

RULING No. 2008-PDG-0102

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

and

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

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

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

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

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

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

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

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

[Translation]

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

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

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

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

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

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

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

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

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

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

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

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

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

IN CONSEQUENCE THEREOF:

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

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

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

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

This ruling is subject to the following terms and conditions:

For purposes of this ruling:

(a) the term "participant" includes the terms "approved participant", "foreign approved participant" and "restricted trading permit holder";

(b) a person resident in Québec means an individual who is considered to be a resident of Québec under the *Taxation Act* (R.S.Q., c. I-3); and

(c) the expression "acting jointly or in concert" has the meaning provided under section 1.9 of *Regulation 62-104 respecting Take-Over Bids and Issuers Bids*, as amended from time to time, *mutatis mutandis* and, for greater certainty, including persons deemed or presumed to be acting jointly or in concert within the meaning of that expression.

I. SHARE OWNERSHIP

(a) No person or company and no combination of persons or companies acting jointly or in concert shall own or exercise control or direction, over more than ten percent (10%) of any class or series of voting shares of the Bourse without the prior approval of the Autorité, except for TSX Group or an affiliate of TSX Group.

(b) The Bourse shall inform the Autorité immediately in writing, if it becomes aware that any person or company or any combination of persons or companies, acting jointly or in concert, owns or exercises control or direction over more than ten percent (10%) of any class or series of voting shares of the Bourse without having obtained the prior approval of the Autorité, and the Bourse shall take the necessary steps to immediately remedy the situation.

(c) The Bourse shall promptly inform the Autorité in writing of any change in the list of its shareholders.

(d) The Bourse shall promptly inform the Autorité in writing of any shareholder agreements that it is aware of.

II. GOVERNANCE STRUCTURE

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

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

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

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

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

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

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

[Translation]

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

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

III. CONTINUITY OF ACTIVITIES IN QUÉBEC

(a) The head office and executive offices of the Bourse and CDCC will remain in Montréal.

(b) The most senior executive officer of each of the Bourse and CDCC shall be a resident of Québec at the time of his or her appointment and for the duration of his or her term of office and shall work in Montréal.

(c) The Bourse will retain and use the name “Bourse de Montréal Inc./Montréal Exchange Inc.”.

(d) The Bourse will not cease to operate or suspend, discontinue or wind-up all or a significant portion of its operations, or dispose of all or substantially all of its assets, without:

(i) providing the Autorité at least six months' prior written notice of its intention; and

(ii) complying with any terms and conditions that the Autorité may impose in the public interest for the orderly discontinuance of its operations or the orderly disposition of its assets.

IV. LANGUAGE OF SERVICES

The Bourse will ensure that it maintains:

(i) the broad range of the Bourse's services in Québec required hereunder, in French and in English, including with respect to access, regulation and supervision of the activities of participants of the Bourse;

(ii) simultaneous availability in *French* and *English* of any information documents of the Bourse intended for participants or for the public; and

(iii) French as the language used in all communications and correspondence with the Autorité.

V. ACCESS

(a) The Bourse shall permit any person who satisfies the applicable access standards to trade on the Bourse.

[Translation]

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

VI. FEES

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

VII. REGULATORY DIVISION

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

[Translation]

(e) Every year, the Bourse shall provide the Autorité with an activity report, including a report on the Division's operations prepared by the latter. This report shall include information that may be requested by the Autorité. It shall take into consideration the observance of terms and conditions related to the Division. Moreover, it shall be in a form acceptable to the Autorité, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.

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

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

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

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

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

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

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

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

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

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

[Translation]

- (iv) the quorum for the Special Committee shall be a majority of members holding office, within which there must be:
 - (a) a majority of residents of Québec at the time of their appointment and for the duration of their term of office; and
 - (b) a majority of persons who satisfy the independence criteria applicable to the directors of the Bourse;
- (v) the chief operating officer of the Division (the "Vice-President – Regulatory Division") shall report any regulatory or disciplinary issues to the Bourse's Special Committee. The Vice-President – Regulatory Division, or the person designated by the Vice-President – Regulatory Division, shall be present at all meetings of the Special Committee relating to the duties and operations of the Division, unless otherwise indicated by the Special Committee, and shall provide information upon request to the Special Committee with respect to the duties and operations of the Division. The Special Committee and the Vice-President – Regulatory Division shall both be responsible for ensuring that the duties and operations of the Division are conducted appropriately;
- (vi) the Division's financial structure shall be separate from that of the Bourse and it shall operate on a cost-recovery basis. Any surplus, other than the fines and other sums referred to in VII. (j) (vii), shall be redistributed to the participants and any shortfall shall be made up by a special assessment levied on the participants, or by the Bourse upon recommendation to the board of directors by the Special Committee;
- (vii) fines and other sums received by the Division pursuant to out-of-court settlements with the Division or disciplinary proceedings shall be treated as follows:
 - (a) no amount shall be redistributed to the participants of the Bourse;
 - (b) a separate account shall be kept to account for revenues and expenses associated with disciplinary files;
 - (c) any amount received shall be used first to compensate for direct costs incurred in connection with such proceedings; and
 - (d) any net surplus shall be used, with the prior approval of the Special Committee:
 - (1) for training and information of participants in the derivatives markets and for members of the public or for research costs in this area;
 - (2) for payments made to a not-for-profit tax exempt body whose purpose is inter alia to protect investors or carry the activities mentioned in subparagraph VII. (j) (vii) (d) (1);
 - (3) for education initiatives; or
 - (4) for such other purposes as may be approved by the Autorité.
- (viii) the Division shall have a separate budget, which shall be subject to the approval of the board of directors upon recommendation by the Special

[Translation]

Committee and shall be administered by the Vice-President – Regulatory Division and submitted annually to the Autorité, in accordance with the time limit prescribed in the "Reports and Documents to be Provided" table found in Appendix 2 of this ruling;

- (ix) the Bourse shall allocate the necessary support to the Division from its other departments, including in the technology area, in accordance with its budgets and reasonable requirements, while ensuring its independence;
- (x) the Bourse shall adopt and use all reasonable efforts to comply with policies and procedures designed to ensure that confidential information concerning the Division's duties and operations is maintained in confidence and not shared inappropriately with the for-profit operations of the Bourse, TSX Group or other persons;
- (xi) the Vice-President – Regulatory Division, the President of the Bourse, the Special Committee and the board of directors shall provide information with respect to the duties and operations of the Division to the Autorité upon request;
- (xii) the Bourse shall inform the Autorité, on a semi-annual basis, of the Division's staffing, by function, specifying authorized, filled and vacant positions and any material changes or reductions in Division personnel, by function, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling;
- (xiii) management of the Bourse, including the Division Vice-President, shall at least annually self-assess the performance by the Division of its regulatory functions and report thereon to the Special Committee, together with any recommendations for improvements. The Special Committee shall in turn report to the board of directors as to the performance by the Division of its regulatory functions. The Bourse shall provide the Autorité with copies of such reports and shall advise the Autorité of any proposed measures arising therefrom, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling;
- (xiv) decisions made by the Special Committee with respect to disciplinary matters are reviewable in accordance with the law, and
- (xv) the rules concerning the Special Committee and the Division will have to be revised to comply with the requirements of this section on the Division and be submitted to the approval of the Autorité within six months of this ruling.

VIII. FINANCIAL AND OTHER RESOURCES

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

- (i) its financial viability and the proper performance of its functions; and
 - (ii) the exercise of the self-regulatory functions of the Division;
- in accordance with the terms and conditions set out in this ruling.

IX. FINANCIAL RATIOS AND REPORTS

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

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

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

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

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

(c) The Bourse shall provide a report, which shall include the monthly calculation of each ratio based on consolidated and non-consolidated financial statements attached with the

quarterly financial statements for the first three quarters of the fiscal year and with the annual audited financial statements for the fourth quarter, in accordance with the time limit prescribed in the "Reports and Documents to be Submitted" table found in Appendix 2 of this ruling.

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

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

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

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

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

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

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

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

X. OUTSOURCING

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

(b) The Bourse shall obtain the prior approval of the Autorité before entering into or implementing any transaction with a view to providing regulatory functions or regulatory

[Translation]

activities as an exchange or as a self-regulatory organization to other exchanges, self-regulatory organizations, persons operating parallel trading systems or other persons.

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

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

XI. SYSTEMS

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

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

XII. CLEARING AND SETTLEMENT

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

XIII. RULES

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

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

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

XIV. DISCIPLINE OF PARTICIPANTS AND THEIR REPRESENTATIVES

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

XV. DUE PROCESS

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

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

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

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

XVI. INSIDER TRADING AND INFORMATION SHARING

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

(i) rules related to insider trading;

(ii) adequate insider trading oversight systems;

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

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

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

XVII. RELATED PARTY TRANSACTIONS

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

XVIII. ADDITIONAL INFORMATION

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

XIX. NON-COMPLIANCE

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

[Translation]

XX. APPLICABLE LAW

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

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

Signed in Montréal on April 10, 2008.

Jean St-Gelais
President and Chief Executive Officer

[Translation]