

Headnote

Bourse de Montréal – Section 144 order, amending and restating a previous order exempting the Bourse de Montréal from section 21 of the Securities Act, section 15 of the Commodity Futures Act and Part 4 of OSC Rule 91-502 Trades in Recognized Options.

**IN THE MATTER OF
THE *SECURITIES ACT*, R.S.O. 1990, CHAPTER S.5,
AS AMENDED (the “Act”)**

AND

**IN THE MATTER OF
THE *COMMODITY FUTURES ACT*. R.S.O. 1990, CHAPTER C.20, AS AMENDED
(the “CFA”)**

AND

**IN THE MATTER OF
BOURSE DE MONTRÉAL INC.**

**AMENDMENT TO EXEMPTION ORDER
(Section 144)**

WHEREAS the Commission issued an order dated March 16, 2004 exempting Bourse de Montréal Inc., pursuant to section 147 of the Act, from recognition as a stock exchange under section 21 of the Act, and exempting Bourse de Montréal Inc., pursuant to section 80 of the CFA, from registration as a commodity futures exchange under section 15 of the CFA;

AND WHEREAS the Director issued an order dated March 16, 2004 exempting Bourse de Montréal Inc. from Part 4 of OSC Rule 91-502 Trades in Recognized Options (“Rule 91-502”) (collectively, the Commission’s order and the Director’s order are the “Previous Order”);

AND WHEREAS pursuant to a transaction (the “Transaction”), a successor company to Bourse de Montréal Inc. (referred to in this order as the “Bourse”) will be formed through a series of amalgamations and the Bourse will become a directly owned subsidiary of TSX Group Inc. (“TSX Group”);

AND WHEREAS Bourse de Montréal Inc. has filed an application (the “Application”) with the Commission requesting that the Previous Order be amended and restated to reflect the Transaction;

AND WHEREAS the Commission has determined that it is not prejudicial to the public interest to issue an order that amends and restates the Previous Order to reflect the Transaction;

IT IS ORDERED, pursuant to section 144 of the Act, that the Previous Order be amended and restated as follows :

**IN THE MATTER OF
THE *SECURITIES ACT*, R.S.O. 1990, CHAPTER S.5,
AS AMENDED (the “Act”)**

AND

**IN THE MATTER OF
THE *COMMODITY FUTURES ACT*,
R.S.O. 1990 CHAPTER C.20,
AS AMENDED (THE “CFA”)**

AND

**IN THE MATTER OF
BOURSE DE MONTRÉAL INC.**

**ORDER
(Section 147 of the Act, section 80 of the CFA and section 6.1 of OSC Rule 91-502)**

WHEREAS the Commission issued an order dated March 16, 2004 exempting Bourse de Montréal Inc., pursuant to section 147 of the Act, from recognition as a stock exchange under section 21 of the Act, and exempting Bourse de Montréal Inc., pursuant to section 80 of the CFA, from registration as a commodity futures exchange under section 15 of the CFA;

AND WHEREAS the Director issued an order dated March 16, 2004 exempting Bourse de Montréal Inc. from Part 4 of OSC Rule 91-502 Trades in Recognized Options ("Rule 91-502") (collectively, the Commission's order and the Director's order are the "Previous Order");

AND WHEREAS pursuant to a transaction (the "Transaction"), a successor company to Bourse de Montréal Inc. (referred to in this order as the "Bourse") will be formed through a series of amalgamations and the Bourse will become a directly owned subsidiary of TSX Group Inc. ("TSX Group");

AND WHEREAS Bourse de Montréal Inc. has filed an application (the "Application") with the Commission requesting that the Previous Order be amended and restated to reflect the Transaction;

AND WHEREAS the Commission has determined that it is not prejudicial to the public interest to issue an order that amends and restates the Previous Order to reflect the Transaction;

AND WHEREAS the Bourse has represented to the Commission and the Director as follows:

1. The Bourse will be amalgamated pursuant to the *Companies Act* (Québec) (the "Companies Act") following receipt of the certificate attesting the amalgamation, prepared and issued by the enterprise registrar acting under the Companies Act.
2. On April 10, 2008, the Bourse was:
 - (i) granted an amendment to its recognition as a self-regulatory organization in Québec pursuant to section 68 of the *Act respecting the Autorité des marchés financiers*, R.S.Q., c. A-33.2; and
 - (ii) authorized to continue to carry on business as an exchange pursuant to section 170 of the Securities Act, R.S.Q., c. V-1.1;under Ruling No. 2008-PDG-0102 issued by the Autorité des marchés financiers (the "AMF") (collectively, the "AMF Decision", attached as Schedule "C").
3. The Bourse is situated in Montréal, Québec, has an office in Toronto, Ontario and a back-up site in Mississauga, Ontario.
4. The Bourse is subject to regulatory oversight by the AMF.
5. The Bourse has been advised that the Commission and the Commission des valeurs mobilières du Québec ("CVMQ") entered into a memorandum of understanding ("MOU") respecting the continued oversight of the Bourse by the CVMQ. Under the terms of the MOU, the CVMQ and its successor, the AMF, are responsible for conducting the regulatory oversight of the Bourse and for conducting an oversight program of the Bourse for the purpose of ensuring that the Bourse meets appropriate standards for market operation and market regulation.
6. The Canadian Derivatives Clearing Corporation ("CDCC") is a wholly-owned subsidiary of the Bourse and is subject to the regulatory oversight of the AMF.
7. CDCC is the clearing agency for all trades in options, commodity futures contracts and commodity futures options traded on the Bourse.

AND WHEREAS the Bourse has agreed to comply with the terms and conditions set out in Schedule "A";

AND WHEREAS Commission staff have conducted a review of the Application, which included an assessment of the operations of the Bourse, against the criteria set out in Schedule "B";

AND WHEREAS based on the Application and the representations that the Bourse has made to the Commission and the Director, the Commission is satisfied that continuing to exempt the Bourse from recognition and registration would not be prejudicial to the public interest;

AND WHEREAS based on the Application and the representations that the Bourse has made to the Commission and the Director, the Director is satisfied that continuing to exempt the Bourse from Part 4 of Rule 91-502 would not be prejudicial to the public interest;

The Commission hereby amends the Bourse's exemption from recognition as a stock exchange and exemption from registration as a commodities futures exchange so that the exemption pursuant to section 147 of the Act and the exemption

pursuant to section 80 of the CFA continue with respect to the Bourse, subject to the terms and conditions attached as Schedule "A".

The Director hereby amends the Bourse's exemption from Part 4 of Rule 91-502 so that the exemption from Part 4 of Rule 91-502 continues with respect to the Bourse, subject to the terms and conditions attached as Schedule "A".

Dated March 16, 2004, as amended on April 30, 2008, to be effective on May 1, 2008.

"James E. A. Turner"

"Lawrence E. Ritchie"

"Brigitte J. Geisler"

SCHEDULE "A"

Terms and Conditions

Regulation of The Bourse

1. The Bourse will continue to be subject to the regulatory oversight of the AMF as described in the AMF Decision attached as Schedule "C".
2. The Bourse will continue to comply with the terms and conditions set out in the AMF Decision attached as Schedule "C".
3. The Bourse will continue to be subject to such joint regulatory oversight as may be established and prescribed by the AMF and the Commission from time to time.
4. The MOU referred to in paragraph 5 of the order has not been terminated.
5. The Bourse will continue to operate an exchange for options, commodity futures contracts and commodity futures options.

Rule and Product Review

6. The Bourse will provide:
 - (i) all new rules and amendments (together, "Rules"); and
 - (ii) all new contract specifications and amendments;to the AMF for review and approval in accordance with the procedures established by the AMF, as amended from time to time. These procedures include the publication of the new Rules for comment in English and French at the same time.
7. The Bourse will concurrently provide the Commission with copies of all Rules that it files for review and approval with the AMF in both English and French. Once the AMF has approved the Rules in English and in French (which will be approved at the same time), the Bourse will provide copies of all final Rules to the Commission within two weeks of approval by the AMF. The Bourse will post the final Rules, in English and French, on its website or will make them publicly available, as soon as practicable.
8. The Bourse will concurrently provide the Commission with copies of all contract specifications and amended contract specifications that it files for review and approval with the AMF, in both English and French. The Bourse will provide copies of all approved contracts to the Commission within two weeks of approval by the AMF.

Information Sharing

9. Upon request by the Commission to the AMF, the Bourse will provide to the Commission through the AMF any information in the possession of the Bourse, or over which the Bourse has control, relating to Approved Participants, Foreign Approved Participants and Restricted Trading Permit Holders and their representatives and the market operations of the Bourse, including, but not limited to, Approved Participant, Foreign Approved Participant and Restricted Trading Permit Holder lists, shareholder lists, products, trading information and disciplinary decisions.
10. The Bourse shall file with the Commission any related information concerning the Bourse that is required pursuant to National Instrument 21-101 *Marketplace Operation*.

Regulation of CDCC

11. The Bourse will, until such time as CDCC is recognized by the Commission as a recognized clearing agency under the Act and recognized clearing house under the CFA or is exempt from any requirement to be recognized,
 - (i) cause CDCC to concurrently provide the Commission with copies of all Rules that it files for review and approval with the AMF and cause CDCC to provide copies of all final Rules to the Commission in both English and French;
 - (ii) cause CDCC to continue to provide the Commission, concurrently with the AMF, with copies of all audited financial statements and reports prepared by an independent auditor in respect of CDCC's financial situation and operations;
 - (iii) cause CDCC to provide the Commission, concurrently with the AMF, with copies of all internal CDCC risk management reports intended for its members and any outside report, including any audit report prepared in

accordance with the Canadian Institute of Chartered Accountants Handbook, on the results of an examination or review of CDCC's risk management policies, controls and standards undertaken by an independent person;

- (iv) cause CDCC to promptly notify the Commission, together with the AMF, of any material failures or changes to its systems;
- (v) cause CDCC to promptly notify the Commission, together with the AMF, of any material problems with the clearance and settlement of transactions in contracts traded on the Bourse, including any failure by a member of CDCC to promptly fulfil its settlement obligations that could materially affect the operations or financial situation of CDCC;
- (vi) promote fair access to CDCC and will not unreasonably prohibit or limit access by a person or company to services offered by CDCC; and
- (vii) promote within CDCC a corporate governance structure that minimizes the potential for any conflict of interest between the Bourse and CDCC that could adversely affect the clearance and settlement of trades in contracts or the effectiveness of CDCC's risk management policies, controls and standards.

Coordination of Regulation

12. The Bourse will maintain procedures to co-ordinate trading halts, in addition to circuit breakers, between the Bourse and any marketplace on which any security underlying the Bourse's products are traded, or its regulation services provider, and any other marketplace on which any related security is traded, or its regulation services provider.

SCHEDULE "B"

Criteria for Exemption

PART 1 CORPORATE GOVERNANCE

1.1 Fair Representation

The governance structure of the Bourse provides for:

- (a) fair and meaningful representation having regard to the nature and structure of the Bourse;
- (b) appropriate representation on the Bourse's Board and its Board committees of persons who are independent of the Bourse;
- (c) appropriate conflict of interest provisions for all directors, officers and employees of the Bourse; and
- (d) appropriate conflict of interest provisions between
 - (i) the Bourse and CDCC;
 - (ii) the directors, officers and employees of CDCC and the directors, officers and employees of the Bourse; and
 - (iii) the Bourse and the Bourse's Regulatory Division.

1.2 Appropriate Provisions for Directors and Officers

The Bourse takes reasonable steps to ensure

- (a) appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors and officers; and
- (b) each officer and director is a fit and proper person.

PART 2 FEES

2.1 Fees

The Bourse's process for setting fees is fair, transparent and appropriate. Any and all fees imposed by the Bourse on its participants are equitably allocated, do not have the effect of creating barriers to access and are balanced with the criterion that the Bourse has sufficient revenues to satisfy its responsibilities.

PART 3 ACCESS

3.1 Fair Access

The requirements of the Bourse relating to access to the facilities of the Bourse are fair, transparent and reasonable and include requirements in respect of notice, an opportunity to be heard or make representations, the keeping of records, the giving of reasons and the provisions for appeals.

3.2 Details of Access Criteria

In particular, the Bourse:

- (a) has written standards for granting access to trading on its facilities to ensure users have appropriate integrity and fitness;
- (b) has and enforces financial integrity standards for those persons who enter orders for execution on the system, including, but not limited to, credit or position limits and clearing membership;
- (c) does not unreasonably prohibit or limit access by a person or company to services offered by it;
- (d) keeps records of each grant and denial or limitation of access, including reasons for granting, denying or limiting access; and
- (e) restricts access to adequately trained system users who have demonstrated competence in the functions that they perform.

3.3 Access for Ontario Residents

The Bourse provides direct access, either through terminals, data feeds or third party provided interfaces, to only those persons who are duly registered or licensed under Ontario laws.

PART 4 REGULATION

4.1 Jurisdiction

The Bourse is responsible for and has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

4.2 Issuer/Product Regulation

The products traded on the Bourse and the contract specifications are approved by the AMF.

4.3 Transparency

Adequate provision has been made to record and publish accurate and timely trade and quotation information. This information is provided to all participants on an equitable basis.

4.4 Sufficient Systems and Resources

- (a) The Bourse has the means to adequately monitor and enforce and actively monitors and enforces Approved Participants, Foreign Approved Participants and Restricted Trading Permit Holders and their representatives for compliance with securities legislation and the Rules of the Bourse.
- (b) The Bourse has the means to adequately monitor and enforce and actively monitors and enforces trading in its markets, including cross market conduct, for possible abuses.

4.5 Record Keeping

The Bourse maintains adequate provisions for keeping books and records, including operations of the Bourse, audit trail information on all trades and compliance and/or violations of Bourse requirements and securities legislation.

4.6 Availability of Information to the AMF

The Bourse has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory and enforcement purposes is available to the AMF on a timely basis.

PART 5 RULEMAKING

5.1 Purpose of Rules

The Bourse maintains rules, policies and other similar instruments that:

- (a) are not contrary to the public interest;
- (b) are fair; and
- (c) are designed to, in particular:
 - (i) ensure compliance with the rules of the Bourse and securities legislation;
 - (ii) prevent fraudulent and manipulative acts and practices;
 - (iii) promote just and equitable principles of trade;
 - (iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, the products traded on the Bourse;
 - (v) provide appropriate supervision and discipline for violations of securities legislation and the rules of the Bourse;
 - (vi) ensure a fair and orderly market;
 - (vii) ensure that the Bourse business is conducted in a manner so as to afford protection to investors; and
 - (viii) provide for appropriate dispute procedures.

5.2 No Discrimination or Burden on Competition

The rules of the Bourse do not:

- (a) permit unreasonable discrimination among issuers or participants; or
- (b) impose any burden on competition that is not reasonably necessary or appropriate.

PART 6 SYSTEMS AND TECHNOLOGY

6.1 System Capability/Scalability

For each of its systems that support order entry, order routing, execution, data feeds, trade reporting, trade comparison and system-enforced rules, the Bourse maintains a level of capacity that allows it to properly carry on its business and has in place processes to ensure the integrity of each system. This includes maintaining reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

6.2 Information Technology Risk Management Procedures

The Bourse has procedures in place that:

- (a) handle trading errors, trading halts and circuit breakers;
- (b) ensure the competence, integrity and authority of system users; and
- (c) ensure that the system users are adequately supervised.

PART 7 FINANCIAL VIABILITY

7.1 Financial Viability

The Bourse has sufficient financial resources for the proper performance of its functions.

7.2 Financial Statements

The Bourse prepares annual audited financial statements in accordance with Canadian GAAP and covered by a report prepared by an independent auditor.

PART 8 CLEARING AND SETTLEMENT

8.1 Relationship with Clearing Agency

All transactions executed on the Bourse are cleared through CDCC.

8.2 Regulation of the Clearing Agency

CDCC is subject to regulation by the AMF that addresses risk and promotes transparency, fairness and investor protection.

8.3 Authority of the Foreign Regulator

The AMF has the appropriate authority and procedures for oversight of the CDCC. This oversight includes rule review and regular, periodic regulatory examinations of CDCC by the AMF.

8.4 Clearing and Settlement Arrangements

The Bourse ensures that:

- (i) appropriate clearing and settlement arrangements are in place to provide reasonable assurance that all obligations arising out of transactions on the Bourse will be met; and
- (ii) CDCC has policies and procedures to deal with problems relating to clearing and settling contracts.

8.5 Technology of Clearing Corporation

The Bourse has assured itself that the information technology used by CDCC has been adequately reviewed and tested and provides at least the same level of safeguards as required of the Bourse.

8.6 Risk Management of Clearing Corporation

The Bourse has assured itself that CDCC has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

PART 9 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

9.1 Information Sharing and Oversight Agreement

Satisfactory information sharing and oversight agreements exist among the Commission and the AMF.

SCHEDULE "A"

Terms and Conditions

Regulation of The Bourse

1. The Bourse will continue to be subject to the regulatory oversight of the AMF as described in the AMF Decision attached as Schedule "C".
2. The Bourse will continue to comply with the terms and conditions set out in the AMF Decision attached as Schedule "C".
3. The Bourse will continue to be subject to such joint regulatory oversight as may be established and prescribed by the AMF and the Commission from time to time.
4. The MOU referred to in paragraph 5 of the order has not been terminated.
5. The Bourse will continue to operate an exchange for options, commodity futures contracts and commodity futures options.

Rule and Product Review

6. The Bourse will provide:
 - (i) all new rules and amendments (together, "Rules"); and
 - (ii) all new contract specifications and amendments;to the AMF for review and approval in accordance with the procedures established by the AMF, as amended from time to time. These procedures include the publication of the new Rules for comment in English and French at the same time.
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10. The Bourse shall file with the Commission any related information concerning the Bourse that is required pursuant to National Instrument 21-101 *Marketplace Operation*.

Regulation of CDCC

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 - (iii) cause CDCC to provide the Commission, concurrently with the AMF, with copies of all internal CDCC risk management reports intended for its members and any outside report, including any audit report prepared in

accordance with the Canadian Institute of Chartered Accountants Handbook, on the results of an examination or review of CDCC's risk management policies, controls and standards undertaken by an independent person;

- (iv) cause CDCC to promptly notify the Commission, together with the AMF, of any material failures or changes to its systems;
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- (vi) promote fair access to CDCC and will not unreasonably prohibit or limit access by a person or company to services offered by CDCC; and
- (vii) promote within CDCC a corporate governance structure that minimizes the potential for any conflict of interest between the Bourse and CDCC that could adversely affect the clearance and settlement of trades in contracts or the effectiveness of CDCC's risk management policies, controls and standards.

Coordination of Regulation

12. The Bourse will maintain procedures to co-ordinate trading halts, in addition to circuit breakers, between the Bourse and any marketplace on which any security underlying the Bourse's products are traded, or its regulation services provider, and any other marketplace on which any related security is traded, or its regulation services provider.

SCHEDULE "B"

Criteria for Exemption

PART 1 CORPORATE GOVERNANCE

1.1 Fair Representation

The governance structure of the Bourse provides for:

- (a) fair and meaningful representation having regard to the nature and structure of the Bourse;
- (b) appropriate representation on the Bourse's Board and its Board committees of persons who are independent of the Bourse;
- (c) appropriate conflict of interest provisions for all directors, officers and employees of the Bourse; and
- (d) appropriate conflict of interest provisions between
 - (i) the Bourse and CDCC;
 - (ii) the directors, officers and employees of CDCC and the directors, officers and employees of the Bourse; and
 - (iii) the Bourse and the Bourse's Regulatory Division.

1.2 Appropriate Provisions for Directors and Officers

The Bourse takes reasonable steps to ensure

- (a) appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors and officers; and
- (b) each officer and director is a fit and proper person.

PART 2 FEES

2.1 Fees

The Bourse's process for setting fees is fair, transparent and appropriate. Any and all fees imposed by the Bourse on its participants are equitably allocated, do not have the effect of creating barriers to access and are balanced with the criterion that the Bourse has sufficient revenues to satisfy its responsibilities.

PART 3 ACCESS

3.1 Fair Access

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In particular, the Bourse:

- (a) has written standards for granting access to trading on its facilities to ensure users have appropriate integrity and fitness;
- (b) has and enforces financial integrity standards for those persons who enter orders for execution on the system, including, but not limited to, credit or position limits and clearing membership;
- (c) does not unreasonably prohibit or limit access by a person or company to services offered by it;
- (d) keeps records of each grant and denial or limitation of access, including reasons for granting, denying or limiting access; and
- (e) restricts access to adequately trained system users who have demonstrated competence in the functions that they perform.

3.3 Access for Ontario Residents

The Bourse provides direct access, either through terminals, data feeds or third party provided interfaces, to only those persons who are duly registered or licensed under Ontario laws.

PART 4 REGULATION

4.1 Jurisdiction

The Bourse is responsible for and has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

4.2 Issuer/Product Regulation

The products traded on the Bourse and the contract specifications are approved by the AMF.

4.3 Transparency

Adequate provision has been made to record and publish accurate and timely trade and quotation information. This information is provided to all participants on an equitable basis.

4.4 Sufficient Systems and Resources

- (a) The Bourse has the means to adequately monitor and enforce and actively monitors and enforces Approved Participants, Foreign Approved Participants and Restricted Trading Permit Holders and their representatives for compliance with securities legislation and the Rules of the Bourse.
- (b) The Bourse has the means to adequately monitor and enforce and actively monitors and enforces trading in its markets, including cross market conduct, for possible abuses.

4.5 Record Keeping

The Bourse maintains adequate provisions for keeping books and records, including operations of the Bourse, audit trail information on all trades and compliance and/or violations of Bourse requirements and securities legislation.

4.6 Availability of Information to the AMF

The Bourse has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory and enforcement purposes is available to the AMF on a timely basis.

PART 5 RULEMAKING

5.1 Purpose of Rules

The Bourse maintains rules, policies and other similar instruments that:

- (a) are not contrary to the public interest;
- (b) are fair; and
- (c) are designed to, in particular:
 - (i) ensure compliance with the rules of the Bourse and securities legislation;
 - (ii) prevent fraudulent and manipulative acts and practices;
 - (iii) promote just and equitable principles of trade;
 - (iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, the products traded on the Bourse;
 - (v) provide appropriate supervision and discipline for violations of securities legislation and the rules of the Bourse;
 - (vi) ensure a fair and orderly market;
 - (vii) ensure that the Bourse business is conducted in a manner so as to afford protection to investors; and
 - (viii) provide for appropriate dispute procedures.

5.2 No Discrimination or Burden on Competition

The rules of the Bourse do not:

- (a) permit unreasonable discrimination among issuers or participants; or
- (b) impose any burden on competition that is not reasonably necessary or appropriate.

PART 6 SYSTEMS AND TECHNOLOGY

6.1 System Capability/Scalability

For each of its systems that support order entry, order routing, execution, data feeds, trade reporting, trade comparison and system-enforced rules, the Bourse maintains a level of capacity that allows it to properly carry on its business and has in place processes to ensure the integrity of each system. This includes maintaining reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

6.2 Information Technology Risk Management Procedures

The Bourse has procedures in place that:

- (a) handle trading errors, trading halts and circuit breakers;
- (b) ensure the competence, integrity and authority of system users; and
- (c) ensure that the system users are adequately supervised.

PART 7 FINANCIAL VIABILITY

7.1 Financial Viability

The Bourse has sufficient financial resources for the proper performance of its functions.

7.2 Financial Statements

The Bourse prepares annual audited financial statements in accordance with Canadian GAAP and covered by a report prepared by an independent auditor.

PART 8 CLEARING AND SETTLEMENT

8.1 Relationship with Clearing Agency

All transactions executed on the Bourse are cleared through CDCC.

8.2 Regulation of the Clearing Agency

CDCC is subject to regulation by the AMF that addresses risk and promotes transparency, fairness and investor protection.

8.3 Authority of the Foreign Regulator

The AMF has the appropriate authority and procedures for oversight of the CDCC. This oversight includes rule review and regular, periodic regulatory examinations of CDCC by the AMF.

8.4 Clearing and Settlement Arrangements

The Bourse ensures that:

- (i) appropriate clearing and settlement arrangements are in place to provide reasonable assurance that all obligations arising out of transactions on the Bourse will be met; and
- (ii) CDCC has policies and procedures to deal with problems relating to clearing and settling contracts.

8.5 Technology of Clearing Corporation

The Bourse has assured itself that the information technology used by CDCC has been adequately reviewed and tested and provides at least the same level of safeguards as required of the Bourse.

8.6 Risk Management of Clearing Corporation

The Bourse has assured itself that CDCC has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

PART 9 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

9.1 Information Sharing and Oversight Agreement

Satisfactory information sharing and oversight agreements exist among the Commission and the AMF.

Schedule C
[Translation]

RULING No. 2008-PDG-0102

Authorization granted to Bourse de Montréal Inc. to carry on business as an exchange in Québec under section 170 of the *Securities Act* (R.S.Q., c. V-1.1)

and

Recognition of Bourse de Montréal Inc. as a self-regulatory organization under section 68 of the *Act respecting the Autorité des marchés financiers* (R.S.Q., c. A-33.2)

WHEREAS an exchange must be recognized as such in order to carry on business as an exchange in Québec pursuant to section 169 of the *Securities Act* (R.S.Q., c. V-1.1) (hereinafter the "QSA");

AND WHEREAS the Autorité des marchés financiers (the "Autorité") may, under section 170 of the QSA, rule that a person carrying on business as an exchange may be recognized as a self-regulatory organization pursuant to Title III of the *Act respecting the Autorité des marchés financiers* (R.S.Q. c. A-33.2) (the "AMFA");

AND WHEREAS on December 17, 2002, the Commission des valeurs mobilières du Québec, now the Autorité, rendered Ruling No. 2002-C-0470 (B.C.V.M.Q., 2003-01-17, Vol. XXXIV No. 02, 2), as amended on May 13, 2003 by Ruling No. 2003-C-0184 (B.C.V.M.Q., 2003-06-13, Vol. XXXIV No. 23, 10) recognizing the company Bourse de Montréal Inc. as a self-regulatory organization for the purpose of carrying on business in Québec under section 169 of the QSA

AND WHEREAS under section 740 AMFA, Bourse de Montréal Inc. was authorized to continue carrying on business as an exchange in Québec in accordance with the prescribed conditions;

AND WHEREAS Bourse de Montréal Inc. and TSX Group Inc. ("TSX Group") have reached an agreement to combine their businesses with the effect that Bourse de Montréal Inc. will combine with wholly owned subsidiaries of TSX Group to form a successor company to Bourse de Montréal Inc., which successor company is referred to in this ruling as the "Bourse";

AND WHEREAS, in connection with its proposed combination with TSX Group, Bourse de Montréal Inc. has made an application to the Autorité requesting the modification of its recognition as a self-regulatory organization under sections 65 and 66 of the AMFA and of its authorization to carry on business as an exchange under section 169 of the QSA, and requesting confirmation that the parties can terminate the memorandum of agreement entered into on March 15, 1999 between the Alberta Stock Exchange, the Montreal Exchange, the Toronto Stock Exchange and the Vancouver Stock Exchange (the "1999 Agreement") (collectively, the "Application"), which includes proposed undertakings of TSX Group to the Autorité;

AND WHEREAS pursuant to Ruling No. 1999-C-0241 issued on June 29, 1999, the Commission des valeurs mobilières du Québec approved the 1999 Agreement under certain conditions and such Ruling provided that any proposed material amendment to that protocol should be submitted to the Autorité;

AND WHEREAS, under section 66 of the AMFA, the Autorité published a notice of the Application in its Bulletin (B.A.M.F., 2008-02-01, Vol. 5, No. 4, 380), inviting interested parties to make comments in writing;

AND WHEREAS the Autorité has heard, at a public hearing held on March 26 and 27 2008, the parties interested in submitting their observations;

AND WHEREAS TSX Group submitted undertakings to the Autorité, which are attached hereto as Appendix 1 (the "Undertakings");

AND WHEREAS Bourse de Montréal Inc. has submitted, together with its Application, proposed amendments to its constituting documents and its by-laws under section 74 of the AMFA and section 171.1 of the QSA, which will be the constituting documents and the by-laws of the Bourse;

AND WHEREAS the Autorité may, under section 170 of the QSA, authorize the carrying on of an activity referred to in section 169 of the QSA, on conditions to be determined by it;

AND WHEREAS the Autorité has verified the compliance with sections 69 and 70 of the AMFA of the constituting documents, the by-laws and the operating rules proposed by the Bourse;

AND WHEREAS, under section 74 of the AMFA, any proposed amendment of the constituting documents, the by-laws or the operating rules of a recognized organization is subject to the approval of the Autorité;

AND WHEREAS the Autorité considers that the Bourse has the necessary administrative structure and the financial and other resources to exercise its functions and powers in an objective, fair and efficient manner, in compliance with section 68 of the AMFA;

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AND WHEREAS the Bourse will maintain an independent division responsible for the regulatory function (the "Division") whose primary mission is to supervise the regulatory functions and activities of the Bourse;

AND WHEREAS the Bourse and TSX Group agree with the terms and conditions of this ruling;

AND WHEREAS the Autorité sees fit to grant the authorization to carry on business as an exchange to the Bourse, provided certain terms and conditions and the Undertakings are respected;

AND WHEREAS the Autorité sees fit to recognize the Bourse as a self-regulatory organization, provided certain terms and conditions and the Undertakings are respected;

AND WHEREAS the Autorité sees fit not to object to the application by Bourse de Montréal Inc. to terminate the 1999 Agreement to which it is a party;

IN CONSEQUENCE THEREOF:

The Autorité des marchés financiers, pursuant to section 170 of the QSA, grants the Bourse, under the name of "Bourse de Montréal Inc." authorization to carry on business as an exchange and, pursuant to section 68 of the AMFA, recognition as a self-regulatory organization to carry on business in Québec;

ADDITIONALLY, the Autorité does not object to the 1999 Agreement being terminated;

FURTHER, the Autorité, pursuant to section 74 of the AMFA, approves the proposed amendments to the constituting documents and the by-laws of the Bourse;

FINALLY, the Autorité repeals Ruling No. 2002-C-0470 that it rendered on December 17, 2002 (B.C.V.M.Q., 2003-01-17, Vol. XXXIV No. 02, 2) and Ruling No. 2003-C-0184 that it rendered on May 13, 2003 (B.C.V.M.Q., 2003-06-13, Vol. XXXIV No. 23, 10).

This ruling is subject to the following terms and conditions:

For purposes of this ruling:

- (a) the term "participant" includes the terms "approved participant", "foreign approved participant" and "restricted trading permit holder";
- (b) a person resident in Québec means an individual who is considered to be a resident of Québec under the *Taxation Act* (R.S.Q., c. I-3); and
- (c) the expression "acting jointly or in concert" has the meaning provided under section 1.9 of *Regulation 62-104 respecting Take-Over Bids and Issuers Bids*, as amended from time to time, *mutatis mutandis* and, for greater certainty, including persons deemed or presumed to be acting jointly or in concert within the meaning of that expression.

I. SHARE OWNERSHIP

- (a) No person or company and no combination of persons or companies acting jointly or in concert shall own or exercise control or direction, over more than ten percent (10%) of any class or series of voting shares of the Bourse without the prior approval of the Autorité, except for TSX Group or an affiliate of TSX Group.
- (b) The Bourse shall inform the Autorité immediately in writing, if it becomes aware that any person or company or any combination of persons or companies, acting jointly or in concert, owns or exercises control or direction over more than ten percent (10%) of any class or series of voting shares of the Bourse without having obtained the prior approval of the Autorité, and the Bourse shall take the necessary steps to immediately remedy the situation.
- (c) The Bourse shall promptly inform the Autorité in writing of any change in the list of its shareholders.
- (d) The Bourse shall promptly inform the Autorité in writing of any shareholder agreements that it is aware of.

II. GOVERNANCE STRUCTURE

- (a) Arrangements made by the Bourse shall ensure fair and meaningful representation, given the nature and structure of the Bourse, on its board of directors and any board committee and maintenance of a reasonable number and

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proportion of directors who are unrelated to the Bourse, its participants or its shareholders (other than TSX Group or an affiliate of TSX Group, as shareholders) in order to ensure diversity of representation on the board.

- (b) The Bourse's governance structure shall provide:
- (i) that a minimum of fifty percent (50%) of the members of the board of directors and of the committees of the board are independent;
 - (ii) that at least twenty-five (25%) of its directors are residents of Québec at the time of their election or appointment;
 - (iii) fair and meaningful representation of directors with expertise in derivatives on the board of directors and the special regulatory committee (the "Special Committee");
 - (iv) for appropriate arrangements relating to qualifications and remuneration, limitation of liability and indemnification measures for directors, officers and employees generally;
 - (v) for a code of conduct and ethics and a written policy concerning potential conflicts of interest of members of the board of directors and committees of the Bourse, including the Division, the Special Committee and the Canadian Derivatives Clearing Corporation (the "CDCC"), revised to take account of the combination and submitted to the Autorité within the year following the date of this ruling; and
 - (vi) conflict of interest policies and procedures to allow the officers of the Bourse and the CDCC to disclose their interests and foresee the possibility that a person may withdraw from a file and/or a decision.

The Bourse shall ensure, on an annual basis and each time that an individual is elected to the board of directors, that at least fifty per cent (50%) of its directors are independent. An independent director means a person who, among other things, satisfies the independence criteria set forth in section 1.4 of *Regulation 52-110 respecting audit committees*, as amended from time to time and who is unrelated to a participant, an officer, an employee or a shareholder who owns or exercises control or direction, directly or indirectly, over more than ten percent (10%) of the shares of a class or series of voting shares of the Bourse (other than TSX Group or an affiliate of TSX Group, as shareholders);

The Bourse will take reasonable steps to ensure that each director of the Bourse is a fit and proper person and the past conduct of each director affords reasonable grounds for belief that the director will perform his or her duties with integrity.

The arrangements made by the Bourse with respect to the independence of the directors, including standards to determine whether an individual has a material relationship with the Bourse and is therefore considered not to be independent, may only be modified with the prior approval of the Autorité.

Any amendment to the Bourse's code of conduct and ethics and written policy concerning conflicts of interest must be submitted to the Autorité, forthwith upon its approval.

- (c) The quorum for meetings of the directors of the Bourse shall be not less than the majority of the directors holding office.

If at any time the Bourse does not satisfy the requirements of this section with respect to the governance structure, it shall immediately remedy the situation.

III. CONTINUITY OF ACTIVITIES IN QUÉBEC

- (a) The head office and executive offices of the Bourse and CDCC will remain in Montréal.
- (b) The most senior executive officer of each of the Bourse and CDCC shall be a resident of Québec at the time of his or her appointment and for the duration of his or her term of office and shall work in Montréal.
- (c) The Bourse will retain and use the name "Bourse de Montréal Inc./Montréal Exchange Inc."
- (d) The Bourse will not cease to operate or suspend, discontinue or wind-up all or a significant portion of its operations, or dispose of all or substantially all of its assets, without:
 - (i) providing the Autorité at least six months' prior written notice of its intention; and
 - (ii) complying with any terms and conditions that the Autorité may impose in the public interest for the orderly discontinuance of its operations or the orderly disposition of its assets.

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IV. LANGUAGE OF SERVICES

The Bourse will ensure that it maintains:

- (i) the broad range of the Bourse's services in Québec required hereunder, in French and in English, including with respect to access, regulation and supervision of the activities of participants of the Bourse;
- (ii) simultaneous availability in *French* and *English* of any information documents of the Bourse intended for participants or for the public; and
- (iii) French as the language used in all communications and correspondence with the Autorité.

V. ACCESS

- (a) The Bourse shall permit any person who satisfies the applicable access standards to trade on the Bourse.
- (b) Without limiting the generality of the foregoing, the Bourse shall:
 - (i) establish written standards for granting access to persons trading on the Bourse's facilities;
 - (ii) not unreasonably prohibit or limit access by a person to services offered by it; and
 - (iii) keep records of:
 - (a) all granted access requests, specifying the persons to whom access was granted in addition to the reasons for granting such access; and
 - (b) all denials or limitation of access, specifying the reasons for denying or limiting access to any applicant.

VI. FEES

- (a) Any and all fees imposed by the Bourse on its participants shall be transparent and fairly and equitably allocated.
- (b) Fees shall not have the effect of creating barriers to access; however, they must take into consideration that the Bourse must have sufficient revenues to perform its duties, its regulatory activities and its exchange operations.
- (c) Any modification to the list of fees required by the Bourse shall be submitted to the Autorité, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 to this ruling.

VII. REGULATORY DIVISION

- (a) The Bourse shall maintain a separate regulatory division, which shall fall under the authority of a special committee – regulatory division (the "Special Committee"), named by the board of directors of the Bourse, with clearly defined regulation responsibilities for its market and for its participants, and a separate administrative structure.
- (b) The Bourse shall obtain prior approval from the Autorité before making any changes to the Division's administrative and organizational structure or to the Special Committee which may materially affect regulatory duties and operations.
- (c) The Division shall be completely autonomous in accomplishing its functions and in its decision-making process. The independence of the Division and its personnel shall be ensured and strict partition measures shall be established in order to prevent conflicts of interest with the Bourse's other activities and with TSX Group.
- (d) Every quarter the Division shall provide the Autorité with an activity report in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.
- (e) Every year, the Bourse shall provide the Autorité with an activity report, including a report on the Division's operations prepared by the latter. This report shall include information that may be requested by the Autorité. It shall take into consideration the observance of terms and conditions related to the Division. Moreover, it shall be in a form acceptable to the Autorité, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.

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(f) The Division shall promptly report to the Autorité when there is reason to believe that there has been any misconduct or fraud by participants or other persons, where investors, participants, the Canadian Investor Protection Fund or the Bourse may reasonably be expected to suffer serious damage as a consequence thereof.

(g) The Autorité shall be notified of the following on a monthly basis, in accordance with the time limit prescribed in the "Reports and Documents to be Provided" table found in Appendix 2 of this ruling:

(i) all new analyses or investigations initiated by the Division, including the name of the participant concerned and the approved person concerned and the name of the investigator in charge, the date the file was opened and the nature of the investigation; and

(ii) all analyses or investigations which do not lead to disciplinary proceedings and which are closed, including the date the investigation started, the conduct and the persons involved and the disposition of the investigation.

(h) A conflict of interest policy shall be maintained by the Bourse to allow the personnel and members of the Special Committee to disclose their interests and to foresee the possibility that a person may withdraw from a file and/or a decision.

(i) Any amendment to the conflict of interests policy shall be submitted to the Autorité, forthwith upon its approval.

(j) Subject to any changes that may be agreed upon between the Bourse and the Autorité, the Division shall be operated on the following basis:

(i) the Division's duties and operations shall be independent and structurally separated from the for-profit operations of the Bourse. The Division shall perform its duties and operations based on the principle of self-financing and shall be not-for-profit;

(ii) the Division shall be a separate business unit of the Bourse, which shall be governed by the board of directors of the Bourse;

(iii) the board of directors shall establish a Special Committee to oversee the functions and activities of the Division, which shall be made up of a majority of persons who are residents of Québec at the time of their appointment and for the duration of their terms of office and persons who satisfy the independence criteria applicable to the directors of the Bourse;

(iv) the quorum for the Special Committee shall be a majority of members holding office, within which there must be:

(a) a majority of residents of Québec at the time of their appointment and for the duration of their term of office; and

(b) a majority of persons who satisfy the independence criteria applicable to the directors of the Bourse;

(v) the chief operating officer of the Division (the "Vice-President – Regulatory Division") shall report any regulatory or disciplinary issues to the Bourse's Special Committee. The Vice-President – Regulatory Division, or the person designated by the Vice-President – Regulatory Division, shall be present at all meetings of the Special Committee relating to the duties and operations of the Division, unless otherwise indicated by the Special Committee, and shall provide information upon request to the Special Committee with respect to the duties and operations of the Division. The Special Committee and the Vice-President – Regulatory Division shall both be responsible for ensuring that the duties and operations of the Division are conducted appropriately;

(vi) the Division's financial structure shall be separate from that of the Bourse and it shall operate on a cost-recovery basis. Any surplus, other than the fines and other sums referred to in VII. (j) (vii). shall be redistributed to the participants and any shortfall shall be made up by a special assessment levied on the participants, or by the Bourse upon recommendation to the board of directors by the Special Committee;

(vii) fines and other sums received by the Division pursuant to out-of-court settlements with the Division or disciplinary proceedings shall be treated as follows:

(a) no amount shall be redistributed to the participants of the Bourse;

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- (b) a separate account shall be kept to account for revenues and expenses associated with disciplinary files;
- (c) any amount received shall be used first to compensate for direct costs incurred in connection with such proceedings; and
- (d) any net surplus shall be used, with the prior approval of the Special Committee:
 - (1) for training and information of participants in the derivatives markets and for members of the public or for research costs in this area;
 - (2) for payments made to a not-for-profit tax exempt body whose purpose is inter alia to protect investors or carry the activities mentioned in subparagraph VII. (j) (vii) (d) (1);
 - (3) for education initiatives; or
 - (4) for such other purposes as may be approved by the Autorité.
- (viii) the Division shall have a separate budget, which shall be subject to the approval of the board of directors upon recommendation by the Special Committee and shall be administered by the Vice-President – Regulatory Division and submitted annually to the Autorité, in accordance with the time limit prescribed in the "Reports and Documents to be Provided" table found in Appendix 2 of this ruling;
- (ix) the Bourse shall allocate the necessary support to the Division from its other departments, including in the technology area, in accordance with its budgets and reasonable requirements, while ensuring its independence;
- (x) the Bourse shall adopt and use all reasonable efforts to comply with policies and procedures designed to ensure that confidential information concerning the Division's duties and operations is maintained in confidence and not shared inappropriately with the for-profit operations of the Bourse, TSX Group or other persons;
- (xi) the Vice-President – Regulatory Division, the President of the Bourse, the Special Committee and the board of directors shall provide information with respect to the duties and operations of the Division to the Autorité upon request;
- (xii) the Bourse shall inform the Autorité, on a semi-annual basis, of the Division's staffing, by function, specifying authorized, filled and vacant positions and any material changes or reductions in Division personnel, by function, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling;
- (xiii) management of the Bourse, including the Division Vice-President, shall at least annually self-assess the performance by the Division of its regulatory functions and report thereon to the Special Committee, together with any recommendations for improvements. The Special Committee shall in turn report to the board of directors as to the performance by the Division of its regulatory functions. The Bourse shall provide the Autorité with copies of such reports and shall advise the Autorité of any proposed measures arising therefrom, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling;
- (xiv) decisions made by the Special Committee with respect to disciplinary matters are reviewable in accordance with the law, and
- (xv) the rules concerning the Special Committee and the Division will have to be revised to comply with the requirements of this section on the Division and be submitted to the approval of the Autorité within six months of this ruling.

VIII. FINANCIAL AND OTHER RESOURCES

The Bourse shall maintain sufficient financial and other resources to ensure:

- (i) its financial viability and the proper performance of its functions; and
- (ii) the exercise of the self-regulatory functions of the Division;

in accordance with the terms and conditions set out in this ruling.

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IX. FINANCIAL RATIOS AND REPORTS

(a) The Bourse shall be in default and shall report without delay to the Autorité when, calculated based on its consolidated and non-consolidated financial statements:

- (i) its working capital ratio is less than or equal to 1.5:1 (current liquid assets i.e. cash, short-term investments, accounts receivable and long-term investments cashable at any time / current liabilities);
- (ii) its cash flow / total debt outstanding is less than or equal to twenty percent (20%) (adjusted net earnings for the 12 most recent months of items that do not affect liquidities i.e., amortization, deferred taxes and any other expenses that do not impact liquidities / short and long-term debts); [or]
- (iii) its financial leverage ratio is greater than or equal to 4.0 (total assets / capital).

The above-mentioned ratios calculated based on consolidated financial statements do not include the following items:

- (a) daily settlements due from clearing members;
- (b) daily settlements due to clearing members;
- (c) clearing members' cash margin deposits (in assets and liabilities); and
- (d) clearing fund cash deposits (in assets and liabilities).

(b) Should the Bourse fail to respect any of the above-mentioned financial ratios for a period of more than three months, the Bourse shall promptly inform the Autorité in writing of the reasons for the continued ratio deficiencies and the steps being taken to rectify the problem and re-establish its financial equilibrium. Furthermore, from the moment the Bourse fails to respect the financial ratios for a period exceeding 3 months and until the ratio deficiencies have been eliminated for at least 6 months, the Bourse shall not, without the prior approval of the Autorité, make any capital expenditures not already reflected in the financial statements or make any loans, bonuses, dividends or other distributions of assets to any director, senior executive, related company or shareholder.

(c) The Bourse shall provide a report, which shall include the monthly calculation of each ratio based on consolidated and non-consolidated financial statements attached with the quarterly financial statements for the first three quarters of the fiscal year and with the annual audited financial statements for the fourth quarter, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.

(d) The Bourse shall submit its annual consolidated and non-consolidated audited financial statements, as well as those of each of its subsidiaries and companies constituting a long-term investment in an affiliated company, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.

(e) The Bourse shall submit its quarterly consolidated and non-consolidated financial statements, as well as those of each of its subsidiaries and companies constituting a long-term investment in an affiliated company, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.

(f) Quarterly and annual consolidated audited financial statements shall include a budget analysis of the results as well as a comparative analysis of the results with the corresponding period of the previous fiscal year. These analyses shall be presented in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.

(g) The Bourse's quarterly and annual non-consolidated audited financial statements as well as those of its subsidiaries shall include a budget analysis of the results as well as a comparative analysis of the results with the corresponding period of the previous fiscal year. These analyses shall be presented in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.

(h) The Bourse shall provide segmented information on the Division's quarterly and annual results, including a budget analysis of the results, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.

(i) The Bourse shall submit its annual consolidated and non-consolidated budget in addition to that of its subsidiaries as well as any long-term budget forecasts, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.

(j) The Bourse shall inform the Autorité, immediately and in writing, of any material change to the consolidated and non-consolidated budgets approved by the board of directors.

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- (k) The Bourse shall provide any other financial information required by the Autorité.

X. OUTSOURCING

(a) The Bourse shall obtain the prior approval of the Autorité before entering into or implementing any outsourcing transaction in respect of its regulatory functions or regulatory activities as an exchange or as a self-regulatory organization.

(b) The Bourse shall obtain the prior approval of the Autorité before entering into or implementing any transaction with a view to providing regulatory functions or regulatory activities as an exchange or as a self-regulatory organization to other exchanges, self-regulatory organizations, persons operating parallel trading systems or other persons.

(c) As regards any material outsourcing of any of its business functions with parties other than TSX Group or an affiliate or associate of TSX Group, the Bourse shall proceed in accordance with industry best practices. Without limiting the generality of the foregoing, the Bourse shall:

- (i) establish and maintain policies and procedures that are approved by its board of directors for the evaluation and approval of such material outsourcing arrangement;
- (ii) in entering into any such material outsourcing arrangement:
 - (A) assess the risks of such arrangement, the quality of the service to be provided and the degree of control to be maintained by the Bourse; and
 - (B) execute a contract with the service provider addressing all significant elements of such arrangement, including service levels and performance standards;
- (iii) ensure that any contract implementing such material outsourcing arrangement that is likely to impact on the Bourse's regulatory functions provide in effect for the Bourse, its agents, and the Autorité to be permitted to have access to and to inspect all data and information maintained by the service provider that the Bourse is required to share in accordance with section 78 of the AMFA or that is required for the assessment by the Autorité of the performance by the Bourse of its regulatory functions and the compliance of Bourse with the terms and conditions of this ruling; and
- (iv) monitor the performance of the service provided under any such material outsourcing arrangement.

XI. SYSTEMS

(a) For each of its systems that support order entry, order routing, order execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, the Bourse shall promptly notify the Autorité in writing of any material systems failures that could impact market operations.

(b) Before making any major change with respect to any of its systems that support order entry, order routing, order execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, the Bourse shall give 45 days prior notice to the Autorité.

XII. CLEARING AND SETTLEMENT

(a) The Bourse shall ensure that settlement and clearing services are provided by a clearing agency recognized by the Autorité and shall have rules and policies in place to deal with problems related to settling and clearing negotiated contracts.

XIII. RULES

(a) The Bourse and the Division shall establish such rules, regulations, policies, procedures, practices or other similar instruments (together the "Rules") as are necessary or appropriate to govern and regulate all aspects of its business and internal affairs and so as to:

- (i) seek to ensure compliance with securities legislation;
- (ii) seek to prevent fraudulent and manipulative acts and practices;
- (iii) seek to promote just and equitable principles of trade; and
- (iv) seek to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities.

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[Translation]

(b) Any amendment to the Bourse's Rules shall be submitted for prior approval to the Autorité in accordance with the protocol for the approval of the Rules established from time to time by the Autorité.

XIV. DISCIPLINE OF PARTICIPANTS AND THEIR REPRESENTATIVES

(a) The Bourse, through the Division, shall appropriately discipline its participants and their representatives for violations of the Bourse's Rules. In addition, the Bourse will provide notice to the Autorité of any violations of securities legislation of which it becomes aware in the ordinary course of its activities.

XV. DUE PROCESS

(a) The Bourse, including the Division, shall ensure that the requirements of the Bourse relating to access to the facilities of the Bourse, the imposition of limitations or conditions on access and denial of access are fair and reasonable, including in respect of notices, an opportunity to be heard or make representations, the keeping of records, the giving of reasons and the provisions for appeals.

(b) The Bourse, including the Division, shall ensure that disciplinary matters are heard in a public hearing.

(c) Notwithstanding paragraph (b), the Bourse, including the Division, may, automatically or on request, order that hearings be held *in camera* or prohibit the publication or dissemination of information or documents it identifies, in the interest of good morals or public order.

(d) The Bourse, including the Division, shall establish in writing criteria to determine whether a decision is required in the interest of good morals or public order and submit it to the Autorité within six months of this ruling.

XVI. INSIDER TRADING AND INFORMATION SHARING

(a) The Bourse, including the Division, shall maintain:

(i) rules related to insider trading;

(ii) adequate insider trading oversight systems;

(iii) a written agreement with all markets where underlying securities or securities related to its products are traded, or with the regulation services provider for this market, in order to detect insider trading activities, abusive practices and manipulation and to enforce related rules and implement procedures to coordinate the supervision of insider trading activities and the implementation of rules governing these activities with this market; and

(iv) written procedures aimed at coordinating cease trade orders, in addition to circuit breakers, with all markets where underlying securities or securities related to its products are traded, or with the regulation services provider for this market.

(b) The Bourse, including the Division, shall cooperate, in the sharing of information and otherwise, with the Autorité and its personnel, with the Canadian Investor Protection Fund and other exchanges, recognized self-regulatory organizations and regulatory authorities responsible for the supervision or regulation of securities, subject to the applicable laws concerning the sharing of information and the protection of personal information.

XVII. RELATED PARTY TRANSACTIONS

Any material transactions or agreements between the Bourse and TSX Group and any related companies shall contain conditions that are at least as favourable to the Bourse as market conditions in such circumstances.

XVIII. ADDITIONAL INFORMATION

The Bourse shall file any information concerning it in accordance with *National Instrument 21-101, Marketplace Operation*. The independent review report dealing with the capacity, integrity and security of the Bourse's systems, which is provided for in the above-mentioned National Instrument, shall be filed in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.

XIX. NON-COMPLIANCE

(a) If the Bourse or TSX Group fails to comply with any of the terms and conditions set forth in this ruling or in the Undertakings, the Autorité may revise this ruling.

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XX. APPLICABLE LAW

- (a) The Bourse acknowledges and agrees to comply with the law applicable in Québec.

This ruling shall take effect on the effective date of the combination, which date will be confirmed in a notice to be published by the Autorité in the *Bulletin de l'Autorité des marchés financiers*.

Signed in Montréal on April 10, 2008.

“Jean St-Gelais”
President and Chief Executive Officer



April 9, 2008

DELIVERED & VIA E-MAIL

Jean St-Gelais
President and Chief Executive Officer
Autorité des marchés financiers
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Chief Executive Officer
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Dear Mr. St-Gelais:

**Re: Applications by Bourse de Montréal Inc./Montréal Exchange Inc. (the "Applicant")
in conjunction with the combination of the Applicant and TSX Group Inc. ("TSX
Group")**

We are writing to provide certain undertakings to the Autorité des marchés financiers (the "Autorité") in support of the applications of the Applicant filed under section 169 of the *Quebec Securities Act* and under section 65 and the second paragraph of section 66 of the *Act respecting the Autorité des marchés financiers* (the "Applications"), all in regard to the above-referenced combination. In connection with the combination, the Applicant will participate in a series of amalgamations where the company resulting from the amalgamations (the "Bourse") will become a direct subsidiary of TSX Group. In support of the Applications, TSX Group undertakes to the Autorité as set out below. TSX Group understands that the Autorité is relying on these undertakings to rule on the Applications.

TSX Group Share Ownership Restrictions

1. (a) TSX Group agrees that it is subject to the restriction that no person or company and no combination of persons or companies acting jointly or in concert shall beneficially own or exercise control or direction over more than 10 per cent of any class or series of voting shares of TSX Group, without the prior approval of the Autorité; and
- (b) TSX Group undertakes to inform the Autorité immediately in writing if it becomes aware that any person or company or any combination of persons or companies acting jointly or in concert beneficially own or exercise control or direction over more than 10 per cent of any class or series of voting shares of TSX Group and TSX Group shall take the necessary steps to immediately remedy the situation, in compliance with Schedule B of TSX Group articles of incorporation.

For purposes of this paragraph 1, whether a person or company or combination of persons or companies acting jointly or in concert has beneficial ownership or exercises control or direction

over any class or series of voting shares of TSX Group shall be determined in accordance with the laws of incorporation of TSX Group.

TSX Group Board Representation

2. TSX Group shall nominate every year, without limit as to time, for election to the board of directors of TSX Group, at every annual meeting of TSX Group held following the date hereof, such number of directors who are resident of Québec as represents 25% of the total number of directors nominated for election in any such year.
3. TSX Group shall cause the five Bourse Nominees to be nominated for election to the board of directors of TSX Group at each of the first three annual meetings of TSX Group called following the date hereof; provided that if any of the Bourse Nominees should resign, be ineligible or otherwise unable to serve as directors of TSX Group, the remaining Bourse Nominees shall be entitled to nominate the requisite number of replacement candidates for election (the "**Other Nominees**"). TSX Group shall only be obligated to nominate for election to the board of directors of TSX Group those Other Nominees who are able and eligible to serve as a director of TSX Group in accordance with the requirements applicable to TSX Group directors.
4. TSX Group shall cause at least one Bourse Nominee or Other Nominee to sit on each committee of the board of directors of TSX Group for a period of three years after the date hereof.

For the purposes hereof:

- (a) "Bourse Nominees" means the five persons designated by the Bourse at the closing of the above-referenced combination to join the TSX Group board of directors;
- (b) a Bourse Nominee or an Other Nominee shall be eligible to serve as a director of TSX Group if he or she is (i) independent from and unrelated to TSX Group and its subsidiaries (other than Mr. Luc Bertrand); (ii) has no conflict of interest with TSX Group or its subsidiaries; (iii) is a resident of Quebec; and (iv) meets all requirements of applicable law and policies, including under the TSX Group Recognition Order; and
- (c) a director shall be resident of Quebec if he or she is considered to be a resident of Quebec under the Taxation Act (R.S.Q., c.I-3) at the time of his or her election or appointment.

Bourse Operations

5. TSX Group shall cause the existing derivatives trading and related products operations of the Bourse to remain in Montréal.
6. TSX Group shall not do anything to cause the Bourse to cease to be the Canadian national exchange for all derivatives trading and related products, including being the sole operator for trading of carbon and other emission credits in Canada, without obtaining the prior authorization of the Autorité and complying with any terms and

conditions that the Autorité may set in the public interest in connection with any change to the Bourse's operations.

Change in Ownership

7. TSX Group undertakes not to complete or authorize a transaction that would result in any person or company, or any combination of persons or companies acting jointly or in concert, owning or exercising control or direction over more than 10 per cent of any class or series of voting shares of the Bourse, without obtaining the prior authorization of the Autorité, except for TSX Group or an affiliate of TSX Group.

For purposes of this paragraph 7, the expression "acting jointly or in concert" has the meaning provided under Section 1.9 of Regulation 62-104 respecting Take-Over Bids and Issuer Bids, as amended from time to time, *mutatis mutandis* and, for greater certainty, including persons deemed or presumed to be acting jointly or in concert within the meaning of that expression.

8. TSX Group undertakes that it shall continue to exercise control or direction over more than 50 percent of all classes or series of voting shares of the Bourse.
9. TSX Group undertakes not to complete or authorize a transaction that would result in more than 50 percent of any class or series of voting shares of the Bourse ceasing to be controlled by TSX Group, directly or indirectly, without obtaining the prior authorization of the Autorité.

Strategic Plan for Derivatives

10. TSX Group undertakes to submit annually to the Autorité, within two months of its approval, its strategic plan for derivatives as approved by the board of directors of TSX Group.

Access to Information

11. TSX Group undertakes to permit the Autorité to have access to and to inspect and to cause its subsidiaries to permit the Autorité to have access to and to inspect, all data and information in its or their possession that is required for the assessment by the Autorité of the performance by the Bourse of its regulatory functions and the compliance of the Bourse with the terms and conditions of the Autorité's recognition order of the Bourse as an exchange and as a self-regulatory organization dated the date hereof (the "**Recognition Order**").

Resources

12. Subject to paragraph 13 and for so long as the Bourse carries on business as an exchange, TSX Group undertakes to allocate sufficient financial and other resources to the Bourse to ensure:
 - (a) its financial viability and the proper performance of its functions; and

- (b) the exercise of the self-regulatory functions of the Bourse and its Division;

in accordance with the terms and conditions set out in the Recognition Order.

- 13. TSX Group undertakes to notify the Autorité immediately upon becoming aware that it is or will be unable to allocate sufficient financial and other resources to the Bourse to ensure that it can carry out its functions as an exchange and a self-regulatory organization in a manner that is consistent with the terms and conditions of the Recognition Order.

Non-Compliance

- 14. TSX Group acknowledges that if it fails to comply with any of the terms and conditions set forth herein, the Autorité may revise the Recognition Order.

General

- 15. These undertakings will take effect at the effective date of the combination
- 16. These undertakings will cease to have effect if:
 - (a) the Autorité revokes the ruling for any reason other than the failure by TSX Group to fulfill its undertaking with the Autorité; or
 - (b) the Bourse ceases to carry on business after complying with any terms and conditions the Autorité may impose.

Yours truly,



Interim Co-CEO
TSX Group

APPENDIX 2

Reports and Documents to be Submitted by the Bourse

| Section in Ruling | Wording of Section Referred to in the Recognition Ruling | Frequency | Time Limit or Deadline |
|-------------------|---|----------------------|--|
| VI c) | Submit any amendment to the list of fees required by the Bourse. | As needed | 15 days prior to the coming into effect |
| VII d) | Provide the Autorité with an activity report on the Division. | Quarterly | 45 days after the end of the month |
| VII e) | Provide the Autorité with an activity report of the Bourse, including a report on the Division's operations prepared by the Division. This report shall include information that may be requested and shall take into consideration the terms and conditions related to the Division and shall be in such form as may be acceptable by the Autorité. | Annually | 60 days after the end of the fiscal year |
| VII g) i) | Inform the Autorité of all new analyses or investigations initiated by the Division, including the name of the participant concerned and the approved person concerned and the name of the investigator in charge, the date the file was opened and the nature of the investigation. | Monthly | 30 days after the end of the month |
| VII g) ii) | Inform the Autorité of all analyses or investigations which do not lead to disciplinary proceedings and which are closed, including the date the investigation started, the conduct and the persons involved and the disposition of the investigation. | Monthly | 30 days after the end of the month |
| VII j) viii) | Provide the Autorité with the Division's budget. | Annually | Upon approval |
| VII j) xii) | Inform the Autorité of the Division's staff complement, by function, specifying authorized, filled and vacant positions and any material changes or reductions in Division personnel, by function. | Semi-annually | 30 days after the end of the semi-annual period |
| VII j) xiii) | Provide copies of reports to the Autorité prepared by the Bourse's management, including the Division Vice-President, based on the Division's self-assessment of performance of its market regulation function and its Approved Participants, Foreign Approved Participants and Restricted Trading Permit Holders regulation functions and report thereon to the Special Committee, together with any recommendations for improvements, as the case may be and of reports prepared by the Special Committee on the performance by the Division of its regulation functions. The Bourse shall also inform the Autorité of any proposed | At least once a year | 30 days after filing it with the Special Committee or the Board of Directors |

measures arising from these assessments.

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|-------|--|------------------------|---|
| IX c) | Provide a report which shall include the monthly calculation of each ratio based on consolidated and non-consolidated financial statements attached with the quarterly financial statements for the first three quarters of the fiscal year and with the audited annual financial statements for the fourth quarter. | Quarterly | 60 days after the end of each quarter and 90 days after the end of each fiscal year |
| IX d) | Submit its annual consolidated and non-consolidated audited financial statements as well those of each of its subsidiaries and companies constituting a long-term investment in an affiliated company. | Annually | 90 days after the end of the fiscal year |
| IX e) | Submit the Bourse's quarterly consolidated and non-consolidated financial statements as well as those of each of its subsidiaries and companies constituting a long-term investment in an affiliated company. | Quarterly | 60 days after the end of each quarter |
| IX f) | Submit a budget analysis of the results as well as a comparative analysis of the results with the corresponding period of the previous fiscal year, with the Bourse's quarterly and annual consolidated audited financial statements as well as those of its subsidiaries. | Quarterly and Annually | 60 days after the end of each quarter and 90 days after the end of each fiscal year |
| IX g) | Submit a budget analysis of the results as well as a comparative analysis of the results with the corresponding period of the previous fiscal year, with the Bourse's quarterly and annual non-consolidated audited financial statements as well as those of its subsidiaries. | Quarterly and Annually | 60 days after the end of each quarter and 90 days after the end of each fiscal year |
| IX h) | Submit segmented information for the Division including a budget analysis of the results, with the Bourse's quarterly and annual audited financial statements. | Quarterly and Annually | 60 days after the end of each quarter and 90 days after the end of each fiscal year |
| IX i) | Submit its annual consolidated and non-consolidated budget in addition to that of its subsidiaries as well as any long-term budget forecasts, as the case may be. | Annually | Upon approval |
| XVIII | Submit the independent review report dealing with the capacity, integrity and security of the Bourse's systems which is set forth in <i>Regulation 21-101 on Marketplace Operation</i> . | Annually | As soon as it is submitted to upper management for review |