilities	1,114.1	7,829.4	795.2	457.5	946.6	11,142.8

- Total assets in our various segments include goodwill and other intangible assets acquired in connection with the Maple Transaction. In addition, the Derivative 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 **Loans Payable** and **Debentures Payable**, which were $331.4 million and $996.4 million, respectively, at December 31, 2013. **Loans Payable** were $1,453.1 million at December 31, 2012. In addition, the Derivatives Markets, Energy Markets and CDS segments carry offsetting liabilities related to the clearing assets described above (see **Total Assets**).

- The increase in total assets and total liabilities in 2013 was primarily due to the increase in Balances with Clearing Members at CDCC of $2,430.9 million, reflecting an increase in the clearing of fixed income REPO agreements.

Geographical Information

The following information provides revenue and non-current assets by geography for and as at the years ended December 31, 2013 and December 31, 2012. Revenue is allocated based on the country to which customer invoices are addressed.

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

2012

(in millions of dollars)

	Canada	U.S.	Other	**TMX Group**
Revenue	$218.3	$61.0	$15.2	$294.5
Non-current assets	$4,790.7	$186.0	$28.2	$5,004.9

- *Revenue* includes the accounts of TMX Group, including the operating results of TMX Group Inc., Alpha, CDS, and their respective subsidiaries for 12 months, whereas revenue for 2012 includes the results of these companies for a five-month period.
- *Non-current assets* are primarily comprised of premises and equipment, investments in equity accounted investees, goodwill, and other intangible assets.

LIQUIDITY AND CAPITAL RESOURCES

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

December 31, 2013	December 31, 2012	$ increase
$279.2	$245.5	$33.7

- The increase reflects cash flows from operating activities of $250.4 million in 2013, proceeds from the sale of PC-Bond of $104.0 million and net proceeds from the issuance of Debentures of $996.2 million. These cash inflows were largely reduced by repayment on our credit facilities of $1,146.6 million, cash used to purchase Equity Transfer of $64.0 million, dividends to TMX Group shareholders of $86.4 million, and additions to our premises and equipment and intangible assets of $28.4 million.

Total Assets

(in millions of dollars)

December 31, 2013	December 31, 2012	$ increase
$16,495.5	$14,042.2	$2,453.3

- Our consolidated balance sheet as at December 31, 2013 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 $9,833.9 million at December 31, 2013.
- The increase in *Total Assets* of $2,453.3 million was largely attributable to the increase in Balances with Clearing Members of $2,430.9 million for CDCC, which reflected an increase in the clearing of fixed income REPO agreements.

- *Total Assets* also includes energy contracts receivable of $764.9 million and fair value of open energy contracts of $86.9 million related to the clearing operations of NGX, as well as Balances with Participants relating to CDS of $330.8 million. There was an increase in these balances of $49.6 million from December 31, 2012 to December 31, 2013, thereby increasing total assets by $49.6 million. As is the case with CDCC, NGX and CDS carry equivalent amounts as liabilities.

DEBENTURES, CREDIT AND LIQUIDITY FACILITIES

Debentures Payable

(in millions of dollars)

December 31, 2013	December 31, 2012	$ increase
$996.4	$ -	$996.4

- On September 30, 2013, TMX Group completed the Offering of $1.0 billion aggregate principal amount of Debentures to accredited investors in Canada. The net proceeds of $996.2 million (net of $3.8 million of fees that were capitalized) were used to repay a significant portion of outstanding indebtedness under the TMX Group's Credit Agreement (see **Loans Payable** below). The Debentures, all of which received a credit rating of A (high) with a Stable trend from DBRS Limited (DBRS), consist of:

Debenture	Principal Amount	Coupon	Maturity Date
Series A	$400 million	3.253% per annum, payable in arrears in equal semi-annual instalments (long first coupon)	October 3, 2018
Series B	$250 million	4.461% per annum, payable in arrears in equal semi-annual instalments (long first coupon)	October 3, 2023
Series C	$350 million	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)

December 31, 2013	December 31, 2012	$ (decrease)
$331.4	$1,453.1	$(1,121.7)

- On July 31, 2012, TMX Group signed a credit agreement (Credit Agreement) with a syndicate of Canadian and global financial institutions, as amended on February 11, 2013. The maturity date of the Credit Agreement is July 31, 2016. On August 1, 2012, TMX Group drew $1,538.0 million under the Credit Agreement and paid an aggregate amount of $31.1 million in financing and other associated fees. These financing fees were being amortized over the term of the Credit Agreement.

- As at December 31, 2012, the balance outstanding under the Credit Agreement was $1,481.0 million ($57.0 million repaid) and the balance of the prepaid financing fees was $27.9 million, leaving the **Loans Payable** balance at $1,453.1 million.

- In 2013, and prior to the completion of the Offering (see **Debentures Payable**), TMX Group had repaid $150.0 million on the Credit Agreement and had amortized $6.4 million of financing fees.

- On September 30, 2013, $995.5 million of the net proceeds from the Offering were used to repay a significant portion of the balance outstanding under the Credit Agreement, leaving a balance in Loans Payable of $355.0 million. As a result of the substantial reduction in the outstanding balance, prepaid financing fees of $18.5 million were written off in the Q3/13.

(in millions of dollars)

	December 31, 2012	Repayments, New Financing Fees, and Amortization (excluding the Offering)	Effect of the Offering	December 31, 2013
Revolving Facility Drawn	$71.0	$(45.0)	$ -	$26.0
Term Facilities	1,410.0	(105.0)	(995.5)	309.5
Principal Debt Outstanding	$1,481.0	$(150.0)	$(995.5)	$335.5
Deferred Financing Fees	(27.9)	5.6	18.2	(4.1)
Loans Payable	$1,453.1	$(144.4)	$(977.3)	$331.4

- In conjunction with the Offering, TMX Group paid $0.3 million in fees to amend and restate the terms of the Credit Agreement on September 30, 2013 (the Amended and Restated Credit Agreement) to include, among other things, the release of various guarantees provided by certain of TMX Group's subsidiaries as well as significantly more favourable pricing terms and less restrictive financial covenants (see **Amended and Restated Credit Agreement** filed on SEDAR on September 30, 2013).

- The Amended and Restated Credit Agreement contains various covenants, 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

- In addition, the Amended and Restated Credit Agreement, among other things, contains restrictions on TMX Group's and its material subsidiaries' (as defined in the Amended and Restated Credit Agreement) ability to incur certain types of indebtedness and the ability of these entities to enter into acquisitions, other than acquisitions permitted under the Amended and Restated Credit Agreement. In addition, material subsidiaries are restricted from creating liens, except as provided for in the Amended and Restated Credit Agreement.

- As at December 31, 2013, all covenants were met.

- The following table summarizes the current Applicable Rates and Fee Rates and corresponding Total Leverage Ratios under 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.

	Applicable Rate for Standby Fee	**Applicable Rate for BA Instruments, LIBOR Loans, and Letters of Credit**
Total Leverage Ratio	**Revolving Facility**	
< 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

In the future, we may replace the TMX Group's credit facility in whole or in part with another form of financing.

Interest Rate Swaps

- On August 3, 2012, TMX Group entered into a series of interest rate swaps, to hedge the interest rate risk associated with the initial amount drawn under the Credit Agreement, totalling $1.4 billion where TMX Group would receive floating rate interest based on one-month CDOR bankers' acceptances (BA) and TMX Group would pay fixed rate interest at rates ranging from 1.232% to 1.499%.

- In 2013 and excluding the completion of the Offering on September 30, 2013, TMX Group unwound interest rate swaps with a $46.5 million notional value of the original $200.0 million notional value maturing on September 30, 2013.

- On September 30, 2013, to reflect the repayments made on the Credit Agreement, TMX Group executed the following:

  - $153.5 million notional value of swaps maturing on September 30, 2013 ($200.0 million notional value at December 31, 2012) were not extended and expired

  - $250.0 million notional value of swaps maturing on September 30, 2015 were unwound, resulting in a net settlement gain of $0.05 million

  - $350.0 million notional value of swaps maturing on July 31, 2016 were unwound, resulting in a net settlement gain of $1.55 million

  - Of the remaining $600.0 million notional value of swaps, $250.0 million were left to hedge indebtedness under the Credit Agreement, and $350.0 million, previously used to

hedge indebtedness under the Credit Agreement, were re-designated to hedge Series C Debentures. As a result of this re-designation, a $1.3 million gain was recorded.

- The changes in interest rate swaps are summarized in the following table:

Swap Maturity	Notional Value at December 31, 2012	Status	Notional Value at December 31, 2013	Swap rate
Sept. 30, 2013	$46,500,000	Unwound	$-	-
Sept. 30, 2013	153,500,000	Expired		
Sept. 30, 2014	$200,000,000	Unchanged	$200,000,000	1.312%
Sept. 30, 2015	$50,000,000	Unchanged	$50,000,000	1.416%
Sept. 30, 2015	$250,000,000	Unwound	$-	-
July 31, 2016	$350,000,000	Unwound	$-	-
July 31, 2016	$350,000,000	Re-designated	$350,000,000	1.499%
Total	$1,400,000,000		$600,000,000	

Effective Interest Rates

- The effective interest rates as at December 31, 2013 for the Debentures and indebtedness under the Amended and Restated Credit Agreement are shown below:

Debentures or Credit Facility	Principal ($ millions)	Maturity	Reference Rate	Spread	Swap Rate	Floating Rate	All-in Rate
Series A Debentures	$400.0	October 3, 2018					3.253%
Series B Debentures	$250.0	October 3, 2023					4.461%
Series C Debentures	$350.0	October 3, 2016	3-mo CDOR	0.70%	1.499%		2.199%
Credit facility	$200.0	July 31, 2016	1-mo CDOR	1.50%	1.312%		2.812%
Credit facility	$50.0	July 31, 2016	1-mo CDOR	1.50%	1.416%		2.916%
Credit facility	$85.5	July 31, 2016	1-mo CDOR	1.50%		1.23%	2.730%

Other Credit and Liquidity Facilities

CDCC maintains daylight liquidity facilities for a total of $700.0 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. As at December 31, 2013, CDCC had drawn $1.3 million to facilitate a failed REPO settlement. The amount was fully offset by liquid facilities included in cash and cash equivalents and has been fully repaid. The facility was increased from $100.0 million to $200.0 million on April 17, 2013. On January 31, 2014, the CDCC Board approved an increase in the amount of the facility to $300.0 million effective March 7, 2014, subject to regulatory approval.

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 $12,300.0 million from $4,800 million on May 2, 2013, including $1,200.0 million in committed liquidity and $11,100.0 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 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 totalling $11.0 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, 2013.

CDS maintains a US$200.0 million or Canadian dollar equivalent secured standby credit arrangement that can be drawn in either U.S. or Canadian currencies. 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. 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, 2013.

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. No amounts were drawn on this facility as at December 31, 2013.

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

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.

Total Equity attributable to Shareholders of TMX Group

(in millions of dollars)

December 31, 2013	December 31, 2012	$ increase
$2,887.8	$2,816.2	$71.6

- At December 31, 2013, there were 54,116,023 common shares issued and outstanding and 1,355,585 options outstanding under the share option plan.
- At February 3, 2014, there were 54,121,018 common shares issued and outstanding and 1,335,608 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 $123.9 million and proceeds received on the exercise of share options of $14.5 million, partially offset by dividend payments to shareholders of TMX Group of $86.4 million.

SUMMARY OF CASH FLOWS

The following tables provide the summary of cash flows for TMX Group for the year ended December 31, 2013, including Equity Transfer from April 5, 2013. The comparative financial information for the year ended December 31, 2012 includes the accounts of TMX Group Inc. from July 31, 2012 and CDS and Alpha from August 1, 2012.

(in millions of dollars)

	2013	2012	$ increase/ (decrease) in cash
Cash Flows from (used in) Operating Activities	$250.4	$(144.0)	$394.4
Cash Flows from (used in) Financing Activities	(229.6)	3,047.3	(3,276.9)
Cash Flows from (used in) Investing Activities	33.4	(2,751.9)	2,785.3

- The increase in *Cash Flows from Operating Activities* in 2013 compared with 2012 was primarily due to significantly higher income from operations (excluding depreciation and amortization) reflecting 12 months of activity in 2013 versus five months of activity in 2012. In addition, the increase is due to lower Maple Transaction and integration related cash outlays, an increase in trade and other payables as well as an increase in cash related to deferred revenue. The increases were somewhat offset by higher interest and income taxes paid in 2013 compared with 2012.
- In 2013, *Cash Flows used in Financing Activities* included dividend payments of $86.4 million to TMX Group shareholders, dividends to non-controlling BOX shareholders of $5.3 million and net repayments on our credit facilities of $1,146.6 million (net of financing costs). These cash outflows were largely offset by net proceeds of $996.2 million on the issuance of Debentures.

- In 2012, *Cash Flows from Financing Activities* included $2,078.7 million due to the net issuance of common shares in connection with the Maple Transaction and $1,449.9 million of net proceeds related to the establishment of a new credit facility (net of financing costs), offset by the repayment of $430.0 million of TMX Group Inc.'s debt and $51.4 million of dividends.

- In 2013, *Cash Flows from Investing Activities* included $104.0 million in proceeds from the sale of PC-Bond and $21.8 million in proceeds from the sale of marketable securities, partially offset by $64.0 million used in the acquisition of Equity Transfer and $28.4 million of additions to premises and equipment and intangible assets.

- In 2012, *Cash Flows used in Investing Activities* included $2,677.1 million due to TMX Group's acquisition of TMX Group Inc., CDS, and Alpha, net of cash acquired, $65.0 million from the purchase of marketable securities, and $13.3 million of additions to premises and equipment and intangible assets.

Summary of Cash Position and Other Matters[15]

We had $279.2 million of cash and cash equivalents and marketable securities at December 31, 2013. In 2013, cash flows from operating activities were $250.4 million. We paid $86.4 million in dividends on TMX Group common shares during that period. 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 financial covenants under the Amended and Restated Credit Agreement and our capital maintenance requirements imposed by regulators.

Debt financing of future investment opportunities could be limited by current and future economic conditions, the covenants on TMX Group's Amended and Restated Credit Agreement and the Debentures (see **DEBENTURES, CREDIT AND LIQUIDITY FACILITIES**), and by capital maintenance requirements imposed by regulators (see **MANAGING CAPITAL**).

The recognition orders of some of our subsidiaries contain certain financial viability tests that must be met. For example, if either TSX Inc. or Alpha Exchange Inc. fails to maintain or anticipates that it will fail any of its financial viability tests, the OSC can impose additional terms and conditions. This could, for example, include a requirement that TSX Inc. or Alpha Exchange Inc. may not without the prior approval of the Director of the OSC, pay dividends (among other things) until the deficiencies have been eliminated for at least six months or a shorter period of time as agreed by OSC staff. In addition, the recognition order of MX imposes similar restrictions on the payment of dividends. If MX fails to meet the financial viability ratios for more than three months, MX will not, without the prior approval of Quebec's AMF, pay dividends (among other things) until the deficiencies have been eliminated for at least six months.

As at December 31, 2013, we met all of the above requirements.

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[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 deficit of approximately $20 million as at December 31, 2013, of which $6.7 million was funded in 2013.

SELECT ANNUAL AND QUARTERLY FINANCIAL INFORMATION

TMX Group was 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 under the Maple Transaction, it had no material assets and no history of earnings and had not commenced commercial operations. Management believes that the required historical information for TMX Group contained in the select annual information table and the quarterly financial information table for the most recent eight quarters would not be useful to investors and other users of our financial information in evaluating the operating performance and profitability for the prior quarters and years. However, we have compared the results for the first five full quarters following the close of the Maple Transaction:

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

	Dec. 31/13	Sept. 30/13	June 30/13	Mar. 31/13	Dec. 31/12
Revenue	$180.7	$165.3	$182.3	$172.2	$181.1
Income from operations	71.3	58.9	67.3	60.2	75.5
Net Income attributable to TMX Group shareholders	41.4	19.2	25.5	37.8	32.6
Earnings per share:					
Basic	0.77	0.35	0.47	0.70	0.61
Diluted	0.77	0.35	0.47	0.70	0.61

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.

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[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.

- 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 **ADDITIONAL INFORMATION – Gain on sale of PC-Bond** and **Income tax expense**.)

Q1/13 compared with Q4/12

- Revenue in Q1/13 was lower than in Q4/12 primarily due to lower issuer services revenue from initial and additional listing fees, lower energy markets trading and clearing revenue and reduced technology services and other revenue, partially offset by higher cash markets trading and clearing revenue.

- Operating Expenses in Q1/13 increased over Q4/12 primarily due to an increase of $11.2 million in compensation and benefits expenses. Compensation and benefits expenses in Q4/12 included higher capitalization of costs associated with technology initiatives and lower costs associated with short-term employee performance incentive plans. In addition, there were higher costs in Q1/13 related to organizational transition costs compared with Q4/12. The increase in compensation and benefits expenses was somewhat offset by lower information and trading systems costs, reduced general and administration expenses and lower depreciation and amortization.

- Income from operations of $60.2 million decreased by 21% reflecting the combined impact of a 5% decrease in revenue and a 6% increase in operating expenses.

- Net income attributable to TMX Group shareholders increased in Q1/13 over Q4/12 primarily due to lower Maple Transaction and integration costs as well as lower income tax expense largely resulting from recognizing a deferred income tax asset of $6.0 million related to PC-Bond. The increase was largely offset by lower revenue and higher expenses.

REVIEW OF FOURTH QUARTER RESULTS

Compared with Q4/12

- Revenue in Q4/13 was essentially unchanged from Q4/12. Revenue increased in the following:

  - *Issuer services* revenue reflected the inclusion of revenue from Equity Transfer (acquired April 5, 2013).

  - *Technology services* and other revenue increased, reflecting increased revenues from CDS services relating to the administration of SEDAR, SEDI and NRD and the impact of higher foreign exchange gains on U.S. dollar accounts receivables.

  - *Information services* revenue increased reflecting higher revenue from TMX Atrium, feeds, co-location services, and royalties following the FTSE transaction. During Q4/13, there were also various revenue recoveries of approximately $2.8 million. The appreciation of the U.S. dollar against the Canadian dollar had a positive impact on revenue.

  - *Derivatives markets* revenue increased due to an increase in trading and clearing revenue from MX and CDCC, reflecting higher volumes, as well as a more favourable product mix on MX and an increase in REPO fees.

- The increases were largely offset by the following:
  - *Issuer services* revenue was lower due to decrease in additional listing fee revenue reflecting a decrease in the number of additional financings on Toronto Stock Exchange and the number and value of additional financings on TSX Venture Exchange. While the total value of additional financings on Toronto Stock Exchange increased in Q4/13 compared with Q4/12, this was primarily due to one significant transaction on which the listed issuer paid the maximum fee. Excluding this transaction, the value of additional financings on Toronto Stock Exchange decreased in Q4/13 compared with Q4/12. In addition, there was a decline in initial listing fee revenue reflecting a decrease in the number and value of new listings on Toronto Stock Exchange.
  - *Information services* revenue was reduced following the sale of PC-Bond, which we did not consolidate following the close of the transaction with FTSE to create FTSE TMX Global Debt Capital Markets on April 5, 2013.
  - BOX and NGX *trading and clearing* revenue decreased, reflecting lower volumes.
- Operating expenses in Q4/13 increased by 4% over Q4/12. The increase reflects the inclusion of three months of operating expenses of Equity Transfer (acquired April 5, 2013). Operating expenses were also higher primarily due to higher costs associated with the short-term employee performance incentive plan, higher organizational transition costs, lower capitalization of *Compensation and benefits* costs associated with technology initiatives, and higher *Information and trading systems* costs related to technology initiatives. The increase was partially offset by the lower operating expenses related to PC-Bond that were no longer consolidated following the sale on April 5, 2013. In addition, we realized costs synergies as a result of the integration of TMX Group Inc., CDS, and Alpha.
- Net income attributable to TMX Group shareholders increased in Q4/13 compared with Q4/12 primarily due to lower integration costs and reduced finance costs, partially offset by a decrease in income from operations.
- The increase in *Cash Flows from Operating Activities* in Q4/13 of $35.6 million compared with Q4/12 was primarily due to an increase in trade and other payables and long-term accrued and other non-current liabilities, lower Maple Transaction and integration related cash outlays, and reduced interest paid, somewhat offset by a decrease in income from operations.
- In Q4/13, *Cash Flows (used in) Financing Activities* decreased by $45.1 million compared with Q4/12 primarily due to lower net repayments on our credit facilities (net of financing costs).

  In Q4/13, *Cash Flows from Investing Activities* decreased by $27.9 million compared with Q4/12 primarily due to a reduction in the sale of marketable securities.

Compared with Q3/13

See **SELECT ANNUAL AND QUARTERLY FINANCIAL INFORMATION – Q4/13 compared with Q3/13**.

MANAGING CAPITAL[17]

Our primary objectives in managing capital, which we define to include our cash and cash equivalents, marketable securities, share capital, 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 Debentures, Credit and Liquidity Facilities for a description of certain financial covenants under the Amended and Restated 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 Amended and Restated Credit Agreement, which decrease over time;

- Maintaining a credit rating in a range consistent with our current A (high) credit rating 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 as follows:

- 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.

- In respect of TSXV, as required by various provincial securities commissions to maintain sufficient financial resources.

- In respect of NGX, to:

  - 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 CFTC; and

[17] 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.

- 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 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:
  - $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, 2013, 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 Amended and Restated 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 Treasury Bills. The primary risks related to these marketable securities are variation in interest rates, liquidity risk and credit risk. For a description of these risks, please refer to **Liquidity Risk – Marketable Securities, Credit Risk – Marketable Securities** and **Interest Rate Risk – Marketable Securities**.

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 losses of $0.2 million have been reflected in net income for the year ended December 31, 2013, compared with unrealized losses of $0.2 million for the year ended December 31, 2012.

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, 2013, we had restricted cash and cash equivalents of $102.9 million. The primary risks related to these restricted cash and cash equivalents are liquidity risk and credit risk. For a description of these risks, please refer to **Liquidity Risk – Cash and cash equivalent and Restricted cash and cash equivalents, Credit Risk – Cash and cash equivalent and 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 risk related to accounts receivable is credit risk. For a description of these risks, please refer to **Credit Risk – Accounts Receivable**.

CDS – Participant collateral

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.

(in millions of dollars)

		December 31, 2013		December 31, 2012
Entitlements and other funds	**$**	**11.9**	$	16.2
Participants` cash collateral		**318.9**		354.7
Balances with participants	**$**	**330.8**	$	370.9

As a result of calculations of participants' exposure at December 31, 2013, the total amount of collateral required by CDS Clearing was $3,237.8 million (2012 – $3,078.0 million). The actual collateral pledged to CDS Clearing at December 31 is summarized below.

(in millions of dollars)

		December 31, 2013		December 31, 2012
Cash (included within Balances with participants on the consolidated balance sheet)	$	**318.9**	$	354.7
Treasury bills and fixed income securities		**3,668.7**		3,534.8
Total collateral pledged	**$**	**3,987.6**	$	3,889.5

Non-cash collateral is not included in our consolidated balance sheet.

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, liquidity risk and market risk. For a description of these risks, please refer to **Credit Risk – CDCC, Liquidity Risk – CDCC** and **Other Market Price Risk – CDCC.**

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.

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 the Company's assets and liabilities.

The following table sets out the carrying amounts of Balances with Clearing Members that are subject to offsetting, enforceable master netting arrangements and similar arrangements:

(in millions of dollars)

Asset/(Liability)		Gross amount		Amount offset in the consolidated balance sheet		Net amounts presented in the consolidated balance sheet
						As at December 31, 2013
Financial assets						
Daily settlements due from Clearing Members	**$**	**28.8**	**$**	**(2.1)**	**$**	**26.7**
Net amounts receivable on open REPO agreements		**17,211.7**		**(7,713.8)**		**9,497.9**
	$	**17,240.5**	**$**	**(7,715.9)**	**$**	**9,524.6**
Financial liabilities						
Daily settlements due to Clearing Members	**$**	**(28.8)**	**$**	**2.1**	**$**	**(26.7)**
Net amounts payable on open REPO agreements		**(17,211.7)**		**7,713.8**		**(9,497.9)**
	$	**(17,240.5)**	**$**	**7,715.9**	**$**	**(9,524.6)**
Net amount	**$**	**-**	**$**	**-**	**$**	**-**

(in millions of dollars)

Asset/(Liability)		Gross amount		Amount offset in the consolidated balance sheet		Net amounts presented in the consolidated balance sheet
						As at December 31, 2012
Financial assets						
Daily settlements due from Clearing Members	$	143.2	$	(1.5)	$	141.7
Net amounts receivable on open REPO agreements		10,036.4		(3,199.3)		6,837.1
	$	10,179.6	$	(3,200.8)	$	6,978.8
Financial liabilities						
Daily settlements due to Clearing Members	$	(143.2)	$	1.5	$	(141.7)
Net amounts payable on open REPO agreements		(10,036.4)		3,199.3		(6,837.1)
	$	(10,179.6)	$	3,200.8	$	(6,978.8)
Net amount	$	-	$	-	$	-

The actual collateral pledged to CDCC at December 31 is summarized below:

(in millions of dollars)

		December 31, 2013		December 31, 2012
Cash collateral held:				
Clearing Members' cash margin deposits	**$**	**261.2**	$	361.3
Clearing fund cash deposits		**48.1**		62.9
	$	**309.3**	$	424.2
Non-cash collateral pledged:				
Non-cash margin deposits		**3,691.9**		3,310.7
Non-cash clearing fund deposits		**287.0**		258.1
	$	**3,978.9**	$	3,568.8

Non-cash collateral is held in government securities, put letters of guarantee, and equity securities and is not included in our consolidated balance sheet.

Loans Payable

We established the Credit Agreement in connection with the acquisition of TMX Group Inc., Alpha and CDS. (see **Debentures, Credit and Liquidity Facilities – Loans Payable**). In conjunction with the Offering on September 30, 2013 (see **Debentures, Credit and Liquidity Facilities – Debentures Payable**), TMX Group amended and restated the terms of the Credit Agreement on September 30, 2013 (the Amended and Restated Credit Agreement) to include, among other things, the release of various guarantees provided by certain of TMX Group's subsidiaries as well as significantly more favourable pricing terms and less restrictive financial covenants (see **Amended and Restated Credit Agreement** filed on SEDAR on September 30, 2013). The loans payable are subject to interest rate risk. For a description of this risk, please refer to **Interest Rate Risk – Loans Payable and Debentures**. We entered into a series of interest rate swaps to partially manage our exposure to interest rate fluctuations on the loans payable (see **Debentures, Credit and Liquidity Facilities – Interest Rate Swaps**).

Debentures Payable

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 Debenture with a 3.253% coupon and a five-year term, a $250-million Series B Debenture with a 4.461% coupon and a 10-year term, a $350-million Series C Debenture with a floating rate coupon (three-month CDOR + 70 bps) and a three-year term (see **Debentures, Credit and Liquidity Facilities – Debentures Payable**). The net proceeds of $996.2 million (net of $3.8 million of fees that were capitalized) were used to repay a significant portion of outstanding indebtedness under the TMX Group's Credit Agreement. 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 Series C Debenture is subject to interest rate risk. For a description of this risk, please refer to **Interest Rate Risk – Loans Payable and Debentures**. We entered into a series of interest rate swaps to manage our exposure to interest rate fluctuations on the Debentures payable (see **Debentures, Credit and Liquidity Facilities – Interest Rate Swaps**).

Interest Rate Swaps (IRS)

We entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on the Loans payable and Series C Debentures payable (see **Debentures, Credit and Liquidity Facilities – Interest Rate Swaps**). We mark to market the fair value of the interest rate swaps, which is determined by using observable market information. At December 31, 2013, the fair value of the interest rate swaps was a liability of $0.4 million. The counterparties on these interest rate swaps are major Canadian chartered banks. The unrealized fair value gain on these interest rate swaps designated as cash flow hedges was $0.8 million for 2013 (net of $0.6 million of tax). This is reflected in the calculation of Total comprehensive income (loss). In addition, there was a charge of $2.0 million to net income related to the net settlement on these interest rate swaps. The approximate impact on income before income taxes of a 1% rise and a 1% fall in interest rates with respect to the interest rate swaps is an increase of $6.0 million

and a decrease of $6.0 million, respectively. Interest rate swaps are subject to credit risk. For a description of this risk, please refer to **Credit Risk – Interest Rate Swaps**.

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 full 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 $0.6 million and $0.6 million, respectively, have been reflected in net income in the financial statements for the year ended December 31, 2013 (2012 – unrealized losses and realized gains of $4.4 million and $4.6 million, respectively).

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.

NGX requires each contracting party to sign the Contracting Party's agreement; a standardized agreement that allows for netting of positive and negative exposures associated with a single contracting party. The following table sets out the carrying amounts of recognized financial instruments that are subject to the agreement:

(in millions of dollars)

		As at December 31, 2013				
		Gross amount		**Amount offset in the consolidated balance sheet**		**Net amounts presented in the consolidated balance sheet**
Financial assets						
Energy contracts receivable	**$**	**3,609.7**	**$**	**(2,844.8)**	**$**	**764.9**
Fair value of open energy contracts receivable		**500.5**	**$**	**(413.6)**		**86.9**
		4,110.2	**$**	**(3,258.4)**		**851.8**
Financial liabilities						
Energy contracts payable	**$**	**(3,609.7)**	**$**	**2,844.8**	**$**	**(764.9)**
Fair value of open energy contracts payable		**(500.5)**		**413.6**		**(86.9)**
		(4,110.2)		**3,258.4**		**(851.8)**
Net amount	**$**	**-**	**$**	**-**	**$**	**-**

(in millions of dollars)

		As at December 31, 2012				
		Gross amount		**Amount offset in the consolidated balance sheet**		**Net amounts presented in the consolidated balance sheet**
Financial assets						
Energy contracts receivable	$	3,919.4	$	(3,223.0)	$	696.4
Fair value of open energy contracts receivable		349.3	$	(283.6)		65.7
		4,268.7	$	(3,506.6)		762.1
Financial liabilities						
Energy contracts payable	$	(3,919.4)	$	3,223.0	$	(696.4)
Fair value of open energy contracts payable		(349.3)		283.6		(65.7)
		(4,268.7)		3,506.6		(762.1)
Net amount	$	-	$	-	$	-

The actual collateral pledged to NGX at December 31 is summarized below:

(in millions of dollars)

		December 31, 2013		December 31, 2012
Cash collateral deposits	**$**	**719.3**	$	672.0
Letters of credit		**1,794.1**		1,596.5
	$	**2,513.4**	$	2,268.5

These amounts are not included in the consolidated balance sheet.

The primary risks related to these financial instruments are credit risk, liquidity risk and market risk. For a description of these risks, please refer to **Credit Risk – NGX, Liquidity Risk – NGX** and **Other Market Price Risk – NGX**.

FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk of financial loss associated with a counterparty's failure to fulfill its financial obligations and arises principally from the clearing operations of CDS, NGX and CDCC, cash and cash equivalents, marketable securities, interest rate swaps, total return swaps, accounts receivable and the brokerage operations of Shorcan, and Shorcan Energy Brokers.

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 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, 2013, the total amount of collateral required by CDS Clearing was $3,237.8 million (2012 – $3,078.0 million).

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 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, 2013, NGX had access to cash collateral deposits of $719.3 million and letters of credit of $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 fails to satisfy any of the contractual obligations as stipulated within the 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 forms of 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. For additional details on the risk management practices in place at CDCC to mitigate the market risk exposures that would result from a Clearing Member default, please refer to section on **Market Risk.**

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. 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, 2013, non-cash margin deposits of $3,713.6 million and non-cash clearing fund deposits of $287.0 million had been pledged to CDCC, held in government and equity securities. These amounts are 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.

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 AA/R1-Middle 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 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. TMX Group does not have any investments in non-bank asset-backed commercial paper.

Credit Risk – Total Return Swaps (TRS)

To manage credit risk, we entered into these TRS with a major Canadian chartered bank.

Credit Risk – Interest Rate Swaps (IRS)

To manage credit risk, we entered into IRS 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.

Credit Risk – Accounts Receivable

Our exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of our customers, many of whom are banks and financial institutions. 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 and data access privileges.

Market Risk

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

Equity Price Risk – RSUs, DSUs, TRS

We are exposed to market risk 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 interest rate risk 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, 2013, TMX Group held $67.0 million in marketable securities of which 39% were held in a short-term bond and mortgage fund, 17% were held in treasury bills, 40% were held in a money market fund, and 4% were held in other term deposits.

Interest Rate Risk – Loans Payable and Debentures

We are exposed to interest rate risk on our **Loans Payable** and **Series C Debentures**. The approximate impact on income before income taxes of a 1% rise and a 1% fall in interest rates with respect to these financial instruments is a decrease of $6.9 million and an increase of $6.9 million, respectively.

Foreign Currency Risk

We are exposed to foreign currency risk on cash and cash equivalents, trade receivables and trade payables, principally denominated in U.S. dollars. We are also exposed to foreign currency 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 $6.3 million decrease or increase in cash. At December 31, 2013, cash and cash equivalents and trade receivables, net of current liabilities, excluding BOX, include US$23.2 million, which is exposed to changes in the U.S.-Canadian dollar exchange rates. 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, 2013 is a $2.5 million decrease or increase in income before income taxes, respectively. In addition, net assets related to BOX, Finexeo S.A., which operates TMX Atrium, and Razor Risk are denominated in U.S. dollars, Euros, and Australian dollars, respectively, and the effect of 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, 2013 is a $14.0 million decrease or increase in equity attributable to equity holders, respectively.

In 2013, to partially hedge our U.S. dollar assets, we also borrowed US$15.0 million under our Credit Facility. Our interest payments and principal repayments are exposed to changes in U.S.-Canadian dollar exchange rates. The approximate impact of a 10% rise or a 10% decline in the Canadian dollar compared with the U.S. dollar is a $1.6 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. Foreign exchange risk 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. Foreign exchange risk 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 affect on the value of our revenue or assets in Canadian dollars.

Other Market Risk – CDS, NGX, CDCC, 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 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.

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 only 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. From a legal perspective, the maximum loss that we could face is limited to CDCC's net worth. CDCC is currently the sole clearer for MX contracts and MX would need to develop alternative arrangements if CDCC were unable to operate.

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 include measures for market risk.

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.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our cash and cash equivalents and marketable securities, all of which are held in short term instruments, and our 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.

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 to CDS 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.

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.

Credit and liquidity facilities – Clearing operations

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

CDS maintains unsecured operating demand loans 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 secured standby credit arrangement that can be drawn in either U.S. or Canadian currencies. 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 has daylight liquidity facilities in place 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.

The revolving standby credit 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 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 $12,300.0 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 $11,100.0 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, the 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 facility, and an unsecured operating facility of $20.0 million.

Credit and liquidity facilities – Corporate

Our capital structure includes approximately $1.3 billion of indebtedness. As highlighted in the **Capital Structure Risk**, we rely on our credit facilities and Debentures as a source of financing. If our indebtedness under either the credit facilities or Debentures was to become due prior to the maturity dates as a result of not meeting covenants under the relevant credit agreements or trust

indentures, we could be required to seek more costly sources of financing, or potentially would not be able to obtain an alternative form of financing.

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 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 AA/R1-Middle 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.

Contractual Obligations

(in millions of dollars)

	Total	Less than 1 year	1 – 3 years	4 – 5 years	5+ years
Debt	$336.8	$1.3	335.5	$ -	$ -
Debentures	1,007.7	7.7	350.0	400.0	250.0
Financial Lease Obligation	5.9	2.5	3.0	0.4	-
Operating Leases	160.2	17.1	30.3	25.7	87.1
Clearing and Other Obligations[18]	11,145.0	11,108.7	20.1	14.0	2.2
	$12,655.6	$11,137.3	$738.9	$440.1	$339.3

[18] Clearing Obligations represents amounts related to our energy and derivatives clearing operations. There are offsetting assets in these clearing operations.

ACCOUNTING AND CONTROL MATTERS

Critical Accounting Estimates

Goodwill and Intangible Assets – Valuation and Impairment Testing

We recorded goodwill and intangible assets valued at $1,293.8 million and $3,513.1 million, respectively, as at December 31, 2013. 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.

The recoverable amount of an asset or cash-generating unit (CGU) is based on its value in use. 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 indefinite life intangible assets

Included with the BOX CGU carrying value are $42.1 million of goodwill and indefinite life intangible assets and $145.0 million of definite life intangible assets (based on 100% values for BOX) recognized as a result of the acquisitions under the Maple Transaction in 2012.

Volumes on BOX, our U.S. equity options market, in which MX has a 53.8% ownership interest, decreased by 38% in 2013 compared with 2012. BOX operates in a highly competitive environment in the U.S. During 2013, the volume of equity and index options traded in the U.S. grew by 3% over 2012. BOX's management team continues to look for additional means of expanding the product offering, introducing new pricing structures, and involving an increased number of market participants.

In 2013, management updated its growth projections. The terminal growth rate was also updated to reflect our current outlook for the U.S. options market. The cash flow projections cover a period of five years.

Based on current assumptions, the recoverable amount for BOX 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 0.4% increase in the pre-tax discount rate, a 0.4% reduction in the terminal growth rate, or a 3.3% decrease in cash flow.

SIGNIFICANT CGUs – Toronto Stock Exchange, TSX Venture Exchange and MX

Further discussion regarding significant CGUs is as follows:

Cash Markets – Toronto Stock Exchange and TSX Venture Exchange

Goodwill and Indefinite Life Intangible Assets

Included with the Toronto Stock Exchange and TSX Venture Exchange CGU carrying values are $1,854.8 million and $518.3 million, respectively, of goodwill and indefinite life intangible assets recognized as a result of the acquisitions under the Maple Transaction in 2012.

Overall, Canadian equities markets experienced lower trading volumes in 2013 compared with 2012. Total financings on TSX Venture Exchange decreased by 37% and the year-end market capitalization of listed issuers decreased by 18%. Total financings on Toronto Stock Exchange decreased by 21% in 2013 over 2012; however, the year-end market capitalization of listed issuers increased by 8% from the end of 2012 to the end of 2013.

In 2013, management updated its growth projections and discount rates. The discount rates were updated to reflect a lower weighted average cost of capital; however, the terminal growth rate was unchanged from 2012. The cash flow projections cover a period of five years.

Management ran sensitivities for the pre-tax discount rate, terminal growth rate and decreases in cash flow based on the ranges in the table ***Sensitivities for Key Assumptions*** below. Based on testing within these ranges, the recoverable amount for Toronto Stock Exchange and TSX Venture Exchange remains above carrying value.

No impairment was identified.

Derivative Markets – MX

Goodwill and indefinite life intangible assets

Included with the MX CGU carrying value are $937.2 million of goodwill and indefinite life intangible assets recognized as a result of the acquisitions under the Maple Transaction in 2012.

Although the Bank of Canada acknowledged that the global economy is expanding at a modest rate, it has continued to leave the overnight interest rate unchanged, citing that business investment spending continues to recover at a pace slower than anticipated and that there is no reason to change its expectation of a gradual return to full production capacity around the end of 2015. 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 3% increase in volumes for 2013 on MX, largely driven by 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 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 2013, management updated its growth projections and discount rate. The discount rate was updated to reflect a lower weighted average cost of capital; however, the terminal growth rate was unchanged from 2012. 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.

Management ran sensitivities for the pre-tax discount rate, terminal growth rate and decreases in cash flow based on the ranges in the table ***Sensitivities for Key Assumptions*** below. Based on testing within these ranges, the recoverable amount for MX remains above carrying value.

No impairment was identified.

Sensitivities for Key Assumptions

The sensitivities for key assumptions for each significant CGU are set out in the following table (holding other assumptions constant):

	SENSITIVITIES FOR KEY ASSUMPTIONS		
CGU	**Pre-tax discount rate**	**Terminal Growth rate***	**Cash flow decrease****
TSX	13.5% – 15.5%	0 – 2.0%	0 – 12.0%
TSXV	14.0% – 16.0%	0 – 2.0%	0 – 12,0%
MX	11.5% – 13.5%	3.0 – 4.5%	0 – 15.0%

* Terminal growth rate after tax.
** Cash flow reduction represents percentage reduction in annual cash flows versus forecast.

Changes in Accounting Policies

Effective January 1, 2013, we adopted the following standards and amendments to IFRS:

- IFRS 7, Financial instruments – disclosure ("IFRS 7")
- IAS 1, Presentation of financial statements
- IAS 19, Employee benefits
- IFRS 13, Fair Value Measurement
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36, Impairment of Assets)

The above policies are described in *Note 2 – Significant accounting policies* of our annual financial statements.

Future Changes in Accounting Policies

A number of other new standards and amendments to standards and interpretations are not yet effective for the year ending December 31, 2013, and have not been applied in preparing the financial statements. These new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2014, unless otherwise noted:

- *Investment Entities (Amendments to IFRS 10, Consolidated Financial Statements, IFRS 12, Disclosure of Interests in Other Entities and IAS 27, Separate Financial Statements)* – The amendments require qualifying investment entities to account for investments in controlled entities at fair value through profit or loss (FVTPL). The consolidation exception is mandatory—not optional. The amendments are effective for annual periods beginning on or after January 1, 2014.

- *Amendments to IAS 32, Financial Instruments: Presentation* – The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event, and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. Also, the amendments clarify when a settlement mechanism provides for a net settlement or gross settlement that is equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014.

- *Novation of derivatives and continuation of hedge accounting (Amendments to IAS 39, Financial Instruments: Recognition and Measurement)* – The amendments add a limited exception to provide relief from discontinuing a hedge relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are effective for annual periods beginning on or after January 1, 2014.

- *IFRIC 21, Levies* – IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that a liability for a levy is recognized only when the triggering event specified in the legislation occurs. The interpretation is effective for annual periods beginning on or after January 1, 2014.

- *IFRS 9, Financial Instruments* – IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets and financial liabilities. 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. The mandatory effective date has yet to be determined; however it will be deferred beyond annual periods beginning on or after January 1, 2015.

We intend to adopt each of the above standards, as applicable, in the year in which they are effective. We are reviewing these new standards and amendments to determine the potential impact, if any, on our financial statements once they are adopted. At this time, no significant impact is expected.

In June 2010, the IASB issued an Exposure Draft (ED) on Revenue from Contracts from Customers and requested comments by October 2010. The IASB issued a revised ED in November 2011 based on feedback received and requested comments by March 2012. In February 2013, the technical staff of the IFRS Foundation and Financial Accounting Standards Board (FASB) issued a paper indicating changes to the proposals in the November 2011 ED arising from decisions made by the IASB and FASB. The IASB expects to issue a standard in the first quarter of 2014.The paper proposes an effective date for the revised standard of no earlier than annual reporting periods beginning on or after January 1, 2017; however, it proposes that the amendments be applied retrospectively. We are currently considering the impact that this ED would have on our recognition of issuer services revenue in particular. It is possible that the final revised standard once released may result in changes to our current revenue recognition policies.

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, 2013. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective as of December 31, 2013.

Internal Control over Financial Reporting

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

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

Our management, including the CEO and CFO, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2013 using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (1992). Based on this evaluation, the CEO and CFO have concluded that our internal control over financial reporting was effective as of December 31, 2013.

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, 2013 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[19] 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.

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)	**2013**		2012[20]
Salaries and other short-term employee benefits	**$9.7**	$	2.9
Post-employment benefits	**1.5**		0.5
Share-based payments	**9.8**		6.1
	$21.0	$	9.5

Related party transactions

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

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[19] "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 Financial & Co. Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and TD Securities Inc., either directly or through an affiliate.

[20] Reflects information from August 1, 2012.

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. The Finance & Audit Committee of the Board assesses the adequacy of risk management policies and procedures; and the Risk Management Committee (comprised of senior management) oversees the implementation of risk management policies and processes. The management framework supporting the risk management objectives includes regular assessments of principal risks, and implementation of risk management tactics, which are monitored and adjusted as required.

We have identified the most significant risks to which we are exposed to be the following:

- Competition
- Economic
- Strategic and Execution
- Product/Service Relevance and Marketing
- Geopolitical/Business Continuity
- Human Resources
- Regulatory
- Technology
- Clearing Operations
- Currency
- Credit – External
- Credit – Model
- Liquidity
- Capital Structure
- Interface/Dependency
- Integration
- Litigation/Legal Proceedings
- Intellectual Property
- Corporate Structure

These risks 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.

Competition Risk

We face competition from other exchanges, ATSs, OTC markets, and other sources

Our listing and trading cash equities, derivatives, energy and fixed income markets face competition from other exchanges as well as from other marketplaces, the OTC markets and other

sources. If we cannot maintain and enhance our ability to compete or respond to competitive threats, this will have an adverse impact on our business, financial condition and operating results.

Our equity exchanges face 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. If we are unable to continue to provide competitive trade execution, the volume traded in Canadian-based interlisted issuers on our equity exchanges could decrease in the future and adversely affect our operating results. In Canada, there is currently one exchange competing for junior listings. Our listing operations 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.

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 Toronto Stock Exchange and TSX Venture Exchange listed securities. There are 12 Canadian equity marketplaces which trade, or intend to trade, Toronto Stock Exchange and TSX Venture Exchange 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 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 expected to launch in late 2014.

These new entrants may, among other things, respond more quickly to competitive pressures, develop similar or alternative products and services to those Toronto Stock Exchange and TSX Venture Exchange 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 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 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 this past year.

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 recently received exemption orders from the OSC to operate as clearing agencies. CDCC is regulated as a clearing house in Quebec and British Columbia and in Ontario under a temporary exemption order but is in the process of applying to be recognized as a clearing agency.

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

Our energy 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.

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.

Economic Risk

We depend on the economy of Canada

Our financial results are affected by the Canadian economy. If the profit growth of Canadian-based companies is generally lower than the profit growth of companies based in other countries, the markets on which those other issuers are listed may be more attractive to investors than our equity exchanges. 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. 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.

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.

Strategic and Execution Risk

We may not be successful in implementing our strategy

We invest significant resources in the development and execution of our corporate strategy to grow profitability and maximize shareholder returns. We may not succeed in implementing our strategies. We may have difficulty executing our strategies because of, among other things, increased global competition, difficulty developing and introducing products or introducing new products on a timely basis, barriers to entry in other geographic markets, and changes in regulatory requirements. 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 credit facilities and the Debentures, our Final 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. 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.

Product/Service Relevance and Marketing 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.

Geopolitical/Business Continuity Risk

Geopolitical and other factors could interrupt our critical business functions

The continuity of our critical business functions could be interrupted by geopolitical upheaval, including terrorist, criminal, political and cyber, or by other types of external disruptions, including human error, natural disasters, power loss, telecommunication failures, 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 at Toronto Stock Exchange, TSX Venture Exchange, MX, CDCC, CDS, BOX, and NGX. 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.

Regulatory Risk

We are subject to significant regulatory constraints

We operate in a highly regulated industry and are subject to extensive government regulation and we could be subject to increased regulatory scrutiny in the future. Federal and provincial securities 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. MX is regulated as an SRO in Québec and CDCC is regulated as a clearing house in Quebec and British Columbia and is regulated in Ontario under a temporary exemption order but is in the process of applying to be recognized as a clearing agency. In addition, MX carries on activities in accordance with the regulations of securities and commodities regulators in the United States as an FBOT and in France and the U.K. CDCC is also subject to regulatory requirements of the SEC and various U.S. state securities regulators. NGX also operates as a Foreign Board of Trade 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 original Maple shareholders (Investors) in the management or oversight of our exchanges or clearing houses or in the interaction between certain Investors 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 foreign and 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.

A number of regulatory initiatives and changes, for example the CPSS-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 on a timely basis could result in material reductions to activity or revenue, sanctions and/or restrictions by the applicable regulatory authorities.

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 Final Recognition Orders impose significant regulatory constraints on our ongoing business. The additional regulatory and oversight provisions provided for in the Final 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 Final 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 Final 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 in the future), 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.

We will also incur increased costs to comply with the additional regulatory requirements that are imposed pursuant to the Final 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 now subject to new 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 Final 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 TSX Venture Exchange Inc.'s operations, and (d) any outsourcing of key services or systems by a marketplace. Regulatory approvals for the Alpha and CDS integrations have been received. The requirement to obtain the other 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.

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 manage, mitigate and minimize the risk of an interruption, failure or disruption due to cyber attack on the critical information technology of Toronto Stock Exchange, TSX Venture Exchange, TMX Select, TMX Datalinx, NGX, MX, CDCC, CDS and BOX. We also test and exercise our disaster recovery plans for trading on Toronto Stock Exchange, TSX Venture Exchange, MX and CDCC, 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 TSX Quantum or, as applicable, TMX Quantum XA, 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.

Clearing Operations Risk

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

The operational processes at CDS, which provides its participants with clearing, settlement, and depository services, are subject to the risk of operational failure for which CDS may be held liable. This risk is mitigated through a comprehensive set of internal controls and limits of liability provided in CDS's participant rules which limit CDS's liability to the amount recoverable from third parties. However, losses could be material given the value of transactions processed by CDS.

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 CDCC, which provides its Clearing Members with clearing and central-counterparty services, are subject to the risk of failure for which CDCC may be held liable. These process failures may result in material financial losses. To mitigate this risk, CDCC has instituted a comprehensive set of internal controls, which are audited by an external party on at least an annual basis.

Currency Risk

(See Foreign Currency Risk under the heading **Financial Risk Management**)

Credit Risk – External

(See Credit Risk under the heading **Financial Risk Management**)

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 section *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.

Credit Risk – Model

We are dependent on the accuracy and effective implementation of 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.

Liquidity Risk

(See Liquidity Risk under the heading **Financial Risk Management**)

Capital Structure Risk

We have approximately $1.3 billion of indebtedness and are subject to ongoing covenants under the Amended and Restated Credit Agreement and Trust Indentures governing the Debentures

Under the Amended and Restated Credit Agreement and the Debenture offering, we have approximately $1.3 billion of indebtedness ($0.3 billion outstanding on the credit agreement and $1.0 billion issued and outstanding Debentures) as at December 31, 2013.

The Amended and Restated 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.

The Trust Indentures governing the Debentures also 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).

Our ability to meet the financial ratios under the Amended and Restated Credit Agreement and other covenants, including the timely payment of principal and interest when due, under the Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated Credit Agreement. It will also be a default under the Amended and Restated 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 Amended and Restated Credit Agreement were to result in an acceleration of maturity under the Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 and the Debentures obtained the same credit rating from DBRS.

DBRS will regularly evaluate and monitor our rating 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.

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 operations depend primarily on a small number of clients

During 2013, approximately 48% of our trading and related revenue, net of rebates, on Toronto Stock Exchange and approximately 62% of our trading and related revenue on TSX Venture Exchange were accounted for by the top ten POs on each exchange based on volumes traded.

Approximately 38% of CDS's revenue, net of rebates, in 2013 was accounted for by the top ten customers (excluding securities regulators).

Approximately 58% of MX and CDCC's trading and clearing revenue, net of rebates, in 2013 was accounted for by the top ten participants based on volume of contracts traded.

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.

Integration Risk

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

As part of our strategy to sustain growth, we have and expect to continue to pursue appropriate acquisitions of other companies and technologies. An acquisition will only be successful if we can integrate the acquired businesses' operations, products and personnel; retain key personnel; and expand our financial and management controls and our reporting systems and procedures to accommodate the acquired businesses. It is possible that integrating an acquisition could result in less management time being devoted to other parts of our core business. 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.

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 the introduction of civil liability for misrepresentations in our continuous disclosure documents and statements and the failure to make timely disclosures of material changes in Ontario and certain other jurisdictions, dissatisfied shareholders can more easily make claims against us. We could incur significant legal expenses defending claims, even those without merit. If a lawsuit or claim is resolved against us, it could materially adversely affect our reputation, business, financial condition and operating results.

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.

Corporate Structure Risk

We may not be able to meet cash requirements because of our holding company structure and restrictions on paying dividends

As a holding company, our ability to meet our cash requirements and pay dividends on our shares depends in large part upon our subsidiaries paying dividends and other amounts to us. Our subsidiaries must comply with corporate and securities laws and with their agreements before they can pay dividends to us. In particular, the recognition orders of TSX Inc. and Alpha Exchange Inc. provide that if either TSX Inc. or Alpha Exchange Inc. fails to maintain or anticipates that it will fail any of its financial viability tests, the OSC can impose additional terms and conditions. This could, for example, include a requirement that TSX Inc. or Alpha Exchange Inc. may not without the prior approval of the Director of the OSC, pay dividends (among other things) until the deficiencies have been eliminated for at least six months or a shorter period of time as agreed by OSC staff. In addition, the recognition order of MX imposes similar restrictions on the payment of dividends. If MX fails to meet the financial viability ratios for more than three months, MX will not, without the prior approval of Quebec's AMF, pay dividends (among other things) until the deficiencies have been eliminated for at least six months.

Restrictions on ownership of TMX Group shares may restrict trading and transactions

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

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

In aggregate the Investors hold a significant proportion of the common shares outstanding of TMX Group. In addition, each of CIBC World Markets, National Bank Financial & Co. 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. 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.

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.

In particular, this MD&A contains information regarding integration of the business of TMX Group Inc. with CDS and Alpha and the anticipated benefits and synergies from these acquisitions. There are costs associated with achieving these synergies. This is forward-looking information as defined in applicable Canadian securities legislation and is subject to the assumptions (under the heading “Integration”), risks, and uncertainties outlined in the following paragraphs. In addition to the risk factors outlined below, this information is subject to the following risks: the inability to successfully integrate TMX Group Inc.’s operations with those of Alpha and CDS including, without limitation incurring and/or experiencing unanticipated costs and/or delays or difficulties; inability to effectively reduce headcount, eliminate or consolidate contracts, technology, physical accommodations or other operating expenses; and the failure to realize the anticipated benefits from the acquisitions of TMX Group Inc., Alpha and CDS, including the fact that synergies are not realized in the amount or the time frame anticipated or at all.

Additional 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; 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 & 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**.

MANAGEMENT STATEMENT

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements, management's discussion and analysis, and other information in this annual report. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards and, in the opinion of management, fairly reflect the financial position, results of operations and changes in the financial position of TMX Group Limited. Financial information contained throughout this annual report is consistent with the consolidated financial statements.

Acting through the Finance and Audit Committee, comprised of non-management directors, all of whom are independent directors within the meaning of Multilateral Instrument 52-110-Audit Committees, the Board of Directors oversees management's responsibility for financial reporting and internal control systems. The Finance and Audit Committee is responsible for reviewing the consolidated financial statements and management's discussion and analysis and recommending them to the Board of Directors for approval. To discharge its duties the Committee meets with management and external auditors to discuss audit plans, internal controls over accounting and financial reporting processes, auditing matters and financial reporting issues.

TMX Group's external auditors appointed by the shareholders, KPMG LLP, are responsible for auditing the consolidated financial statements and expressing an opinion thereon. The external auditors have full and free access to, and meet periodically with, management and the Finance and Audit Committee to discuss the audit.

Thomas A. Kloet
Chief Executive Officer
TMX Group Limited

Michael Ptasznik
Chief Financial Officer
TMX Group Limited

February 4, 2014

To the Shareholders of TMX Group Limited:

We have audited the accompanying consolidated financial statements of TMX Group Limited, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, the consolidated income statements, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

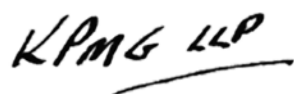
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of TMX Group Limited as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
February 4, 2014

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

TMX GROUP LIMITED

Consolidated Balance Sheets

(In millions of Canadian dollars)

	Note	**December 31, 2013**	December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents	*7*	**$ 212.2**	$ 156.5
Restricted cash and cash equivalents	*7*	**102.9**	67.9
Marketable securities	*7*	**67.0**	89.0
Trade and other receivables	*8*	**83.6**	89.1
Energy contracts receivable	*24*	**764.9**	696.4
Fair value of open energy contracts	*24*	**72.7**	62.9
Balances with Clearing Members and participants	*24*	**10,164.7**	7,773.9
Other current assets	*9*	**11.2**	15.0
Current income tax assets		**6.0**	11.8
		11,485.2	8,962.5
Non-current assets:			
Fair value of open energy contracts	*24*	**14.2**	2.8
Goodwill	*11*	**1,293.8**	1,320.4
Intangible assets	*11*	**3,513.1**	3,630.8
Other non-current assets	*12*	**129.0**	58.1
Deferred income tax assets	*23*	**60.2**	67.6
Total Assets		**$ 16,495.5**	$ 14,042.2
Liabilities and Equity			
Current liabilities:			
Trade and other payables	*16*	**$ 104.9**	$ 82.0
Participants' tax withholdings	*7*	**102.9**	67.9
Energy contracts payable	*24*	**764.9**	696.4
Fair value of open energy contracts	*24*	**72.7**	62.9
Balances with Clearing Members and participants	*24*	**10,164.7**	7,773.9
Credit and liquidity facilities drawn	*14*	**1.3**	-
Other current liabilities	*20*	**23.2**	26.6
Current income tax liabilities		**2.2**	1.5
		11,236.8	8,711.2
Non-current liabilities:			
Fair value of open energy contracts	*24*	**14.2**	2.8
Loans payable	*14*	**331.4**	1,453.1
Debentures	*14*	**996.4**	-
Fair value of interest rate swaps	*15*	**0.4**	1.7
Other non-current liabilities	*20*	**45.0**	45.0
Deferred income tax liabilities	*23*	**900.5**	929.0
Total Liabilities		**13,524.7**	11,142.8
Equity:			
Share capital	*21*	**2,849.2**	2,833.7
Retained earnings (deficit)		**27.4**	(20.4)
Contributed surplus – share option plan	*22*	**5.2**	4.0
Accumulated other comprehensive income (loss)		**6.0**	(1.1)
Total Equity attributable to equity holders of the Company		**2,887.8**	2,816.2
Non-controlling interests		**83.0**	83.2
Total Equity		**2,970.8**	2,899.4
Commitments and contingent liabilities	*17&19*		
Total Liabilities and Equity		**$ 16,495.5**	$ 14,042.2

See accompanying notes which form an integral part of these consolidated financial statements.

Approved on behalf of the Board on February 4, 2014:

"Charles Winograd" Chair "William Linton" Director

TMX GROUP LIMITED

Consolidated Income Statements
(In millions of Canadian dollars, except per share amounts)
Year ended December 31, 2013 and 2012

	Note	2013	2012
Revenue:			
Issuer services		**$ 189.3**	$ 81.3
Trading, clearing, depository and related		**303.1**	124.5
Information services		**181.5**	77.4
Technology services and other		**26.6**	11.3
REPO interest:			
Interest income		**73.4**	18.6
Interest expense		**(73.4)**	(18.6)
Net REPO interest		**-**	-
Total revenue		**700.5**	294.5
Expenses:			
Compensation and benefits		**204.8**	75.7
Information and trading systems		**74.2**	33.7
General and administration		**91.2**	36.7
Depreciation and amortization		**72.6**	33.3
Total operating expenses		**442.8**	179.4
Income from operations		**257.7**	115.1
Share of net income of equity accounted investees	*10*	**2.6**	2.0
Gain on sale of PC-Bond	*3*	**5.4**	-
Maple transaction and integration costs		**(7.2)**	(49.9)
Finance income (costs):			
Finance income	*5*	**3.1**	2.4
Finance costs	*5*	**(60.6)**	(27.9)
Credit facility refinancing expenses	*5*	**(16.4)**	-
Net finance costs		**(73.9)**	(25.5)
Income before income taxes		**184.6**	41.7
Income tax expense	*23*	**60.9**	21.2
Net income		**$ 123.7**	$ 20.5
Net income (loss) attributable to:			
Equity holders of the Company		**$ 123.9**	$ 15.1
Non-controlling interests		**(0.2)**	5.4
		$ 123.7	$ 20.5
Earnings per share (attributable to equity holders of the Company):	*6*		
Basic		**$ 2.29**	$ 0.72
Diluted		**$ 2.29**	$ 0.72

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP LIMITED

Consolidated Statements of Comprehensive Income
(In millions of Canadian dollars)
Year ended December 31, 2013 and 2012

	Note		**2013**		2012
Net income		**$**	**123.7**	$	20.5
Other comprehensive income:					
Items that will not be reclassified to the consolidated income statements:					
Actuarial gains (losses) on defined benefit pension and other post-retirement benefit plans (net of tax expense of $3.7, 2012 – tax benefit of $1.6)	*13*		**10.3**		(4.8)
Total items that will not be reclassified to the consolidated income statements			**10.3**		(4.8)
Items that may be reclassified subsequently to the consolidated income statements:					
Unrealized gain (loss) on translating financial statements of foreign operations (net of tax expense of $1.5, 2012 – $nil)			**12.3**		(1.0)
Unrealized fair value gain (loss) on interest rate swaps designated as cash flow hedges (net of tax benefit of $0.6, 2012 – tax benefit of $0.8)	*15*		**0.8**		(2.1)
Reclassification to net income of (gains) losses on interest rate swaps (net of tax expense of $0.2, 2012 – tax benefit of $0.3)	*15*		**(0.7)**		0.9
Total items that may be reclassified subsequently to the consolidated income statements:			**12.4**		(2.2)
Total comprehensive income		**$**	**146.4**	$	13.5
Total comprehensive income attributable to:					
Equity holders of the Company		**$**	**141.3**	$	9.2
Non-controlling interests			**5.1**		4.3
		$	**146.4**	$	13.5

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP LIMITED

Consolidated Statements of Changes in Equity
(In millions of Canadian dollars)
Year ended December 31, 2013 and 2012

	Note	Attributable to equity holders of the Company						
	Note	**Share capital**	**Contributed surplus – share option plan**	**Accumulated other comprehensive (loss) income**	**Retained earnings (deficit)**	**Total attributable to equity holders**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2013		**$ 2,833.7**	**$ 4.0**	**$ (1.1)**	**$ (20.4)**	**$ 2,816.2**	**$ 83.2**	**$ 2,899.4**
Net income		**-**	**-**		**123.9**	**123.9**	**(0.2)**	**123.7**
Other comprehensive income:								
Foreign currency translation differences, net of taxes		**-**	**-**	**7.0**	**-**	**7.0**	**5.3**	**12.3**
Net change in interest rate swaps designated as cash flow hedges, net of taxes	*15*	**-**	**-**	**0.1**	**-**	**0.1**	**-**	**0.1**
Actuarial gains on defined benefit pension and other post retirement benefit plans, net of taxes	*13*	**-**	**-**	**-**	**10.3**	**10.3**	**-**	**10.3**
Total comprehensive income		**-**	**-**	**7.1**	**134.2**	**141.3**	**5.1**	**146.4**
Dividends to equity holders	*28*	**-**	**-**	**-**	**(86.4)**	**(86.4)**	**-**	**(86.4)**
BOX dividend to non-controlling interest		**-**	**-**	**-**	**-**	**-**	**(5.3)**	**(5.3)**
Proceeds from exercised share options		**14.5**	**-**	**-**	**-**	**14.5**	**-**	**14.5**
Cost of exercised share options		**1.0**	**(1.0)**	**-**	**-**	**-**	**-**	**-**
Cost of share option plan	*22*	**-**	**2.2**	**-**	**-**	**2.2**	**-**	**2.2**
Balance at December 31, 2013		**2,849.2**	**5.2**	**6.0**	**27.4**	**2,887.8**	**83.0**	**2,970.8**

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP LIMITED

Consolidated Statements of Changes in Equity
(In millions of Canadian dollars)
Year ended December 31, 2013 and 2012

	Note	Attributable to equity holders of the Company						
	Note	**Share capital**	**Contributed surplus – share option plan**	**Accumulated other comprehensive loss**	**Deficit**	**Total attributable to equity holders**	**Non-controlling interests**	**Total (deficit) equity**
Balance at January 1, 2012		$ 10.0	$ -	$ -	$ (37.3)	$ (27.3)	$ -	$ (27.3)
Net income		-	-	-	15.1	15.1	5.4	20.5
Other comprehensive loss:								
Foreign currency translation differences, net of taxes		-	-	0.1	-	0.1	(1.1)	(1.0)
Net change in interest rate swaps designated as cash flow hedges, net of taxes		-	-	(1.2)	-	(1.2)	-	(1.2)
Actuarial losses on defined benefit pension and other post retirement benefit plans, net of taxes		-	-	-	(4.8)	(4.8)	-	(4.8)
Total comprehensive loss		-	-	(1.1)	10.3	9.2	4.3	13.5
Net issuance of common shares		2,822.0	-	-	-	2,822.0	-	2,822.0
Non-controlling interests arising on the acquisition of TMX Group Inc.		-	-	-	-	-	850.3	850.3
Acquisition of remaining 20% of TMX Group Inc.		-	-	-	28.1	28.1	(771.4)	(743.3)
Dividends to equity holders		-	-	-	(21.5)	(21.5)	-	(21.5)
Share options exchanged on acquisition		-	3.5	-	-	3.5	-	3.5
Proceeds from exercised share options		1.6	-	-	-	1.6	-	1.6
Cost of exercised share options		0.1	(0.1)	-	-	-	-	-
Cost of share option plan		-	0.6	-	-	0.6	-	0.6
Balance at December 31, 2012		$ 2,833.7	$ 4.0	$ (1.1)	$ (20.4)	$ 2,816.2	$ 83.2	$ 2,899.4

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP LIMITED

Consolidated Statements of Cash Flows
(In millions of Canadian dollars)
Year ended December 31, 2013 and 2012

	Note		**2013**		2012
Cash flows from (used in) operating activities:					
Income before income taxes		**$**	**184.6**	$	41.7
Adjustments to determine net cash flows:					
Depreciation and amortization			**72.6**		33.3
Net finance costs	*5*		**73.9**		25.5
Share of net income of equity accounted investees			**(2.6)**		(2.0)
Gain on sale of PC-Bond	*3*		**(5.4)**		-
Cost of share option plan	*22*		**2.2**		0.6
Unrealized foreign exchange (gain) loss			**(1.4)**		(0.2)
Maple transaction and integration costs			**7.2**		49.9
Maple transaction and integration related cash outlays			**(14.1)**		(105.0)
Trade and other receivables, and prepaid expenses			**6.2**		3.5
Other non-current assets			**(12.0)**		2.8
Trade and other payables			**29.4**		(93.7)
Modification and cash settlement of TMX Group Inc. share option plan			**-**		(15.9)
Provisions			**(1.3)**		3.1
Deferred revenue			**1.7**		(33.5)
Long-term accrued and other non-current liabilities			**9.1**		(6.0)
Net settlement on interest rate swaps	*15*		**(2.0)**		(1.2)
Cash received on unwind of interest rate swaps	*15*		**1.6**		-
Interest paid			**(47.8)**		(28.4)
Interest received			**3.4**		2.6
Income taxes paid			**(54.9)**		(21.1)
			250.4		(144.0)
Cash flows from (used in) financing activities:					
Reduction in obligations under finance leases			**(2.6)**		(1.5)
Proceeds from exercised options			**14.6**		1.6
Net issuance of common shares			**-**		2,078.7
Dividends paid to equity holders	*28*		**(86.4)**		(21.5)
Dividends paid to TMX Group Inc. equity holders			**-**		(29.9)
BOX dividend paid to non-controlling interest			**(5.3)**		-
Credit and liquidity facilities drawn, net	*14*		**1.3**		-
Financing and refinancing fees, expensed	*14*		**(0.8)**		-
Net repayment of loans payable, net of financing costs	*14*		**(1,146.6)**		(430.0)
Proceeds from loans payable, net of financing costs			**-**		1,449.9
Proceeds from debentures, net of financing costs	*14*		**996.2**		-
			(229.6)		3,047.3
Cash flows from (used in) investing activities:					
Additions to premises and equipment			**(8.1)**		(1.6)
Additions to intangible assets	*11*		**(20.3)**		(11.7)
Acquisitions, net of cash acquired	*3*		**(64.0)**		(2,677.1)
Proceeds from sale of PC-Bond	*3*		**104.0**		-
Dividends received from associate			**-**		3.5
Marketable securities			**21.8**		(65.0)
			33.4		(2,751.9)
Increase in cash and cash equivalents			**54.2**		151.4
Cash and cash equivalents, beginning of the period			**156.5**		5.0
Unrealized foreign exchange gain on cash and cash equivalents held in foreign currencies			**1.5**		0.1
Cash and cash equivalents, end of the period		**$**	**212.2**	$	156.5

See accompanying notes which form an integral part of these consolidated financial statements.

General information

TMX Group Limited (formerly Maple Group Acquisition Corporation ("Maple"), renamed on August 10, 2012) is a company domiciled in Canada and incorporated under the Business Corporations Act (Ontario). The registered office is located at The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada.

TMX Group Limited was formed on April 28, 2011, by a group of unrelated Canadian financial institutions (collectively, the "Investors"), to acquire TMX Group Inc. and its subsidiaries ("TMX Group Inc."), Alpha Trading Systems Inc. and Alpha Trading Systems Limited Partnership and their subsidiaries ("Alpha") and The Canadian Depository for Securities Limited and its subsidiaries ("CDS"). Up to July 31, 2012, TMX Group Limited did not carry on any material business other than in connection with the above acquisitions.

TMX Group Limited controls, directly or indirectly, a number of entities including: TSX Inc. ("TSX"), which operates Toronto Stock Exchange, a national stock exchange serving the senior equity market, TSX Venture Exchange Inc. ("TSX Venture Exchange"), which operates TSX Venture Exchange, a national stock exchange serving the public venture equity market, Montréal Exchange Inc. ("MX"), which operates Montréal Exchange, Canada's national derivatives exchange, Canadian Derivatives Clearing Corporation ("CDCC"), the clearing house for options and futures contracts traded at MX and certain over-the-counter ("OTC") products and fixed income repurchase ("REPO") agreements, Natural Gas Exchange Inc. ("NGX"), which operates Natural Gas Exchange, an exchange for the trading and clearing of natural gas, electricity, and crude oil contracts in North America, Shorcan Brokers Limited ("Shorcan"), a fixed income inter-dealer broker, CDS Clearing and Depository Services Inc. ("CDS Clearing"), which operates the automated facilities for the clearing and settlement of securities transactions and custody of securities in Canada and Alpha, which operates an exchange for the trading of securities and provides ancillary services such as data dissemination.

The consolidated annual financial statements as at and for the year ended December 31, 2013 (the "financial statements"), comprise the accounts of TMX Group Limited and its wholly owned subsidiaries, including TMX Group Inc. from July 31, 2012, and CDS and Alpha from August 1, 2012, along with their wholly owned or controlled subsidiaries, collectively referred to as "TMX Group" or the "Company".

1. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") interpretations, as issued by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Company's Board of Directors on February 4, 2014.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items which are measured at fair value:

- Financial instruments (note 24);
- Investments in privately-owned companies (note 12);
- Liabilities arising from share-based payment plans (note 22); and
- Legal obligations associated with the restoration costs on the retirement of premises and equipment (note 17).

The Company uses a fair value hierarchy to categorize the inputs used in its valuation of assets and liabilities carried at fair value. Fair values are categorized into: Level 1 – to the extent of the Company's use of unadjusted quoted market prices; Level 2 – using observable market information as inputs; and Level 3 – using unobservable market information.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that management considers to be relevant. Actual results could differ from these estimates and assumptions.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates that have a significant risk of resulting in a material adjustment in these financial statements have been made in the following areas in the preparation of the financial statements:

- Fair values of assets acquired and liabilities assumed – for the acquisition of TMX Equity Transfer Services and the combination of the Company's fixed income index business PC-Bond with FTSE, the provisional fair values under the acquisition method are based on management's best estimates using established methodologies of the fair value of the assets and liabilities acquired and disposed (note 3);
- Impairment of goodwill and indefinite life intangible assets – impairment tests are completed using the higher of fair value less costs of disposal, where available, and value-in-use calculations, determined using management's best estimates of future cash flows, long-term growth rates and appropriate discount rates. Purchased intangibles are valued on acquisition using established methodologies and amortized over their estimated useful economic lives, except in those cases where intangibles are determined to have indefinite lives, where there is no foreseeable limit over which these intangibles would generate net cash flows. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets will be derived (note 11);
- Measurement of defined benefit obligations for pensions, other post-retirement and post-employment benefits – the valuations of the defined benefit assets and liabilities are based on actuarial assumptions made by management with advice from TMX Group's external actuary (note 13);

- Provisions and contingencies – management judgement is required to assess whether provisions and/or contingencies should be recognized or disclosed, and at what amount. Management bases its decisions on past experience and other factors it considers to be relevant on a case by case basis (note 17);
- Leases – the classification of leases between operating and finance leases is partly based on management's judgement regarding the substance of the agreement, supported by other indicators within the lease (note 19).
- Income taxes – the accounting for income taxes requires estimates to be made, such as the recoverability of deferred tax assets. Where differences arise between estimated income tax provisions and final income tax liabilities, an adjustment is made when the difference is identified (note 23); and
- Share-based payments – The liabilities associated with TMX Group's share-based payment plans are measured at fair value using a recognized option pricing model based on management's assumptions. Management's assumptions are based on historical share price movements, dividend policy and past experience for TMX Group Inc. as well as TMX Group Limited (note 22).

2. Significant accounting policies

Except for the changes noted below, the accounting policies set out below have been applied consistently to all periods presented in the financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by all TMX Group entities.

Effective January 1, 2013, the Company adopted the following standard and amendments to IFRS:

- *IFRS 7, Financial instruments – disclosure* ("IFRS 7") – The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are either offset in the consolidated balance sheet or subject to master netting arrangements or other similar arrangements. The amendments are to be applied retrospectively. As a result of the amendments to IFRS 7, the Company has provided additional disclosures about offsetting of financial assets and financial liabilities (note 24).
- *IAS 1, Presentation of financial statements: Presentation of items of other comprehensive income* ("IAS 1") – The amendments to IAS 1 require separate presentation of items within other comprehensive income between those that may be reclassified to profit or loss in the future and those that will never be reclassified to profit or loss. The related income tax effects must also be allocated between these same two categories. The amendments have been applied retrospectively and comparative information restated where necessary in the financial statements to comply with the revised presentational requirements.
- *IAS 19, Employee benefits* ("IAS 19") – The amendments to IAS 19 require: the recognition of actuarial gains and losses immediately in other comprehensive income; full recognition of past service costs immediately in the consolidated income statement; recognition of the expected return on plan assets in the consolidated income statement to be calculated using the rate used to discount the defined benefit obligation; and enhanced annual disclosures. In addition, the amendments also affect the timing for the recognition of termination benefits, which will now be recognized at the earlier of when the Company recognizes costs for a restructuring under *IAS 37, Provisions, Contingent Liabilities and Contingent Assets* and when the Company can no longer withdraw the offer of the termination benefits. The Company has adopted the amendments retrospectively and comparative information has been restated where necessary for all periods presented. There was no impact on the January 1, 2012 opening balance sheet accounts and as such those balances

were not included in the consolidated balance sheets. The impact of the amendments on the Company's financial statements was not significant.

- *IFRS 13, Fair Value Measurement* ("IFRS 13") – IFRS 13 establishes a single framework for the fair value measurement and disclosure of financial and non-financial assets and liabilities. The new standard unifies the definition of fair value and also introduces new concepts including 'highest and best use' and 'principal markets' for non-financial assets and liabilities. As a result, the Company has provided additional disclosures about fair value measurement (note 24). The Company has applied the standard prospectively and has not provided any comparative information for the new disclosures.
- *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36, Impairment of Assets)* – The amendments reverse the unintended requirement in *IFRS 13 Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite life intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The Company has early adopted the amendments retrospectively, which had no impact on the periods presented.

(a) Basis of consolidation

Subsidiaries are entities controlled by TMX Group, and they are consolidated from the date on which control is transferred to TMX Group until the date that control ceases. Balances and transactions between TMX Group's subsidiaries have been eliminated on consolidation.

Equity accounted investees are entities in which TMX Group has determined it has significant influence, but not control, over the financial and operating policies. Investments in these entities are recognized initially at cost and subsequently accounted for using the equity method of accounting.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when the service or supply is provided, when it is probable that the economic benefits will flow to TMX Group, and when the revenue and the costs incurred in respect of the transaction can be reliably measured.

(i) Issuer services

Issuer services revenue includes revenue from initial and additional listing fees, annual sustaining fees and other issuer services. Initial and additional listing fees are recognized when the listing has taken place. Sustaining fees for existing issuers are billed during the first quarter of the year and the amount is recorded as deferred revenue and amortized over the year on a straight-line basis. Sustaining fees for new issuers are billed when the issuers' securities are officially listed and the amount is recorded as deferred revenue and amortized over the remainder of the year on a straight-line basis. Other issuer services revenue is recognized as the services are provided.

(ii) Trading, clearing, depository and related

Trading and related revenues for cash markets, primarily through TSX, TSX Venture Exchange, Alpha and Shorcan, are recognized in the month in which the trades are executed or when the related services are provided.

Revenues related to cash markets clearing, settlement and depository services through CDS are recognized as follows:

- Clearing services include the reporting and confirmation of all trade types within the multilateral clearing and settlement system referred to as CDSX. Clearing services also include the netting and novation of exchange trades through CDS' Continuous Net Settlement ("CNS") service prior to settlement. The related fees are recognized as follows:
  - Reporting fees are recognized when the trades are delivered to CDS,
  - Netting and novation fees are recognized when the trades are netted and novated,
  - Other clearing related fees are recognized when services are performed.
- Settlement revenue is recognized on the settlement date of the related transaction.
- 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.
- Under the CDS recognition orders granted by the Ontario Securities Commission ("OSC") and the Autorité des marchés financiers ("AMF"), for the two month period starting November 1, 2012 and subsequent fiscal years starting on January 1, 2013, CDS is required to share any annual revenue increases on clearing and other core CDS Clearing services, as compared to revenues for the 12-month period ending October 31, 2012, on a 50:50 basis with participants. These rebates are recorded as a reduction in revenue in the consolidated income statement in the period to which they relate.
- 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 when the services are performed.

Trading and related revenues for derivatives markets, through MX and BOX Market, LLC ("BOX"), a subsidiary of MX, are recognized in the month in which the trades are executed or when the related services are provided.

Revenue related to derivatives clearing through CDCC is recognized on the settlement date of the related transaction. Fees earned by CDCC for providing the clearing service for the REPO clearing services are included within trading, clearing, depository and related revenue and are recognized on the novation date of the related transaction. Unrealized gains and losses on derivative contracts are equal and offsetting and hence have no impact on the consolidated income statement.

Energy trading, clearing, settlement and related revenues relating to NGX are recognized over the period the services are provided. Unrealized gains and losses on open energy contracts are equal and offsetting and hence have no impact on the consolidated income statement.

(iii) Information services

Real time market data revenue is recognized based on usage as reported by customers and vendors, less a provision for sales adjustments from the same customers. TMX Group conducts periodic audits of the information provided and records adjustments to revenues, if any, at the time that collectability of the revenue is reasonably assured. Fixed income indices revenue is recognized over the period the service is provided. BOX revenue from the Options Price Reporting Authority ("OPRA") is received quarterly based on its pro-rata share of industry trade (not contract) volume. Estimates of OPRA's quarterly revenue are made and accrued each month. Other information services revenue is recorded and recognized as revenue when the services are provided.

(iv) Technology services and other

Technology services and other revenue is recorded and recognized as revenue over the period the service is provided. This includes revenues related to the operation of the SEDAR, SEDI and NRD services through CDS, which are based on the recovery of the cost of operating these services and the associated contracted management fee for operating the services. These revenues are recognized when the services are performed.

Technology services and other also includes revenue from the sale of software and licensing. These revenues are recognized based on the substance of the arrangement.

(v) REPO interest

As part of its REPO clearing service, CDCC earns interest income and incurs interest expense on all REPO transactions that clear through CDCC. The interest income and interest expense are equal; however as CDCC does not have a legal right to offset these amounts, they are recognized separately on the consolidated income statement. The interest income is earned, and the interest expense incurred, over the term of the REPO agreements.

(c) Foreign currency

Items included in the financial statements of each of TMX Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Canadian dollars, which is TMX Group's functional and presentation currency.

The assets and liabilities of TMX Group's foreign operations for which the Canadian dollar is not the functional currency are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at the relevant average monthly exchange rates. The resulting unrealized exchange gain or loss is included in accumulated other comprehensive loss within equity.

Revenues earned, expenses incurred and capital assets purchased in foreign currencies are translated into the functional currency at the prevailing exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the period end rate or at the transaction rate when settled.

Resulting unrealized and realized foreign exchange gains and losses are recognized within technology services and other revenue in the consolidated income statement for the period.

(d) Premises and equipment

Items of premises and equipment are recognized at cost less accumulated depreciation and any impairment losses.

Legal obligations associated with the restoration costs on the retirement of premises and equipment are recognized as incurred. The obligations are initially measured at an estimated fair value of the future cost discounted to present value, and a corresponding amount is capitalized with the related assets and depreciated in line with their useful lives.

Assets are depreciated from the date of acquisition. Depreciation is recognized in the consolidated income statement on a straight-line basis over the estimated useful life of the asset, or a major component thereof. The residual values and useful lives of the assets are reviewed annually, and revised as necessary.

Depreciation is provided over the following useful lives of the assets:

Asset	Basis	Rate
Computers and electronic trading equipment	Straight-line	3 - 5 years
Computers and electronic trading equipment under finance leases	Straight-line	Over the terms of the leases
Furniture, fixtures and other equipment	Straight-line	5 years
Leasehold improvements	Straight-line	Over terms of various leases to a maximum of 15 years

(e) Goodwill and intangible assets

(i) Goodwill

Goodwill is recognized at cost on acquisition less any subsequent impairment in value.

TMX Group measures 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.

TMX Group elects on a transaction by transaction basis whether to measure non-controlling interests at fair value or at their proportionate share of the recognized amount of the identifiable net assets acquired, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities as consideration, that TMX Group incurs in connection with a business combination are expensed as incurred.

(ii) Intangible assets

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.

Costs incurred in research activities, undertaken with the prospect of gaining new technical knowledge, are recognized in the consolidated income statement as incurred. Costs incurred in development activities are capitalized when all of the following criteria are met:

- It is technically feasible to complete the work such that the asset will be available for use or sale,
- TMX Group intends to complete the asset for use or sale,
- TMX Group will be able to use the asset once completed,
- The asset will be useful and is expected to generate future economic benefits for TMX Group,
- TMX Group has adequate resources available to complete the development of and to use the asset, and
- TMX Group is able to reliably measure the costs attributable to the asset during development.

Definite life intangible assets are amortized from the date of acquisition or, for internally developed intangible assets, from the time the asset is available for use. Amortization is recognized in the consolidated income statement on a straight-line basis over the estimated useful life of the asset. Residual values and the useful lives of the assets are reviewed at each year end, and revised as necessary. Amortization is provided over the following useful lives of definite life intangible assets:

Asset	Basis	Rate
Customer relationships	Straight-line	17 - 34 years
Technology	Straight-line	1 - 6 years
Open interest	Straight-line	6 months
Canadian Securities Administrators contracts	Straight-line	2 years

Trade names, derivative products, regulatory designations, index license products and structured products are considered to have indefinite lives as management believes that there is no foreseeable limit to the period over which these assets are expected to generate net cash flows.

(f) Impairment

The carrying amounts of TMX Group's non-financial assets, other than deferred income tax assets and employee future benefit 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.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. 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. 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.

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 are recognized in the consolidated income statement.

An impairment loss in respect of goodwill cannot be reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and any lease incentives received are recognized in the consolidated income statement on a straight-line basis over the term of the lease.

TMX Group has entered into leases for equipment where substantially all of the risks and rewards of ownership have transferred to TMX Group, and these are classified as finance leases. The leased assets are capitalized on inception of the lease at the lower of their fair value and the present value of the minimum lease payments, and then amortized over their useful lives. Payments made under finance leases are apportioned between the finance expense and a reduction in the outstanding liability, to achieve a constant periodic rate of interest on the remaining liability.

(h) Employee benefits

(i) Defined contribution and defined benefit pension plans

The Company has Group Registered Retirement Savings Plans ("RRSPs") for CDS and Alpha employees and registered pension plans with both a defined benefit tier and a defined contribution tier covering substantially all other employees, as well as retirement compensation arrangements ("RCA") for senior management. The costs of these programs are being funded currently, except for MX, where a portion is guaranteed by a letter of guarantee, and the NGX RCA.

TMX Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, and that benefit is discounted to determine its present value and the fair value of any plan assets are deducted. The discount rates used are based on Canadian AA corporate bond yields. The calculation is performed annually by an actuary based on management's best estimates using the projected benefit method pro-rated on service. If the calculation results in a surplus, accounting standards require that a limit is placed on the amount of this surplus that can be recognized as an asset. The total amount of defined benefit asset that can be recognized by TMX Group is limited to the present value of economic benefits available by way of future refunds of plan surplus and/or reductions in future contributions to the plan. In the determination of the economic benefit, minimum funding requirements resulting from the most recent actuarial funding valuations are also taken into consideration. An economic benefit is considered available to TMX Group if it is realizable during the life of the plan or on settlement of the plan obligations. The service cost, which represents the benefits accruing to the employees, along with the interest cost and the expected return on plan assets, is recognized in the consolidated income statement.

When the benefits of a plan are amended, the portion of the increased benefit relating to past service by employees is recognized immediately in the consolidated income statement.

TMX Group recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income.

For defined contribution plans, the expense is charged to the consolidated income statement as it is incurred.

(ii) Non-pension post-retirement and post-employment benefit plans

TMX Group also provides other post-retirement and post-employment benefits, such as supplementary medical and dental coverage and a long-term disability plan, which are funded on a cash basis by TMX Group, and contributions from plan members in some circumstances. TMX Group's net obligation in respect of these plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value. The discount rates used are based on Canadian AA corporate bond yields. The calculation is performed annually by an actuary based on management's best estimates and it is performed using the projected benefit method pro-rated on service. For post-retirement plans, any actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. For the long-term disability plan, actuarial gains and losses are recognized within compensation and benefits expense in the consolidated income statement.

When the benefits of a plan are amended, the portion of the increased benefit relating to past service by employees is recognized immediately in the consolidated income statement.

(iii) Termination benefits

Termination benefits are recognized as an expense at the earlier of: (1) when TMX Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before retirement or (2) when TMX Group recognizes costs related to a restructuring plan.

(iv) Short-term employee benefits

Short-term employee benefit obligations, such as wages, salaries and annual vacation entitlements, are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for TMX Group's annual short-term incentive plan if a present legal or constructive obligation to pay this amount exists as a result of past service provided by the employee, and the obligation can be estimated reliably.

(v) Share-based payments

TMX Group has both equity-settled and cash-settled share-based compensation plans.

TMX Group accounts for all share-based plans to eligible employees that call for settlement by the issuance of equity instruments using the fair value based method. Under the fair value based method, compensation cost attributable to options to employees is measured at fair value at the grant date, using a recognized option pricing model, and amortized over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of options expected to vest.

Compensation cost attributable to employee awards that call for settlement in cash is measured at fair value at each reporting date, using a recognized option pricing model. Changes in fair value between the grant date and the measurement date are recognized in the consolidated income statement over the vesting period, with a corresponding increase in either current or non-current liabilities, depending on the period in which the award is expected to be paid.

(i) Income tax

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income tax is the expected income tax payable or receivable on the taxable income or loss for the period using income tax rates enacted or substantively enacted at the reporting date in the countries where TMX Group has a permanent establishment and generates taxable income, and any adjustments to income tax payable in respect of previous years.

Deferred income tax is recognized in respect of certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the income tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable income will be available against which it can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Uncertain income tax positions are recognized in the financial statements using management's best estimate of the amount expected to be paid.

Income tax assets and liabilities are offset in the financial statements if there is a legally enforceable right to offset them and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities but TMX Group intends to settle them on a net basis or where the income tax assets and liabilities will be realized simultaneously.

(j) Provisions

A provision is recognized if, as a result of a past event, TMX Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. For onerous leases, TMX Group provides for the lower of the cost of meeting surplus property lease commitments, net of any sub-lease income, or the costs or penalties it would incur on breaking its lease commitments.

(k) Earnings per share

Basic earnings per share is determined by dividing net income (loss) attributable to the equity holders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is determined by dividing the net income (loss) attributable to the equity holders of the Company by the weighted average number of common shares outstanding during the reporting period, adjusted for the effects of all potential dilutive common shares arising from share options granted to employees.

(l) Segment reporting

An operating segment is a component of TMX Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of TMX Group's other components. In addition, there are certain corporate costs and/or balances that are not allocated across the group and these are included within the Corporate segment. All operating segments' results are reviewed regularly by the Executive Management Committee ("Executive Committee") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(m) Financial instruments

(i) Non-derivative financial assets

Financial assets are recognized on the trade date at which TMX Group becomes a party to the contractual provisions of the instrument.

Financial assets are generally derecognized when the contractual rights to the cash flows from the assets expire, or when TMX Group transfers the rights to receive the contractual cash flows on the financial assets to another party without retaining substantially all the risks and rewards of ownership of the financial assets.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet only when TMX Group has a current legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

TMX Group classifies its non-derivative financial assets in the following categories, depending on the purpose for which they were acquired:

- Financial assets at fair value through profit or loss are classified as held for trading or assets designated as fair value through profit or loss by management and TMX Group manages the asset, and makes purchase and sale decisions, based on its fair value in accordance with TMX Group's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, with changes recognized in the consolidated income statement. Transaction costs thereon are expensed as incurred.
- Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any incremental directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Short-term receivables with no stated interest rate are measured at the original transaction amounts where the effect of discounting is immaterial.
- Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified in any of the previous categories. These assets are measured at fair value, both initially and subsequently, with changes in fair value, except for impairment losses and certain foreign exchange gains and losses, recognized in other comprehensive income until the asset is sold. Impairment losses are recognized in the consolidated income statement as incurred, as are foreign exchange gains and losses arising on monetary items. Foreign exchange gains and losses arising on non-monetary items, such as an investment in an equity instrument, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in accumulated other comprehensive income is reclassified to the consolidated income statement.

(ii) Non-derivative financial liabilities

TMX Group initially recognizes its financial liabilities on the trade date at which TMX Group becomes a party to the contractual provisions of the instrument. TMX Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original transaction amounts where the effect of discounting is immaterial.

(iii) Derivative financial instruments, including hedge accounting

TMX Group enters into certain derivative financial instrument contracts, including interest rate swaps to partially hedge interest rate exposure on its Credit Facilities and Debentures (note 14) and total return swaps to partially hedge its share price exposure on its cash-settled share-based compensation plans (note 22). Derivatives are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

- Hedge accounting – Where hedge accounting can be applied, a hedge relationship is designated and documented at its inception detailing the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. TMX Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting changes in the fair value or cash flows of the hedged items over the life of the hedge. Hedge accounting is discontinued prospectively when the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, or upon the sale or early termination of the hedged item.
- Cash flow hedges – For cash flow hedges, the effective portion of the changes in the fair value of the hedging derivative, net of taxes, are recognized in other comprehensive income while any ineffective portion is recognized immediately in the consolidated income statement within net finance costs. Interest arising on the derivative is transferred from accumulated other comprehensive income within equity to net settlement on interest rate swaps within net finance costs in the consolidated income statement as it is incurred.
- Similarly, if hedge accounting is discontinued, the cumulative gain or loss previously recognized in other comprehensive income is transferred to the consolidated income statement in the same period as the hedged item affects net income.
- Other derivatives – TMX Group holds total return swaps which, while providing a partial economic hedge against its share price exposure on its cash-settled share-based compensation plans (note 22), are not designated as hedges for accounting purposes. As such, these derivatives are recognized at fair value both initially and subsequently, with changes in the fair value recognized in the consolidated income statement.

(n) Cash and cash equivalents and restricted cash and cash equivalents

Cash and cash equivalents consist of cash and liquid investments having an original maturity of three months or less.

Cash and cash equivalents also include restricted cash. MX operates a separate regulatory division, responsible for the approval of participants and market regulation, which operates on a cost recovery basis. Restricted cash includes the surplus of this regulatory division. An equivalent and off-setting amount is included in trade and other payables.

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 off-setting amount is included in the consolidated balance sheet under the caption participants' tax withholdings.

(o) Marketable securities

Marketable securities consist of pooled fund investments in Canadian money market funds and short-term bond and mortgage funds in addition to Canadian and US government-issued or government-backed fixed income securities, treasury bills and certain term deposits. They are carried at their estimated fair values, with changes in fair value being recorded within finance income in the consolidated income statement in the period in which they occur. Estimated fair values are determined based on quoted market values or are based on observable market information.

(p) Trade and other receivables

Trade receivables generally have terms of 30 days. The recoverability of the trade receivables is assessed at each reporting date and an allowance for doubtful accounts is deducted from the asset's carrying value if the asset is not considered fully recoverable. Any change in the allowance is recognized within general and administration costs in the consolidated income statement.

(q) Finance income and finance costs

Finance income comprises interest income on funds invested, and changes in the fair value of marketable securities.

Finance costs comprise interest expense on borrowings and finance leases.

Any realized gains or losses on interest rate swaps are also included within net finance costs in the consolidated income statement.

(r) Future accounting changes

A number of other new standards and amendments to standards and interpretations are not yet effective for the year ending December 31, 2013, and have not been applied in preparing the financial statements. These new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2014, unless otherwise noted:

- *Investment Entities (Amendments to IFRS 10, Consolidated Financial Statements, IFRS 12, Disclosure of Interests in Other Entities and IAS 27, Separate Financial Statements)* – The amendments require qualifying investment entities to account for investments in controlled entities at fair value through profit or loss (FVTPL). The consolidation exception is mandatory—not optional. The amendments are effective for annual periods beginning on or after January 1, 2014.
- *Amendments to IAS 32, Financial Instruments:* Presentation – The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event, and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all

counterparties. Also, the amendments clarify when a settlement mechanism provides for a net settlement or gross settlement that is equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014.

- *Novation of derivatives and continuation of hedge accounting (Amendments to IAS 39, Financial Instruments: Recognition and Measurement)* – The amendments add a limited exception to provide relief from discontinuing a hedge relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are effective for annual periods beginning on or after January 1, 2014.
- *IFRIC 21, Levies* – IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that a liability for a levy is recognized only when the triggering event specified in the legislation occurs. The interpretation is effective for annual periods beginning on or after January 1, 2014.
- *IFRS 9, Financial Instruments* – IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets and financial liabilities. 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. The mandatory effective date has yet to be determined; however it will be deferred beyond annual periods beginning on or after January 1, 2015.
- *IFRS 14, Regulatory Deferral Accounts* – IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. IFRS 14 is effective from January 1, 2016, with early application permitted.

The Company intends to adopt each of the above standards, as applicable to the Company, in the year in which they are effective, The Company is reviewing these new standards and amendments to determine the potential impact on the Company’s financial statements once they are adopted. At this time, no significant impact is expected on the Company’s results.

3. Acquisitions and disposals

(a) Acquisition of the Transfer Agent and Corporate Trust Business of Equity Financial Holdings

On April 5, 2013, TMX Group completed the acquisition of the transfer agent and corporate trust services business of Equity Financial Holdings Inc. by acquiring certain of its assets constituting a business. The business, named TMX Equity Transfer Services Inc. (“Equity Transfer”), offers corporate trust, registrar, transfer agency, and foreign exchange services to reporting issuers and private companies. Equity Transfer is part of the Company’s Cash reporting segment.

Consideration of $64.0 was paid in cash. The Company expensed certain acquisition-related costs of $0.5. These costs have been included within the general and administration line item in the consolidated income statement.

The following table summarizes the provisional fair values of the assets acquired and liabilities assumed as of the acquisition date:

	Amortization period	As at April 5, 2013	
Trade and other receivables	n/a	$	0.7
Premises and equipment	3 - 5 years		0.9
Technology	5 years		0.2
Customer list	15 years		16.8
Trade name	n/a		1.6
Goodwill	n/a		43.8
Total net assets		**$**	**64.0**

Any changes in facts and circumstances that existed as of the acquisition date will result in revisions to the provisional amounts recognized at the acquisition date.

Goodwill is calculated as the difference between the acquisition date fair value of the consideration transferred and the provisional fair values assigned to the assets acquired and liabilities assumed. The goodwill recognized represents intangible assets that do not qualify for separate recognition and revenue synergies and other benefits expected to result from the acquisition of Equity Transfer. Goodwill recognized is expected to qualify as an eligible capital expenditure and therefore will be deductible for tax purposes.

(b) Agreement with FTSE Group ("FTSE") and the sale of the fixed income index business

On April 5, 2013, the Company completed the transaction to combine its fixed income index business, PC-Bond, with the international fixed income index business of FTSE. FTSE is part of the London Stock Exchange Group. FTSE owns a 75% interest and TMX Group holds a 25% interest in this new enterprise, called FTSE TMX Global Debt Capital Markets Limited.

As a result of the transaction, the Company received $155.1 in consideration, which included $103.8 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. The Company disposed of net assets of $149.7. The disposed assets were previously revalued from a book value of $34.6 to a fair value of $149.7 upon the acquisition of TMX Group Inc. by Maple, resulting in an increase of $115.1 in intangibles and goodwill.

On a consolidated basis, the Company realized a gain before tax of $5.4 which is recognized in the income statement. The accounting gain before income tax differs substantially from the taxable capital gain due to the increase in the value of the intangibles and goodwill which has no tax basis. For the year ended December 31, 2013, the Company recognized deferred income tax expense of $11.3.

The Company used $100.0 of the cash proceeds to pay down the TMX Group Limited revolving credit facility on April 12, 2013.

(c) Operating agreements with the Canadian Securities Administrators ("CSA")

CDS Inc. operates the SEDAR, NRD and SEDI services (the "CSA Services") on behalf of the CSA. The current contract with the CSA was originally set to expire on October 31, 2013 as a new service provider has been secured to take over these services. On October 31, 2013, an arrangement was negotiated between CDS and securities regulators that could extend services up to January 31, 2014. The CSA Services were transitioned on January 13, 2014 and the contract terminated on January 31, 2014. At December 31, 2013, the Company has accrued $1.8 for termination and related costs associated with the wind down of this operation.

4. Segmented information

Following the acquisition of TMX Group Inc. on July 31, 2012, and the acquisitions of CDS and Alpha on August 1, 2012, TMX Group assessed its operations in terms of segment reporting. As a result, TMX Group determined that it operates in four reportable segments along with a Corporate segment: the Cash Markets ("Cash") segment, the Derivatives Markets ("Derivatives") segment, the Energy Markets ("Energy") segment and the CDS segment.

In the Cash segment, TMX Group owns and operates two of Canada's national stock exchanges, Toronto Stock Exchange and TSX Venture Exchange, Alpha, which also operates an exchange for the trading of securities, Shorcan, a fixed income inter-dealer broker, The Equicom Group Inc., an investor relations and corporate communications services provider, Finexeo S.A. ("Finexeo"), which operates TMX Atrium, Equity Transfer and Razor Risk Technologies Limited ("Razor"), a provider of risk management technology solutions.

The Derivatives segment provides markets for trading derivatives and clearing options and futures contracts, certain OTC products and REPO agreements through MX and its subsidiaries, including CDCC and BOX.

The Energy segment provides a marketplace for the trading and clearing of natural gas, electricity and crude oil contracts through NGX, and includes the brokering of crude oil contracts through Shorcan Energy Brokers Inc. ("Shorcan Energy Brokers"), a wholly-owned subsidiary of Shorcan.

The CDS segment contains CDS Clearing, which operates the automated facilities for the clearing and settlement of securities transactions and custody of securities in Canada. The CDS segment also includes CDS Inc., which operates the CSA Services (note 3). This segment includes CDS Innovations Inc., which creates and disseminates information products on Canadian securities.

In addition, TMX Group has certain corporate costs and other balances not allocated across the group. These balances, along with certain consolidation adjustments, are presented in the Corporate segment.

Up to July 31, 2012, TMX Group Limited did not carry on any material business other than in connection with the above acquisitions.

TMX Group's Executive Committee reviews internal management reports on a regular basis and performance is measured based on revenue and net income attributable to equity holders of the Company.

The accounting policies of the reportable segments are consistent with the accounting policies described in note 2.

Year ended December 31

2013	**Cash**	**Derivatives**	**Energy**	**CDS**	**Corporate**	**Total**
Revenue:						
Issuer services	**$ 186.4**	**$ -**	**$ -**	**$ 3.0**	**$ (0.1)**	**$ 189.3**
Trading, clearing, depository and related	**90.2**	**109.2**	**41.9**	**61.9**	**(0.1)**	**303.1**
Information services	**157.6**	**17.4**	**0.7**	**6.1**	**(0.3)**	**181.5**
Technology services and other	**16.2**	**2.6**	**0.5**	**17.9**	**(10.6)**	**26.6**
REPO interest:						
Interest income	**-**	**73.4**	**-**	**-**	**-**	**73.4**
Interest expense	**-**	**(73.4)**	**-**	**-**	**-**	**(73.4)**
Net REPO interest	**-**	**-**	**-**	**-**	**-**	**-**
Total revenue	**$ 450.4**	**$ 129.2**	**$ 43.1**	**$ 88.9**	**$ (11.1)**	**$ 700.5**
Amortization of intangibles related to the acquisition by Maple	**-**	**-**	**-**	**-**	**(35.5)**	**(35.5)**
Gain on sale of PC-Bond (note 3)	**-**	**-**	**-**	**-**	**5.4**	**5.4**
Deferred income tax expense related to the sale of PC-Bond	**-**	**-**	**-**	**-**	**(11.3)**	**(11.3)**
Credit facility refinancing expenses	**-**	**-**	**-**	**-**	**(16.4)**	**(16.4)**
Net income (loss) attributable to equity holders of the Company	**$ 130.2**	**$ 26.4**	**$ 8.6**	**$ 11.0**	**$ (52.3)**	**$ 123.9**
Additions to intangible assets	**$ 29.4**	**$ 8.6**	**$ 1.4**	**$ 0.8**	**$ (1.4)**	**$ 38.8**

2012	**Cash**	**Derivatives**	**Energy**	**CDS**	**Corporate**	**Total**
Revenue:						
Issuer services	$ 80.2	$ -	$ -	$ 1.1	$ -	$ 81.3
Trading, clearing, depository and related	35.5	44.0	18.4	26.7	(0.1)	124.5
Information services	67.8	7.1	0.1	2.5	(0.1)	77.4
Technology services and other	6.0	1.4	0.1	6.8	(3.0)	11.3
REPO interest:						
Interest income	-	18.6	-	-	-	18.6
Interest expense	-	(18.6)	-	-	-	(18.6)
Net REPO interest	-	-	-	-	-	-
Total revenue	$ 189.5	$ 52.5	$ 18.6	$ 37.1	$ (3.2)	$ 294.5
Net income (loss) attributable to equity holders of the Company	$ 48.1	$ 13.3	$ 5.6	$ -	$ (51.9)	$ 15.1
Additions to intangible assets	$ 4.4	$ 6.2	$ 0.5	$ -	$ 0.6	$ 11.7

As at December 31

	Cash	Derivatives	Energy	CDS	Corporate	Total
2013						
Investments in equity accounted investees	**$ 66.7**	**$ -**	**$ -**	**$ -**	**$ 0.3**	**$ 67.0**
Total assets	**1,850.0**	**11,291.8**	**941.9**	**532.1**	**1,879.7**	**16,495.5**
Total liabilities	**998.7**	**10,244.7**	**893.6**	**469.5**	**918.2**	**13,524.7**
2012						
Investments in equity accounted investees	$ 14.6	$ -	$ -	$ -	$ 0.3	$ 14.9
Total assets	2,003.2	8,867.1	844.3	513.5	1,814.1	14,042.2
Total liabilities	1,114.1	7,829.4	795.2	457.5	946.6	11,142.8

TMX Group's geographical information is as follows:

For the year ended December 31	2013	2012
Revenue		
Canada	**$ 509.9**	$ 218.3
US	**149.5**	61.0
Other	**41.1**	15.2
	$ 700.5	$ 294.5

Revenue is allocated based on the country to which customer invoices are addressed.

As at December 31	2013	2012
Non-current assets		
Canada	$ 4,706.5	$ 4,790.7
US	190.1	186.0
Other	21.8	28.2
	$ 4,918.4	$ 5,004.9

Non-current assets above are primarily comprised of premises and equipment, investments in equity accounted investees, goodwill and intangible assets.

5. Finance income and finance costs

For the year ended December 31	*Note*		2013		2012
Finance income					
Interest income on funds invested		$	**3.3**	$	2.6
Fair value losses on marketable securities:					
- unrealized			**(0.2)**		(0.2)
			3.1		2.4
Finance costs					
Interest expense on borrowings, including amortization of financing fees			**(58.4)**		(26.6)
Net settlement on interest rate swaps	*15*		**(2.0)**		(1.2)
Interest expense on finance leases			**(0.2)**		(0.1)
			(60.6)		(27.9)
Credit facility refinancing costs					
Write-off of prepaid financing fees	*14*		**(18.5)**		-
Gain on unwind of interest rate swaps	*15*		**1.6**		-
Gain on de-designated interest rate swaps	*15*		**1.3**		-
Other expenses associated with refinancing			**(0.8)**		-
			(16.4)		-
Net finance costs		**$**	**(73.9)**	$	(25.5)

6. Earnings per share

For the year ended December 31		2013		2012
Net income attributable to the equity holders of the Company	**$**	**123.9**	$	15.1
Weighted average number of common shares outstanding - basic		**54,041,528**		21,047,309
Effect of dilutive share options		**77,990**		51,670
Weighted average number of common shares outstanding - diluted		**54,119,518**		21,098,979
Basic earnings per share	**$**	**2.29**	$	0.72
Diluted earnings per share	**$**	**2.29**	$	0.72

7. Cash and cash equivalents, restricted cash and cash equivalents and marketable securities

Cash and cash equivalents, restricted cash and cash equivalents and marketable securities are comprised of:

	December 31, 2013	December 31,2012
Cash	**$ 56.7**	$ 69.9
Overnight money market	**83.6**	36.1
Treasury bills	**69.8**	47.0
Restricted cash – MX	**2.1**	3.5
Cash and cash equivalents	**$ 212.2**	$ 156.5
Restricted cash and cash equivalents – CDS Clearing	**$ 102.9**	$ 67.9
Restricted cash and cash equivalents	**$ 102.9**	$ 67.9
Money market funds	**$ 26.6**	$ 34.9
Bonds and bond funds	**25.9**	33.6
Treasury bills	**11.5**	11.0
Guaranteed Investment Certificates (“GICs”) and other deposits	**3.0**	9.5
Marketable securities	**$ 67.0**	$ 89.0

TMX Group’s exposure to interest rate risk and a sensitivity analysis for marketable securities is discussed in note 25.

8. Trade and other receivables

Trade and other receivables are comprised of:

	December 31, 2013	December 31, 2012
Trade receivables, gross	**$ 75.7**	$ 88.5
Less: Allowance for doubtful accounts	**(4.4)**	(7.8)
Trade receivables, net	**71.3**	80.7
Other receivables	**12.3**	8.4
Trade and other receivables	**$ 83.6**	$ 89.1

Trade and other receivables are regularly reviewed for objective evidence of impairment.

Trade receivables that are more than three months past due are considered to be impaired, and an allowance, which varies depending on the age of the receivable, is recorded within general and administration costs. Other specific trade receivables are also provided against as considered necessary.

The aging of the trade receivables was as follows:

	As at December 31, 2013		As at December 31, 2012	
	Gross	**Allowance**	Gross	Allowance
Not due	**$ 52.0**	**$ 0.2**	$ 51.7	$ 0.1
Past due 1-90 days	**18.0**	**0.2**	28.3	0.2
More than 90 days past due	**5.7**	**4.0**	8.5	7.5
Trade receivables	**$ 75.7**	**$ 4.4**	$ 88.5	$ 7.8

The movement in TMX Group's allowance for doubtful accounts is as follows:

	2013	2012
Balance, beginning of the period	**$ 7.8**	$ -
Allowance recognized through business combinations	**-**	8.5
Allowance recognized in the year, net of allowance released	**1.6**	(0.1)
Receivables written off as uncollectible	**(5.0)**	(0.6)
Balance as at December 31	**$ 4.4**	$ 7.8

No allowance for impairment is considered necessary for other receivables.

9. Other current assets

	December 31, 2013	December 31, 2012
Prepaid expenses	**$ 10.2**	$ 14.9
Total return swaps (note 24)	**1.0**	0.1
Other current assets	**$ 11.2**	$ 15.0

10. Investments in equity accounted investees

	December 31, 2013	December 31, 2012
Investment in FTSE TMX Global Debt Capital Markets Limited	**$ 51.8**	$ -
Other	**15.2**	14.9
Investments in equity accounted investees	**$ 67.0**	$ 14.9

(a) FTSE TMX Global Debt Capital Markets Limited

As of April 5, 2013, TMX Group has an indirect 25% equity interest in FTSE TMX Global Debt Capital Markets Limited (note 3). The investment is accounted for using the equity method.

Summary financial information for FTSE TMX Global Debt Capital Markets Limited is as follows:

	December 31, 2013
Current assets	$ 19.2
Non-current assets	153.0
Current liabilities	22.4
Non-current liabilities	1.0
Net assets (100%)	$ 148.8
Revenue	$ 17.2
Net income and comprehensive income (100%)	2.1
Share of profit and total comprehensive income (25%)	**$ 0.5**

For the year ended December 31, 2013, TMX Group earned $1.1 from FTSE TMX Global Debt Capital Markets Limited as part of its royalty program, which is included in information services revenue and the cash segment.

11. Goodwill and intangible assets

(a) Goodwill and intangible assets – indefinite life

A summary of the changes in goodwill is as follows:

	2013	2012
Balance, beginning of the period	**$ 1,320.4**	$ -
Additions through business combinations:		
Acquisition of TMX Group Inc.	**-**	1,053.4
Acquisition of CDS	**-**	99.8
Acquisition of Alpha	**-**	166.9
Acquisition of Equity Transfer (note 3)	**43.8**	-
Sale of PC-Bond (note 3)	**(74.3)**	-
Effect of movements in exchange rates	**3.9**	0.3
Balance as at December 31	**$ 1,293.8**	$ 1,320.4

A summary of TMX Group's indefinite life intangible assets, all acquired through business combinations (note 3), is as follows:

	Trade names	Derivative products	Regulatory designations	Index license product	Structured products	Total
Balance as at January 1, 2012	$ -	$ -	$ -	$ -	$ -	$ -
Additions through business combinations:						
Acquisition of TMX Group Inc.	253.0	632.0	1,386.0	37.0	107.0	2,415.0
Acquisition of CDS	-	-	22.0	-	-	22.0
Acquisition of Alpha	1.9	-	1.0	-	-	2.9
Balance as at December 31, 2012	$ 254.9	$ 632.0	$ 1,409.0	$ 37.0	$ 107.0	$ 2,439.9
Additions through business combinations:						
Acquisition of Equity Transfer (note 3)	**1.6**	**-**	**-**	**-**	**-**	**1.6**
Sale of PC-Bond (note 3)	**-**	**-**	**-**	**(37.0)**	**-**	**(37.0)**
Effect of movements in exchange rates	**0.3**	**-**	**0.2**	**-**	**-**	**0.5**
Balance as at December 31, 2013	**$ 256.8**	**$ 632.0**	**$ 1,409.2**	**$ -**	**$ 107.0**	**$ 2,405.0**

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

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 continuous use and that are largely independent of the cash inflows of other assets or groups of assets.

The carrying values of goodwill and indefinite life intangible assets allocated to each CGU are as follows:

CGU	December 31, 2013 Goodwill	December 31, 2013 Indefinite life intangibles	December 31, 2012 Goodwill	December 31, 2012 Indefinite life intangibles
TSX	**$ 659.8**	**$ 1,195.0**	$ 659.8	$ 1,195.0
MX	**269.2**	**668.0**	269.2	668.0
TSX Venture Exchange	**126.3**	**392.0**	126.3	392.0
CDS	**89.5**	**22.0**	89.5	22.0
PC-Bond	**-**	**-**	74.3	37.0
NGX	**9.6**	**112.0**	9.6	112.0
BOX	**36.0**	**6.1**	34.5	5.7
Other	**103.4**	**9.9**	57.2	8.2
	$ 1,293.8	**$ 2,405.0**	$ 1,320.4	$ 2,439.9

The recoverable amounts of the above CGUs were determined based on value-in-use calculations, using management's discounted cash flow projections over periods of 5 to 8 years, depending on the CGU, along with a terminal value. The terminal value is the value attributed to the CGUs' operations beyond the projected time period. Specifically for MX, a cash flow projection period of 8 years was used, 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 5 year forecast. The terminal value for the CGUs was determined using an estimated long-term growth rate of 2% to 4.5%, which is based on TMX Group's estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry in which the CGU operates.

In calculating the recoverable amount of these CGUs, a pre-tax discount rate is used. The pre-tax discount rate applied was 12.7% to 16.5%, which was set considering the weighted average cost of capital of TMX Group and certain risk premiums, based on management's past experience.

These assumptions are subjective judgements based on TMX Group's experience, knowledge of operations and knowledge of the economic environment in which it operates. It is possible that, if future cash flow projections, long-term growth rates or pre-tax discount rates are different to those used, the outcome of future impairment tests could result in a different outcome with a CGU's goodwill and/or intangible assets being impaired.
No impairment was identified as a result of the tests discussed above for 2013.

Management has determined that the BOX CGU may be subject to a reasonably possible change to one or more of the key assumptions used to determine recoverable amount that could cause the BOX CGU to become impaired. The following table sets out the change required in each key assumption used, on a stand-alone basis, that would cause the recoverable amount of the BOX CGU to equal its carrying value.

CGU	**Headroom***	**Key assumptions used**		Break-even sensitivities		
		Discount rate	**Terminal growth rate**	Cash flow decrease	Discount rate increase	Terminal growth rate decrease
BOX	**$ 3.2**	**15.7%**	**4.5%**	3.3%	0.4%	0.4%

**Headroom represents the amount by which the recoverable amount of the CGU exceeds its carrying value.*

(b) Intangible assets – definite life

A summary of TMX Group's definite life intangible assets is as follows:

	Technology	Customer relationships	CSA contracts	Open interest	Total
Cost:					
Balance as at January 1, 2012	$ -	$ -	$ -	$ -	$ -
Additions through business combinations:					
Acquisition of TMX Group Inc.	48.2	1,143.0	-	2.0	1,193.2
Acquisition of CDS	2.2	-	2.0	-	4.2
Acquisition of Alpha	-	8.0	-	-	8.0
Additions through general operations	11.9	-	-	-	11.9
Adjustments	3.8	-	-	-	3.8
Effect of movements in exchange rates	(0.3)	(1.1)	-	-	(1.4)
Balance as at December 31, 2012	$ 65.8	$ 1,149.9	$ 2.0	$ 2.0	$ 1,219.7
Additions through business combinations:					
Acquisition of Equity Transfer (note 3)	**0.2**	**16.8**	**-**	**-**	**17.0**
Additions through general operations	**20.2**	**-**	**-**	**-**	**20.2**
Adjustments	**(2.7)**	**-**	**-**	**-**	**(2.7)**
Disposals/write-offs	**-**	**(66.4)**	**-**	**-**	**(66.4)**
Effect of movements in exchange rates	**2.3**	**9.5**	**-**	**-**	**11.8**
Balance as at December 31, 2013	**$ 85.8**	**$ 1,109.8**	**$ 2.0**	**$ 2.0**	**$ 1,199.6**
Accumulated amortization:					
Balance as at January 1, 2012	$ -	$ -	$ -	$ -	$ -
Charge for the period	7.0	17.6	0.4	1.7	26.7
Adjustments	2.3	-	-	-	2.3
Effect of movements in exchange rates	(0.1)	(0.1)	-	-	(0.2)
Balance as at December 31,2012	$ 9.2	$ 17.5	$ 0.4	$ 1.7	$ 28.8
Charge for the year	**16.2**	**41.2**	**1.6**	**0.3**	**59.3**
Adjustments	**(2.4)**		**-**	**-**	**(2.4)**
Disposals/write-offs	**-**	**3.4**	**-**	**-**	**3.4**
Effect of movements in exchange rates	**1.5**	**0.9**	**-**	**-**	**2.4**
Balance as at December 31, 2013	**$ 24.5**	**$ 63.0**	**$ 2.0**	**$ 2.0**	**$ 91.5**
Net book values:					
At December 31, 2013	**$ 61.3**	**$ 1,046.8**	**$ -**	**$ -**	**$ 1,108.1**
At December 31, 2012	$ 56.6	$ 1,132.4	$ 1.6	$ 0.3	$ 1,190.9

At the end of each reporting period, TMX Group assesses whether there is any indication that any of its definite life intangible assets may be impaired, and performs an impairment analysis where indicators are noted. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the asset's fair value less costs of disposal and its value-in-use.

No impairment was identified as a result of the assessment discussed above for 2013.

12. Other non-current assets

		December 31, 2013		December 31, 2012
Investment in equity accounted investees (note 10)	**$**	**67.0**	$	14.9
Accrued employee benefit assets (note 13)		**16.7**		4.3
Investments in privately-owned companies (note 24)		**0.8**		0.8
Premises and equipment		**43.4**		36.8
Other		**1.1**		1.3
Other non-current assets	**$**	**129.0**	$	58.1

13. Employee future benefits

(a) Defined contribution plans

The total expense recognized in respect of TMX Group's defined contribution plans for the year ended December 31, 2013, was $5.9 (2012 - $2.1), which represents the employer contributions for the period.

(b) Defined benefit plans

TMX Group measures the present value of its defined benefit obligations and the fair value of plan assets for accounting purposes as at the balance sheet date of each fiscal year. The most recent actuarial valuation of the registered pension plan for funding purposes was as at December 31, 2012, and the next required valuation is as at December 31, 2015. For the TMX Group Inc. RCA plans, the most recent actuarial valuations for funding purposes were as at December 31, 2012, and the next required valuations are as at December 31, 2013. For the CDS RCA plan, the funding valuation is performed annually with the most recent actuarial funding valuation completed as of January 1, 2013.

The accrued benefit assets and accrued benefit obligations related to TMX Group's defined benefit pension and non-pension post-retirement plans are included in TMX Group's consolidated balance sheet as follows:

	Pension and RCA plans				**Other post-retirement benefit plans**			
As at December 31		**2013**		2012		**2013**		2012
Accrued employee benefit assets	**$**	**16.7**	$	4.3	**$**	**-**	$	-
Accrued employee benefits payable		**(2.2)**		(6.0)		**(10.6)**		(10.9)
	$	**14.5**	$	(1.7)	**$**	**(10.6)**	$	(10.9)

Accrued employee benefits payable on the consolidated balance sheet also includes the obligation under the post-employment benefit plan of $1.3 (2012 - $1.4).

	Pension and RCA plans		Other post-retirement benefit plans	
	2013	2012	**2013**	2012
Accrued benefit obligation:				
Balance, beginning of the year	**$ 100.2**	$ -	**$ 10.9**	$ -
Recognized through business combinations	**-**	92.3	**-**	10.7
Current service cost	**3.1**	1.4	**0.5**	0.2
Past service cost	**(0.3)**	(0.3)	**-**	-
Loss (gain) on settlement/curtailment	**0.7**	0.5	**-**	(0.3)
Interest cost	**4.2**	1.8	**0.5**	0.2
Benefits paid	**(3.6)**	(1.7)	**(0.3)**	(0.1)
Settlements paid	**(3.2)**	-	**-**	-
Employee contributions	**0.2**	0.1	**-**	-
Actuarial losses (gains)	**(7.8)**	6.1	**(1.0)**	0.2
Balance as at December 31	**$ 93.5**	$ 100.2	**$ 10.6**	$ 10.9
Plan assets:				
Fair value, beginning of the year	**$ 98.5**	$ -	**$ -**	$ -
Recognized through business combinations	**-**	93.2	**-**	-
Interest income	**4.3**	1.8	**-**	-
Employer contributions	**6.7**	5.1	**0.3**	0.1
Employee contributions	**0.2**	0.1	**-**	-
Benefits paid	**(6.7)**	(1.7)	**(0.3)**	(0.1)
Plan administration cost	**(0.4)**	0.1	**-**	-
Actuarial gains (losses)	**5.4**	(0.1)	**-**	-
Fair value as at December 31	**$ 108.0**	$ 98.5	**$ -**	$ -
Accrued benefit asset (liability) as at December 31	**$ 14.5**	$ (1.7)	**$ (10.6)**	$ (10.9)

Plan assets consist of:

	Percentage of plan assets	
Asset category	**December 31, 2013**	December 31, 2012
Equity securities	**49.0%**	49.4%
Debt securities	**31.7%**	37.7%
Other	**19.3%**	12.9%
	100.0%	100.0%

The plan assets include units held in a pooled fund investment which holds less than 0.071% shares in TMX Group Limited as at December 31, 2013.

The elements of TMX Group's defined benefit plan costs recognized in the year are as follows. The full cost is recognized within compensation and benefits in the consolidated income statement.

For the year ended December 31	Pension and RCA plans 2013	Pension and RCA plans 2012	Other post-retirement benefit plans 2013	Other post-retirement benefit plans 2012
Current service cost	$ 3.1	$ 1.4	**$ 0.5**	$ 0.2
Past service cost	(0.3)	(0.3)	**-**	-
Loss (gain) on settlement/curtailment	0.7	0.5	**-**	(0.3)
Net interest cost	(0.1)	-	**0.5**	0.2
Plan administration cost	0.1	-	**-**	-
Net benefit plan expense recognized in the consolidated income statement	$ 3.5	$ 1.6	**$ 1.0**	$ 0.1

TMX Group recognizes experience adjustments and the effects of changes in actuarial assumptions immediately in other comprehensive income. The aggregate actuarial gains and losses and effects of asset limits recognized in other comprehensive income are as follows:

	Pension and RCA plans 2013	Pension and RCA plans 2012	Other post-retirement benefit plans 2013	Other post-retirement benefit plans 2012
Effect due to demographics	**$ 1.9**	$ -	**$ (0.2)**	$ -
Effect due to financial assumptions	**(8.1)**	-	**(0.8)**	0.2
Effect due to experience adjustments	**(1.7)**	6.2	**-**	-
Return on plan assets (excluding interest income)	**(5.1)**	(0.1)	**-**	-
Actuarial (gains) losses recognized in other comprehensive income	**$ (13.0)**	$ 6.1	**$ (1.0)**	$ 0.2

The significant actuarial assumptions adopted in measuring the obligation are as follows (weighted average):

As at December 31	Pension and RCA plans 2013	Pension and RCA plans 2012	Other post-retirement benefit plans 2013	Other post-retirement benefit plans 2012
Discount rate	**4.90%**	4.35%	**4.90%**	4.35%
Commuted value	**4.00%**	3.10%	**n/a**	n/a
Rate of compensation increase	**3.50%**	3.50%	**n/a**	n/a

Assumptions regarding mortality rates are based on published statistics and mortality tables. The mortality tables used in 2013 for the pension, RCA and other post-retirement plans was the Canadian Pensioner Mortality Experience RPP2014 private sector mortality table (2012 – Uninsured Pensioner 1994 Mortality Table).

The assumed health care cost trend rate at December 31, 2013 was 6.75% decreasing to 4.50% over 16 years (2012 – 6.9% decreasing to 4.5% over 17 years).

Decreasing the discount rate by 0.5% or increasing the mortality rate would increase the accrued benefit obligation related to the pension and RCA plans by $5.4 and $1.3, respectively. Increasing or decreasing the assumed health care cost trend rates by one percentage point would have a minimal effect on the accrued benefit obligation related to the non-pension post-retirement plan.

MX has provided a letter of guarantee in the amount of $0.6 (2012 – $0.7) to the benefit of the trustee of the MX supplementary pension plan, using a part of the operating line of credit in place with its bank (note 14).

In 2014, TMX Group expects to contribute approximately $4.6 to its pension and other post-retirement benefit plans. Additional amounts to be contributed to the Company's RCA plans will be determined by management once the valuations have been prepared.

14. Debentures, credit and liquidity facilities

TMX Group has the following debentures, credit and liquidity facilities in place as at December 31:

				2013	2012
	Interest rate	**Maturity date**	**Authorized/ Principal**	**Carrying value at December 31**	Carrying value at December 31
Series A Debentures	3.253%	October 3, 2018	$ 400.0	**$ 398.5**	$ -
Series B Debentures	4.461%	October 3, 2023	250.0	**248.9**	-
Series C Debentures	3 month B.A. + 70 bps	October 3, 2016	350.0	**349.0**	-
Total debentures				**$ 996.4**	$ -
TMX Group Limited term facility	1 month B.A. + 150 bps	July 31, 2016	$ 309.5	**$ 309.5**	$ 1,410.0
TMX Group Limited revolving facility	1 month B.A. + 150 bps	July 31, 2016	150.0	**10.0**	71.0
	1 month LIBOR + 150 bps			**16.0**	**-**
Less: unamortized financing costs				**(4.1)**	(27.9)
Total loans payable				**$ 331.4**	$ 1,453.1
MX operating line of credit	-	n/a	$ 3.0	**$ -**	$ -
CDS Limited operating demand loan	-	n/a	6.0	**-**	-
CDS Inc. operating demand loan	-	n/a	5.0	**-**	-
CDS Clearing operating demand loan	-	n/a	10.0	**-**	-
CDS Clearing overdraft facility	-	n/a	5.0	**-**	-
CDS Clearing overnight loan facility	-	n/a	US$5.5	**-**	-
Total credit facilities				**$ -**	$ -
CDS Clearing secured standby liquidity facility	-	n/a	$ 200.0	**$ -**	$ -
CDCC syndicated revolving standby liquidity facility	Bank of Canada rate of 1.25%	n/a	200.0	**1.3**	-
CDCC daylight liquidity facilities	-	n/a	700.0	**-**	-
CDCC syndicated REPO facility	-	n/a	12,300.0	**-**	-
Bank of Canada liquidity facilities	-	n/a	n/a	**-**	-
NGX letter of credit	-	n/a	US$100.0	**-**	-
NGX overdraft facility	-	n/a	20.0	**-**	-
NGX EFT daylight liquidity facility	-	n/a	300.0	**-**	-
Shorcan overdraft facility	-	n/a	50.0	**-**	-
Total liquidity facilities				**$ 1.3**	$ -
Total credit and liquidity facilities				**$ 1,329.1**	$ 1,453.1

(a) Debentures

On September 30, 2013, the Company completed a private placement offering of $1,000.0 aggregate principal amount of senior unsecured debentures (the "Debentures") to accredited investors.

The following is a summary of certain terms of the Debentures as defined in the relevant Supplemental Indenture:

	Series A	Series B	Series C
Principal amount	$400.0	$250.0	$350.0
Term	5 years	10 years	3 years
Maturity date	October 3, 2018	October 3, 2023	October 3, 2016
Coupon	3.253% per annum, payable in arrears in equal semi-annual instalments of $6.5 (long first coupon)	4.461% per annum, payable in arrears in equal semi-annual instalments of $5.6 (long first coupon)	3 month B.A. + 70 bps, payable quarterly in arrears based actual number of days elapsed in the period divided by 365 (long first coupon)

The Debentures are direct, senior, unsecured obligations of the Company and rank equally with all other senior unsecured and unsubordinated indebtedness. The Debentures have received a rating of A (high) with Stable trend from DBRS Limited.

The Company has the right, at its option, to redeem, in whole or in part, each of the Series A and Series B Debentures at any time prior to their respective maturities and the Series C Debentures on any interest payment date. For the Series A and Series B Debentures, the redemption price is equal to the greater of the applicable Canada Yield Price (as defined in the relevant Supplemental Indenture) and 100% of the principal amount of the Debentures being redeemed to the date fixed for redemption. For the Series C Debentures, the redemption price is equal to the greater of the Canadian Dealer Offered Rate Yield Price (as defined in the relevant Supplemental 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 of the interest payment.

The Company incurred financing costs of $1.6, $1.1, and $1.1 for the initial issuance of the Series A, Series B and Series C Debentures, respectively and these costs are included in the initial carrying value of the Debentures. The Debentures are carried at amortized cost and are measured using the effective interest rate method.

The Company used $995.5 of the net cash proceeds to pay down the TMX Group Limited term facilities on September 30, 2013.

(b) TMX Group Limited facilities

In connection with the acquisitions of TMX Group Inc., CDS, and Alpha, the Company established credit facilities with a syndicate of Canadian and global financial institutions comprising term facilities of $1,410.0 and a revolving facility of $150.0, all expiring on July 31, 2016 (the "Credit Facilities"). On August 1, 2012, the Company drew $1,538.0 under the Credit Facilities and paid $31.1 of related financing fees which are amortized over the term of the loan. The Company may draw on these facilities in Canadian dollars by way of letters of credit, prime rate loans

and/or Bankers' Acceptances ("B.A.") or in United States ("US") dollars by way of LIBOR loans and/or US base rate loans. As at December 31, 2012, the balance of financing fees prepaid was $27.9 which, after repayments, left a net loan payable of $1,453.1.

During the year ended December 31, 2013, the Company paid down $1,100.5 of the TMX Group Limited term facilities (the "term facilities") and paid down $45.0 of the TMX Group Limited revolving facility (2012 – paid down $57.0 and advanced $71.0, respectively). As a result of using the net cash proceeds from the issuance of the Debentures to pay down a portion of the term facilities, the Company recognized $18.5 of unamortized financing costs and $0.8 in additional refinancing costs within the credit facility refinancing expenses line item in the income statement.

During the year ended December 31, 2013, the Company incurred and capitalized $1.0 of financing fees to amend the terms of the TMX Group Limited facilities which included the release of various guarantees provided by certain of TMX Group's subsidiaries as well as significantly more favourable pricing terms and less restrictive financial covenants (note 26). The Company was in compliance with these covenants at December 31, 2013.

As at December 31, 2013, the balance of financing fees prepaid was $4.1 which left a net loan payable of $331.4.

For the year ended December 31, 2013, the Company recognized interest expense on the Credit Facilities of $50.2 (2012 – $26.6), which included $6.7 of amortized financing fees (2012 – $3.2).

(c) MX facility

MX has an outstanding letter of guarantee for $0.6 issued against the MX operating line of credit (2012 – $0.7). This letter of guarantee has been issued as a guarantee to the trustee under the MX supplementary pension plan in respect of accrued future employee benefits.

(d) CDS facilities

CDS maintains unsecured operating demand loans totalling $11.0 to support short-term operating requirements. To support processing and settlement activities of participants, an unsecured overdraft facility and demand loan of $15.0 and an overnight facility of US$5.5 are available. The borrowing rates for these facilities, if drawn, are the Canadian prime or the US base rate, depending on the currency drawn.

CDS also maintains a US$200.0, or Canadian dollar equivalent, secured standby liquidity facility that can be drawn in either US 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 US treasury instruments. Depending upon the currency drawn, the borrowing rate for the secured standby credit arrangement is the US base rate or the Canadian prime rate.

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.

(e) CDCC facilities

CDCC maintains daylight liquidity facilities for a total of $700.0 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.

CDCC also maintains a $200.0 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 will be secured by collateral in the form of securities that have been received by, or pledged to, CDCC. As at December 31, 2013, CDCC had drawn $1.3 to facilitate a failed REPO settlement. The amount is fully offset by liquid securities included in cash and cash equivalents and was fully re-paid subsequent to the reporting date. On January 31, 2014, the CDCC Board approved, in addition to other amendments, a further increase in this facility to $300.0.

A $12,300.0 repurchase facility is also maintained with a syndicate of six major Canadian chartered banks (the “syndicated REPO facility”). This facility is comprised of $1,200.0 in committed liquidity and $11,100.0 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 would provide liquidity in exchange for securities that have been received by, or pledged to, CDCC.

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

(f) NGX facilities

NGX maintains a daylight liquidity facility with a major Canadian chartered bank in the amount of $300.0. This facility may be used on settlement day to effect payments through the settlement accounts and it is intended to cover any intra-day shortfalls due to timing of payments and receipts. In the event that amounts drawn on settlement day do not clear to zero by the end of the day, NGX must repay the deficiency on the following business day.

In addition, a $20.0 overdraft facility is in place with the same major Canadian chartered bank. This facility is only available to repay the daylight liquidity facility as discussed above on the business day following a settlement day.

NGX has deposited with CIBC Mellon (the “Escrow Agent”) a letter of credit in the amount of US$100.0. Contracting parties are entitled to file with the Escrow Agent in the event of a failure by NGX to deliver or take commodities, or a failure by NGX to pay amounts owed. Where the claim by a contracting party is not resolved by NGX and is determined to have met the terms of the Contracting Party’s Demand under the Deposit Agreement, the Escrow Agent will present and draw upon these letters of credit to settle the claim.

(g) Shorcan facility

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.

15. Interest rate swaps

TMX Group has entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations associated with the initial amount drawn on the Credit Facilities and Debentures (note 14). The interest rate swaps in place as of December 31 are as follows:

Swap	Maturity date	Interest rate the Company will receive	Interest rate the Company will pay	Notional value		Fair value liability	
				2013	2012	2013	2012
Series 1	September 30, 2013	1 month B.A.	1.232%	$ -	$ 200.0	$ -	$ -
Series 2	September 30, 2014	1 month B.A.	1.312%	**200.0**	200.0	**(0.2)**	(0.1)
Series 3	September 30, 2015	1 month B.A.	1.416%	**50.0**	300.0	**(0.1)**	(0.3)
Series 4	July 31, 2016	1 month B.A.	1.499%	**350.0**	700.0	**(0.1)**	(1.3)
				$ 600.0	$ 1,400.0	**$ (0.4)**	$ (1.7)

TMX Group has designated these interest rate swaps as cash flow hedges. TMX Group's objective is to eliminate the variability of cash flows from interest rate payments due to be paid by TMX Group on the Credit Facilities that are based on the 1 month variable B.A. interest rate and the Series C Debentures that are based on the 3 month B.A., through the use of interest rate swaps over the term of the debt. Fair value is obtained from a pricing service based on a discounted cash flow model, which includes a credit spread.

During the year ended December 31, 2013, interest rate swaps with a notional value of $153.5 matured (2012 – $nil) and the Company unwound interest rate swaps with a notional value of $646.5 (2012 – $nil). As a result of the repayment of a portion of the term facilities, the Company unwound interest rate swaps with a notional value of $600.0. Consequently, the Company recognized a gain of $1.6 within the credit facility refinancing expenses line item in the income statement.

On September 30, 2013, as a result of the repayment of a portion of the term facilities, the Company de-designated interest rate swaps with a notional value of $350.0 used to hedge its interest rate exposure associated with the amounts drawn on the term facilities. Consequently, the Company recognized a gain of $1.3 within the credit facility refinancing expenses line item in the income statement. On the same day, the Company re-designated interest rate swaps with a notional value of $350.0 to hedge the interest rate risk associated with the Series C Debentures.

During the year ended December 31, 2013, TMX Group has determined that the hedges were effective and has recognized within other comprehensive income unrealized fair value gains on the swaps of $1.4 during the period (2012 – effective and unrealized losses of $2.9). In addition, TMX Group recognized $2.0 within net finance costs in the consolidated income statement, representing the net amount paid on the interest rate swaps (2012 – received $1.2). This amount was reclassified from other comprehensive income to net income.

16. Trade and other payables

Trade and other payables are comprised of:

	December 31, 2013	December 31, 2012
Trade payables	**$ 9.4**	$ 13.7
Sales taxes payable	**4.5**	3.7
Employee and director costs payable	**45.9**	46.6
Accrued expenses	**28.8**	13.1
Regulatory deficit surplus	**2.1**	3.5
Other payables	**14.2**	1.4
Trade and other payables	**$ 104.9**	$ 82.0

The fair value of trade and other payables is approximately equal to their carrying amount given their short term until settlement.

17. Provisions and contingencies

(a) Provisions

A summary of TMX Group's provisions is as follows:

	Onerous leases	**Decommissioning liabilities**	**Commodity tax provision**	**Total**
Balance as at January 1, 2012	$ -	$ -	$ -	$ -
Provisions recognized through business combinations	0.1	2.2	5.0	7.3
Additional provisions recognized during the period	4.4	0.6	-	5.0
Provisions used or reversed during the period	-	-	(1.8)	(1.8)
Balance as at December 31, 2012	$ 4.5	$ 2.8	$ 3.2	$ 10.5
Current	$ 4.4	$ -	$ 3.2	$ 7.6
Non-current	0.1	2.8	-	2.9
Balance as at December 31, 2012	$ 4.5	$ 2.8	$ 3.2	$ 10.5
Provisions recognized during the period	**0.9**	**4.1**	**0.4**	**5.4**
Provisions used or reversed during the period	**(4.3)**	**(0.2)**	**-**	**(4.5)**
Balance as at December 31, 2013	**$ 1.1**	**$ 6.7**	**$ 3.6**	**$ 11.4**
Current	**1.0**	**-**	**3.6**	**4.6**
Non-current	**0.1**	**6.7**	**-**	**6.8**
Balance as at December 31, 2013	**$ 1.1**	**$ 6.7**	**$ 3.6**	**$ 11.4**

Included within other current liabilities in the consolidated balance sheet is $1.8 for termination and related costs associated with the transition of CSA Services (note 3).

(b) Contingent liabilities

From time to time in connection with its operations, TMX Group or its subsidiaries are named as a defendant in actions for damages and costs sustained by plaintiffs, or as a respondent in court proceedings challenging TMX Group's or its subsidiaries' regulatory actions, decisions or jurisdiction. The outcomes of such matters are subject to future resolution that includes uncertainties of litigation or other proceedings. Based on information currently known to the Company, management believes that any payment in respect of any such action, claim or proceeding is unlikely.

18. Deferred revenue

Deferred revenue is comprised of:

	December 31, 2013	December 31, 2012
Current deferred revenue		
Cash segment	**$ 7.9**	$ 12.2
Energy segment	**5.2**	4.3
CDS Segment	**1.2**	1.5
	14.3	18.0
Long-term deferred revenue		
Energy segment	**0.8**	0.7
	$ 15.1	$ 18.7

Deferred revenue related to the cash segment includes initial and additional listing fees for TSX Venture Exchange, which are paid in advance of the services being provided and which are deferred until the point at which the listing occurs and the service is completed. The cash segment also includes deferred revenue arising from annual information service subscriptions paid throughout the year and deferred over a twelve month period.

Energy segment deferred revenue relates to NGX, which recognizes trading, clearing and related revenue over the trade, delivery and settlement months of each transaction.

CDS segment deferred revenue relates to annual information services subscription sales which are deferred over a twelve month period. Also included in deferred revenue are customer advances for future management services where the revenue is deferred over the period in which the services are provided.

Long-term deferred revenue is included within other non-current liabilities on the consolidated balance sheet (note 20).

19. Commitments and lease obligations

TMX Group is committed under long-term leases and licenses as follows:

- The rental of office space, under various long-term operating leases with remaining terms of up to 10 years, including certain asset retirement obligations with regards to these leases;
- The rental of computer hardware and software for remaining terms of one to four years under operating leases; and
- The rental of computer hardware and software for remaining terms of one to three years under finance leases.

(a) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2013	December 31, 2012
Less than one year	**$ 17.1**	$ 21.3
Between one and five years	**56.0**	45.4
More than five years	**87.1**	11.8
	$ 160.2	$ 78.5

TMX Group is responsible for additional taxes, maintenance and other direct charges with respect to its leases. The additional amount will be approximately $13.9 for 2014 (2013 – $13.1).

The figures above do not include the Company's obligations to restore certain leased premises to their original condition (note 17).

TMX Group has entered into sub-lease agreements with third parties for the rental of office space, and rentals receivable from these sub-leases are as follows:

	December 31, 2013	December 31, 2012
Less than one year	**$ 1.8**	$ 1.4
Between one and five years	**5.0**	5.2
More than five years	**-**	0.3
	$ 6.8	$ 6.9

Payments of $32.2 were charged to the consolidated income statement in relation to operating leases, net of sub-lease income (2012 – $13.4).

(b) Finance leases

Finance lease liabilities that are payable in less than one year are included in trade and other payables and the remaining liabilities are included in other non-current liabilities on the consolidated balance sheet. Finance lease liabilities are payable as follows:

	December 31, 2013			December 31, 2012		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**$ 2.7**	**$ 0.2**	**$ 2.5**	$ 1.0	$ -	$ 1.0
Between one and five years	**3.8**	**0.3**	**3.5**	0.5	-	0.5
	$ 6.5	**$ 0.5**	**$ 6.0**	$ 1.5	$ -	$ 1.5

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

(c) CDS fee commitments and rebates

Under the CDS recognition orders granted by the OSC and the AMF, fees for services and products offered by CDS Clearing will be those fees in effect on November 1, 2011 ("2012 base fees"). CDS Clearing cannot adjust fees without the approval of the OSC, AMF and the British Columbia Securities Commission ("BCSC"). In addition, CDS Clearing 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 existing as at August 1, 2012, the effective date of the recognition orders.

Under the CDS recognition orders granted by the OSC and the AMF, for the two month period starting November 1, 2012 and subsequent fiscal years starting January 1, 2013, CDS will share any annual revenue increases on clearing and other core CDS Clearing services, as compared to revenues in fiscal year 2012 (the 12 month period ending October 31, 2012), on a 50:50 basis with participants. The rebate payable for the period from November 1, 2012 to December 31, 2013 amounted to $1.0 (2012 – $nil).

In addition, CDS will rebate an amount to participants in respect of exchange clearing services for trades conducted on an exchange or Alternative Trading System ("ATS") as follows:

- $2.8 in the 12 month period ending October 31, 2013
- $3.3 in the 12 month period ending October 31, 2014
- $3.8 in the 12 month period ending October 31, 2015
- $4.0 in the 12 month period ending October 31, 2016
- $4.0 annually thereafter.

These rebates are accrued and credited against revenue in the year to which they relate.

20. Other liabilities

	December 31, 2013	December 31, 2012
Provisions (note 17)	**$ 6.4**	$ 7.6
Deferred revenue (note 18)	**14.3**	18.0
Obligations under finance leases (note 19)	**2.5**	1.0
Other current liabilities	**$ 23.2**	$ 26.6
Accrued employee benefits payable (note 13)	**$ 14.1**	$ 18.3
Provisions (note 17)	**6.8**	2.9
Deferred revenue (note 18)	**0.8**	0.7
Obligation under finance leases (note 19)	**3.5**	0.5
Long-term incentive plan and director compensation obligations (note 22)	**17.8**	18.7
Data license payable	**-**	1.9
Other	**2.0**	2.0
Other non-current liabilities	**$ 45.0**	$ 45.0

21. Share capital

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series. No preference shares have been issued.

Each common share of the Company entitles its holder to one vote at all meetings of shareholders subject to certain restrictions with respect to the voting rights and the transferability of the shares. No person or combination of persons acting jointly or in concert is permitted to beneficially own or exercise control or direction over more than 10% of any class or series of voting shares of the Company without the prior approval of the OSC and the AMF.
Each common share of the Company is also entitled to receive dividends if, as and when declared by the Board of Directors of the Company. All dividends that the Board of Directors of the Company may declare and pay will be declared and paid in equal amounts per share on all common shares, subject to the rights of holders of the preference shares. Holders of common shares will participate in any distribution of the net assets of the Company upon liquidation, dissolution or winding-up on an equal basis per share, but subject to the rights of the holders of the preference shares.

There are no pre-emptive, redemption, purchase or conversion rights attaching to the common shares, except for the compulsory sale of shares or redemption provision described in connection with enforcing the restriction on ownership of voting shares of the Company.

Each of CIBC World Markets Inc., National Bank Financial & Co. Inc., Scotia Capital Inc., and TD Securities Inc., either directly or through an affiliate, has agreed to maintain a specified minimum ownership interest in the Company for a period of five years from September 14, 2012. During the first year, each of these investors were required to own at least 6.25% and for each of the four following years, at least 5.625%, of the Company's common shares outstanding as at September 14, 2012.

TMX Group has entered into a nomination agreement with each of Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., National Bank Financial & Co. Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and TD Securities Inc., either directly or through an affiliate, (the "Nominating Investors") under which each Nominating Investor is granted the right to nominate one director for election to the TMX Group board of directors until the earlier of (a) September 14, 2018; and (b) such time as the Nominating Investor ceases to own, directly or indirectly, 5.0% of TMX Group's total issued and outstanding common shares as at September 14, 2012.

During the six years following September 14, 2012, should a Nominating Investor wish to sell 0.75% or more of the outstanding common shares of the Company, it must be done in accordance with prescribed procedures as agreed to by the Investors.

The following transactions occurred with respect to the Company's common shares during the period:

	Number of common shares issued and fully paid		**Share capital**	
	2013	2012	**2013**	2012
Balance, beginning of the period	**53,763,464**	185,718	**$ 2,833.7**	$ 10.0
Issued on March 1	**-**	649,984	**-**	35.0
Repurchased for cancellation on July 17	**-**	(7,722)	**-**	(0.4)
Issued on August 1	**-**	37,958,026	**-**	2,044.1
Issued on September 14	**-**	14,939,964	**-**	743.3
Options exercised	**352,559**	37,494	**15.5**	1.7
Balance as at December 31	**54,116,023**	53,763,464	**$ 2,849.2**	$ 2,833.7

The Company's shares began trading on Toronto Stock Exchange under the symbol "X" on September 19, 2012.

22. Share-based payments

At December 31, 2013, TMX Group had the following share-based payment arrangements in place:

- Share option plan
- Restricted share unit and deferred share unit plans
- Employee share purchase plan.

(a) Share option plan

The Company has a share option plan whereby all employees of TMX Group and those of its designated subsidiaries at or above the director level are eligible to be granted share options under the share option plan.

According to the terms of TMX Group's plan, under no circumstances may any one person's share options and all other share compensation arrangements exceed 5% of the outstanding common shares issued of TMX Group. At December 31, 2013, 2,242,519 common shares of TMX Group remain reserved for issuance upon exercise of share options granted under the plan, representing approximately 4% of the outstanding common shares of TMX Group.

The fair value of share options exchanged or granted was estimated on the date of exchange or grant using the Black-Scholes option pricing model with the following assumptions: a share price of $55.15 dollars (2012 – $48.20 dollars), and depending on the tranche, dividend yield of between 3.3% and 3.4% (2012 – 3.2% and 3.3%); expected life of between 2 and 4 years (2012 – 1 and 3 years); an expected volatility of between 18.2% and 23.0% (2012 – 14.2% and 18.7%); risk-free interest rate of between 1.1% and 1.3% (2012 – 1.1% and 1.2%); and expected forfeiture rates of between 9.3% and 26.2% (2012 – 9.3% and 26.2%). The assumptions are based on TMX Group Inc.'s historical share price movements and historical dividend policy and the expected life is based on TMX Group Inc. past experience. The resulting weighted average fair value calculated for share options exchanged or granted in 2013 was $5.87 dollars (2012 – $6.37 dollars).

Options outstanding at December 31, 2013 will expire in 2014, 2015, 2016, 2017, 2018 and 2019.

Movements in the number of share options outstanding are as follows:

		2013		2012
	Number of share options	**Weighted average exercise price (in dollars)**	Number of share options	Weighted average exercise price (in dollars)
Outstanding, beginning of the period	**1,064,883**	**$ 43.60**	-	$ -
TMX Group Inc. options exchanged	**-**	**-**	1,103,618	43.38
Granted	**683,477**	**55.15**	30,000	49.00
Forfeited	**(40,216)**	**49.67**	(31,241)	40.97
Exercised	**(352,559)**	**41.30**	(37,494)	43.57
Outstanding as at December 31	**1,355,585**	**$ 49.84**	1,064,883	$ 43.60
Vested and exercisable as at December 31	**302,118**	**$ 43.83**	248,482	$ 48.95

The range of exercise prices and weighted average remaining contractual life of options outstanding are as follows:

		As at December 31, 2013		As at December 31, 2012
Exercise price range	**Number of share options**	**Weighted average remaining contractual life**	Number of share options	Weighted average remaining contractual life
$28.67 - $29.99	**46,522**	**3**	144,946	4
$30.00 - $39.99	**3,776**	**2**	3,776	3
$40.00 - $49.99	**566,970**	**5**	783,833	5
$50.00 - $52.92	**738,317**	**6**	132,328	2
	1,355,585	**5**	1,064,883	5

For the year ended December 31, 2013, TMX Group recognized compensation and benefits expense of $2.2 in relation to its share option plan (2012 – $0.6).

(b) Restricted share unit ("RSU") and deferred share unit ("DSU") plans

TMX Group has a long-term incentive plan ("LTIP") for certain employees and officers of the Company. The LTIP provides for the granting of RSUs which vest over a maximum of three years and are payable provided the employee is still employed by TMX Group at the end of the second calendar year following the calendar year in which the RSUs were granted. The amount of the award payable at the end of this vesting period will be determined by the total shareholder return over the period. Total shareholder return represents the appreciation in share price of the Company plus dividends paid on a common share of the Company, measured at the time the RSUs vest.

The Company has a plan that gives officers who have not met their equity ownership requirements the opportunity to convert all or part of their short-term incentive award into DSUs. In addition, members of the Board of Directors who do not waive their compensation or direct that it be paid to their employer are granted DSUs annually and are also given the opportunity to convert some of their annual remuneration into DSUs. These DSUs vest immediately. The amount of the award payable is based on the number of units outstanding multiplied by the share price of the Company at the date of the payout. The DSUs will only be paid out when the officer or the Board member retires or otherwise ceases to hold any position with TMX Group or such of its subsidiaries as are designated from time to time.

Legacy RSU and DSU plans previously existed within TMX Group Inc. These plans were amended as part of the TMX Group Inc. acquisition, including to reference shareholder return to the shares of TMX Group Limited (rather than TMX Group Inc.) and to provide for a fixed redemption value on the amended RSUs ("Fixed RSUs") of $50.00 per unit upon maturity.

TMX Group records its obligation for the RSUs, if any, over the service period in which the award is earned. The liability is measured at fair value on the date of grant and at each subsequent reporting date.

As at December 31, 2013, the total accrual for TMX Group's RSUs and DSUs is $32.2 (2012 – $32.7), which includes $14.6 (2012 – $14.0) included in trade and other payables and $17.6 (2012 – $18.7) which is included in other non-current liabilities. Included within the above accrual is $12.8 (2012 – $17.2) related to the Fixed RSUs. The maximum amount to be paid is not known, except for the Fixed RSUs, until the awards become payable and will be based on total shareholder return from the date of grant to the time of payout. The accrual is based on expected dividend yield, continuation of the most recent quarterly dividend and the closing price of TMX Group's common shares at the end of the reporting period. TMX Group has purchased total return swaps ("TRSs") to partially economically hedge against the impact of its share price fluctuations on the non-performance based portion of the RSUs and the DSUs (note 24).

During the year ended December 31, 2013, TMX Group recognized compensation and benefits expense and general and administration expense of $9.2 and $1.5, respectively, in relation to its RSUs and DSUs (2012 – $4.2 and $1.4, respectively).

(c) Employee share purchase plan

TMX Group has an employee share purchase plan for eligible employees of the Company. Under the employee share purchase plan, contributions by TMX Group and by eligible employees will be used by the plan administrator, to make purchases of common shares of the Company on the open market. Each eligible employee may contribute up to 10% of the employee's salary to the employee share purchase plan. TMX Group will contribute to the plan administrator the funds required to purchase one common share of the Company for each two common shares purchased on behalf of the eligible employee, up to a maximum annual contribution. Shareholder approval is not required for this plan or any amendments to the plan.

TMX Group accounts for its contributions as compensation and benefits expense when the amounts are contributed to the plan. Compensation and benefits expense related to this plan was $1.6 for the year ended December 31, 2013 (2012 - $0.6).

23. Income taxes

(a) Income tax expense recognized in the consolidated income statement

		2013		2012
Current income tax expense:				
Income tax for the current period	$	61.3	$	22.8
Deferred income tax expense:				
Origination and reversal of temporary differences		0.3		(1.6)
Adjustments in respect of prior years		(3.9)		-
Changes in substantively enacted income tax rates		2.7		-
Write-down of deferred income tax assets		0.5		-
Total income tax expense	$	60.9	$	21.2

Income tax expense attributable to income differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.5% (2012 – 26.5%) to income before income taxes as a result of the following:

		2013		2012
Income before income taxes	$	184.6	$	41.7
Computed expected income tax expense	$	48.9	$	11.1
Rate differential due to various jurisdictions		-		0.5
Non-deductible expenses		1.4		10.4
Non-taxable income		0.6		(0.4)
Sale of PC-Bond (note 3)		9.9		-
Adjustments in respect of prior years		(3.9)		-
Changes in substantively enacted income tax rates		2.7		-
Current year losses not recognized in deferred income tax assets		0.7		0.7
Write-down of deferred income tax assets		0.5		-
Other		0.1		(1.1)
Income tax expense	$	60.9	$	21.2

During the year ended December 31, 2013, the British Columbia general corporate income tax rate was increased to 11% from 10%, effective April 1, 2013. The Company recognized $2.7 in deferred income tax expense as a result of the rate change, which became substantively enacted on June 27, 2013.

(b) Income tax recognized in other comprehensive income

				2013								2012
		Before tax		**Tax benefit (expense)**		**Net of tax**		Before tax		Tax benefit		Net of tax
Related to interest rate swaps designated as cash flow hedges	**$**	**(0.3)**	**$**	**0.4**	**$**	**0.1**	$	(1.7)	$	0.5	$	(1.2)
Related to translation of foreign entities		**13.8**		**(1.5)**		**12.3**		(1.0)		-		(1.0)
Related to actuarial gains (losses) on defined benefit pension and other post-retirement benefit plans		**14.0**		**(3.7)**		**10.3**		(6.4)		1.6		(4.8)
Total	**$**	**27.5**	**$**	**(4.8)**	**$**	**22.7**	$	(9.1)	$	2.1	$	(7.0)

(c) Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are attributable to the following:

				Assets				**Liabilities**				**Net**
		2013		2012		**2013**		2012		**2013**		2012
Premises and equipment	**$**	**4.3**	$	4.8	**$**	**(2.1)**	$	(1.2)	**$**	**2.2**	$	3.6
Cumulative eligible capital / intangible assets		**22.9**		25.6		**(894.8)**		(927.6)		**(871.9)**		(902.0)
Tax loss carry-forwards		**13.8**		20.9		**-**		-		**13.8**		20.9
Employee future benefits		**2.6**		4.6		**(3.3)**		(0.1)		**(0.7)**		4.5
RSUs and DSUs		**8.7**		8.5		**-**		-		**8.7**		8.5
Other		**7.9**		3.2		**(0.3)**		(0.1)		**7.6**		3.1
Net deferred income tax assets (liabilities)	**$**	**60.2**	$	67.6	**$**	**(900.5)**	$	(929.0)	**$**	**(840.3)**	$	(861.4)

Movements in the deferred income tax balances in the year are as follows:

	Premises and equipment	Cumulative eligible capital/ intangible assets	Tax loss carry-forwards	Employee future benefits	RSUs and DSUs	Other	Total
Balance as at January 1, 2012	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recognized in net income	(0.3)	4.1	2.8	(0.3)	(2.1)	(2.6)	1.6
Recognized in other comprehensive income	-	-	-	1.6	-	0.5	2.1
Recognized through business combinations	3.9	(906.6)	18.1	3.2	10.6	5.2	(865.6)
Effect of movements in exchange rates	-	0.5	-	-	-	-	0.5
Balance as at December 31, 2012	$ 3.6	$ (902.0)	$ 20.9	$ 4.5	$ 8.5	$ 3.1	$ (861.4)
Recognized in net income	**0.3**	**4.4**	**(7.1)**	**(1.5)**	**0.2**	**4.1**	**0.4**
Recognized in other comprehensive income	**-**	**(1.5)**	**-**	**(3.7)**	**-**	**0.4**	**(4.8)**
Recognized through business combinations /disposals	**(1.7)**	**27.2**	**-**	**-**	**-**	**-**	**25.5**
Balance as at December 31, 2013	**$ 2.2**	**$ (871.9)**	**$ 13.8**	**$ (0.7)**	**$ 8.7**	**$ 7.6**	**$ (840.3)**

As at December 31, 2013, $5.7 of the above deferred income tax assets related to tax losses incurred in the legal entities of TMX Group Limited and TMX Group Inc. (2012 – $14.4). Recoverability of these assets is dependant on the availability of future taxable profits within these legal entities. The Company believes that these losses will be recoverable.

No deferred income tax assets have been recognized in respect of the following temporary differences:

	2013	2012
Tax losses	**$ 30.2**	$ 46.3
Other deductible temporary differences	**105.0**	143.5
	$ 135.2	$ 189.8

$13.2 of the above income tax losses will expire by 2033 (2012 – $10.3 by 2032). The remainder have no expiry date under currently applicable income tax legislation. Deferred income tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the tax losses. The Company will however continue to pursue tax planning strategies to utilize the tax losses where possible.

At December 31, 2013, deferred income tax liabilities for temporary differences of $130.0 relating to investments in certain domestic and foreign subsidiaries were not recognized as the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future (2012 - $129.3).

Temporary differences relating to the remaining domestic subsidiaries have not been recognized as the temporary difference can be settled without tax consequences.

24. Financial instruments

(a) Financial instruments – carrying values and fair values

	December 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets at fair value through profit or loss				
- Designated				
Marketable securities	$ 67.0	$ 67.0	$ 89.0	$ 89.0
	$ 67.0	$ 67.0	$ 89.0	$ 89.0
- Classified				
Fair value of open energy contracts	$ 86.9	$ 86.9	$ 65.7	$ 65.7
Total return swaps	1.0	1.0	0.1	0.1
	$ 87.9	$ 87.9	$ 65.8	$ 65.8
Available for sale financial assets				
Investments in privately-owned companies	$ 0.8	$ 0.8	$ 0.8	$ 0.8
	$ 0.8	$ 0.8	$ 0.8	$ 0.8
Loans and receivables				
Cash and cash equivalents	$ 212.2	$ 212.2	$ 156.5	$ 156.5
Restricted cash and cash equivalents	102.9	102.9	67.9	67.9
Trade and other receivables	83.6	83.6	89.1	89.1
Energy contracts receivable	764.9	764.9	696.4	696.4
Clearing Members cash collateral	309.3	309.3	424.2	424.2
Other balances with Clearing Members	9,524.6	9,524.6	6,978.8	6,978.8
Balances with participants	330.8	330.8	370.9	370.9
	$ 11,328.3	$ 11,328.3	$ 8,783.8	$ 8,783.8
Liabilities at fair value through profit or loss				
- Classified				
Fair value of open energy contracts	$ (86.9)	$ (86.9)	$ (65.7)	$ (65.7)
	$ (86.9)	$ (86.9)	$ (65.7)	$ (65.7)
Other financial liabilities				
Participants' tax withholdings	$ (102.9)	$ (102.9)	$ (67.9)	$ (67.9)
Trade and other payables	(55.2)	(55.2)	(51.2)	(51.2)
Accrued interest payable	(7.7)	(7.7)	-	-
Energy contracts payable	(764.9)	(764.9)	(696.4)	(696.4)
Clearing Members cash collateral	(309.3)	(309.3)	(424.2)	(424.2)
Other balances with Clearing Members	(9,524.6)	(9,524.6)	(6,978.8)	(6,978.8)
Balances with participants	(330.8)	(330.8)	(370.9)	(370.9)
Obligations under finance leases	(6.0)	(6.0)	(1.5)	(1.5)
Non-current data license payable	-	-	(1.9)	(1.9)
Liquidity facilities drawn	(1.3)	(1.3)	-	-
Loans payable	(331.4)	(331.4)	(1,453.1)	(1,453.1)
Debentures	(996.4)	(1,003.8)	-	-
	$ (12,430.5)	$ (12,437.9)	$ (10,045.9)	$ (10,045.9)
Relationships designated under hedge accounting				
Interest rate swaps	$ (0.4)	$ (0.4)	$ (1.7)	$ (1.7)
	$ (0.4)	$ (0.4)	$ (1.7)	$ (1.7)

With the exception of the Debentures, the carrying values for TMX Group's financial instruments approximate their fair values at each reporting date. The fair value of the Debentures was obtained using Level 2 observable market prices as inputs.

Fair value amounts disclosed represent current estimates that may change in the future due to market conditions or other factors. Fair value represents the Company's estimate of the amounts for which the Company could exchange the financial instruments with willing third parties who were interested in acquiring the instruments. Where calculations are performed, these calculations represent management's best estimates based on a range of methodologies and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or settlement of the instruments.

(b) NGX, CDCC and CDS clearing and settlement balances

(i) NGX clearing and settlement balances

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.

NGX requires each contracting party to sign the Contracting Party's agreement; a standardized agreement that allows for netting of positive and negative exposures associated with a single contracting party. The following table sets out the carrying amounts of recognized financial instruments that are subject to the agreement:

						As at December 31, 2013
		Gross amount		**Amount offset in the consolidated balance sheet**		**Net amounts presented in the consolidated balance sheet**
Financial assets						
Energy contracts receivable	**$**	**3,609.7**	**$**	**(2,844.8)**	**$**	**764.9**
Fair value of open energy contracts receivable		**500.5**	**$**	**(413.6)**		**86.9**
		4,110.2	**$**	**(3,258.4)**		**851.8**
Financial liabilities						
Energy contracts payable	**$**	**(3,609.7)**	**$**	**2,844.8**	**$**	**(764.9)**
Fair value of open energy contracts payable		**(500.5)**		**413.6**		**(86.9)**
		(4,110.2)		**3,258.4**		**(851.8)**
Net amount	**$**	**-**	**$**	**-**	**$**	**-**

						As at December 31, 2012
		Gross amount		**Amount offset in the consolidated balance sheet**		**Net amounts presented in the consolidated balance sheet**
Financial assets						
Energy contracts receivable	$	3,919.4	$	(3,223.0)	$	696.4
Fair value of open energy contracts receivable		349.3	$	(283.6)		65.7
		4,268.7	$	(3,506.6)		762.1
Financial liabilities						
Energy contracts payable	$	(3,919.4)	$	3,223.0	$	(696.4)
Fair value of open energy contracts payable		(349.3)		283.6		(65.7)
		(4,268.7)		3,506.6		(762.1)
Net amount	$	-	$	-	$	-

The actual collateral pledged to NGX at December 31 is summarized below:

		December 31, 2013		December 31, 2012
Cash collateral deposits	**$**	**719.3**	$	672.0
Letters of credit		**1,794.1**		1,596.5
	$	**2,513.4**	$	2,268.5

These amounts are not included in the consolidated balance sheet.

(ii) CDCC clearing, settlement and participant balances

Balances with clearing members of CDCC (“Clearing Members”) and participants, consists of:

- Daily settlements due from, and to, Clearing Members – These balances result from marking open futures positions to market and settling option transactions each day. These amounts are required to be collected from and paid to Clearing Members prior to the commencement of trading the next day. There is no impact on the consolidated income statement as an equivalent amount is recognized in both assets and liabilities.

  During 2013, the largest amount due from a Clearing Member was $224.9 (2012 - $122.1), and the largest amount due to a Clearing Member was $80.9 (2012 - $96.1).

- 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 the Company’s assets and liabilities.

The following table sets out the carrying amounts of Balances with Clearing Members that are subject to offsetting, enforceable master netting arrangements and similar arrangements:

						As at December 31, 2013
Asset/(Liability)		**Gross amount**		**Amount offset in the consolidated balance sheet**		**Net amounts presented in the consolidated balance sheet**
Financial assets						
Daily settlements due from Clearing Members	$	28.8	$	(2.1)	$	26.7
Net amounts receivable on open REPO agreements		17,211.7		(7,713.8)		9,497.9
	$	17,240.5	$	(7,715.9)	$	9,524.6
Financial liabilities						
Daily settlements due to Clearing Members	$	(28.8)	$	2.1	$	(26.7)
Net amounts payable on open REPO agreements		(17,211.7)		7,713.8		(9,497.9)
	$	(17,240.5)	$	7,715.9	$	(9,524.6)
Net amount	$	-	$	-	$	-

						As at December 31, 2012
Asset/(Liability)		**Gross amount**		**Amount offset in the consolidated balance sheet**		**Net amounts presented in the consolidated balance sheet**
Financial assets						
Daily settlements due from Clearing Members	$	143.2	$	(1.5)	$	141.7
Net amounts receivable on open REPO agreements		10,036.4		(3,199.3)		6,837.1
	$	10,179.6	$	(3,200.8)	$	6,978.8
Financial liabilities						
Daily settlements due to Clearing Members	$	(143.2)	$	1.5	$	(141.7)
Net amounts payable on open REPO agreements		(10,036.4)		3,199.3		(6,837.1)
	$	(10,179.6)	$	3,200.8	$	(6,978.8)
Net amount	$	-	$	-	$	-

Balances with Clearing Members', either as margin against as margin against open positions or as part of the clearing fund, are held by CDCC and are 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. Government securities and other securities are pledged by the Clearing Members under irrevocable agreements and are held with CDS, a commonly controlled entity and an approved depository. Clearing Members may also pledge escrow receipts directly with the Company.

The actual collateral pledged to CDCC at December 31 is summarized below.

		December 31, 2013		December 31, 2012
Cash collateral held:				
Clearing Members' cash margin deposits	**$**	**261.2**	$	361.3
Clearing fund cash deposits		**48.1**		62.9
	$	**309.3**	$	424.2
Non-cash collateral pledged:				
Non-cash margin deposits		**3,691.9**		3,310.7
Non-cash clearing fund deposits		**287.0**		258.1
	$	**3,978.9**	$	3,568.8

Non-cash collateral is held in government securities, put letters of guarantee and equity securities and is not included in the consolidated balance sheet.

(iii) CDS clearing, settlement and participant balances

- CDS – Cash deposits

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. Balances with Clearing Members and participants on TMX Group's consolidated balance sheet include the cash collateral pledged and deposited with CDS and cash dividends, interest and other cash distributions awaiting distribution ("entitlements and other funds") on securities held under custody in the depository. The cash held 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.

		December 31, 2013		December 31, 2012
Entitlements and other funds	**$**	**11.9**	$	16.2
Participants cash collateral		**318.9**		354.7
Balances with participants	**$**	**330.8**	$	370.9

At December 31, as a result of calculations of participants' exposure, the total amount of collateral required by CDS Clearing was $3,237.8 (2012 – $3,078.0). The actual collateral pledged to CDS Clearing at December 31 is summarized below.

		December 31, 2013		December 31, 2012
Cash (included within Balances with participants on the consolidated balance sheet)	$	**318.9**	$	354.7
Treasury bills and fixed income securities		**3,668.7**		3,534.8
Total collateral pledged	**$**	**3,987.6**	$	3,889.5

Non-cash collateral is not included in TMX Group's consolidated balance sheet.

(c) Fair value measurement

				As at December 31, 2013
Asset/(Liability)	Fair value measurements using:			Assets/(liabilities)
	Level 1	Level 2	Level 3	at fair value
Marketable securities	$ **67.0**	$ **-**	$ **-**	$ **67.0**
Fair value of open energy contracts	**-**	**86.9**	**-**	**86.9**
Investments in privately-owned companies	**-**	**-**	**0.8**	**0.8**
Total return swaps	**-**	**1.0**	**-**	**1.0**
Fair value of open energy contracts	**-**	**(86.9)**	**-**	**(86.9)**
Interest rate swaps	**-**	**(0.4)**	**-**	**(0.4)**

				As at December 31, 2012
Asset/(Liability)	Fair value measurements using:			Assets/(liabilities)
	Level 1	Level 2	Level 3	at fair value
Marketable securities	$ 89.0	$ -	$ -	$ 89.0
Fair value of open energy contracts	-	65.7	-	65.7
Investments in privately-owned companies	-	-	0.8	0.8
Total return swaps	-	0.1	-	0.1
Fair value of open energy contracts	-	(65.7)	-	(65.7)
Interest rate swaps	-	(1.7)	-	(1.7)

There were no transfers during the periods between any of the levels.

(i) Marketable securities

The investment portfolio includes pooled fund investments managed by an external investment fund manager as well as treasury bills and certain term deposits. There is no contracted maturity date for the pooled fund investments and the contracted term for the treasury bills and term deposits is less than six months.

TMX Group has designated its 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 losses of $0.2 have been reflected in net income for the year ended December 31, 2013 (2012 – unrealized losses of $0.2) (note 5).

(ii) Investment in privately-owned companies

The Company holds an investment in a privately-owned company, whose shares are not traded on an active market. The fair value of this investment was recorded at cost at acquisition. Management considers cost of the investment to approximate its fair value. There is no movement in the fair value for the year ended December 31, 2013.

(iv) Total return swaps ("TRSs")

TMX Group has entered into a series of TRSs which synthetically replicate the economics of TMX Group purchasing the Company's shares as a partial economic hedge to the share appreciation rights of the non-performance element of RSUs. TMX Group has also entered into a series of TRSs as a full fair value hedge against the share price appreciation associated with the DSUs. TMX Group marks to market the fair value of the TRSs as an adjustment to income, and simultaneously marks 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 gains and realized losses of $0.6 and $0.6 respectively have been reflected in net income in the financial statements for the year ended December 31, 2013 (2012 – unrealized losses and realized gains of $4.4 and $4.6 respectively).

25. Financial risk management

TMX Group is exposed to a number of financial risks as a result of its operations, which are discussed below. It seeks to monitor and minimize adverse effects from these risks through its risk management policies and processes.

(a) Credit risk

Credit risk is the risk of financial loss to the Company associated with a counterparty's failure to fulfill its financial obligations, and arises principally from TMX Group's cash and cash equivalents and investments in marketable securities, trade receivables, interest rate swaps, total return swaps and the clearing and/or brokerage operations of Shorcan, Shorcan Energy Brokers, NGX, CDCC and CDS.

(i) Cash and cash equivalents

TMX Group manages its exposure to credit risk on its cash and cash equivalents and restricted cash and cash equivalents by holding the majority of its cash and cash equivalents with major Canadian chartered banks or in Government of Canada treasury bills.

(ii) Investments in marketable securities

TMX Group manages its 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 or term deposits with credit ratings of AA-/R1-Middle or better. In addition, when holding individual fixed income securities, TMX Group will limit its exposure to any non-government security. The investment policy of the Company will only allow excess cash to be invested in money market securities or fixed income securities.

The majority 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 its 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 its 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 Limited 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. TMX Group does not have any investments in non-bank asset-backed commercial paper.

(iii) Trade receivables

TMX Group's exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of its customers, many of whom are banks and financial institutions. TMX Group invoices its customers on a regular basis and maintains a collections team to monitor customer accounts and minimize the amount of overdue receivables. There is no concentration of credit risk arising from trade receivables from a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing, trading, clearing and data privileges.

(iv) Interest rate swaps and total return swaps

The Company limits its exposure to credit risk on its interest rate swaps and its total return swaps by contracting with major Canadian chartered banks.

(v) Clearing and/or brokerage operations

TMX Group is exposed to credit risk in the event that customers, in the case of Equity Transfer, Shorcan and Shorcan Energy Brokers, contracting parties, in the case of NGX, Clearing Members, in the case of CDCC, or participants, in the case of CDS, fail to fulfil their financial obligations.

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 Canadian major chartered banks.

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.

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 (note 24). 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.

CDCC is exposed to credit risk in the event that Clearing Members fails to satisfy any of the contractual obligations as stipulated within the 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 forms of 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, liquid government securities and escrow receipts. Should a Clearing Member fail to meet settlements and/or daily margin calls or otherwise not honour its obligations, 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 (note 26). 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 was to face with deposits held at commercial banks. 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 (note 24). This collateral may be seized by CDCC in the event of default by a Clearing Member.

CDS is exposed to 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 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 their 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 at CDS are created. During the course of each business day, settlement transactions by the National Securities Clearing Corporation ("NSCC")/Depository Trust Company ("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 the 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. Cash collateral is held by CDS Clearing at the Bank of Canada and NSCC/DTC and non-cash collateral pledged by participants under Participant Rules is held by CDS (note 24).

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.

(b) Market risk

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

(i) Foreign currency risk

TMX Group is exposed to foreign currency risk on cash and cash equivalents, trade receivables and trade payables denominated in foreign currencies, principally US dollars. It is also exposed to foreign currency risk on revenue and expenses where it invoices or procures in a foreign currency, again principally US dollars. At December 31, 2013, cash and cash equivalents and trade receivables, net of current liabilities, excluding BOX, include US$23.2 (December 31, 2012 – net liability of US$19.9), which are exposed to changes in the US-Canadian dollar exchange rate. In addition, net assets related to BOX, Finexeo and Razor are denominated in US dollars, Euros (“EUR”) and Australian dollars (“AUD”), respectively, and the effect of exchange rate movements on TMX Group’s share of these net assets is included in other comprehensive income.

TMX Group is also exposed to foreign currency risk on its US dollar advances on the TMX Group Limited revolving facility. At December 31, 2013, advances on this facility include US$15.0 (2012 – US$nil), which is exposed to changes in the US-Canadian dollar exchange rate.

NGX offers contracts denominated in both Canadian and US dollars and accepts collateral in either currency. Settlement always occurs in the contracted currency. Foreign exchange risk 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 US dollars. Foreign exchange risk 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.

The Company does not currently employ 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 affect on the value of our revenue or assets in Canadian dollars.

(ii) Interest rate risk

TMX Group is exposed to interest rate risk on its marketable securities, its Debentures and the Credit Facilities payable.

External investment fund managers have been engaged by TMX Group to manage the asset mix and the risks associated with the majority of its marketable securities. At December 31, 2013, TMX Group held $67.0 (2012 – $89.0) in marketable securities of which 39% (2012 – 38%) were held in a short-term bond and mortgage fund, 17% (2012 – 12%) were held in treasury bills, 40% (2012 – 39%) were held in a money market fund and 4% (2012 – 11%) were held in other term deposits.

TMX Group has Series C Debentures of $350.0 and Credit Facilities payable of $335.5 (note 14). TMX Group has entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on the Series C Debentures and the Credit Facilities (note 15).

(iii) Equity price risk

TMX Group is exposed to equity price risk arising from its RSUs and DSUs, as TMX Group's obligation under these arrangements are partly based on the price of the Company's shares. TMX Group has entered into TRSs as a partial fair value hedge to the share appreciation rights of these RSUs and DSUs.

(iv) Other market price risk

TMX Group is exposed to market risk factors from the activities of CDS, CDCC, NGX, Shorcan, and Shorcan Energy Brokers, if a customer, contracting party, Clearing Member or participant, as the case may be, fails to take or deliver either securities, energy products or derivative products on the contracted settlement date where the contracted price is less favourable than the current market price.

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.

NGX, CDCC and CDS's measure of total potential exposure, as described previously, includes measures of market risk which are factored into the collateral required from each contracting party, Clearing Member or participant.

TMX Group is also exposed to other market price risk on a portion of its sustaining fees revenue, which is based on quoted market values of listed issuers as at December 31 of the previous year.

(v) Market risk sensitivity summary

	Change in underlying factor	Impact on income before income taxes	Impact on equity attributable to equity holders
Foreign currency			
USD, AUD, and EUR currency	+10%	$ 2.5	$ 14.0
USD, AUD, and EUR currency	-10%	(2.5)	(14.0)
USD advances on Loans payable	+10%	1.6	n/a
USD advances on Loans payable	-10%	(1.6)	n/a
Interest rates			
Marketable securities	+1%	$ (0.7)	n/a
Marketable securities	-1%	0.7	n/a
Interest rate swaps	+1%	6.0	7.8
Interest rate swaps	-1%	(6.0)	(7.8)
Loans payable	+1%	(3.4)	n/a
Loans payable	-1%	3.4	n/a
Debentures	+1%	(3.5)	n/a
Debentures	-1%	3.5	n/a
Equity price			
RSUs and DSUs	+25%	$ (1.8)	n/a
RSUs and DSUs	-25%	(0.8)	n/a

(c) Liquidity risk

Liquidity risk is the risk that TMX Group will not be able to meet its financial obligations as they fall due. TMX Group manages liquidity risk through the management of its cash and cash equivalents and marketable securities, all of which are held in short-term instruments, and its debentures, credit and liquidity facilities (note 14) and capital (note 26). The contractual maturities of TMX Group's financial liabilities are as follows:

			At December 31, 2013
	Less than 1 year	**Between 1 and 5 years**	**Greater than 5 years**
Participants' tax withholdings*	**$ 102.9**	**$ -**	**$ -**
Accrued interest payable	**7.7**	**-**	**-**
Other trade and other payables	**82.4**	**-**	**-**
Restructuring provision	**1.8**	**-**	**-**
Obligation under finance leases	**2.5**	**3.5**	**-**
Energy contracts payable*	**764.9**	**-**	**-**
Fair value of open energy contracts*	**72.7**	**14.2**	**-**
Balances with Clearing Members and participants*	**10,164.7**	**-**	**-**
Non-current data license payable	**-**	**-**	**-**
Interest rate swaps	**-**	**0.3**	**-**
Liquidity facility drawn	**1.3**	**-**	**-**
Debentures	**-**	**750.0**	**250.0**
Loans payable	**-**	**355.5**	**-**

			At December 31, 2012
	Less than 1 year	Between 1 and 5 years	Greater than 5 years
Participants' tax withholdings*	$ 67.9	$ -	$ -
Other trade and other payables	68.1	-	-
Obligation under finance leases	1.0	0.5	-
Energy contracts payable*	696.4	-	-
Fair value of open energy contracts*	65.7	-	-
Balances with Clearing Members and participants*	7,773.9	-	-
Non-current data license payable	-	1.9	-
Interest rate swaps	-	1.7	-
Loans payable	-	1,481.0	-

**The above financial liabilities are covered by assets that are restricted from use in the ordinary course of business.*

(i) 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 CDCC's 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, which are not recognized on the consolidated balance sheet, pledged to CDCC

under irrevocable agreements are in government securities and other securities and are held with approved depositories.

CDS's NYL service does not apply strict limits to a participant's end-of-day payment obligation, creating the potential for unlimited liquidity risk exposure to CDS 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.

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.

(ii) Fair value of open energy contracts and energy contracts payable

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.

(iii) Debentures, credit and liquidity facilities

In response to liquidity risk that the Company is exposed to through its capital structure, it has arranged various Credit Facilities and Debentures as a source of financing (note 14). If, as a result of not meeting its covenants under the relevant agreements or trust indentures, the Credit Facilities or Debenture become due prior to their stated maturity dates, the Company may be required to seek potentially less favourable sources of financing.

In response to the liquidity risk that CDS, NGX and CDCC are exposed to through their clearing operations, it has arranged various liquidity facilities (note 14).

(iv) 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.

(v) Marketable securities

The investment policy of the Company will only allow excess cash to be invested within money market securities or fixed income securities. The majority of the portfolio is held within a money market fund and a specific short-term bond and mortgage fund. The money market fund limits its investments to government or government-

guaranteed treasury bills, and high-grade corporate notes. The short-term bond and mortgage fund limits its 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 and term deposits held will have credit ratings of AA-/R1-Middle or better and are highly liquid.

26. Capital maintenance

TMX Group's primary objectives in managing capital, which it defines as including its cash and cash equivalents, marketable securities, share capital, Debentures and various credit facilities, include:

- Maintaining sufficient capital for operations to ensure market confidence and to meet regulatory requirements and credit facility requirements. Currently, the Company targets to retain a minimum of $250.0 in cash, cash equivalents and marketable securities. This amount is subject to change;
- Reducing the debt levels to be below the total leverage ratios as discussed in (a) below, which decrease over time;
- Maintaining a credit rating in a range consistent with the Company's current A(high) with Stable trend from DBRS Limited;
- 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.

The Company aims to achieve the above objectives while managing its capital subject to capital maintenance requirements imposed on TMX Group and its subsidiaries as follows:

(a) In respect of the Credit Facilities (note 14) that require TMX Group to maintain:

i) an interest coverage ratio of more than 4.0:1;

ii) a total leverage ratio of less than or equal to

- 4.25:1 until December 31, 2014,
- 4.00:1 until December 31, 2015,
- 3.50:1 thereafter.

(b) 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:

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

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

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

(c) In respect of TSX Venture Exchange, as required by various provincial securities commissions, to maintain sufficient financial resources.

(d) In respect of NGX to:

i) maintain adequate financial resources as required by the Alberta Securities Commission;

ii) maintain a current ratio of not less than 1:1;

iii) maintain sufficient financial resources to cover 12 months of operating expenses as required by the U.S. Commodity Futures Trading Commission (“”CFTC”); and

iv) 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.

(e) In respect of MX, as required by the AMF, to maintain certain financial ratios as defined in the AMF recognition order, as follows:

i) a working capital ratio of more than 1.5:1;

ii) a cash flow to total debt outstanding ratio of more than 20%; and

iii) a financial leverage ratio of less than 4.0.

(f) In respect of CDCC, to maintain certain amounts, as follows:

i) $5.0 cash and cash equivalents or marketable securities as part of the Clearing Member default recovery process plus an additional $5.0 in the event that the initial $5.0 is fully utilized during a default;

ii) sufficient cash, cash equivalents and marketable securities to cover 12 months of operating expenses, excluding amortization and depreciation; and

iii) $20.0 total shareholders equity.

(g) In respect of Shorcan:

i) by IIROC which requires Shorcan to maintain a minimum level of shareholders’ equity of $0.5;

ii) by the National Futures Association which requires Shorcan to maintain a minimum level of net capital; and

iii) by the OSC which requires Shorcan to maintain a minimum level of excess working capital.

(h) In respect of TMX Select, IIROC requires TMX Select to maintain an adequate level of risk adjusted capital.

(i) 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:

i) a debt to cash flow ratio of less than or equal to 4.0; and

ii) 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).

(j) 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:

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

ii) a debt to cash flow ratio of less than or equal to 4.0:1; and

iii) a financial leverage ratio of less than or equal to 4.0:1.

As at December 31, 2013, TMX Group complied with each of these externally imposed capital requirements.

27. Related party relationships and transactions

(a) Parent

The shares of the Company are widely held and as such there is no ultimate controlling party of TMX Group. While in aggregate the Nominating Investors own a significant portion of the common shares outstanding of the 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.

(b) Key management personnel compensation

Compensation for key management personnel, including the Company's Board of Directors, was as follows.

		2013		2012
Salaries and other short-term employee benefits	**$**	**9.7**	$	2.9
Post-employment benefits		**1.5**		0.5
Share-based payments		**9.8**		6.1
	$	**21.0**	$	9.5

(c) Other related party transactions

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

28. Dividends

Dividends recognized and paid in the year are as follows:

		2013		2012
	Dividend per share	**Total paid**	Dividend per share	Total paid
Dividend paid in March	**$ 0.40**	**$ 21.6**	$ -	$ -
Dividend paid in June	**0.40**	**21.6**	-	-
Dividend paid in August	**0.40**	**21.6**	-	-
Dividend paid in December	**0.40**	**21.6**	0.40	21.5
Total dividends paid		**$ 86.4**		$ 21.5

On February 4, 2014, the Company's Board of Directors declared a dividend of 40 cents per share. This dividend will be paid on March 7, 2014 to shareholders of record on February 21, 2014 and is estimated to amount to $21.6.

BOARD OF DIRECTORS
March 28, 2014

CHARLES WINOGRAD (CHAIR)
Senior Managing Partner
Elm Park Capital Management
Committees: Governance, Human Resources
Director since: 2012

LUC BERTRAND
Vice Chair
National Bank Financial Group
Committees: Derivatives (Chair),
Public Venture Market
Director since: 2011

DENYSE CHICOYNE
Corporate Director
Committees: Finance and Audit,
Governance, Regulatory Oversight
Director since: 2012

MARIE GIGUÈRE
Executive Vice President,
Legal Affairs and Secretariat
Caisse de dépôt et placement du Québec
Committees: Governance, Regulatory Oversight
Director since: 2011

GEORGE GOSBEE
Chairman, President and Chief Executive Officer
AltaCorp Capital Inc.
Committees: Public Venture Market
Director since: 2012

WILLIAM HATANAKA
President and CEO
OPTrust
Committees: Human Resources (Chair), Derivatives
Director since: 2012

JEFFREY HEATH
Executive Vice President and Group Treasurer
Scotiabank
Committees: Derivatives
Director since: 2012

HARRY JAAKO
Executive Officer ,Director and a Principal
Discovery Capital Management Corp.
Committees: Finance and Audit, Governance,
Public Venture Market (Chair)
Director since: 2012

THOMAS KLOET
Chief Executive Officer
TMX Group Limited
Director since: 2012

WILLIAM LINTON
Corporate Director
Committees: Finance and Audit (Chair), Governance
Director since: 2012

JEAN MARTEL
Partner
Lavery, de Billy LLP
Committees: Regulatory Oversight (Chair)
Director since: 2012

WILLIAM ROYAN
Head of Relationship Investing
Ontario Teachers' Pension Plan Board
Committees: Governance (Chair), Human Resources
Director since: 2011

GERRI SINCLAIR
Corporate Director
Committees: Human Resources,
Public Venture Market
Director since: 2012

KEVIN SULLIVAN
Deputy Chairman
GMP Capital Inc.
Committees: Public Venture Market, Derivatives
Director since: 2012

ANTHONY WALSH
Corporate Director
Committees: Finance and Audit,
Public Venture Market
Director since: 2012

ERIC WETLAUFER
Senior Vice President, Public Market Investments
Canada Pension Plan Investment Board
Committees: Finance and Audit, Human Resources
Director since: 2012

TOM WOODS
Senior Executive Vice President and Vice Chairman
Canadian Imperial Bank of Commerce
Committees: Derivatives
Director since: 2012

TMX GROUP EXECUTIVE COMMITTEE

March 28, 2014

THOMAS A. KLOET
Chief Executive Officer
TMX Group

KEVAN COWAN
President, TSX Markets and Group Head of Equities
TMX Group

JEAN DESGAGNE
President and Chief Executive Officer
CDS

BRENDA HOFFMAN
Senior Vice President, Group Head
of Information Technology
TMX Group

MARY LOU HUKEZALIE
Senior Vice President, Group Head
of Human Resources
TMX Group

ALAIN MIQUELON
President and Chief Executive Officer
Montréal Exchange Inc.

JAMES OOSTERBAAN
President and Chief Executive Officer
NGX

SHARON C. PEL
Senior Vice President, Group Head of Legal and
Business Affairs and Corporate Secretary
TMX Group

MICHAEL PTASZNIK
Senior Vice President and Group
Head Chief Financial Officer
TMX Group

ERIC SINCLAIR
President
TMX Datalinx

SHAREHOLDER INFORMATION

STOCK LISTING

Toronto Stock Exchange
Share Symbol "X"

AUDITOR

KPMG LLP
Toronto, ON

SHARE TRANSFER AGENT

Requests for information regarding share transfers should be directed to the Transfer Agent:

TMX Equity Transfer Services Inc
200 University Ave
Suite 300
Toronto ON
M5H 4H1

Tel: 416-361-0930 ext 205
Toll Free: 1-866-393-4891
Fax: 416-361-0470
Email: investor@equityfinancialtrust.com

INVESTOR CONTACT INFORMATION

Investor Relations may be contacted at:

Tel: (416) 947-4277 (Toronto Area)
1-888-873-8392 (North America)
Fax: (416) 947-4444
E-mail: TMXshareholder@tmx.com

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FORWARD-LOOKING INFORMATION

This report contains forward-looking statements, which are not historical facts but are based on certain assumptions and reflect TMX Group's current expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. 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 report. Please see "Caution regarding Forward-Looking Information" in the 2013 Management's Discussion and Analysis for some of the risk factors that could cause actual events or results to differ materially from current expectations.

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