BOX Options Exchange Form 1

Exhibit D-2 - Unconsolidated and Consolidated Financial Statements of Bourse de Montreal, Inc.

Unconsolidated Balance Sheets and Income Statements of

Bourse de Montréal Inc.

Years ended December 31, 2010 and December 31, 2009

(in thousands of Canadian dollars)

(unaudited)

Bourse de Montréal Inc.

Unconsolidated Balance Sheets
(In thousands of Canadian dollars)
(Unaudited)

	December 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	**$ 3,073**	$ 11,280
Marketable securities	**65,925**	25,291
Restricted cash	**1,105**	911
Accounts receivable	**7,480**	6,809
Due from Shorcan Brokers Limited	**5**	-
Due from TMX Group Inc.	**618**	1,065
Due from TSX Inc.	**3,049**	7,005
Due from TSX Venture Inc.	**8**	22
Due from subsidiaries and affiliates	**273**	1,019
Prepaid expenses	**738**	416
Income taxes recoverable	**62**	-
Demand loan receivable from TMX Group Inc.	**45,000**	45,000
Future income tax asset	**92**	270
	127,428	99,088
Premises and equipment	**2,962**	3,076
Future income tax asset	**735**	606
Investments in affiliates	**76,269**	80,419
Intangible assets	**784,487**	789,580
Goodwill	**460,085**	460,085
Total Assets	**$ 1,451,966**	$ 1,432,854

	December 31, 2010	December 31, 2009
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 7,231**	$ 8,231
Due to The Equicom Group Inc.	**-**	15
Due to TMX Exchange Services Ltd.	**30**	-
Income taxes payable	**-**	1,859
Future income tax liability	**10**	26
	7,271	10,131
Future income tax liability	**207,841**	209,276
Other liabilities	**751**	730
Accrued employee benefits liability	**467**	327
Total Liabilities	**216,330**	220,464
Shareholder's Equity:		
Share capital	**1,234,773**	1,234,773
Retained earnings/ (deficit)	**1,174**	(25,245)
Accumulated other comprehensive income (loss)	**(311)**	2,862
Total Shareholder's Equity	**1,235,636**	1,212,390
Total Liabilities and Shareholder's Equity	**$ 1,451,966**	$ 1,432,854

Bourse de Montréal Inc.

Unconsolidated Statements of Income (Loss)
(In thousands of Canadian dollars)
(Unaudited)

	Twelve Months Ended December 31,	
	2010	**2009**
Revenue:		
Trading, clearing and related	**$ 37,802**	$ 32,015
Information services	**13,395**	13,221
Technology services and other	**23,698**	39,361
Total revenue	**74,895**	84,597
Expenses:		
Compensation and benefits	**19,250**	23,500
Information and trading systems	**5,459**	5,595
General & administration	**8,852**	11,742
Shared services	**5,023**	1,847
Amortization	**8,339**	8,667
Total operating expenses	**46,923**	51,351
Income from operations	**27,972**	33,246
Impairment charges	**-**	(77,255)
Investment income	**4,292**	5,842
Income (loss) before income taxes	**32,264**	(38,167)
Income taxes	**5,845**	5,186
Net income (loss)	**$ 26,419**	$ (43,353)

Bourse de Montréal Inc.

Note to non-consolidated balance sheets and income statements
(Unaudited)

1. Basis of presentation

Bourse de Montréal Inc. ("MX") is a wholly owned subsidiary of TMX Group Inc, a company listed on the Toronto Stock Exchange.

These financial statements have been prepared by management substantially in accordance with Canadian generally accepted accounting principles (“GAAP”) except that they have been prepared on a non consolidated basis and MX’s investments in its subsidiaries are accounted for using the cost method less any impairment.

MX has three subsidiaries - Canadian Derivatives Clearing Corporation and MX US 1 Inc. which are wholly owned, and Montreal Climate Exchange Inc. which is controlled by MX.

Consolidated Financial Statements of

MONTRÉAL EXCHANGE INC.

Years ended December 31, 2010 and 2009

(in thousands of Canadian dollars, unless otherwise stated)

KPMG LLP
Chartered Accountants
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5
Canada

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Montréal Exchange Inc.

We have audited the accompanying consolidated financial statements of Montréal Exchange Inc. ("the Company"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's 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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

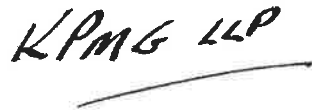
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the 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 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Montréal Exchange Inc. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 9, 2011

MONTRÉAL EXCHANGE INC.

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	December 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents (note 2)	$ 11,916	$ 30,921
Marketable securities (note 2)	91,809	41,235
Restricted cash	1,105	911
Accounts receivable	13,763	9,999
Due from Shorcan Brokers Limited	5	-
Due from TMX Group Inc.	618	1,066
Due from TSX Inc.	2,357	6,985
Due from TSX Venture Inc.	8	22
Daily settlements due from Clearing Members	33,524	10,889
Clearing Members' cash margin deposits (note 3)	118,703	513,166
Clearing fund cash deposits (note 3)	40,838	41,353
Income taxes recoverable	62	-
Prepaid expenses	2,088	1,727
Demand loan receivable from TMX Group Inc. (note 12)	45,000	45,000
Future income tax assets (note 9)	826	550
	362,622	703,824
Premises and equipment (note 4)	5,859	5,447
Future income tax assets (note 9)	1,505	1,423
Intangible assets (note 5)	808,847	817,483
Goodwill (note 5)	480,956	482,139
Total Assets	$ 1,659,789	$ 2,010,316
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 11,137	$ 10,020
Daily settlements due from Clearing Members	33,524	10,889
Clearing Members' cash margin deposits (note 3)	118,703	513,166
Clearing fund cash deposits (note 3)	40,838	41,353
Due to The Equicom Group Inc.	-	15
Due to TMX Exchange Services Ltd.	30	-
Future income tax liabilities (note 9)	10	26
Income taxes payable	431	306
Deferred revenue	-	90
	204,673	575,865
Accrued employee benefits payable (note 11)	485	330
Other liabilities	751	730
Future income tax liabilities (note 9)	207,841	209,276
Total Liabilities	413,750	786,201
Non-controlling Interests	10,422	10,915
Shareholders' Equity:		
Share capital (note 7)	1,234,773	1,234,773
Retained earnings/(deficit)	1,357	(24,797)
Accumulated other comprehensive (loss)/ income	(513)	3,224
Total Shareholders' Equity	1,235,617	1,213,200
Commitments and contingent liabilities (note 8)		
Total Liabilities and Shareholders' Equity	$ 1,659,789	$ 2,010,316

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Wayne Fox" Chair "J. Spencer Lanthier" Director

MONTRÉAL EXCHANGE INC.

Consolidated Statements of Income (Loss)
(In thousands of Canadian dollars)

Years ended December 31, 2010 and 2009

	Year Ended December 31, 2010	Year Ended December 31, 2009
Revenue:		
Trading, clearing and related	$ 83,679	$ 78,533
Information services	15,318	16,220
Technology services and other	5,265	19,193
Total revenue	104,262	113,946
Expenses:		
Compensation and benefits	25,414	28,614
Information and trading systems	7,709	6,604
General and administration	21,387	23,467
Shared services (note 12)	5,843	2,012
Amortization	13,735	15,197
Total operating expenses	74,088	75,894
Income from operations	30,174	38,052
Investment income	2,925	1,960
Goodwill impairment charges (note 5)	-	(77,255)
Income (loss) before income taxes	33,099	(37,243)
Income taxes (note 9)	6,854	3,829
Net income (loss) before non-controlling interests	26,245	(41,072)
Non-controlling interests	91	1,833
Net income (loss)	$ 26,154	$ (42,905)

See accompanying notes to consolidated financial statements.

MONTRÉAL EXCHANGE INC.

Consolidated Statements of Comprehensive Income (Loss)
(In thousands of Canadian dollars)

Years ended December 31, 2010 and 2009

		Year Ended December 31, 2010		Year Ended December 31, 2009
Net income (loss)	**$**	**26,154**	$	(42,905)
Other comprehensive loss:				
Unrealized loss on translating financial statements of self-sustaining foreign operations		**(3,737)**		(20,880)
Comprehensive income (loss)	$	**22,417**	$	(63,785)

See accompanying notes to consolidated financial statements.

MONTRÉAL EXCHANGE INC.

Consolidated Statements of Changes in Shareholder's Equity
(In thousands of Canadian dollars)

Years ended December 31, 2010 and 2009

	Year Ended December 31, 2010	Year Ended December 31, 2009
Common shares:		
Balance, beginning and end of period	**$ 706,573**	$ 706,573
Preferred shares:		
Balance, beginning and end of period	**528,200**	528,200
Share capital, end of period	**1,234,773**	1,234,773
Retained earnings/(deficit):		
Balance, beginning of period	**(24,797)**	18,108
Net income (loss)	**26,154**	(42,905)
Balance, end of period	**1,357**	(24,797)
Accumulated other comprehensive income (loss):		
Balance, beginning of period	**3,224**	24,104
Unrealized (loss) on translating financial statements of self-sustaining foreign operations	**(3,737)**	(20,880)
Balance, end of period	**(513)**	3,224
Shareholders' equity, end of period	**$ 1,235,617**	$ 1,213,200

See accompanying notes to consolidated financial statements.

MONTRÉAL EXCHANGE INC.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended December 31, 2010 and 2009

	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash flows from (used in) operating activities:		
Net income (loss)	$ 26,154	$ (42,905)
Adjustments to determine net cash flows:		
Amortization	13,735	15,197
Unrealized loss on marketable securities	289	1,038
Non-controlling interests	91	1,833
Unrealized foreign exchange loss	141	343
Goodwill impairment charge (note 5)	-	77,255
Amounts owing to and from related parties	5,100	(11,492)
Future income taxes	(1,809)	(3,213)
Accounts receivable and prepaid expenses	(4,329)	3,131
Accounts payable and accrued liabilities	1,215	(6,094)
Long-term accrued and other liabilities	(33)	(907)
Deferred revenue	(90)	(30)
Income taxes payable, net	27	(29)
	40,491	34,127
Cash flows from (used in) financing activities:		
Restricted cash	(194)	543
BOX dividend to non-controlling interest	-	(6,353)
Demand loan provided to TMX Group Inc. (note 12)	-	(45,000)
	(194)	(50,810)
Cash flows from (used in) investing activities:		
Additions to premises and equipment	(3,459)	(732)
Additions to intangible assets	(4,275)	(4,980)
Marketable securities	(50,863)	8,067
Acquisitions, net of cash acquired	-	(1,139)
	(58,597)	1,216
Unrealized foreign exchange (loss) on cash and cash equivalents held in foreign subsidiaries	(705)	(2,651)
(Decrease) increase in cash and cash equivalents	(19,005)	(18,118)
Cash and cash equivalents, beginning of period	30,921	49,039
Cash and cash equivalents, end of period	$ 11,916	$ 30,921

Supplemental cash flow information:		
Interest received	$ 2,411	$ 1,985
Income taxes paid	8,726	9,692

See accompanying notes to consolidated financial statements.

The Montréal Exchange Inc. ("MX") provides a marketplace for the buying and selling of derivative products. MX is responsible for market and approved participant regulation. In accordance with the Regulations of the Autorité des marchés financiers ("AMF"), MX must meet specified financial ratios and other conditions to continue as a self-regulatory organization. One of its subsidiaries, the Canadian Derivatives Clearing Corporation ("CDCC"), is the issuer, clearing house and guarantor for options and futures contracts traded at MX and certain over-the-counter products. MX is a wholly-owned subsidiary of TMX Group Inc. ("TMX").

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements (the "financial statements") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"), and they include the accounts of MX and its wholly owned or controlled subsidiaries, CDCC, Montréal Climate Exchange Inc. ("MCeX"), Canadian Resources Exchange Inc. ("CAREX") to October 4, 2010, and MX US 1, Inc. ("MXUS1"), and the wholly owned or controlled subsidiaries of MXUS1, collectively referred to as the "Company".

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year, along with related disclosures. Areas where management has applied significant judgement include, the carrying value of goodwill and intangible assets, pensions and other post-employment benefits, income taxes, bad debt provisions, and the fair value of financial instruments. Actual results could differ from those estimates.

(b) Basis of consolidation:

Subsidiaries are entities controlled by MX, and they are consolidated from the date on which control is transferred to MX until the date that control ceases.

Intercompany balances and transactions have been eliminated in full on consolidation.

(c) Premises and equipment:

Premises and equipment are recorded at cost less accumulated amortization, and any impairment in value.

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

Asset	Basis	Rate
Computers and electronic trading equipment	Straight line	3 - 5 Years
Furniture, fixtures and other equipment	Straight line	5 Years
Leasehold improvements	Straight line	Over terms of various leases

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 the above useful lives.

Premises and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, the Company will then determine the fair value of the asset, and will recognize an impairment charge equal to the excess of the carrying value over the fair value.

(d) Revenue recognition:

Trading and related revenues are recorded and recognized as revenue in the month in which the trades are executed or when the related services are provided.

Clearing revenue is recognized in the month in which the settlement of the related transaction occurs.

Information services revenue is derived primarily from market data revenue which is recognized based on usage as reported by customers and vendors. BOX's 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.

Market regulation fees are registered and recognized in the month in which the services are provided.

Technology services revenue from arrangements under time and materials arrangements is recognized as the services are provided at the contractual stated price.

Technology services revenue from hosting arrangements under fixed-fee arrangements is recognized on a straight-line basis over the term of the arrangement, regardless of the amounts billed.

Technology services revenue from technology license fees is recognized in the month of transfer of the license to the customer, and maintenance services revenue for technology licenses is recognized on a straight-line basis over the term of the contract.

Investment income is recognized in the period in which it is earned. Realized and unrealized gains or losses on investments are recognized in the period during which they occur.

(e) Income taxes:

Future income taxes are provided in recognition of temporary differences between the carrying amount of assets and liabilities and their respective tax bases for financial reporting and income tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period in which the enactments or substantive enactments occur. Where realization of a future tax asset is not considered "more likely than not", a valuation allowance is provided against that asset.

(f) Daily settlements due from and to Clearing Members of CDCC:

The amounts due from and to Clearing Members as a result of marking open futures positions to market and settling option transactions each day are required to be collected from or paid to Clearing Members prior to the commencement of trading the next day. The amounts due from Clearing Members are presented as an asset in the balance sheet and are not offset against amounts due to other Clearing Members, which are presented as a liability. There is no impact on the consolidated statement of income.

(g) Intangible assets:

Intangible assets are recorded at cost less accumulated amortization, where applicable, and any impairment in value.

Indefinite life intangible assets are reviewed for impairment at least annually. When the carrying amount of the intangible asset exceeds the fair value of the intangible asset, an impairment loss is recognized as an amount equal to the excess and is identified separately on the statement of income.

Definite life intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted cash flows, the Company will then determine the fair value of the asset, and will recognize an impairment charge equal to the excess of the carrying value over the fair value.

Amortization, where applicable, is provided over the following useful lives of the intangible assets:

Asset	Basis	Rate
Indefinite life intangibles		
Derivative products	n/a	n/a
Trade names	n/a	n/a
Regulatory designation	n/a	n/a
Definite life intangibles		
Capitalized software and software development	Straight line	5 years
Customer bases	Straight line	30 years

(h) Goodwill:

Goodwill is recognized at cost less any subsequent impairment in value. Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the effective date of the transaction.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of

the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is initially determined as described in the preceding paragraph, using the fair value of the reporting unit as if it were the purchase price. When the carrying amount of the reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is identified separately on the statement of income.

(i) Stock-based compensation:

Eligible employees of the Company can benefit from the TMX share-based compensation plans. The Company accounts for all share-based payments to eligible employees that call for settlement by the issuance of equity instruments granted 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 and amortized over the vesting period. For options that vest at the end of the vesting period, compensation cost is recognized on a straight-line basis over the vesting period. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting.

Compensation cost attributable to awards to such employees that call for settlement in cash is measured at intrinsic value and amortized over the vesting period. Changes in intrinsic value between the grant date and the measurement date result in a change in the measure of compensation cost.

(j) Employee future benefits:

The Company has a defined benefit registered pension plan for certain former officers. Benefits are based on years of service and the employee's compensation. The costs of this program is funded periodically with a portion guaranteed by a letter of credit. In addition, the Company provides other employee future benefits, such as supplementary medical and dental coverage, to defined eligible employees ("other benefit plans"). The cost of the other benefit plans is not being funded; however, a provision for this has been made in the accounts.

The Company accrues its obligations under employee defined benefit plans as the employees render the services necessary to earn pension and other employee future benefits.

The Company has adopted the following policies for its defined benefit plans:

(i) The cost of defined benefit pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages and expected health care cost.

(ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.

(iii) Past service costs from plan amendments or initiation are amortized on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.

(iv) Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the accrued benefit obligations and the fair value of plan assets is amortized over the expected average remaining service period of active employees.

(v) When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

The Company also provides a defined contribution plan. The expense related to this plan is charged to the income statement as incurred.

(k) Foreign currency translation:

The assets and liabilities of the Company's self-sustaining foreign operations, which include BOX, 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 income within shareholders' equity.

Revenues earned, expenses incurred and capital assets purchased in foreign currencies are translated at the prevailing exchange rate on the transaction date. Monetary assets and liabilities

denominated in foreign currencies are translated at the period end rate. Resulting foreign exchange gains and losses are included in Technology services and other revenue for the period.

(l) Cash and cash equivalents:

Cash and cash equivalents consist of cash and liquid investments having an original maturity of three months or less and are carried at their estimated fair values, with changes in their fair values being recorded in net income in the period in which they occur. Estimated fair values of the investments are determined based on quoted market values.

(m) Restricted cash:

The Company operates a separate regulatory division, responsible for the approval of participants and market regulation, which operates on a cost recovery basis. Restricted cash represents the surplus of this regulatory division. An equivalent and off-setting amount is included in accounts payable and accrued liabilities.

(n) Financial instruments:

The company classifies its financial assets and liabilities according to their characteristics and the purpose for which they were acquired, as follows:

Held for trading:

Held for trading includes classified derivatives and financial assets or liabilities designated by the Company as held for trading on initial recognition. These are measured at fair value with changes in fair value recognized through net income.

Loans and receivables:

Loans and receivables includes non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted on an active market. These are recorded initially at fair value, then at amortized cost using the effective interest method.

Held to maturity:

Held to maturity includes non-derivative financial assets with fixed or determinable payments and a fixed maturity, and the Company intends and is able to hold to maturity. These are initially

recorded at fair value and subsequently measured at amortized cost using the effective interest method.

Available-for-sale:

Available-for-sale includes non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. These are measured at fair value with unrealized gains and losses recorded in other comprehensive income (loss) until the asset is sold or if an unrealized loss is considered other than temporary.

(o) Future accounting changes:

International Financial Reporting Standards ("IFRS"):

In March 2009, the Canadian Accounting Standards Board reconfirmed in its second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Private enterprises, such as the Company, have the option to adopt IFRS or the Accounting Standards for Private Enterprises ("ASPE"). The Company has chosen to adopt IFRS and, accordingly, these financial statements will be the last prepared by the Company under pre-conversion Canadian GAAP, and the conversion to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which current and comparative information will be prepared under IFRS. The Company will also present an opening IFRS statement of financial position, or balance sheet, as at January 1, 2010, the Company's date of transition, as part of the Company's 2011 financial statements.

2. Cash and cash equivalents and marketable securities:

Cash and cash equivalents and marketable securities are comprised of:

	2010	2009
Cash	$ 9,340	$ 22,598
Money market	1,830	6,295
Treasury bills	746	2,028
Cash and cash equivalents	**$ 11,916**	$ 30,921
Money market funds	52,084	-
Bonds and bond funds	39,725	41,235
Marketable securities	**$ 91,809**	$ 41,235

The Company's exposure to interest rate risk on its marketable securities is discussed in note 14.

3. Clearing fund and Members' cash margin deposits:

Cash deposits of Clearing Members are held in the name of CDCC and are disclosed in the balance sheet under Clearing Members' cash margin deposits and Clearing fund cash deposits. Government securities, letters of credit and other securities are pledged by the Clearing Members with approved depositories under irrevocable agreements, and Clearing Members may also pledge letters of credit and escrow receipts directly with CDCC. However, only cash and highly liquid securities are acceptable to cover the Clearing fund contributions.

Clearing fund and margin deposits held by custodians, and of which CDCC is the beneficiary, that are not included in the balance sheets as at December 31, are as follows:

		2010		2009
Margin deposits:				
Government securities, at market value	$	**1,570,978**	$	2,345,588
Letters of credit, at face value		**245,328**		140,445
Equity securities (to cover short positions), at market value		**1,094,863**		615,724
	$	**2,911,169**	$	3,101,757
Clearing fund deposits:				
Government securities, at market value	$	**264,087**	$	205,055

The market value is determined using the quotes on the market exchange on the last day of the year.

4. Premises and equipment:

Premises and equipment are comprised of:

As at December 31, 2010		**Cost**		**Accumulated amortization**		**Net book value**
Computers and electronic trading equipment	**$**	**17,726**	**$**	**15,504**	**$**	**2,222**
Furniture, fixtures and other equipment		**991**		**907**		**84**
Leasehold improvements		**8,995**		**5,442**		**3,553**
	$	**27,712**	**$**	**21,853**	**$**	**5,859**

As at December 31, 2009		**Cost**		**Accumulated amortization**		**Net book value**
Computers and electronic trading equipment	$	16,186	$	13,793	$	2,393
Furniture, fixtures and other equipment		998		814		184
Leasehold improvements		7,568		4,698		2,870
	$	24,752	$	19,305	$	5,447

The gross carrying amounts and accumulated amortization above include the effects of foreign exchange translation for the US dollar ("USD") denominated assets where applicable.

Amortization charged for the year was $3,120 (2009 - $4,767).

5. Goodwill and intangible assets:

(a) Impairment:

(i) Goodwill:

The Company performed its annual goodwill impairment analysis during the fourth quarter of 2010 and determined that the fair values of each of its reporting units exceeded their carrying values. Therefore, the second step of the impairment test was not required.

In assessing whether or not there is an impairment, the Company uses an income approach, based on a discounted cash flow ("DCF") model, to determine the fair value of its reporting units. If there is indication of impairment, the Company uses the DCF model to estimate the amount of impairment. Under the DCF approach, the Company estimates the discounted future cash flows for five to eight years, depending on the reporting unit, along with a terminal value. The future cash flows are based on the Company's estimates of expected future operating results, economic conditions and a general outlook for the industry in which the reporting unit operates. The discount rates used by the Company consider the weighted average cost of capital of the Company and certain risk premiums. The terminal value is the value attributed to the reporting unit's operations beyond the projected time period using a perpetuity rate based on expected economic conditions and a general outlook for the industry. A market comparative approach is also used to assess the reasonableness of the fair value determined under the DCF model.

The tests referred to above require the Company to make various assumptions regarding projected cash flows, including long-term growth rates, and discount rates for the various reporting units. These assumptions are subjective judgments based on the Company'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 projections or discount rates are significantly different to those used, the outcome of future impairment tests could result in a different outcome with reporting units and their associated goodwill being impaired.

(ii) Intangible assets:

During the fourth quarter of 2010, the Company performed impairment analyses on its indefinite life intangibles and on its definite life intangibles where circumstances indicated that the asset may be

impaired. The Company determined that the carrying values of its intangible assets were not impaired.

Recoverability of definite life intangible assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. The fair values of the indefinite life intangibles were determined using a DCF model, based on various assumptions regarding projected cash flows, including long term growth rates and discount rates. These assumptions are subjective judgments based on the Company's experience, knowledge of operations and knowledge of the economic environment in which it operates. It is possible that, if future cash flow projections or discount rates are significantly different to those used, the outcome of future impairment tests could result in an impairment of one or more of the Company's intangible assets.

(b) Goodwill:

A summary of the changes in goodwill is as follows:

	2010	2009
Balance, beginning of year	$ **482,139**	$ 582,528
Purchase price adjustment related to BOX	-	(7,778)
Foreign exchange movement	**(1,183)**	(15,356)
Goodwill impairment charge	-	(77,255)
Balance, end of year	$ **480,956**	$ 482,139

(c) Intangible assets:

A summary of the Company's intangible assets is as follows:

	2010			2009		
	Gross carrying amount	Accumulated amortization	Net book value	Gross carrying amount	Accumulated amortization	Net book value
Indefinite life						
Derivative products	$ **630,926**	$ –	$ **630,926**	$ 630,926	$ –	$ 630,926
Trade names	**28,214**	–	**28,214**	28,214	–	28,214
Regulatory designation	**2,000**	–	**2,000**	2,000	–	2,000
	661,140	–	**661,140**	661,140	–	661,140
Definite life						
MX customer base	**126,466**	**12,538**	**113,928**	126,466	7,674	118,792
BOX customer base	**20,390**	**1,840**	**18,550**	21,547	1,217	20,330
Capitalized software and software development	**39,636**	**24,407**	**15,229**	37,415	20,194	17,221
	186,492	**38,785**	**147,707**	185,428	29,085	156,343
	$ **847,632**	$ **38,785**	$ **808,847**	$ 846,568	$ 29,085	$ 817,483

The gross carrying amounts and accumulated amortization above include the effects of foreign exchange translation for the USD denominated assets where applicable.

During 2010, the Company recognized amortization expense of $10,615 (2009 - $10,430).

6. Credit facilities:

The Company has the following credit facilities:

	Interest rate	Year of maturity	Authorized	Amount drawn at December 31, 2010	Amount drawn at December 31, 2009
MX operating line of credit	-	N/A	$ 3,000	$ -	$ -
CDCC revolving standby credit facility	-	N/A	50,000	-	-
Total credit facilities				**$ -**	**$ -**

MX has an outstanding letter of credit for $720 issued against the MX operating line of credit. This letter of credit has been issued as a guarantee to the trustee under the MX employee future benefit plan in respect of accrued future employee benefits.

The credit facilities are unsecured.

7. Share capital:

	December 31, 2010	December 31, 2009
Authorized:		
An unlimited number of shares without par value:		
Class A common, voting and participating		
Class B common, voting, participating and convertible into Class A common shares		
Class C common, non-voting, participating and convertible into Class B common shares		
Redeemable shares without par value:		
Class A preferred, non-voting, non-participating, ranking prior to all other classes with regard to payment of dividends, maximum yearly preferential and cumulative dividends of 5.5%, redeemable		
Class B preferred, non-voting, non-participating, ranking prior to Classes C and D preferred shares and all common shares with regard to payment of dividends, maximum yearly preferential and cumulative dividends of 6%, redeemable		
Class C preferred, voting, non-participating, ranking prior to Classes D preferred shares and all common shares with regard to payment of dividends, maximum monthly preferential and non-cumulative dividends of 0.75%, redeemable and retractable		
Class D preferred, non-voting, non-participating, ranking prior to all common shares with regard to payment of dividends, maximum monthly preferential and non-cumulative dividends of 1%, redeemable and retractable		
Issued and paid:		
667,362,512 Class A common shares	**$ 706,573**	$ 706,573
428,200,000 Class A preferred shares	**428,200**	428,200
100,000,000 Class B preferred shares	**100,000**	100,000
	$ 1,234,773	$ 1,234,773

No person or combination of persons, apart from TMX, 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.

8. Commitments:

(a) The Company rents its premises and certain equipment under various operating lease agreements expiring up to 2020.

Current lease obligations over the remaining terms are as follows:

Years ending December 31:		
2011	$	1,428
2012		1,423
2013		1,383
2014		1,383
2015		1,383
Thereafter		7,591
	$	14,591

In addition, the Company is responsible for additional taxes, maintenance and other direct charges with respect to its leases. The additional amount will be approximately $868 for 2011.

(b) The Company has entered into a commitment in respect of MCeX, pursuant to which it has agreed with the Chicago Climate Exchange, the holder of 49% of MCeX's common shares, that it will fund the first US$3,000 of MCeX's initial working capital requirements. As at December 31, 2010, a cumulative amount of $2,455 (2009 - $1,865) had already been disbursed.

9. Income taxes:

Income tax expense attributable to income differs from the amounts computed by applying the combined federal and provincial income tax rate of 29.90% (2009 – 30.90%) to pre-tax income from operations as a result of the following:

	Year ended December 31, 2010	Year ended December 31, 2009
Income/(loss) before income taxes, and after non-controlling interests	**$ 33,008**	$ (39,076)
Computed expected income tax expense/(recovery)	**9,869**	(12,075)
Rate differential due to various jurisdictions	**(212)**	(5,664)
Impact of changes in substantively enacted income tax rates	**-**	(2,618)
Provincial tax holiday	**(3,512)**	(3,393)
Non-deductible expenses	**483**	21,047
Valuation allowance	**1,017**	8,605
Other	**(791)**	(2,073)
	$ 6,854	$ 3,829

The income tax provisions for the years ended December 31, 2010 and 2009 are as follows:

		2010		2009
Current income tax expense	$	**8,664**	$	8,458
Future income tax benefit		**(1,810)**		(4,629)
	$	**6,854**	$	3,829

The tax effects of temporary differences that give rise to significant portions of the future tax asset and liability at December 31, 2010 and 2009 are presented below:

		2010		2009
Non-capital loss carryforwards	$	**1,934**	$	3,291
Premises and equipment		**(492)**		(2,414)
Cumulative eligible capital/intangible assets		**(200,694)**		(199,800)
Other temporary differences		**579**		811
Valuation allowance		**(6,847)**		(9,217)
	$	**(205,520)**	$	(207,329)
Future tax assets:				
Current	$	**826**	$	550
Long-term		**1,505**		1,423
Future tax liabilities:				
Current		**(10)**		(26)
Long-term		**(207,841)**		(209,276)

10. Tax credits on development costs and government assistance:

In 2010, the Company recorded tax credits in the amount of $nil (2009 - $476) related to development costs. The costs were incurred to improve the technologies used for the trading platform.

On April 9, 2001, the Ministère des Finances du Québec announced the application of tax measures to support the financial sector in the province of Quebec, including securities exchanges such as MX. These measures provide income tax exemption, capital tax exemption, and an exemption from employer contributions to the Health Services Fund relating to the eligible activities carried out by MX for the period from October 1, 2000 to December 31, 2010. On June 12, 2003, these exemptions were reduced by 25%. These exemptions, other than the income tax exemption, total approximately $2,994 in 2010 (2009 - $3,234). This provincial tax holiday was in place until December 31, 2010, and standard statutory rates will be applicable going forward.

11. Employee future benefits:

Information relating to the Company's employee future benefit plans is as follows:

Total cash amounts recognized as paid or payable for employee future benefits in 2010, consisting of employer contributions to the defined benefit pension plans, employer contributions to the other benefit plans, and employer contributions to the defined contribution plans, was $1,050 (2009 - $1,870).

Defined benefit plans:

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation for funding purposes was as at January 1, 2009 and the next required valuation will be no later than December 31, 2011, or at the date of a plan amendment, if earlier.

	Pension plans		Other benefit plans	
As at December 31	**2010**	2009	**2010**	2009
Accrued benefit obligation:				
Balance, beginning of year	**$ 648**	$ 1,779	**$ 896**	$ –
Implementation of plan	**–**	–	**–**	869
Current service cost	**–**	60	**77**	19
Interest cost	**42**	131	**64**	14
Benefits paid	**(47)**	(47)	**(22)**	(6)
Actuarial losses	**81**	400	**204**	–
Curtailment gains	**–**	–	**(16)**	–
Reduction in obligation due to settlement	**–**	(1,903)	**–**	–
Special termination benefits	**–**	228	**–**	–
Balance, end of year	**$ 724**	$ 648	**$ 1,203**	$ 896
Plan assets:				
Fair value, beginning of year	**$ 311**	$ 297	**$ –**	$ –
Actual return on plan assets	**15**	114	**–**	–
Employer contributions	**54**	1,850	**22**	6
Benefits paid	**(47)**	(47)	**(22)**	(6)
Net transfers out	**–**	(1,903)	**–**	–
Fair value, end of year	**$ 333**	$ 311	**$ –**	$ –
Funded status-plan surplus (deficit)	**$ (391)**	$ (337)	**$ (1,203)**	$ (896)
Unamortized net actuarial loss	**122**	42	**203**	–
Employer contributions after measurement date	**–**	–	**6**	6
Unamortized past service costs	**–**	–	**778**	855
Accrued benefit asset (liability)	**$ (269)**	$ (295)	**$ (216)**	$ (35)

As at December 31, 2010, plan assets consist of:

Asset category	**Percentage of plan assets**	
	2010	2009
Equity securities	**50%**	50%
Debt securities	**37%**	37%
Canada Revenue Agency refundable tax account	**13%**	13%
	100%	100%

The elements of the Company's defined benefit plan costs recognized in the year are as follows:

	Pension plans		Other benefit plans	
	Year ended December 31, 2010	Year ended December 31, 2009	**Year ended December 31, 2010**	Year ended December 31,2009
Current service cost	$ –	$ 60	$ 77	$ 19
Interest cost	42	131	64	14
Actual return on plan assets	(15)	(114)	–	–
Implementation of plan	–	–	–	869
Special termination benefits	–	228	–	–
Curtailment gains	–	–	(3)	–
Actuarial losses	81	400	204	–
	108	705	342	902
Elements of employee future benefit costs before adjustments to recognize the long- term nature of employee future benefit costs:				
Difference between expected return and actual return on plan assets for the year (a)	1	87	–	–
Difference between actuarial (gains) losses recognized for the year and actual actuarial (gains) losses on accrued benefit obligations for the year (b)	(81)	(271)	(204)	–
Difference between amortization of past service costs for the year and actual plan amendments for the year (c)	–	388	63	(854)
Net benefit plan expense	$ 28	$ 909	$ 201	$ 48

(a) Expected return on plan assets of $(14) (2009 - $(27)) less the actual return on plan assets of $(15) (2009 - $(114)).

(b) Actuarial (gain) loss recognized for the year of $nil (2009 - $129) less the actual actuarial (gain) loss on accrued benefit obligation of $81 (2009 - $400).

(c) Amortization of past service costs for the year of $nil (2009 - $388) less the actual plan amendments for the year of $nil (2009 - $nil).

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

	Pension plans		Other benefit plans	
As at December 31	**2010**	2009	**2010**	2009
Discount rate	**5.50%**	6.70%	**5.50%**	6.70%
Rate of compensation increase	**n/a**	3.75%	**3.75%**	3.75%
Expected long-term rate of return on plan assets	**6.00%**	6.40%	**n/a**	n/a

The assumed health care cost trend rate at December 31, 2010 was 7.2% (2009 – 7.3%), decreasing to 4.5% (2009 – 4.5%) over 19 years (20 years in 2009).

Increasing or decreasing the assumed health care cost trend rates by one percentage point would have the following effects for 2010:

	Increase	Decrease
Total of service and interest cost	$ 1	$ (1)
Accrued benefit obligation	$ 22	$ (19)

The expected remaining lifetime of the employees covered by the pension plans is 5 years (2009 – 10 years). The average remaining service period of the active employees covered by the other retirement benefits plans is 18 years.

MX has provided a letter of guarantee in the amount of $720 to the benefit of the trustee of the MX employee future benefit plan, using a part of the operating line of credit in place with its bank (note 6).

12. Related party transactions:

Any transactions entered into between the Company and related parties are on terms and conditions that are at least as favourable to the Company as market terms and conditions, and are recorded at the agreed upon exchange amount.

In addition to the transactions disclosed elsewhere in the financial statements, the Company entered into the following transactions with related parties.

TSX Inc. ("TSX"), a commonly controlled enterprise, provided personnel and certain other services to the Company in the amount of $5,276 (2009 - $2,012) recorded at the exchange amount, being the amount established and agreed to by the Company. These transactions were undertaken in the normal course of business. In addition, TSX also provides some centralized billing services to the Company, and the Company has a receivable balance owing as a result.

All employees or officers of the Company and those of its designated subsidiaries at or above the director level are eligible to be granted TMX share options under the TMX share option plan. The share options vest over a three-year period, and the fair value of each grant is estimated on the date of grant using the Black-Scholes option pricing model. The compensation cost in respect of this plan is recharged to the Company by TMX. During 2010, the compensation cost recognized was $785 (2009 - $537).

During 2009, the Company issued a promissory note receivable to TMX for $45,000, which remains outstanding and bears interest at B.A. rates plus 150 bps.

TMX recharged $567 of central costs to the Company during 2010 (2009 - $nil), and on occasion pays for certain administrative costs on behalf of the Company which it recharges at cost.

During the year ended December 31, 2010, the Company purchased marketing and corporate communications services from The Equicom Group, a commonly controlled company, for $nil (2009 - $15).

During the year ended December 31, 2010, the Company paid for certain marketing services on behalf of TSX Venture Exchange Inc., Natural Gas Exchange Inc., and Shorcan Brokers Limited, all commonly controlled companies, amounting to $12, $4, and $5, respectively, (2009 - $22, $0, $0, respectively), which it recharged to at no mark-up.

During 2010, the Company paid for $35 (2009 - $nil) costs on behalf of TMX Exchange Services Ltd., a commonly controlled company, which it recharged at no mark-up. TMX Exchange Services Ltd. also provided sales and marketing services of $65 (2009 - $nil) to the Company which were charged at a 5% mark-up.

13. Financial instruments:

The Company has classified the significant impacts of its financial instruments as follows:

(a) Financial instruments - carrying values and fair values:

				As at December 31, 2010
Asset/(Liability)	Held for trading (Designated)	Loans and receivables/ (other financial liabilities)	Carrying amount	Fair value
Cash and cash equivalents	$ 11,916	$ –	$ 11,916	$ 11,916
Marketable securities	91,809	–	91,809	91,809
Restricted cash	1,105	–	1,105	1,105
Accounts receivable	–	13,763	13,763	13,763
Demand loan receivable from TMX	–	45,000	45,000	45,000
Related party receivables	–	2,988	2,988	2,988
Daily settlements due from Clearing Members	–	33,524	33,524	33,524
Clearing Members' cash margin deposits	–	118,703	118,703	118,703
Clearing fund cash deposits	–	40,838	40,838	40,838
Accounts payable and accrued liabilities	–	(11,137)	(11,137)	(11,137)
Related party payables	–	(30)	(30)	(30)
Daily settlements due from Clearing Members	–	(33,524)	(33,524)	(33,524)
Clearing Members' cash margin deposits	–	(118,703)	(118,703)	(118,703)
Clearing fund cash deposits	–	(40,838)	(40,838)	(40,838)

				As at December 31, 2009
Asset/(Liability)	Held for trading (Designated)	Loans and receivables/ (other financial liabilities)	Carrying amount	Fair value
Cash and cash equivalents	$ 30,921	$ –	$ 30,921	$ 30,921
Marketable securities	41,235	–	41,235	41,235
Restricted cash	911	–	911	911
Accounts receivable	–	9,999	9,999	9,999
Demand loan receivable from TMX	–	45,000	45,000	45,000
Related party receivables	–	8,073	8,073	8,073
Daily settlements due from Clearing Members	–	10,889	10,889	10,889
Clearing Members' cash margin deposits	–	513,166	513,166	513,166
Clearing fund cash deposits	–	41,353	41,353	41,353
Accounts payable and accrued liabilities	–	(10,020)	(10,020)	(10,020)
Related party payables	–	(15)	(15)	(15)
Daily settlements due from Clearing Members	–	(10,889)	(10,889)	(10,889)
Clearing Members' cash margin deposits	–	(513,166)	(513,166)	(513,166)
Clearing fund cash deposits	–	(41,353)	(41,353)	(41,353)

(b) Fair value measurement:

The Company uses a fair value hierarchy to categorize the inputs used in its valuation of assets and liabilities carried at fair value. The extent of the Company's use of unadjusted quoted market prices (Level 1), models using observable market information as inputs (Level 2) and models using unobservable market information (Level 3) in its valuation of assets and liabilities carried at fair value is as follows:

				As at December 31, 2010
Asset/(Liability)	Fair value measurements using:			Assets/(liabilities)
	Level 1	Level 2	Level 3	at fair value
Cash and cash equivalents	$ 11,916	-	-	$ 11,916
Marketable securities	91,809	-	-	91,809
Restricted cash	1,105	-	-	1,105

				As at December 31, 2009
Asset/(Liability)	**Fair value measurements using:**			**Assets/(liabilities)**
	Level 1	**Level 2**	**Level 3**	**at fair value**
Cash and cash equivalents	$ 30,921	-	-	$ 30,921
Marketable securities	11,375	29,860	-	41,235
Restricted cash	911	-	-	911

There were no significant transfers during the years between Levels 1 and 2.

(c) Marketable securities:

The investment portfolio includes pooled fund investments managed by an external investment fund manager. There is no contracted maturity date for the investments.

The Company has designated its marketable securities as held-for-trading. At December 31, 2010, these investments have been measured at fair value and unrealized losses of $289 have been reflected in net income in the consolidated financial statements for the year ended December 31, 2010 (2009 – unrealized losses of $1,038).

14. Risk management:

(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 it arises primarily from the Company's investments in marketable securities, accounts receivable and the clearing operations of CDCC.

(i) Investments in marketable securities:

The Company manages its exposure to credit risk arising from investments in marketable securities by holding investment funds that actively manage credit risk. The investment policy of the Company will only allow excess cash to be invested within a specific 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. The Company does not have any investments in non-bank asset-backed commercial paper. At December 31, 2010, the investment portfolio was comprised of 43% in short-term bond and mortgage funds and 57% in money market funds (2009 – 72% in Federal and Provincial bonds and 28% in Corporate and Bank bonds).

(ii) Accounts receivable:

The Company's exposure to credit risk resulting from uncollectible accounts is influenced by the individual characteristics of its customers, many of whom are banks and financial institutions. There is no concentration of credit risk attributable to accounts receivable with a single customer.

(iii) Clearing operations:

CDCC is exposed to the risk of default of its Clearing Members. CDCC is the central counterparty and guarantor of all transactions carried out on MX's markets and on the over-the-counter market, when the transaction is cleared through CDCC. It primarily supports the risk of one or more counterparties, meeting strict financial and regulatory criteria, defaulting on their obligations, in which case the obligations of that counterparty would become the responsibility of CDCC. This risk is greater if market conditions are unfavourable at the time of the default.

CDCC's principal risk management practice is the collection of risk-based margin deposits in the form of cash, letters of credit, equities and liquid government securities. Should a Clearing Member fail to meet a daily margin call or otherwise not honour their obligations under open futures and options contracts, margin deposits would be available to apply against the costs incurred to liquidate 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. Every day, CDCC monitors the margin requirements 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 requirement is equal to the excess of the ratio over 100%.

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 is failing under various extreme but plausible market conditions. Each Clearing Member contributes to the clearing fund in proportion to its margin requirements. If, by a Clearing Member's default, further funding is necessary to complete a

liquidation, CDCC has the right to require other Clearing Members to contribute additional amounts equal to their previous contribution to the clearing fund.

CDCC's margin deposits and clearing fund deposits are held by approved depositories under irrevocable agreements. This collateral may be accessed by CDCC in the event of default by a Clearing Member. As a result of these calculations of Clearing Members exposure at December 31, 2010, CDCC held margin deposits of $2,911,169 (2009 - $3,101,757), and clearing fund deposits of $264,087 (2009 – $205,055), primarily in government and equity securities (note 3). These amounts are not included in the Company's consolidated balance sheets.

In response to both the credit and liquidity risks that CDCC is exposed to through its clearing operations, CDCC has arranged a total of $50,000 in revolving standby credit facilities with a Canadian Schedule 1 bank to provide liquidity in the event of default by a Clearing Member. Borrowings under the facilities, which are required to be collateralized, bear interest based on the bank's prime rate plus 0.75%. These facilities have not been utilized since they were first established.

(b) Market risk:

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

(i) Foreign currency risk:

The majority of the Company's cash flows and financial assets and liabilities, excluding self sustaining foreign operations, are denominated in Canadian dollars ("CAD"), which is the Company's functional and reporting currency. The Company's foreign currency risk is limited to a portion of revenue, cash and cash equivalents, accounts receivable and accounts payable denominated in USD. In 2010, the Company recognized USD denominated revenue of approximately USD 39,000 (2009 – USD 39,000), including BOX, less various USD expenses. The approximate impact of a 10% rise and a 10% decline in the CAD compared to the USD on these transactions as at December 31, 2010 is a $1,000 decrease or increase in net income respectively. At December 31, 2010, cash and cash equivalents, accounts receivable and accounts payable, excluding its self-sustaining foreign operations, include USD 917 (2009 – USD 662), which are exposed to changes in the USD - CAD exchange rate. The approximate impact of a 10% rise and a 10% decline in the CAD compared to the USD on these exposed balances at December 31, 2010 is a $91 decrease or increase in net income respectively. In addition, net assets related to BOX are denominated in USD, and the effect of exchange rate movements on the Company's share of these net assets is included in other comprehensive income. The approximate impact of a 10% rise and a 10% decline in the CAD

compared to the USD on the translation of the net assets related to BOX at December 31, 2010 is a $5,213 decrease or increase in other comprehensive income respectively.

(ii) Interest rate risk:

The Company is exposed to interest rate risk on its marketable securities and cash equivalents, and on its demand loan receivable from TMX, as interest rate fluctuations could have an impact on net income.

External investment fund managers have been engaged by the Company to manage the asset mix and the risks associated with its marketable securities. At December 31, 2010 the Company held $91,809 in these funds (2009 - $41,235). The approximate impact on the carrying value of these investments of a 1% rise and a 1% fall in interest rates is ($981) and $981 respectively.

At December 31, 2010, the Company held a demand loan receivable from TMX for $45,000 which bears interest at B.A. rates plus 150 bps. The approximate impact on net income of a 1% rise and a 1% fall in interest rates with respect to the loan is a $450 decrease or increase respectively.

(iii) Other market price risk:

The Company is exposed to other market price risk from the activities of CDCC if a Clearing Member fails to take or deliver derivative products on the contracted settlement date where the contracted price is less favourable than the current market price.

CDCC's measure of total potential exposure, as described previously, includes measures of market risk which are factored into the collateral required from each Clearing Member.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Cormpany manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 15. It also manages liquidity risk by monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including major investments or divestitures.

15. Capital maintenance:

The Company's primary objectives in managing capital, which it defines as including its share capital and credit facilities, consists of maintaining sufficient capital for operations, to ensure market confidence, and to meet the regulatory ratios required by the AMF and as defined in the AMF recognition order. These ratios are:

(i) a working capital ratio of more than 1.5:1;

(ii) a cash flow to total debt ratio of more than 20%; and

(iii) a financial leverage ratio consisting of total assets to shareholders' equity of less than 4:1.

The Company complied with these externally imposed capital requirements throughout the period.

16. Subsequent events:

In January, 2011, CDCC arranged additional credit facilities. A $100 million daylight liquidity facility and a $50 million call loan facility were signed with a Canadian Schedule 1 bank. CDCC has not drawn on either facility.

17. Comparative figures:

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