

**Quebec City Chamber of Commerce  
Remarks for Richard Nadeau  
October 10, 2007**

Thank you Denis, and good afternoon everyone. I would first like to congratulate Mister Hamel, as his company is celebrating its 35<sup>th</sup> anniversary... it is quite an accomplishment... Bravo!!!

I am especially pleased to be back in my hometown which I still love enormously... Those who know me will tell you that I left Québec at a very young age, and it's true.... However, I have always returned – out of pleasure, to visit my family who still live here, but also for work reasons... I have had the occasion to attend numerous lunches held by the Chamber of Commerce, such as this one today, and they bring back nothing but good memories.

My subject today is the exchange world, a subject that is very much in the news these days.

The reason for this is clear. We are witnessing the world's exchanges transform themselves into public companies and consolidate across the continent, and, increasingly, across oceans.

We are also witnessing a race to put in place the fastest, cheapest and highest-capacity trading technologies to meet the demands of a sector that is globalising rapidly and is in constant mutation.

We are seeing exchanges that once specialised in one or two types of securities become integrated, multi-asset trading venues that simultaneously deal in equities, derivatives, fixed income securities, and commodities – to name but a few.

A sleepy little industry that once seemed to be evolving in the shadows of what was considered exciting business, has itself become one of the most vibrant, headline-grabbing industries in the world of markets.

I would like to highlight the presence a man who works right in the middle of all this action – in Quebec and in Canada – who is sitting here today at the head table. Jean St-Gelais, the head of the AMF – Jean is also the chair of the Canadian Securities Administrators, which is a forum for the 13 securities regulators of Canada's provinces and territories.

We work closely with Jean and the AMF and we have considerable admiration for the work he is doing to ensure order and harmony with respect to Canada's securities regulations, and in the modernization of Quebec's regulatory system for derivative products.

His is no easy task, given the rapid pace of change and often major differences among the regulators of Canada's 13 provinces and territories. But he has demonstrated that he is quite capable of keeping his head above the water.

Jean, thank you for being here today.

Now that the last leaves of autumn are beginning to fall, we all know that winter will be upon us in a matter of weeks.

But winter is also a time when this city, and this region, comes even more alive.

And this winter promises to be even more wonderful as we prepare to celebrate its 400<sup>th</sup> anniversary.

I take great pride in being a part of this historic occasion, both personally and as the senior executive for TSX Group in Quebec.

In fact, it is with great pleasure that I announce to you today that we will be a major sponsor of the 2008 National Special Olympic Games that will be part of the 400<sup>th</sup> anniversary celebrations and which will be held in Quebec City next February 26 to March 1<sup>st</sup>. More than 1,000 athletes and 2,000 volunteer parents from across the country will meet in Quebec, on the Plains or at the Le Relais ski centre to participate in this most important event for them.

Let me remind you that the Special Olympic Games is an international organization whose mission is to enrich, through sports, all those who live with an intellectual handicap. I have been personally involved with the Special Olympics for many years now, an organization which holds a special place in my heart.... So please come out and join us for the opening ceremonies on February 26.

Our commitment to this city, however, is not a one-time affair.

Our TSX team and I consider Quebec City to be a key place with a great deal of emerging entrepreneurs who could have their companies listed on the public markets, thereby gaining access to a vast global network.

To this effect, barely a week ago, we were sponsors of BioContact, which, after 15 years, is now globally recognized as *the* meeting place for leading companies of the biotech industry, a place where investors from across the globe can come together with the leaders of the industry in Quebec.

In fact, I was reading this weekend, in le Soleil, about the distribution agreement between Phytronix Technologies, a small company in the Quebec region specialized in scientific instrumentation, and Thermo Fisher Scientific, an American multinational with annual revenues of \$9 billion USD... here is a wonderful story of a company that could one day consider a public listing.

Quebec's reputation, however, and our involvement in its growth, go far beyond biotechnology.

There have been some incredible success stories that have helped forge both Quebec City's international reputation and the reputation of some of its regions such as la Beauce and Chaudières-Appalaches – and this for companies as diverse as Groupe Canam, Industrielle-Alliance, Exfo, Cossette, Atrium, Diagnocure, Cominar, and the list goes on.

Exfo is a particularly striking example. Founded in Quebec in 1985, the company is now internationally recognized for its expertise in the testing and measuring of telecommunications systems. The company registered itself on the stock market in 2000 with an initial issue of \$269MM. Exfo is currently listed on the TSX and NASDAQ.

The company now has clients, suppliers and component manufacturers in some 70 countries, and currently has over 1,000 employees.

No matter which way you look at it, Exfo has established itself as a global champion in its sector.

We could even talk about l'Industrielle-Alliance.

The Alliance du Groupe division dates back to 1892 when 74 people kicked in \$10,300 and began working at the corporate headquarters on Saint-Jacques street.

I'm not sure that operating capital would even cover today's lunch.

As for the Industrielle division, this dates back to 1905.

From these modest beginnings, the union of these two companies allowed for the Groupe Industrielle-Alliance to grow to the point of becoming the fifth most important life and health insurance company in Canada with some 3000 employees and 12,000 representatives.

I believe that these two examples highlight quite well the point I wish to make.

Through these listed companies, TSX Group is an integral part of the growth of this city and its surrounding regions.

Our focus as an exchange group – both locally and globally – is on small and medium sized enterprises, promising start-ups that can gain the most from the support we provide.

Some of the innovative financing instruments we've brought to the Quebec market – such as the CPC program – are specifically targeted at companies in the small to medium sized category.

One of the greatest success stories of the CPC program is the security company Garda World, which registered itself on the TSX Venture Exchange in 1999 with an initial investment of \$1MM. In 2003, Garda graduated to the TSX with a stock market value of \$33MM and its shares worth \$1.40 each. Today, it has attained a value of \$600MM and its share price stands near \$19.

Admittedly, the tradition in Quebec has not been to use the public market as much as private equity.

But we've worked hard, since we acquired the TSX Venture Exchange in 2001 to make public venture capital an attractive alternative to private equity through CPCs and other innovative financial instruments; and by offering our issuers first-rate advisory service via our 4 offices in Montreal, Toronto, Calgary and Vancouver.

I think it is fair to say that a decade ago, the image that people had of stock exchanges was that they were part of a sleepy little subset of a very dynamic industry.

The excitement lay primarily with the traders and brokers and investment banks.

Today, it is the brokers that are grappling to redefine themselves as computer programs based on trading algorithms increasingly threaten their relevance.

And it is for this reason that the most famous trading floor in the world – the New York Stock Exchange on Wall Street – is gradually shrinking and would probably disappear entirely if it weren't for the fact that top-notch public relations manage to sustain the public's interest.

Meanwhile, computers have taken over the bulk of trading.

Yet what exactly has happened to bring about such momentous changes?

As I noted at the outset, exchanges – like insurance companies – decided that their future lay in becoming public companies. That in and of itself changed the nature of the game.

Technology changed it even further. And our customers increasingly wanted to be able to deal in multiple asset classes from the same platform – so that when they listed their shares, for example, they could also list derivatives, something you can't do right now in the Canadian market.

At the TSX, on top of leading the consolidation of the Canadian markets, we also initiated the transformation of the exchange industry in North America, helping it pass from a non-profit industry led by brokers, to a widely held run on the basis of market principles.

Since then, virtually every North American exchange has gone public, including the MX which we are delighted to say chose to list on the Toronto Stock Exchange.

These transformations, in turn, have driven further changes and cross-border consolidations.

The basic driver of this consolidation is, of course, the need to meet shareholder expectations of increasing returns on their investment. This factor, combined with cuts in trading fees thanks to technological advancements, has forced the expansion of markets.

Being public has also forced exchanges to seek other synergies – so that the products they develop help strengthen multiple revenue flows simultaneously.

For example, we seek to offer products that will increase listings because by doing so we will be able to increase trading volumes and market data sales.

We have also undertaken other initiatives so as to offer added value to our issuers. For example, our recent acquisition of Equicom, one of the most important investor relations firms in Canada, allows us to work with issuers in order to promote best practices in terms of management, transparency and disclosure of information in a timely manner.

With this acquisition, our ultimate objective is to improve the efficiency and integrity of our capital markets for the benefit of all investors.

In sum, we want to offer the full range of products that will increase the attractiveness of being listed on an exchange.

From our office in Montreal, we cover listing activities of the 2 exchanges for issuers located east of Ottawa. One can equally find our National Call Centre which takes care of answering the needs of issuers, brokers, investors and shareholders.

I carry out my tasks from the Montreal office and my responsibilities cover everything that has to do with the management of the 1,600 companies listed at our senior exchange, along with, as I previously mentioned, the personnel in our 4 offices across the country... My mandate is not only limited to Canada as its scope is international as well.

The fact is that an exchange business can no longer be run as a local or even national business. Competition is now global. Exchanges like the NASDAQ and London's junior exchange, AIM, are vigorous competitors in our markets around the world.

This is true, for example, in the mining sector, where we are the world's leader in listings. Almost 60% of all listed mining companies are listed on one of our 2 exchanges, and we provide some 49% of the equity capital required for mining exploration and development on every continent.

It's also true for oil and gas, where our 2 exchanges combined have more listings than any other exchange in the world.

We are equally determined to challenge the leading centres for listings in technology and biotechnology, one of the specific strengths of Quebec City, and we are having considerable success in that area. In fact, we are 2<sup>nd</sup> worldwide, right behind the NASDAQ, for the largest number of companies listed in technology, and 3<sup>rd</sup> in biotechnology.

Another way of looking at the listings business is in terms of geography.

On top of our continual efforts in Canada, we have also launched a focused campaign targeting the United-States, in order to attract a larger number of American listings, especially among those small and medium sized companies that are of little interest to the big U.S. exchanges and who often find themselves lost on the NASDAQ and the NY Stock Exchange due to their capitalization.

Part of our U.S. campaign consists of a 9-city tour that, just this past week, brought us to Phoenix where more than 200 people participated in our one day seminar aimed at promoting Canadian capital markets. The campaign will continue later this fall with stops in Chicago, San Francisco and San Diego.

For the past two years we have placed increasing emphasis on our international activities in order to compensate for the slowdown of the domestic market.

As such, at the end of June, we had 225 issuers whose corporate headquarters were located outside of Canada.

And internationally, we have followed a strategy that is focused on those sectors where we have a clear competitive advantage – mining, energy and SMEs.

We have focused, for example, on key mining markets – such as Australia, South Africa and South America.

We have also addressed the issue of the emerging economic powers such as China and Brazil.

In fact, I will be leaving in two days for my third visit to China in the last year.

Joining me for my trip will be a group of investment banks, law and accounting firms that specialize in aiding Chinese companies to facilitate their entry into the Canadian market.

Richard Nesbitt, CEO of the TSX Group, who will be in Shanghai for the annual meetings of the World Federation of Stock Exchanges, will also join me for part of the trip.

Finally, we are also present in Israel where there is a burgeoning demand for financing in the high-tech sector.

When you add up all the results, you will find yourself with quite a surprising picture. With only 3% of global GDP, the performance of capital markets in Canada is well above average.

As mentioned previously, listings support two other key revenue sources for us.

One is market data – it is now our fastest growing source of revenue and a key source of growth in foreign markets, especially the United States.

The second is trading revenue.

Allow me to dwell here for a few moments on trading, because it is here that both global and local competition are the most ferocious.

You have probably heard about the new Canadian ATS (alternative trading systems) we face as competitors – in addition to older competitors like the NYSE, NASDAQ and U.S. alternative trading systems.

So far, many of the claims by Canadian ATS competitors are limited to press releases. They have yet to be proven.

Meanwhile, during the past summer, we have installed new servers armed with the latest exchange hardware. And during the fourth quarter we will begin deploying our new trading platform, TSX Quantum, which we will christen the “Quantum Revolution”.

Once it is operational, we will be able to process a transaction in less than ten milliseconds – which is ten thousandth of a second... which is 3 times faster than our current processing speed. This will place us among the fastest exchanges in the world, if not the fastest.

In terms of the cost of trading, according to the most recent Elkins/McSherry study, we are already among the lowest cost exchanges in the world in terms of trading fees. I should note that this survey was conducted in the second quarter, and that since then we’ve announced another round of fee cuts, effective November 1, 2007.

So, if ATS competitors mean what they say, it’s going to cost them a lot of money to catch up with us on speed, cost and capacity. What they face is what the TSX Group’s CEO, Richard Nesbitt, has called an “ATS killer.”

Let me conclude my address by speaking to you now about our derivative products strategy. There is obviously a great deal of discussions on what could happen in 2009, following the expiration of the non-competition agreement between the TSX and MX.

The TSX Group has always believed that it would be ultimately important to unify the capital and derivative markets, because fundamentally they serve the same clients. This has happened over the last few months with several of the world’s larger exchanges such as NYSE-Euronext, Deutsche Boerse, and the Australian Stock Exchange.

More recently however, we witnessed the twists and turns of the negotiations between the London Stock Exchange, the NASDAQ, the Scandinavian Exchange OMX and two competing entities from the United Arab Emirates – one in Dubai and the other in Qatar.

We do not know how all of this will end, but one thing is certain: in a world where each exchange on each continent can be an acquirer or a target, we need strong Canadian exchanges. Taking into consideration our range of multi-asset trading services, you can be sure that we will offer everything that our clients need.

It is thus not surprising that within one and a half years of the return of open competition on the field of Canadian derivative products, that we are preparing ourselves for our entry in this market.

We have clearly and openly stated our intentions. After March 15, 2009, we will be present in this market, through the presence of a new Canadian derivative products exchange, which will be known as the DEX.

The DEX, which is a joint venture between the TSX and the International Securities Exchange (ISE), the U.S. based exchange for stock options, recently announced its choice for trading technology, and that the range of products that the DEX will offer is increasingly being defined.

And let me clearly reiterate that the way we are preparing ourselves is completely consistent with the letter and spirit of the agreement we signed in 1999 with the MX.

You know, we are often asked if Canada will one day have an integrated exchange with both shares and derivative products, as Australia did last year.

In conclusion, let me remind you that our ultimate objective, at the TSX Group, is to ensure that we can compete in the global arena by having a solid and fully integrated Canadian capital market, a market that will be able to capitalise on the competence and expertise that Montreal and Quebec have both developed throughout the years.

Thank you for your attention.