

NON-OFFERING PROSPECTUS



Bourse de Montréal Inc.

Stock Exchange Listing of 30,977,183 Common Shares

No securities are being offered or sold pursuant to this prospectus. We, Bourse de Montréal Inc., are filing this prospectus with provincial and territorial securities regulatory authorities in Canada to enable us to become a reporting issuer under applicable securities legislation in those provinces and territories in connection with a stock exchange listing of our common shares. Since no securities are being sold pursuant to this prospectus, no proceeds will be raised.

Toronto Stock Exchange (“TSX”) has conditionally approved the listing of our common shares under the symbol MXX. Any such listing is subject to our fulfilling all of the initial listing requirements and conditions of TSX.

Due to the nature of our business, there are certain risk factors associated with an investment in our common shares. In reviewing this prospectus, you should carefully consider the matters described under the heading “Risk Factors.”

No securities regulatory authority in Canada has expressed an opinion about these securities and it is an offence to claim otherwise. Neither the United States Securities and Exchange Commission nor any state securities commission, nor any other United States or other regulatory authority, has approved or disapproved the securities, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this prospectus. Any representation to the contrary may be a criminal offence.

This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The date of this prospectus is March 23, 2007

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
ELIGIBILITY FOR INVESTMENT	ii	PRIOR ISSUANCES OF COMMON	
INDUSTRY AND MARKET DATA . . .	ii	SHARES	79
PRESENTATION OF FINANCIAL		PRINCIPAL SHAREHOLDERS	80
INFORMATION AND USE OF		DIRECTORS AND EXECUTIVE	
CERTAIN NON-GAAP FINANCIAL		OFFICERS	81
MEASURES	ii	DIRECTORS' AND EXECUTIVE	
FORWARD-LOOKING STATEMENTS		OFFICERS' REMUNERATION	91
AND FORWARD-LOOKING		INDEBTEDNESS OF DIRECTORS	
INFORMATION	v	AND EXECUTIVE OFFICERS	96
CURRENCY AND EXCHANGE		RISK FACTORS	97
RATES	vii	LEGAL PROCEEDINGS	109
PROSPECTUS SUMMARY	1	INTEREST OF MANAGEMENT AND	
BOURSE DE MONTRÉAL INC.	11	OTHERS IN MATERIAL	
EXCHANGE INDUSTRY OVERVIEW	12	TRANSACTIONS	109
OUR BUSINESS	16	AUDITORS, TRANSFER AGENTS	
SELECTED CONSOLIDATED		AND REGISTRARS	109
FINANCIAL INFORMATION	35	MATERIAL CONTRACTS	110
MANAGEMENT'S DISCUSSION AND		EXPERTS	110
ANALYSIS OF FINANCIAL		PURCHASERS' STATUTORY RIGHTS	
CONDITION AND RESULTS OF		OF WITHDRAWAL AND	
OPERATIONS	40	RESCISSION	110
REGULATORY MATTERS	67	GLOSSARY	G-1
USE OF PROCEEDS	76	INDEX TO FINANCIAL	
DIVIDENDS	76	STATEMENTS	F-1
DESCRIPTION OF OUR SHARE		CERTIFICATE OF THE ISSUER	C-1
CAPITAL	77		
CONSOLIDATED CAPITALIZATION	79		

ELIGIBILITY FOR INVESTMENT

In the opinion of Ogilvy Renault LLP, counsel to Bourse de Montréal Inc. (“MX”), the MX common shares described in this prospectus, will, once listed on a prescribed stock exchange (which includes TSX), be qualified investments under the Income Tax Act (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

INDUSTRY AND MARKET DATA

Market data and certain industry statistics used throughout this prospectus were obtained or derived from market research, publicly available information and industry publications, including from the Futures Industry Association and the World Federation of Exchanges, as well as internal surveys and management estimates. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys and management estimates, while believed to be reliable, reflect various assumptions and have not been independently verified, and should be considered in that context.

PRESENTATION OF FINANCIAL INFORMATION AND USE OF CERTAIN NON-GAAP FINANCIAL MEASURES

Our consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in Canada, or Canadian GAAP. We prepare our financial statements in Canadian dollars. In this prospectus, references to Canadian dollars or \$ are to the currency of Canada, and references to U.S. dollars or US\$ are to the currency of the United States.

In this prospectus, we use certain supplemental financial measures that are not calculated in accordance with Canadian GAAP to assess our financial performance. These measures, which include revenues excluding unusual items, adjusted EBITDA, adjusted net earnings and assets excluding certain clearing assets, are not required by or recognized under Canadian GAAP.

We define revenues excluding unusual items as revenues excluding \$5.0 million in revenues from the TSX Group Inc. (“TSX Group”) relating to its acquisition of the Natural Gas Exchange Inc. (“NGX”) in the first quarter of 2004. These revenues are included in “Other” revenues in 2004. We believe that revenues excluding unusual items is a useful tool for investors and other users of our financial information in assessing our operating performance, and since this revenue item is not currently expected to recur, we believe that this measure of revenues is more meaningful for assessing our revenues generated by ongoing operating activities.

We define adjusted EBITDA as earnings before investment income, other items and income taxes and excluding (a) interest on obligations under capital leases and debts due within one year, (b) amortization of capital assets and other assets, (c) \$5.0 million in revenues from the TSX Group relating to its acquisition of NGX in the first quarter of 2004 (which are included in “Other” revenues in 2004), and (d) a \$2.1 million charge in 2006 relating to legal settlements and a provision in connection with the closing of our trading floor (which is included in “General and administrative” expenses in 2006). Adjusted EBITDA, and ratios using this measure, are used by financial analysts and other users of our financial information to assess our operating performance and our ability to service and/or incur indebtedness, maintain our operating and regulatory capital and to acquire or launch additional operations, and to compare us to other companies in our industry. Adjusted EBITDA has limitations as an analytical tool, and you should not consider this measure in isolation from, or as a substitute for analysis of, our financial information reported under Canadian GAAP. These limitations include the following:

- it does not reflect interest expense or the cash necessary to make interest payments, and it does not include interest income from cash deposits;
- it does not reflect income tax expense or the cash necessary to pay income taxes;
- although amortization is a non-cash charge, the assets being amortized will often have to be replaced in the future, and adjusted EBITDA does not reflect cash requirements for such capital expenditures;

- it does not reflect cash outlays for future contractual commitments; and
- it does not include our equity in the results of Boston Options Exchange Group LLC.

We define adjusted net earnings as net earnings excluding (a) \$5.0 million in revenues (\$3.8 million net of tax) from the TSX Group relating to its acquisition of NGX in the first quarter of 2004 (which are included in “Other” revenues in 2004), (b) a \$2.1 million charge (\$1.6 million net of tax) in 2006 relating to legal settlements and a provision in connection with the closing of our trading floor (which is included in “General and administrative” expenses in 2006), (c) gain on dilution on long-term investments of \$1.0 million (\$0.8 million net of tax) in 2005, and (d) loss and termination fees on disposal of investments in a company subject to significant influence and in a joint venture of \$0.7 million in 2005 (no tax effect). Adjusted net earnings, and ratios using this measure, are used by financial analysts and other users of our financial information to assess our financial performance and results of operations, and to compare us to other companies in our industry. Adjusted net earnings has limitations as an analytical tool, and you should not consider this measure in isolation from, or as a substitute for analysis of, our financial information reported under Canadian GAAP. These limitations include the following:

- it does not reflect the expense and cash outlay related to the dispute concerning the closing of our trading floor, certain litigation with respect to which is ongoing, and
- it does not reflect certain revenues or expenses, including the cash effect thereof, related to certain business disposals or acquisitions.

We define assets excluding certain clearing assets as total assets less daily settlements due from clearing members, clearing members’ cash margin deposits and clearing fund cash deposits. Since these excluded clearing assets have a corresponding liability and that the values of these assets vary with market volatility, we believe that the measure assets excluding certain clearing assets is more effective for analysing our assets relating to our ongoing operating activities.

The non-GAAP measures revenues excluding unusual items, adjusted EBITDA, adjusted net earnings and assets excluding certain clearing assets are not designed to replace other tools used to evaluate our performance, results of operations, financial condition or liquidity, and you should not consider these non-GAAP measures in isolation from, or as a substitute for analysis of, our financial information reported under Canadian GAAP. You should note that other companies in our industry may not use such measures or may calculate the measures differently than as presented in this prospectus, limiting their respective usefulness as a comparative measure. We provide a reconciliation of each of these non-GAAP measures to the most directly comparable respective financial measure under Canadian GAAP in notes 3 through 6 to the tables under “Selected Consolidated Financial Information” elsewhere in this prospectus.

We also use the financial measure operating earnings in this prospectus. We define operating earnings as earnings before investment income, other items and income taxes. Although operating earnings is typically understood to be a non-GAAP performance measure, in our case operating earnings is equivalent to the line item “earnings before investment income, other items and income taxes” in our audited consolidated financial statements presented under Canadian GAAP and included elsewhere in this prospectus. Other companies may calculate operating earnings differently, limiting its usefulness as a comparative measure.

OTHER PRESENTATION MATTERS

On February 13, 2007, our Board of Directors approved the subdivision, on a three-for-one basis, of our common shares, and a corresponding adjustment to the MX stock options that were outstanding on that date. This subdivision was effected on March 15, 2007. The subdivision did not change any shareholder’s proportionate ownership of our outstanding common shares. We refer to this subdivision as our “Stock Split.”

Beginning in 2007, the information regarding our shares in our consolidated financial statements and the data per share therein will be restated to take our Stock Split into account.

On March 13, 2007, together with NYMEX Holdings, Inc. (“NYMEX”), we created a business venture called Canadian Resources Exchange Inc., or “CAREX,” for the trading and clearing of OTC (in the first phase) and on-exchange (in the second phase) futures and options contracts with financial or physical settlement relating

to Canadian-based energy (including natural gas, heavy crude oil and power), metals and soft commodities. In connection with the creation of the CAREX venture, on March 23, 2007 NYMEX purchased 3,097,718.334 newly-issued MX common shares (on a post-Stock Split basis), representing 10 % of our outstanding share capital after giving effect to this issuance (the “NYMEX Investment”). For more information regarding these transactions, see “Our Business — Overview of MX — Recent Developments” elsewhere in this prospectus.

The historical information in this prospectus relating to our share capital and per share data does not, except as otherwise noted, take into consideration our issuance of common shares to NYMEX in connection with the NYMEX Investment.

FORWARD-LOOKING STATEMENTS AND FORWARD-LOOKING INFORMATION

All statements, other than statements of historical facts, included in this prospectus regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements or contain forward-looking information (within the meaning of the Québec *Securities Act* and the Ontario *Securities Act*). The words “believe,” “anticipate,” “estimate,” “plan,” “expect,” “intend,” “contemplate,” “may,” “project,” “will,” “would” and similar expressions are intended to identify forward-looking statements and forward-looking information, although not all forward-looking statements and forward-looking information contain these identifying words. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry in which we operate, as well as beliefs and assumptions made by our management, including assumptions regarding North American and global trading trends, the development of our approved participant base, developments in the market for electronic trading technology solutions, and that we would not experience any material unplanned disruptions of our trading platform and information technology and communication systems.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements involve risks and uncertainties and are not guarantees of future performance. We can give no assurance that these estimates and expectations will prove to have been correct, and actual outcomes and results may differ materially from what is expressed, implied or projected in such forward-looking statements. There are a number of important factors that could, and often do, cause our actual results to differ materially from those indicated or implied by forward-looking statements and forward-looking information, including the following:

- the level of trading and activity on our markets, and particularly the level of trading in our key products, such as the *Three-Month Canadian Bankers’ Acceptance Futures contract* (“BAX”), the *Ten-Year Government of Canada Bond Futures contract* (“CGB”) and the *S&P Canada 60 Index Futures contract* (“SXF”);
- changes in financial markets which affect our trading and clearing volumes;
- intense and evolving North American and global competition, including pursuant to the development of new alliances and exchanges, that may have an impact on the market’s interest in our products and on transaction prices;
- our ability to retain our key customers, and our ability to expand our customer base, both in terms of active approved participants and their customers, and customers of our SOLA[®] Trading platform and other SOLA[®] products;
- our ability to compete successfully in a rapidly-changing global environment;
- our ability to successfully introduce new derivatives products;
- the reliability and availability of our electronic trading platform, including the reliability of our information technology and communications systems;
- our ability to keep pace with rapid technological change in the industry;
- our ability to attract and retain key management and information technology systems personnel;
- our ability to effectively and efficiently expand our international presence;
- the creditworthiness of our approved participants and the risk of a material default by one or more of our participants or clearing members;
- our ability to deter and detect approved participant and MX employee misconduct or errors; and
- regulatory changes in Canada and abroad.

We caution you that the above list of factors is not exhaustive. These and other factors are discussed in further detail elsewhere in this prospectus, including in the section entitled “Risk Factors”. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors, some of which are beyond our control, will emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements and forward-looking information. Given the uncertainty of forward-looking statements and forward-looking information, prospective investors are cautioned not to place undue reliance on these statements. In addition, any forward-looking statements and forward-looking information represent our estimates only as of the date of this prospectus and should not be relied upon as representing our estimates as of any subsequent date. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law.

CURRENCY AND EXCHANGE RATES

In this prospectus, unless otherwise noted, all dollar amounts are expressed in Canadian dollars. The following table sets out (i) the average rate of exchange for one Canadian dollar in U.S. dollars in each of the following periods, (ii) the high and low rate of exchange for one Canadian dollar in U.S. dollars during those periods, and (iii) the rate of exchange in effect at the end of each of those periods, in each case based on the noon buying rates of exchange published by the Bank of Canada. On March 22, 2007, the noon buying rate for one Canadian dollar in U.S. dollars published by the Bank of Canada was \$1.00 = US\$0.8639. You should note that the rates set forth below may differ from the actual rates used in our accounting processes and in the preparation of our consolidated financial statements. Our inclusion of these exchange rates is not meant to suggest that the U.S. dollar amounts actually represent such Canadian dollar amounts or that such amounts could have been converted into dollars at any particular rate, if at all.

<u>Year Ended</u>	<u>Average⁽¹⁾</u>	<u>High</u>	<u>Low</u>	<u>Period End</u>
December 31, 2002	0.6368	0.6618	0.6199	0.6331
December 31, 2003	0.7135	0.7738	0.6350	0.7738
December 31, 2004	0.7683	0.8493	0.7159	0.8308
December 31, 2005	0.8253	0.8690	0.7872	0.8577
December 31, 2006	0.8818	0.9099	0.8528	0.8581

<u>Month Ended</u>	<u>Average⁽²⁾</u>	<u>High</u>	<u>Low</u>	<u>Period End</u>
September 30, 2006	0.8959	0.9047	0.8871	0.8966
October 31, 2006	0.8861	0.8965	0.8783	0.8907
November 30, 2006	0.8801	0.8868	0.8715	0.8760
December 31, 2006	0.8673	0.8759	0.8581	0.8581
January 31, 2007	0.8504	0.8584	0.8457	0.8480
February 28, 2007	0.8542	0.8632	0.8437	0.8547
March 2007 (through March 22, 2007)	0.8533	0.8639	0.8467	0.8639

(1) The average daily exchange rate during the applicable year.

(2) The average daily exchange rate during the applicable month.

The following summary information does not purport to be complete, should be read in conjunction with the full text of this prospectus and is qualified in its entirety by the more detailed information and financial data and statements included elsewhere in this prospectus. You should read this prospectus, including the section titled “Risk Factors,” in its entirety.

PROSPECTUS SUMMARY

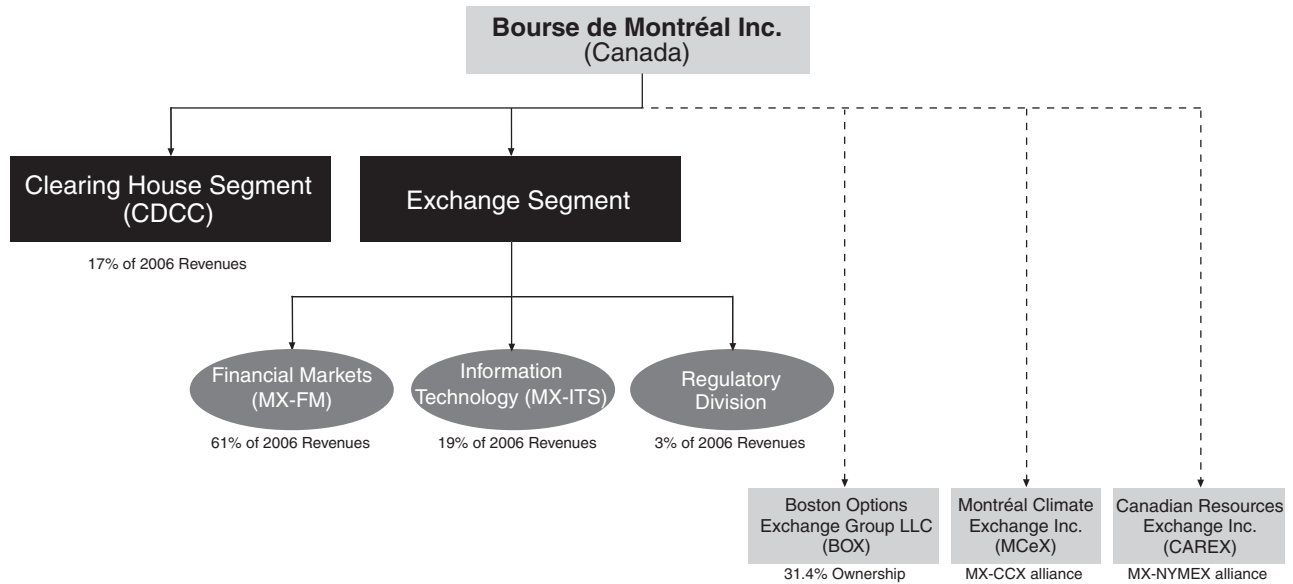
Our Business

Overview

We, Bourse de Montréal Inc. (“MX”), are Canada’s oldest exchange and a leader in the trading of standardized financial derivatives products, offering individual and institutional investors, both in Canada and abroad, a wide range of risk management products for protecting their investments and providing opportunity for growth. Our services include fully electronic trading and related services, as well as information technology solutions, including products and services related to our state-of-the-art *SOLA*® electronic trading platform. Through our wholly-owned subsidiary, the Canadian Derivatives Clearing Corporation (“CDCC”), we provide central counterparty, clearing and settlement services for MX-listed products and certain over-the-counter (“OTC”) transactions, and guarantee the settlement of all transactions taking place on our markets. We hold a significant ownership interest in the Boston Options Exchange Group LLC (“BOX”), a U.S. automated equity options exchange and a facility of the Boston Stock Exchange (“BSE”), and we manage BOX’s technical operations and electronic trading platform. In July 2006, together with the Chicago Climate Exchange Inc.® (“CCX”), we announced the joint creation of the Montréal Climate Exchange Inc. (“MCeX”), which aims to become the first regulated market in Canada for emissions-related and environment-related derivatives products.

On March 13, 2007, together with NYMEX, we created the CAREX business venture for the trading and clearing of OTC (in the first phase) and on-exchange (in the second phase) futures and options contracts with financial or physical settlement relating to Canadian-based energy (including natural gas, heavy crude oil and power), metals and soft commodities. In connection with the creation of the CAREX venture, on March 23, 2007 NYMEX purchased 3,097,718.334 newly-issued MX common shares (on a post-Stock Split basis), representing 10% of our outstanding share capital after giving effect to this issuance. For more information on these transactions, see “ — Recent Developments” below.

The following chart shows the segments (boxes), business units (ovals) and alliances (checked lines) through which we carry on business:



We have experienced a significant increase in the trading volume on our markets in recent years. In 2006, 40.5 million contracts were traded on our markets, compared to 14.7 million contracts in 2002, representing a compound annual growth rate (“CAGR”) of 29.0%. In addition, our year-over-year growth rate in annual trading volume has been accelerating. In 2006, we experienced a record annual trading volume growth rate of 41.3%, compared to 31.5% in 2005 and 23.4% in 2004. This volume increase translated into growth in our revenues and profitability. In the period from 2002 through 2006, our revenues increased at a CAGR of 24.9%, from \$32.6 million in 2002 to \$79.3 million in 2006. Through rigorous cost control and a scalable business model, our operating earnings increased from \$0.2 million to \$27.6 million in the period from 2002 through 2006 and our net earnings increased from \$0.1 million to \$24.8 million over the same period. In 2006, our operating earnings margin (defined as operating earnings divided by revenues) reached 34.9% and our net earnings margin (defined as net earnings divided by revenues) was 31.3%.

Our Competitive Strengths

Our history, experience and current position provide us several distinct competitive advantages:

An integrated business model. We are one of the few exchanges globally that owns its clearing house and has full control of its technology. The advantages that we enjoy in operating an integrated exchange include:

- *Operating synergies:* full control over the three key functions of an exchange (trading, clearing and technology) allows us to optimize our decision-making process and control the financial impact that one function has on another;
- *Decisional autonomy and responsiveness:* we are not dependent on outside partners for developing the range of products and services we offer or improving the technology of our trading platform; and
- *Centralized relations with market participants:* we benefit from centralized relations with the participants in our markets, the largest of whom are involved in both trading and clearing.

Established, liquid, and unique derivatives products. We have experienced accelerating growth in the volumes traded on our markets over the past five years, with year-over-year growth rates of 23.4% in 2004, 31.5% in 2005 and 41.3% in 2006. We have been successful in establishing liquidity in our flagship contracts, which we believe creates a barrier to entry to potential competitors. Since the creation of financial derivatives in the 1970s, there has not been a case of a well-established derivatives market, whose contracts were associated with adequate liquidity and which had the appropriate technology, that has lost its franchise to another, even if there have

been attempts in that direction. We are also Canada's only standardized financial derivatives exchange. Pursuant to the 1999 agreement by which the Canadian exchanges were restructured along the lines of specialization, which we refer to as the "1999 Agreement," MX and the TSX Group reciprocally agreed not to compete in each other's respective area of specialization for a period of 10 years, ending in March 2009.

SOLA®: A state-of-the-art technology. We have invested significantly to develop our own electronic market platform, SOLA®. Our proprietary electronic trading platform, SOLA® Trading, provides us with a fast, reliable and fully-integrated trading system which we currently expect to complement with our proprietary clearing platform, SOLA® Clearing, and our proprietary market surveillance software, SOLA® Surveillance, later in 2007. The SOLA® scalable platform enables us to introduce new products and experience significant volume growth with limited incremental costs. In addition, our platform can accommodate penny-trading as well as cash equities trading. Our platform is connected to the 30 major independent software vendors ("ISVs"), which are specialized firms whose value-added software provides exchanges with the ability to connect with approved participants worldwide. Also, our new trading platform has been adopted by BOX and is being considered by four Chinese exchanges.

Ownership of the only Canadian financial derivatives clearing house, CDCC. We own CDCC, the only financial derivatives clearing house in Canada. CDCC guarantees, clears and settles every contract traded on our market. CDCC enjoys a solid reputation with its members, supported by its AA rating from Standard & Poor's, and has not had a default since its creation. In 2006, CDCC processed an average of approximately 8,600 transactions per day for a value of approximately \$74.0 billion. CDCC has substantial excess capacity to support future growth in our trading and clearing volume with limited additional investment. In October 2006, we introduced clearing services for OTC transactions, which we believe could lead to additional volume for CDCC. In addition, the ownership of CDCC enables us to bring new derivatives products to market with shorter lead-time through the coordination of our clearing house with product development, technology and market regulation.

International client base. Globalization of financial markets is expanding the customer base for derivative products beyond national boundaries. We believe globalization provides us with additional growth opportunities and, as such, have been marketing our products and services internationally. We have obtained either exemptions, authorizations or full recognition to operate screens with remote access to our platform in the U.S., the U.K. and France. We are currently taking steps to extend such facilities to other countries. As at February 28, 2007, we had 64 platform-connected approved participants, of which 22 were connected from outside Canada. Open-interest held by foreign participants in our flagship contracts, BAX, CGB and SXF, were approximately 41%, 47%, and 25%, respectively, as at December 31, 2006, according to management estimates.

Diversified activity portfolio. We have created a diversified business model to minimize risks associated with a decrease in market volatility, competition, or adverse effects of national or global events. MX derives revenues from derivatives trading, clearing and settlement, sale of market data, SOLA® licencing agreements as well as through our alliances, such as BOX, CAREX and MCEX. We believe that this diversified business model provides us with greater earnings stability.

Expansion of operating margins. We believe our operations are lean, efficient and scalable. In addition, our cost base is largely fixed, which provides MX substantial operating leverage to benefit from growth in transaction volumes. In the period from 2002 through 2006, we increased our revenues from \$32.6 million in 2002 to \$79.3 million in 2006, representing a CAGR of 24.9%, while limiting our total expense growth from \$32.4 million in 2002 to \$51.6 million in 2006, or a CAGR of 12%. This resulted in the expansion of our operating margins, from 0.7% in 2002 to 34.9% in 2006. Given the investments that have been made in infrastructure and operations, a significant increase in trading activity in the short term would result in only marginal additional expenses.

An experienced and highly motivated management team and employee base. Our executive management team is comprised of 14 seasoned professionals, with an average of 20 years experience in the financial services sector. Our management team has overseen several significant developments affecting the MX including our transformation into a pure-play financial derivatives exchange, our demutualization, the development and implementation of SOLA® and our strategic investment in BOX. We have taken steps to encourage share

ownership by our employees, and, as of the date of this prospectus, approximately 65% of our employees are shareholders of MX. We believe that the proven strength of our team will continue to provide us with a competitive advantage in executing our business strategies. As at the date of this prospectus, our directors, executive officers and employees, collectively, hold approximately 14.9% of our common shares.

Growth Strategies

We believe that current industry trends offer significant opportunities to expand our trading volume, revenues and operating earnings. We intend to capitalize on these trends through the implementation of the following growth strategies.

Expand Our Current Market Business.

We intend to continue the development of our current business by increasing the number of customers trading on our markets and the number of products and services offered by our business units.

- Add new approved participants in Canada and in foreign countries where we already have regulatory exemptions, authorizations or recognition (U.S., U.K., and France) and obtain similar authorizations or exemptions in other countries;
- Expand our client base beyond the traditional clientele to firms trading as principals and hedge funds and promote our advantageous fee programs for liquidity providers;
- Complete the currently listed product lines, particularly the Canadian interest rate yield curve product line, and list new Canadian-based products as client needs evolve;
- Continue ongoing market structure improvements: order types, matching algorithms, market model, contract features and liquidity development strategies;
- Use the surplus capacity and performance capabilities of the *SOLA*[®] *Trading* platform to respond to the needs of the most sophisticated participants in the MX markets (for instance, smart execution systems);
- Develop and improve sales of market data services by identifying potential client bases and refining our targeting and packaging of services for various clients; and
- Increase Canadian investors' awareness to benefits of derivatives in portfolio strategies through:
 - the promotion of financial institution awareness of the benefits of derivatives in portfolio strategies;
 - efforts to increase the number of derivatives-licensed brokers in Canada through a proposal to modify the basic securities course to include options and futures training;
 - online education and web seminars directed at customers interested in trading derivative instruments; and
 - investor education, marketing programs and selective product innovation for the retail and small business market.

Maintain and Continue to Develop Market-Leading Technologies.

We intend to maintain our position as a market leader in the successful development, testing and implementation of trading platform technologies, providing state-of-the-art execution capabilities for clients of our markets as well as other exchanges seeking licencing agreements.

- Complete the development of the *SOLA*[®] suite of products, with the completion and delivery of the *SOLA*[®] *Surveillance* and *SOLA*[®] *Clearing* components, which are currently expected in 2007;
- Continue to make regular investments to keep the *SOLA*[®] suite at the leading edge of market solutions;
- Sell licences for use of the *SOLA*[®] software to other markets or quasi-markets, clearing houses, regulators or self-regulatory organizations worldwide, including those organizations with whom we have currently entered into memoranda of understanding;

- Provide our customers with professional services to operate their IT platforms using our *SOLA*[®] products; and
- Provide other market-related technology solutions to financial market players.

Provide Clearing Services to Third Parties.

We intend to leverage our capacity, scalable technology and business processes to provide a broad range of clearing and settlement services to OTC markets as well as exchanges and other clearing organisations.

- Develop services for the clearing of OTC contracts, in particular with respect to capital markets, and commodities including energy;
- Build upon CDCC's status as the only clearing house for financial derivatives products in Canada by leveraging its platform capacity and providing clearing services to other markets and quasi-markets that may establish themselves in Canada; and
- Develop clearing services and systems for the markets to be served by MCEX.

Expand and Enhance Our Alliances' Operations and Take Advantage of New Strategic Opportunities.

We have been aggressively expanding our business to new markets and new products through our alliance with BOX and through CAREX, our recently-created venture with NYMEX, which is described below under "— Recent Developments." We will continue to seek to enhance our operations through our existing alliances, as well as select new alliances, partnerships and acquisitions.

- We will support BOX as it seeks to
 - Increase the number of products offered and the number and type of participants and market makers;
 - Take advantage of the transition to "penny-trading" in the U.S. equity options market to gain market share using BOX's ability, through its use of *SOLA*[®], to respond to the additional technical capacity requirements introduced by this new context;
 - Promote the Price Improvement Process ("PIP") system and the Universal PIP ("UPIP"), highlighting the advantages the system has over the opaque Payment For Order Flow ("PFOF") system (see "Our Segments and Activities — BOX," elsewhere in this prospectus for more information);
- Through CAREX, we aim to develop our venture with NYMEX for the trading and clearing of OTC and on-exchange futures and options contracts with financial or physical settlement relating to Canadian-based energy (including natural gas, heavy crude oil and power), metals and soft commodities;
- We will support MCEX, which aims to become the first regulated market in Canada for emissions-related and environment-related derivatives products; and
- In addition, we plan to supplement our current growth through the formation of alliances or through select acquisitions. Such alliances and acquisitions are only likely to be considered where the activities concerned are complementary to our activities, and where we are of the opinion that our expertise and know-how will allow us to distinguish ourselves positively in the activities undertaken.

Recent Developments

On March 13, 2007, together with NYMEX, we created the CAREX business venture for the trading and clearing of OTC (in the first phase) and on-exchange (in the second phase) futures and options contracts with financial or physical settlement relating to Canadian-based energy (including natural gas, heavy crude oil and power), metals and soft commodities.

CAREX is a Canadian corporation whose registered office is in Montréal, Québec and whose principal place of business will be in Calgary, Alberta. MX and NYMEX jointly control CAREX and will share CAREX's net earnings equally. In connection with the creation of the CAREX venture, on March 23, 2007 NYMEX purchased

3,097,718.334 newly-issued MX common shares (on a post-Stock Split basis), representing 10% of our outstanding share capital after giving effect to the issuance, at an all-cash price of \$29¹/₃ per share, for aggregate gross cash proceeds to MX of approximately \$90.9 million.

Citigroup Global Markets Inc. (“Citigroup”) acted as our financial advisor in connection with the NYMEX Investment and delivered an opinion to our Board of Directors, dated February 13, 2007, that as of that date, and based upon the assumptions, limitations and considerations set forth in the opinion, the then-expected \$90,670,800 to be paid by NYMEX for the NYMEX Investment was fair, from a financial point of view, to MX. Citigroup’s opinion was provided solely for the information of our Board of Directors in its evaluation of the NYMEX Investment and was limited solely to the fairness of the consideration to be received by MX in the NYMEX Investment from a financial point of view as of the date of the opinion. Neither Citigroup’s opinion, nor its related work, constituted a recommendation of the CAREX business venture or the NYMEX Investment to our Board of Directors and Citigroup expressed no opinion with respect to the terms of the CAREX business venture or the use of the proceeds of the NYMEX Investment. For more information regarding these NYMEX transactions, see “Our Business — Overview of MX — Recent Developments” elsewhere in this prospectus.

In addition to general corporate purposes, MX intends to use the proceeds of the NYMEX Investment to fund a special dividend of \$0.33¹/₃ per common share (\$1.00 per common share pre-Stock Split) declared by our Board of Directors on March 12, 2007, payable on April 12, 2007 to shareholders of record at the close of business on March 22, 2007 (the day immediately preceding the closing of the NYMEX Investment), and to fund a portion of our normal course issuer bid that we announced on the date hereof, and that we currently intend to launch upon our stock exchange listing. For more information regarding our normal course issuer bid, see “Description of Our Share Capital — Normal Course Issuer Bid” elsewhere in this prospectus.

Our Principal Executive Office

Our head office is located at Tour de la Bourse, 800 Victoria Square, 4th Floor, Montréal, Québec H4Z 1A9, Canada and our telephone number is (514) 871-2424. Our corporate website is <http://www.m-x.ca>. The information contained on our website is not part of this prospectus and is not incorporated herein by reference.

Risk Factors

There are certain risk factors associated with our business and with an investment in our shares. In reviewing this prospectus and evaluating an investment in our shares, you should carefully consider the matters described under the headings “Risk Factors” and “Forward-Looking Statements and Forward-Looking Information” elsewhere in this prospectus. Risk factors relating to our business include, but are not limited to:

- we depend on market activity that is outside of our control; significant declines in the global financial markets or in the trading volume of our key products, such as the BAX, the CGB and the SXF would adversely affect our revenues and profitability;
- our business, revenues and profitability may be adversely affected by intense and evolving North American and global competition, including pursuant to the development of new alliances and exchanges;
- we generate a significant percentage of our annual revenues from a small number of approved participants, and substantially all of our information technology solutions revenues from BOX; our trading volume, and consequently our revenues and earnings, could be materially adversely affected if we are unable to retain our current customers or attract new customers to our markets or if derivatives trading volume in general decreases;
- we may not effectively manage our growth or execute our strategies, and acquisitions and strategic partnerships may not meet our objectives;
- we are subject to certain risks, including systems failures, relating to the operation of an electronic trading platform;
- we have only a limited operating experience with our SOLA[®] electronic exchange platform;

- our clearing house operations expose us to credit risk of third parties, and our financial condition will be adversely affected in the event of a significant default;
- we operate in a highly regulated industry, and may be subject to legal or regulatory proceedings if we fail to comply with our legal and regulatory obligations;
- we may face restrictions with respect to the way in which we conduct certain of our operations, and may experience certain commercial disadvantages if we do not receive regulatory approval for new business initiatives or receive them in an untimely manner;
- holders of our common shares who are also approved participants may have interests that differ from or conflict with those of holders of our common shares who are not also approved participants;
- restrictions on ownership of our common shares may restrict trading and transactions in our common shares;
- our common shares have never been publicly traded before and the listing may not result in an active or liquid market for our common shares, and our share price may be volatile;

We caution you that the above list of risk factors is not exhaustive. These and other risk factors are discussed in further detail under the heading “Risk Factors” elsewhere in this prospectus. New risk factors, some of which are beyond our control, will emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business.

Summary Selected Consolidated Financial Information

You should read the following summary selected consolidated financial information in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

The following tables present financial information derived from our audited consolidated financial statements, except for the information under the headings “Pro Forma Per Share Data,” “Other Balance Sheet Information” and “Financial Ratios and Other Data” below, which has not been derived from our audited consolidated financial statements. Our consolidated financial statements included in this prospectus are comprised of consolidated balance sheets as at December 31, 2006 and 2005 and consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2006 and have been audited by KPMG LLP, chartered accountants. KPMG LLP’s report on these consolidated financial statements is included in this prospectus. The consolidated balance sheet data as at December 31, 2004 below has been derived from our audited consolidated financial statements not included in this prospectus.

The information below reflects the historical results of MX and its consolidated subsidiary, CDCC. The audited consolidated financial statements of MX have been prepared in accordance with Canadian GAAP. Our historical results are not necessarily indicative of our future financial condition or results of operations.

	<u>Years ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(\$ in thousands, except per share data)		
Consolidated Statement of Earnings Data			
Revenues			
Transactions	\$ 36,422	\$ 26,403	\$ 19,740
Clearing and option exercise	12,989	9,609	7,837
Information systems services	15,275	15,581	12,160
Market data	10,562	8,095	7,787
Participants	3,261	2,456	4,180
Other	<u>751</u>	<u>1,020</u>	<u>5,630</u>
Total revenues	79,260	63,164	57,334
Expenses			
Compensation and benefits	22,811	19,891	19,004
Occupancy	2,667	2,754	2,520
Computer licences and maintenance	6,184	6,397	5,441
Amortization of capital assets and other assets	6,398	7,586	5,284
General and administrative	8,995	6,810	6,525
Telecommunications	2,536	2,841	2,510
Public affairs	1,870	1,408	1,344
Interest on obligations under capital leases and debts due within one year	<u>154</u>	<u>356</u>	<u>359</u>
Total expenses	51,615	48,043	42,987
Earnings before investment income, other items and income taxes . . .	27,645	15,121	14,347
Investment income	2,613	1,785	1,059
Equity in results of companies subject to significant influence, net of loss due to realization of cumulative translation adjustment	1,151	2,278	(2,684)
Gain on dilution	—	1,042	—
Loss and termination fees on disposal of investments in company subject to significant influence and in joint venture	<u>—</u>	<u>(699)</u>	<u>—</u>
Earnings before income taxes	31,409	19,527	12,722

	<u>Years ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(\$ in thousands, except per share data)		
Income taxes			
Current	7,829	4,353	896
Future	(1,251)	39	2,867
Net earnings	<u>\$ 24,831</u>	<u>\$ 15,135</u>	<u>\$ 8,959</u>
Per Share Data			
Basic earnings per share — post-Stock-Split	0.95	0.62	0.37
Diluted earnings per share — post-Stock Split ⁽¹⁾	0.91	0.57	0.35

	<u>Year ended</u> <u>December 31, 2006</u>
Pro Forma Per Share Data	
Pro forma basic earnings per share ⁽²⁾	\$ 0.85
Pro forma diluted earnings per share ⁽²⁾	0.81

	<u>As at December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(\$ in thousands)		
Consolidated Balance Sheet Data			
Total assets	\$ 122,694	\$ 119,032	\$ 105,637
Shareholders' equity	65,717	60,972	56,763

Other Balance Sheet Information			
Assets excluding certain clearing assets ⁽³⁾	98,624	91,980	76,060

	<u>Years ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(\$ in thousands, except ratios, average daily volume, open interest and average revenue per contract)		
Financial Ratios and Other Data			
Revenues excluding unusual items ⁽⁴⁾	\$ 79,260	\$ 63,164	\$ 52,334
Adjusted EBITDA ⁽⁵⁾	36,268	23,063	14,990
Adjusted net earnings ⁽⁶⁾	26,398	15,046	5,176
Return on shareholders' equity	37.8%	24.8%	15.8%
Net earnings/revenues	31.3%	24.0%	15.6%
Adjusted EBITDA ⁽⁵⁾ /revenues excluding unusual items ⁽⁴⁾	45.8%	36.5%	28.6%
Adjusted net earnings ⁽⁶⁾ /revenues excluding unusual items ⁽⁴⁾	33.3%	23.8%	9.9%
Average daily volume (# of contracts)	161,517	114,284	86,226
Open interest (# of contracts)	2,563,633	2,006,845	1,552,211
Average revenue per contract	\$ 0.90	\$ 0.92	\$ 0.91

(1) Diluted earnings per share data reflects the dilutive effect of our outstanding stock options and shares held in guarantee by MX for loans under our previous stock option plan and our previous share purchase plan. See notes 8 and 12 to our audited consolidated financial statements included elsewhere in this prospectus.

(2) Pro forma earnings per share data gives effect to our Stock Split and to our issuance of 3,097,718.334 common shares (on a post-Stock Split basis) to NYMEX pursuant to the NYMEX Investment, as if such issuance had closed on January 1, 2006. Diluted pro forma earnings per share data also reflects the dilutive effect of our outstanding stock options and shares held in guarantee by MX for loans under our previous stock option plan and our previous share purchase plan. See notes 8 and 12 of our audited consolidated financial statements included elsewhere in this prospectus. Pro forma earnings per share data does not reflect any assumptions regarding future revenues or expenses related to CAREX or the use of proceeds of the NYMEX Investment.

For information regarding our Stock Split, see “Description of Our Share Capital — Our Stock Split” elsewhere in this prospectus, and for a description of the NYMEX Investment and the CAREX venture, see “Our Business — Overview of MX — Recent Developments” elsewhere in this prospectus.

- (3) We define assets excluding certain clearing assets as total assets less daily settlements due from clearing members, clearing members’ cash margin deposits and clearing fund cash deposits. For a reconciliation of assets excluding certain clearing assets to the most directly comparable financial measure under Canadian GAAP, see note 3 to the tables under “Selected Consolidated Financial Information” elsewhere in this prospectus.
- (4) We define revenues excluding unusual items as revenues excluding \$5.0 million in revenues from the TSX Group relating to its acquisition of NGX in the first quarter of 2004. These revenues are included in “Other” revenues in 2004. For a reconciliation of revenues excluding unusual items to the most directly comparable financial measure under Canadian GAAP, see note 4 to the tables under “Selected Consolidated Financial Information” elsewhere in this prospectus.
- (5) We define adjusted EBITDA as earnings before investment income, other items and income taxes and excluding (a) interest on obligations under capital leases and debts due within one year, (b) amortization of capital assets and other assets, (c) \$5.0 million in revenues from the TSX Group relating to its acquisition of NGX in the first quarter of 2004 (which are included in “Other” revenues in 2004), and (d) a \$2.1 million charge in 2006 relating to legal settlements and a provision in connection with the closing of our trading floor (which is included in “General and administrative” expenses in 2006). For a reconciliation of adjusted EBITDA to the most directly comparable financial measure under Canadian GAAP, see note 5 to the tables under “Selected Consolidated Financial Information” elsewhere in this prospectus.
- (6) We define adjusted net earnings as net earnings excluding (a) \$5.0 million in revenues (\$3.8 million net of tax) from the TSX Group relating to its acquisition of NGX in the first quarter of 2004 (which are included in “Other” revenues in 2004), (b) a \$2.1 million charge (\$1.6 million net of tax) in 2006 relating to legal settlements and a provision in connection with the closing of our trading floor (which is included in “General and administrative” expenses in 2006), (c) gain on dilution on long-term investments of \$1.0 million (\$0.8 million net of tax) in 2005, and (d) loss and termination fees on disposal of investments in a company subject to significant influence and in a joint venture of \$0.7 million in 2005 (no tax effect). For a reconciliation of adjusted net earnings to the most directly comparable financial measure under Canadian GAAP, see note 6 to the tables under “Selected Consolidated Financial Information” elsewhere in this prospectus.

BOURSE DE MONTRÉAL INC.

We are Canada's oldest exchange and a leader in the trading of standardized financial derivatives products, offering individual and institutional investors, both in Canada and abroad, a wide range of risk management products for protecting their investments and providing opportunity for growth. Our services include fully electronic trading and related services, as well as information technology solutions, including products and services related to our state-of-the-art *SOLA*[®] electronic trading platform. Through our wholly-owned subsidiary, CDCC, we provide central counterparty, clearing and settlement services for MX-listed products and certain OTC transactions, and guarantee the settlement of all transactions taking place on our markets. We hold a significant ownership interest in BOX, a U.S. automated equity options exchange and a facility of the BSE, and we manage BOX's technical operations and electronic trading platform. On March 13, 2007, together with NYMEX, we created the CAREX business venture for the trading and clearing of OTC (in the first phase) and on-exchange (in the second phase) futures and options contracts with financial or physical settlement relating to Canadian-based energy (including natural gas, heavy crude oil and power), metals and soft commodities. In July 2006, together with CCX, we announced the joint creation of MCeX, which aims to become the first regulated market in Canada for emissions-related and environment-related derivatives products.

After more than forty years of securities trading activity at the Exchange Court in Montréal, the Montréal Stock Exchange was formed and officially commenced operations in 1874. The Montréal Stock Exchange pioneered several aspects of stock exchange development. It was the first exchange in Canada to formally address the fair treatment of investors, and in the late 1960s, revised its rules, created an ombudsman position and subsequently established a requirement for listed companies to disclose quarterly information. During the same period, the Montréal Stock Exchange became a founding member of the National Contingency Fund, an insurance fund for the protection of investors. In the early 1970s, the market surveillance function was established to oversee market activity and protect the market and investors from trading irregularities. In 1976, the Montréal Stock Exchange was the first Canadian exchange to list equity options and it established the first Canadian futures market in the 1980s.

In 1999, 125 years after our founding, we initiated discussions which led to the 1999 Agreement among the Toronto Stock Exchange, the Alberta Stock Exchange, the Vancouver Stock Exchange and MX, to restructure the Canadian exchange markets along the lines of specialization. Pursuant to the 1999 Agreement, we became the only standardized financial derivatives exchange in Canada, and the Toronto Stock Exchange became the senior equities exchange in Canada. In the 1999 Agreement, MX and the TSX Group reciprocally agreed not to compete in each other's respective area of specialization for a period of 10 years.

Pursuant to the 1999 restructuring, we also became the sole shareholder of CDCC in March 2000. CDCC was incorporated under the laws of Canada on September 29, 1974 as "The Canadian Clearing Corporation For Options Limited." CDCC was also known as "Trans Canada Options Inc." before changing its name to its present name, Canadian Derivatives Clearing Corporation, in 1996.

Bourse de Montréal Inc., successor to the Montréal Stock Exchange, was incorporated under Part IA of the Québec Companies Act on September 29, 2000 following the demutualization of the Montréal Stock Exchange. We have operated as a for-profit company since our demutualization.

In 2001, we completed our automation process with the transfer of all derivatives trading to an electronic platform, and our open-outcry trading floor was closed at the end of December 2001.

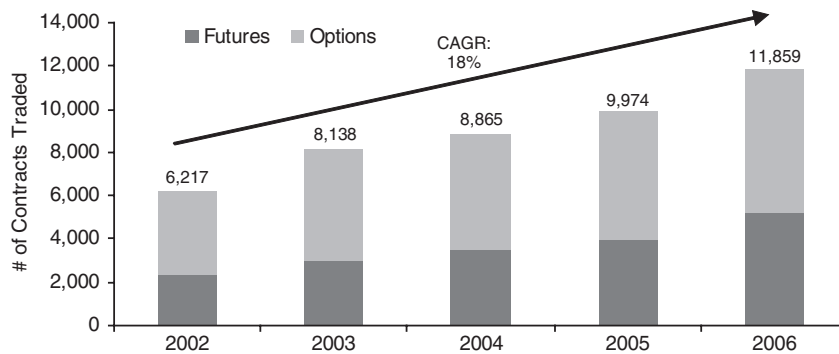
EXCHANGE INDUSTRY OVERVIEW

Introduction

Industry Growth

According to the Futures Industry Association, the total number of derivatives traded on exchanges globally has increased by a CAGR of approximately 18% in the 2002 through 2006 period, led by interest rate products and equity options. In 2006, approximately 11.9 billion futures and options contracts were traded, a 19% increase over 2005, according to the Futures Industry Association.

*Global Derivatives Trading — Number of Contracts
(in millions)⁽¹⁾*



(1) Source: Futures Industry Association.

The substantial growth in global derivatives trading volume is attributable to a number of factors, including:

- increasing awareness in all economic sectors of the importance of risk management;
- greater price volatility in key market sectors, such as in the fixed-income sector;
- broader access to futures and options markets through technological innovation and the evolution of regulatory frameworks both domestically and cross-border;
- relatively low amount of committed capital required to trade in derivatives; and
- growing awareness of the opportunities to obtain or hedge market exposure through the use of derivatives at a lower cost than the cost of obtaining or hedging comparable market exposure by purchasing or selling the underlying instrument.

The main derivatives exchanges in the world include Eurex Frankfurt AG (“Eurex”), a joint venture of Deutsche Börse AG and SWX Swiss Exchange, Euronext NV (“Euronext”), the Chicago Mercantile Exchange Inc. (“CME”), the Board of Trade of the City of Chicago, Inc. (“CBOT”), the New York Mercantile Exchange, Inc., the Inter Continental Exchange, Inc. (“ICE”), the International Securities Exchange, Inc. (“ISE”), the Hong Kong Exchange (“HKX”), and the Tokyo Financial Exchange Inc. (“TFX”).

Futures and Options

Futures and options contracts are derivatives products that provide a means for hedging, speculation and asset allocation and are used in nearly all sectors of the global economy. As a general matter, futures contracts are contracts with standardized terms to buy or sell an asset or a commodity at a specific date in the future, usually within a few months or less. Options contracts are contracts that give the buyer the right, but not the obligation, to buy or sell a particular asset such as a stock or a commodity at a fixed price (the strike price) for a specific period of time. A call is a right to buy and a put is a right to sell. The buyer of an option pays a price for this right which is called the “premium.”

Futures and options, commonly referred to as derivatives products, are usually traded through an automated matching process, which organizes centralized continuous auctions with all bids and offers on each contract.

A derivatives contract is different from a share of stock that is traded on a stock exchange. A share of stock represents an ownership interest in a corporation. A derivatives instrument does not itself represent a direct interest in the underlying financial instrument or commodity. Rather, it is an agreement between the buyer and the seller to consummate a transaction in the future at pre-determined conditions agreed today. One of the main attractions of derivatives is the leverage they provide. With relatively little initial capital outlay, usually just a small percentage of the contract's value, buyers and sellers are able to participate in the price movement of the full contract. As a result, the leverage can lead to substantial returns on the original investment, although in certain circumstances it can also lead to substantial losses. The maximum potential loss to the buyer of a call or put option is the initial premium paid for the contract, regardless of the performance of the underlying asset. On the other hand, the seller of the option, in return for the premium received from the buyer, assumes the risk of the price movement of the underlying asset. The seller of an equity put option risks the difference between the strike price and zero dollars, the lowest possible market price upon exercise. The seller of an equity call option risks the difference between the strike price and the market price upon exercise, a theoretically infinite risk.

Derivatives are rarely used to actually buy or sell the underlying financial instrument or commodity but instead are generally used to achieve price certainty and manage risk. Markets for derivatives include interest rates, government and other securities, stocks, stock indexes, foreign exchange instruments and agricultural, energy and metal commodities. Notwithstanding the rapid growth and diversification of derivatives markets, their primary purpose remains the same, that is, to provide an efficient mechanism for the management of price risk.

Futures and options markets attract several kinds of market participants, including hedgers, who generally seek to minimize and manage price risk, speculators, who are willing to take on risk in the hope of making a profit, and other market participants, who generally utilize derivatives in connection with asset allocation and as a means to achieve greater diversification. More generally, the derivatives industry customer base includes professional traders, financial institutions, and institutional and individual investors, as well as major corporations, supranational entities and governments. The interaction of all these market participants provides active, liquid and competitive markets.

Methods of Trading

In the past, the dominant method of trading in standardized derivatives markets was open outcry, where members of an exchange (seat owners) were allowed to trade through their physical presence on the floor of the exchange. While this way of trading subsists on certain exchanges, today the dominant method of trade execution is via automated trading engines connected to authorized market participants located anywhere on the globe. This is notably the case of MX, which is an all-electronic exchange operating on its internally-developed trading platform called *SOLA*[®]. This platform enables participants to remotely access the MX markets.

Operating in parallel with exchanges is an OTC market, a term used to describe all trading activity that does not take place on a regulated exchange. According to the Bank for International Settlements, as at June 2006, the global notional value of outstanding derivative contracts on the OTC market exceeded US\$350 trillion, far surpassing the market for exchange-traded derivatives. In the OTC market, companies have in recent years begun to clear and settle their transactions through clearing houses in order to reduce their exposure to counterparty risk.

Derivatives contracts available for trading on regulated derivatives exchanges are standardized and therefore limited in number, while participants in the OTC market have the ability to trade negotiated, customized contracts. However, the OTC market, due to its bilateral nature, does not offer the same liquidity as the standardized multilateral market offered by exchanges.

Liquidity of Markets

Liquidity of markets is a key component to retaining current customers, attracting new customers and ensuring the success of a market. Liquidity provides the means to rapidly buy or sell a contract with minimal price disturbance. Liquidity is principally a function of the number of participants making a market or otherwise trading in the contract, and the size, or notional value, of the positions participants are willing to accommodate. As a result, the volume of contracts, or transactions executed on an exchange, is a widely recognized indicator of the liquidity on

the exchange. Volume is stated in round turn trades, which represent matched buy and sell orders. In addition, the total positions outstanding on an exchange, or open interest, is a widely-recognized indicator of the level of customer interest in a specific contract.

A neutral, transparent and relatively anonymous trading environment, as well as a reputation for market integrity, are critical to the establishment and maintenance of a liquid market. In addition, a successful exchange must provide cost-effective execution and have access to an advanced technology infrastructure that enables reliable and efficient trade execution as well as dependable clearing and settlement capabilities.

Clearing and Settlement

Transactions executed on futures and options exchanges are cleared and settled through a clearing house that acts as a central counterparty to the clearing member on each side of the transaction. When a future or option transaction has been matched on an electronic platform, the clearing house facilitates the consummation of the transaction by substituting itself as the counter-party to both the clearing member that is or represents the buyer and the clearing member that is or represents the seller. By interposing itself between the two transacting parties, a clearing house guarantees the contractual obligations of the transaction.

The services provided by a clearing house include transaction processing and position management, margin calls, market protection and risk management, settlement, collateral and delivery. The measures used to evaluate the strength and efficiency of a clearing house include the number of transactions that are processed per day, the amount of settlement payments that are handled per day and the amount of collateral deposits managed by the clearing house.

Many derivatives exchanges do not provide clearing services for trades conducted using their execution facilities, relying instead on third-party clearing houses. Ownership of a clearing house provides certain advantages, including ownership of the open interest, greater flexibility in the development of new products and shorter lead-time for the introduction of these products to the market, as well as the ability to capture the revenues associated with both trading and clearing and settlement.

The major clearing houses for futures and options include the LCH Clearnet, the Option Clearing Corporation (“OCC”), the CME Clearing House and Eurex Clearing AG. In the U.S., all equity option contracts are issued and cleared by OCC, a clearing corporation owned by the American Stock Exchange, the Chicago Board Options Exchange (“CBOE”), ISE, NYSE Arca and the Philadelphia Stock Exchange. We are the owner of CDCC, the only Canadian clearing house for financial derivatives.

The Canadian Exchange Industry

Five recognized exchanges operated in Canada in 1999. To reduce the fragmentation of the market’s liquidity, reduce costs for participants and enable Canadian marketplaces to compete in a more global environment, the Canadian exchange industry was restructured. This restructuring resulted in (i) our exchange becoming the only standardized financial derivatives exchange, by adding to our operations the derivatives markets of the Toronto Stock Exchange and the Toronto Futures Exchange; (ii) the Toronto Stock Exchange becoming the senior stock exchange, through the combination of our equity securities business with that of the Toronto Stock Exchange; and (iii) CDNX (now known as the TSX Venture Exchange) becoming the junior equity exchange through the combination of the operations of the Vancouver Stock Exchange, the Alberta Stock Exchange, and the junior listings from our markets. As part of this restructuring, we became the sole shareholder of CDCC. In the 1999 Agreement that effected this realignment of the Canadian markets, MX and the TSX Group reciprocally agreed not to compete in each other’s respective area of specialization for a period of 10 years. The 1999 Agreement expires in March 2009. On March 5, 2007, TSX Group and ISE announced their joint initiative to create a new Canadian securities derivatives exchange which would launch its operations in March 2009, upon the expiry of the 1999 Agreement.

The WCE is the derivatives marketplace for certain grain and oilseed contracts. Its trading, clearing and settlement operations have been outsourced to, respectively, the CBOT and the Kansas City Board of Trade.

TSX acquired CDNX in 2001 and, with our consent, NGX (a Calgary-based marketplace specialized in certain energy contracts) in 2003.

General Trends in the Industry

Globalization

In recent years, the world's financial markets, as well as the exchanges and marketplaces that serve them, have experienced an accelerating pace of globalization. The emphasis on greater geographic diversification of investments, investment opportunities in emerging markets and expanded cross-border commercial activities are leading to an increased level of cross-border trading and capital movements. In response to these trends, financial exchanges and brokerage firms are expanding international access to their services as well as consolidating and developing communications hubs around the world to facilitate global trading.

Increasingly Sophisticated Market Participants

Wealth creation associated with (i) the ageing of the global baby boom generation, (ii) a shift from passive to active investment strategies and (iii) an increasingly sophisticated investment community, is creating opportunities for the financial services industry to utilize more sophisticated risk management techniques, including derivatives. In particular, financial institutions, hedge funds, and proprietary trading firms have committed increasing amounts of capital to trading in futures and options.

In addition, increasing pressure from a variety of market participants to improve transparency and more effectively manage counter-party risks is causing a shift from OTC to exchange traded derivatives.

Growth in Electronic Trading

Innovations in technology have increased the speed of communications and the availability of information, and have enabled market participants to access and participate in the derivatives markets more easily and quickly and at lower cost. During the last decade, the use of automated trading has become increasingly prevalent, and offers a number of advantages:

- direct market, and remote access, including cross-border;
- ability to trade multiple products on multiple exchanges simultaneously;
- an anonymous trading environment;
- algorithmic trading;
- increasing prevalence of penny-trading;
- improved reliability, speed and quality of trade execution;
- significant reduction of direct and indirect costs;
- ease of direct integration with internal risk management systems;
- greater transparency for market participants and observers;
- extended trading hours; and
- improved regulatory oversight and ease of record-keeping, resulting in better market integrity over time.

There are no longer any significant derivatives exchanges that are not using electronic trading. On the few exchanges where open outcry co-exists with an electronic matching engine, the market share of the latter is increasing steadily.

Regulatory Modernization

Regulatory modernization and the opening of markets within the financial services industry in North America, Europe and Asia has increased customer access to products and markets, reduced regulatory barriers to product innovation and encouraged consolidation among intermediaries. Regulatory modernization initiatives such as the current review of the derivatives regulatory laws and regulations in Québec and Ontario, the U.S. Commodity

Futures Modernization Act of 2000 and the Market in Financial Instruments Directive implemented in the European Community this year, all generally aim to:

- create a regulatory framework better-adapted to derivatives exchanges, quasi-exchanges, clearing houses and financial institutions;
- foster competition between marketplaces;
- ease cross-border access and trading with greater regulatory harmonization; and
- ease the trading of new products, notably in simplifying and facilitating the regulatory review.

Consolidation

The automation wave has disrupted the close and special relationship which existed between the exchanges and their membership when the physical presence on a pit was the only way to trade and exchanges were governed by their members. This opened the door to demutualization, leading to the transformation of exchanges into for-profit enterprises and ultimately resulting in the public offering of shares of the exchanges. All the major derivatives exchanges are now public companies or part of public companies, including Eurex, Euronext, CME, CBOT, the New York Mercantile Exchange, Inc., ICE, ISE, the Australian Stock Exchange (“ASX”), and HKX. The transition from closely-held enterprises to public companies has facilitated the recent wave of consolidation of exchanges, which has aimed to leverage synergies, improve competitive positioning and achieve economies of scale.

Outside of North America, the initial wave of consolidation saw, in many cases, the local stock exchange merge with the local derivatives exchange. These national exchanges then began to regroup to form a more substantial marketplace; for instance, Euronext combined the exchange operations from France, Belgium, Netherlands, Portugal, as well as certain exchange operations from the U.K. The most recent wave of consolidation has seen a series of proposed mega-combinations, either between leading derivatives exchanges (such as CME and CBOT or ICE and CBOT) or between American and European exchanges (such as the New York Stock Exchange Inc. and Euronext).

OUR BUSINESS

Overview of MX

Since 2000, MX has been a cornerstone of the Canadian financial system, operating Canada’s only standardized financial derivatives exchange and owning and operating Canada’s only financial derivatives clearing house. We have two reporting segments, Exchange and Clearing House. Within our Exchange segment, our business is conducted through our Financial Markets business unit (which we refer to as “MX-FM”), our Information Technology Solutions business unit (which we refer to as “MX-ITS”), and our Regulatory Division. In 2006, our Exchange segment generated 83% of our revenues, and our Clearing House segment generated 17% of our revenues.

Our principal business activity, which is conducted through our MX-FM business unit, is providing a marketplace for buying and selling derivatives products. Our products provide a means for hedging, speculation and asset allocation relating to the risks associated with interest rate sensitive instruments, equity ownership, changes in the value of foreign currency and changes in the prices of commodities. Our customer base includes professional traders, financial institutions, institutional and individual investors, major corporations, supranational entities and governments. Through our MX-FM business unit, we also operate a Training Service, whose mission is to educate, inform and train individual investors, finance professionals and university students with respect to derivatives markets and the use of derivatives products, and we sell our market data, both in real time and on a delayed basis. In 2006, we generated 61% of our revenues through our MX-FM business unit.

MX-ITS has developed a state-of-the-art electronic exchange platform, called *SOLA*[®], currently in use as the electronic trading platform at MX and BOX. MX-ITS offers high-quality professional services and innovative software solutions for internal use and to third parties. MX-ITS is also currently developing a suite of products complementary to our proprietary *SOLA*[®] Trading platform, namely *SOLA*[®] Surveillance, a market surveillance

software, and *SOLA*[®] *Clearing*, a clearing software. Completion and delivery of these products is currently expected this year. In 2006, we generated 19% of our revenues through our MX-ITS business unit.

While our markets are regulated by Québec's *Autorité des marchés financiers* (which we refer to as the "AMF") and the other Canadian Securities Administrators, we are a self-regulatory organization ("SRO"). Our Regulatory Division, whose governance is independent of MX, is principally responsible for regulating our financial derivatives markets and our approved participants. In 2006, we generated 3% of our revenues through our Regulatory Division. Our Regulatory Division operates on a cost-recovery basis.

In our Clearing House segment, we offer central counterparty and clearing services through our wholly-owned subsidiary, CDCC. CDCC is the issuer of options traded on our markets and the clearing house and guarantor for options and futures contracts traded on our markets. In 2006, our Clearing House segment generated 17% of our revenues.

We own 31.4% of BOX, an automated equity options exchange in the U.S. and a facility of the BSE that we co-founded in 2002, and for whose technical operations and development we are responsible. We recently negotiated the purchase of an additional 13.3% interest in BOX from the BSE for US\$34.2 million. The completion of this acquisition would increase our interest in BOX to 44.7%. This acquisition is subject to the prior approval of the SEC as well as customary closing conditions. The formal filing of the regulatory approval application is currently expected to occur in the first half of 2007. There is no assurance that this acquisition will be approved by the SEC or that it will close.

In 2006, we and the CCX announced the creation of the MCeX, which aims to become the first regulated market in Canada for emissions-related and environment-related derivatives products. The launch of operations on MCeX is contingent upon the adoption in Canada of a legal and regulatory framework for application of environmental legislation such as the Clean Air Act, which was presented for first reading by the Canadian Federal Government on October 19, 2006. Based on information available as at the date hereof, we currently anticipate that trading on the MCeX may be launched in 2007, subject to regulatory approval.

Recent Developments

On March 13, 2007, together with NYMEX, we created the CAREX business venture for the trading and clearing of OTC (in the first phase) and on-exchange (in the second phase) futures and options contracts with financial or physical settlement relating to Canadian-based energy (including natural gas, heavy crude oil and power), metals and soft commodities.

CAREX is a Canadian corporation whose registered office is in Montréal, Québec and whose principal place of business will be in Calgary, Alberta. Pursuant to the CAREX shareholders' agreement, MX and NYMEX jointly control CAREX, although voting interests in CAREX are held 51% and 49%, respectively. MX and NYMEX will share CAREX's net earnings equally. In connection with the creation of the CAREX venture, on March 23, 2007 NYMEX purchased 3,097,718.334 newly-issued MX common shares (on a post-Stock Split basis), representing 10% of our outstanding share capital after giving effect to the issuance, at an all-cash price of \$29¹/₃ per share, for aggregate gross cash proceeds to MX of approximately \$90.9 million.

In connection with the NYMEX Investment, we also entered a shareholder's agreement and a pre-emptive rights agreement with NYMEX. Pursuant to the shareholders' agreement, NYMEX will have the right, for so long as it owns a number of MX common shares equal to at least 90% of its initial investment in our shares, to designate one person (reasonably acceptable to us) that we will be required to nominate for election to our Board of Directors. In addition, for so long as NYMEX owns a number of MX shares equal to between 50% and 90% of its initial investment in our shares, NYMEX will have the right to designate one person (reasonably acceptable to us) that we will be required to nominate for election to our Board of Directors, provided that the CAREX business venture remains operational. In the event that NYMEX's ownership level falls below 50% of the level represented by its initial investment in our shares, NYMEX will no longer have any right to so nominate a person for election to our Board of Directors. Pursuant to this shareholder's agreement, NYMEX has agreed not to transfer any of its MX shares prior to June 30, 2008. On March 13, 2007, Richard Schaeffer, Chairman of NYMEX's Board of Directors, was elected, as the NYMEX nominee, to our Board of Directors.

In addition, we have granted NYMEX a pre-emptive right pursuant to which NYMEX will, subject to (i) regulatory and stock exchange approvals, (ii) the MX voting share restrictions described under “Description of Our Share Capital — Share Ownership Restrictions” elsewhere in this prospectus and (iii) certain other terms and conditions, have the right to maintain its pro-rata holding of MX shares on any issuance of MX shares.

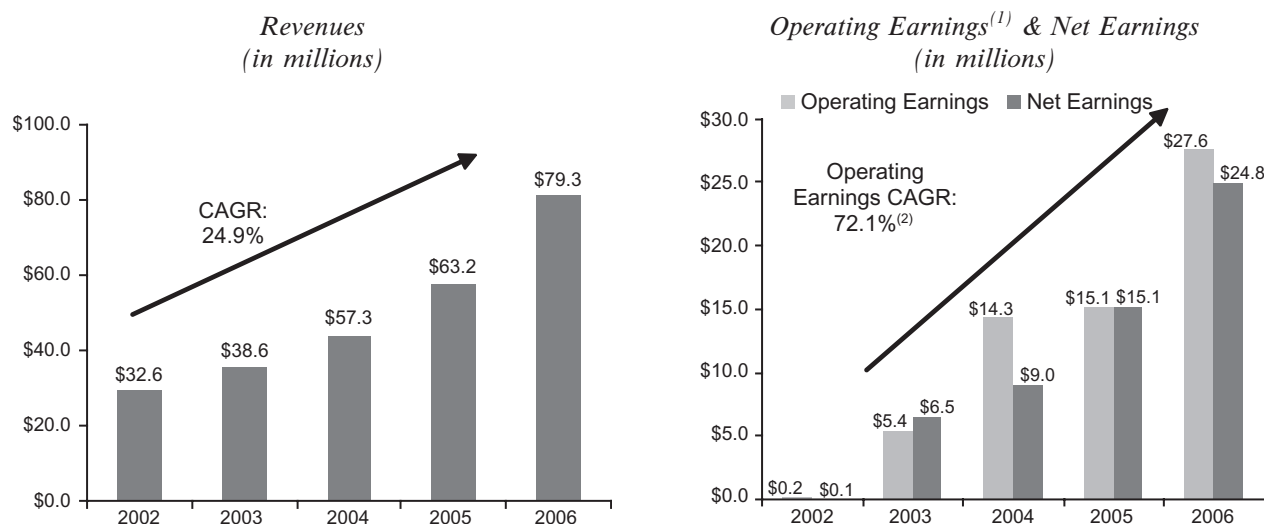
Citigroup acted as our financial advisor in connection with the NYMEX Investment and delivered an opinion to our Board of Directors, dated February 13, 2007, that as of that date, and based upon the assumptions, limitations and considerations set forth in the opinion, the then-expected \$90,670,800 to be paid by NYMEX for the NYMEX Investment was fair, from a financial point of view, to MX. Citigroup’s opinion was provided solely for the information of our Board of Directors in its evaluation of the NYMEX Investment and was limited solely to the fairness of the consideration to be received by MX in the NYMEX Investment from a financial point of view as of the date of the opinion. Neither Citigroup’s opinion, nor its related work, constituted a recommendation of the CAREX business venture or the NYMEX Investment to our Board of Directors and Citigroup expressed no opinion with respect to the terms of the CAREX business venture or the use of the proceeds of the NYMEX Investment.

In addition to general corporate purposes, MX intends to use the proceeds of the NYMEX Investment to fund a special dividend of \$0.33¹/₃ per common share (\$1.00 per common share pre-Stock Split) declared by our Board of Directors on March 12, 2007, payable on April 12, 2007 to shareholders of record at the close of business on March 22, 2007 (the date immediately preceding the closing of the NYMEX Investment), and to fund a portion of our normal course issuer bid that we announced on the date hereof and that we currently intend to launch upon our stock exchange listing. For more information regarding our normal course issuer bid, see “Description of Our Share Capital — Normal Course Issuer Bid” elsewhere in this prospectus.

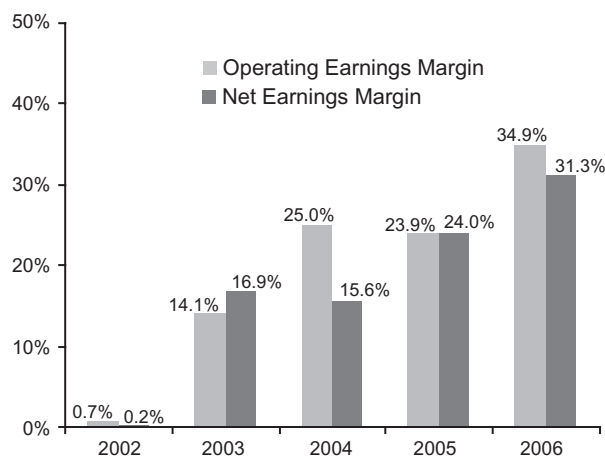
Historical Financial Growth

We have experienced a significant increase in the trading volume on our markets in recent years. In 2006, 40.5 million contracts were traded on our markets, compared to 14.7 million contracts in 2002, representing a CAGR of 29.0% over that period. In addition, our year-over-year growth rate in annual trading volume has been accelerating. In 2006, we experienced record annual trading volume growth of 41.3% compared to 31.5% in 2005 and 23.4% in 2004.

This volume increase has translated into growth in our revenues and profitability. In the period from 2002 through 2006, our revenues increased at a CAGR of 24.9%, from \$32.6 million in 2002 to \$79.3 million in 2006. Through rigorous cost control and a scalable business model, our net earnings in the period from 2002 through 2006 increased from \$0.1 million to \$24.8 million, and our operating earnings increased from \$0.2 million to \$27.6 million over the same period. In 2006, our operating earnings margin reached 34.9% and our net earnings margin was 31.3%.



*Operating Earnings⁽¹⁾ & Net Earnings
Margins (%)*



-
- (1) We define operating earnings as earnings before investment income, other items and income taxes. Although operating earnings is typically understood to be a non-GAAP performance measure, in our case operating earnings is equivalent to the line item “earnings before investment income, other items and income taxes” in our audited consolidated financial statements presented under Canadian GAAP and included elsewhere in this prospectus. Other companies may calculate operating earnings differently, limiting its usefulness as a comparative measure.
- (2) CAGR for the period from 2003 through 2006.

Much of our recent capital spending has been on information technology development, culminating in the deployment of our SOLA[®] electronic trading platform in the fourth quarter of 2005. We believe that we have an electronic trading platform from which we will be able to scale without significant further investment in the near term. The implementation of this technology platform should provide us with a solid base from which we may continue our efforts to expand our margins and profitability.

Competitive Strengths

Our history, experience and current position provide us several distinct competitive advantages:

An integrated business model. We are one of the few exchanges globally that owns its clearing house and has full control of its technology. The advantages that we enjoy in operating an integrated exchange include:

- *Operating synergies:* full control over the three key functions of an exchange: trading, clearing and technology, allows us to optimize our decision-making process and control the financial impact that one function has on another;
- *Decisional autonomy and responsiveness:* we are not dependent on outside partners for developing the range of products and services we offer or improving the technology of our trading platform; and
- *Centralized relations with market participants:* we benefit from centralized relations with the participants in our markets, the largest of whom are involved in both trading and clearing.

Established, liquid, and unique derivatives products. We have experienced accelerating growth in the volumes traded on our markets over the past five years, with year-over-year growth rates of 23.4% in 2004, 31.5% in 2005 and 41.3% in 2006. We have been successful in establishing liquidity in our flagship contracts, which we believe creates a natural barrier to entry to potential competitors. Since the creation of financial derivatives in the 1970s, there has not been a case of a well-established derivatives market, whose contracts were associated with adequate liquidity and which had the appropriate technology, that has lost its franchise to another, even if there have been attempts in that direction. We are also Canada’s only standardized financial derivatives exchange. Pursuant to the 1999

agreement MX and the TSX Group reciprocally agreed not to compete in each other's respective area of specialization for a period of 10 years, ending in March 2009.

SOLA®: A state-of-the-art technology. We have invested significantly to develop our own electronic market platform, *SOLA®*. Our proprietary electronic trading platform, *SOLA® Trading*, provides us with a fast, reliable and fully-integrated trading system which we currently expect to complement with our proprietary clearing platform, *SOLA® Clearing*, and our proprietary market surveillance software, *SOLA® Surveillance*, later this year. The *SOLA®* scalable platform enables us to introduce new products and experience significant volume growth with limited incremental costs. In addition, our platform can accommodate penny-trading as well as cash equities trading. Our platform is connected to the 30 major ISVs, which are specialized firms whose value-added software provides exchanges with the ability to connect with approved participants worldwide. In addition, our new trading platform has been adopted by BOX and is being considered by four Chinese exchanges.

Ownership of the only Canadian financial derivatives clearing house, CDCC. We own CDCC, the only financial derivatives clearing house in Canada. CDCC guarantees, clears and settles every contract traded on our market. CDCC enjoys a solid reputation with its members, supported by its AA rating from Standard & Poor's, and has not had a default since its creation. In 2006, CDCC processed an average of approximately 8,600 transactions per day for a value of approximately \$74.0 billion. CDCC has substantial excess capacity to support future growth in our trading and clearing volume with limited additional investment. In October 2006, we introduced clearing services for OTC transactions, which we believe could lead to additional volume for CDCC. In addition, the ownership of CDCC enables us to bring new derivatives products to market with shorter lead-time through the coordination of our clearing house with product development, technology and market regulation.

International Client Base. Globalization of financial markets is expanding the customer base for derivative products beyond national boundaries. We believe globalization provides us with additional growth opportunities and, as such, have been marketing our products and services internationally. We have obtained either exemptions, authorizations or full recognition to operate screens with remote access to our platform in the United States, the United Kingdom and France. We are currently taking steps to extend such facilities to other countries. As at February 28, 2007, we had 64 platform-connected approved participants, of which 22 were connected from outside Canada. Open-interest held by foreign participants in our flagship contracts, BAX, CGB and SXF, were approximately 41%, 47%, and 25%, respectively, as at December 31, 2006, according to management estimates.

Diversified activity portfolio. We have created a diversified business model to minimize risks associated with a decrease in market volatility, competition, or adverse effects of national or global events. MX derives revenues from derivatives trading, clearing and settlement, sale of market data, *SOLA®* licencing agreements as well as through our alliances, such as BOX, CAREX and MCEX. We believe that this diversified business model provides us with greater earnings stability.

Expansion of operating margins. We believe our operations are lean, efficient and scalable. In addition, our cost base is largely fixed, which provides MX substantial operating leverage to benefit from growth in transaction volumes. In the period from 2002 through 2006, we have increased our revenues from \$32.6 million in 2002 to \$79.3 million in 2006, representing a CAGR of 24.9%, while limiting our total expense growth from \$32.4 million in 2002 to \$51.6 million in 2006, or a CAGR of 12%. This resulted in the expansion of our operating margins, from 0.7% in 2002 to 34.9% in 2006. Given the investments that have been made in infrastructure and operations, a significant increase in trading activity in the short term would result in only marginal additional expenses.

An experienced and highly motivated management team and employee base. Our executive management team is comprised of 14 seasoned professionals, with an average of 20 years experience in the financial services sector. Our management team has overseen several significant developments affecting the MX including our transformation into a pure-play financial derivatives exchange, our demutualization, the development and implementation of *SOLA®* and our strategic investment in BOX. We have taken steps to encourage share ownership by our employees, and, as of the date of this prospectus, approximately 65% of our employees are shareholders of MX. We believe that the proven strength of our team will continue to provide us with a competitive advantage in executing our business strategies. As at the date of this prospectus, our Directors, executive officers and employees, collectively, hold approximately 14.9% of our common shares.

Growth Strategies

We believe that current industry trends offer significant opportunities to expand our trading volume, revenues and operating earnings. We intend to capitalize on these trends through the implementation of the following growth strategies.

Expand Our Current Market Business.

We intend to continue the development of our current business by increasing the number of customers trading on our markets and the number of products and services offered by our business units.

- Add new approved participants in Canada and in foreign countries where we already have regulatory exemptions, authorizations or recognition (U.S., U.K., and France) and obtain similar authorizations or exemptions in other countries;
- Expand our client base beyond the traditional clientele to firms trading as principals and hedge funds and promote our advantageous fee programs for liquidity providers;
- Complete the currently listed product lines, particularly the Canadian interest rate yield curve product line, and list new Canadian-based products as client needs evolve;
- Continue ongoing market structure improvements: order types, matching algorithms, market model, contract features and liquidity development strategies;
- Use the surplus capacity and performance capabilities of the *SOLA*[®] *Trading* platform to respond to the needs of the most sophisticated participants in the MX markets (for instance, smart execution systems);
- Develop and improve sales of market data services by identifying potential client bases and refining our targeting and packaging of services for various clients; and
- Increase Canadian investors' awareness to benefits of derivatives in portfolio strategies through:
 - the promotion of financial institution awareness of the benefits of derivatives in portfolio strategies;
 - efforts to increase the number of derivatives-licensed brokers in Canada through a proposal to modify the basic securities course to include options and futures training;
 - online education and web seminars directed at customers interested in trading derivative instruments; and
 - investor education, marketing programs and selective product innovation for the retail and small business market.

Maintain and Continue to Develop Market-Leading Technologies.

We intend to maintain our position as a market leader in the successful development, testing and implementation of trading platform technologies, providing state-of-the-art execution capabilities for clients of our markets as well as other exchanges seeking licencing agreements.

- Complete the development of the *SOLA*[®] suite of products, with the completion and delivery of the *SOLA*[®] *Surveillance* and *SOLA*[®] *Clearing* components, which are currently expected in 2007;
- Continue to make regular investments to keep the *SOLA*[®] suite at the leading edge of market solutions;
- Sell licences for use of the *SOLA*[®] software to other markets or quasi-markets, clearing houses, regulators or self-regulatory organizations worldwide, including those organizations with whom we have currently entered into memoranda of understanding;
- Provide our customers with professional services to operate their IT platforms using our *SOLA*[®] products; and
- Provide other market-related technology solutions to financial market players.

Provide Clearing Services to Third Parties.

We intend to leverage our capacity, scalable technology and business processes to provide a broad range of clearing and settlement services to OTC markets as well as exchanges and other clearing organisations.

- Develop services for the clearing of OTC contracts, in particular with respect to capital markets, and commodities including energy;
- Build upon CDCC's status as the only clearing house for financial derivatives products in Canada by leveraging its platform capacity and providing clearing services to other markets and quasi-markets that may establish themselves in Canada; and
- Develop clearing services and systems for the markets to be served by MCeX.

Expand and Enhance Our Alliances' Operations and Take Advantage of New Strategic Opportunities.

We have been aggressively expanding our business to new markets and new products through our alliance with BOX and through CAREX, our recently-created venture with NYMEX, which is described above under “— Overview of MX — Recent Developments”. We will continue to seek to enhance our operations through our existing alliances, as well as select new alliances, partnerships and acquisitions.

- We will support BOX as it seeks to
 - Increase the number of products offered and the number and type of participants and market makers;
 - Take advantage of the transition to penny-trading in the U.S. equity options market to gain market share using BOX's ability, through its use of SOLA[®], to respond to the additional technical capacity requirements introduced by this new context;
 - Promote the PIP system and the UPIP, highlighting the advantages the system has over the opaque PFOF system (see “Our Segments and Activities — BOX” elsewhere in this prospectus for more information);
- Through CAREX, we aim to develop our venture with NYMEX for the trading and clearing of OTC and on-exchange futures and options contracts with financial or physical settlement relating to Canadian-based energy (including natural gas, heavy crude oil and power), metals and soft commodities;
- We will support MCeX, which aims to become the first regulated market in Canada for emissions-related and environment-related derivatives products; and
- In addition, we plan to supplement our current growth through the formation of alliances or through select acquisitions. Such alliances and acquisitions are only likely to be considered where the activities concerned are complementary to our activities, and where we are of the opinion that our expertise and know-how will allow us to distinguish ourselves positively in the activities undertaken.

Our Segments and Activities

We have two reporting segments, Exchange and Clearing House. Within our Exchange segment, our principal business activities are conducted through our Financial Markets business unit (which we refer to as “MX-FM”), which includes our financial markets activities as well as activities related to our training service and the sale of market data, our Information Technology Solutions business unit (which we refer to as “MX-ITS”), which includes our activities relating to the development and servicing of software and technological products for MX, CDCC and external customers, and our Regulatory Division. In 2006, our Exchange segment generated 83% of our revenues.

In our Clearing House segment, we offer central counterparty, clearing and settlement services through our wholly-owned subsidiary, CDCC. CDCC is the issuer of options traded on our markets and the clearing house and guarantor for options and futures contracts traded on our markets. In 2006, our Clearing House segment generated 17% of our revenues.

Exchange

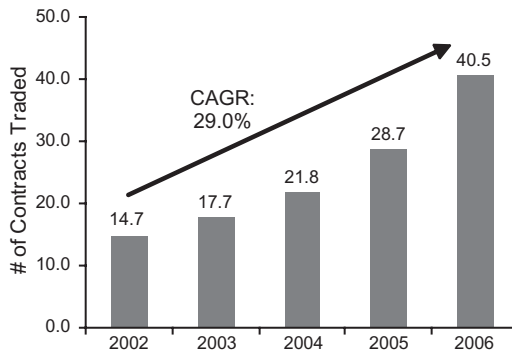
MX-FM

Products

As the only standardized financial derivatives exchange in Canada, we list the standardized financial derivatives that are found on the world’s principal derivatives markets, adapted to the Canadian context. Currently, the most important of these products are the *Three-Month Canadian Bankers’ Acceptance Futures contract*, or “BAX,” the *Ten-Year Government of Canada Bond Futures contract*, or “CGB,” and the *S&P Canada 60 Index Futures contract*, or “SXF.”

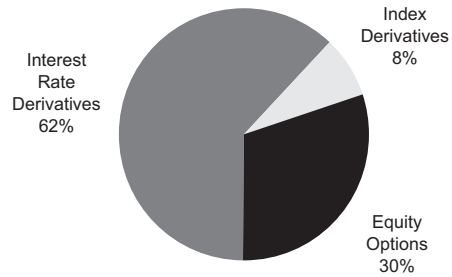
In the period from 2002 through 2006, MX-FM’s trading volume, based on aggregate annual volume of contracts traded on our markets, has experienced a CAGR of approximately 29%, with the year-over-year growth rate accelerating each year in that period, with the strongest growth seen in 2006 and 2005. In 2006, MX-FM’s aggregate trading volume grew by over 41% compared to 2005. On average, over 161,000 financial derivatives contracts were traded on our markets daily in 2006, for a daily nominal value of approximately \$74.0 billion. The following graphs, chart and tables illustrate trading volumes across the different categories of products traded on our markets over the last five years, as well as a chart showing a breakdown of volume traded by product on our markets in 2006.

MX Annual Volume — # of Contracts (in millions)



Year-over-year growth 15.1% 20.6% 23.4% 31.5% 41.3%

2006 Volume Breakdown by Product



	Annual Volumes (# of Contracts)					CAGR
	2006	2005	2004	2003	2002	2002-2006
Interest Rate Derivatives	25,087,481	16,359,599	11,256,518	9,327,368	6,661,280	39%
Index Derivatives	3,156,633	2,286,301	1,949,140	1,729,121	1,744,016	16%
Equity Options	12,265,461	10,032,227	8,609,470	6,626,510	6,252,477	18%
Currency Options	31,262	7,264	N/A	N/A	N/A	330%
Total	40,540,837	28,685,391	21,815,128	17,682,999	14,657,773	29%

	Average Daily Volumes ⁽¹⁾					CAGR
	2006	2005	2004	2003	2002	2002-2006
Interest Rate						
Derivatives	100,350	65,438	44,669	37,161	26,539	39%
Index Derivatives	12,576	9,109	7,704	6,862	6,921	16%
Equity Options	48,866	39,969	34,029	26,295	24,811	18%
Currency Options	125	108	N/A	N/A	N/A	16%
Total	161,517	114,284	86,226	70,171	58,166	29%

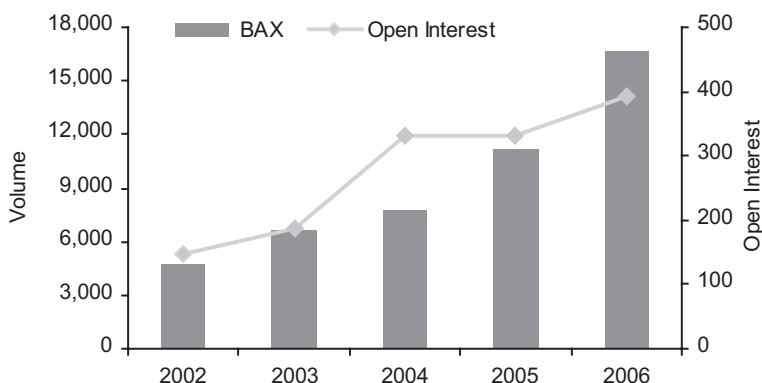
(1) Average daily volume (“ADV”) per product statistics are calculated as the total traded contracts per product divided by the number of trading days for each product and may include rounding differences. Total ADV is calculated as the total traded contracts divided by the overall number of trading days in the given year.

Interest Rate Futures

Recent growth in our trading volume is largely attributable to growth in trading volume of our interest rate derivatives, which represented 62% of our overall trading volume in 2006. Interest rate products primarily consist of the BAX and CGB contracts.

MX-FM’s flagship contract is the BAX. With a nominal value of \$1,000,000, the average daily volume of the BAX in 2006 exceeded 66,800 contracts, for a total annual volume of 16,702,302 contracts in 2006. Based on 2006 data, the BAX is the sixth largest short-term interest rate derivative in the global markets by volume, behind the CME’s Eurodollar contract, Euronext’s Euribor and Short Sterling contract, TFX’s Euroyen contract, and the ASX’s Bank Bills contract. The BAX has experienced trading volume growth at a CAGR of 37% in the period from 2002 through 2006, and in 2006 was one of the fastest growing short-term interest rate derivatives in the global markets by volume. As at December 31, 2006, the open interest in BAX was almost 400,000 contracts, and, at that date, our management estimates that this open interest was held by Canadian (59%), U.S. (25%) and European (16%) participants. The following graph shows the volume and open interest growth of the BAX contract over the past five years.

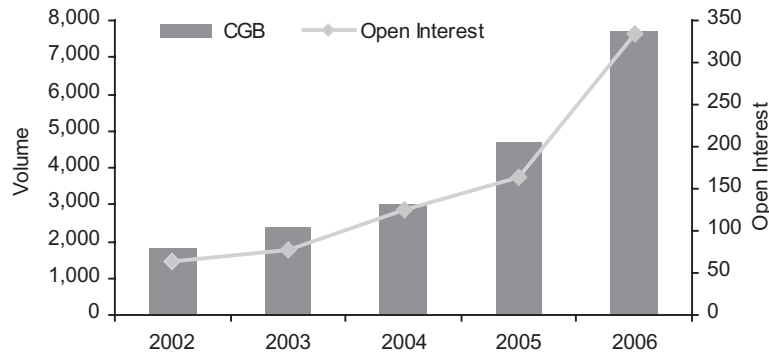
*BAX annual volume and open interest, 2002 through 2006
(in thousands)*



Our other principal product is the CGB. In 2006, the average daily volume of the CGB, the nominal value of which is \$100,000, exceeded 30,000 contracts, for a total annual volume of 7,691,797 contracts, thereby making the CGB the sixth largest long-term interest rate derivative in the global markets, behind Eurex’s Eurobond, CBOT’s Ten-Year T-Note, Euronext’s Long Gilt, ASX’s Ten-Year T-Bond and TFX’s Ten-Year JGB. The CGB has experienced trading volume growth at a CAGR of 44% in the period from 2002 through 2006, and with a 2006 volume increase of 64% compared to 2005, the CGB had the fastest growth of this class of long-term interest rate derivatives. As at December 31, 2006, the open interest in CGBs was over 335,000 contracts, and, at that date, our

management estimates that this open interest was held by Canadian (53%), U.S. (35%), European (10%) and Other (2%) participants. The following graph shows the volume and open interest growth of the CGB contract over the past five years.

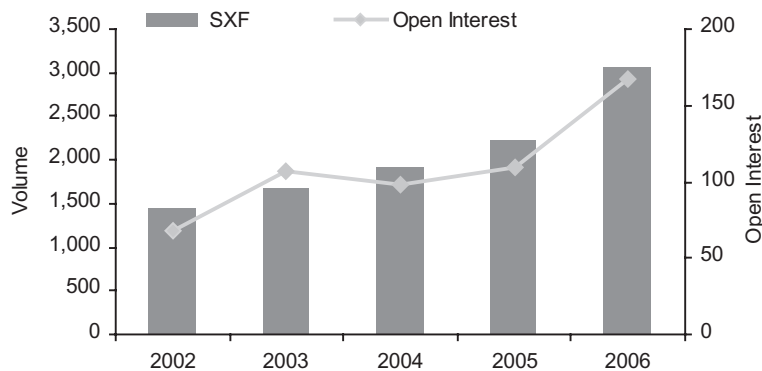
*CGB annual volume and open interest, 2002 through 2006
(in thousands)*



Index Derivatives and Equity Options

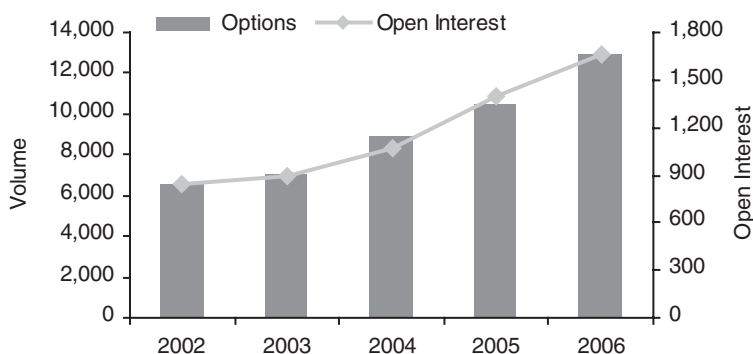
Trading in index derivatives and equity options represented 38% of the total volume traded on our markets in 2006. Our leading index product is SXF, the S&P Canada 60 Index Futures contract. We offer this product under licence from Standard & Poor's. The SXF has experienced trading volume growth at a CAGR of 21% in the period from 2002 through 2006. In 2006, the average daily volume of the SXF exceeded 12,000 contracts, an increase of more than 37% compared to 2005, for a total annual volume of 3,064,695. By volume, the SXF ranks as the 14th largest index future in the global markets. As at December 31, 2006, the SXF open interest exceeded 166,000 contracts, representing a 50% increase compared to December 31, 2005, and, at that date, our management estimates that this open interest was held by Canadian (75%), U.S. (16%) and European (9%) participants. The following graph shows the volume and open interest growth of the SXF contract over the past five years.

*SXF annual volume and open interest, 2002 through 2006
(in thousands)*



Another of our principal product lines consists of 120 classes of options on (i) equities, (ii) sector indices and (iii) designated fund units. In 2006, the average daily volume for these contracts was almost 49,000, for a total annual volume of 12,265,461 contracts, ranking 14th in the world by volume for this class of instrument. As at December 31, 2006, the open interest was approximately 1.6 million contracts.

*Annual volume and open interest,
for equity and index option classes, 2002 through 2006
(in thousands)*



Customers and Distribution

Our customers are both Canadian and foreign and consist primarily of financial institutions, professional traders, industrial and commercial firms, and more generally, institutional and individual investors. The financial institutions, which comprise the majority of our clientele, include public and private pension funds, mutual funds, hedge funds and other types of managed funds, insurance companies, banks and professional market traders who trade as principals.

MX has obtained exemptions, authorizations or recognition from certain foreign regulators allowing approved participants remote access to our trading platform. We currently have such regulatory exemptions, authorizations or recognition in the U.S., the U.K. and France, and we are taking steps to obtain similar authorizations or exemptions in other countries.

Our ultimate customers do not access the market directly, but through brokers that are our approved participants. MX-FM's direct clientele consists of these brokers. As at February 28, 2007, MX-FM had 91 approved participants, of which 64 were platform-connected approved participants, and which may be broken down as follows:

- 42 platform-connected approved participants connected in Canada;
- 17 platform-connected approved participants connected from the United States; and
- 5 platform-connected approved participants connected from London.

These platform-connected approved participants include:

- 16 of the 20 largest (by trading volume) futures commission merchants and broker-dealers who deal in derivatives products, according to the Futures Magazine 2006 annual ranking; and
- 6 of the 10 largest firms (by trading volume) trading as principals, based on management estimates.

Our SOLA® platform is connected to 30 of the principal global ISVs, which provide market participants around the world front-end and communication solutions allowing such participants to have remote access to our exchange upon becoming approved participants.

Options markets provide quotes on a very large number of derivatives: often more than one hundred for one class of option on a single equity security (put/call options for many combinations of strike prices and expiry dates). For this reason, options markets use market makers, which are specialized firms that maintain the market by providing constantly adjusted bid and ask prices on all quoted derivatives. MX-FM's equity options markets has seven approved active market making firms, including two foreign firms, one of which is U.S.-based and the other European.

Fees and Pricing Programs

For the year ended December 31, 2006, we derived \$36.4 million, or 46% of our revenues, from fees associated with trading our products. These fees include per contract charges for trade execution. Fees are charged at various rates based on the product traded and the exchange trading privileges of the ultimate customer of the trade. We also charge clearing fees for each transaction, as discussed further under “ — CDCC” below. Certain of our customers benefit from volume discounts and limits on fees as part of our effort to encourage increased liquidity in our markets.

Competition

While MX is the only standardized financial derivatives exchange in Canada, its various component activities are exposed, in varying degrees, to competition. We compete by offering market participants a state-of-the-art electronic trading platform, an efficient, cost-effective and liquid marketplace for trade execution, transparent market and quotation data and excellent product design. Additionally, we are continually enhancing our product offering and providing additional efficiencies to our customers. We are committed to improving the technology, services, market integrity and liquidity of our markets. In addition to competition from foreign derivatives exchanges that offer comparable derivatives products, we may in the future also face competition from Canadian exchanges that may consider listing copies of our products.

In regards to the Canadian exchange market, neither the laws of Canada nor the rules of the regulatory authorities prevent the creation of another standardized financial derivatives exchange and/or another clearing house in Canada. In their recent preparations to amend the regulatory framework applicable to these markets, the Québec and Ontario regulators specifically expressed an intention to redefine the conditions that would apply to market competitors, including clearing houses, with the objective of clarifying and harmonizing the regulatory framework applicable to trading and clearing of derivatives. The 1999 Agreement with the TSX Group expires in March 2009, and TSX has publicly declared its intention to enter the financial derivatives sector. On March 5, 2007, TSX Group and ISE announced their joint initiative to create a new Canadian securities derivatives exchange which would launch its operations in March 2009, upon the expiry of the 1999 Agreement. We may, upon the termination of the 1999 Agreement, consider entering the Canadian cash equities market.

In the future, should any entrant or other entity offer competing products or enter the standardized financial derivatives exchange sector, we would engage this competition in the same manner as we currently face competition globally. We would also be prepared to propose to TSX Group, or any other potential market entrant, that CDCC act as clearing house for products offered for trading by such competitor.

Futures Market

Currently, the futures products that we offer are not available on any other exchange anywhere in the world. However, nothing prevents competing exchanges from offering products similar to ours; for instance, the CME introduced a product designed to compete with the BAX in 1998, and the CBOT introduced a product designed to compete with the CGB a few years earlier. Both products were unsuccessful in attracting liquidity and were discontinued shortly after launch.

While there may not be direct competition at this time, the futures we offer are nevertheless exposed to very serious competition inasmuch as their characteristics are comparable to futures of the same type traded elsewhere. The main difference resides in the fact that the basis of our products (interest rate yield curve, equities list) is Canadian. As a result, MX-FM has competitors in the CME, CBOT, Eurex, Euronext and others.

Equity Options Market

Competition in the equity options market is direct and active, as approximately half of the options that we offer are also listed on various U.S. options markets, reflecting the inter-listing of many Canadian equities on U.S. exchanges. The liquidity in such inter-listed Canadian equities is split between the U.S. and Canada due to the larger customer base and capital pool in the U.S. In 2006, our share of options on Canadian inter-listed equities averaged 16%, ranking third after the ISE and the CBOE, and BOX averaged 4% of this market.

MX-Training

In order to increase investors' and other market players' familiarity with our products, we offer training programs through our Training Service (formerly known as the Derivatives Institute) to complement our commercial activities. Our Training Service has developed and offers 55 courses and seminars that are available on-line and which also form the basis of our cooperation with certain universities, with the aim of offering specialized advanced training with respect to the use of derivative instruments.

Market Data

Our markets generate valuable information regarding prices and trading activity in our products. The market data we supply is central to trading activity in our products and to trading activity in related cash and OTC derivatives markets. We sell our market data, which includes information regarding bid and ask quotes, trading volumes of the various derivatives that we list, and the prices and volumes of completed trades. We generally sell our market data services to resellers, who in turn resell market data subscriptions to banks, broker-dealers, pension funds, investment companies, mutual funds, insurance companies, individual investors and other financial services companies or organizations that use our markets or monitor general economic conditions. We also distribute our market data directly to our platform-connected approved participants as part of their access to our markets through our electronic facilities. At December 31, 2006, our market data was sold to 53 resellers and displayed on over 26,300 screens. In 2006, market data revenues totalled \$10.6 million, or 13% of our revenues.

We continue to enhance our current market data and information product offerings by packaging the basic data we have traditionally offered with more elaborate and complete information.

MX-ITS

Products and Services

Our MX-ITS business unit consists of 110 professionals working in the area of software development and the operation of high-performance trading systems. MX-ITS's mission is to use its market and information systems expertise to provide MX and other market participants with a state-of-the-art platform and related software and services. MX-ITS has a single operating team so that its clients benefit from maximum economies of scale, and dedicated development teams for each of its clients to ensure quality service tailored to their specific priorities. MX-ITS complies with best practices in information technology service management, in particular by following the Information Technology Infrastructure Library process-based standard. Internal and external audits are conducted regularly each year at the request of regulators (principally the AMF and, with respect to the BOX trading platform, the SEC) and the management of MX.

Initially, MX-ITS operated and developed information technology solutions for in-house use by MX-FM, CDCC and our Regulatory Division, as well as the rest of the business. In 2002, MX-ITS also began to serve BOX and BOX-R, and today MX-ITS is seeking to commercialize our SOLA[®] platform and related suite of products and services to other parties. In 2006, revenues from our MX-ITS activities totalled \$15.3 million, or 19%, of our revenues, all of which was generated by BOX and BOX-R.

The SOLA[®] product line is a suite of software products tailored to the needs of electronic exchanges which includes SOLA[®] *Trading*. We currently expect to complete and make available for implementation SOLA[®] *Surveillance*, a market surveillance software, in 2007 and SOLA[®] *Clearing*, a clearing software, in 2008. The SOLA[®] product line is the first of a new generation of market systems based on optimized software rather than on intensive and costly use of hardware, facilitating scalability at lower cost than hardware-centric systems.

SOLA[®] *Trading* is a state-of-the-art trading platform which was developed and implemented at MX in 2005 and whose principal advantages include the capacity to process all types of financial products including equities, bonds, commodities, futures and options, and the scalability to handle combined equity and derivative trading volumes similar to that processed by the largest exchanges in the world. In addition, SOLA[®] *Trading* was specifically designed with the capacity for penny-trading, and it has permitted BOX to smoothly transition to penny-trading, as described further below. We currently intend to implement penny-trading on certain products at MX in the near future.

With the introduction of *SOLA*[®] *Trading*, the average response time for an order on our markets was reduced to 1 millisecond from 100 milliseconds (the response time of our previous system) and our trading platform's capacity increased to 200,000 price updates/second/CPU from 1,500 price updates/second/CPU under our prior platform.

The *SOLA*[®] *Trading* platform was implemented at BOX in October 2006 on-time and on-budget. *SOLA*[®] *Trading* was designed for the technically-demanding transition to penny-trading, and, in January 2007, BOX transitioned smoothly to penny-trading in the context of the SEC's pilot program for penny-trading on 13 option classes. *SOLA*[®] *Trading* has also provided other benefits to BOX, including the ability to list new option classes and to increase market makers' technical transaction capacity. Management believes that BOX, with its *SOLA*[®] *Trading* platform, is currently one of the most technically advanced exchanges in the U.S.

The MX-ITS team operates and services the *SOLA*[®] *Trading* platform for both MX and BOX, providing high-speed remote platform connection to market participants in North America and Europe, with concentration points in New York, Chicago, San Francisco, Toronto, Montréal and London.

Since autumn 2005, the software solutions and operations and development services of MX-ITS have been marketed with a view to enlarging the business unit's customer base. We are in discussions with potential clients in North America, Europe and Asia regarding the licencing of *SOLA*[®] products and services. In fall 2006, Memoranda of Understanding (MOUs) were signed by MX and four Chinese exchanges (Shenzhen Stock Exchange; Dalian Commodity Exchange; Zhengzhou Commodity Exchange; and Shanghai Stock Exchange) that may develop their options markets using the *SOLA*[®] *Trading* platform. In connection with BOX's adoption of the *SOLA*[®] platform, we agreed, subject to certain terms and conditions, not to sell or licence the *SOLA*[®] platform and certain related products and services to any other U.S. options exchange.

Customers

MX-ITS's current external clients are BOX, BOX-R and certain market participants that use a few minor applications marketed by MX-ITS in conjunction with trading activities. MX-ITS's prospective clientele comprises exchanges, quasi-exchanges, clearing houses, regulators, brokers and entities delivering financial marketplace services.

Competition

The sector targeted by MX-ITS is a highly competitive market. The Swedish firm OM Technologies and the Anglo-French group AtosEuronext Market Solutions tend to dominate the market. Additionally, certain exchanges or clearing houses have chosen to develop their own platforms, as we have done. The opportunities for penetration of this market by MX-ITS hinge on the qualities that our *SOLA*[®] product line offers, including choice of architecture, optimized software design and its compatibility with standard, less expensive hardware. Nevertheless, in order for our products to maintain their competitive advantage, MX-ITS will have to continually improve our product line.

Regulatory Division

We are a SRO that has a major stake in maintaining the transparency, credibility and integrity of the exchange-traded derivatives market in Canada. Our Regulatory Division is independent from our other operations and is under the sole internal oversight of our Special Committee — Regulatory Division, which is fully independent of MX and its management. The objective of creating the Regulatory Division was to ensure neutrality and impartiality when the Regulatory Division applies the rules that govern our markets and the relationships between MX and its market participants. Our Regulatory Division operates on a cost-recovery/not-for-profit basis.

Our Regulatory Division engages in extensive regulatory compliance activities, including market surveillance and supervision of approved participants' trading activities and enforcement of our market Rules and Policies and applicable securities laws. These regulatory activities are designed to ensure market integrity and provide financial safeguards for users of our markets. We therefore play a critical role in the Canadian derivatives industry through these activities that are carried on by our Regulatory Division. See "Regulatory Matters — Our Regulatory Division" for a discussion of our regulatory activities.

Clearing House

We own our clearing house, CDCC, which is the only financial derivatives clearing house in Canada. CDCC is rated AA by Standard & Poor's. CDCC is the issuer of the options traded on our markets and it also clears, settles and guarantees every contract traded through our exchange. Our systems are scalable and give us the ability to increase our capacity with little lead time. As of December 31, 2006, the nominal value of the open interest held by CDCC was approximately \$540.0 billion. As of December 31, 2006, the performance collateral in our clearing fund amounted to approximately \$250.0 million.

We believe our performance guarantee is a major attraction of our markets, particularly compared to OTC markets, because it substantially reduces counterparty risk. Our clearing system permits more efficient use of capital for our customers by allowing netting of long and short positions in a single type of contract. In addition, the ownership of our clearing house enables us to bring new derivatives products to market with shorter lead-time through the coordination of our clearing house with the product development, technology, market regulation, and risk management functions.

Customers

CDCC has 31 clearing members, all of which are Canadian financial institutions that meet the regulatory requirements for minimum capital. Customers who are not clearing members of CDCC are required to clear through a Canadian clearing member.

Fees

For the year ended December 31, 2006, we derived \$13.2 million, or 17% of our revenues, from fees and certain participant revenues associated with the clearing and settlement of our products. These fees include per contract charges for clearing. Fees are charged at various rates based on the type of customer or member. Our clearing and settlement revenues are correlated to the trading volume of our products and therefore fluctuate based on the same factors that affect our trading volume.

In addition to clearing and settlement of exchange-traded contracts, in October 2006 CDCC launched a new business line consisting of clearing and settlement of OTC-traded contracts. In this regard, CDCC offers the same counterparty or credit risk reduction service as for exchange-traded contracts. This type of service is attractive to financial institutions, as it allows them to reduce their balance sheet liabilities. CDCC obtained approval from the regulatory authorities in 2006 to operate in the OTC market. The service began with the clearing and settlement of large OTC equity option contracts. Two transactions of this type were completed in 2006.

CDCC's Financial Backstop System

A clearing member is obligated, whether or not his customer performs, to perform the customer's obligations in respect of a transaction. As described below, backing a clearing member's obligations are the clearing member's minimum capital requirements, the clearing member's margin deposits with CDCC, CDCC's lien or pledge on certain of the clearing member's assets, and the clearing fund. Neither MX nor any approved participant of MX (except as such approved participant may be the relevant clearing member) has an obligation for the performance of any derivatives transaction. In its role as clearing house, CDCC ensures the successful completion of trades by acting as the central counterparty in all transactions, guaranteeing the contractual commitments of the counterparties to each trade.

CDCC employs various techniques to minimize its exposure in the event of a clearing member (each of which is required to meet certain capital adequacy requirements) default:

1. *Margin deposits by clearing members upon opening a position.* The principal technique used by CDCC to minimize its exposure is the collection of specified risk-based margin deposits in the form of cash, letters of credit, equities and liquid government securities. CDCC may from time to time accept other forms of margin deposits in accordance with its operating policies then in effect. CDCC is authorized to require any clearing member to deposit higher margins at any time in the event it deems such action necessary and appropriate in the circumstances to protect the interests of the other clearing members, CDCC or the public. Should a clearing member fail to meet a daily margin call or otherwise not honour

its obligations under open futures and options contracts, margin deposits would be available to apply against costs incurred by CDCC in liquidating the positions. CDCC's margining system is complemented by a stress test reporting system, which is part of its Capital Monitoring Program. This process, introduced in 2000, evaluates the financial strength of the members to meet margin requirements that may result from a sudden adverse change in the market. Members' portfolios are subject to these stress tests and those members that fail to meet the criteria established by CDCC are required to deposit a stress margin. In respect of positions held by non-member customers of the clearing members, margin deposits are collected by the clearing members from their customers and deposited with CDCC.

2. *Margins that are settled each day by holders of positions.* At the end of each day, CDCC marks-to-market the positions held by its members, based on notional settlement prices. Where the mark-to-market process discloses a potential loss, a margin call is made to the member concerned.
3. *The capital of each of the clearing members.* The clearing members are ultimately responsible for their customers' losses.
4. *A clearing fund financed by all the clearing members as a shared obligation, which may be used by CDCC in the event of the default of a member if the resources described in levels 1 to 3 prove insufficient.* CDCC maintains a clearing fund through deposits of cash and securities from clearing members. This fund is available in the event that the cost of liquidating a defaulting member's positions exceeds the margin deposits collected from that member. Upon acceptance as a clearing member of CDCC, each clearing member must maintain a minimum amount of assets at all times in the clearing fund. All clearing fund deposits must be made in cash or by the deposit of securities issued or guaranteed by the Government of Canada and approved by CDCC. The aggregate level of clearing funds required to be deposited by each clearing member is 12% of the largest aggregate daily margin requirement of that clearing member over the preceding calendar month, subject to specified minimum deposits. If, on a member default, further funding is necessary to complete the liquidation, CDCC has the right to require members to contribute an additional amount equal to their previous contribution to the clearing fund. As at December 31, 2006, the clearing fund stood at \$250.0 million;
5. *CDCC's backstop line of credit.* CDCC has a back-stop line of credit of \$30.0 million from a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member. These facilities have not been utilized since the date they were established.
6. *CDCC's own capital.* CDCC will also have available its own assets in the event that the clearing fund is deficient. However, the assets of CDCC are limited.

Since its creation, CDCC has never experienced a default.

Competition

CDCC is not exposed to direct competition insofar as its basic role is concerned, which is to provide clearing services for the products traded on MX. Moreover, if a market in competition with MX were to be established in Canada, CDCC would offer clearing services to that market, subject to obtaining the requisite regulatory approvals.

However, insofar as its new mission of providing clearing services for OTC-traded contracts is concerned, CDCC is targeting markets that already are or could easily be the focus of foreign clearing houses. The "aterritorial" nature of these markets makes them attractive targets for all clearing houses in good standing throughout the world. Once such services are in place in a given clearing house, the main criterion for attracting such business is merely that both counterparties to a transaction clear through members of the clearing house.

See also "— Exchange — MX-FM — Competition" above for a further discussion of competition relating to CDCC.

BOX

MX is the principal holder (31.4% interest) and the technical operator of BOX, a U.S. automated equity options market and a facility of the BSE that launched its operations on February 6, 2004. BOX lists approximately

600 of the 2,000 classes of options traded in the United States, and achieved an annual average market share of approximately 5% for 2006, with a daily average volume of approximately 380,000 contracts.

BOX was founded in 2002 by MX, the BSE and Interactive Brokers Group LLC (a leading participant in options markets worldwide). MX managed the start-up of the market and has become the technical operator of BOX, while the BSE managed the start-up of BOX's self-regulatory division ("BOX-R"), and, through BOX-R, is BOX's self-regulatory organization. In this capacity, the BSE, through BOX-R, interfaces with the SEC regarding the regulation of BOX. BOX is now owned by MX, the BSE, and affiliates of a group of financial institutions which include Interactive Brokers Group LLC, Crédit Suisse (USA) Inc., UBS AG, Citigroup Global Markets Inc., JP Morgan Chase, Morgan Stanley and Citadel Investment Group, LLC.

BOX is the most recent entrant of the six equity options exchanges in the U.S, and in order to attract volume in this competitive market, BOX management focused on developing an innovative business proposition, the main characteristics of which are:

- fully-automated trading;
- a central order book based on a first-in, first-out algorithm;
- no entry fees and all fees are restricted exclusively to a trading commission per contract;
- competing market-makers instead of the traditional specialists model which grants exclusive options class privileges;
- no "payment for order flow," which other exchanges use to direct customer orders to their specialists;
- an innovative price improvement process (which we refer to as "PIP"), an extremely rapid (3 second) mini-auction, whereby a customer order can be improved in pennies (instead of the minimum nickel or dime price increment which was the rule for U.S. options until 2007), allowing improved execution to customers. Since the launch of BOX, PIP has generated a savings of over US\$100 million for the final customers in the form of \$0.01 (penny) increments rather than \$0.05 increments.

BOX has maintained a competitive low-cost structure. Approximately 15 full-time employees run the management of BOX, its market operations and its business development, and approximately 10 BOX-R employees are responsible for the regulatory oversight of BOX. In addition, BOX and BOX-R outsource their information technology and electronic platform requirements to MX-ITS, which staffs approximately 50 employees with respect to these functions. This lean structure allowed BOX to become profitable after only 11 months of operations and to remain profitable since then.

The *SOLA*[®] Trading platform was implemented at BOX on-time and on-budget in October 2006. *SOLA*[®] Trading was designed for the technically-demanding transition to penny-trading, and, in January 2007, BOX transitioned smoothly to penny-trading in the context of the SEC's pilot program for penny-trading on 13 option classes. *SOLA*[®] Trading has also provided other benefits to BOX, including the ability to list new option classes and to increase market makers' technical transaction capacity. Management believes that BOX, with its *SOLA*[®] Trading platform, is currently one of the most technically advanced exchanges in the U.S.

As at December 31, 2006, BOX had total assets of approximately US\$20.9 million, including capital assets, net of depreciation and amortization, of approximately US\$5.0 million. The balance of total assets resided in cash and cash equivalents, accounts receivable, deposits and other current assets. Of total liabilities and members' equity as at December 31, 2006, approximately US\$19.2 million consisted of members' equity. For the year ended December 31, 2006, total operating revenues at BOX were approximately US\$32.0 million, and net income amounted to approximately US\$4.7 million.¹ Our proportionate interest in BOX stood at 31.4% at the end of 2006. Our equity in the results of BOX (before loss resulting from realization of the cumulative translation adjustment)

¹ This financial information is derived from BOX's audited financial statements for the years ended December 31, 2006 and 2005. Those financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). There are no material differences between Canadian GAAP and U.S. GAAP in relation to the financial information presented above. The BOX financial statements were the subject of an audit conducted in accordance with auditing standards generally accepted in the United States of America by an independent registered public accounting firm. Their audit opinion was issued without reservation.

amounted to \$1.7 million in 2006. There are no contingent issuances of securities of BOX that would significantly affect our interest in the earnings of BOX.

We recently negotiated the purchase of an additional 13.3% of the capital in BOX from BSE, which would increase our interest from 31.4% to 44.7%. This acquisition is subject to the prior approval of the SEC as well as customary closing conditions. The formal filing of the regulatory approval application is currently expected to occur in the first half of 2007. There is no assurance that this acquisition will be approved by the SEC or that it will close.

BOX is regulated by the SEC, and its products are cleared through the Options Clearing Corporation.

Customers

As with MX-FM's equity options markets, the final customers of BOX consist primarily of financial institutions, industrial and commercial firms, corporate investors, and individual investors, the latter comprising a larger share of the market in the United States than in Canada. The direct participants in BOX's market are U.S. broker-dealers, registered as such in the United States, who act as brokers (Order Flow Providers acting as agents) and/or market makers. As at December 31, 2006, BOX had 76 brokers and market makers electronically connected to the BOX trading platform, with approximately 10 others in the process of being connected to BOX's trading platform.

BOX also resells its market data. Like the other five U.S. options exchanges, it resells such data through a marketplace service known as OPRA (Options Price Reporting Authority), which collects data from the six exchanges and disseminates it to entities which then resell it.

Competition

BOX operates in an extremely competitive market, as five other exchanges currently also compete in the U.S. options market: ISE, the CBOE, the Philadelphia Stock Exchange, the American Stock Exchange and the New York Stock Exchange. Exchanges operating in this market are free to list all equity options and certain index options. Some are trying to retain exclusivity for index options developed by them or for which they hold an exclusive licence, while certain of their competitors argue that such exclusivity subverts competition in such an open market and should not exist. Legal actions, in particular between ISE and CBOE, are currently pending on these issues.

MCeX

MCeX was founded in August 2006 by MX and the CCX. MCeX aims to become the first regulated market in Canada for emissions-related and environment-related derivatives products.

MX owns a 51% interest in MCeX and CCX, which operates the only greenhouse gas emissions trading system in North America, holds the other 49%. MX and CCX will jointly manage MCeX. CCX brings to the venture its reputation, expertise, promotional and marketing capacities and its association with two leading climate markets, the Chicago Climate Exchange and the European Climate Exchange®. MX will be responsible for providing the trading, clearing and settlement systems to MCeX, and is currently expected to be responsible for the SRO function of MCeX, subject to regulatory approval.

The launch of operations on MCeX is contingent upon the adoption in Canada of a legal and regulatory framework for application of environmental legislation such as the Clean Air Act, which was presented for first reading by the Canadian Federal Government on October 19, 2006. Based on information available as at the date hereof, we currently anticipate that trading on MCeX may be launched in 2007, subject to regulatory approval.

WCE Holdings Inc., the parent of the WCE, and the TSX Group have each respectively also expressed an intention to launch an environmental financial products exchange in Canada.

Disaster Recovery Plan

The platforms of MX and CDCC feature fully redundant processing capacity. In addition, MX-ITS has established and maintains a business continuity plan for MX and CDCC to protect against a disaster affecting our principal offices and installations. This disaster recovery plan is tested annually. In the case of MX, back-up

facilities are located outside of the province of Québec. BOX currently has a partial disaster recovery back-up system, and we currently expect to complete BOX's full redundancy and back-up systems in 2007.

Intellectual Property

We regard our brand name and logos and substantial portions of our marketing materials, products and market data as proprietary and we attempt to protect these assets by relying on applicable law related to intellectual property rights and trade secrets, contracts and disclosure restrictions. As for technology and software, we own or have rights to use all of the software that is essential to the operation of our electronic trading platform. Our most valuable asset is our technology. More particularly, SOLA® has been entirely developed by our MX-ITS business unit and we own all the intellectual property rights to it. We have decided to protect our intellectual property rights in SOLA® via copyright law, non-disclosure agreements and strict contractual provisions in our licencing agreements.

Montréal Exchange, MX, Bourse de Montréal, SOLA®, BAX, CGB and SXF and associated logos are trademarks of Bourse de Montréal Inc. CDCC and its associated logo are trademarks of the Canadian Derivatives Clearing Corporation.

We currently have a licence agreement with Standard & Poor's for the use of S&P trademarks on certain S&P indices in connection with our creation, marketing, trading and promotion of S&P index contracts. The term of the licence agreement runs to June 7, 2009, and we are currently negotiating the renewal of this licence agreement prior to its expiration.

Facilities

The head and registered offices of MX are located in Montréal, Québec. MX maintains trading operations in, and conducts business development activities from Montréal.

MX does not own any real estate. The following table sets out certain information regarding our material leased premises.

<u>Location</u>	<u>Square Footage</u>	<u>Lease Expiry</u>	<u>Total Minimum Lease Payments for 2007</u>
Tour de la Bourse, 800 Victoria Square, Montréal, Québec ..	61,938	December 31, 2015	\$1,453,464
65 Queen Street West, Toronto, Ontario	5,367	May 31, 2012	\$ 316,001
Back-up systems facility (Ontario) ⁽¹⁾	750	January 31, 2008	\$ 171,493

(1) This lease contains one 2-year option to renew.

MX believes that its facilities are adequate for its current operations and that the material leases are in good standing.

Employees

As at December 31, 2006, MX had a total of 219 full-time equivalent employees, compared to a total of 201 employees as at December 31, 2005. None of the employees are covered by any collective bargaining agreement. MX has not experienced a work stoppage and believes that its relations with employees are good.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

You should read the following summary consolidated financial information together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

The following tables present financial information derived from our audited consolidated financial statements, except for the information under the headings “Pro Forma Per Share Data,” “Other Balance Sheet Information” and “Financial Ratios and Other Data” below, which has not been derived from our audited consolidated financial statements. Our consolidated financial statements included in this prospectus are comprised of consolidated balance sheets as at December 31, 2006 and 2005 and consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2006 and have been audited by KPMG LLP, chartered accountants. KPMG LLP’s report on these consolidated financial statements is included in this prospectus. The consolidated balance sheet data as at December 31, 2004 has been derived from our audited consolidated financial statements not included in this prospectus.

The information below reflects the historical results of MX and its consolidated subsidiary, CDCC. The audited consolidated financial statements of MX have been prepared in accordance with Canadian GAAP. Our historical results are not necessarily indicative of our future financial condition or results of operations.

	Years ended December 31,		
	2006	2005	2004
	(\$ in thousands, except per share data)		
Consolidated Statement of Earnings Data			
Revenues			
Transactions	\$ 36,422	\$ 26,403	\$ 19,740
Clearing and option exercise	12,989	9,609	7,837
Information systems services	15,275	15,581	12,160
Market data	10,562	8,095	7,787
Participants	3,261	2,456	4,180
Other	751	1,020	5,630
Total revenues	<u>79,260</u>	<u>63,164</u>	<u>57,334</u>
Expenses			
Compensation and benefits	22,811	19,891	19,004
Occupancy	2,667	2,754	2,520
Computer licences and maintenance	6,184	6,397	5,441
Amortization of capital assets and other assets	6,398	7,586	5,284
General and administrative	8,995	6,810	6,525
Telecommunications	2,536	2,841	2,510
Public affairs	1,870	1,408	1,344
Interest on obligations under capital leases and debts due within one year	154	356	359
Total expenses	<u>51,615</u>	<u>48,043</u>	<u>42,987</u>
Earnings before investment income, other items and income taxes . . .	27,645	15,121	14,347
Investment income	2,613	1,785	1,059
Equity in results of companies subject to significant influence, net of loss due to realization of cumulative translation adjustment	1,151	2,278	(2,684)
Gain on dilution	—	1,042	—
Loss and termination fees on disposal of investments in company subject to significant influence and in joint venture	—	(699)	—
Earnings before income taxes	<u>31,409</u>	<u>19,527</u>	<u>12,722</u>

	Years ended December 31,		
	2006	2005	2004
	(\$ in thousands, except per share data)		
Income taxes			
Current	7,829	4,353	896
Future	(1,251)	39	2,867
Net earnings	<u>\$ 24,831</u>	<u>\$ 15,135</u>	<u>\$ 8,959</u>

Per Share Data

Basic earnings per share — pre-Stock Split	\$ 2.84	\$ 1.85	\$ 1.11
Diluted earnings per share — pre-Stock Split ⁽¹⁾	2.72	1.72	1.06
Basic earnings per share — post-Stock Split	0.95	0.62	0.37
Diluted earnings per share — post-Stock Split ⁽¹⁾	0.91	0.57	0.35
Cash dividends per share — pre-Stock Split	2.50	1.50	—

Year ended December 31, 2006

Pro Forma Per Share Data

Pro forma basic earnings per share ⁽²⁾	\$ 0.85
Pro forma diluted earnings per share ⁽²⁾	0.81

As at December 31,

	2006	2005	2004
		(\$ in thousands)	
Consolidated Balance Sheet Data			
Total assets	\$ 122,694	\$ 119,032	\$ 105,637
Long-term financial liabilities	1,072	4,261	7,751
Shareholders' equity	65,717	60,972	56,763

Other Balance Sheet Information

Assets excluding certain clearing assets ⁽³⁾	\$ 98,624	\$ 91,980	\$ 76,060
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Years ended December 31,

	2006	2005	2004
		(\$ in thousands, except ratios, average daily volume, open interest and average revenue per contract)	
Financial Ratios and Other Data			
Revenues excluding unusual items ⁽⁴⁾	\$ 79,260	\$ 63,164	\$ 52,334
Adjusted EBITDA ⁽⁵⁾	36,268	23,063	14,990
Adjusted net earnings ⁽⁶⁾	26,398	15,046	5,176
Return on shareholders' equity	37.8%	24.8%	15.8%
Net earnings / revenues	31.3%	24.0%	15.6%
Adjusted EBITDA ⁽⁵⁾ /revenues excluding unusual items ⁽⁴⁾	45.8%	36.5%	28.6%
Adjusted net earnings ⁽⁶⁾ /revenues excluding unusual items ⁽⁴⁾	33.3%	23.8%	9.9%
Average daily volume (# of contracts)	161,517	114,284	86,226
Open interest (# of contracts)	2,563,633	2,006,845	1,552,211
Average revenue per contract	\$ 0.90	\$ 0.92	\$ 0.91

(1) Diluted earnings per share data reflects the dilutive effect of our outstanding stock options and shares held in guarantee by MX for loans under our previous stock option plan and our previous share purchase plan. See notes 8 and 12 to our audited consolidated financial statements included elsewhere in this prospectus.

(2) Pro forma earnings per share data gives effect to our Stock Split and to our issuance of 3,097,718.334 common shares (on a post-Stock Split basis) to NYMEX pursuant to the NYMEX Investment, as if such issuance had closed on January 1, 2006. Diluted pro forma earnings per share data also reflects the dilutive effect of our

outstanding stock options and shares held in guarantee by MX for loans under our previous stock option plan and our previous share purchase plan. Pro forma earnings per share data does not reflect any assumptions regarding future revenues or expenses related to the CAREX venture or the use of proceeds of the NYMEX Investment. See notes 8 and 12 of our audited consolidated financial statements included elsewhere in this prospectus. For information regarding our Stock Split, see “Description of Our Share Capital — Our Stock Split” elsewhere in this prospectus, and for a description of the NYMEX Investment and the CAREX venture, see “Our Business — Overview of MX — Recent Developments” elsewhere in this prospectus.

- (3) We define assets excluding certain clearing assets as total assets less daily settlements due from clearing members, clearing members’ cash margin deposits and clearing fund cash deposits. Since these excluded clearing assets have a corresponding liability and that the values of these assets vary with market volatility, we believe that the measure assets excluding certain clearing assets is more effective for analysing our assets relating to our ongoing operating activities. You should not consider this non-GAAP measure in isolation from, or as a substitute for analysis of, our financial information reported under Canadian GAAP. You should note that other companies, including other companies in our industry, may not use such a measure or may calculate the measure differently than as presented in this prospectus, limiting its usefulness as a comparative measure. The following table provides a reconciliation of assets excluding certain clearing assets to total assets under Canadian GAAP as disclosed in our financial statements:

	<u>As at December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Reconciliation of total assets and assets excluding certain clearing assets disclosed herein	(\$ in thousands)		
Total assets	122,694	119,032	105,637
Clearing fund cash deposits	(14,807)	(4,005)	(544)
Clearing members’ cash margin deposits	(2,312)	(1,041)	(5,370)
Daily settlements due from clearing members	(6,951)	(22,006)	(23,663)
Assets excluding certain clearing assets	<u>\$ 98,624</u>	<u>\$ 91,980</u>	<u>\$ 76,060</u>

- (4) We define revenues excluding unusual items as revenues excluding \$5.0 million in revenues from the TSX Group relating to its acquisition of NGX in the first quarter of 2004. These revenues are included in “Other” revenues in 2004. We believe that revenues excluding unusual items is a useful tool for investors and other users of our financial information in assessing our operating performance, and since this revenue item is not currently expected to recur, we believe that this measure of revenues is more meaningful for assessing our revenues generated by ongoing operating activities. You should not consider this non-GAAP measure in isolation from, or as a substitute for analysis of, our financial information reported under Canadian GAAP. You should note that other companies, including other companies in our industry, may not use such a measure or may calculate the measure differently than as presented in this prospectus, limiting its usefulness as a comparative measure. The following table provides a reconciliation of revenues excluding unusual items to revenues under Canadian GAAP as disclosed in our financial statements:

	<u>Years ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Reconciliation of revenues and revenues excluding unusual items disclosed herein	(\$ in thousands)		
Revenues	79,260	63,164	57,334
Other			
Revenues pertaining to NGX transaction	—	—	(5,000)
Revenues excluding unusual items	<u>\$ 79,260</u>	<u>\$ 63,164</u>	<u>\$ 52,334</u>

- (5) We define adjusted EBITDA as earnings before investment income, other items and income taxes and excluding (a) interest on obligations under capital leases and debts due within one year, (b) amortization of capital assets and other assets, (c) \$5.0 million in revenues from the TSX Group relating to its acquisition of NGX in the first quarter of 2004 (which are included in “Other” revenues in 2004), and (d) a \$2.1 million charge in 2006 relating to legal settlements and a provision in connection with the closing of our trading floor

(which is included in “General and administrative” expenses in 2006). Adjusted EBITDA, and ratios using this measure, are used by financial analysts and other users of our financial information to assess our operating performance and our ability to service and/or incur indebtedness, maintain our operating and regulatory capital and to acquire or launch additional operations, and to compare us to other companies in our industry. You should not consider this non-GAAP measure in isolation from, or as a substitute for analysis of, our financial information reported under Canadian GAAP. You should note that other companies, including other companies in our industry, may not use such a measure or may calculate the measure differently than as presented in this prospectus, limiting its usefulness as a comparative measure. The following table provides a reconciliation of adjusted EBITDA to earnings before investment income, other items and income taxes under Canadian GAAP as disclosed in our financial statements:

	Years ended December 31,		
	2006	2005	2004
	(\$ in thousands)		
Reconciliation of earnings before investment income, other items and income taxes and adjusted EBITDA disclosed herein			
Earnings before investment income, other items and income taxes	27,645	15,121	14,347
Interest on obligations under capital leases and debts due within one year	154	356	359
Amortization of capital assets and other assets	6,398	7,586	5,284
Other			
Revenues relating to the NGX transaction.....	—	—	(5,000)
General and administrative			
Settlement charge and provision relating to the closing of our trading floor	2,071	—	—
Adjusted EBITDA	\$ 36,268	\$ 23,063	\$ 14,990

- (6) We define adjusted net earnings as net earnings excluding (a) \$5.0 million in revenues (\$3.8 million net of tax) from the TSX Group relating to its acquisition of NGX in the first quarter of 2004 (which are included in “Other” revenues in 2004), (b) a \$2.1 million charge (\$1.6 million net of tax) in 2006 relating to legal settlements and a provision in connection with the closing of our trading floor (which is included in “General and administrative” expenses in 2006), (c) gain on dilution on long-term investments of \$1.0 million (\$0.8 million net of tax) in 2005, and (d) loss and termination fees on disposal of investments in a company subject to significant influence and in a joint venture of \$0.7 million in 2005 (no tax effect). Adjusted net earnings, and ratios using this measure, are used by financial analysts and other users of our financial information to assess our financial performance and results of operations, and to compare us to other companies in our industry. You should not consider this non-GAAP measure in isolation from, or as a substitute for analysis of, our financial information reported under Canadian GAAP. You should note that other companies, including other companies in our industry, may not use such a measure or may calculate the measure differently than as presented in this prospectus, limiting its usefulness as a comparative measure. The

following table provides a reconciliation of adjusted net earnings to net earnings under Canadian GAAP as disclosed in our financial statements:

	Years ended December 31,		
	2006	2005	2004
	(\$ in thousands)		
Reconciliation of net earnings and adjusted net earnings disclosed herein			
Net earnings	24,831	15,135	8,959
Loss and termination fees on disposal of investments in company subject to significant influence and in joint venture	—	699	—
Gain on dilution	—	(1,042)	—
General and administrative			
Settlement charge and provision relating to the closing of our trading floor	2,071	—	—
Other			
Revenues pertaining to NGX transaction	—	—	(5,000)
Income tax effect of adjustments (<i>estimated based on statutory tax rate in each respective year applicable to MX</i>)	(504)	254	1,217
Adjusted net earnings	<u>\$ 26,398</u>	<u>\$ 15,046</u>	<u>\$ 5,176</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information concerning our operating results and financial condition. This discussion should be read in conjunction with our audited consolidated financial statements and accompanying notes included elsewhere in this prospectus. Our audited consolidated financial statements have been prepared in accordance with Canadian GAAP. This discussion contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those expressed or contemplated by these statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

Background

Mission

Our mission is to operate and develop high-quality market and clearing services for our Canadian and international clients as well as to commercialize our internally developed technology solutions. We aim to accomplish our mission by remaining at the forefront of worldwide developments in risk management, market technology, market models and regulation, as well as outsourcing services. To fulfill our mission, we rely on employee teams that continually strive to improve their skills and client service practices.

Segments and Main Activities

We have two reporting segments, Exchange and Clearing House.

Exchange

Within our Exchange segment, our principal business activities are conducted through our Financial Markets business unit (which we refer to as "MX-FM"), which includes our financial markets activities as well as activities related to our training service and the sale of market data, our Information Technology Solutions business unit (which we refer to as "MX-ITS"), in which we undertake our technology services and solutions, including the development, operation, enhancement and licencing of our SOLA® suite of products, and our Regulatory Division. In 2006, our Exchange segment generated 83% of our revenues.

MX-FM

MX is Canada's only standardized financial derivatives exchange, offering an extensive range of interest rates, index and equity derivatives. We connect participants to our market, build business relationships with them and work with them to ensure that our offering of derivatives meets investor needs.

MX-ITS

Our MX-ITS business unit offers high-quality professional services and innovative software solutions for internal use and to third parties. MX-ITS has developed a state-of-the-art robust, scalable, reliable and exportable electronic trading platform, called SOLA®, currently in use as the electronic trading platform at MX and BOX. MX-ITS is also currently developing a suite of products complementary to our proprietary SOLA® Trading platform, namely SOLA® Surveillance, a market surveillance software, and SOLA® Clearing, a clearing software. Completion and delivery of these products is currently expected this year.

MX-ITS has strong financial software expertise and a valuable pool of proprietary intellectual capital. We have a dedicated team focused on the commercialization of our proprietary SOLA® Trading platform and which actively reviews other prospects in order to broaden our customer base.

Regulatory Division

We are a self-regulatory organization ("SRO") that has a major stake in maintaining the transparency, credibility and integrity of the exchange-traded derivatives market in Canada. Our Regulatory Division, which is

operated independently of our other operations, is responsible for the regulation of our markets and its participants. Our Regulatory Division is subject to the sole internal oversight of our Special Committee — Regulatory Division. Our Special Committee — Regulatory Division, which is appointed by the Board of Directors of MX, is composed of a majority of independent members, none of whom are members of the Board of Directors of MX or CDCC. Our Regulatory Division operates on a non-profit/cost-recovery basis.

Clearing House

Our Clearing House segment generates revenues from clearing and settlement, as well as from options and futures exercise activities. We offer central counterparty and clearing and settlement services through our wholly-owned subsidiary, CDCC. CDCC is the issuer of options traded on our markets and the clearing house and guarantor for options and futures contracts traded on our markets. CDCC reduces investor risk by guaranteeing all contractual commitments made between parties during transactions executed on our markets. In 2006, our Clearing House segment generated 17% of our revenues.

Corporate Developments

In 1999, we initiated and played a leading role in the realignment, restructuring and consolidation of the Canadian exchange industry, resulting in our becoming Canada's only exchange for standardized financial derivatives. In 2000, we completed the first phase of our transformation by demutualizing, and by 2001 adopted a fully electronic trading platform and refined our "open" market model.

In 2002, together with the other two original BOX co-investors, the BSE and Interactive Brokers Group LLC, we formed the Boston Options Exchange Group LLC ("BOX"), with MX acquiring an ownership interest of 35%. In 2003, a new investor made a capital investment in BOX, thereby reducing our ownership interest in BOX from 35% to 31.7%.

In May and July 2004, we and the three other unitholders, collectively, invested in additional BOX units for aggregate consideration of US\$7.5 million. These transactions did not result in a dilution of our interest. In January 2005, two new unitholders invested US\$3.3 million (\$4.1 million at the date of the transaction) in BOX, thereby diluting our interest in BOX from 31.7% to 30.7%. In June 2005, we acquired an additional 0.7% of the capital of BOX for US\$0.8 million (\$1.0 million at the date of the transaction), increasing our share in BOX to 31.4%.

In July 2004, we paid \$0.4 million for 8% of the capital stock of Oxen Inc. ("Oxen"), which wholly-owns the Alberta Watt Exchange, an Alberta energy products exchange. We also paid \$0.3 million for 50% of the share capital of Clearco Inc. ("Clearco"), with the remaining 50% owned by Oxen. It was intended that Clearco would become a clearing organization for certain energy products in Alberta. In December 2005, we ended the agreement with Oxen and Clearco, and sold back our ownership shares in each of Oxen and Clearco for nominal consideration.

Recent Market Activity

In July 2006, together with CCX, we announced the signing of an agreement that created MCEX, which aims to become the first regulated market in Canada for emissions-related and environment-related derivatives products. We own 51% of MCEX and CCX owns the other 49%, and we will jointly manage this vehicle. The new MCEX market allies our electronic exchange expertise with that of CCX, which operates the only greenhouse gas emissions trading system in North America. CCX is also a world leader in building and operating environmental markets. Following the presentation of the Clean Air Act by the Canadian Federal Government on October 19, 2006, MCEX announced its intention to launch a market as soon as the Canadian legal and regulatory framework is established. We currently anticipate that trading on MCEX may begin in 2007, subject to regulatory approvals.

During 2006, we entered into a commitment to acquire a further 13.3% in BOX from BSE for consideration of US\$34.2 million (\$39.8 million at December 31, 2006). Should this transaction be completed, our interest in BOX would increase from 31.4% to 44.7%. This acquisition is subject to the prior approval of the SEC as well as customary closing conditions. The formal filing of the regulatory approval application is currently expected to occur in the first half of 2007. There is no assurance that this acquisition will be approved by the SEC or that it will close.

In late September 2006, we signed a series of international co-operation agreements (Memoranda of Understanding or MOUs) with four Chinese exchanges with the aim of strengthening the development of

derivatives markets between the two countries and eventually entering into licencing agreements with respect to the *SOLA*[®] *Trading* platform. The MOUs were signed with the Shenzhen Stock Exchange, the Dalian Commodity Exchange, the Zhengzhou Commodity Exchange and the Shanghai Stock Exchange. We anticipate that delegations from these exchanges will visit Montréal in the first half of 2007, giving us an opportunity to demonstrate our advanced electronic trading platform.

Since October 19, 2006, we have, through CDCC, been offering a new clearing service to participants in the OTC market, namely the clearing of equity options contracts. The Canadian OTC market for equity options now benefits from a central counterparty clearing solution that offers superior risk management standards to those prevailing in the bilateral OTC markets.

On March 13, 2007, together with NYMEX, we created the CAREX business venture for the trading and clearing of OTC (in the first phase) and on-exchange (in the second phase) futures and options contracts with financial or physical settlement relating to Canadian-based energy (including natural gas, heavy crude oil and power), metals and soft commodities. In connection with the creation of the CAREX venture, on March 23, 2007 NYMEX purchased 3,097,718.334 newly-issued MX common shares (on a post-Stock Split basis), representing 10% of our outstanding share capital after giving effect to the issuance, at an all-cash price of \$29¹/₃ per share, for aggregate gross cash proceeds to MX of approximately \$90.9 million. For more information on these transactions, as well as the contemplated use of proceeds of this issuance, see “Our Business — Overview of MX — Recent Developments” and note 25 to our audited consolidated financial statements elsewhere in this prospectus.

Strategy and Outlook

To achieve our objectives, we have built a strategy around the following elements:

- Expand our current market business by adding new market participants, expanding our access network, and offering a range of products that remains adapted to client needs. Our development efforts are designed to promote greater use of derivatives in Canada.
- Expand the range of clearing services that we may offer to a larger clientele, including in the OTC and commodities markets, including energy products.
- Continue to make regular investments to keep the *SOLA*[®] suite at the leading edge of market solutions, and complete the development of the *SOLA*[®] suite of products, with the completion and delivery of the *SOLA*[®] *Surveillance* and *SOLA*[®] *Clearing* components, which are currently expected in 2007.
- Continue commercialization efforts with respect to our *SOLA*[®] *Trading* platform, and, ultimately, our full suite of *SOLA*[®] products.
- Expand and enhance our alliances’ operations and take advantage of new strategic opportunities.
- Manage costs to increase profitability and shareholder value.

Use of Non-GAAP Performance Measures

In this discussion, we refer to “operating earnings,” a performance measure that is not recognized under Canadian GAAP. Although operating earnings is typically understood to be a non-GAAP performance measure, in our case operating earnings is equivalent to the line item “earnings before investment income, other items and income taxes” in our audited consolidated financial statements presented under Canadian GAAP and included elsewhere in this prospectus. Other companies may calculate operating earnings differently, limiting its usefulness as a comparative measure.

In this discussion, we also use a supplemental financial measure, namely, assets excluding certain clearing assets, that is not calculated in accordance with Canadian GAAP to assess our financial performance. This measure is not required by or recognized under Canadian GAAP. We define assets excluding certain clearing assets as total assets less daily settlements due from clearing members, clearing members’ cash margin deposits and clearing fund cash deposits. Since these excluded clearing assets have a corresponding liability and that the values of these assets vary with market volatility, we believe that the measure assets excluding certain clearing assets is more effective for analysing our assets relating to our ongoing operating activities. You should not consider this non-GAAP measure in

isolation from, or as a substitute for analysis of, our financial information reported under Canadian GAAP. You should note that other companies, including other companies in our industry, may not use such a measure or may calculate the measure differently than as presented in this prospectus, limiting its usefulness as a comparative measure. For a reconciliation of assets excluding certain clearing assets to the most directly comparable financial measure under Canadian GAAP, see note 3 to the tables under “Selected Consolidated Financial Information” elsewhere in this prospectus.

Highlights

Selected Consolidated Annual Data

	Years ended December 31,		
	2006	2005	2004
	(\$ in thousands, except per share data, ratios and Other Data)		
Financial Data			
Revenues	\$ 79,260	\$ 63,164	\$ 57,334
Operating earnings	27,645	15,121	14,347
Net earnings	24,831	15,135	8,959
Basic earnings per share — pre-Stock Split ⁽¹⁾	2.84	1.85	1.11
Diluted earnings per share — pre-Stock Split ⁽¹⁾⁽²⁾	2.72	1.72	1.06
Basic earnings per share — post-Stock Split ⁽¹⁾	0.95	0.62	0.37
Diluted earnings per share — post-Stock Split ⁽¹⁾⁽²⁾	0.91	0.57	0.35
Dividends declared per share — pre-Stock Split ⁽¹⁾	2.50	1.50	—
Total assets	122,694	119,032	105,637
Assets excluding certain clearing assets	98,624	91,980	76,060
Long-term financial liabilities	1,072	4,261	7,751
Cash flows from operating activities	29,563	25,139	20,108
Return on shareholders' equity	37.8%	24.8%	15.8%
Operating earnings/revenues	34.9%	23.9%	25.0%
Net earnings/revenues	31.3%	24.0%	15.6%
Other Data			
Average daily volume (# of contracts)	161,517	114,284	86,226
<i>SOLA</i> [®] availability rate	99.84%	99.90% ⁽³⁾	N/A ⁽³⁾

(1) These per share amounts do not reflect our issuance of shares to NYMEX on March 23, 2007 pursuant to the NYMEX Investment.

(2) Diluted earnings per share reflects the dilutive effect of our outstanding stock options and shares held in guarantee by MX for loans under our previous stock option plan and our previous share purchase plan. See notes 8 and 12 to our audited consolidated financial statements included elsewhere in this prospectus.

(3) *SOLA*[®] was implemented and operational beginning in October 2005.

Performance Indicators

Management believes that our key performance indicators are the following:

- Average daily volume and total annual volume;
- Operating earnings;
- Earnings per share;
- Cash flows from operating activities; and
- Reliability of our electronic trading platform, and the related information systems, measured in terms of the availability rate of the trading platform.

Overview of Revenues and Expenses

Revenue

Exchange

Our Exchange segment derives its revenues from the following activities:

Transactions

Our largest source of revenues is transaction revenues, representing 46% of our revenues in 2006. Transaction revenues are a function of two variables: (1) transaction fee rates, determined principally by contract type and participant status, and (2) trading volume.

Since our transaction fee rates are assessed on a per transaction basis, our transaction revenues are directly correlated to the volume of contracts traded on our markets. In 2005 and 2006, we introduced certain volume rebates pursuant to which certain of our customers benefit from volume discounts and limits on fees as part of our effort to encourage increased liquidity in our markets. Nevertheless, while transaction fee rates and volume rebate programs are established by us, trading volume and transaction mix are primarily influenced by factors outside of our control. These external factors include interest rate or inflation volatility, changes in Canadian government monetary or fiscal policies, the Canadian stock market condition, and national and international economic and political conditions.

In recent years, total global trading volume on derivatives exchanges worldwide has been steadily increasing. We have also experienced consistent increases in our trading volumes over the last several years. Our average daily volume was 86,226 contracts in 2004, 114,284 contracts in 2005, and 161,517 contracts in 2006, representing year-over-year growth of 33% during 2005, and 41% during 2006. Contract trading volume levels in 2004, 2005 and 2006 were each consecutive MX record highs.

The following charts illustrate trading volumes across the different categories of products traded on our markets over the past three years.

	Annual Volumes			% change	
	2006	2005	2004	2006-2005	2005-2004
Interest Rate Derivatives	25,087,481	16,359,599	11,256,518	53%	45%
Index Derivatives	3,156,633	2,286,301	1,949,140	38%	17%
Equity Options	12,265,461	10,032,227	8,609,470	22%	17%
Currency Options	31,262	7,264	N/A	330%	N/A
Total	<u>40,540,837</u>	<u>28,685,391</u>	<u>21,815,128</u>	41%	31%
	Average Daily Volume ⁽¹⁾			% change	
	2006	2005	2004	2006-2005	2005-2004
Interest Rate Derivatives	100,350	65,438	44,669	53%	46%
Index Derivatives	12,576	9,109	7,704	38%	18%
Equity Options	48,866	39,969	34,029	22%	17%
Currency Options	125	108	N/A	15%	N/A
Total	<u>161,517</u>	<u>114,284</u>	<u>86,226</u>	41%	33%

(1) Average daily volume (“ADV”) per product statistics are calculated as the total traded contracts per product divided by the number of trading days for each product and may include rounding differences. Total ADV is calculated as the total traded contracts divided by the overall number of trading days in the given year.

Recent growth in our trading volume is primarily attributable to growth in trading volume of our interest rate derivatives. Interest rate products primarily consist of the “Three-Month Canadian Bankers’ Acceptance Futures Contract” (“BAX”) and the “Ten-Year Government of Canada Bond Futures Contract” (“CGB”).

Some factors that we believe affect trading volume on our interest rate and index derivatives include expanded distribution of direct connections to our electronic trading platform (91 approved participants at December 31, 2006, of which 64 are platform-connected, compared to 85 approved participants in 2005, of which 57 were

platform-connected), new liquidity provider programs and continued business development efforts focused on these products towards our customer base.

Factors that we believe affect trading volume on our equity derivatives include increased educational programs offered by our Training Service and continued business development efforts focused specifically towards retail customers.

MX-ITS

MX-ITS provides information systems services including the technical operation and maintenance of the electronic trading platform as well as the development of technology solutions. Revenues generated by MX-ITS are derived from two main sources:

- (1) licence and maintenance of the electronic trading platform, which also includes software modifications based on customer requests and fees related to the implementation of technology solutions; and
- (2) services relating to the technical operation of the electronic trading platform.

At this time, the sole external customer of our MX-ITS business unit is BOX (including BOX-R). We have entered into a service agreement with BOX pursuant to which we provide the technical operations services related to BOX's trading platform. In 2003, we also agreed to finance certain computer hardware and software assets on behalf of BOX. The capital and interest related to the capital leases for these assets are re-invoiced to BOX at cost as part of the services provided to BOX. The service agreement expires on December 31, 2011.

On March 14, 2006, BOX confirmed its selection of the new SOLA[®] electronic trading platform for its operations. BOX has been trading on the SOLA[®] platform since October 2006, and the service agreement has been updated to reflect the new SOLA[®] licence effective January 1, 2007.

A dedicated team is focusing its efforts on the commercialization of our SOLA[®] solutions and actively reviewing other prospects in order to broaden our customer base.

In 2006, our MX-ITS business unit accounted for 19% of our revenues.

Market Data

MX sells real-time trading and quotation data (quotes, prices, size, trades) and historical data to market participants on a global basis. Timely and comprehensive information about market activity assists market participants and investors in their decision-making processes and facilitates efficient markets.

Revenues from the sales of our market data are principally dependant upon the number of data subscriptions, which is driven by our network of brokers and the extent of our client base, as well as our ability to remain a principal market and to respond to innovations in technology that may affect the availability, reliability and price of market data. Market data revenues are also generated by the sale of data to resellers of information as well as the sale of individual quotes via the Internet.

At December 31, 2006, our market data was displayed on over 26,300 screens, compared to approximately 23,200 at December 31, 2005, an increase of 13%. In 2006, market data revenues accounted for 13% of our revenues.

Participants; Regulatory Division

Our Regulatory Division's operations are performed based on the principle of self-financing and on a not-for-profit basis. The Regulatory Division financial structure is separate from that of MX and it operates on a cost-recovery basis. Any surplus in the Regulatory Division must be redistributed to our approved participants (excluding regulatory fine revenues, which are not so redistributed) and any shortfall must be made up by a special assessment by our approved participants or by MX upon recommendation of the Special Committee — Regulatory Division.

Revenues generated by the Regulatory Division are from two sources: (1) regulatory fees, and (2) regulatory fine revenues. Regulatory fees are principally comprised of market surveillance fees collected by MX on behalf of its Regulatory Division. These market surveillance fees can be broken down in two broad categories: a fixed annual fee

paid on a quarterly basis by all our approved participants, regardless of their level of activity on our markets; and a fee per contract traded on our markets. This fee is charged on each side of each transaction (to the buyer and to the seller), and billed to approved participants on a monthly basis.

Other fees are also charged for the approval of individuals employed by our approved participants seeking direct access to our electronic trading platform and for the annual renewal of these approvals. These fees do not represent a significant portion of the total regulatory fees collected by our Regulatory Division.

Regulatory fine revenues are generated from fines levied by our Regulatory Division as it regulates and monitors our markets and approved participants' compliance with applicable law and with our Rules and Policies. Regulatory fines result from disciplinary action taken by our Regulatory Division based upon the actions of our approved participants or of their employees on our markets. The frequency with which fines may be levied and their amount may vary significantly from period to period. Regulatory fine revenues are used for regulatory purposes. They may also be used, subject to the approval of the Special Committee — Regulatory Division, for educational or charitable purposes. Regulatory fine revenues are excluded from the calculations that are made at each financial year-end to determine the amount of excess regulatory fees collected during the year that are to be refunded to approved participants, so that regulatory fine revenues are not, in event of a surplus, refunded to approved participants. Additional participant revenues consist principally of "access/connection" fees charged to approved participants.

In 2006, participant revenues accounted for 4% of our revenues. Approximately two-thirds of participant revenues are derived from the Regulatory Division.

Other

A significant portion of our other revenues is generated by our Training Service. The Training Service's mission is to inform, educate and provide specialized training to the general public and finance professionals on the use and value of derivatives in portfolio and risk management.

Other revenues accounted for 1% of our revenues in 2006.

Clearing House

In our Clearing House segment we provide, through CDCC, central counterparty clearing and settlement services to approved participants. CDCC reduces investor risk by guaranteeing contractual commitments between counterparties to transactions carried out on our markets.

We generate revenues in our Clearing House segment from fees and certain participant revenues associated with the clearing and settlement of our products. Our clearing and settlement revenues are correlated to the trading volume of our products and therefore fluctuate based on the same factors that affect our trading volume. Although not significant in 2006, since October 2006, clearing and settlement revenues also fluctuate based on the volume of OTC transactions cleared by CDCC.

CDCC revenues accounted for 17% of our revenues in 2006. Included in CDCC's revenues are some revenues from participants, but this portion is not significant.

Expenses

The largest single component of our expenses is compensation and benefits, representing 44% of our expenses in 2006. Other significant expenses are incurred to support our electronic trading platform, including expenses such as licences and maintenance expenses, amortization and telecommunications expenses, as well as general and administrative expenses, which include, among others, expenses relating to professional services, business development and training of personnel.

While a majority of our expenses are fixed in nature, meaning that the overall expense structure is generally independent of trading volume, others are based in part on electronic trading platform maintenance and enhancements.

It should be noted that, prior to our stock exchange listing, we have not been a reporting issuer in Canada. Nevertheless, we have in recent years self-imposed stringent governance and disclosure requirements similar to those imposed on publicly traded companies, and the related costs are reflected in our current cost structure. However, as a reporting issuer, we are likely to incur additional compliance, legal, accounting and other expenses that we did not directly incur in the past, which may cause our costs in future periods to be higher than the historical costs associated with these areas reflected in our historical results and financial statements.

Results of Operations for the Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005

Revenues

Total revenues of MX amounted to \$79.3 million in 2006 compared to \$63.2 million in 2005, an increase of \$16.1 million, or 25%. The following table provides a break-down of our revenues in 2006 and 2005.

	December 31, 2006		December 31, 2005		Change	
	\$	% of total	\$	% of total	\$	%
	(\$ in thousands)					
Revenues						
Transactions	36,422	46%	26,403	42%	10,019	38%
Clearing and option exercise	12,989	17%	9,609	15%	3,380	35%
Information systems services	15,275	19%	15,581	25%	(306)	(2%)
Market data	10,562	13%	8,095	13%	2,467	30%
Participants	3,261	4%	2,456	4%	805	33%
Other	751	1%	1,020	1%	(269)	(26%)
Total revenues	<u>79,260</u>	100%	<u>63,164</u>	100%	<u>16,096</u>	25%

Transactions

As in 2005, our sustained efforts to develop the derivatives market in Canada and abroad resulted in an expanded distribution of direct connections to our electronic trading platform, and our introduction of new liquidity provider programs as well as worldwide trends favouring the use of derivative instruments resulted in increased volumes and revenues for MX in 2006.

Average daily volumes grew to 161,517 contracts in 2006, compared to 114,284 contracts in 2005, an increase of 47,233 contracts, or 41%, resulting in an increase in transaction revenues of \$11.3 million. However, growth in overall volumes also gave rise to additional volume rebates (liquidity provider programs) in 2006 compared to 2005, with these incremental rebates amounting to \$1.3 million, resulting in the net increase of \$10.0 million. Growth in average daily volume posted in 2006 exceeds the average of 25% realized in the last three years. This can be explained principally by the growth in trading of derivative instruments experienced worldwide.

Interest rate derivatives maintained the most robust growth, with a 53% rise in average daily volume. Index derivatives also showed strong growth, posting a 38% increase in average daily volume, while equity options posted a 22% increase in volume.

In 2006, our transactions revenues grew to \$36.4 million, compared to \$26.4 million in 2005, an increase of \$10.0 million or 38% for the reasons explained above. In 2006, average revenue per contract decreased slightly to \$0.90 per contract from \$0.92 per contract in 2005 due to a combination of additional volume rebates, pursuant to liquidity provider programs, and variations in product and client mix.

Clearing and Option Exercise

Clearing and option exercise revenues increased to \$13.0 million in 2006, compared to \$9.6 million in 2005, an increase of \$3.4 million or 35% due principally to the increased trading volumes on our markets.

Information Systems Service

Revenues from information systems services amounted to \$15.3 million in 2006, compared to \$15.6 million in 2005, a decrease of \$0.3 million, or 2%.

A decrease of \$0.9 million was related to a reduction of capital lease payments that were re-invoiced to BOX. This decrease was offset by approximately \$0.6 million in additional services revenues resulting from the renegotiation of the service agreement with BOX in October 2005.

Market Data

Market data revenues reached \$10.6 million in 2006, compared to \$8.1 million in 2005, an increase of \$2.5 million, or 30%. During the year, MX adjusted its pricing structure explaining a \$1.5 million increase in revenues. Increased data subscriptions, driven by increased participants and trading volume accounted for additional revenues of \$0.9 million.

As at December 31, 2006, our market data was displayed on over 26,300 screens, compared to approximately 23,200 at December 31, 2005, an increase of 13%.

Participants

Revenues from approved participants, generated primarily by the Regulatory Division, increased to \$3.3 million in 2006 compared to \$2.5 million in 2005, an increase of \$0.8 million, or 33%.

This increase was due primarily to additional net expenses amounting to \$0.7 million (principally compensation and benefits) incurred with respect to the operation of the Regulatory Division, which was ultimately passed-on to approved participants.

At December 31, 2006, our number of approved participants stood at 91, of which 64 are platform-connected, compared to 85 approved participants at December 31, 2005, of which 57 were platform-connected.

Other participant revenues increased by \$0.1 million due to additional access fees, driven by the increased number of approved participants.

Expenses

Our total operating expenses amounted to \$51.6 million in 2006 compared to \$48.0 million in 2005, an overall increase of \$3.6 million, or 7%. The following table provides a break-down of our expenses in 2006 and 2005.

	<u>December 31, 2006</u>		<u>December 31, 2005</u>		<u>Change</u>	
	<u>\$</u>	<u>% of total</u>	<u>\$</u>	<u>% of total</u>	<u>\$</u>	<u>%</u>
	(\$ in thousands)					
Total revenues	79,260	100%	63,164	100%	16,096	25%
Expenses:						
Compensation and benefits	22,811	44%	19,891	41%	2,920	15%
Occupancy	2,667	5%	2,754	6%	(87)	(3)%
Computer licences and maintenance	6,184	12%	6,397	13%	(213)	(3)%
Amortization of capital assets and other assets	6,398	12%	7,586	16%	(1,188)	(16)%
General and administrative	8,995	18%	6,810	14%	2,185	32%
Telecommunications	2,536	5%	2,841	6%	(305)	(11)%
Public affairs	1,870	4%	1,408	3%	462	33%
Interest on obligations under capital leases and debts due within one year	154	—	356	1%	(202)	(57)%
Total Expenses	<u>51,615</u>	100%	<u>48,043</u>	100%	<u>3,572</u>	7%
Operating earnings	<u>27,645</u>		<u>15,121</u>		<u>12,524</u>	83%

Compensation and Benefits

Total compensation and benefits amounted to \$22.8 million in 2006, compared to \$19.9 million in 2005, an overall increase of \$2.9 million, or approximately 15%. This increase is explained mainly by increased personnel, principally in our MX-ITS business unit, increased merit-based bonuses as well as annual wage increases totalling \$4.9 million, offset by salaries capitalized in relation to technology developments which amounted to \$2.0 million.

Our total number of full-time equivalent employees at December 31, 2006 was 219, compared to 201 at December 31, 2005, an increase of approximately 9%.

Occupancy

Occupancy expenses remained relatively stable in 2006, decreasing by approximately 3% compared to 2005. The modest decrease in occupancy expense in 2006 is due mainly to a reduction of leased office space effective in 2005.

Computer Licences and Maintenance

Computer licences and maintenance expenses decreased to \$6.2 million in 2006 compared to \$6.4 million in 2005, a decrease of \$0.2 million, or 3%. This decrease is attributable mainly to a reduction of licences and maintenance expense subsequent to the sale of Clearco in December 2005.

Amortization of Capital Assets and Other Assets

Amortization of capital assets and other assets decreased to \$6.4 million in 2006 compared to \$7.6 million in 2005, a decrease of \$1.2 million, or 16%. This decrease is attributable mainly to reduced amortization related to assets under capital lease amounting to \$0.7 million and \$0.5 million related to certain leasehold improvements that were completely amortized in 2005.

General and Administrative

General and administrative expenses increased to \$9.0 million in 2006 compared to \$6.8 million in 2005, an increase of \$2.2 million, or approximately 32%.

This increase is attributable principally to a \$2.1 million charge to general and administrative expenses relating to legal settlements made with 31 of the 70 claimants and to a provision for the remaining claimants in litigation brought against us in connection with the closing of our physical trading floor in 2001.

Telecommunications

Telecommunication expenses decreased to \$2.5 million in 2006, compared to \$2.8 million in 2005, a decrease of \$0.3 million, or 11%. This decrease is attributable mainly to reduced fees subsequent to a renegotiation of our supplier agreements.

Public Affairs

Public affairs increased to \$1.9 million in 2006 compared to \$1.4 million in 2005, an increase of \$0.5 million, or 33%, due to increased media relations and more active marketing efforts.

Interest on Obligations under Capital Leases and Debts Due Within One Year

Interest on obligations under capital leases and debts due within one year decreased to \$0.2 million in 2006 compared to \$0.4 million in 2005, a decrease of \$0.2 million, or 57% due to loan repayments made during the year.

Operating Earnings

Operating earnings rose to \$27.6 million in 2006 compared to \$15.1 million in 2005, an increase of \$12.5 million, or 83%. Operating earnings represented 35% of our revenues in 2006 compared to 24% in 2005.

Operating earnings for 2006 are net of \$2.1 million charged to our general and administrative expenses in connection with legal settlements and a provision in connection with the closing of our trading floor.

Investment Income

Investment income increased to \$2.6 million in 2006 compared to \$1.8 million in 2005, an increase of \$0.8 million, or 46%, as a result of increased cash, cash equivalents, and temporary investments and from increased clearing fund cash deposits held throughout the year.

Other Items

Equity in Results of Companies Subject to Significant Influence Net of Loss Due to Realization of the Cumulative Translation Adjustment

Equity in results of companies subject to significant influence represents our share of BOX's results. This investment is accounted for on an equity basis in accordance with Canadian GAAP, based on a 31.4% interest in BOX as at December 31, 2006 (31.4% in 2005). Equity in the results of BOX (before loss resulting from realization of the cumulative translation adjustment) amounted to \$1.7 million in 2006, compared to \$2.3 million in 2005, a decrease of \$0.6 million or approximately 25%. Despite an increase in BOX's operating income, the decrease in equity in results is due primarily to an accelerated amortization charge recorded by BOX on its previous exchange trading system, a consequence of migrating to our SOLA® platform.

In 2006, equity in results of BOX were offset by a \$0.6 million loss resulting from the realization of the cumulative translation adjustment recorded subsequent to distributions from BOX.

Gain on Dilution

In 2005, a gain on dilution of \$1.0 million was also recorded with respect to our investment in BOX when two new investors purchased BOX units.

Loss and Termination Fees on Disposal of Investments in Company Subject to Significant Influence and in Joint Venture

On December 19, 2005, MX terminated its agreement with Oxen and Clearco, selling its interest for one dollar. The disposal of this investment gave rise to a \$0.7 million loss, including termination costs of \$0.3 million.

Income Taxes

MX's income tax expense for 2006 was \$6.6 million compared to \$4.4 million in 2005, with this increase being attributable to the increase in net earnings. The effective tax rate for 2006 was 21%, compared to 22% for 2005. Despite an increase in statutory tax rates, our decrease in effective tax rate was due primarily to a variation in the valuation allowance. See also notes 5, 16 and 18 to our audited consolidated financial statements included elsewhere in this prospectus.

Net Earnings

Net earnings for the fiscal year ended December 31, 2006 amounted to \$24.8 million compared to \$15.1 million in 2005, an increase of \$9.7 million or approximately 64%. Net earnings represented 31% of our revenues in 2006, compared to 24% in 2005.

Basic earnings per share for 2006 amounted to \$2.84 compared to \$1.85 in 2005. Diluted earnings per share for 2006 were \$2.72 compared to \$1.72 in 2005. These per share amounts do not reflect the effect of the three-for-one Stock Split that we effected on March 15, 2007, nor do they reflect the effect of our issuance of 3,097,718.334 common shares (on a post-Stock Split basis) to NYMEX on March 23, 2007. Giving effect to our Stock Split, basic earnings per share for 2006 would have been \$0.95 (\$0.62 in 2005) and diluted earnings per share for 2006 would have been \$0.91 (\$0.57 in 2005).

Segment Analysis

Exchange

Revenues from the Exchange segment increased to \$66.0 million in 2006 compared to \$53.2 million in 2005, an increase of \$12.8 million, or 24% mainly due to the increased level of activity on our markets.

Investment income increased to \$1.5 million in 2006 compared to \$1.2 million, an increase of \$0.3 million or 25% as a result of increased cash, cash equivalents and temporary investments.

Equity in the results of BOX (before loss resulting from realization of the cumulative translation adjustment) amounted to \$1.7 million in 2006, compared to \$2.3 million in 2005, a decrease of \$0.6 million or approximately 25%. Despite an increase in BOX's operating income, the decrease in equity in results is due primarily to an accelerated amortization recorded by BOX relating to its previous exchange trading system, a consequence of migrating to our SOLA® platform. In addition, in 2006, equity in results of BOX were offset by a \$0.6 million loss resulting from the realization of the cumulative translation adjustment recorded subsequent to distributions from BOX.

Net earnings amounted to \$17.0 million in 2006 compared to \$11.2 million in 2005, an increase of \$5.8 million, or approximately 52%, principally as a result of increased revenues, net of applicable income taxes. Net earnings represented 26% of our revenues in 2006, compared to 21% in 2005.

Clearing House

Revenues from CDCC increased to \$13.2 million in 2006 compared to \$10.0 million in 2005, an increase of \$3.3 million, or 33%, mainly due to the increased level of activity on our markets. Net earnings stood at \$7.8 million in 2006 compared to \$4.0 million in 2005, an increase of \$3.8 million, or 97%, principally as result of increased revenues net of applicable income taxes. Net earnings represented 59% of our revenues in 2006, compared to 40% in 2005.

Results of Operations for the Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004

Revenues

Our revenues for 2005 amounted to \$63.2 million, compared to \$57.3 million in 2004, an increase of approximately 10%. Our revenues in 2005 represented an increase of \$10.8 million, or 21%, compared to 2004 revenues excluding unusual items of \$52.3 million (that is, excluding \$5.0 million received from the TSX Group in connection with the NGX transaction). The following table provides a break-down of our revenues in 2005 and 2004.

	December 31, 2005		December 31, 2004		Change	
	\$	% of total	\$	% of total	\$	%
(\$ in thousands)						
Revenues:						
Transactions	26,403	42%	19,740	34%	6,663	34%
Clearing and option exercise	9,609	15%	7,837	14%	1,772	23%
Information systems services	15,581	25%	12,160	21%	3,421	28%
Market data	8,095	13%	7,787	14%	308	4%
Participants	2,456	4%	4,180	7%	(1,724)	(41%)
Other	<u>1,020</u>	<u>1%</u>	<u>5,630</u>	<u>10%</u>	<u>(4,610)</u>	<u>(82%)</u>
Total revenues	<u>63,164</u>	100%	<u>57,334</u>	100%	<u>5,830</u>	10%

Transactions

Efforts to develop the derivatives market in Canada and abroad resulting in an expanded distribution of direct connections to our electronic trading platform, the introduction of new liquidity provider programs, as well as the increased use of derivative instruments in the global markets resulted in our transaction revenues increasing to \$26.4 million in 2005, compared to \$19.7 million in 2004, an increase of \$6.7 million, or 34%. Average daily volumes

grew to 114,284 contracts in 2005, compared to 86,226 contracts in 2004, an increase of 28,058 contracts, or 33%. Growth in average daily volume posted in 2005 exceeded the average of 19% realized in the last three years.

Interest rate derivatives posted the most robust growth, with a 46% rise in average daily volumes. Index derivatives were also on the rise, with an 18% increase in average daily volumes. Equity options, which experienced an 18% increase in volumes in 2005, also contributed to our growth.

Average revenue per contract increased slightly in 2005 to \$0.92 per contract from \$0.91 per contract in 2004, primarily as a result of a slight variation in product mix partly offset by the introduction of new liquidity provider programs in the second quarter of 2005.

Clearing and Option Exercise

Clearing and option exercise revenues increased to \$9.6 million in 2005, compared to \$7.8 million in 2004, an increase of \$1.8 million or 23%. This increase was mainly attributable to the increased level of trading on our markets.

Information Systems Services

Revenues from information systems services increased to \$15.6 million in 2005, compared to \$12.2 million in 2004, an increase of \$3.4 million, or 28%. Approximately \$1.5 million of the increase was due to an increase in obligations under capital leases for computer hardware and software that are held at BOX's premises and re-invoiced to BOX at cost. In addition, approximately \$1.9 million of the increase was attributable mainly to increased services rendered to BOX in order to increase BOX's system capacity.

Market Data

Market data revenues reached \$8.1 million in 2005, compared to \$7.8 million in 2004, an increase of \$0.3 million, or approximately 4%, due to an increased number of resellers, an increased number of data subscriptions, and increased sales of individual quotes through our website, all of which is to a large degree indirectly driven by an increased number of participants and increased trading volume. At December 31, 2005, our market data was displayed on over 23,200 screens, compared to approximately 21,000 at December 31, 2004, an increase of 10%.

Participants

Revenues from market participants, generated primarily by the Regulatory Division, decreased to \$2.5 million in 2005 compared to \$4.2 million in 2004, a decrease of \$1.7 million, or 41%.

In November 2004, MX filed an application with the AMF requesting a review of its role as a SRO to allow MX to perform its regulatory functions exclusively in the areas of derivatives so that MX would no longer be responsible for member regulation functions regarding securities dealers. The AMF accepted this proposal, and effective January 1, 2005, the Québec securities dealers, who were under MX's responsibility until December 2004, are now governed by the IDA. A decrease in revenues of \$1.9 million was attributable to this reduction of regulatory roles.

This decrease in revenues was offset by new access fees implemented in 2005. The number of approved participants stood at 85 as at December 31, 2005, of which 57 were platform-connected (76 as at December 31, 2004, of which 44 were platform-connected).

Other

In 2005, other revenues decreased to \$1.0 million, compared to \$5.6 million in 2004, a decrease of \$4.6 million, or 82%, due principally to the inclusion of \$5.0 million in revenues from the TSX Group relating to its acquisition of NGX included in other revenues in 2004. Excluding revenues pertaining to the NGX transaction in 2004, other revenues in 2005 increased by \$0.4 million, or 62%. This increase was attributable to administrative charges to the IDA relating to the transfer of certain regulatory functions to the IDA, increased revenues from our Training Service, and an increase in licence revenues related to the operations of Clearco Inc.

Expenses

Our expenses amounted to \$48.0 million in 2005, compared to \$43.0 million in 2004, an overall increase of \$5.1 million, or 12%. The following table provides a break-down of our expenses in 2005 and 2004.

	<u>December 31, 2005</u>		<u>December 31, 2004</u>		<u>Change</u>	
	<u>\$</u>	<u>% of total</u>	<u>\$</u>	<u>% of total</u>	<u>\$</u>	<u>%</u>
Total revenues	63,164	100%	57,334	100%	5,830	10%
Expenses:						
Compensation and benefits	19,891	41%	19,004	44%	887	5%
Occupancy	2,754	6%	2,520	6%	234	9%
Computer licences and maintenance	6,397	13%	5,441	13%	956	18%
Amortization of capital assets and other assets	7,586	16%	5,284	12%	2,302	44%
General and administrative	6,810	14%	6,525	15%	285	4%
Telecommunications	2,841	6%	2,510	6%	331	13%
Public affairs	1,408	3%	1,344	3%	64	5%
Interest on obligations under capital leases and debts due within one year	356	1%	359	1%	(3)	(1%)
Total expenses	<u>48,043</u>	100%	<u>42,987</u>	100%	<u>5,056</u>	12%
Operating earnings	<u>15,121</u>		<u>14,347</u>		<u>774</u>	5%

Compensation and Benefits

Total compensation and benefits amounted to \$19.9 million in 2005, compared to \$19.0 million in 2004, an overall increase of \$0.9 million, or 5%.

The increase in compensation and benefits expense is explained in part by change in employee type mix and increased annual wages and merit-based bonuses. This increase was partly offset by salaries capitalized to computer development assets related to the development of our SOLA® products.

Our total number of full-time equivalent employees at December 31, 2005 stood at 201, compared to 197 employees as at December 31, 2004. Despite a significant increase in our MX-ITS personnel, the overall number of employees has not increased significantly, principally as a result of the transfer of the Québec securities dealers regulatory division to the IDA.

Occupancy

Occupancy expenses increased to \$2.7 million in 2005 compared to \$2.5 million in 2004, an increase of \$0.2 million, or 9%. This increase resulted partially from additional costs to maintain our disaster recovery site, as well as various renovations to the premises.

Computer Licences and Maintenance

Computer licences and maintenance expenses increased to \$6.4 million in 2005 compared to \$5.4 million in 2004, an increase of \$1.0 million, or 18%. This increase was mainly due to additional maintenance of hardware incurred largely in relation to the service agreement with BOX.

Amortization of Capital Assets and Other Assets

Amortization of capital assets and other assets increased to \$7.6 million in 2005, compared to \$5.3 million in 2004, an increase of \$2.3 million, or 44%. During the last quarter of 2005 MX completed Phase 1 of the implementation of SOLA®. As a result, accelerated amortization of \$0.9 million was recorded on previously existing trading platform assets. Furthermore, additional amortization charges of \$1.0 million were recorded related to the acquisition of technology assets required to increase BOX's capacity.

General and Administrative

General and administrative costs increased to \$6.8 million in 2005 compared to \$6.5 million in 2004, an increase of \$0.3 million, or 4%.

In 2005, in order to comply with AMF Regulation 52-109 on *Certification of Disclosure in Issuers' Annual and Interim Filings*, we began documenting and assessing the design and effectiveness of internal controls and procedures in our business processes generating financial information. Professional fees incurred in connection with this process in 2005 were included in general and administrative costs, and amounted to \$0.3 million.

Also, our general and administrative costs increased in 2005 due to additional spending related to various market studies, recruiting and training of personnel, travel costs in connection with telecommunication hubs in Europe and USA and other business development efforts.

These costs were largely offset by a reduction in external consultants and professional fees (other than professional fees related to internal control procedures).

Telecommunications

Telecommunication expenses increased to \$2.8 million in 2005, compared to \$2.5 million in 2004, an increase of \$0.3 million, or 13%. This increase is due to continuous efforts to improve the underlying infrastructure capacity to support increased trading volume and incoming message volume, for MX and for BOX.

Public Affairs

Public affairs increased to \$1.4 million in 2005 from \$1.3 million in 2004, an increase of \$0.1 million, or 5%. Our marketing program includes advertising campaigns, and trade shows in Canada, USA and Europe. We maintained the same level of marketing activities as in 2004 in line with our continued marketing efforts program.

Interest on Obligations under Capital Leases and Debts Due Within One Year

Interest on obligations under capital leases and debts due within one year remained stable in 2005 at \$0.4 million compared to \$0.4 million in 2004.

Operating Earnings

In 2005, operating earnings rose to \$15.1 million, compared to \$14.3 million in 2004 (\$9.3 million in 2004 excluding \$5.0 million in other revenues received from TSX Group pertaining to the NGX transaction), an increase of \$0.8 million (\$5.8 million excluding \$5.0 million in other revenues in 2004 received from TSX Group pertaining to the NGX transaction), or 5% (62% excluding \$5.0 million in other revenues in 2004 received from TSX Group pertaining to the NGX transaction). Operating earnings represented 24% of our revenues in 2005, compared to 25% in 2004 (18% excluding \$5.0 million in other revenues in 2004 received from TSX Group pertaining to the NGX transaction).

Investment Income

Investment income increased to \$1.8 million in 2005 compared with \$1.1 million in 2004, an increase of \$0.7 million, or 69%, as a result of increased cash, cash equivalents and temporary investments.

Other Items

Equity in Results of Companies Subject to Significant Influence, Net of Loss Due to Realization of Translation Adjustment

Equity in results of companies subject to significant influence represents principally our share of BOX's results, accounted for on an equity basis in accordance with Canadian generally accepted accounting principles, based on a 31.4% interest in BOX as at December 31, 2005 (31.7% in 2004) amounting to \$2.3 million compared to a loss of \$2.7 million in 2004, as a result of BOX's increase in average daily volume and resulting market share.

Gain on Dilution

A gain on dilution was recorded in January 2005 with respect to our investment in BOX when two new investors purchased BOX units. Following this transaction, our interest in BOX fell from 31.7 % to 30.7 %, which generated a gain on dilution of \$1.0 million.

Loss and Termination Fees on Disposal of Investments in Company Subject to Significant Influence and in Joint Venture

On December 19, 2005, we terminated our agreement with Oxen and Clearco, selling our interest for one dollar. The disposal of this investment gave rise to a \$0.7 million loss, including termination costs of \$0.3 million.

Income Taxes

Our income tax expense for 2005 was \$4.4 million, compared to \$3.8 million in 2004 an increase of almost 17%, due mainly to the increase in net earnings. The effective tax rate for 2005 was 22%, whereas it was 30% in respect of 2004. Although the statutory tax rates did not vary from the prior year, the reduction in effective tax rates was principally due to recognition of a tax benefit resulting from BOX losses carried forward. See notes 5, 16 and 18 to our audited consolidated financial statements included elsewhere in this prospectus.

Net Earnings

Net earnings for the fiscal year ended December 31, 2005 stood at \$15.1 million, compared to \$9.0 million in 2004, an increase of approximately \$6.2 million or 69%. Net earnings represented 24% of our revenues in 2005, compared to 16% in 2004.

Basic earnings per share for 2005 amounted to \$1.85, compared to \$1.11 the previous year. Diluted earnings per share for 2005 were \$1.72 compared to \$1.06 in 2004. These per share amounts do not reflect the effect of the three-for-one Stock Split that we effected on March 15, 2007, nor do they reflect the effect of our issuance of 3,097,718.334 common shares (on a post-Stock Split basis) to NYMEX on March 23, 2007. Giving effect to our Stock Split, basic earnings per share for 2005 would have been \$0.62 (\$0.37 in 2004) and diluted earnings per share for 2005 would have been \$0.57 (\$0.35 in 2004).

Segment Analysis

Exchange

Revenues from our Exchange segment increased to \$53.2 million in 2005 compared to \$49.3 million in 2004, an increase of \$3.9 million, or 8%. Compared to 2004 revenues excluding other revenues of \$5.0 million received from the TSX Group relating to its acquisition of NGX in 2004, our revenues in 2005 increased by \$8.9 million, or 20%, mainly due to the heightened level of activity on our markets as well as increased services provided and billed to BOX by MX-ITS.

Investment income increased to \$1.2 million in 2005 compared to \$0.8 million, an increase of \$0.4 million or 62% as a result of increased cash, cash equivalents and temporary investments.

Equity in results of BOX increased to \$2.3 million compared to a loss of \$2.7 million in 2004, as a result of BOX's increase in average daily volume.

Net earnings amounted to \$11.2 million in 2005 compared to \$6.4 million in 2004, an increase of \$4.8 million, or 75%, resulting from increased revenues and investment income and improved results at BOX, net of applicable income taxes. Net earnings represented 21% of our revenues in 2005, compared to 13% in 2004.

Clearing House

Revenues from our Clearing House segment increased to \$10.0 million in 2005 compared to \$8.1 million in 2004, an increase of \$1.9 million, or 24%, mainly due to the increased level of activity on our markets. Net earnings stood at \$4.0 million in 2005 compared to \$2.6 million in 2004, an increase of \$1.4 million, or 54%, namely as result

of increased revenues and investment income net of applicable income taxes. Net earnings represented 40% of our revenues in 2005, compared to 32% in 2004.

For a discussion of our most recent quarterly results, see “ — Quarterly Financial Information” below.

Liquidity and Financial Resources

Liquidity

Our operations are the major source of our liquidity. Our cash requirements primarily consist of operating expenses, capital expenditures for the development of technology solutions and technology enhancements as well as scheduled debt repayments.

As at December 31, 2006, we had total cash, cash equivalents and temporary investments of \$59.6 million, compared to \$57.0 million as at December 31, 2005. During 2006, we made dividend payments of \$23.2 million, including a special cash dividend of \$1.50 per common share (pre-Stock Split) (approximately \$13.9 million in the aggregate) that was declared in 2005. On November 30, 2006, we declared a special dividend of \$1.50 per common share (pre-Stock Split) (approximately \$13.9 million in the aggregate), which was paid on January 12, 2007 to the shareholders of record on January 5, 2007.

We believe that current cash balances and future funds generated through our operations will be sufficient to meet cash requirements currently and for the foreseeable future. If we were to experience a significant reduction in our cash flows from operations, we believe we currently have a variety of options for raising capital for short term cash needs, including an unused revolving line of credit and extending our available credit facilities.

We have an operating line of credit of \$2.0 million, of which an amount of \$1.8 million has been drawn (by way of letter of credit) as a guarantee to the trustee under our employee future benefit plan in respect of our accrued future employee benefits. Borrowings under our operating line of credit bear interest at the banks' prime rate. The line of credit contains customary covenants requiring us to maintain certain financial ratios.

CDCC has also arranged a total of \$30.0 million in revolving standby credit facilities with a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member. Borrowings under the facilities, which are required to be collateralized, bear interest based on the bank's prime rate plus 0.75%. These facilities have not been utilized since the date they were established. For more information regarding CDCC's financial backstop system, see “Our Business — Clearing House — CDCC's Financial Backstop System” elsewhere in this prospectus.

We currently intend to finance the planned acquisition of an additional 13.3% ownership interest in BOX through a revolving line of credit in an amount of US\$34.0 million with a Canadian Schedule I Bank. The revolving line of credit will have a maturity date 5 years following the close of the transaction. This line of credit will be available in Canadian funds by way of advances, bankers acceptances and letters of credit, and in US funds by way of advances, LIBOR loans and letters of credit. Interest rates and fees will range from banker's acceptance or LIBOR, as applicable, plus a margin of up to 0.7% based on certain financial ratios. The line of credit will contain certain covenants which will, among other things, require MX to maintain certain financial ratios and restrict our ability to incur additional indebtedness, except in specified instances. The line of credit will also allow for an upsized or additional revolving line of credit of up to US\$30.0 million, which may be financed through the same lender or an alternative lender (which is referred to as the accordion feature).

Under the terms of the AMF decision recognizing MX as an exchange and SRO and pursuant to the Rules of MX regarding the Regulatory Division, no regulatory fees, fines or penalties collected by or on behalf of the Regulatory Division may be distributed to MX or any entity other than the Regulatory Division itself. As a result, the use of regulatory fees, fines and penalties collected by or on behalf of the Regulatory Division may be considered restricted, and MX could be required to report the related cash balances, if any, as restricted cash in future periods. At December 31, 2006, an amount of \$1.7 million (\$1.5 million in 2005) is included in restricted cash.

MX's Recognition Order contains specified financial viability tests (financial ratios) with which we are required to comply. If we fail to comply with these ratios for a period of more than three months, we are required to notify the AMF staff of the reasons for the continued ratio deficiencies and the steps being taken to remedy the non-compliance. In these circumstances, MX will not, without the prior approval of the AMF, be permitted to pay

dividends, bonuses to directors or officers, or make certain other payments or distributions until the deficiencies have been eliminated for at least six months, or a shorter period of time as agreed to by AMF.

Cash Flows from Operating Activities

Cash flows from operating activities totalled \$29.6 million in 2006 compared to \$25.1 million in 2005, mainly due to increased cash from operating activities and the net change in non-cash operating assets and liabilities.

Cash Flows from Investing Activities

Cash flows from investing activities required funds of \$6.8 million in 2006 compared to \$12.8 million in 2005. The resulting cash outflows are due to the net purchase of \$3.6 million in investments, \$5.7 million invested in capital assets and other assets during 2006, primarily to further develop our SOLA® software, net of a \$2.5 million distribution received from BOX.

Cash Flows from Financing Activities

Cash flows from financing activities required \$24.2 million in funds compared to \$2.0 million in 2005. The resulting cash outflows are due primarily to the payment of dividends totalling \$23.2 million in 2006. During 2006, capital lease repayments reached \$3.2 million and restricted cash required \$1.2 million in funds, while share issues generated \$3.3 million.

Total Assets

Total assets excluding certain clearing assets increased to \$98.6 million as at December 31, 2006 compared to \$92.0 million as at December 31, 2005, an increase of \$6.6 million, or 7%. This increase is attributable mainly to an increase in cash, cash equivalents, temporary investments and accounts receivable.

Daily settlements due from clearing members consist of amounts due from and to clearing members as a result of marking open futures positions to market and settling option transactions each day that are required to be collected from or paid to clearing members prior to the commencement of the next trading day. The amounts are presented as an asset on the balance sheet and not offset against amounts due to other clearing members, which are presented as a liability.

Cash deposits of clearing members are held in the name of CDCC and are disclosed in our consolidated balance sheets under Clearing members' cash margin deposits and Clearing fund cash deposits. Government securities, letters of credit and other securities are deposited by the clearing members with approved depositories under irrevocable agreements. Clearing members may also deposit letters of credit and escrow receipts directly with CDCC.

Also, there are margin and clearing fund deposits held by custodians, of which CDCC is a beneficiary, that are not included in our consolidated balance sheets.

Capital Stock

As at December 31, 2006, our capital stock consisted of 9,273,155 issued and outstanding common shares, all of which are voting and participating shares. Of this number, 85,391 were held in guarantee for loans under our previous share purchase plan, and 298,318 were held in guarantee for loans under our previous stock option plan. On March 15, 2007, we effected a three-for-one Stock Split. In addition, on March 23, 2007, we issued 3,097,718 common shares (on a post-Stock Split basis) to NYMEX. Giving effect to our Stock Split and our issuance to NYMEX (and assuming no further issuances or repurchases of our shares), our issued and outstanding capital stock will, on the date of our stock exchange listing, consist of 30,977,183 common shares, all of which are voting and participating shares. For more information regarding our Stock Split, see "Description of Our Share Capital — Our Stock Split" elsewhere in this prospectus. For a description of the NYMEX Investment, see "Our Business — Overview of MX — Recent Developments" elsewhere in this prospectus.

On November 30, 2006, the MX declared a special dividend of \$1.50 per common share (pre-Stock Split). This dividend was paid on January 12, 2007.

On March 12, 2007, MX declared a special dividend of \$0.33¹/₃ per common share (\$1.00 per common share pre-Stock Split), payable on April 12, 2007 to shareholders of record at the close of business on March 22, 2007 (the date immediately preceding the closing of the NYMEX Investment).

In addition to general corporate purposes, MX intends to use the proceeds of the NYMEX Investment to fund the special dividend declared by our Board of Directors on March 12, 2007, and to fund a portion of the normal course issuer bid that we announced on the date hereof and that we currently intend to launch upon our stock exchange listing. For more information regarding our normal course issuer bid, see “Description of Our Share Capital — Normal Course Issuer Bid” elsewhere in this prospectus. For a description of the NYMEX Investment, see “Our Business — Overview of MX — Recent Developments” elsewhere in this prospectus.

Between January 1, 2006 and February 6, 2006, 792,000 of the 835,000 stock options granted were exercised at an average exercise price of \$5.08. MX has granted loans bearing interest at 5% on 595,000 shares. Dividends paid on these shares were applied against the loans. The loans were repaid in full prior to the date of this prospectus.

See also notes 12 and 25 to our audited consolidated financial statements included elsewhere in this prospectus.

Data on outstanding shares and options

The following table sets forth historical information regarding our outstanding shares and options. This table gives effect to the Stock Split that we effected on March 15, 2007, and the data at the date hereof reflects our issuance of shares to NYMEX pursuant to the NYMEX Investment.

	<u>At the date hereof⁽¹⁾</u>	<u>As at December 31, 2006</u>	<u>As at December 31, 2005</u>
Shares issued and outstanding	30,977,183	27,819,465	25,443,465
Options outstanding	69,000	129,000	2,505,000

(1) Excluding fractional shares.

Off-Balance Sheet Arrangements

We have obligations under our employee future benefit plan. As at December 31, 2006, our estimated obligations under this employee future benefit plan were approximately \$1.5 million, of which approximately \$0.7 million is recorded as a liability on our audited consolidated financial statements. In 2006, our net benefit plan expense amounted to \$0.4 million, which was included in compensation and benefits in our consolidated statement of earnings. For more information regarding our employee future benefit obligations, see note 21 to our audited consolidated financial statements included elsewhere in this prospectus.

We are also party to certain contractual obligations and commitments, including obligations under operating leases and purchase obligations, which we discuss below under “ — Contractual Obligations and Commitments and Related Party Transactions.”

Financial Instruments

Our financial instruments include cash and temporary investments, accounts receivable, certain other assets (employee loans), clearing members’ cash deposits (assets and liabilities), clearing fund cash deposits (assets and liabilities), daily settlements due from/to clearing members, accounts payable and accruals and short-term debt.

Cash and cash equivalents are carried at cost which approximate fair market value. Temporary investments are carried at the lower of cost or market. The carrying amount of accounts receivable, clearing members’ cash deposits (assets and liabilities), clearing fund cash deposits (assets and liabilities), daily settlements due from/to clearing members, accounts payable and accruals and short term debt approximates their fair value due to the near-term maturity of those instruments. The fair value of loans to employees is calculated based on the present value of future repayments.

Contractual Obligations and Commitments and Related Party Transactions

Our material obligations under firm contractual arrangements, including commitments for future payments under operating leases and other debt arrangements as of December 31, 2006, are described in notes 10, 11 and 14 of our audited consolidated financial statements included elsewhere in this prospectus, and are summarized as follows:

<u>Contractual Obligations:</u>	<u>Payments Due By Period</u>				
	<u>Total</u>	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>More than 5 years</u>
			(\$ in thousands)		
Operating leases	\$13,625	\$1,941	\$3,328	\$3,307	\$5,049
Purchase obligations	12,297	3,956	6,173	2,168	—
Financial debt	1,072	1,072	—	—	—
Interest payments ⁽¹⁾	26	26	—	—	—
Total contractual obligations	<u>\$27,020</u>	<u>\$6,995</u>	<u>\$9,501</u>	<u>\$5,475</u>	<u>\$5,049</u>

(1) Includes interest and fees to be paid on financial debt.

We rent our premises and equipment under operating lease agreements expiring between 2007 and 2015 and we are committed under service and licence agreements through 2010.

In 2000, we entered into licence and maintenance agreements with AtosEuronext for the use of AtosEuronext's electronic trading software and pursuant to which AtosEuronext was obliged to provide services related to the operation and support of our trading platform. Licence and maintenance fees under these agreements are \$2.9 million in respect of 2007. Pursuant to our decision to internally develop SOLA[®], our customized trading platform, we may consider terminating these licence and maintenance agreements prior to their expiry date should the implementation of the remaining outstanding SOLA[®] protocol at MX be completed by June 2007, as currently scheduled. Should we exercise this termination right, we will be subject to early termination penalties amounting to €0.9 million (\$1.4 million at December 31, 2006) in 2007.

Our financial debt consists of our obligations under capital leases and debts due within one year.

We have also entered into a commitment in respect of MCEX, pursuant to which we have agreed with CCX that MX will fund the first US\$3.0 million of MCEX's initial working capital requirements. This commitment is staggered in "tranches," of which the first is of US\$300,000, and we may terminate this commitment upon the exhaustion of each tranche, subject to certain conditions and subject to withdrawing from the MCEX project with CCX.

In 2006, we were party to related party transactions with affiliated companies in the normal course of business. Beginning in 2004, we became an official supplier to BOX and, in this regard, we charge BOX for salaries, telecommunication services, computer equipment, and other services at rates set forth in our agreement with BOX. The amounts invoiced to BOX in 2006 amounted to \$15.3 million (compared to \$15.6 million in 2005 and \$12.2 million in 2004). These transactions were undertaken in the normal course of business.

See also note 19 to our audited consolidated financial statements as at December 31, 2006 included elsewhere in this prospectus.

Business Acquisitions and Strategic Investments

During 2006, MX made a commitment to acquire a further 13.3% ownership interest in BOX from the BSE for US\$34.2 million (\$39.8 million at December 31, 2006). Should this transaction be completed, our interest in BOX would rise from 31.4% to 44.7%. This acquisition is subject to the prior approval of the SEC as well as customary closing conditions. The formal filing of the regulatory approval application is currently expected to occur in the first half of 2007. There is no assurance that this acquisition will be approved by the SEC or that it will close.

Capital and Other Asset Expenditures

Capital expenditures incurred in 2006 and 2005 related primarily to the technology driving our electronic platform. Such expenditures were approximately \$4.7 million and \$3.5 million, in 2006 and 2005, respectively. The balance of capital spending related to leasehold improvements. For 2007 we expect our total annual capital expenditures to approximate \$7.0 million. Planned 2007 investments include product development and enhancements to the technology infrastructure. We currently expect that capital expenditures will be funded by cash flow from operations.

Shareholders' Equity

Shareholders' equity as at December 31, 2006 was \$65.7 million. The increase of \$4.7 million reflects net earnings generated during the year, less dividends of \$24.4 million recorded during the year.

Risks and Uncertainties

To varying degrees, we are exposed to concentration of credit risk and credit risk. We are also exposed to competition and to market risk and certain other risks that we describe below. See also "Risk Factors" elsewhere in this prospectus for a discussion of these and other risks affecting our business.

Concentration of Credit Risk

For the year ended December 31, 2006, approximately 19% of our revenues were generated by BOX in information systems services (25% in 2005 and 21% in 2004), and four approved participants, on behalf of numerous clients, generated, in the aggregate, 33% of our revenues (31% in 2005 and 30% in 2004), for a combined total of 52% of our revenues in 2006 (56% in 2005 and 51% in 2004). Each of these four approved participants individually generated more than 6% of our revenues in 2006. Although we seek to diversify our base of approved participants and continuously seek ways of encouraging activity by all of our approved participants, we may in the future continue to be dependent to a certain degree on BOX and these key approved participants.

Credit Risk and Clearing House Risk

We are exposed to the credit risk of our approved participants and customers. We review a customer's credit history before extending credit and we conduct regular reviews of our existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information.

CDCC is also 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. 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 is also exposed to risks arising from its operations, including regulatory and operational risks. For a description of CDCC's financial backstop system, see "Our Business — Clearing house — CDCC's Financial Backstop System" elsewhere in this prospectus.

Market Risk

Market risk is the risk of declining trading and clearing volumes that might generate operational and financial losses. This risk flows from adverse changes in factors underlying the financial and stock markets, over which we have no control.

Competition Risk

We are in direct competition with other derivatives exchanges as well as alternative trading systems. Increased competition could lead to reduced interest in our products and pressure on transaction prices, among other things. Furthermore, the 1999 Agreement with the TSX Group, including the non-competition covenants, expires in March 2009. On March 5, 2007, TSX Group and ISE announced their joint initiative to create a new Canadian securities derivatives exchange which would launch its operations in March 2009, upon the expiry of the 1999 Agreement. For

more information regarding the competition in our markets see “Our Business — Exchange — MX-FM — Competition.”

Reliability of Information Systems

Being entirely automated, we are highly dependent on our information technology systems. However, we have implemented fully redundant parallel processing back-up systems and fail-safes to minimize the risk of system interruptions or outages that could affect our trading and clearing operations. BOX currently has a partial disaster recovery back-up system, and we currently expect to complete BOX’s full redundancy and back-up systems in 2007.

Regulatory

We are subject to numerous regulatory requirements governing our activities. We carry on these activities in accordance with the regulations of securities commissions in Canada, the U.S., France and the U.K., and, given our development plans, we could eventually be subject to the regulations of other jurisdictions. Regulatory trends are not always predictable. Unexpected and new regulatory requirements could impact our organization, market position and results.

Critical Accounting Estimates

Long Term Investments

Long term investment consists of our 31.4% interest in BOX and is accounted for under the equity method.

If there is a loss in value of an investment that is other than a temporary decline, the investment would be written down to recognize the loss. The write-down would be included in the determination of net earnings. A significant or prolonged decline in the fair value of an investment below its carrying value is evidence of an other-than-temporary loss in value of an investment.

When an investment has been written down to recognize a loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes and, accordingly, a subsequent increase in value would be recognized only when realized.

As at December 31, 2006, the fair value of BOX exceeded its carrying value, and therefore we concluded that no write-down was required in this respect.

Tax Credits on Development Costs and Government Assistance:

We incur development costs that are eligible for tax credits. The tax credits are recorded based on the estimated amounts to be recovered as determined by management. These amounts are subject to an audit by the tax authorities.

Government assistance and tax credits on development costs relating to operating expenses are charged to earnings when the related expenses are incurred. Government assistance and tax credits on development costs relating to capital expenditures are deducted from the related asset.

Capital Assets, Intangibles, Goodwill and Other Assets

Direct costs incurred for the development of software are recorded in capital assets under computer development, hardware and software. These costs include salary costs, hardware and subcontractors and are amortized over their useful lives, estimated at five years.

Capital assets and purchased intangibles subject to amortization, 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 to be held and used 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, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the statement of earnings before extraordinary items and discontinued operations.

Intangible assets, which represent the development costs of on-line training courses, less government assistance received, are amortized over five years on a straight-line basis beginning on their launch date.

Deferred charges which represent development costs of software are amortized over five years, that is, the estimated economic life of the product. Deferred charges, which represent licence and maintenance fees, are amortized on a straight-line basis over periods of two to three years.

Employee Future Benefits

On January 1, 2004, we established a defined benefit registered pension plan for certain officers. The benefits are based on years of service and the participants' compensation. The cost of this program is being funded periodically.

We accrue our obligations under its pension plan as employees render the services necessary to earn the pension benefits. We have adopted the following policies:

- (i) The cost of the accrued benefit obligations for pensions earned by the employees is actuarially determined using the projected benefit method pro rated on services and management's best estimation of expected plan investment performance, salary escalation and retirement ages.
- (ii) For the purpose of calculating expected return on plan assets, these assets are valued at fair value.
- (iii) Past service costs of \$0.65 million from pension plan initiation are amortized on a straight-line basis over the average remaining service period of employees active at the initiation date, which is 12.4 years.
- (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 gains (losses) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees when applicable.

See also note 21 to our audited consolidated financial statements included elsewhere in this prospectus.

Income Taxes

We follow the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the accounting value of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year 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 earnings in the period that includes the enactment or substantive enactment date. Future income tax assets are recognized and, if realization is not considered "more likely than not," a valuation allowance is provided.

Management is required to assess whether it is more likely than not that our future income tax assets will be realized prior to their expiration and, based on all the available evidence, determine if a valuation allowance is

required on all or a portion of our future income tax assets. The factors used to assess the likelihood of the realization are our past experience of income and capital gains, forecast of net income before taxes, available tax planning strategies that could be implemented to realize the future income tax assets and the remaining expiration period of tax loss carry forwards. Although realization is not assured, management believes, based on all the available evidence, it is more likely than not that the remaining future income tax assets, net of the valuation allowance, will be realized prior to their expiration.

Contingent Liabilities

We are party to a number of legal proceedings in connection with the closing of our physical trading floor. As at December 31, 2006, there was a total of \$27.3 million in outstanding claims against us in respect of this matter, and which we intend to continue defending vigorously. In accordance with Canadian GAAP, amounts are accrued for the financial resolution of the claims if, in the opinion of management, it is both likely that the future event will confirm that a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In some cases, however, it is either not possible to determine whether such a liability has been incurred or to reasonably estimate the amount of the loss until the case is closer to resolution, in which case no accrual can be made until that time. If the reasonable estimate of loss involves a range within which a particular amount appears to be a better estimate, that would be accrued. If no such better estimate within a range is indicated, the minimum amount in the range is required to be accrued.

We regularly assess the adequacy of our contingent liabilities accrual and make necessary adjustments to incorporate new information as it becomes available. While there exists an inherent difficulty in predicting the outcome of such matters, our management accounted for provisions, as and when appropriate, and believes that the outcome of these matters will not have a material adverse effect on our operating results or financial position.

Accounting Developments

Changes in Accounting Policies

We monitor the application of new accounting policies, including proposed harmonization to international financial reporting requirements. No new accounting policies affecting us became effective in 2006.

Financial Instruments

In 2005, the CICA issued two new accounting standards affecting our financial statements: CICA Handbook Section 1530, *Comprehensive Income* (Section 1530), and CICA Handbook Section 3855, *Financial Instruments — Recognition and Measurement* (Section 3855). These new standards became effective for us on January 1, 2007 and accordingly will be reflected in our financial statements beginning in 2007.

Comprehensive Income

Section 1530 introduces comprehensive income which is comprised of net earnings and other comprehensive income and represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources. Other comprehensive income (OCI) includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts, arising from self-sustaining foreign operations. Our consolidated financial statements will include a consolidated statement of comprehensive income while the cumulative amount, accumulated other comprehensive income (AOCI), will be presented as a new category of shareholders' equity in the consolidated balance sheets.

Financial Instruments — Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. It requires that financial assets and financial liabilities, including derivatives, be recognized on the balance sheet when we become a party to the contractual provisions of the financial instrument. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial assets and financial liabilities held-for-trading will be measured at fair value with gains and losses recognized in net earnings. Loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost using the effective interest method of amortization.

Section 3855 permits an entity to designate any financial instrument as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855. Instruments that are classified as held-for-trading by way of this “fair value option” must have reliable fair values.

Other significant accounting implications arising on adoption of Section 3855 include the initial recognition of certain financial guarantees at fair value on the balance sheet and the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost.

We are currently determining the impact that these changes in accounting policies will have on our consolidated financial statements.

Controls and Procedures

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designated to ensure that information is accumulated and communicated to management, including our President and Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), to allow timely decisions regarding required disclosure.

As of December 31, 2006, an evaluation was carried out, under the supervision of and with the participation of management, including our CEO and our CFO, of the effectiveness of our disclosure controls and procedures as defined under AMF Regulation 52-109. Based on that evaluation, our CEO and our CFO concluded that the design and operation of our disclosure controls and procedures were effective as at December 31, 2006.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. No changes were made in our internal control over financial reporting during the year ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Quarterly Financial Information

Quarterly Financial Information (unaudited)					
2006					
First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total	
(\$ in thousands, except trading days, volume, margins and per share amounts)					
Trading days	64	63	62	62	251
Average daily volume (contracts)	148,691	173,735	158,750	165,110	161,517
Revenues	\$ 19,077	\$ 20,714	\$ 19,924	\$ 19,545	\$ 79,260
Operating earnings	5,449	7,355	7,275	7,566	27,645
% operating margin	28.6%	35.5%	36.5%	38.7%	34.9%
Net earnings	\$ 4,931	\$ 6,465	\$ 5,929	\$ 7,506	\$ 24,831
Basic earnings per share — pre-Stock Split ⁽¹⁾	0.58	0.74	0.68	0.84	2.84
Diluted earnings per share — pre-Stock Split ⁽¹⁾⁽²⁾ ..	0.55	0.71	0.65	0.81	2.72
Basic earnings per share — post-Stock Split ⁽¹⁾	0.19	0.25	0.23	0.28	0.95
Diluted earnings per share — post-Stock Split ⁽¹⁾⁽²⁾	0.18	0.24	0.22	0.27	0.91
Cash flows from operating activities	(938)	9,877	11,395	9,229	29,563

Quarterly Financial Information (unaudited)					
2005					
First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total	
(\$ in thousands, except trading days, volume, margins and per share amounts)					
Trading days	62	64	63	61	250
Average daily volume (contracts)	103,342	107,265	125,747	120,548	114,284
Revenues	\$ 14,599	\$ 15,484	\$ 16,569	\$ 16,512	\$ 63,164
Operating earnings	3,141	3,925	4,735	3,320	15,121
% operating margin	21.5%	25.3%	28.6%	20.1%	23.9%
Net earnings	\$ 4,214	\$ 3,867	\$ 4,570	\$ 2,484	\$ 15,135
Basic earnings per share — pre-Stock Split ⁽¹⁾	0.52	0.47	0.56	0.30	1.85
Diluted earnings per share — pre-Stock Split ⁽¹⁾⁽²⁾ ..	0.48	0.44	0.52	0.28	1.72
Basic earnings per share — post-Stock Split ⁽¹⁾	0.17	0.16	0.19	0.10	0.62
Diluted earnings per share — post-Stock Split ⁽¹⁾⁽²⁾	0.16	0.15	0.17	0.09	0.57
Cash flows from operating activities	2,628	7,296	7,798	7,417	25,139

(1) These per share amounts do not reflect our issuance of shares to NYMEX on March 23, 2007 pursuant to the NYMEX Investment.

(2) Diluted earnings per share reflects the dilutive effect of our outstanding stock options and shares held in guarantee by MX for loans under our previous stock option plan and our previous share purchase plan. See notes 8 and 12 to our audited consolidated financial statements included elsewhere in this prospectus.

Our revenues are driven primarily by transaction volume. Transaction volume is not subject to any specific seasonality effects, although it does fluctuate based on prevailing market conditions and volatility, and can be particularly responsive to Canadian and U.S. interest rate announcements as well as the announcement of other key economic indicators. Our cash flows from operating activities are generally lower during the first quarter of the year, principally due to cash outlays in respect of corporate tax payments and executive and employee bonus payments.

In the fourth quarter of 2006, our revenues reached \$19.5 million, up 18 % versus the same period in 2005 and slightly down by 2% compared to the previous quarter. Despite an increase of average daily volume in the fourth quarter of 2006, the decrease in revenues is due mainly to a reduction of information service revenues, subsequent to a reduction of capital lease payments that are re-invoiced to BOX.

Operating earnings rose to \$7.6 million in the fourth quarter of 2006, compared to \$3.3 million for the fourth quarter of 2005. Operating earnings rose to \$7.6 million compared to \$7.3 million for the third quarter of 2006 principally as a result of a reduction in amortization expense related to assets under capital lease, offset by a provision for claim settlements. Net quarterly earnings reached \$7.5 million in the fourth quarter of 2006, compared to \$2.5 million for the fourth quarter of 2005, and \$5.9 million from the third quarter in 2006. The increase in the fourth quarter compared to the third quarter of 2006 is mainly due to a realization of the income tax valuation allowance.

REGULATORY MATTERS

Canada is characterized by a two-tiered system for the regulation of securities markets and market participants. MX, as a derivatives instrument market, is subject to this system. The first tier consists of the provincial securities regulators, which have primary responsibility for enforcing provincial securities laws and regulations and are subject to provincial government oversight. The second tier consists of the regulatory responsibilities of SROs (self-regulatory organizations) over their members or participants. SROs are non-governmental entities that are approved, regulated and overseen by the provincial regulators. SROs are an essential component of the regulatory system because their purpose is to provide fair and orderly markets and protect investors.

Participants in the Canadian capital markets are regulated or monitored in different ways by different organizations. MX is regulated by the AMF as an exchange and as a self-regulatory organization.

Recognition and Regulation of Exchanges

An exchange operating in Canada is required to be recognized in certain jurisdictions under applicable securities legislation. In some circumstances, an exemption from recognition may be granted. By virtue of recognition orders or regulatory exemptions, the operations of exchanges are overseen by securities regulators to ensure they operate in the public interest. To be recognized, an exchange must demonstrate its capacity to carry out, and comply with, the purposes of applicable securities laws and regulations. In addition, as a SRO, an exchange must be able to enforce compliance by its participants and individuals associated with them with the provisions of applicable securities laws and regulations and with its own rules.

In order to make the oversight process efficient and to avoid duplication, the Canadian securities regulators adopted a Memorandum of Understanding regarding the Oversight of Exchanges and Quotation and Trade Reporting Systems in 2002. Under this Memorandum of Understanding, a “lead regulator” model has been adopted pursuant to which one provincial regulator acts as the principal (lead) regulator of a given exchange and the other provincial regulators rely on this lead regulator for the oversight of that exchange. The standards for market regulation and operation that are the subject of the lead regulator oversight program include, among others:

- (i) fair access for issuers and market participants;
- (ii) fair representation in corporate governance and rule-making;
- (iii) systems and financial capacity to carry out regulatory functions;
- (iv) orderly markets through appropriate review of traded products and trading rules;
- (v) appropriate listed or quoted company regulation;
- (vi) transparency through timely access to relevant information on traded products and market prices;
- (vii) market integrity through the adoption of rules that prohibit unfair trading practices and monitoring and enforcing these rules;
- (viii) proper identification and management of risks, including credit risks related to market participants; and
- (ix) integration with effective clearing and settlement systems.

This model permits any “exempting” securities regulator to be informed on a regular basis regarding the operations, activities, financial situation and other matters that regard the exchange and to express its views regarding the oversight of the exchange when it deems appropriate to do so. The securities regulators agree to act together to resolve issues raised by an exempting regulator in connection with the oversight carried out by the exchange’s lead regulator. MX operates under this lead regulator model and its lead regulator is the AMF, while the Ontario Securities Commission is an exempting regulator.

AMF Oversight

The trading of securities in Canada, including listed derivative instruments, is subject to vigorous regulation by the securities regulators which oversee the regulatory functions of any exchange or self-regulatory organization they recognize. As a recognized exchange and SRO, virtually all facets of our operations are subject to the AMF

oversight. Our recognition as an exchange and as a SRO imposes on us many regulatory and operational responsibilities, including the day-to-day responsibilities for market and approved participant oversight.

Securities regulators are empowered to conduct on-site inspections of entities they recognize and then evaluate the effectiveness of regulatory programs, making recommendations for improvements and enhancements.

An exchange lead regulator focuses principally on the exchange's standards and trading activities, embodied in the rules of the exchange, including its market quality rules and other market integrity rules approved by all the provincial regulators. Any new standards or rules, or changes to existing ones, that raise public interest issues must be published for public comment and approved by the lead regulator prior to implementation. In addition, the lead regulator has the general power to make any order with respect to an exchange that it deems necessary in the public interest, and can review any direction, decision, order or ruling of that exchange upon request of the regulator's executive director or any person directly affected by the direction, decision, order or ruling.

As our lead regulator, the AMF also has broad-ranging oversight authority over MX's regulatory programs with respect to market surveillance. MX is therefore potentially subject to regulatory action by the AMF at any time. The AMF has broad enforcement powers, including the power to prohibit our exchange from engaging in some of its businesses or suspend or revoke its designation as a recognized exchange. Actions by the AMF could therefore result in the imposition of additional obligations on MX to expend additional money on regulatory resources and technology.

MX is also required to file, on a regular basis, various information and reports with the AMF regarding its financial situation, budgets, activities and other matters such as systems breakdowns and changes in operating procedures.

MX

MX is recognized and regulated as an exchange and SRO by the AMF, and MX has been exempted from requiring recognition as an exchange by the OSC. MX's Recognition Order provides that MX is recognized as an exchange in Québec subject to certain terms and conditions, including the following:

- No person, including persons associated with said person, is allowed to hold, own or exercise control, either directly or indirectly, over more than ten percent (10%) of any class or any series of voting shares of MX.
- Arrangements made by MX with respect to the appointment, removal from office, and functions of the persons ultimately responsible for making and enforcing the Rules of MX, namely the Board of Directors, its committees and the Special Committee — Regulatory Division (also referred to in this section as the "Governing Body"), must ensure a proper balance between the interests of the different entities desiring access to the facilities of MX and, in order to ensure diversity of representation on the Board, a reasonable number and proportion of directors must not be associated with an approved participant (Canadian and foreign). In particular, MX must ensure that at least fifty percent (50%) of the members of the Board are independent and that no more than two of its directors may be part of the senior management of MX. For more information regarding MX's criteria for independence, see "Directors and Executive Officers — Composition and Mandate of Our Board of Directors" elsewhere in this prospectus. The current members of the Board who are independent for these purposes are listed in the section entitled "Directors and Executive Officers" elsewhere in this prospectus. In addition, MX is required to take reasonable steps to ensure that each of its directors and officers is a fit and proper person.
- MX must permit all securities dealers that satisfy the applicable regulatory requirements to access the trading facilities of MX.
- Fees imposed by MX on its approved participants must be equitably allocated and must not have the effect of creating barriers to access; however, they must take into consideration that MX must have sufficient revenues to perform its duties, its regulatory activities and its exchange operations.
- MX must maintain a separate Regulatory Division, which must fall under the authority of a Special Committee named by the Board with clearly defined regulatory responsibilities over MX's market and its approved participants. MX's Regulatory Division must have a separate administrative structure. No

changes can be made to the administrative and organizational structure of the Regulatory Division or to the Special Committee — Regulatory Division without the prior approval of the AMF.

- The Regulatory Division must be completely autonomous in accomplishing its functions and in its decision-making process. The independence of the Regulatory Division and its personnel must be ensured and strict partition measures must be established in order to prevent conflicts of interest with MX's other activities.
- The Regulatory Division duties and operations must be independent and structurally separated from the for-profit operations of MX and the Regulatory Division duties and operations must be performed based on the principle of self-financing and on a not-for-profit basis.
- The Regulatory Division financial structure must be separate and it must operate on a cost-recovery basis. Any surplus must be redistributed to approved participants and any shortfall must be made up by a special assessment by the approved participants or by MX upon recommendation to the Board by the Special Committee.
- The Regulatory Division must be a separate business unit of MX and its duties and operations must be under the oversight of a Special Committee — Regulatory Division established by the Board of Directors. This Special Committee must be made up of a majority of persons who are not associated with an approved participant, an officer, an employee or a shareholder holding, either directly or indirectly, more than ten percent (10%) of any class of voting shares of MX.
- MX must ensure that the Regulatory Division has the necessary resources to fulfil its market regulation functions. The Regulatory Division must have a separate budget and must be allocated the necessary support from other departments of MX, including in the technology area, in accordance with its budgets and reasonable requirements, while ensuring its independence.
- MX is also required to maintain sufficient financial resources for the proper performance of its functions. To this effect, it must maintain specified financial ratios, including:
 - (i) a working capital ratio greater than 1.5:1;
 - (ii) a net earnings/total debt ratio greater than 20%; and
 - (iii) a financial leverage ratio (total assets/capital) of less than 4.0.in each case, as defined in the MX Recognition Order.
- MX and the Regulatory Division must establish rules, regulations, policies, procedures, practices or other similar instruments as are necessary or appropriate to govern and regulate all aspects of its business and internal affairs and must, in so doing, specifically govern and regulate 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 or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities.
- MX, through the Regulatory Division, must appropriately discipline its approved participants and their representatives for violations of securities legislation and by-laws, rules, regulations, policies, procedures, practices and other similar instruments of MX.
- MX, including the Regulatory Division, must ensure that the requirements of MX relating to access to its facilities, 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.

MX believes that it is in compliance in all material respects with all such requirements at the date of this prospectus.

Regulation of Brokerage Firms — Operations and Business Conduct Generally — IDA

All brokerage firms seeking to be an approved participant of MX for the purpose of trading through MX are required to be members of a recognized self-regulatory organization which performs member regulation activities. For Canadian approved participants, these must be members of the Investment Dealers Association of Canada (IDA), which is the only self-regulatory organization recognized in Canada for the purpose of regulating securities brokers and dealers and futures commission merchants (in Ontario and Manitoba). Foreign approved participants must be regulated by a recognized self-regulatory organization or by a recognized regulator in their country of jurisdiction.

These self-regulatory organizations regulate broker-client relationships and business conduct and capital adequacy of their brokerage firm members. This regulation of brokerage firms seeks to maintain the credibility of marketplaces, protect investors' interests and instil investor confidence by addressing general issues of trading ethics and investor protection in the markets. Although the member regulation function of brokerage firms are carried out in Canada by the IDA and by IDA-equivalent organizations in foreign countries, MX still establishes the criteria for access to its markets.

Regulation of Market Participants Trading Activities on the MX Markets

The regulatory functions of MX are conducted by its Regulatory Division.

As a recognized exchange and SRO, MX, through its Regulatory Division, is responsible for regulating its markets and its participants on a day-to-day basis. This is achieved through the adoption and enforcement of Rules and Policies governing our markets and the conduct of approved participants. This responsibility involves:

- Carrying out and complying with the purposes of the applicable securities laws and regulations; and
- Enforcing compliance by approved participants and their employees with the provisions of applicable securities laws and regulations and our Rules and Policies.

As a regulator of its approved participants, MX, through its Regulatory Division, carries out certain regulatory activities, including:

- Establishing rules for the operation of MX;
- Undertaking examinations of the derivatives trading desks of MX's approved participants; and
- Regulating market activity.

The Rules of MX must be adequate to ensure fair dealing and to protect investors, and they must not impose any burden on competition not necessary or appropriate. While these requirements are generally intended to safeguard the integrity and the transparency of our market and the interests of the public in general, they do not specifically take into account or otherwise specifically protect the interests of MX shareholders as such.

We are also, directly or through our Regulatory Division, a member of various international organizations whose purposes is to provide a framework for the sharing of information and the coordination of regulatory efforts among securities regulators and exchanges to address issues such as market manipulation and trading abuses. These memberships also allow us to remain abreast of international best practices and regulatory developments. The following are the most important international organizations of which we and our Regulatory Division are members:

- The International Organization of Securities Commissions (IOSCO) — Affiliate member;
- The Intermarket Surveillance Group (ISG) — Affiliate member;
- The World Federation of Exchanges (WFE); and
- The Futures Industry Association (FIA).

Foreign Regulatory Oversight

MX is also subject to certain foreign regulatory requirements imposed by the regulators which have granted MX specific authorizations. The U.S. Commodity Futures Trading Commission (referred to as the “CFTC”) granted no-action relief to MX in 2002 permitting U.S. broker-dealers to have remote access to most of MX’s futures products. According to the no-action relief, we are required to report to the CFTC on a regular basis and disclose any material changes affecting our application.

In the U.K., the Financial Services Authority (referred to as the “FSA”) granted comfort to MX to allow remote access to our futures and options products to U.K. “authorised persons.” We are required to notify the FSA of material changes to our business that could affect our status in the U.K.

In France, the *Autorité des marchés financiers* recognized the MX as an exchange, thereby enabling us to give remote access to our futures and options markets to French broker-dealers. We are required to notify France’s *Autorité des marchés financiers* of any material changes affecting our recognition application.

Our Regulatory Division

We are a SRO. As such, we are responsible for examining compliance with and enforcing our trading Rules and Policies with our approved participants and their employees, and we have responsibility for regulatory review of their derivative instruments trading activities on our markets.

Our regulatory functions are conducted by our Regulatory Division, a separate not-for-profit business unit of MX. Our Regulatory Division consists of the following units, employing 14 people as of December 31, 2006:

- Market analysis;
- Derivative instruments trading desk examinations;
- Investigations;
- Enforcement and discipline; and
- Regulatory proposals and circulars.

Activities of the Regulatory Division

Market Analysis. The Market Analysis unit is responsible for, among other things, monitoring insider trading activities on the options market of MX. Such monitoring of trading activities is currently done on a post-trade basis. The Market Analysis unit reviews transactions not only on the options market, but also on the futures contract market to determine whether trading rules and principles are being complied with and fairly maintained, and whether such transactions involve abusive or manipulative trading practices. Market analysts use sophisticated computer technology to detect unusual trading patterns. Any unusual situation or practice identified in the course of review and analysis of transactions made on MX’s market is referred to the Investigations unit for further inquiry.

In order to improve market surveillance, MX has developed internally an automated surveillance system that monitors marketplace activity, based on pre-defined criteria and ad hoc reports, and alerts market analysts to unusual trading activity and potential violations of MX’s trading rules. The system, which is called *SOLA® Surveillance*, has a “drill down” capability that allows market analysts to view transactional level information for research and analysis purposes. Because the operation is fully automated, data can be collected quickly. Implementation of this automated surveillance tool started in the second half of 2006 and is expected to be completed in mid-2007.

The Market Analysis unit is also responsible for reviewing and analyzing the various reports that approved participants are required to file on a regular basis with the Regulatory Division, such as position reports.

Derivative Instruments Trading Desk Examinations. The Regulatory Division conducts examinations of derivative instruments trading desks of the more than 60 approved participants of MX that are active on its market. The purpose of these trading desk reviews is to verify the compliance of approved participants trading practices with the Rules and Policies of MX. Among other things, such examinations involve verifying samples of orders entered on MX’s electronic trading system and of transactions executed thereon, reviewing procedures in place and their

adequacy and completeness, verifying various books and records, etc. Once the examination is completed, a report is issued to the approved participant summarizing any deficiency identified in the course of the examination and setting out requirements or recommendations to correct observed deficiencies.

Investigations. The Investigations unit investigates alleged violations of MX's Rules and Policies and of applicable securities laws and regulations. Cases investigated include breaches of trading supervision obligations, manipulative or abusive trading practices, improper use of insider or privileged information (for the options market), non-compliance with operational rules and/or procedures and reporting violations. Sources of cases for the Investigations unit include examination findings, analysis and reviews referred by the Market Analysis unit, complaints from approved participants or from employees or customers of approved participants and referrals by another self-regulatory organization or by a securities regulator.

When an investigation is completed and a potential regulatory violation is identified, the case is referred for further action to the Enforcement and Discipline unit if the alleged violation is with respect to a Rule or Policy of MX or to the AMF if it is with respect to a violation of securities laws or regulations.

Enforcement and Discipline. The Enforcement and Discipline unit of the Regulatory Division initiates disciplinary procedures against approved participants and/or their employees when a case is referred to it by the Investigations unit.

Disciplinary cases can be settled either by way of an offer of settlement negotiated by Regulatory Division legal counsel or, if an agreed settlement is not possible, by having the matter go to a Disciplinary Committee for a hearing of the case.

All settlements negotiated between Enforcement and Discipline and a respondent must be reviewed and approved by the Special Committee — Regulatory Division before becoming final. Contested cases are brought before a Disciplinary Committee which operates much like an administrative tribunal. All disciplinary cases, whether settled by an offer of settlement or by a decision of the Disciplinary Committee, are made public by way of a circular published by MX.

The range of sanctions imposed can vary from a simple reprimand to a fine of up to \$1,000,000 per violation. Suspension as an approved participant of MX and even expulsion are also possible sanctions for serious violations. To determine what should be an appropriate sanction, various factors such as the following ones will be considered:

- The nature of the misconduct and the degree of intent;
- The harm caused by the misconduct;
- The extent of the misconduct;
- The prior disciplinary record of the respondent;
- The implementation of corrective measures and, if applicable, restitution;
- Deceptive conduct, neglect or disregard of “red flags” on the part of the respondent;
- The effectiveness of the respondent's operational, supervisory and compliance controls; and
- The respondent's cooperation.

In addition, prior precedents that are similar to the case at hand will also be considered in determining the level of sanction.

While offers of settlement are final once approved by the Special Committee — Regulatory Division, decisions rendered by a Disciplinary Committee can be appealed. The first level of appeal is with the Special Committee — Regulatory Division. If still not satisfied, the respondent may ask the *Bureau de décision et de révision en valeurs mobilières* (the “BDRVM”) to review the decision. The BDRVM is an independent administrative tribunal that was created in 2004 by the provincial government when the *Commission des valeurs mobilières du Québec* was reorganized into the AMF. The mandate of the BDRVM is limited to securities matters and is to review contested decisions rendered by the AMF or by a SRO such as MX. The final level of appeal with respect to such contested decisions is with the courts. No appeal can be brought to the courts before having first been heard by the BDRVM.

An appeal can be brought directly to the BDRVM without having been to the Special Committee — Regulatory Division.

Regulatory Proposals and Circulars. This unit of the Regulatory Division has the responsibility to initiate and develop regulatory proposals that seek to amend the Rules and Policies of MX in order to clarify them, to adapt them to new developments in the industry, such as the launching of new products or new services, to delete or update obsolete provisions, etc. Regulatory amendment proposals are submitted to the approval of the Special Committee — Regulatory Division and, in some instances, to the Rules and Policies Committee, a committee of the Board of Directors of MX. This committee of the Board has been delegated the powers to approve some specific categories of regulatory amendments and more particularly those that regard the operation of MX's market. Once the approval of these committees has been obtained, the regulatory amendment proposal is published by MX in a circular for comments. The usual comment period is 30 days. The proposal is also simultaneously submitted to the AMF for review and approval. No regulatory amendment can be implemented without the prior approval of the AMF.

The Regulatory Proposals and Circular unit is also responsible for preparing and issuing various regulatory circulars that are published on a regular basis and that cover various subjects such as margins on futures contracts, position limits on options contracts, position limits on futures contracts, acceptable deliverables under futures contracts, etc.

Structure, Organization and Governance of the Regulatory Division

The Regulatory Division of MX carries on the regulatory functions of MX pursuant to an AMF order recognizing MX as an exchange and as a self-regulatory organization and pursuant to the Rule of MX entitled "Rules regarding the Regulatory Division of Bourse de Montréal Inc." Pursuant to the MX's Recognition Order and the above-mentioned Rule, MX must ensure that the Regulatory Division is provided with sufficient resources and funds. Furthermore, no regulatory fees, fines or penalties collected by or on behalf of the Regulatory Division may be distributed or transferred to MX for commercial purposes or for payment of dividends.

The Regulatory Division is, and expects to continue to be, self-funding through its collection of regulatory fees. Regulatory fees collected are for the exclusive use of regulatory operations.

The Regulatory Division governance and structure are designed to ensure its independence, given the status of MX as a for-profit corporation. For example:

- Due regard is given to the preservation of the independence of the self-regulatory function of the Regulatory Division and to its obligations to investors and the general public;
- MX does not take any action that would interfere with the effect of any decisions by the Special Committee — Regulatory Division relating to its regulatory functions (including disciplinary matters) or that would interfere with the ability of the Regulatory Division to carry out its responsibilities under MX's Recognition Order;
- If MX becomes aware of or has in its possession confidential information pertaining to the self-regulatory function of the Regulatory Division, it arranges to keep this information confidential.

The structural and governance standards put in place for the Regulatory Division are in compliance with the provisions of MX's Recognition Order and with the Rules of MX that regard the Regulatory Division and the Special Committee — Regulatory Division. These structural and governance standards include the following:

- The Regulatory Division operates as a separate and independent business unit of MX. Its financial budgets as well as its financial results are separated from those of MX. Its operations are self-funded and are carried on a not-for-profit basis;
- The Regulatory Division is under the oversight of the Special Committee — Regulatory Division. This committee is nominated and appointed by the Board of Directors of MX. The vice-president in charge of the Regulatory Division reports directly to the Special Committee — Regulatory Division; and
- The Special Committee — Regulatory Division must be composed of a majority of independent members. The Special Committee — Regulatory Division is currently composed of seven (7) members, five (5) of

whom currently qualify as independent pursuant to MX's criteria for independence. See "Directors and Executive Officers — Composition and Mandate of Our Board of Directors" elsewhere in this prospectus.

The Regulatory Division funds its programs and activities, including surveillance and examination, through distinct regulatory fees assessed directly on approved participants of MX.

Special Committee — Regulatory Division

The Special Committee — Regulatory Division supervises and controls the activities of the Regulatory Division, subject to the final authority of our Board of Directors and the AMF. The Special Committee — Regulatory Division adopts or amends rules and policies of MX regarding various matters relative to the supervision of approved participants, their representatives, directors and officers and restricted trading permit holders. It makes recommendations to the Board regarding rules and policies of MX relative to margin requirements, capital requirements for approved participants and market surveillance. It approves requests for approvals of applications to become approved participants and it exercises powers of suspension and revocation of such approvals. It also exercises powers to order inspections and investigations and acts as an appeals forum for final decisions rendered by disciplinary committees of MX or other staff committees of MX.

The Special Committee — Regulatory Division is composed of seven (7) members, at least a majority of whom are independent and none of whom is a director of MX or CDCC. The current members of the Committee are: Messrs. Gaston Ostiguy (Chairman), Nabil Antaki, Pierre-Paul Côté, Viateur Gagnon, Jean-Pierre Gallardo, Giovanni Giarrusso and Pierre Lizé.

CDCC

CDCC has been a recognized SRO in Québec since 1987 (at the time CDCC's name was Trans Canada Options Inc. and it was recognized by the *Commission des valeurs mobilières du Québec*). As a SRO, CDCC is subject to regulation by its lead regulator, the AMF. CDCC must provide the AMF, and to the OSC through the AMF, specified information on a regular basis in compliance with AMF requirements and pursuant to the terms and conditions of the OSC order, dated March 16, 2004, granting a recognition exemption to MX. The information which must be furnished to the AMF and to the OSC includes:

- copies of all rules that it files for review and approval with the AMF;
- copies of all final rules in both English and French;
- copies of all audited financial statements and reports prepared by an independent auditor in respect of CDCC's financial condition and operations;
- copies of all internal CDCC risk management reports intended for its members, and any outside report, including any audit report prepared in accordance with Section 5900 (now Section 5970) of 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 party;
- information regarding any material failures or changes to its systems; and
- information regarding any material problems with the clearance and settlement of transactions in contracts traded on the MX, including any failure by a member of CDCC to promptly fulfill its settlement obligations that could materially affect the operations or financial situation of CDCC.

CDCC is also required to promote fair access to CDCC and not to unreasonably prohibit or limit access by a person or company to services offered by CDCC. Furthermore, CDCC is required to maintain a corporate governance structure that minimizes the potential for any conflict of interest between MX 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. As part of this corporate governance structure, the Board of Directors of CDCC is comprised of six members, of which three are independent directors. An "independent director" is a director that is not a member of CDCC (or an associated person of a member) or an officer or employee of CDCC or MX. The non-independent directors of CDCC include two directors of MX and CDCC's Senior Vice President and Chief Clearing Officer.

CDCC is subject to periodic regulatory inspections by the AMF and will undergo such an inspection in 2007. CDCC is also subject to certain U.S. regulatory requirements to enable MX options to be traded in the United States. For instance, CDCC is required to file an Options Disclosure Document with the SEC and keep this document updated. The Options Disclosure Document is a registration statement that includes a prospectus that U.S. broker-dealers are required to furnish to U.S. investors to provide information regarding MX options, CDCC settlement and clearing and CDCC's capital risk management systems, as well as the related risks of investing in Canadian securities. The registration statement also includes certain additional information, such as information regarding CDCC's directors and officers. CDCC is required to update this registration statement annually. In addition to these filings with the SEC, CDCC is required to make certain filings in each state in the United States on an annual basis to register the MX options for offer and sale in such state.

USE OF PROCEEDS

We will receive no proceeds from our initial stock exchange listing of common shares.

DIVIDENDS

Past Dividends

On March 12, 2007, MX declared a special dividend of \$0.33¹/₃ per common share (\$1.00 per common share pre-Stock Split), for an aggregate dividend of approximately \$9.3 million. This dividend will be payable on April 12, 2007 to shareholders of record at the close of business on March 22, 2007 (the date immediately preceding the closing of the NYMEX Investment). In February 2006, we paid a special cash dividend of \$1.50 per common share outstanding (pre-Stock Split), for an aggregate dividend of approximately \$13.9 million. In July 2006, we paid a special cash dividend of \$1.00 per common share outstanding (pre-Stock Split), for an aggregate dividend of approximately \$9.3 million. In November 2006, we declared a special cash dividend of \$1.50 per common share outstanding (pre-Stock Split), for an aggregate dividend of approximately \$13.9 million, which was paid on January 12, 2007.

Dividend Policy

The declaration and payment of dividends in the future is at the sole discretion of our Board of Directors. Any decision regarding the declaration of dividends in the future, and dividend amounts, will be made by our Board of Directors depending on, among other things, our financial resources, the cash flows generated by our business, our capital and regulatory capital needs (including in respect of financial ratios applicable to MX pursuant to MX's Recognition Order), and other factors considered relevant by our Board of Directors.

Regulatory Restrictions

MX's Recognition Order contains certain financial viability tests (financial ratios) that we are required to meet. If we fail to meet these tests for a period of more than three months, we are required to notify the AMF of the reasons for the continued ratio deficiencies and the steps being taken to rectify the situation. In these circumstances, we will not, without the prior approval of the AMF, be permitted to pay dividends, bonuses to directors or officers, or make certain other payments or distributions until the deficiencies have been eliminated for at least six months or a shorter period of time as agreed to by the AMF.

DESCRIPTION OF OUR SHARE CAPITAL

Our authorized capital consists of an unlimited number of common shares without par value and an unlimited number of preference shares without par value, the share conditions of which are summarized below. At the date hereof, the total number of our common shares issued and outstanding is 30,977,183, including 129,300 common shares issued and held in guarantee for loans to certain employees under our previous share purchase plan. All of our outstanding shares on the date of this prospectus, consisting of our common shares, are voting and participating shares.

At the date hereof, no MX preference shares are issued and outstanding.

Common Shares

Each common share is entitled to one vote at meetings of the shareholders of MX, except for meetings at which only holders of another specified class of shares of MX are entitled to vote separately as a class or series. Each common share is also entitled to receive dividends if, as and when declared by the Board of Directors of MX. All dividends that our Board of Directors may declare and pay will be declared and paid in equal amounts per share on all common shares, subject to the rights of holders of our preference shares. Holders of common shares will participate in any distribution of the net assets of MX upon its liquidation, dissolution or winding-up on an equal basis per share but subject to the rights of the holders of the preference shares. There are no pre-emptive, redemption, purchase or conversion rights attaching to our common shares except for the compulsory sale or redemption of shares described below in connection with enforcement of the restrictions on ownership of voting shares of MX.

Preference Shares

The preference shares may be issued at any time or from time to time in one or more series as may be determined by the Board of Directors of MX. The preference shares are non-voting, except as otherwise required by law. Our Board of Directors is authorized to fix before issue the number, the consideration per share, the designation of and, subject to the special rights and restrictions attached to all preference shares, the rights and restrictions attached to the preference shares of each series. The preference shares of each series rank on a parity with the preference shares of each other series with respect to the payment of dividends and the return of capital upon the liquidation, dissolution or winding-up of MX. The preference shares are entitled to a preference over the common shares and any other shares ranking junior to the preference shares with respect to the payment of dividends and the return of capital.

So long as there are preference shares issued and outstanding, we may not, without the prior approval of the holders of the outstanding preference shares, create any other class of shares ranking in priority to or on parity with the preference shares. Similarly, we may not amend the special rights and restrictions attaching to the preference shares without such approval. Except as otherwise permitted or required by law, the approval of at least two-thirds of the votes cast at a meeting of the holders of preference shares called and held for that purpose, or an approval in writing signed by holders representing at least two-thirds of the votes attached to the preference shares in question, shall be deemed to be sufficient approval for those purposes. Whenever a vote of the holders of preference shares as a class or series is required, each holder of preference shares shall be entitled, in respect of each preference share of a particular series so held, to a number of votes equal to the quotient obtained when dividing the total dollar amount received by MX for the issuance of the outstanding preference shares of such series by the total number of such preference shares outstanding.

Share Ownership Restrictions

Pursuant to MX's Recognition Order and our articles of incorporation, no person or combination of persons acting jointly or in concert is permitted to beneficially own or exercise control or direction over more than 10% of any class or series of our voting shares (the "MX voting share restrictions"). In addition to the required approval of our shareholders, any amendment of our articles, including changes to the MX voting share restrictions, requires the prior approval of the AMF. Currently, our only outstanding voting shares are our common shares.

Our articles of incorporation contain provisions for the enforcement of the MX voting share restrictions, including provisions for the suspension of voting rights, forfeiture of dividends, prohibitions against share transfer, compulsory sale or redemption of shares and suspension of other shareholder rights. Our Board of Directors may at any time require holders of or subscribers for voting shares and certain other persons to furnish declarations and related information with respect to ownership, direction or control of voting shares and certain other matters relevant to the enforcement of these restrictions. Our Board of Directors may also require production of documents, responses to written interrogatories and attendance before them to respond to questions, in each case concerning any declaration furnished to them. In addition, we are prohibited from accepting any subscription for, issuing or registering a transfer of voting shares if a contravention of the MX voting share restrictions would thereby result. If any shareholder breaches the MX voting share restrictions solely as a result of our repurchase of any outstanding shares, the only consequence to such shareholder is that such shareholder's shares are limited to 10% of the voting power attached to all outstanding shares of the relevant class or series.

Normal Course Issuer Bid

We have received the approval of TSX to proceed with a normal course issuer bid. Our Board of Directors has authorized us to purchase up to 2,412,143 of our common shares, representing, as of the date of this prospectus, 10% of the public float (being 24,121,431 common shares) or approximately 7.8% of our 30,977,183 outstanding common shares, commencing on the first date of the listing of our common shares on TSX and ending on March 22, 2008. The purchases will be made at market prices through the facility of TSX in accordance with its Rules and Policies. The MX common shares thereby purchased will be cancelled.

MX believes that the purchase of its common shares represents an effective use by MX of its funds and is in the best interest of MX and its shareholders. Shareholders may obtain, without charge, a copy of the documents filed with TSX concerning this issuer bid by contacting the Secretariat of MX at legal@m-x.ca.

Our Stock Split

On February 13, 2007, our Board of Directors approved the subdivision, on a three-for-one basis, of our common shares, and a corresponding adjustment to the MX stock options that were outstanding on that date. This subdivision was effected on March 15, 2007. The subdivision did not change any shareholder's proportionate ownership of our outstanding common shares.

Beginning in 2007, the information regarding our shares in our consolidated financial statements and the data per share therein will be restated to take the Stock Split into account.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of MX at December 31, 2006, and on a pro forma basis at December 31, 2006, giving effect to the NYMEX Investment as if it had closed on January 1, 2006, the receipt by us of net proceeds therefrom of \$89.4 million and the payment by us of the special dividend declared by our Board of Directors on March 12, 2007 (approximately \$9.3 million in the aggregate). For more information regarding the NYMEX Investment, see “Our Business — Overview of MX — Recent Developments” elsewhere in this prospectus.

	As at December 31, 2006	Pro forma at December 31, 2006
	(\$ in thousands)	
Shareholders' equity:		
Common shares	\$49,258	\$138,693
(unlimited authorized, 27,819,465 issued and outstanding on December 31, 2006 (post-Stock Split) and 30,917,183 issued and outstanding after giving pro forma effect to the NYMEX Investment)		
Preferred shares	—	—
(unlimited authorized, none issued)		
Contributed surplus	434	434
Cumulative translation adjustment	(966)	(966)
Retained earnings	16,991	7,698
Total capitalization	\$65,717	\$145,859

PRIOR ISSUANCES OF COMMON SHARES

All information in this section regarding issuances and options outstanding prior to March 15, 2007 is on a pre-Stock Split basis.

On September 21, 2000, the Montréal Exchange was demutualized and continued as Bourse de Montréal Inc. under Part IA of the Québec Companies Act. In conjunction with the demutualization, 8,300,000 common shares of MX were issued to the seatholders of the Montréal Exchange, with each seatholder receiving 100,000 shares per seat.

On March 28, 2001, we offered to repurchase for cancellation up to 414,900 of our common shares, representing approximately 4.99% of all our issued and outstanding common shares, at a price of \$4.50 per share. This issuer bid was completed on April 11, 2001, as MX purchased a prorated number of the common shares that were tendered.

On June 18, 2001, we issued 164,810 common shares to our employees at a price of \$4.05 per share. This issuance constituted the first subscription period to our previous Stock Purchase Plan for Employees.

On September 24, 2001, we issued 45,957 common shares to our employees at a price of \$4.05 per share. This issuance constituted the second subscription period to our previous Stock Purchase Plan for Employees.

On June 29, 2002, we issued 47,797 common shares to our employees at a price of \$4.05 per share. This issuance constituted the third subscription period to our previous Stock Purchase Plan for Employees.

On September 29, 2003, we issued 141,436 common shares to our employees at a price of \$4.50 per share. This issuance constituted the fourth subscription period to our previous Stock Purchase Plan for Employees.

On June 6, 2005, we issued 112,055 common shares to our employees at a price of \$13.74 per share. This issuance constituted the fifth subscription period to our previous Stock Purchase Plan for Employees.

On June 8, 2005, we issued 84,000 common shares to our Directors at a price of \$13.74 per share in the context of a private placement to our Directors.

Between January 1, 2006 and February 6, 2006, we issued 792,000 common shares to certain of our officers and employees pursuant to their respective exercise of 792,000 of the 835,000 stock options granted and outstanding under our previous Stock Option Plan established in 2000. These issuances were effected at an average exercise price of \$5.08.

Between March 6, 2007 and March 9, 2007, we issued 20,000 common shares to certain of our officers and employees pursuant to their respective exercise of 20,000 of the 43,000 stock options granted and outstanding at those dates under our previous Stock Option Plan established in 2000. These issuances were effected at an average exercise price of \$5.15.

On March 23, 2007, following our Stock Split, we issued 3,097,718.334 newly-issued MX common shares (on a post-Stock Split basis), representing 10% of our outstanding share capital after giving effect to the issuance, to NYMEX in connection with the creation of the CAREX venture. NYMEX purchased these common shares at an all-cash price of \$29¹/₃ per share, for aggregate gross cash proceeds to MX of approximately \$90.9 million.

Options to Purchase Shares

As of the date of this prospectus, we have 69,000 outstanding stock options that were issued under our previous Stock Option Plan. All of these options are exercisable and have a weighted average strike price of \$1.72. All of these options are held by current officers and employees of MX and CDCC. The following table provides a summary of our outstanding stock options:

<u>Category</u>	<u>Number of Common Shares Under Option (post-Stock Split)</u>	<u>Exercise Price</u>	<u>Expiry Date of Option</u>	<u>Market Value of Common Shares at Date of Grant</u>
Employees as a Group (2 persons)	51,000	\$1.72	December 31, 2012	\$1.72
Employee of Subsidiary as a Group (1 person)	<u>18,000</u>	\$1.72	December 31, 2012	\$1.72
Total	<u><u>69,000</u></u>			

PRINCIPAL SHAREHOLDERS

MX's Recognition Order and our articles of incorporation provide that no person, alone or with the affiliates of that person, may hold, beneficially own or exercise control or direction, directly or indirectly, over more than 10% of any class or series of voting shares of MX. As of the date of this prospectus, the four largest shareholders of MX are NYMEX, which owns 10% of our common shares, and National Bank of Canada (directly and through certain affiliates), UBS Securities Canada Inc. and *Caisse de dépôt et placement du Québec*, each of which is below the 10% ownership threshold described under "Description of Our Share Capital" elsewhere in this prospectus.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Our Board of Directors (the “Board”) is currently composed of eleven (11) directors. Each of our directors is elected for a one-year term at our annual shareholders’ meeting. Our articles of incorporation provide that the Board will consist of a minimum of nine (9) directors and a maximum of twenty-five (25) directors. The specific number of directors to be elected at any of our annual shareholders’ meeting is fixed by the Board prior to the meeting.

Pursuant to the shareholder’s agreement that we have entered into with NYMEX in connection with the CAREX venture and the related NYMEX Investment, for so long as NYMEX owns a number of MX shares equal to at least 90% of its initial investment in our shares, NYMEX will have the right to designate one person (reasonably acceptable to us) that we will be required to nominate for election to our Board of Directors. In addition, for so long as NYMEX owns a number of MX shares equal to between 50% and 90% of its initial investment in our shares, NYMEX will have the right to designate one person (reasonably acceptable to us) that we will be required to nominate for election to our Board of Directors, provided that the CAREX venture remains operational. In the event that NYMEX’s ownership level falls below 50% of the level represented by its initial investment in our shares, NYMEX will no longer have any right to so nominate a person for election to our Board of Directors. On March 13, 2007, Richard Schaeffer, Chairman of NYMEX’s Board of Directors, was elected, as the NYMEX nominee, to our Board of Directors.

The following table sets forth, for each of our directors, the director’s name, municipality of residence, principal occupation and the date on which such person became a director of MX.

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Director (or former governor) since</u>	<u>Related (R) or Independent (I) Director⁽¹⁾</u>
JEAN TURMEL ⁽²⁾ (Chairman) Outremont, Québec	President, Perseus Capital inc.	2004	I
CARMAND NORMAND ^{(3) (4)} (Vice-Chairman) North-Hatley, Québec	Executive Chairman of the Board, Addenda Capital Inc.	1996	R
LUC BERTRAND ⁽⁵⁾ Baie d’Urfé, Québec	President and Chief Executive Officer of MX	1992	R
DENYSE CHICOYNE ^{(3) (6)} Outremont, Québec	Corporate Director	2004	I
STEPHEN J. ELGEE ⁽⁷⁾ Mississauga, Ontario	President, Faversham Holdings Inc.	2001	I
WAYNE FINCH ⁽⁷⁾ Brampton, Ontario	Chairman and Chief Investment Officer, Quadravest Capital Management	2001	I
MARIE GIGUÈRE ^{(2) (6)} Westmount, Québec	Consultant	2006	I
WILLIAM W. MORIARTY ⁽⁵⁾⁽⁷⁾ Maple, Ontario	Managing Director, Head of Global Research Division, RBC Capital Markets	2000	R
RICHARD SCHAEFFER New York, NY	Director and Chairman of NYMEX	2007	I

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Director (or former governor) since</u>	<u>Related (R) or Independent (I) Director⁽¹⁾</u>
LOUIS VACHON ⁽⁵⁾ Beaconsfield, Québec	Chief Operating Officer, National Bank of Canada	2000	R
LAURENT VERREAULT ^{(2) (3) (6)} Pompano Beach, Florida	Chairman of the Board and Chief Executive Officer, Groupe Laperrière & Verreault inc.	1999	I

- (1) “Independent” is within the meaning of “independence” under article 9.3 of By-law Two of our by-laws as described below under “ — Composition and Mandate of our Board of Directors” as well as within the meaning of Section 1.4 of AMF Regulation 52-110 and, in addition, for the MX-CDCC Joint Audit Committee, within the meaning of Section 1.5 of AMF Regulation 52-110. “Related” is within the meaning of article 9.3 of By-law Two of our by-laws as described below under “ — Composition and Mandate of our Board of Directors.”
- (2) Member of our Governance and Nominating Committee.
- (3) Member of the Joint Audit Committee.
- (4) Mr. Normand is independent within the meaning of Sections 1.4 and 1.5 of AMF Regulation 52-110 but is related within the meaning of Article 9.3 of By-law Two of our by-laws.
- (5) These related directors are related within the meaning of Sections 1.4 and 1.5 of AMF Regulation 52-110 and Article 9.3 of By-law Two of our by-laws.
- (6) Member of our Human Resources Committee.
- (7) Member of our Rules and Policies Committee.

Executive Officers

The following table sets out, for each of our executive officers, the person’s name, municipality of residence and office with MX.

<u>Name and Municipality of Residence</u>	<u>Offices with MX and its Affiliates</u>
LUC BERTRAND Baie d’Urfé, Québec	President and Chief Executive Officer
PHILIPPE LOUMEAU Montréal, Québec	Senior Executive Vice-President and Chief Operating Officer
LOUISE LAFLAMME Laval, Québec	Executive Vice-President and Chief Financial Officer
MICHEL FAVREAU Montréal, Québec	Executive Vice-President and Chief Clearing Officer, CDCC
ROSANNA TETI Anjou, Québec	Senior Vice-President, MX-ITS
GLENN GOUCHER Montréal West, Québec	Senior Vice-President, MX-FM
JACQUES TANGUAY St. Lambert, Québec	Vice-President, Regulatory Division
JOËLLE SAINT-ARNAULT Pierrefonds, Québec	Vice-President, Legal Affairs and Secretary
ALAIN LAURENDEAU Lachine, Québec	Vice-President, Finance and Administration
DENIS GRÉGOIRE Longueuil, Québec	Vice-President, Human Resources

Background of Directors and Executive Officers

Jean Turmel, Chairman of the Board. Mr. Turmel has served as Chairman of the Board since April 2004. Mr. Turmel also serves on our Governance and Nominating Committee. Mr. Turmel has been President of Perseus Capital Inc., a company involved in money management since January 2005. Mr. Turmel has served as President, Financial Markets, Treasury and Investment, at the National Bank of Canada from September 1998 to December 2004. He presided the task force created by the Quebec Government in 1990 to examine the scope and implications of restructuring Canadian exchanges — a project initiated by the MX. Mr. Turmel has worked in the capital markets since 1967, having held positions at Merrill Lynch Royal Securities, Dominion Securities and McMillan Bloedel, prior to joining the National Bank of Canada in 1981. Mr. Turmel is also Chairman of the Board and Director of several companies, as well as charitable and cultural organizations.

Carmand Normand, Vice-Chairman of the Board. Mr. Normand has served as a director of MX since 1996 and Vice-Chairman of the Board since 2004. Mr. Normand also serves on the Joint Audit Committee. He has been Executive Chairman of the Board of Directors of Addenda Capital Inc., a publicly traded investment management firm specialized in the active management of fixed-income portfolios, since October 2006. Prior to that, he held the positions of Chairman of the Board, Chief Executive Officer and Chief Investment Officer from 1996 to 2006. Mr. Normand has served as a director of Laurentian Bank of Canada since July 2004.

Luc Bertrand, President and Chief Executive Officer. Mr. Bertrand has served as our President and Chief Executive Officer since March 2000. He has served on our Board of Directors since 1992. Mr. Bertrand served as Vice-Chairman of our Board of Directors from 1996 to 1997 and as Chairman from 1998 to 2000. Mr. Bertrand is also Chairman of the Board of Directors of MCEX. In addition, he serves on the Boards of Directors of CDCC, BOX, the International Financial Centre of Montréal, Market Regulation Services Inc. and the Securities Industry Advisory Council. Mr. Bertrand also serves on the Executive Committee of BOX. From 1996 to 2002, he served as Governor of the Canadian Investor Protection Fund and served as Vice-Chairman of the Board from 1998 to 1999. He also served as Governor of the Canadian Securities Institute. A participant in the securities industry for over 25 years, Mr. Bertrand has held various management positions in the securities industry throughout his career.

Denyse Chicoyne, Director. Ms. Chicoyne has served as a director of MX since April 2004. Ms. Chicoyne is Chairperson of the Joint Audit Committee and a member of our Human Resources Committee. She is currently a member of the Board of Directors and of the Audit Committee of Groupe Laperrière & Verreault inc. and of Richelieu Hardware, two publicly listed companies as well as of Canada Post Corporation. She also chairs the Pension Committee of Canada Post Corporation, a large Canadian pension fund. Ms. Chicoyne is a member of the Board of Directors of Holt, Renfrew & Co., a privately-held chain of luxury department stores. Ms. Chicoyne has worked in the securities industry as the top ranked analyst covering retail stocks for brokerage firms such as BMO Nesbitt Burns, Nesbitt Thomson, McNeil Mantha and was also senior analyst and portfolio manager for *Caisse de dépôt et placement du Québec*. Ms. Chicoyne holds an MBA in Finance and International Business from McGill University (1981) and has been a designated Chartered Financial Analyst (CFA) since 1986. Ms. Chicoyne is a member of the Montreal Society of Financial Analysts as well as of the CFA Institute.

Stephen J. Elgee, Director. Mr. Elgee has served as a director of MX since April 2001 and Chairman of the Board of Directors of CDCC since May 2006. Mr. Elgee also serves on our Rules and Policies Committee. Mr. Elgee has been the President of Faversham Holdings Inc. since March 2006. Prior to that, he held a variety of positions at BMO Nesbitt Burns culminating in his appointment as an Executive Managing Director in 1995. Mr. Elgee is a member of the OSC Commodity Futures Advisory Board as well as the Ontario Commodity Futures Act Review Committee. He is a past Chairman of the Toronto Futures Exchange and has been a member of the Risk Management Advisory Committee at CDCC and the S&P/TSX Index Advisory Committee. Mr. Elgee graduated from the University of Waterloo with a BMath in Computer Science in 1985, and obtained his CFA designation in 1989.

Wayne Finch, Director. Mr. Finch has served as a director of MX since April 2001. Mr. Finch also serves as the Chairman of our Rules and Policies Committee. Mr. Finch has been Chairman and Chief Investment Officer of Quadravest Capital Management, a leading Canadian investment firm, since 1997. Prior to founding Quadravest Capital Management, Mr. Finch spent two years at a Canadian investment management firm as Vice President, and prior to that worked for over 10 years at Canada Trust.

Marie Giguère, Director. Ms. Giguère has served as a director of the MX since April 2006. Ms. Giguère also serves on our Governance and Nominating Committee and our Human Resources Committee. Ms. Giguère has been a private consultant since October 2005. Prior to her consulting work, Ms. Giguère was Senior Vice-President, Chief Legal Officer and Secretary at Molson Inc. from 1999 to 2005. Before this, she was Senior Vice-President Corporate Affairs and General Secretary at the MX from 1997 to 1999. Earlier in her career, Ms. Giguère was a partner in the law firm Fasken Martineau from 1976 to 1997. Ms. Giguère is the Chairperson of the Board of Trustees of the Douglas Hospital Foundation and sits on the Board of Directors of Addenda Capital Inc. She is also a governor emeritus of McGill University. Ms. Giguère has a Civil Law (B.C.L.) degree from McGill University.

William W. Moriarty, Director. Mr. Moriarty has served as a director of MX since April 2000. He is a Managing Director and head of the Global Research Division of RBC Capital Markets and a member of RBC's Operating and Executive Committees. He has served in various capacities for such organizations as the Toronto Society of Financial Analysts, the TSX Group and the IDA. He is also Chair of Market Regulation Services Inc. — the SRO which regulates securities trading and market related activities of participants on Canadian Stock Exchanges and alternative trading systems. Mr. Moriarty earned a B.A. from the University of Toronto, an M.A. in Economics from the University of Chicago and is a Chartered Financial Analyst.

Richard Schaeffer, Director. Mr. Schaeffer was elected as a director of MX on March 13, 2007. Mr. Schaeffer has served as Chairman of the Board of NYMEX since 2006, prior to which he served as Vice-Chairman from 2004 until his election as Chairman in 2006. Mr. Schaeffer was the Treasurer of NYMEX from 1993 to 2004 and has served on the Executive Committee of NYMEX since 1992. Mr. Schaeffer has been a director of NYMEX since 1990 and an owner of a Class A membership in NYMEX Exchange since 1981. From 1997 to 2006, Mr. Schaeffer was an Executive Director of Global Energy Futures for ABN AMRO, Inc. From 1992 to 1997, Mr. Schaeffer had been a Senior Vice President/Director of the Chicago Corp., which was a clearing member of both the NYMEX Division and the COMEX Division, until its buyout by ABN AMRO, Inc. Mr. Schaeffer is a director of NYMEX Europe Exchange Holdings Limited and NYMEX Europe. Mr. Schaeffer is the Chairman of the NYMEX Charitable Foundation. Mr. Schaeffer also serves as a member of the board of directors of the Juvenile Diabetes Foundation.

Louis Vachon, Director. Mr. Vachon has served as a director of MX since April 2000. Mr. Vachon has been Chief Operating Officer and Director of National Bank of Canada since July 2006. Prior to this appointment, Mr. Vachon had served as Chairman of the Board of Directors of National Bank Financial Group and of Natcan Investment Management from January 2005 to July 2006 and, more recently, was also Chief Executive Officer at National Bank Financial Group. Mr. Vachon's career with the National Bank of Canada dates back to 1986, when he joined Lévesque Beaubien. In 1990, he left National Bank of Canada to join Bankers Trust, where he served as President and Chief Executive Officer of its Canadian subsidiary, BT Bank of Canada, from 1994 to 1996, prior to returning to the National Bank of Canada in 1996. A year later, he was appointed Senior Vice-President — Treasury and Financial Markets. Mr. Vachon obtained a Chartered Financial Analyst diploma in 1990, a Master's degree in International Finance in 1985 from The Fletcher School (a Tufts and Harvard University Cooperative Graduate Program) and a Bachelor's degree in Economics from Bates College in 1983.

Laurent Verreault, Director. Mr. Verreault has served as a director of MX since April 1999. Mr. Verreault also serves on our Joint Audit Committee, and is the Chairman of our Governance and Nominating Committee and our Human Resources Committee. He has been Chairman of the Board and Chief Executive Officer of Groupe Laperrière & Verreault inc., a leading company in the design and manufacture of engineered proprietary equipment for the pulp and paper, and other industrial markets since 2005. He has been Chairman of the Board and President of Groupe Laperrière & Verreault inc. since 1975.

Philippe Loumeau, Senior Executive Vice-President and Chief Operating Officer. Mr. Loumeau has served as our Senior Executive Vice-President and Chief Operating Officer since July 2004. Mr. Loumeau is a Director and President and Chief Executive Officer of MCeX. He also serves on the Board of Directors and the Executive Committee of BOX. He previously served as our Senior Executive Vice-President, Market and Business Development from August 2000 to July 2004. Prior to joining us, he held the position of Executive Vice-President, Strategy and International Affairs for ParisBourseSBF SA (now Euronext) from 1997 to 2000. Prior to that, he held various positions (product design, business development, market automation, alliance projects, strategy) for

MATIF SA, the former French financial futures exchange and clearing house, from 1987 to 1997, prior to which he was an economist. He holds a Master's degree with honors in Economics from the University of Bordeaux (France).

Louise Laflamme, Executive Vice-President and Chief Financial Officer. Ms. Laflamme has served as our Executive Vice-President and Chief Financial Officer since September 2004. Ms. Laflamme is also Treasurer of CDCC. She previously served as our Senior Vice-President, Finance, Human Resources and Administration from May 2000 to September 2004 and Director of Finance from August 1997 to May 2000. Ms. Laflamme held various positions in the External Audit Department at Raymond, Chabot, Martin, Paré and Associates, an accounting firm, from 1973 to 1985. Subsequently, she was part of the management team at several other organizations before joining us in 1997. Ms. Laflamme is a Certified General Accountant (CGA).

Michel Favreau, Executive Vice-President and Chief Clearing Officer, CDCC. Mr. Favreau has served as Executive Vice-President and Chief Clearing Officer of CDCC since May 2001. Mr. Favreau also serves on the Boards of Directors of CDCC and MCEX. Prior to joining CDCC, he held the position of Corporate Secretary for Natexis Capital, the stock brokerage subsidiary of the Natexis Banques Populaires banking group in France, from February 1999 to April 2001. Prior to that, he held various positions at MATIF SA, the former French financial futures exchange and clearing house, from 1989 to 1999.

Rosanna Teti, Senior Vice-President, Information Technology Solutions. Ms. Teti has served as our Senior Vice-President, Information Technology Solutions since September 2004. She previously served as our Vice-President, Business Solutions & Information Technology from June 1998 to September 2004 and as our Director, Trading Services, from June 1995 to June 1998. She held various other positions at the MX in the Trading Services department from 1985 to 1995.

Glenn Goucher, Senior Vice-President, Financial Markets. Mr. Goucher has served as our Senior Vice-President, Financial Markets, since August 2004. Mr. Goucher also serves on the Board of Directors of MCEX. Mr. Goucher previously served as our Vice-President, Business Development from November 2001 to August 2004. Prior to joining us, he held the positions of Director, Sales and Marketing, Equity Related Products and Floor Manager for Scotia Capital Markets Inc. from August 1999 to November 2001 and as Fixed Income Portfolio Manager at New Brunswick Investment Management Corporation from 1993 to August 1999.

Jacques Tanguay, Vice-President, Regulatory Division. Mr. Tanguay is our Vice-President, Regulatory Division since June 2000. Prior to joining us, he held the position of capital markets consultant at Pricewaterhouse Coopers from May 1999 to June 2000 and Vice-President, Finance and Administration at Fimat Canada Inc. from February 1995 to May 1999. Mr. Tanguay also held the position of Chief, Margin and Capital Policies and subsequently Chief Examiner at the Member Regulation Department of the MX from March 1991 to February 1995. Prior to that, he held various positions in the financial services industry, in particular in the insurance industry and as a financial auditor.

Joëlle Saint-Arnault, Vice-President, Legal Affairs and Secretary. Ms. Saint-Arnault has served as our Vice-President, Legal Affairs and Secretary since June 2002. Ms. Saint-Arnault also acts as Secretary and General Counsel of MCEX and Secretary of CDCC. She previously served as our Secretary and General Counsel from August 2000 to June 2002. Prior to joining us, she held the position of Chief of Staff to the Chairman of Québec's *Commission des valeurs mobilières du Québec* (the "CVMQ," now called the *Autorité des marchés financiers*), from 1998 to July 2000. Prior to that, she held the positions of Legal Advisor from 1992 to 1998 and Securities Litigator from 1985 to 1992 for the CVMQ.

Alain Laurendeau, Vice-President, Finance and Administration. Mr. Laurendeau has served as our Vice-President, Finance and Administration since September 2005. He previously served as our Director of Finance from December 2000 to September 2005. Prior to joining us, he held the position of Controller for Beltron Technologies Inc. (which was purchased by Solutions Mindready Inc. in April 2000), an engineering firm, from 1996 to 2000, as well as for Mondialiste Publicité, an ad agency, from 1992 to 1996. Prior to that, he held the position of Corporate Controller for the Baillargeon Transportation Group from 1987 to 1992. Mr. Laurendeau is a Chartered Accountant.

Denis Grégoire, Vice-President, Human Resources. Mr. Grégoire has served as our Vice-President, Human Resources since May 2005. Prior to joining us, he held the position of Senior Director for Dolmen Human Capital from October 2003 to May 2005. Prior to that, he held the position of Vice-President — Administrative Services from May 1999 to October 2002 and General Manager, Human Resources and Communications from July 1996 to

April 1999 at Ogilvy Renault LLP. Prior to that, he held the position of Senior Manager, Human Resources for National Bank of Canada from April 1995 to June 1996 and various other department management positions at National Bank of Canada from 1981 to 1995.

Shareholding of Directors and Executive Officers

As at the date of this prospectus, our directors and executive officers, collectively, hold 3,758,034 of our common shares (on a post-Stock Split basis), representing 12.1% of our issued and outstanding common shares. In addition, as at the date of this prospectus, our directors, executive officers and employees, collectively, hold approximately 14.9% of our issued and outstanding common shares.

Composition and Mandate of Our Board of Directors

A majority of our directors must be independent within the meaning of Section 1.4 of AMF Regulation 52-110. In addition, our by-laws provide that our Board of Directors may include a maximum of two officers of MX, and that at least 50% of our directors must be independent within the meaning of article 9.3 of By-law Two of our by-laws, which is set out below:

An independent director means a person who is a member of the Board of MX and who is not:

- (i) an approved participant, a “Restricted Trading Permit Holder” of MX, or a person related to either of them;
- (ii) an officer or an employee of MX or one of its affiliates;
- (iii) a shareholder who owns, directly or indirectly, more than ten per cent (10%) of the voting shares of MX; or
- (iv) an “associate” of a person mentioned in paragraphs (i), (ii) or (iii) above within the meaning of the Securities Act (Québec).

A person is considered to be related to an approved participant if he or she is an approved participant or a partner, shareholder, associate, insider (within the meaning of the Securities Act (Québec)), director, officer, employee, agent or representative of an approved participant.

One of the principal roles of our Board is to consider recommendations made by our officers pertaining to our long-term strategy, taking into account, amongst other matters, business opportunities and risks, to advise management on strategic issues and to approve and monitor the implementation of our annual business plan.

Our Board also has the following specific responsibilities:

- (a) To appoint or remove the Chief Executive Officer and the Chief Financial Officer and approve the appointment of other executive officers;
- (b) To monitor and assess the performance of the Chief Executive Officer and of other executive officers and to approve their compensation, taking into consideration Board expectations and fixed objectives;
- (c) To the extent feasible, to satisfy itself as to the integrity of the Chief Executive Officer and the other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout MX;
- (d) To monitor management and Board succession planning processes;
- (e) To monitor the size and composition of our Board and its committees based on competencies, skills and personal qualities sought in Board members, and to approve the list of Board nominees for election by our shareholders;
- (f) To monitor the integrity and quality of our financial statements and the appropriateness of their disclosure;
- (g) To review the general content of, and the Joint Audit Committee’s report on the financial aspects of, our annual information form, annual report, management proxy circular, management’s discussion and

analysis, prospectuses, and any other document required to be disclosed or filed by MX prior to their public disclosure or filing with regulatory authorities;

- (h) To approve operating and capital budgets, the issuance of securities, the borrowings, loans and financing and, subject to the schedule of authority adopted by the Board, any transaction out of the ordinary course of business, including proposals on mergers, acquisitions and other major transactions such as investments or divestitures;
- (i) To approve our financial statements;
- (j) To determine dividend policies and procedures;
- (k) To take all reasonable measures to ensure that appropriate systems are in place to identify business risks and opportunities and to oversee the implementation of processes to manage these risks and opportunities;
- (l) To monitor our internal control and management information systems;
- (m) To monitor our compliance with applicable legal and regulatory requirements;
- (n) To review at least annually our communications policy and to monitor our communications with analysts, investors and the public;
- (o) To oversee management in the competent and ethical operation of MX;
- (p) To review, on a regular basis, appropriate corporate governance structures and procedures, including the identification of decisions requiring approval of the Board and, where appropriate, measures for receiving shareholder feedback, and the adequate public disclosure thereof;
- (q) To review annually MX's Code of Ethics and to approve any waiver from compliance with the code for directors and officers and ensure appropriate disclosure of any such waiver;
- (r) To take all reasonable measures to ensure the annual performance assessment of the Board, Board committees, Board and committee chairs and individual directors.

Composition and Mandate of the Committees Appointed by our Board of Directors

The Board may appoint among its members one or more committees to which it may delegate certain of its powers. To this end, four committees of the Board have been constituted by the Board, namely the Joint Audit Committee, the Governance and Nominating Committee, the Human Resources Committee and the Rules and Policies Committee. Each of these committees is composed solely of independent directors within the meaning of Section 1.4 of AMF Regulation 52-110 and, with respect to the Joint Audit Committee, also within the meaning of Section 1.5 of AMF Regulation 52-110. In addition, at least 50% of the members of each of these committees is independent as defined in article 9.3 of By-law Two of our by-laws.

Each committee has a specific mandate which is described below.

Joint Audit Committee

The Joint Audit Committee is a joint MX-CDCC audit committee.

The Joint Audit Committee meets on a regular basis to review the annual, semi-annual and quarterly financial statements and MD&A of MX and of CDCC intended for publication and circulation to shareholders, approved participants, clearing members and others, as well as earnings press releases prior to our dissemination of this information. The Joint Audit Committee reviews any report from management which accompanies the published financial statements to ensure consistency of disclosure and report thereon to the Board of Directors of MX and of CDCC. The Joint Audit Committee also oversees the procedure in place for the review of the public disclosure of financial information extracted or derived from our financial statements and the adequacy of those procedures.

The Joint Audit Committee recommends to the Board of Directors of MX and CDCC the appointment of the external auditor and its remuneration for the audit services and, if appropriate, the termination of its mandate (subject however, in both cases, to shareholders' approval) and monitors its qualifications, performance and

independence. The Joint Audit Committee also recommends to the Board of Directors the basis and amount of the external auditor's fees for both audit and authorized non-audit services.

The Joint Audit Committee pre-approves all audit services provided by the external auditor to MX and CDCC or any of their subsidiaries, determines which non-audit services the external auditor is entitled to provide, and pre-approves permitted non-audit services to be performed by the external auditor.

The Joint Audit Committee ensures that the external auditors report directly to the Committee and is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services, including the resolution of disagreements between management and the external auditors regarding financial reporting.

The Joint Audit Committee reviews and approves the hiring policies regarding partners, employees and former partners and employees of the present and former external auditors, ensures the rotation of lead, concurring and other audit partners, to the extent required by the rules for independence applicable to external auditors and requests, as needed, external auditors to attend the meetings of the Joint Audit Committee held during their term of office as auditors.

The Joint Audit Committee reviews the audit plans of MX and of CDCC. The Joint Audit Committee reviews the results of the annual audits of MX and CDCC by the external auditors and assesses the accounting and internal control principles followed by MX and CDCC relative to the practices prevailing in the industry. The Joint Audit Committee recommends and monitors the financial and internal control policies of MX and CDCC, such as the investment of surplus funds.

The Joint Audit Committee establishes and, if required, revises procedures for the receipt, retention and treatment of complaints or concerns received by MX and CDCC regarding accounting, internal accounting controls, or auditing matters, including the confidential, anonymous submission by employees of concerns respecting accounting or auditing matters.

The Joint Audit Committee identifies the major risks affecting MX and takes the measures to assure the implementation of appropriate risk management systems. In reviewing the audit plan of CDCC, the Joint Audit Committee assesses the adequacy of these audit plans in detecting weaknesses in CDCC's system of internal control pertaining to administration, information technology, trading, assignment, exercise, margin and collateral. The Joint Audit Committee reviews the risk management function and the periodic reports of CDCC's external auditors on the suitability of the internal control and audit programs and reports thereon to the Board of Directors of MX and of CDCC.

The Joint Audit Committee reports its observations and recommendations regarding CDCC's activities to the Board of Directors of CDCC. The Board of Directors of CDCC may request the Joint Audit Committee to work on aspects that it deems appropriate.

In case of a difference in opinion between our Board of Directors and that of CDCC regarding the risk management function, the Joint Audit Committee shall report this difference to the Boards of Directors of MX and CDCC. An *ad hoc* committee would then be established, composed of two independent directors of MX and two independent directors of CDCC. Both Boards of Directors shall grant to this *ad hoc* committee the power to resolve the issue, including the power to retain outside advisors to advise it accordingly. The final decision of the *ad hoc* committee shall be submitted to the AMF for information.

The Joint Audit Committee has the authority to hire legal counsel or other advisors as it deems necessary to carry out its duties.

The Joint Audit Committee is currently composed of Denyse Chicoyne (Chairperson), Carmand Normand and Laurent Verreault. Each member of the Joint Audit Committee is financially literate, as defined in Section 1.6 of the AMF's Regulation 52-110 respecting audit committees.

Governance and Nominating Committee

Our Governance and Nominating Committee monitors the size and composition of the Board and its committees to ensure effective decision-making and makes recommendations to the Board to that effect. Our

Governance and Nominating Committee develops and reviews criteria for selecting directors to ensure there is a proper dynamics at the Board.

Our Governance and Nominating Committee proposes annually, or when there is a vacancy, Board nominees for approval by the Board and the shareholders, and assists the Board and its Chairman in determining Board committee membership. Our Governance and Nominating Committee provides a guidance and training program for new Board members and develops the appropriate processes for the periodic evaluation of the Board, Board committees, Board and committee chairs and individual directors. Our Governance and Nominating Committee reviews periodically the mandates of the Board and its committees.

Our Governance and Nominating Committee recommends corporate governance policies and guidelines and ensures their implementation within MX. Our Governance and Nominating Committee ensures that a statement of corporate governance practices is included in our management proxy circular. Our Governance and Nominating Committee reviews annually our Code of Ethics, makes recommendations to the Board in connection thereto and monitors compliance with such code. Our Governance and Nominating Committee also reviews our procedures for “whistleblower protection” to ensure that none of our employees is discharged or otherwise penalized for reporting in good faith to his or her supervisor or to any competent authorities, potential violations of any laws or regulations applicable to MX.

Our Governance and Nominating Committee is composed of Marie Giguère (Chairperson), Laurent Verreault and Jean Turmel.

Human Resources Committee

Our Human Resources Committee recommends to the Board executive officers appointments and the terms and conditions of their appointment and retirement or termination, including incentive compensation and equity-based plans. This committee reviews annually and recommends to the Board the objectives that the Chief Executive Officer is expected to attain, assesses the Chief Executive Officer in light of these objectives and recommends to the Board Chief Executive Officer compensation, including incentive compensation and equity-based plans. Our Human Resources Committee also reviews the evaluation of executive officers performance, recommends to the Board their compensation and reviews the annual report on executive officer compensation for inclusion in our Management Proxy Circular, in accordance with applicable rules and regulations. The committee takes all reasonable measures to ensure that appropriate processes are in place regarding succession planning for the position of Chief Executive Officer and other executive officers.

Our Human Resources Committee takes all reasonable measures to ensure that appropriate human resources systems, such as hiring policies, competency profiles, training policies and compensation structures are in place so that we can attract, motivate and retain the quality of personnel required to meet its business objectives. The Committee maintains an assessment and compensation philosophy that rewards the creation of shareholder value. The Committee makes recommendations to the Board with respect to incentive-compensation plans, including equity-based plans.

Our Human Resources Committee approves, the adjustments to the total compensation, the yearly bonuses given to members of the management, the increase of the total compensation, the policies relating to remuneration, fringe benefits and general working conditions and, all modifications to the employees evaluation process.

Our Human Resources Committee also monitors strategic labour issues and social issues that need to be addressed.

Our Human Resources Committee is composed of Laurent Verreault (Chairman), Denyse Chicoyne and Marie Giguère.

Rules and Policies Committee

Our Rules and Policies Committee considers and approves proposed amendments to our Rules and Policies and considers and approves all matters delegated by the Board regarding our Rules and Policies.

Our Rules and Policies Committee is composed of Messrs. Wayne Finch (Chairman), Stephen J. Elgee and William W. Moriarty.

Code of Ethics

In order to comply with the strictest governance standards, we adopted a Code of Ethics in 2003. The Code of Ethics applies to all our employees, consultants, officers and directors and all members of our committees. All these persons are required to read the Code of Ethics and sign a form attesting that they undertake to abide by the Code's provisions.

The Code of Ethics is divided into five main sections, namely, principles and rules of ethics, principles pertaining to conflict of interest and the associated conflict disclosure procedure, protection of confidential and privileged information, partition measures ("Chinese walls") to prevent information from being divulged among our Regulatory Division and our other business units and CDCC, and the procedure for implementing the Code of Ethics.

All persons subject to the Code of Ethics must, among other things, perform the tasks and duties entrusted to them in a prudent, diligent and efficient manner. They must at all times act with honesty, loyalty and integrity, in the best interests of MX, and in no event may they use, for their personal ends or for the benefit of a family member or a third party or for an illicit or unlawful purpose, the property, funds or resources of MX. In no event may they appropriate, for their own benefit or for the benefit of a family member or a third party, any business opportunity that may present itself to MX.

All persons subject to the Code must also avoid placing themselves in a situation where their personal interest, including the interest of their family or an individual or entity to whom or to which they are related or connected in any manner, would conflict with the interest of MX. Any person subject to the Code of Ethics who, among other things, is a party to or has a substantial interest in an entity that is a party to a proposed contract with MX must disclose in writing, as early as possible, the nature and extent of that interest. Such persons must also withdraw from the files where their interest is involved until such time as a decision is taken on the matter concerned. In addition, all officers, directors and members of committees of MX must disclose each year to the secretary of MX, in writing, a list of the interests held by them.

In addition, all persons subject to the Code of Ethics must protect the confidentiality of the information to which they have access or which they use or receive from third parties in the course of performing their duties. They may not use, directly or indirectly, for their personal ends or for the benefit of a member of their family or a third party, any confidential information to which they have access or which they have acquired in the course of performing their duties. Confidential information means any information that has not been made public and that relates to us or to our employees, officers, directors and clients. All persons subject to the Code of Ethics must, when dealing with our consultants, clients and suppliers, ensure that such consultants, clients and suppliers preserve and protect the confidential information conveyed to them, by having them sign a confidentiality agreement or by including a confidentiality clause in their contract.

As required by MX's Recognition Order, we have implemented measures to protect confidential information and to avoid conflicts of interest. These measures include, among other things, "Chinese walls" between certain departments, such as the Chinese Wall between our Regulatory Division and our other business units. These measures are necessary in light of the very different business aims pursued by these departments.

Lastly, the Code of Ethics also contains a policy prohibiting trading in certain circumstances. Persons subject to the Code of Ethics may not communicate any privileged information about any security, including our shares, or effect any transaction or trade on any such security, whether on their own behalf or on behalf of their family or a third party, where they, on account of their duties with us, have knowledge of or access to privileged information relating to the security concerned. Among other things, persons subject to the Code of Ethics who are privy to any privileged information about us are prohibited from trading in our shares or communicating such information until such time as the information concerned has been fully disclosed to the public and a specified reasonable time allowing the information to be widely disseminated has elapsed. This period is usually 48 hours after the information has been publicly released.

In addition, persons subject to the Code of Ethics may not buy or sell any securities of MX on their own behalf or on behalf of their family or a third party, or recommend that any such securities be bought or sold, for a trading period comprising thirty (30) days before and five (5) days after publication of our quarterly or annual financial reports. Such persons must observe any blackout periods during which trading in the securities of MX is completely

prohibited for the persons concerned. Such blackouts may also be imposed by us from time to time owing to exceptional circumstances affecting us.

Board of Directors of CDCC

CDCC's Board of Directors is comprised of six members, of whom three are independent directors. With respect to CDCC, an "independent director" is a director that is not a clearing member of CDCC (or an associated person of a clearing member) or an officer or employee of CDCC or MX. The non-independent directors of CDCC include two directors of MX and CDCC's Senior Vice President and Chief Clearing Officer.

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

Executive Compensation

The following sets out the basis upon which certain members of the executive management team, including the Chief Executive Officer and the four other most highly compensated executive officers (the "Named Executive Officers") of MX were compensated by MX in 2006 and will continue to be compensated by MX following the listing. The Human Resources Committee of the Board of Directors of MX is responsible for establishing MX's general compensation principles and overseeing the implementation and administration of MX's compensation policies and programs. It also reviews and approves the level of and/or changes in the compensation of individual executive officers of MX and its subsidiary. The Human Resources Committee reports its compensation recommendations and determinations to the Board of Directors of MX, after taking into consideration individual performance as well as competitive and comparative compensation practices. The Board of Directors of MX grants final approval with respect to compensation programs and policies for executive officers. The Board of Directors of MX will also review the recommendations of the Human Resources Committee with regard to the grant of options under MX's share option plan, if applicable.

Principles of Executive Compensation

Our executive compensation programs and policies are designed to attract and retain executives critical to our short and long-term success and to continue to provide executives with compensation that is market competitive.

Our Human Resources Committee evaluates the levels of responsibility of all our executive officer positions and those of our subsidiary in order to establish appropriate bases for internal and external comparison. In surveying the external market, both financial markets companies and general industry organizations are analyzed with reference to position scope and organizational size.

Compensation for executive management consists of a base salary, an annual bonus and a long-term incentive plan. Our compensation program is designed to focus on shareholder value creation, operating performance improvement and customer satisfaction.

Base Salary

Our Human Resources Committee will review annually the base salaries of our executive officers, including our Named Executive Officers, following a review of compensation peer groups and other relevant market data. Base salaries are approved by our Human Resources Committee, as needed, based on the level of responsibility, the particular expertise, contribution to our company and experience of each officer. In establishing base salaries, our Human Resources Committee takes into consideration data regarding peer companies in the financial markets industry as well as the relative scarcity of the particular expertise required of our certain executive officer positions.

Short-Term Incentive Plan

Our short-term incentive plan provides an opportunity for all plan participants, including our Named Executive Officers, to earn an annual bonus based on the achievement of corporate and individual performance objectives. Our Human Resources Committee approves the performance objectives and the terms of attribution of bonuses annually. The final amount of the bonuses is allocated according to the officer's contribution to the operating profit of the organization and the line of business, if appropriate, and to his or her achievement of personal objectives

weighted according to the performance level. Individual target bonuses are established by our Human Resources Committee as a percentage of annual salary ranging from, for executive officers in 2006, 35% to 100%. To the extent performance objectives (corporate and individual) are exceeded, individual bonuses are capped, again as a percentage of annual salary ranging from, for executive officers in 2006, 52.5% to 200%. Performance objectives, target bonuses and bonus caps for the 2007 financial year are, at the date of this prospectus, under review.

Long-Term Incentive Plan / Stock Option Plan

We have established a new stock option plan which will take effect on the date that the receipt in respect of the final prospectus relating to our listing is issued by the securities regulatory authorities. This new stock option plan is intended to reward superior performance, assist MX in attracting and retaining qualified personnel, align the interests of the participants and the shareholders and create long-term value. The Human Resources Committee is responsible for administering the stock option plan and recommending the award of options to designated individuals in accordance with the rules and laws applicable to such plans and subject to the approval of the Board of Directors.

Certain officers at the level of manager and above qualify for the grant of options under the plan. Certain high potential employees with scarce expertise may be identified and qualify for the plan (designation at the discretion of our Board of Directors upon recommendation of the Human Resources Committee). Our Board of Directors fixes the term and vesting dates of the options. The exercise price will be not less than the weighted average market price of the common shares of MX during the five trading days immediately preceding the grant date and the term of an option shall not exceed 10 years.

Unless our Board of Directors decides otherwise, the options granted under the stock option plan expire at their expiry date or if one of the following situations occurs: (i) the earlier of the expiry date of a stock option or one hundred and eighty (180) days after the optionee's death; (ii) the earlier of the expiry date of a stock option or thirty (30) days after the resignation of the optionee; (iii) at the date MX ends the optionee's employment for cause; (iv) the earlier of the expiry date of a stock option or thirty-six (36) months after the date of a retirement or an authorized leave of absence; or (v) the earlier of the expiry date of a stock option or ninety (90) days following the optionee's leave for other reason. In addition, the expiry date of a stock option falling within a trading prohibition period as determined under the Code of Ethics will be extended by seven (7) business days from the expiry of such trading prohibition period.

1,800,000 of our common shares (on a post-Stock Split basis), representing approximately 5.8% of our share capital outstanding on the date hereof, will be reserved for issuance pursuant to our stock option plan. Our stock option plan provides that the number of common shares reserved under the stock option plan together with any other MX share compensation arrangement cannot exceed 10% of our issued and outstanding share capital.

Options will be granted based on the performance of qualifying employees and the achievement of personal objectives.

Our stock option plan provides that in the event of a change of control of MX, the vesting of all options granted under the stock option plan may be accelerated by our Human Resources Committee, and the stock options shall then be exercisable for a period of time after the change of control as determined by the Human Resources Committee.

The amendments to the stock option plan that must be submitted to the approval of shareholders are the following:

- (i) any amendment to the number of securities issuable under the stock option plan (except for any amendment resulting from a stock dividend, split, recapitalization, merger, arrangement, consolidation or any other similar operation) or a change from a fixed maximum number of securities to a fixed maximum percentage;
- (ii) any change which would allow non-employee directors to participate under the stock option plan on a discretionary basis;
- (iii) any amendment which would permit any option granted under the stock option plan to be transferable or assignable other than by will or under succession laws (estate settlement);

- (iv) the addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the stock option plan reserve;
- (v) the addition of a deferred or restricted share unit or any other provision which results in employees receiving securities while no cash consideration is received by MX;
- (vi) any reduction in the exercise price of any underlying shares after the option has been granted or any cancellation of an option and the substitution of that option with a new option with a reduced exercise price, except for any amendment resulting from a stock dividend, split, recapitalization, merger, arrangement, consolidation or any other similar operation;
- (vii) any extension to the term of an option beyond the original expiry date;
- (viii) any amendment to the method of determining the exercise price of each share covered by an option granted pursuant to the stock option plan; and
- (ix) the addition of any form of financial assistance and any amendment to a financial assistance provision which is more favourable to employees.

Our Board of Directors may, subject to the receipt of the required approvals of the regulatory authorities where required, and at its sole discretion, make all other amendments to the stock option plan that are not covered hereabove. Without limiting the generality of the foregoing, our Board of Directors will be able to, *inter alia*:

- (i) make any amendment of a “housekeeping” or clerical nature or to clarify the stock option plan’s provisions;
- (ii) make any change regarding any vesting period;
- (iii) make any change to the provisions regarding the termination of an option or the stock option plan as long as it does not entail an extension beyond the original expiry date;
- (iv) make any change resulting from a stock dividend, split, recapitalization, merger, arrangement, consolidation, reclassification, share dividend declaration or any other amendment pertaining to the common shares; and
- (v) discontinue the stock option plan.

No options under this new stock option plan will be granted prior to our stock exchange listing.

Employee Share Purchase Plan

We will adopt a share purchase plan for eligible employees of MX and its subsidiaries. This plan will take effect on the date that the receipt in respect of the final prospectus relating to our listing is issued by the securities regulatory authorities. Under the employee share purchase plan, the plan contributions of the employees and MX will be used by the designated plan administrator to make purchases of MX common shares on the open market. Each eligible employee may contribute up to 10% of his or her base annual salary towards the purchase of shares. We will contribute the equivalent of 50% of the value of the employee’s contribution, up to a maximum annual contribution of \$2,500.

The MX matching contributions will vest for the benefit of the eligible employees following (i) the first anniversary of adoption of the share purchase plan with respect to the employee’s contributions made by the employee during the first twelve (12) months following adoption of the share purchase plan, and within five (5) business days following the end of each pay period thereafter, or (ii) the first twelve (12) months following the start date of a new employee of MX with respect to the employee’s contributions made by such employee during the first twelve (12) months following the employee’s start date and within five (5) business days following the end of each pay period thereafter.

An eligible employee may make two withdrawals during each calendar year of whole common shares of MX allocated to his or her account. However, the number of common shares of MX subject to each such withdrawal may not exceed 75% of the total number of common shares allocated to the employee’s account. An eligible employee may only make a third withdrawal during a calendar year in the event that the employee ceases to

participate in the share purchase plan. The MX matching contribution shall not vest for purposes of withdrawal except as describe above. Fees shall be payable by the employee at the time of any withdrawal.

Compensation of Named Executive Officers

The following table presents information regarding compensation of our Named Executive Officers in 2006. The table sets out the total compensation awarded to, earned by or paid to, each of our Named Executive Officers on an annualized basis for services rendered by that individual in all capacities to MX or its subsidiary.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Deferred Share Units (\$)	LITP Payouts (\$)	All Other Compensation (\$) ⁽¹⁾
LUC BERTRAND (President and Chief Executive Officer)	2006	515,000	1,030,000	—	—	—	—	—
PHILIPPE LOUMEAU (Senior Executive Vice-President and Chief Operating Officer)	2006	415,000	565,000	—	—	—	—	—
LOUISE LAFLAMME (Executive Vice-President and Chief Financial Officer)	2006	280,000	280,000	—	—	—	—	—
MICHEL FAVREAU (Senior Vice-President CDCC)	2006	240,410	155,670	—	—	—	—	—
ROSANNA TETI (Senior Vice-President ITS)	2006	200,000	179,320	—	—	—	—	—

(1) None of our Named Executive Officers is the holder of any unexercised options under our option plans at December 31, 2006. See also the information under the headings “ — Pension Plan” and “ — Employment Contracts and Severance Arrangements” below.

2006 Named Executive Officer Compensation

In 2006, weightings for the corporate performance objectives under our short term incentive plan were set at 100% for our Chief Executive Officer, and at 85% for the other Named Executive Officers. In the case of the other Named Executive Officers, the remaining 15% of the weighting was based on individual performance objectives. Target bonus for the Chief Executive Officer in 2006 was 100% of annual salary, with short term incentive compensation capped at 200%, while target bonuses for the other Named Executive Officers were established at between 40% and 50% of annual salary and bonuses capped at between 60% and 100%. After consideration of the financial performance of MX in 2006 in terms of operating earnings and implementation of the strategic plan, the Human Resources Committee allocated an annual bonus to the Chief Executive Officer at the highest level. No long-term incentives under our former stock option plan were granted in 2006 to any participating employee.

Pension Plan

Ms. Louise Laflamme and Messrs. Luc Bertrand and Michel Favreau participate in a non-contributory defined benefit pension plan and a supplemental pension plan. The table below provides information about the total annual

pension benefits payable from these plans as of age 65 based on final average compensation and years of credited service under the plans:

Annual Pension Payable Upon Retirement at Normal Retirement Age

<u>Average Compensation (\$)</u>	<u>Years of Service and Annual Pension Benefit Payable</u>				
	<u>15 (\$)</u>	<u>20 (\$)</u>	<u>25 (\$)</u>	<u>30 (\$)</u>	<u>35 (\$)</u>
200,000.....	60,000	80,000	100,000	120,000	140,000
300,000.....	90,000	120,000	150,000	180,000	210,000
400,000.....	120,000	160,000	200,000	240,000	280,000
500,000.....	150,000	200,000	250,000	300,000	350,000
600,000.....	180,000	240,000	300,000	360,000	420,000
700,000.....	210,000	280,000	350,000	420,000	490,000

The total pension paid under these plans to each participant equals 2.0% of the participant’s final average earnings times the participant’s years of credited service, less a fixed amount in respect of contributions made by MX to the participant’s RRSP during the period prior to January 1, 2004. Final average compensation corresponds to the highest 36 consecutive months’ average base salary during the 10 years prior to retirement. Credited service corresponds to the period of continuous service (in full months) since the participant’s hiring date. As at December 31, 2006, Luc Bertrand, Michel Favreau and Louise Laflamme had 6.75, 5.67 and 9.33 years of credited service respectively.

The normal retirement age for the non-contributory defined benefit pension plan and the supplemental pension plan is 65. Participants may retire with an unreduced pension from age 60 or with a reduced pension from age 55. The reduction applicable in the latter case is ¼% for each month remaining to age 60 at the time of retirement.

In the event of the death of the plan participant, if the participant has a spouse at the time of retirement the pension will normally be paid in the form of a life annuity with a survivor pension of 60%. If the plan participant does not have a spouse when the participant begins receiving pension benefits under this plan, the pension will normally be paid in the form of a life annuity with a 10 year guarantee.

Employment Contracts and Severance Arrangements

Each of the Named Executive Officers is party to a severance agreement. Mr. Bertrand will receive a lump-sum cash payment of twice his annual base salary if terminated without cause, other than in the case of a change of control. In the event of termination within 24 months following a change of control, he will receive a lump-sum payment corresponding to 30 months’ total compensation (base salary plus average of the ordinary bonuses received in respect of the previous two years). If Mr. Bertrand terminates his employment with MX voluntarily within 12 months following a change of control, he will also be guaranteed a lump-sum cash payment equal to 18 months’ base salary.

Mr. Loumeau will receive a lump-sum cash payment equal to 12 months’ annual base salary if he is terminated without cause, other than in the case of a change of control. In the event of termination within 24 months following a change of control, Mr. Loumeau will receive a lump-sum cash payment equal to 24 months’ total compensation (base salary plus average of the ordinary bonuses received in respect of the previous two years). If he terminates his employment with MX voluntarily within 12 months following a change of control, he will receive a lump-sum cash payment equal to 12 months’ base salary.

Ms. Laflamme will receive a lump-sum cash payment equal to 12 months’ total compensation (base salary plus bonus) if she is terminated without cause, other than in the case of a change of control. In the event of termination within 24 months following a change of control, Ms. Laflamme will receive a lump-sum cash payment equal to 24 months’ total compensation (base salary plus average of the ordinary bonuses received in respect of the previous two years). If Ms. Laflamme terminates her employment with MX voluntarily within 12 months following a change of control, she will receive a lump-sum cash payment equal to 12 months’ base salary.

Mr. Favreau will receive a lump-sum cash payment corresponding to 12 months' total compensation (base salary plus bonus) if he is terminated without cause, other than in the case of a change of control. In the event of termination within 24 months following a change of control, he will receive a lump-sum cash payment equal to 18 months' total compensation (base salary plus average of the ordinary bonuses received in respect of the previous two years). If he terminates his employment with MX voluntarily within 12 months following a change of control, he will receive a lump-sum cash payment equal to 12 months' base salary.

Ms. Teti will receive a lump-sum cash payment equal to 18 months' total compensation (base salary plus average of the ordinary bonuses received in respect of the previous two years) in the event of termination within 24 months following a change of control. If Ms. Teti terminates her employment with MX voluntarily within 12 months following a change of control, she will receive a lump-sum cash payment equal to 12 months' base salary.

Each severance agreement also provides for group insurance coverage to continue during the notice period.

Directors' Compensation

The table below provides information relating to the compensation of the directors of MX.

MX				
	Annual Compensation	Attendance Fees		
		In Person	By Telephone or Remote Access	Meeting Held by Teleconference
Chairman of the Board	\$60,000	N/A	N/A	N/A
Directors	\$25,000	\$1,500	\$750	\$1,500
Chair of the Joint Audit Committee	\$ 7,500	\$1,500	\$750	\$1,500
Members of the Joint Audit Committee	\$ 2,500	\$1,500	\$750	\$1,500
Chairs of other committees	\$ 5,000	\$1,500	\$750	\$1,500
Members of other committees	\$ 1,500	\$1,500	\$750	\$1,500

Directors who are executive officers of MX or its subsidiaries do not receive fees for serving as directors. Directors are reimbursed for travel and other out-of-pocket expenses incurred in connection with meetings of our Board of Directors or any committee of our Board of Directors.

Directors' and Officers' Insurance, and Indemnification

Our directors and officers are covered under directors' and officers' liability insurance. The aggregate limit of liability applicable to those insured directors and officers is \$50.0 million, inclusive of defence costs. Under these policies, we and the directors and officers benefit from reimbursement coverage, subject to a customary per loss deductible. The policies include coverage for wrongful acts (including misleading statements), insuring against any legal obligation to pay on account of any claims brought. Our by-laws also provide for the indemnification of our directors and officers.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this prospectus, no directors or executive officers of MX are indebted to MX.

RISK FACTORS

You should consider the risks below very carefully in evaluating us and our common shares. The risks described below are not the only ones facing our company. Additional risks not presently known to us or that we currently deem immaterial may also impair our operations. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. If any of these risks materialize, the trading price of our common shares could decline.

Risks Relating to our Business

Any significant decline in the trading volume of our key products would adversely affect our revenues and profitability.

We are substantially dependent on trading volume from several product offerings for a significant portion of our clearing and transaction fee revenues and profits. The clearing and transaction fee revenues attributable to transactions in our BAX, CGB and SXF contracts represented approximately 75% of our total transaction and clearing fee revenues during 2006. Any significant decline in our trading volume for any of these products, or other significant products introduced in the future, would negatively impact our business, financial condition and results of operations.

We cannot assure you that others will not succeed in creating competing derivatives contracts or products replicating those that we offer, including those that we offer under licence, or that market participants will not increasingly use alternative instruments. Any of these events could have an adverse effect on our trading volume, results of operations and profitability.

We depend on market activity that is outside of our control for our revenues.

Our revenues are highly dependent upon the level of activity on our markets, including the number of transactions, volume and value of securities traded, the number of active traders and firms in the market, the number of subscribers to market data and similar variables. We have no direct control over these variables. Among other things, these variables depend upon the relative attractiveness of derivatives traded on our markets and the relative attractiveness of our markets as a place to trade any such derivatives as compared to other exchanges and other trading vehicles. Those variables are in turn influenced by the overall economic conditions in Canada and the United States in particular and in the world in general, especially growth levels and political stability, the regulatory environment, the relative activity and performance of global capital markets and investor confidence. Reduced levels of activity on our markets would materially adversely affect our business, financial condition and results of operations.

We may be able to indirectly influence the volume and value of trading by measures such as providing efficient, reliable and low-cost trading, seeking to maximize the availability of timely, reliable information and maximizing the ease of access to trading facilities. However, there is a risk that the measures that we are currently undertaking or may undertake in the future will not have a positive effect on or effectively counteract the factors that are outside of our control.

Declines in the global financial markets may materially adversely affect our business.

Adverse economic and political conditions may cause declines in Canadian, U.S. and global financial markets and may affect our operating results. The international financial services business is, by its nature, risky and volatile and is directly affected by many national and international factors that are beyond our control. Any one of these factors may cause a substantial decline in the global financial services markets, which could potentially result in reduced trading volume. These events could materially adversely affect our business, financial condition, results of operations and prospects. These factors include:

- economic and political conditions in Canada, the United States and elsewhere in the world;
- reduced institutional/consumer confidence levels;
- the availability of cash for investment by mutual funds and other wholesale and retail investors; and
- legislative and regulatory changes.

Our business may be adversely affected by price competition.

The derivatives trading industry is characterized by intense price competition. While we have developed our pricing mix to attract greater liquidity to our markets while maintaining our average price per contract, market conditions and the termination of the 1999 Agreement with the TSX Group (and TSX Group's planned launch of a securities derivatives exchange in Canada thereafter) may result in increased competition and, in turn, significant pricing pressures in the future. Some of our competitors may seek to increase their share of trading by reducing their transaction fees, by offering larger liquidity payments or by offering other forms of financial or other incentives. Our business, financial condition and results of operations could be materially adversely affected as a result of these developments.

For example, we could lose a substantial percentage of our trading volume if we are unable to price our transactions in a competitive manner, or our profit margins could decline if we reduce our pricing in response. In addition, one or more competitors may engage in aggressive pricing strategies and significantly decrease or completely eliminate their profit margin for a period of time in order to capture a greater share of trading. Some competitors may have high profit margins in business areas in which we do not engage, which may assist them in executing these strategies. This environment could lead to a decline in transaction volume, and could have a material adverse affect on our business, financial condition and results of operations.

Intense and evolving competition could materially adversely affect our market share and financial performance.

The derivatives trading industry is highly competitive. Many of our competitors and potential competitors are more established or have greater financial resources than we do. Due to the globalization of investing, we face increased competition for business from other exchanges, particularly those in the United States, but also electronic exchanges in Europe and Asia. In addition, technological advances have lowered barriers to entry and have facilitated the establishment of new exchanges and mechanisms, such as electronic communication networks, or ECNs, for the electronic trading of securities and other financial instruments outside of traditional exchanges.

Competitive pressures may cause us to re-evaluate our current business model and strategies. As the electronic trading marketplace develops, the competition for some or all of the products and services we currently provide could intensify. In addition, our competitors may:

- respond more quickly to competitive pressures;
- develop products similar to the products we offer that are preferred by our customers;
- develop non-traditional alternative risk transfer products that compete with our products;
- price their products and services more competitively;
- develop and expand their network infrastructures and service offerings more efficiently;
- adapt more swiftly to new or emerging technologies and changes in client requirements;
- utilize better, more user-friendly and more reliable technology;
- take greater advantage of acquisitions, alliances and other opportunities;
- more effectively market, promote and sell their products and services;
- better leverage existing relationships with clients and strategic partners or exploit better recognized brand names to market, distribute and sell their services; and
- exploit regulatory disparities between traditional, regulated exchanges and alternative markets that benefit from a reduced regulatory burden and a lower-cost business model.

Our current and prospective competitors are numerous and include securities exchanges, options and other derivatives exchanges, market data and information vendors, electronic communications networks, crossing systems and similar entities, consortia of large customers and some of our clearing member firms and interdealer brokerage firms.

In addition, the 1999 Agreement with the TSX Group expires in March 2009. On March 5, 2007, TSX Group and ISE announced their joint initiative to create a new Canadian securities derivatives exchange which would

launch its operations in March 2009, upon the expiry of the 1999 Agreement. We are also currently party to an arbitration proceeding with TSX Group relating to the acquisition by its subsidiary, NGX, of Oxen, which is the owner of Alberta Watt Exchange Limited. The dispute relates to our exclusivity regarding exchange traded derivatives pursuant to the 1999 Agreement. Furthermore, while the 1999 Agreement precludes the TSX Group from entering the Canadian financial derivatives market prior to March 2009, it does not prohibit other potential competitors from entering or offering competing products, and advancements in technologies may allow them to do so. The CME and the CBOT have attempted to offer competing products in the past, and although both were unsuccessful, that may not be the case in the future.

Thus, the number of exchanges and other entities providing products and services similar to ours may grow, and a number of financial services and other companies have entered into, or are forming, joint ventures or consortia that may give them the capacity to provide products or services similar to those provided by us. For more information concerning the competitive nature of our industry and the challenges we face, see the section entitled “Our Business — Our Segments and Activities” elsewhere in this prospectus. As a result of this intense competition, we cannot assure you that we will be able to retain our current customers or attract new customers to our markets, products and services. In addition, we cannot assure you that we will not lose customers because of more economical alternatives offered from competitors with comparable or possibly superior products, services or trade execution services. Our business, financial condition and results of operations could be materially adversely affected if we fail to attract new customers or lose a substantial number of our current customers to competitors.

The trend among exchanges to form alliances as well as to consolidate may increase and may result in strengthening the competitive position of some exchanges to the detriment of others. There is a risk that we will not be included in any alliances, or that the alliances that we enter will not be successful, and these developments could materially adversely affect our business, financial condition, results of operations and prospects.

We generate a significant percentage of our annual revenues from a small number of approved participants, and substantially all of our MX-ITS revenues from BOX.

A significant percentage of our annual revenues are generated by a relatively small number of approved participants, and substantially all of our MX-ITS revenues are generated by BOX. For the year ended December 31, 2006, approximately 19% of our revenues were generated by BOX in information systems services (25% in 2005 and 21% in 2004), and four approved participants, on behalf of numerous clients, generated, in the aggregate, 33% of our revenues (31% in 2005 and 30% in 2004), for a combined total of 52% of our revenues in 2006 (56% in 2005 and 51% in 2004). Each of these four approved participants individually generated more than 6% of our revenues in 2006. Although we seek to diversify our base of approved participants and continuously seek ways of encouraging activity by all of our approved participants, we may continue to be dependent upon these key approved participants in the future. Any negative change in our relationship with, or the revenues generated by, these key approved participants, and our inability to grow our customer base for SOLA® or maintain BOX as a SOLA® client, could have a material adverse effect on our business, financial condition and results of operations.

Our trading volume, and consequently our revenues and earnings, could be materially adversely affected if we are unable to retain our current customers or attract new customers to our markets or if derivatives trading volume in general decreases.

The success of our business depends, in part, on our ability to maintain and increase our trading volume and the resulting exchange fees. To do so, we must maintain and expand our product offerings, our customer base and our trade execution alternatives. Our success also depends in part on our ability to offer competitive prices and services in an increasingly price-sensitive business. In addition, our success depends in part on our ability to increase the base of individual customers who trade our products. We cannot assure you that we will be able to continue to expand our product lines, or that we will be able to retain our current customers or attract new customers. We also cannot assure you that we will not in the future lose the business of certain of our approved participants to lower-cost competitors with comparable or superior products, services or trade execution facilities. If we fail to expand our product offerings or execution facilities, or lose a substantial number of our current customers, or are unable to attract new customers, our business will be materially adversely affected. Furthermore, declines in the overall volume of trading derivatives may negatively impact market liquidity on our markets, which would result in lower exchange fee revenues and could materially adversely affect our ability to retain our current customers or attract new customers. Any such event could have a material adverse effect on our business, financial condition and results of operations.

Our business could be harmed by a systemic market event.

Some market participants could be overleveraged. In case of sudden, large price movements, such market participants may not be able to meet their obligations to brokers who, in turn, may not be able to meet their obligations to their counterparties. As a result, the financial system or a portion thereof could collapse, and the impact of such an event could be catastrophic to our business.

Our market data fee revenues could decline if we are unable to continue growing our subscription levels.

We sell market data to market participants and resellers who distribute such data to persons or entities that use or monitor our markets. There has been consolidation recently in the market data resale sector, which has resulted in pricing pressure on certain primary sellers of market data. If we are unable to continue growing our market data subscription levels or if we experience an overall trend of declining subscription levels or pricing pressure, we could lose market data fee revenues if we are unable to recover the lost revenues through increased transaction fees or through the development of alternative market data products. Any such failure could have a material adverse effect on our business, financial condition and results of operations.

We depend on the development and acceptance of new products.

We are dependent to a large extent on the development and introduction of new financial and trading products and the acceptance by the investment community of those products. While we are continually reviewing our products and, in consultation with market participants, developing new products that seek to respond to the needs of the marketplace, there can be no assurance that we will continue to develop successful new products. Current products may become outdated or lose market favour before adequate enhancements or replacements can be developed. Other exchanges and alternative trading systems, or “ATSs,” may introduce new products or product enhancements that reduce the attractiveness of our products. Even if we develop an attractive new product, we could lose trading activity to another exchange or an ATS that introduces a similar or identical product because of the competitor’s greater liquidity or lower cost. Any such event could have a material adverse effect on our business, financial condition and results of operations.

Our clearing house operations expose us to credit risk of third parties. Our financial condition will be adversely affected in the event of a significant default.

CDCC acts as the issuer and guarantor of all trades consummated on our markets. As a result, we are exposed to significant credit risk of third parties, including our approved participants and clearing members. We are also exposed, indirectly, to the credit risk of customers of our approved participants. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. A substantial part of our working capital is at risk if a participant defaults on its obligations to CDCC and its margin and security deposits are insufficient to meet its obligations.

Although we have implemented policies and procedures to help assure that our participants can satisfy their obligations, these policies and procedures may not succeed in detecting problems or preventing defaults. We also have in place various measures intended to enable us to cover defaults and maintain liquidity. However, we cannot assure you that these measures will be sufficient to protect us from a default or that our business, financial condition and results of operations will not be materially adversely affected in the event of a significant default. For a more detailed discussion of our clearing house operations, see the section of this prospectus entitled “Our Business — Our Segments and Activities — Clearing House” elsewhere in this prospectus.

We may not effectively manage our growth, and we may not be successful in executing our strategies.

We intend to continue developing and expanding our business. This growth may place a significant strain on our management, personnel, systems and other resources. We must continue to improve our operational and financial systems and managerial controls and procedures, and we will need to continue to expand, train and manage our technology workforce. We must also maintain close coordination among our technology, compliance, accounting, finance, marketing and sales organizations. We cannot assure you that we will manage our growth effectively, and our failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Acquisitions and strategic partnerships may not meet our objectives.

We currently believe that alliances, strategic partnerships and acquisitions may be an important component of our growth strategies and could play an important role in our long-term success. In this regard, we may seek to enter into alliances or other arrangements with other parties under appropriate conditions, such as our recently announced alliance with NYMEX. However, we cannot assure you that we will be successful in either developing, or fulfilling the objectives of, any such alliance, including our alliances with BOX or NYMEX. Further, our participation in these alliances may strain our resources and may limit our ability to pursue other strategic and business initiatives, which could have a material adverse effect on our business, financial condition and results of operations.

Expansion of our operations internationally involves special challenges that we may not be able to meet, which could adversely affect our business, financial condition and results of operations.

We plan to continue our efforts to expand our operations internationally, including by obtaining regulatory authorizations or exemptions to allow remote access to our markets by approved participants outside Canada and by relying on distribution systems established by our current and future strategic alliance partners. We expect that the expansion of access to our electronic markets will continue to increase the portion of our business that is generated from outside Canada. We face certain risks inherent in doing business in international markets, particularly in the regulated derivatives exchange business. These risks include:

- restrictions on the use of trading terminals or the contracts that may be traded;
- reduced protection for intellectual property rights;
- difficulties in staffing and managing foreign operations;
- potentially adverse tax consequences;
- enforcing agreements and collecting receivables through certain foreign legal systems; and
- foreign currency fluctuations for international business.

We will also be required to comply with the laws and regulations of foreign governmental and regulatory authorities of each country in which we obtain authorizations or exemptions for remote access to our markets. These may include laws, rules and regulations relating to any aspect of the derivatives business.

In addition, we have, to date, had limited experience in marketing our MX-ITS products and services internationally. We cannot assure you that we will be able to succeed in marketing these products and services in international markets.

As we expand our business globally, our success will be dependent, in part, upon our ability to anticipate and manage these and other risks effectively. We cannot assure you that these and other factors will not have a material adverse effect on our business as a whole. We may also experience difficulty in managing our international expansion because of, among other things, competitive conditions overseas, established domestic markets and players, language and cultural differences and economic or political instability. Any of these factors could have a material adverse effect on the success of our plans to grow our international presence and market our MX-ITS products and services and, consequently, on our business, financial condition and results of operations.

We depend on our executive officers and other key personnel.

Our future success depends in large part upon the continued service of our executive officers, as well as various key management, technical, MX-ITS, and trading operations personnel. We believe that it is often challenging to hire and retain executive management with the skills and abilities necessary or desirable for managing and operating a derivatives exchange. Similarly, our future success depends, in significant part, upon our ability to recruit and retain the highly-skilled and often specialized individuals required to support and develop our information technology systems, including SOLA®. Given the rapid pace of technological advancement and the particular information technology skills required in the derivatives exchange and financial markets industry, the level of competition in our industry to attract talented people is intense, and from time to time we have experienced losses of key employees.

The loss of key management or other key personnel, particularly to employers with which we compete, could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that any of our key personnel will not voluntarily terminate his or her employment with us.

Our cost structure is largely fixed, which may adversely affect our profitability if our revenues decline.

Our cost structure, with the exception of any stock-based compensation, is largely fixed. We base our overall cost structure on historical and expected levels of demand for our products and services. If demand for our products and services declines resulting in a loss of revenue, we may not be able to adjust our cost structure on a timely basis. If we are unable to reduce our costs in proportion to our decline in revenue, our profitability could be materially adversely affected.

Risks Relating to our Electronic Platform

We are subject to certain risks relating to the operation of an electronic trading platform. Information technology and communications systems failures and capacity constraints could harm our reputation and our business.

We are extremely dependent on our information technology systems, including data and communications systems. Trading on our markets is conducted exclusively on an electronic basis. If our systems fail to perform, we could experience unanticipated disruptions in operations or slower response times. Our systems and operations also are vulnerable to damage or interruption from human error, natural disasters, power loss, telecommunication failures, break-ins, sabotage, computer viruses, intentional acts of vandalism and similar events. While we have developed and planned various measures, disaster recovery and contingency plans and back-up procedures to manage, mitigate and minimize the risk of an interruption or failure of our information technology systems and to maintain their integrity, there is always the risk that those measures, plans and procedures are not adequate and the risk of a system failure or interruption cannot be eliminated.

Our failure to operate, monitor, maintain and develop our computer systems and network services, including those systems and services related to our electronic trading platform, in a timely and cost-effective manner or if our current or potential customers do not accept them could have a material adverse effect on our reputation, business, financial condition and results of operations.

We rely and expect to continue to rely on third parties for various computer and communications systems, such as telephone companies, on-line service providers, data processors, and certain software and hardware vendors. Our systems or those of our third party providers may in the future fail, causing one or more of the following effects:

- suspension of trading;
- unanticipated disruptions in service to customers;
- slower response times;
- delays in trade execution;
- decreased customer satisfaction;
- incomplete or inaccurate accounting, recording or processing of trades;
- financial losses;
- security breaches;
- litigation or other customer claims; and
- regulatory sanctions.

Our status requires that our trade execution and communications systems be able to handle anticipated present and future peak trading volume. Heavy use of our computer systems during peak trading times or at times of unusual market volatility could cause our systems to operate slowly or even to fail for periods of time. We monitor system loads and performance and regularly implement system upgrades to handle estimated increases in trading volume. However, we cannot assure you that our estimates of future trading volume will be accurate or that our systems will always be able to accommodate actual trading volume without failure or degradation of performance.

A significant systems compromise, failure or disruption or repeated failures could result in an interruption of trading services or delays in settlement, lost data, the corruption of trading operations, data and records, disruption

to business operations, and other consequences. Our participants may also have a low tolerance for delays in the introduction of planned system offerings or failure to meet announced conditions. This could undermine confidence in our markets and have a material adverse effect on our reputation, business, financial condition and results of operations, and may lead to customer claims, litigation and regulatory sanctions. System failure or degradation could lead our customers to file formal complaints with industry regulatory organizations, file lawsuits against us or cease doing business with us or could lead our regulators, including the AMF and, in respect of BOX, the SEC, or other regulators to initiate inquiries or proceedings for failure to comply with applicable laws and regulations.

We cannot assure you that we will not experience system failures, outages or interruptions on our electronic trading platform that will materially adversely affect our business. Any such system failures, outages or interruptions could result from a number of factors, including power or telecommunications failure, acts of god, war or terrorism, human error, natural disasters, fire, sabotage, hardware or software malfunctions or defects, computer viruses, acts of vandalism or similar events. Any failures that cause an interruption in service or decrease our responsiveness, including failures caused by customer error or misuse of our systems, could impair our reputation, damage our brand name and have a material adverse effect on our business, financial condition and results of operations.

We have only a limited operating experience with our SOLA® electronic exchange platform.

Our SOLA® electronic exchange platform has been in operation since the autumn of 2005 at MX and since October 2006 at BOX. As a result, there is only a limited operating experience from which we can assess the full operating performance and functionality of SOLA®. Due to its relatively short operating history, SOLA® carries with it a greater degree of technological risk than similar electronic trading platforms that have been in operation for a longer period of time. Despite the steps taken to reduce the risks associated with using a new technology through the utilization of an experienced and qualified process development and information technology team to anticipate and mitigate the majority of the technological challenges, it is not possible to anticipate all of the technological challenges that SOLA® may encounter. Should any such technological challenge arise, we cannot assure you that we would be able to overcome them or do so without incurring major costs or major interruptions in our trading operations. Any such events could have a material adverse affect on our business, financial condition and results of operations.

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

We expect the secure transmission of confidential information over public networks to continue to be a critical element of our operations. Our networks and those of our third party service providers, our approved participants and our customers may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations, any of which could have a material adverse effect on our business, financial condition and results of operations. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any breaches. Although we intend to continue to implement industry-standard security measures, these measures may prove to be inadequate and result in system failures and delays that could lower trading volume and have a material adverse effect on our business, financial condition and results of operations.

We may be unable to keep pace with rapid technological changes.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality, accessibility and features of our proprietary software, network distribution systems and other technologies. The exchange and trading industry is characterized by rapid technological change, changes in use and customer requirements and preferences, frequent product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render obsolete our existing proprietary technology and systems. Our success will depend, in part, on our ability to:

- develop or licence leading technologies useful in our business;
- enhance our existing services;

- develop new services and technology that address the increasingly sophisticated and varied needs of our existing and prospective clients; and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

We cannot assure you that we will be able to successfully implement new technologies or adapt our proprietary technology and transaction-processing systems to customer requirements or emerging industry standards. We cannot assure you that we will be able to respond in a timely manner to changing market conditions or customer requirements, and a failure to so respond could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to protect our intellectual property rights.

We rely on applicable law related to intellectual property rights, trade secrets, and contractual protections to protect our proprietary technology and other proprietary rights, including our rights in and underlying our proprietary software solutions. Notwithstanding that we take precautions to protect our intellectual property rights, it is possible that third parties may copy or otherwise obtain and use our proprietary technology without authorization or otherwise infringe on our rights. We also seek to protect our software and databases as trade secrets and under copyright law. The copyright protection accorded to databases, however, is fairly limited. While the arrangement and selection of data generally are protectable, in many instances the actual data are not, and others may be free to create databases that would perform the same function. In some cases, including a number of our most important products, there may be no effective legal recourse against duplication by competitors. In addition, we may in the future have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources, either of which could materially adversely affect our business, financial condition and results of operations.

Risks Relating to Regulation and Litigation

We operate in a highly regulated industry, and may be subject to legal or regulatory proceedings if we fail to comply with our legal and regulatory obligations.

We operate in a highly regulated industry and are subject to extensive governmental regulation. We may also become subject to increased regulatory scrutiny in the future, as our industry may become subject to new regulations or changes in the interpretation or enforcement of existing regulations. We cannot predict the extent to which any future regulatory changes may materially adversely affect our business. For more information about the regulatory framework in which we operate, see the section entitled “Regulatory Matters” elsewhere in this prospectus. As a matter of public policy, these regulations are designed to safeguard the integrity of securities and other financial markets and to protect the interests of investors in those markets. They are not necessarily designed to protect the interests of our shareholders.

The AMF regulates MX and has broad powers to audit, investigate and enforce compliance with its regulations and impose sanctions for non-compliance. Our ability to comply with applicable laws and regulations is largely dependent on our establishing and maintaining of appropriate systems and procedures, as well as our ability to attract and retain qualified personnel.

The AMF is vested with broad enforcement powers to prohibit us from engaging in some of our business activities or suspend or revoke our approval as a recognized exchange and SRO. In the case of actual or alleged non-compliance with legal or regulatory requirements, MX could be subject to investigations and administrative or judicial proceedings that may result in substantial penalties, including revocation of our approval as a recognized exchange and SRO. Any such investigation or proceeding, whether successful or not, would result in substantial costs and diversions of resources and might also harm our business reputation, any of which may have a material adverse effect on our business, financial condition and results of operations.

In addition, there may be a conflict between our self-regulatory responsibilities and some of our market participants. Although we have implemented stringent governance measures to avoid such conflicts, any failure by

us to diligently and fairly regulate our approved participants or to otherwise fulfill our regulatory obligations could significantly harm our reputation, prompt AMF scrutiny and materially adversely affect our business, financial condition and results of operations.

We could be harmed by an approved participant or employee misconduct or errors that are difficult to detect and deter. Damage to our reputation could have a material adverse effect on our business.

One of our strengths is our reputation and brand name. Our reputation could be harmed in many different ways, including by a failure in our regulatory governance or by approved participant misconduct. Damage to our reputation could cause a reduction of the trading volume on our markets. Although we perform significant regulatory functions, we run the risk that our approved participants, other persons who use our markets, or our employees will engage in fraud or other misconduct, including hiding unauthorized activities from us, improper or unauthorized activities on behalf of customers or improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. It is not always possible to deter misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Our employees also may commit errors that could subject us to financial claims for negligence, or otherwise, as well as regulatory enforcement actions. If any of these risks materialize, it could have a material adverse effect on our business, financial condition and results of operations.

We may face restrictions with respect to the way in which we conduct certain of our operations, and may experience certain commercial disadvantages if we do not receive AMF or other required regulatory approval for new business initiatives or receive them in an untimely manner.

Pursuant to MX's Recognition Order, we are responsible for regulating our market and our approved participants through the adoption and enforcement of rules governing trading activities and business conduct. Changes to our Rules and Policies are subject to the approval of the AMF and such proposed changes are published for public comment. We may also from time to time seek to engage in new business activities, some of which may require changes to our Rules and Policies. In addition, as we seek to expand our approved participant base and our product offering, including through alliances and ventures such as CAREX, we could become subject to the oversight of additional regulatory bodies. Any delay or denial of a requested regulatory amendment or approval could cause us to lose business opportunities which could have a material adverse effect on our business, financial condition and results of operations.

Regulatory developments could have a negative impact on our business.

Derivatives and securities exchanges have been the subject of increasing regulatory and public scrutiny in recent years in response to a number of developments, events and inquiries. In December 2006, the Canadian Securities Administrators (CSA) published a report following an extensive review of how self-regulatory organizations (SRO) function and how the CSA carry out their oversight responsibilities on the activities of these SROs. The CSA document contains many recommendations regarding the corporate governance and transparency of SROs and their oversight by the CSA. As far as the governance and transparency recommendations are concerned, MX believes that it is already compliant with them. However, there is always a possibility that the CSA may in the future implement additional requirements or recommendations that could have a material adverse effect on our business, financial condition and results of operations.

We cannot predict whether, or in what form, any regulatory changes or modernizations will take place, or their impact on our business. Changes in the rules and regulations affecting exchanges and SROs could require us to change the manner in which we conduct our business or govern ourselves. They could also make it more difficult or more costly for us to conduct our existing businesses or to enter into new businesses. Moreover, given the importance of regulation in our industry, it is possible that any regulatory developments could have a material adverse effect on our business, financial condition and results of operations, as well as the business of participants in our market.

Regulatory changes preventing clearing facilities from being owned or controlled by exchanges, or run on a for-profit basis, may limit or stop our ability to run our clearing house or to operate it profitably.

Our strategic business plan is to operate a vertically integrated transaction execution, clearing and settlement business. Many clearing members in North America have discussed proposals regarding centralizing the clearing of

derivatives in order to maximize the efficient use of their capital, exercise greater control over their value at risk and extract greater operating leverage from clearing activities. Many have also expressed the view that clearing members should control the governance of clearing houses or that clearing houses should be operated as utilities rather than as for-profit enterprises. In addition, it is possible that another clearing operation in Canada could attempt to compete directly with CDCC in respect of the clearing of financial derivatives, and that our clearing members would use these alternative clearing houses for clearing positions established on our markets. In the event that such competition were to develop, or in the event that clearing members were to seek regulatory changes to allow market participants to transfer positions from an exchange-owned clearing house to a clearing house owned and controlled by clearing members, our business, financial condition and results of operations could be materially adversely affected.

We are required to ensure that our Regulatory Division is allocated sufficient funds and resources, which could limit our ability to reduce our expense structure and to dedicate funds and human resources to other areas.

The operations and activities of our Regulatory Division are financed through various regulatory fees that are charged to our approved participants. At the end of each financial year, any excess regulatory fees, other than fines, collected during the year must be refunded to approved participants. Refunds of regulatory fees have been made every year from 2002 to 2006 inclusively. However, if for any reason, the Regulatory Division ended a financial year with an operational deficit, the recognition decision from the AMF provides that such deficit must be supported either by the approved participants of MX or by MX itself. This potential obligation of MX to support an operational deficit of its Regulatory Division arises from the fact that the AMF decision requires MX to ensure that the Regulatory Division is allocated sufficient resources to carry on its activities and fulfill its mandate. This obligation to ensure that sufficient resources are dedicated to the Regulatory Division could limit our ability to reduce our expense structure and to dedicate funds and human resources to other areas. This obligation could also negatively affect the cash available to us and our ability to invest in or pursue other opportunities that may also be beneficial to our shareholders. Any such event could have a material adverse effect on our business, financial condition and results of operations.

Any conflicts of interest between us and our Regulatory Division may have a material adverse effect on our business.

Our Regulatory Division regulates and monitors our markets and approved participants and enforces applicable laws and the Rules and Policies of MX. The fact that there is an inherent conflict that may exist within an exchange that, on the one hand regulates its own market and, on the other hand, operates the market for a for-profit purpose, has been the subject of numerous discussions over the last few years not only in Canada but also in many other countries. Some securities regulators have also expressed concerns about the conflicts of interest that may exist when a for-profit entity owns an SRO or has an internal operating unit responsible for enforcing regulations. The for-profit entity's goal of maximizing stockholder value might conflict with the self-regulatory responsibilities imposed by applicable securities laws. Regulators, and more particularly the AMF, have significantly reduced that concern by requiring an SRO like MX to ensure that sufficient funds and resources are allocated to regulatory operations and also specifying that funds collected by the regulatory arm of the exchange be used exclusively for regulatory activities and not for commercial activities. Regulators have also required that the SRO operations be structurally separated from business activities and be under the oversight of a governing body that ensures its independence.

Although we believe that our current structural protections are adequate to manage potential conflicts of interest and that we will be permitted to maintain our regulatory responsibilities, there is always a risk that we could be required to modify or restructure our regulatory functions in order to better address conflicts of interest or other concerns. Any such modification or restructuring of our regulatory functions could entail material costs and other burdens for which we have not currently planned and could have a material adverse effect on our business, financial condition and results of operations. For a discussion of MX's structural protections, see "Regulatory Matters" elsewhere in this prospectus.

In the event that we fail to manage potential conflicts of interest adequately, this could impair the effectiveness of our Regulatory Division or otherwise cause reputational damage to MX. This could also have a material adverse effect on our business, financial condition, results of operations and prospects.

Listed derivatives markets are regulated in most countries, and it may be impractical for us to secure or maintain the regulatory approvals necessary for our market to be accessible from one or more countries.

We are subject to numerous regulatory requirements governing our activities. We carry on these activities in accordance with the regulations of securities commissions in Canada, the U.S., the U.K. and France, and given our development plans, we could eventually be subject to the regulations of other countries. Regulatory trends are not always predictable. Unexpected and new regulatory requirements could impact MX's organization, market position, financial condition and results of operations.

We also plan to continue our efforts to expand our operations internationally. See “ — Expansion of our operations internationally involves special challenges that we may not be able to meet, which could adversely affect our business, financial condition and results of operations” above.

We are subject to significant risks of litigation and liability.

Certain aspects of our business involve substantial risks of liability. For instance, dissatisfied customers may make claims regarding quality of trade execution, improperly settled trades, mismanagement or even fraud against their service providers. We may become subject to these claims as the result of failures or malfunctions of systems and services provided by us. Although we benefit from certain limitations on liabilities pursuant to contract and our exchange rules, these limitations may prove insufficient. We could incur significant legal expenses defending claims, even those without merit. An adverse resolution of any lawsuits or claims against us could have a material adverse effect on our reputation, business, financial condition and results of operations.

We are currently subject to various litigation and arbitration matters. We cannot assure you that we will be successful in defending any of these matters, and resulting adverse judgments could have a material adverse effect on us. For more information see the section entitled “Legal Proceedings” elsewhere in this prospectus.

Any infringement by us on intellectual property rights of others could result in litigation and could materially adversely affect our operations.

Our competitors as well as other companies and individuals may obtain, and may be expected to obtain in the future, intellectual property rights that concern products or services related to the types of products and services we offer or plan to offer. We cannot assure you that we are or will be aware of all patents and copyrights containing claims that may pose a risk of infringement by our products, services or technologies. Claims of infringement are not uncommon in our industry. In general, if one or more of our products, services or technologies were to infringe patents or copyrights held by others, we may be required to stop developing or marketing the products, services or technologies, to obtain licences to develop and market the services from the holders of the patents or copyrights or to redesign the products, services or technologies in such a way as to avoid infringing on the patent or copyright claims. Our business, financial condition and results of operations could be materially adversely affected if we are unable to obtain these licences and are required to redesign or stop developing or marketing our products, services or technologies to avoid infringement.

Risks Relating to Our Capital Structure and the Initial Listing

Holders of our common shares who are also approved participants may have interests that differ from or conflict with those of holders of our common shares who are not also approved participants.

As at February 1, 2007 (without giving effect to the NYMEX Investment), our approved participants or affiliates of our approved participants, collectively, owned in excess of 49% of our outstanding common shares. As a result, such shareholders could, if voting in the same manner on any matter, be in a position to exert significant influence on the outcome of any such vote submitted to our shareholders for approval, including in respect of the election of directors. In addition, as at the date of this prospectus, 3 of the 12 members of our Board of Directors are related to approved participants. We are dependent to a large degree upon the revenues from the trading and clearing activities of our approved participants. This dependence also gives our approved participants substantial influence over how we operate our business.

Many of our approved participants derive a substantial portion of their income from their trading or clearing activities on or through our markets. The amount of income that approved participants derive from their trading or clearing activities is in part dependent on the fees they are charged to trade, clear and access our markets and the

rules and structure of our markets. Our approved participants may benefit from trading rules and fee discounts that enhance their trading opportunities and profits.

In view of the foregoing, holders of common shares who are not also approved participants may not have the same economic interests as holders of common shares who are also approved participants. In addition, various approved participants may have different interests among themselves depending on a variety of factors, including their method of trading and the products they trade. Consequently, our approved participants may advocate that we enhance and protect their clearing and trading opportunities and the value of their trading privileges over their economic interest in MX represented by the common shares that they own.

We cannot predict our future capital needs or our ability to secure financing on acceptable terms.

We depend on the availability of adequate capital to maintain and develop our business. We believe that our current capital requirements will be met from internally generated funds and cash on hand. However, based upon a variety of factors, some of which are not within our control, our ability to fund our capital requirements may in the future vary from our current plans. As a result, we may need to raise additional funds to:

- increase the regulatory net capital necessary for our operations;
- support more rapid growth in our business;
- develop new or enhanced services and products;
- upgrade existing technologies or develop new technologies;
- respond to competitive pressures;
- enter into strategic alliances, acquisitions or joint ventures; or
- respond to unanticipated requirements.

If we raise funds through incurring additional debt, we may become subject to covenants which are more restrictive than those contained in our current debt instruments. If sufficient funds are not available or are not available on terms acceptable to us, our ability to fund our expansion, take advantage of acquisition opportunities, develop or enhance our services or products, or otherwise respond to competitive pressures would be significantly limited. These limitations could have a material adverse effect on our business, financial condition and results of operations.

Restrictions on ownership of our common shares may restrict trading and transactions in our common shares.

Pursuant to MX's Recognition Order and our articles of incorporation, no person or combination of persons acting jointly or in concert is permitted to beneficially own or exercise control or direction over more than 10% of any class or series of our voting shares, without first obtaining the approval of our shareholders and the prior approval of the AMF. The AMF may grant its approval subject to any conditions that it considers appropriate. The AMF may also change the thresholds applicable to these restrictions in the future. A shareholder who contravenes these provisions is subject to a variety of consequences, including suspension of voting rights, forfeiture of dividends, prohibitions against share transfer, compulsory sale or redemption of shares and suspension of other shareholder rights.

These restrictions may discourage trading in and may limit the market for our common shares, may discourage potential acquisition and strategic alliance proposals and may discourage transactions pursuant to which our shareholders could receive a premium for their shares.

Our common shares have never been publicly traded before and the listing may not result in an active or liquid market for our common shares, and our share price may be volatile.

There has never been a public market for our common shares, which creates uncertainty about future market prices for our common shares. We intend to apply to have our common shares listed on TSX. Any such listing is subject to our fulfilling all of the initial listing requirements and conditions of TSX. We do not know whether third parties will find our common shares to be an attractive investment or whether firms will be interested in making a market for our common shares. There can be no assurance that a significant public market will develop for our

common shares or be sustained after our stock exchange listing or that our common shares will trade in the public market subsequent to an initial listing at or above the opening price.

Future sales by shareholders of substantial amounts of our common shares in the market following our stock exchange listing could adversely affect market prices.

Sales of substantial amounts of our common shares in the market following our stock exchange listing, or the perception that large sales could occur, could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities. If our shareholders sell a large number of shares in a public market, the market price for our common shares could decline significantly.

Our ability to pay dividends is subject to restrictions under applicable law and regulation.

MX's Recognition Order contains specified financial viability tests (financial ratios) that we are required to respect. These ratios include a working capital ratio, a net earnings-to-total debt ratio and a leverage ratio. If we fail to comply with these ratios for a period of more than three months, we are required to notify the AMF of the reasons for the continued ratio deficiencies and the steps being taken to remedy the non-compliance. In these circumstances, we will not, without the prior approval of the AMF, be permitted to pay dividends, and make certain other payments, until the deficiencies have been eliminated for at least six months (or such shorter period as agreed to by the AMF).

LEGAL PROCEEDINGS

We are, and from time to time will be, engaged in litigation and arbitration arising in the ordinary course of business.

We are currently party to legal actions in Québec Superior Court for damages in connection with the closing of our open outcry trading floor. During 2006, we settled 31 individual actions, claiming over \$12.8 million in the aggregate, for approximately \$1.3 million. As at December 31, 2006, there remain 39 outstanding actions, claiming approximately \$27.3 million in the aggregate, with respect to which we will continue to defend our position. The trial proceedings with respect to these claims were concluded on February 19, 2007. A judgment in this case should be rendered within the next several months.

We are also currently party to an arbitration proceeding with the TSX Group relating to the acquisition by its subsidiary, NGX, of Oxen, which is the owner of Alberta Watt Exchange Limited. The dispute relates to our exclusivity regarding exchange traded derivatives pursuant to the 1999 Agreement.

There currently are no other outstanding material legal proceedings to which we are a party or of which any of our properties is the subject matter, nor are we aware of any such material threatened or contemplated proceedings. We have recorded a provision in respect of our legal liabilities, and we believe that the outcome of pending legal actions in which we are involved will not in the aggregate have a material adverse effect on our business, financial position or liquidity.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of MX are KPMG LLP, 600 de Maisonneuve Blvd. West, Suite 1500, Montréal, QC, Canada, H3A 0A3.

The transfer agent and registrar for the common shares of MX is CIBC Mellon Trust Company at its principal offices in Montréal and Toronto.

MATERIAL CONTRACTS

None.

EXPERTS

The matters referred to under “Eligibility for Investment” will be passed upon at the date of listing on behalf of MX by Ogilvy Renault LLP. Certain other legal matters relating to our common shares will be passed upon at the date of listing on our behalf by Ogilvy Renault LLP. As of the date hereof, none of the partners and associates of Ogilvy Renault LLP as a group beneficially own, directly or indirectly, any of our outstanding common shares.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Canadian securities legislation requires that the following language appear in this prospectus:

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

However, in light of the fact that we are not making a distribution of any securities with this prospectus, but, rather, becoming a reporting issuer for the purpose of listing our common shares, we believe that these remedies are not available in these circumstances.

GLOSSARY

Unless otherwise indicated or the context otherwise indicates, the following definitions are used in this prospectus:

“**1999 Agreement**” refers to the agreement containing, *inter alia*, 10-year non-compete covenant between the TSX Group Inc. and MX relating to the markets assigned to each other in connection with the 1999 restructuring of the Canadian capital markets. The 1999 Agreement expires in March 2009.

“**AMF**” refers to Québec’s *Autorité des marchés financiers*.

“**approved participant**” refers to a firm or other person that has entered into an agreement with MX to access the trading facilities of our markets.

“**BAX**” refers to the Three-Month Canadian Bankers’ Acceptance Futures contract.

“**Boston Options Exchange**” and “**BOX**” refers to the Boston Options Exchange Group LLC, a facility of the BSE.

“**BOX-R**” refers to Boston Options Exchange Regulation LLC, a wholly-owned subsidiary of the BSE which is responsible for the surveillance operations of BOX marketplace and also administers the regulatory aspects of the relationship with BOX participants.

“**BSE**” refers to the Boston Stock Exchange Inc.

“**CAGR**” refers to compound annual growth rate.

“**CAREX**” refers to Canadian Resources Exchange Inc., the vehicle through which we will undertake our venture with NYMEX.

“**CBOT**” refers to the Board of Trade of the City of Chicago, Inc., a wholly-owned subsidiary of CBOT Holdings, Inc.

“**CCX**” refers to the Chicago Climate Exchange Inc.®

“**CDCC**” refers to Canadian Derivatives Clearing Corporation, our wholly-owned subsidiary, and to our Clearing House segment and its activities.

“**CDS**” refers to The Canadian Depository for Securities Limited.

“**CGB**” refers to the Ten-Year Government of Canada Bond Futures contract.

“**CICA**” refers to the Canadian Institute of Chartered Accountants.

“**CME**” refers to the Chicago Mercantile Exchange Inc., a wholly-owned subsidiary of Chicago Mercantile Exchange Holdings Inc.

“**ETF**” refers to exchange-traded funds.

“**ICE**” refers to Inter-Continental Exchange, Inc.

“**ISE**” refers to International Securities Exchange, Inc.

“**ISVs**” refers to independent software vendors.

“**LIBOR**” refers to the London Interbank Offered Rate.

“**MCeX**” refers to the Montréal Climate Exchange Inc., an alliance between MX and CCX.

“**MX**,” “**Bourse de Montréal**,” “**we**” and “**our**” refers to Bourse de Montréal Inc., including its subsidiary, business units and divisions.

“**MX-FM**” refers to our Financial Markets business unit and its activities.

“**MX-ITS**” refers to our Information Technology Solutions business unit and its activities.

“**NGX**” refers to the Natural Gas Exchange Inc., a subsidiary of the TSX Group.

“**NYMEX**” refers to NYMEX Holdings, Inc.

“**NYMEX Investment**” refers to the purchase by NYMEX of newly-issued MX common shares in connection with the CAREX business venture transactions, which are described further under “Our Business — Overview of MX — Recent Developments.”

“**open interest**” in respect of trading on our markets refers to the number of open contracts in the books of CDCC.

“**operating earnings margin**” is defined as operating earnings divided by revenues.

“**OSFI**” refers to the Office of the Superintendent of Financial Institutions Canada.

“**OSC**” refers to the Ontario Securities Commission.

“**platform-connected,**” in respect of an approval participant of MX, refers to an approved participant that has an electronic connection to our trading platform.

“**Recognition Order**” and “**MX’s Recognition Order**” refers to AMF Decision No. 2003-C-0184 in respect of the recognition of Bourse de Montréal Inc. as a Self-Regulatory Organization.

“**Restricted Trading Permit holder**” refers to a physical person who is not an approved participant and who is authorized and registered as such by MX to trade as a market maker, an independent trader or a jitney in accordance with the provisions of MX’s Rule Three.

“**SEC**” refers to the United States Securities and Exchange Commission.

“**SRO**” refers to a self-regulatory organization.

“**Standard & Poor’s**” or “**S&P**” refers to Standard & Poor’s, a division of the McGraw-Hill Companies, Inc.

“**Stock Split**” refers to our three-for-one stock split which was approved by our Board of Directors on February 13, 2007 and which we effected on March 15, 2007. Our Stock Split is described further under “Description of Our Share Capital — Our Stock Split” elsewhere in this prospectus. The terms “pre-Stock Split” and “post-Stock Split” have correlative meanings.

“**SXF**” refers to the S&P Canada 60 Index Futures contract, which MX offers under licence from Standard & Poor’s.

“**TSX**” refers to the Toronto Stock Exchange.

“**TSX Group**” refers to TSX Group Inc.

“**WCE**” refers to the Winnipeg Commodity Exchange Inc.

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Audited Consolidated Financial Statements for the years ended December 31, 2006, 2005 and 2004	
Consent of KPMG LLP	F-2
Auditors' Report of KPMG LLP	F-3
Consolidated Balance Sheets as at December 31, 2006 and 2005	F-4
Consolidated Statements of Earnings for the years ended December 31, 2006, 2005 and 2004	F-5
Consolidated Statements of Retained Earnings for the years ended December 31, 2006, 2005 and 2004 ..	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004.....	F-7
Notes to Consolidated Financial Statements	F-8

AUDITORS' CONSENT

The Board of Directors of Bourse de Montréal Inc.

We have read the non-offering prospectus dated March 23, 2007 relating to the stock exchange listing of common shares of the Bourse de Montréal Inc. (the "Company"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned non-offering prospectus of our report to the directors of the Company on the consolidated balance sheets of the Company as at December 31, 2006 and 2005 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2006. Our report is dated January 24, 2007, except as to note 25, which is as of March 23, 2007.

(signed) KPMG LLP
Chartered Accountants

Montréal, Canada
March 23, 2007

AUDITORS' REPORT TO THE DIRECTORS

We have audited the consolidated balance sheets of Bourse de Montréal Inc. (the "MX") as at December 31, 2006 and 2005, and the consolidated statements of earnings, retained earnings and cash flows for the years ended December 31, 2006, 2005 and 2004. These financial statements are the responsibility of the MX's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the MX as at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years ended December 31, 2006, 2005 and 2004 in accordance with Canadian generally accepted accounting principles.

(signed) KPMG LLP
Chartered Accountants

Montréal, Canada
January 24, 2007, except as to note 25,
which is as of March 23, 2007

BOURSE DE MONTRÉAL INC.

Consolidated Balance Sheets

December 31, 2006 and 2005

(In thousands of dollars)

	<u>2006</u>	<u>2005</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,919	\$ 24,382
Temporary investments (note 3)	36,639	32,577
Restricted cash (notes 10 and 20)	2,700	1,541
Receivables (note 7)	7,889	6,272
Daily settlements due from clearing members	6,951	22,006
Clearing members' cash margin deposits (note 4)	2,312	1,041
Clearing fund cash deposits (note 4)	14,807	4,005
Prepaid expenses	<u>1,690</u>	<u>1,525</u>
	95,907	93,349
Long-term investments (note 5)	9,302	9,798
Capital assets (note 6)	12,319	14,208
Future income taxes (note 16)	2,523	705
Other assets (note 7)	<u>2,643</u>	<u>972</u>
	<u>\$122,694</u>	<u>\$119,032</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accruals	\$ 13,057	\$ 9,887
Dividends payable	13,910	12,721
Daily settlements due to clearing members	6,951	22,006
Clearing members' cash margin deposits (note 4)	2,312	1,041
Clearing fund cash deposits (note 4)	14,807	4,005
Income taxes payable	3,343	3,484
Debts due within one year (note 10)	992	—
Current portion of obligations under capital leases (notes 10 and 11)	<u>80</u>	<u>3,239</u>
	55,452	56,383
Obligations under capital leases (notes 10 and 11)	—	1,022
Future income taxes (note 16)	812	245
Accrued employee benefit liability (note 21)	713	410
Shareholders' equity:		
Capital stock (note 12)	49,258	45,405
Contributed surplus (note 12)	434	825
Retained earnings	16,991	16,532
Cumulative translation adjustment (note 13)	<u>(966)</u>	<u>(1,790)</u>
	65,717	60,972
Commitments (note 14)		
Contingencies (note 15)		
Subsequent events (note 25)		
	<u>\$122,694</u>	<u>\$119,032</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board,

Signed Jean Turmel
Director

Signed Carmand Normand
Director

BOURSE DE MONTRÉAL INC.
Consolidated Statements of Earnings

Years ended December 31, 2006, 2005 and 2004
(In thousands of dollars, except per share amounts and number of shares)

	2006	2005	2004
Revenues:			
Transactions	\$ 36,422	\$ 26,403	\$ 19,740
Clearing and option exercise	12,989	9,609	7,837
Information systems services (note 19)	15,275	15,581	12,160
Market data	10,562	8,095	7,787
Participants	3,261	2,456	4,180
Other (note 24)	751	1,020	5,630
	79,260	63,164	57,334
Expenses:			
Compensation and benefits	22,811	19,891	19,004
Occupancy	2,667	2,754	2,520
Computer licences and maintenance	6,184	6,397	5,441
Amortization of capital assets and other assets	6,398	7,586	5,284
General and administrative	8,995	6,810	6,525
Telecommunications	2,536	2,841	2,510
Public affairs	1,870	1,408	1,344
Interest on obligations under capital leases and debts due within one year (notes 10 and 11)	154	356	359
	51,615	48,043	42,987
Earnings before investment income, other items and income taxes ...	27,645	15,121	14,347
Investment income	2,613	1,785	1,059
Equity in results of companies subject to significant influence, net of loss of \$551 (nil in 2005 and 2004) due to realization of the cumulative translation adjustment (note 5)	1,151	2,278	(2,684)
Gain on dilution (note 5)	—	1,042	—
Loss and termination fees on disposal of investments in company subject to significant influence and in joint venture (notes 2 and 5)	—	(699)	—
Earnings before income taxes	31,409	19,527	12,722
Income taxes (note 16):			
Current	7,829	4,353	896
Future	(1,251)	39	2,867
	6,578	4,392	3,763
Net earnings	\$ 24,831	\$ 15,135	\$ 8,959
Basic earnings per share (note 8)	\$ 2.84	\$ 1.85	\$ 1.11
Diluted earnings per share (note 8)	\$ 2.72	\$ 1.72	\$ 1.06
Weighted average number of shares outstanding			
Basic (note 8)	8,742,762	8,197,051	8,061,251
Diluted (note 8)	9,145,375	8,783,312	8,445,007

See accompanying notes to consolidated financial statements.

BOURSE DE MONTRÉAL INC.

Consolidated Statements of Retained Earnings

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Retained earnings, beginning of year	\$ 16,532	\$ 14,118	\$ 5,159
Net earnings	24,831	15,135	8,959
Dividends	<u>(24,372)</u>	<u>(12,721)</u>	<u>—</u>
Retained earnings, end of year	<u>\$ 16,991</u>	<u>\$ 16,532</u>	<u>\$14,118</u>

See accompanying notes to consolidated financial statements.

BOURSE DE MONTRÉAL INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash flows from (used in) operating activities:			
Net earnings	\$ 24,831	\$ 15,135	\$ 8,959
Adjustments for:			
Amortization of capital assets and other assets	6,398	7,586	5,284
Equity in results of companies subject to significant influence	(1,151)	(2,278)	2,684
Loss on disposal of investment in a joint venture	—	21	—
Loss on disposal of investment in a company subject to significant influence	—	378	—
Gain on dilution	—	(1,042)	—
Amortization of premium on investments	16	27	117
Interest income on discount investments	(453)	(633)	5
Future income taxes	(1,251)	39	2,867
Cost of stock option plan	152	234	245
Cost of deferred share unit plan	—	—	810
Net change in non-cash operating assets and liabilities (note 17)	<u>1,021</u>	<u>5,672</u>	<u>(863)</u>
	29,563	25,139	20,108
Cash flows from (used in) investing activities (note 17):			
Purchase of capital assets	(4,633)	(3,848)	(2,715)
Increase in other assets	(2,337)	(46)	(249)
Sale of capital assets (note 10)	1,319	—	—
Purchase of investments	(257,437)	(277,318)	(183,424)
Sale of investments	253,812	269,456	179,469
Disposal of investment in a joint venture	—	(21)	—
Purchase of long-term investments	—	(1,012)	(3,682)
Distributions from a company subject to significant influence	<u>2,471</u>	<u>—</u>	<u>—</u>
	(6,805)	(12,789)	(10,601)
Cash flows from (used in) financing activities (note 17):			
Restricted cash	(1,159)	(402)	(1,139)
Decrease in obligations under capital leases and debts (notes 10 and 11)	(3,189)	(3,490)	(2,363)
Share issuance (note 12)	3,310	1,886	317
Dividends	<u>(23,183)</u>	<u>—</u>	<u>—</u>
	(24,221)	(2,006)	(3,185)
Net (decrease) increase in cash and cash equivalents	(1,463)	10,344	6,322
Cash and cash equivalents, beginning of year	<u>24,382</u>	<u>14,038</u>	<u>7,716</u>
Cash and cash equivalents, end of year	22,919	24,382	14,038
Temporary investments, end of year	<u>36,639</u>	<u>32,577</u>	<u>24,109</u>
Cash and cash equivalents and temporary investments, end of year	<u>\$ 59,558</u>	<u>\$ 56,959</u>	<u>\$ 38,147</u>
Cash and cash equivalents are comprised of:			
Cash	\$ 2,792	\$ 3,427	\$ 2,073
Bankers' acceptances	20,127	12,284	8,029
Treasury bills	<u>—</u>	<u>8,671</u>	<u>3,936</u>
	<u>\$ 22,919</u>	<u>\$ 24,382</u>	<u>\$ 14,038</u>

See accompanying notes to consolidated financial statements.

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

Bourse de Montréal Inc. (the “MX”) was incorporated on September 29, 2000, following the demutualization of the Montreal Exchange, under Part 1A of the Quebec Companies Act. Its principal business activity is to provide 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 (the “AMF”), the MX must meet specified financial ratios and other conditions to continue as a self-regulatory organization. Its subsidiary, the Canadian Derivatives Clearing Corporation (the “CDCC”), is the issuer, clearing house and guarantor for options and futures contracts traded at the MX and certain over-the-counter products.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized below:

(a) Consolidation and long-term investments:

The consolidated financial statements include the accounts of Bourse de Montréal Inc. and those of its wholly-owned subsidiary, the CDCC, and until December 19, 2005 (note 2) those of Clearco Inc. (“Clearco”), a joint venture. The MX uses the proportionate consolidation method to account for its 50% ownership interest in the assets, liabilities, revenues, expenses and cash flows of the joint venture. Since August 14, 2006, the financial statements also include a participation of 51% in the Montréal Climate Exchange Inc. (“MCeX”) which was created in partnership with the Chicago Climate Exchange Inc.

Long-term investments consist of the MX’s 31.4% interest in the units of the Boston Options Exchange LLC (“BOX”) in the U.S., and until December 19, 2005 (note 5), the MX’s 8% interest in the capital stock of Oxen Inc. (“Oxen”), both investments being in companies subject to significant influence. These investments are accounted for under the equity method, according to which the initial cost of the investment is adjusted to include the MX’s proportionate share of post-acquisition net earnings or losses, less dividends and distributions.

Investments are written down when there is clear evidence that another than temporary decline in value has occurred.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of liquid investments having an original maturity of three months or less and are carried at cost, which approximates their fair value.

(c) Temporary investments:

Temporary investments consist of fixed income securities and are carried at the lower of cost and fair value.

(d) Daily settlements due from and to clearing members of the 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.

As at December 31, 2006, the largest amount due from a clearing member was \$3,044 (\$13,397 in 2005) and the largest amount due to a clearing member was \$2,139 (\$7,062 in 2005).

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

1. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are carried at historical cost. Amortization expense is provided over the following periods on a straight-line basis:

<u>Asset</u>	<u>Period</u>
Computer development, hardware and software	3 to 5 years
Furniture, fixtures and equipment	5 years

Leasehold improvements are amortized over periods not exceeding the term of the leases.

Direct costs incurred for the development of software are recorded in capital assets under computer development, hardware and software. These costs include salary costs hardware and subcontractors and are amortized over their useful lives, estimated at five years.

(f) Other assets:

The development costs of on-line training courses, less government assistance received, are amortized over five years on a straight-line basis beginning on their launch date.

Deferred charges, which represent the development cost of software, are amortized over five years, which is the estimated economic life of the product.

Deferred charges, which represent licence and maintenance fees are amortized on a straight-line basis over 2 to 3 years.

Fees for the acquisition of an additional interest in BOX will be applied to acquisition costs when the transaction is completed, or they will be expensed if the transaction is not realized.

(g) Capital assets, goodwill and other intangibles:

Capital assets and purchased intangibles subject to amortization, 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 to be held and used 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 future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the statement of earnings before extraordinary items and discontinued operations.

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

1. Significant accounting policies (continued):

- (h) Stock-based compensation and other stock-based payments:

Deferred share unit plan:

The MX accounts for its deferred share unit plan as a charge to earnings and a liability is recorded as share units are granted, at the fair value at the time of grant, based on the fair value method, as described in note 12. Changes in the fair value of the underlying shares, between the grant date and the valuation date, result in a change in the liability. This plan, implemented for certain members of the Board of Directors and for various committees of the MX, was abolished in January 2005 (note 12).

Stock option plan and share purchase plan:

The MX accounts for its stock option plan using the fair value based method, under which the compensation cost attributable to awards to employees is measured at the fair value at the grant date and recognized over the vesting period.

- (i) Revenue recognition:

Transaction revenue is recognized on the transaction date of the related transaction.

Clearing revenue is recognized on the settlement date of the related transaction.

Revenue from arrangements under time and materials are recognized as the services are provided at the contractually stated price.

Revenue from hosting arrangement under fixed-fee arrangement is recognized on a straight-line basis over the term of the arrangement.

Revenue from licence fees and maintenance services for licences is recognized on a straight-line basis over the term of the contract.

Market data revenue is recognized based on usage as reported by customers and vendors.

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

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

- (j) Tax credits on development costs and government assistance:

The MX incurs development costs that are eligible for tax credits. The tax credits are recorded based on the estimated amounts to be recovered. The amounts claimed are subject to an audit by the tax authorities.

Government assistance and tax credits on development costs relating to operating expenses are charged to earnings when the related expenses are incurred. Government assistance and tax credits on development costs relating to capital expenditures are deducted from the related asset.

- (k) Foreign currency translation:

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities are translated into Canadian dollars at the year-end exchange rate, whereas non-monetary items are translated at the exchange rate prevailing at the time of the transaction. Gains or losses are recognized in earnings.

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

1. Significant accounting policies (continued):

(k) Foreign currency translation (continued):

The MX holds an investment in a company subject to significant influence located in the United States which is considered to be a self-sustaining foreign establishment. Accordingly, this investment is translated into Canadian dollars at rates of exchange in effect at the balance sheet date, and the resulting unrealized exchange gain or loss is included in the Cumulative translation adjustment in shareholders' equity.

(l) Employee future benefits:

On January 1, 2004, the MX established a defined benefit registered pension plan for certain officers. The benefits are based on years of service and the participants' compensation. The cost of this program is being funded periodically.

The MX accrues its obligations under its pension plan as employees render the services necessary to earn the pension benefits. The MX has adopted the following policies:

- (i) The cost of the accrued benefit obligations for pensions earned by the employees is actuarially determined using the projected benefit method pro rated on services and management's best estimation of expected plan investment performance, salary escalation and retirement ages.
- (ii) For the purpose of calculating expected return on plan assets, these assets are valued at fair value.
- (iii) Past service costs of \$650 from pension plan initiation are amortized on a straight-line basis over the average remaining service period of employees active at the initiation date, which is 12.4 years.
- (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 gains (losses) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees when applicable.

(m) Income taxes:

The MX follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the accounting value of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year 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 earnings in the period that includes the enactment or substantive enactment date. Future income tax assets are recognized and, if realization is not considered "more likely than not", a valuation allowance is provided.

(n) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

1. Significant accounting policies (continued):

(n) Measurement uncertainty (continued):

Significant areas requiring the use of management estimates relate to the provision for doubtful accounts receivable, tax credits, the useful life of assets for amortization purposes and evaluation of their net recoverable amount and the evaluation of the investment in a company subject to significant influence, as well as the determination of the valuation allowance related to future income tax assets. Actual results could differ from those estimates.

2. Interest in a joint venture:

In July 2004, the CDCC concluded an agreement with Oxen to develop clearing services for electricity forward contracts for its subsidiary Clearco of which CDCC also acquired 50% of the capital stock for an amount of \$300.

The financial statements include the MX's proportionate share of the revenues, expenses and cash flows of the joint venture as follows for the years ended December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Revenues	\$ 12	\$ 19
Net loss	(213)	(66)
Cash used in operations	(146)	(141)

In December 2005, CDCC disposed of its investment in Clearco for a consideration of one dollar. This transaction generated a loss on disposal of investment of \$21.

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

3. Temporary investments:

	2006			2005		
	Effective interest rates as at December 31, 2006	Cost	Fair value	Effective interest rates as at December 31, 2005	Cost	Fair value
Federal bonds:						
Maturing in less than one year	4.45%	\$ 5,633	\$ 5,646	2.85%	\$ 7,004	\$ 7,031
Maturing between 1 year and less than 3 years	—	—	—	3.51%	203	205
Maturing between 3 years and less than 10 years	4.32%	11,139	11,129	3.97%	5,105	5,096
Maturing in 10 years and more	3.91%	306	308	—	—	—
Provincial bonds:						
Maturing in less than one year	4.35%	1,011	1,013	3.16%	2,719	2,724
Maturing between 1 year and less than 3 years	3.88%	431	442	2.66%	402	407
Maturing between 3 years and less than 10 years	4.30%	1,572	1,630	4.14%	5,292	5,346
Maturing in 10 years and more	5.10%	7,878	8,551	4.82%	8,795	9,421
Corporate bonds:						
Maturing in less than one year	3.19%	390	390	—	—	—
Maturing between 1 year and less than 3 years	4.24%	1,892	1,894	3.19%	406	402
Maturing between 3 years and less than 10 years	4.50%	5,917	5,932	4.80%	281	286
Maturing in 10 years and more	5.53%	470	505	5.66%	2,370	2,541
		<u>\$36,639</u>	<u>\$37,440</u>		<u>\$32,577</u>	<u>\$33,459</u>

The fair value of the bonds is calculated based on market value.

4. Clearing fund and members' margin deposits:

Cash deposits of clearing members are held in the name of the CDCC and are disclosed in the balance sheets under Clearing members' cash margin deposits and Clearing fund cash deposits. Government securities, letters

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

4. Clearing fund and members' margin deposits (continued):

of credit and other securities are deposited by the clearing members with approved depositories under irrevocable agreements. Clearing members may also deposit letters of credit and escrow receipts directly with the CDCC.

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

	2006	2005
Margin deposits:		
Government securities, at face value	\$1,794,482	\$1,718,376
Letters of credit, at face value	186,392	39,595
Equity securities (to cover short positions), at market value ⁽¹⁾	1,275,804	397,075
	\$3,256,678	\$2,155,046
Clearing fund deposits:		
Government securities, at face value	\$ 338,623	\$ 227,149

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

5. Long-term investments:

(a) **BOX:**

The MX has an investment in BOX, an electronic exchange for the trading of American equity options.

In May and July 2004, the MX and three other partners invested US\$7,500 as consideration for additional units of BOX. These transactions did not result in a dilution of the MX's interest.

In January 2005, two new partners of BOX paid US\$3,348 (C\$4,130) in exchange for additional units. Following these transactions, the MX's interest in BOX was reduced from 31.7% to 30.7% which generated a dilution gain of \$1,042, net of a realized portion of the cumulative translation adjustment of \$46.

In June 2005, the MX acquired 0.7% of the units of BOX for a cash consideration of US\$810 (C\$1,012), increasing its interest in BOX to 31.4%. The excess cost of the units of BOX over the net book value of the net assets on the date of acquisition, which amounted to \$838, was recognized as goodwill and is not being amortized.

During 2006, the MX made a commitment to acquire an additional interest in BOX (note 14 (b)).

(b) **Oxen:**

In July 2004, the MX acquired 8% of the capital stock of Oxen, which wholly owns the Alberta Watt Exchange, an Alberta exchange of energy products, and 50% of Clearco, a joint venture.

In December 2005, the MX ended the agreement entered into in July 2004 with Oxen. The MX sold back its 8% share in Oxen for one dollar. The disposal of this investment generated a loss of \$678, including a termination fee of \$300.

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

5. Long-term investments (continued):

	<u>2006</u>	<u>2005</u>	<u>2004</u>
31.4% (31.7% in 2004) interest in BOX	\$ 11,685	\$ 11,685	\$11,511
Goodwill	838	838	—
Share in accumulated losses	(2,469)	(3,620)	(5,920)
Distributions	(2,471)	—	—
Gain on dilution	2,685	2,685	1,643
Cumulative translation adjustment	(966)	(1,790)	(1,465)
Investment in BOX (31.4% (31.7% in 2004))	9,302	9,798	5,769
Investment in Oxen (8% of capital stock)	—	400	400
Share in accumulated losses	—	(22)	—
Loss on disposal of investment in Oxen	—	(378)	—
Investment in Oxen (8% of capital stock in 2004)	—	—	400
Long-term investments	<u>\$ 9,302</u>	<u>\$ 9,798</u>	<u>\$ 6,169</u>

The MX's interest in the net book value of BOX amounts to \$7,038 as at December 31, 2006 (\$7,545 and \$4,285 in 2005 and 2004, respectively).

BOX is a LLC, therefore, the income taxes of BOX are payable by the owners according to their units in BOX. The MX has future income tax assets in BOX that can be used against future earnings generated by BOX. These assets amount to \$532, and represent losses carried forward and timing differences (note 16).

6. Capital assets:

	<u>2006</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Computer development, hardware and software	\$15,510	\$ 6,901	\$ 8,609
Computer hardware and software under capital leases	2,245	2,165	80
Leasehold improvements	13,588	10,241	3,347
Furniture, fixtures and equipment	833	550	283
	<u>\$32,176</u>	<u>\$19,857</u>	<u>\$12,319</u>

In 2006, the amortization expense on capital assets represents \$6,044 (\$7,347 in 2005 and \$5,037 in 2004), including \$2,564 (\$3,254 in 2005 and \$2,261 in 2004) on hardware and software under capital leases.

	<u>2005</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Computer development, hardware and software	\$13,027	\$ 6,171	\$ 6,856
Computer hardware and software under capital leases	10,299	6,337	3,962
Leasehold improvements	13,021	9,814	3,207
Furniture, fixtures and equipment	652	469	183
	<u>\$36,999</u>	<u>\$22,791</u>	<u>\$14,208</u>

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

8. Earnings per share:

Basic earnings per share are calculated by dividing net earnings by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated based on the weighted average number of shares outstanding adjusted to reflect the potentially dilutive effect of stock options and shares held in guarantee.

The following table presents the basic and diluted earnings per share calculation:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net earnings	\$ 24,831	\$ 15,135	\$ 8,959
Weighted average number of shares outstanding — basic	8,742,762	8,197,051	8,061,251
Dilutive effect of stock options and shares held in guarantee	<u>402,613</u>	<u>586,261</u>	<u>383,756</u>
Weighted average number of shares outstanding — diluted	<u>9,145,375</u>	<u>8,783,312</u>	<u>8,445,007</u>
Basic earnings per share	\$ 2.84	\$ 1.85	\$ 1.11
Diluted earnings per share	\$ 2.72	\$ 1.72	\$ 1.06

9. Operating line of credit:

The MX has an operating line of credit of \$2,000. From this authorized credit, an amount of \$1,782 has been given as a guarantee to the trustee of the employee future benefit plan (see note 21). When used, this line of credit bears interest at the banks' prime rate and is renewable annually (see note 23 for other authorized credit).

10. Debts due within one year:

In October 2006, the MX disposed of equipment under capital leases for an amount equal to its net book value of \$1,319 including \$869 invoiced to BOX, to cover the resulting loss incurred from this transaction, under the existing agreement with BOX (note 19). These amounts were collected as at December 31, 2006. The MX has entered into a new agreement with the lessor in order to exclude the equipment sold as per the initial leases, thereby transforming part of the obligations under the capital leases into short-term debts for an amount of \$992. Under the new agreement, cash of \$972 has been transferred to a trust account as a security for the lessor.

The short-term debts are payable monthly, in amounts of \$6 to \$53, bear interest at rates varying between 5.2% to 6.5% and mature between May and November 2007. The interest expense for 2006 amounts to \$17 (nil in 2005 and 2004).

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

11. Obligations under capital leases:

The MX has the following obligations under capital leases for computer hardware and software:

	<u>2006</u>	<u>2005</u>
Years ending December 31:		
2006	\$ —	\$3,393
2007	<u>82</u>	<u>1,048</u>
Minimum payments due under capital leases	82	4,441
Less amount representing interest (rates varying between 5.2% and 6.5%)	<u>2</u>	<u>180</u>
Present value of minimum payments due under capital leases	80	4,261
Current portion of obligations under capital leases	<u>80</u>	<u>3,239</u>
	<u>\$ —</u>	<u>\$1,022</u>

The obligations under capital leases are re-invoiced at cost as part of the services provided to BOX. In the event that BOX defaults, the MX has obtained guarantees from certain BOX partners under which the MX would be able to recover a maximum of 50% of the aforementioned obligations.

The interest expense for 2006 amounts to \$137 (\$356 in 2005 and \$359 in 2004).

12. Capital stock:

	<u>2006</u>	<u>2005</u>
Authorized:		
An unlimited number of shares, without par value:		
Common, voting and participating		
Preferred, non-voting, dividend to be determined upon issuance		
Total issued, including in guarantee:		
9,273,155 common shares (8,481,155 in 2005)	\$51,589	\$47,019
Held in guarantee for loans under share purchase plan:		
85,391 common shares (187,647 in 2005)	(800)	(1,614)
Held in guarantee for loans under stock option plan:		
298,318 common shares (nil in 2005)	<u>(1,531)</u>	<u>—</u>
Issued and paid:		
8,889,446 common shares (8,293,508 in 2005)	<u>\$49,258</u>	<u>\$45,405</u>

No person or combination of persons is permitted to beneficially own or exercise control or direction over more than 10% of any class or series of voting shares of the MX.

On November 30, 2006, the MX declared a dividend of \$1.50 per share. This dividend is payable on January 12, 2007 to the registered shareholders of record on January 5, 2007.

(a) Stock option plan:

On October 30, 2000, the Board of Directors (the “Board”) approved the creation of a stock option plan (the “Plan”) available to the MX’s management. The term of each option and the number of underlying shares will be determined by the Board. Some 847,000 common shares are likely to be purchased under options granted pursuant to the stock option plan. The maximum number of common shares that can be granted to a single person is limited to 5% of the MX’s issued and outstanding common shares. The

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

12. Capital stock (continued):

exercise price of each option represents the amount as determined by the Board without being lower than the fair market value of the shares on the date of the grant. However, when the shares will be listed on a recognized stock exchange, the exercise price will correspond to the weighted average price of the shares for the five days preceding the date of grant of the options.

The term of an option shall not exceed ten years from the date of its grant.

With the exception of the 75,000 options granted in January 2004, the Plan has two components: performance options and options vested over time. Thus, 50% of the stock options will be vested after three years provided the required performance criteria as determined by the Board at the time of the grant are met and 50% of the stock options will be vested over a three-year period and may be exercised in whole or in part at any time, as follows: 33.3% as of the first anniversary, 66.7% as of the second anniversary, and the whole as of the third anniversary of the grant. The 75,000 options granted in 2004 will be vested based on performance criteria and over a three-year period.

During 2006, 792,000 of the 835,000 stock options granted were exercised at an average exercise price of \$5.08. The MX has granted loans bearing interest at 5% on 595,000 shares for an amount of \$3,042. Any dividend payable on these shares is applied against the loans. The loans, which represent \$1,531 as at December 31, 2006, are to be totally reimbursed by February 8, 2007. No options were exercised in 2005 and 2004.

	<u>Number of options</u>	<u>Weighted average exercise price</u>
Options outstanding as at January 1, 2004	772,000	\$5.00
Granted during 2004	75,000	6.00
Cancelled during 2004	<u>(9,000)</u>	<u>5.15</u>
Options outstanding as at January 1, 2005	838,000	5.09
Cancelled during 2005	<u>(3,000)</u>	<u>5.09</u>
Options outstanding as at January 1, 2006	835,000	5.09
Exercised during 2006	<u>(792,000)</u>	<u>5.08</u>
Options outstanding as at December 31, 2006	<u>43,000</u>	<u>\$5.15</u>

The following table summarizes information about outstanding and exercisable options at December 31, 2006:

<u>Outstanding options</u>				<u>Exercisable options</u>	
<u>Exercise price</u>	<u>Number of options</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual life (in years)</u>	<u>Number of options</u>	<u>Weighted average exercise price</u>
<u>\$5.15</u>	<u>43,000</u>	<u>\$5.15</u>	<u>6</u>	<u>43,000</u>	<u>\$5.15</u>

No options were granted in 2006 and 2005. In 2004, the fair value of the 75,000 stock options granted was fixed at \$2.86 using the Black-Scholes option pricing model, assuming a fair value of \$6.50 for the MX's

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

12. Capital stock (continued):

shares, a risk-free rate of 5%, a dividend yield of 0%, an expected volatility of 1% and an expected life for the options of 10 years. All of these stock options were vested as at December 31, 2006.

The total cost of stock options granted is established according to the fair value method at the grant date. The compensation cost related to these options is recognized over a three-year period, being the period over which the options vest, from the grant date. During the year, the MX recorded a compensation cost of \$76 (\$178 in 2005 and \$171 in 2004) and credited contributed surplus for an equivalent amount.

An amount of \$467, related to the reimbursement of the loans granted under the stock option plan, has been transferred from contributed surplus to capital stock (nil in 2005 and 2004).

(b) Share purchase plan:

An employee share purchase plan was implemented in March 2001 for a maximum of 400,000 shares, which was reached in 2003 when the MX issued 141,436 shares at \$4.50 per share, for an amount totalling \$637. On April 18, 2005, the AMF approved a new subscription period for the employees under the employee share purchase plan from May 6 to June 6, 2005 for a maximum subscription of 200,000 shares. At the end of the subscription period, 112,055 shares were issued at a price of \$13.74 per share for a total of \$1,539 based on the fair value of the shares. The fair value was established using the discounted cash flow method.

Interest-free loans were granted to employees to buy these shares and the loans are payable through equal payroll deductions over periods varying from 1 to 5 years (maximum of 3 years for loans of the last subscription) from the date of acquisition. The unpaid balance of the loans at December 31, 2006 is \$800 (\$1,614 in 2005). The total loan payment is secured by a first hypothec with delivery in favour of the MX on all shares acquired by way of loan. These loans are recorded as a reduction of capital stock. The shares purchased by means of share purchase loans are considered, in substance, as stock options, exercised during the term of the share purchase loan. Loans granted for the purchase of these shares are repayable in all circumstances regardless of the variation in share value.

In 2005, the average fair value of the share acquisition rights (accounted for as an option for accounting purposes) has been established at \$0.79, based on the Black-Scholes option pricing model, using the following hypothesis: a fair value of the MX's shares of \$13.74, a risk-free rate of 4%, a dividend yield of 0%, expected volatility of 1% and an expected life for the options of a maximum of 3 years, based on the term of the loan.

During the year, the MX recorded a compensation cost of \$76 (\$56 in 2005 and \$74 in 2004) and credited contributed surplus for an equivalent amount.

An amount of \$76 related to the reimbursement of the loans granted under the share purchase plan has been transferred from contributed surplus to capital stock (\$130 in 2005).

(c) Private placement for the Directors:

On June 3, 2005, the AMF approved a private placement for the Directors acting at that date, allowing them to subscribe up to a maximum of 10,000 shares each, at a unit price of \$13.74 based on the fair value of the shares. The fair value was established using the discounted cash flow method. At the end of the subscription period, 84,000 shares were issued and fully paid on June 8, 2005 for a total consideration of \$1,154.

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

12. Capital stock (continued):

(d) Deferred share unit plan:

The Directors' deferred share unit plan was abolished in January 2005. The unit value of these deferred share units was established at \$13.74 each based on the fair value of the shares determined using the discounted cash flow method.

	<u>Number</u>
Deferred share units outstanding as at January 1, 2004.....	97,992
Granted during 2004	<u>41,496</u>
Deferred share units outstanding as at January 1, 2005.....	139,488
Exercised in 2005	<u>(139,488)</u>
Deferred share units outstanding as at December 31, 2005.....	<u>—</u>

During 2005, after the exercise of 139,488 deferred share units, the MX recorded a charge of \$470, and included in accounts payable and accruals, is the unpaid balance of \$146 (10,626 units) as at December 31, 2005 (nil in 2006).

During 2004, MX recorded a charge of \$810.

13. Cumulative translation adjustment:

	<u>2006</u>	<u>2005</u>
Beginning balance	\$(1,790)	\$(1,465)
Impact of changes in currency rates on net investment in self-sustaining foreign operation	273	(371)
Impact resulting from transaction reducing the interest in company subject to significant influence (note 5)	—	46
Impact resulting from distributions from company subject to significant influence	<u>551</u>	<u>—</u>
Ending balance	<u>\$ (966)</u>	<u>\$(1,790)</u>

14. Commitments:

(a) The MX rents its premises and certain equipment under operating lease agreements expiring between 2007 and 2015, and is committed under service and licence agreements until 2010.

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

14. Commitments (continued):

As at December 31, 2006, total minimum lease payments and minimum payments required for each of the following years under these commitments were as follows:

	Occupancy and equipment leases	Licence and maintenance agreements	Total
2007	\$ 1,941	\$ 3,956	\$ 5,897
2008	1,645	3,232	4,877
2009	1,683	2,941	4,624
2010	1,687	2,168	3,855
2011	1,620	—	1,620
2012 and after	<u>5,049</u>	<u>—</u>	<u>5,049</u>
Total minimum payments required	<u>\$13,625</u>	<u>\$12,297</u>	<u>\$25,922</u>

Lease expense amounts to \$1,944 (\$2,041 in 2005 and \$1,954 in 2004).

One of the agreements included in the commitments may be terminated from September 2007 subject to a penalty of 900 Euros (\$1,385).

- (b) During 2006, the MX made a commitment to acquire a further 13.3% ownership interest in BOX from an existing unitholder for US\$34,175 (C\$39,828 as at December 31, 2006). This acquisition is subject to the prior approval by the U.S. Securities and Exchange Commission (“SEC”) as well as customary closing conditions. The formal filing of the regulatory approval application is currently expected to occur in the first half of 2007. There is no assurance that this acquisition will be approved by the SEC or that it will close. Should this transaction be completed, the interest of the MX in BOX would rise from 31.4% to 44.7%. The MX intends to finance this acquisition by debts (note 5).
- (c) The MX has also entered into a commitment in respect of MCeX, pursuant to which it has agreed with the Chicago Climate Exchange Inc. (“CCX”), that it will fund the first US\$3,000 of MCeX’s initial working capital requirements. This commitment is staggered in tranches, of which the first is of US\$300, and the MX may terminate this commitment upon the exhaustion of each tranche, subject to certain conditions and subject to withdrawing from the MCeX project with CCX.

15. Contingencies:

The MX is a party to legal actions for damages in connection with the closing of the trading floor. During 2006, an amount of \$12,824 of the legal actions taken against the Company was settled for \$1,252 and \$119 in fees. As at December 31, 2006, there was a total of \$27,269 remaining in unsettled legal actions against which the Company intends to defend itself vigorously. Even though the outcome of these legal actions as at December 31, 2006 cannot be determined with certainty, management of the MX has recorded a provision and believes that their outcome will not have a material adverse impact on the MX’s operating results or financial position.

16. Income taxes:

The provision for income taxes differs from the amount determined by applying the combined federal-provincial tax rate to earnings before income taxes, as set out by laws.

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

16. Income taxes (continued):

The reasons and tax consequences of this difference are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Earnings before income taxes	\$31,409	\$19,527	\$12,722
Tax rate as set out by laws	<u>32.02%</u>	<u>31.10%</u>	<u>31.10%</u>
Income taxes computed	10,057	6,073	3,957
Unrecognized tax benefit resulting from losses of BOX	—	—	1,055
Recognized tax benefit resulting from prior losses and other timing differences of BOX	(1,021)	(893)	—
Other change in valuation allowance	(968)	(68)	(98)
Impact of tax rate differential for BOX	140	204	(240)
Adjustment to future tax assets and liabilities for enacted changes in tax rates	(183)	—	(8)
Gain on dilution and realization of cumulative translation adjustment	177	(324)	—
Provincial tax holiday	(1,953)	(905)	(914)
Impact of subsidiary and joint venture tax rate differential	165	198	112
Effect of permanent differences	286	114	37
Tax on large corporations	—	—	115
Other	<u>(122)</u>	<u>(7)</u>	<u>(253)</u>
Income taxes	<u>\$ 6,578</u>	<u>\$ 4,392</u>	<u>\$ 3,763</u>

The tax consequences arising from timing differences resulting in portions of income tax assets and liabilities are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Future income tax assets:			
Capital assets	\$ 98	\$ 123	\$ 131
Goodwill	1,023	1,082	1,169
Deferred share unit plan	—	—	352
Regulatory Division reserve fund	534	375	277
Employee future benefits plan	220	100	48
Investment in BOX	618	523	1,100
Operating losses and timing differences of BOX (note 5)	532	1,020	1,977
Capital losses	166	83	—
Operating losses available for carry-forward	—	—	54
Capital leases	—	—	130
Other	<u>116</u>	<u>107</u>	<u>69</u>
Future income tax assets	3,307	3,413	5,307
Valuation allowance	<u>(784)</u>	<u>(2,708)</u>	<u>(4,246)</u>
Future income tax assets, net	<u>\$2,523</u>	<u>\$ 705</u>	<u>\$ 1,061</u>
Future income tax liabilities:			
Capital assets	\$ (786)	\$ (184)	\$ (562)
Capital leases	<u>(26)</u>	<u>(61)</u>	<u>—</u>
Future income tax liabilities	<u>\$ (812)</u>	<u>\$ (245)</u>	<u>\$ (562)</u>

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

16. Income taxes (continued):

As at December 31, 2006, the MX had for income tax purposes losses carried forward of \$1,224 that it can use to reduce its future taxable income related to its share in equity in BOX, maturing in 2024, as well as capital losses carried forward of \$627 it can use to reduce future capital gains, for an unlimited period.

17. Supplemental cash flow information:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
(a) Interest paid	\$ 157	\$ 356	\$ 359
Income taxes paid	7,568	1,505	87
(b) Net change in non-cash operating assets and liabilities:			
Receivables	\$(1,305)	\$2,335	\$(1,675)
Daily settlements due from clearing members	15,055	1,657	(16,893)
Clearing members' cash margin deposits	(1,271)	4,329	(4,861)
Clearing fund cash deposits	(10,802)	(3,461)	3,697
Prepaid expenses	(165)	455	(497)
Accounts payable and accruals	2,329	187	520
Income tax expenses	(141)	2,695	789
Accrued employees benefit liability	303	—	—
Daily settlements due to clearing members	(15,055)	(1,657)	16,893
Clearing members' cash margin deposits	1,271	(4,329)	4,861
Clearing fund cash deposits	<u>10,802</u>	<u>3,461</u>	<u>(3,697)</u>
	<u>\$ 1,021</u>	<u>\$5,672</u>	<u>\$ (863)</u>
(c) Non-cash transactions related to:			
Investing activities:			
Purchase of capital assets financed through accounts payable	\$ 1,292	\$ 451	\$ 536
Deferred share units included in accounts payable	—	—	810
Purchase of capital assets financed through capital leases	—	—	4,506
Financing activities:			
Loans granted for share purchases	3,042	1,460	—
Transfer from contributed surplus to capital stock related to the reimbursement of loans on shares financed under the share purchase plan	76	130	—
Transfer from contributed surplus to capital stock related to the reimbursement of loans on shares financed under the stock option plan	467	—	—
Dividends payable	13,910	12,721	—

18. Tax credits on development costs and government assistance:

In 2006, the MX recorded tax credits for an amount of \$548 related to development costs. The costs were incurred to improve the technologies used for the trading platform. In 2005, the amount of tax credit recorded was \$263 (nil in 2004).

On March 31, 2001, the ministère des Finances du Québec (the "Ministère") agreed to grant a government assistance program to the MX, totalling \$3,500, for the Training Service in order to reimburse a maximum of

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

18. Tax credits on development costs and government assistance (continued):

50% of business development expenses and/or a maximum of 50% of operating expenses incurred before March 31, 2004.

The above-mentioned government assistances were granted provided that the MX carried out all or substantially all its operations on the territory of the City of Montréal, up to December 31, 2005.

In addition, on April 9, 2001, the Ministère announced the application of tax measures to support the financial sector in the province of Quebec, including securities exchanges such as the 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 the 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 income tax exemption, total approximately \$890 in 2006 (\$828 in 2005 and \$624 in 2004).

19. Related party transactions:

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

In 2001, the MX signed an agreement with BOX to provide for a fee the technology and related services required for its electronic trading system. Prior to the beginning of the operations, in February 2004, the MX acted as intermediary in the provision of the necessary products and services, totalling \$1,701, in order to establish the technical structure at BOX. These charges were presented as a reduction of compensation and benefits, computer licences and maintenance, and general and administrative expenses.

Beginning in February 2004, the MX became an official supplier to BOX and charges at the exchange amount, being the amount established and agreed to by BOX, salaries, telecommunication services, computer equipment, and other services. The amounts invoiced in 2006 were \$15,275 (\$15,581 in 2005 and \$12,160 in 2004). These transactions were undertaken in the normal course of business. An amount of \$20 receivable from BOX is included in receivables as at December 31, 2006 (\$854 in 2005).

In 2005, the MX had operations in the normal course of business with its joint venture, Clearco, for an amount of \$433 (\$79 in 2004).

20. Segmented information:

The MX operates in two industry segments. The commercial activities of these segments are undertaken in Canada and are defined as follows:

Exchange:

This segment acts as the only standardized financial derivatives exchange in Canada, providing a complete range of equity, index and interest rate derivatives.

Clearing House (CDCC):

This segment acts as clearing house and guarantor for derivative instruments traded at the MX and certain other derivative instruments from the over-the-counter market (OTC).

These segments are managed and evaluated separately based on revenues and net earnings.

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

20. Segmented information (continued):

	2006		
	Exchange	Clearing House	Consolidated
Revenues from exchange and clearing	\$50,737	\$13,248	\$63,985
Revenues from information systems services (note 19)	15,275	—	15,275
Investment income	1,541	1,072	2,613
Amortization of capital assets and other assets	6,307	91	6,398
Equity in results of company subject to significant influence (note 5)	1,151	—	1,151
Net earnings	17,006	7,825	24,831
Purchase of capital assets and other assets	6,212	280	6,492
Assets	80,574	42,120	122,694
	2005		
	Exchange	Clearing House	Consolidated
Revenues from exchange and clearing	\$37,587	\$9,996	\$47,583
Revenues from information systems services (note 19)	15,581	—	15,581
Investment income	1,229	556	1,785
Amortization of capital assets and other assets	7,339	247	7,586
Equity in results of companies subject to significant influence (note 5)	2,257	21	2,278
Net earnings	11,168	3,967	15,135
Purchase of capital assets and other assets	3,631	178	3,809
Assets	74,310	44,722	119,032
	2004		
	Exchange	Clearing House	Consolidated
Revenues from exchange and clearing	\$37,091	\$8,083	\$45,174
Revenues from information systems services (note 19)	12,160	—	12,160
Investment income	760	299	1,059
Amortization of capital assets and intangible assets	4,911	373	5,284
Equity in net losses of companies subject to significant influence (note 5)	(2,684)	—	(2,684)
Net earnings	6,385	2,574	8,959
Purchase of capital assets and other assets	7,543	107	7,650
Assets	62,371	43,266	105,637

Regulatory Division:

Pursuant to a decision rendered by the AMF on November 24, 2000, the MX created a separate regulatory division, responsible for approved participants and market regulation and operating on a cost recovery basis. Since January 1, 2005, with the concurrence of the AMF, the Regulatory Division regulates exclusively the derivative area. At that date, the Regulatory Division transferred its functions and delegated authority on

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004
(In thousands of dollars, except per share amounts and the number of shares)

20. Segmented information (continued):

securities dealers to the Investment Dealers Association of Canada (IDA), in order to bring all dealers and their representatives and officers under the jurisdiction of one self-regulatory organization in Québec. For the year ended December 31, 2006, the Regulatory Division has generated gross revenues of \$3,220 (\$2,462 in 2005 and \$4,009 in 2004) and incurred direct expenses of \$1,361 (\$885 in 2005 and \$1,836 in 2004) and indirect expenses of \$876 (\$657 in 2005 and \$1,565 in 2004). The surplus of the Regulatory Division at December 31, 2006 totals \$1,728 (\$1,541 in 2005) and is presented in accounts payable and accruals, and an equivalent amount is included in restricted cash. Of this amount, \$828 will be reimbursed to approved participants at the beginning of 2007.

21. Employee future benefits:

Information relating to the MX's employee future benefit plan is as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Accrued benefit obligation:			
Balance at beginning of year	\$1,385	\$ 847	\$650
Current service cost	225	159	150
Interest cost	75	60	47
Actuarial loss	15	319	—
Balance at end of year	<u>\$1,700</u>	<u>\$1,385</u>	<u>\$847</u>
Plan assets:			
Fair value at beginning of year	\$ 119	\$ 52	\$ —
Annual return on plan assets	7	5	2
Employer contributions	58	54	50
Actuarial gain	14	8	—
Fair value at end of year	<u>\$ 198</u>	<u>\$ 119</u>	<u>\$ 52</u>
Accrued benefit liability:			
Funded status — plan deficit	\$1,502	\$1,266	\$795
Unamortized past service costs	(493)	(545)	(598)
Actuarial loss unamortized	(296)	(311)	—
Balance at end of year	<u>\$ 713</u>	<u>\$ 410</u>	<u>\$197</u>

The contributions from the employer of \$58 in 2006, \$54 in 2005 and \$50 in 2004 were invested in a diversified fund.

The MX has provided a letter of guarantee in the amount of \$1,782 to the benefit of the trustee of the employee future benefit plan, using a part of the operating line of credit already in place with its bank (note 9).

The significant actuarial assumptions used to determine the MX's accrued benefit obligation and benefit plan expense are as follows (weighted average assumptions as of January 1):

<u>Expense and obligation</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Discount rate	5.0%	5.0%	6.5%
Expected long-term rate of return on plan assets	7.0%	5.0%	6.5%
Rate of compensation increase	3.0%	3.0%	3.5%

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

21. Employee future benefits (continued):

The actuarial valuation for funding purposes of the pension plan is as of January 1, 2004. The next actuarial valuation for funding purposes must be performed as at January 1, 2007 at the latest. The measurement date for the plan assets and the accrued benefit obligation is January 1.

The MX's net benefit plan expense is as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current service cost	\$225	\$159	\$150
Interest cost	75	60	47
Expected return on plan assets	(7)	(5)	(2)
Amortization of past service costs	52	52	52
Amortization of actual loss	<u>16</u>	<u>—</u>	<u>—</u>
Net benefit plan expense	<u>\$361</u>	<u>\$266</u>	<u>\$247</u>

The net benefit plan expense is included in compensation and benefits in the consolidated statement of earnings.

22. Financial instruments:

(a) Credit risk:

The MX reviews a customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information.

(b) Interest rate risk:

Any fluctuation in market interest rates will cause the return on cash and cash equivalents and temporary investments and the fair value of temporary investments to vary either upward or downward.

(c) Fair value of financial instruments:

The carrying amount of receivables, clearing members' cash deposits (assets and liabilities), clearing fund cash deposits (assets and liabilities), daily settlements due from/to clearing members, accounts payable and accruals and loans to employees included in other assets approximates their fair value due to the near-term maturity of those instruments.

(d) Concentration of credit risk:

Approximately 19% of MX's revenues for the year ended December 31, 2006 were generated by BOX in information systems services (25% in 2005 and 21% in 2004), while four approved participants on behalf of numerous clients, representing more than 6% of MX's revenues individually, generated 33% of MX's revenues in 2006 (31% in 2005 and 30% in 2004), for a combined total of 52% in 2006 (56% in 2005 and 51% in 2004).

23. Risk management:

In its role of clearing house, the CDCC assumes the obligations that arise from a defaulting member's derivative positions. The CDCC employs various techniques to minimize its exposure in the event of such a default. The principal technique is the collection of risk-based margin deposits in the form of cash, letters of credit, equities and liquid government securities (note 4). Should a clearing member fail to meet a daily margin call or otherwise not honour his obligations under open futures and options contracts, margin deposits would be available to apply against costs incurred by the CDCC in liquidating the positions.

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

23. Risk management (continued):

The CDCC's margining system is complemented by a stress test reporting system, which is part of its Capital Monitoring Program. This process, introduced in 2000, evaluates the financial strength of the members to meet margin requirements that may result from a sudden adverse change in the market. Members' portfolios are subject to these stress tests and those members that fail to meet the criteria established by the CDCC are required to deposit a stress margin.

The CDCC also maintains a clearing fund through deposits of cash and securities from clearing members (note 4). This fund is available in the event that the cost of liquidating a defaulting member's positions exceeds the margin deposits collected from that member. The aggregate level of clearing funds required to be deposited by each clearing member is 12% of the largest aggregate daily margin requirement of that clearing member over the preceding calendar month.

If, on a member default, further funding is necessary to complete the liquidation, the CDCC has the right to require members to contribute an additional amount equal to their previous contribution to the clearing fund.

The CDCC has arranged a total of \$30,000 in revolving standby credit facilities with a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member. Borrowings under the facilities, which are required to be collateralized, bear interest based on the bank's prime rate plus 0.75%. These facilities have not been utilized since the date they were established.

24. Other revenues:

The MX has received a financial compensation of \$5,000 in 2004 from the TSX Group Inc. to allow the latter to acquire the NGX Energy Exchange in Alberta, taking into consideration the Canadian Exchanges Specialization Agreement signed on March 15, 1999.

25. Subsequent events:

(a) On February 13, 2007, the MX's Board of Directors approved a stock split of the MX's shares on a three-for-one basis effective March 15, 2007. The following table shows the impact of the stock split on the earnings per share.

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net earnings	\$ 24,831	\$ 15,135	\$ 8,959
Weighted average number of shares outstanding — basic	26,228,286	24,591,153	24,183,753
Dilutive effect of stock options and shares held in guarantee	1,207,839	1,758,783	1,151,268
Weighted average number of shares outstanding — diluted	<u>27,436,125</u>	<u>26,349,936</u>	<u>25,335,021</u>
Basic earnings per share	\$ 0.95	\$ 0.62	\$ 0.37
Diluted earnings per share	\$ 0.91	\$ 0.57	\$ 0.35

(b) Strategic investment:

On March 13, 2007, the MX and the NYMEX Holdings Inc. ("NYMEX") entered into an agreement whereby NYMEX would purchase on March 23, 2007, 3,097,718.334 newly-issued MX common shares on a post stock split basis for \$29¹/₃ per common share, totalling net proceeds of approximately \$89,400 (net of transaction fees).

In addition to general corporate purposes, MX will use these proceeds to fund the payment of a special dividend of \$0.33¹/₃ per common share on a post stock split basis (\$1.00 per common share on a pre-stock

BOURSE DE MONTRÉAL INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands of dollars, except per share amounts and the number of shares)

25. Subsequent events (continued):

split basis) of an aggregate dividend amount of \$9,300. This dividend will be payable on April 12, 2007 to shareholders of record on March 22, 2007. The proceeds will also be used, as approved by the Board of Directors of MX, under a normal course issuer bid to purchase, in the normal course of its activities, commencing on the first date of listing of the MX common shares on the TSX and ending on March 22, 2008, up to 2,412,143 MX common shares. The purchases will be made at market prices through the facilities of TSX in accordance with its rules and policies. The common shares thereby purchased will be cancelled.

As part of this agreement, MX and NYMEX created a business venture, called Canadian Resources Exchange Inc. ("CAREX"), for the trading and clearing of different energy products in the Canadian market. MX and NYMEX, will share CAREX's net earnings equally and control will be exercised jointly.

(c) New stock based compensation plans:

On February 13, 2007, the MX's Board of Directors agreed to terminate the existing stock option plan and the share purchase plan, but to maintain the options still outstanding and exercisable. As of March 23, 2007 there are 69,000 options on a post stock split basis still outstanding and exercisable (23,000 options on a pre stock split basis).

At the same time, the MX's Board of Directors approved the creation of a new employee share purchase plan and a stock option plan. Both plans will be implemented on the listing date of the MX.

(i) Employee share purchase plan:

- As per the terms of the plan, the eligible employees may contribute up to 10% of their annual base salary. The MX will contribute an amount equal to 50% of the eligible employee's contribution, up to a maximum of \$2.5 per calendar year.
- The plan will not have a dilutive effect since the purchase of shares will be made on the open market by the plan administrator.

(ii) Stock option plan:

The plan, of a total duration of 10 years, foresees a total reserve of 1,800,000 common shares after giving effect to the stock split. The plan, entirely based on performance criteria, is available for officers and key employees of the MX and its wholly-owned subsidiary, CDCC. The Board of Directors has full latitude on all aspects of the plan.

26. Comparative figures:

Certain prior years' comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

CERTIFICATE OF THE ISSUER

Date: March 23, 2007

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities covered by this prospectus as required by Part 9 of the Securities Act (British Columbia), by Part 9 of the Securities Act (Alberta), by Part XI of The Securities Act, 1988 (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XV of the Securities Act (Ontario), by Part VI of the Securities Act (New Brunswick), by Section 63 of the Securities Act (Nova Scotia), by Part II of the Securities Act (Prince Edward Island), by Part XIV of the Securities Act (Newfoundland and Labrador) and by the securities legislation of the territories of Canada and the respective regulations thereunder. For the purpose of the Province of Quebec, this non-offering prospectus contains no misrepresentation that is likely to affect the value or the market price of Bourse de Montréal Inc. common shares.

BOURSE DE MONTRÉAL INC.

(signed) LUC BERTRAND
President and Chief Executive Officer

(signed) LOUISE LAFLAMME
Executive Vice-President and Chief Financial Officer

On behalf of the Board of Directors

(signed) JEAN TURMEL
Chairman

(signed) CARMAND NORMAND
Vice-Chairman



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