

trading

clearing

technology

Partnerships:

BOX

MCeX

NYMEX



...and this is just the beginning

annual report 2006



Building the Montréal Exchange

The Montréal Exchange entered the right market with the right strategy, at the right time. We built a robust integrated business model to execute the strategy. So far, we have hit all key milestones in the business plan, delivering on our commitment to give Canada a world-class financial derivatives exchange.

1999

Initiate the reorganization of the Canadian securities markets. MX becomes Canada's financial derivatives exchange.

2000

Demutualize and restructure the Exchange. MX transforms itself into a private, shareholder-owned corporation and takes action to become full owner of its clearing-house.

2001

Deploy 100% electronic trading system. MX becomes first traditional exchange in North America to be fully automated.

2002

Expand to global liquidity centres. MX connects foreign market participants, giving electronic access to its trading platform.

2003

Deliver results. MX exceeds performance targets in business plan.

2004

Launch the Boston Options Exchange (BOX). MX becomes the only foreign exchange to be approved by the SEC as technical operator of a US options exchange.

2005

Deploy proprietary trading technology, SOLA®. MX becomes a "pure play" derivatives exchange with integrated control of trading, clearing and trading technology.

2006

Create Montréal Climate Exchange (MCeX). MX establishes new business venture, sets trading records and takes decision to list its shares.

... and, we believe, this is just the beginning.

The Montréal Exchange (MX) is **CANADA'S FINANCIAL DERIVATIVES EXCHANGE**. It is one of a handful of "pure play" exchanges with full ownership of trading, clearing and technology. The **FINANCIAL MARKETS** business unit offers trading in Canadian interest rate, index and equity derivatives. The **CANADIAN DERIVATIVES CLEARING CORPORATION**, an AA rated clearing-house fully owned by MX, provides clearing, settlement and risk management services. The Exchange is 100% automated and its **INFORMATION TECHNOLOGY SOLUTIONS** business unit has developed a proprietary suite of exchange technologies, known as **SOLA**®.

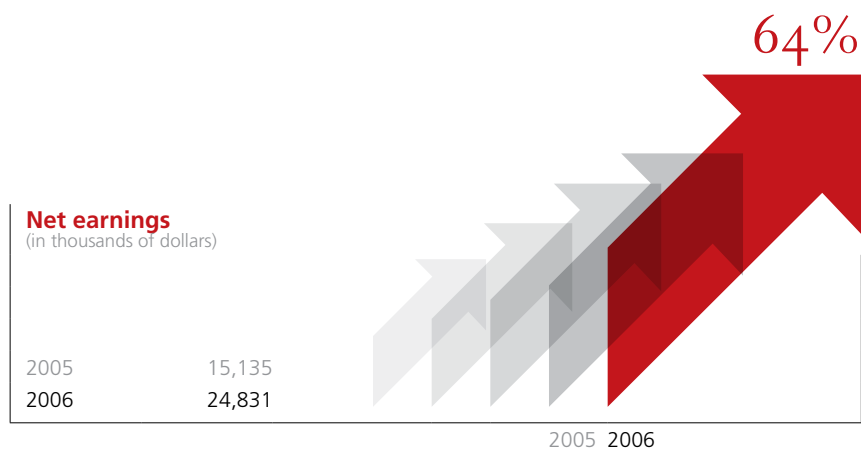
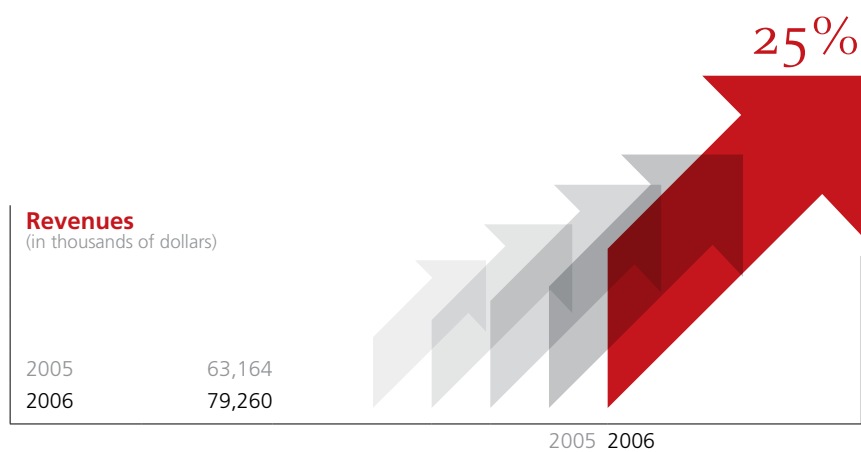
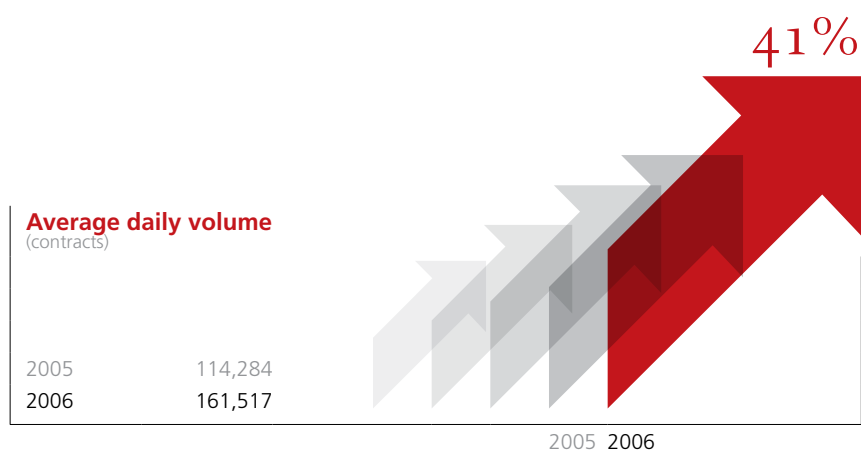
Strategic business partnerships enable MX to enter new markets. We are the technical operator and a significant owner of the **BOSTON OPTIONS EXCHANGE (BOX)**, a U.S. automated equity options market. The **MONTRÉAL CLIMATE EXCHANGE (MCEX)** is a joint creation of the Chicago Climate Exchange® and the MX. Its aim is to become the first regulated emissions trading and environment market in Canada. We recently announced our intention to create a business venture with the **NEW YORK MERCANTILE EXCHANGE (NYMEX)** to offer energy derivatives based on Canadian energy.

highlights

	2006	2005	Change
Average daily volume (contracts)	161,517	114,284	41%
Operational results (in thousands of dollars)			
Revenues	79,260	63,164	25%
Operating earnings	27,645	15,121	83%
Net earnings	24,831	15,135	64%
Cash provided by operations	29,563	25,139	18%
Per share (in dollars)			
Basic earnings	2.84	1.85	
Diluted earnings	2.72	1.72	
Dividends declared	2.50	1.50	
Total assets (in thousands of dollars)	122,694	119,032	
Financial ratios			
Return on shareholders' equity	37.8%	24.8%	
Operating earnings/revenues	34.9%	23.9%	
Net earnings/revenues	31.3%	24.0%	
Number of employees	219	201	

2006

Trading activity set records, increasing 41% compared to 2005 and lifting the compound annual growth rate to 29% from 2002 to 2006.



The Montréal Exchange is an enduring Canadian financial institution with a distinguished history and a wealth of experience. It has built a “next generation” derivatives exchange on this foundation.

1874

Securities were traded informally at the Exchange Court in Montréal for more than 40 years. In 1874, the Montréal Stock Exchange officially opened for business. It was the young country's first financial exchange, helping structure its capital markets.

A Wealth of Experience



The “new MX” delivers superior performance in terms of several key measures. Growth rates. Market liquidity. Flagship products. An AA-rated clearing-house. Advanced electronic exchange technologies.

The Institution

The MX was the first stock exchange in Canada. After a century of operations, it introduced Canadian investors to an emerging financial trend: the use of financial derivatives to manage portfolio risk. In 1975, MX created the first public equity options market in Canada and led establishment of the country's first derivatives clearing-house. In 1982, MX created Canada's first financial futures market—a market that today trades products that lead their global categories in terms of growth in trading volumes.

By the mid-1990s, a strong growth wave was building in international derivatives markets. The MX leadership responded decisively: MX became a specialized derivatives exchange in 1999, integrating Canadian derivatives trading and providing international investors with an open, automated market. MX has also become one of a small group of exchanges in the world that handle trading in futures and options, clearing operations and proprietary technology under a single roof.

Over the decades, a team of MX professionals has emerged with recognized expertise, and a valuable reserve of knowledge, in the fields of Canadian financial derivatives, trading technology and market regulation. The management team has positioned MX in the leaders' pack in terms of growth potential, proven capacity to innovate, financial strength, transparency and good governance.

In 2006, the Montréal Exchange reaped a rich harvest on its investment. Trading activity on its markets expanded by an unprecedented 41%, with the most rapid growth concentrated in its flagship interest rate futures products. This performance set records, and not for the first time. It brought the compound annual growth rate to 29% from 2002 to 2006 and was accompanied by the continued progression towards consistently healthy profit margins.



JEAN TURMEL
Chairman of the board

The succession of trading volume records provides proof positive that MX has the robust systems required to support rapid growth and scale up smoothly. The key systems, of course, are the clearing-house and the new proprietary MX trading system, SOLA®.

After five years of growth, during which the MX team consistently met or exceeded targets in the business plan, MX reached a new level of maturity. In late November 2006, the board decided that the organization has reached the stage of development that naturally supports the public listing of MX shares. The hard evidence supporting our decision is on display in the rest of this report and in the preliminary prospectus that has been issued.

In this historic year, the directors—more than half of whom are independent of management—have made valuable contributions. They have a firm grasp of the financial industry, strategy and governance issues. I would like to thank each and every one of my fellow directors for their support, skill and dedication.

As the exchange prepares to meet a new series of tests as a publicly traded corporation, I would like to extend sincere thanks to all MX employees. They have transformed one of Canada's oldest financial institutions into one of its premier business innovators. The MX track record since 2000 proves the wisdom of management's original specialization strategy. It grows from the energy of employees' implementation efforts. The timing could not have been better for the MX, for the Canadian capital markets and for investors.

Jean Turmel
Chairman



The MX team has transformed one of Canada's oldest financial institutions into a premier business innovator.



Seeing the Future of Derivatives

LOUISE LAFLAMME
Executive Vice-President and
Chief Financial Officer

LUC BERTRAND
President and
Chief Executive Officer

PHILLIPPE LOUMEAU
Senior Executive
Vice-President and
Chief of Strategy

The Derivatives Strategy

In the late 1990s, MX management was searching for creative ways to ensure sustained growth and build a stronger competitive position for the Exchange. At the time, the MX had accumulated more than 20 years experience in the financial derivatives business. The international derivatives business was growing at rapid rates due to powerful trends in asset management and financial markets. European derivatives exchanges were deploying new automated trading technologies and market models that promised to revolutionize the exchange industry.

In 1999, MX management saw the future of derivatives and took decisive action to specialize in this emerging financial sector. They proposed a restructuring of the Canadian capital markets that enabled MX to become the country's only financial derivatives exchange. In an important strategic move, MX gained full ownership of the country's derivatives clearing-house, with a respected risk management track record.

It was a bold move. MX was the first traditional exchange in North America to specialize in derivatives. This decision

immediately positioned MX in a new business, competing with a new global peer group.

The MX management lost no time. The exchange was demutualized, changing its traditional relationships with members, which became return-seeking shareholders. The trading floor was automated. A new market model was introduced, ensuring first-come, first-served trading with lightning-fast order matching times. In short order, the MX became directly accessible to the systems of brokers and traders in major world liquidity centres.

The new MX market model, technology, organization and ownership structure were supported by a change in the exchange's business culture. Employees were strongly motivated to innovate and generate competitive returns on investment. Today, the exchange employs a team of Canadian derivative industry veterans working with experts in clearing, regulation and information technology. More than half of our 219 employees work in Information Technology Solutions. About 65% of staff are shareholders.

The MX Integrated Business Model

The MX is a “pure play” derivatives exchange with full ownership of trading, clearing and technology. An integrated business model gives management direct control of the business and the ability to co-ordinate decisions, helping generate synergies and scale economies.

Management has autonomy and flexibility when developing MX products and improving the technology base. This makes for shorter response times in a market known for its rapid pace of change.

Integration also enables centralized relations with market participants, the largest of whom are involved both in trading and clearing.

MX is also the only derivatives exchange in North America to bring equity options and financial futures trading together on one electronic trading floor.

technology

clearing

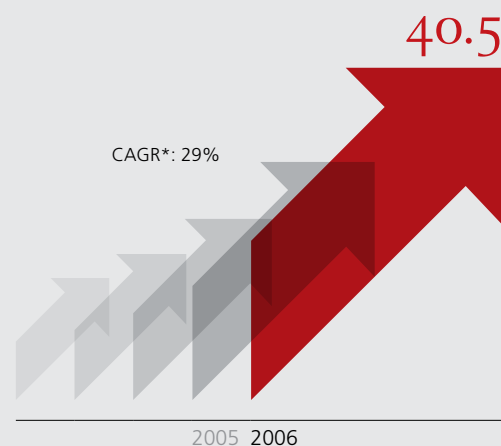
trading

MX is among a handful of “pure play” derivatives exchanges in the world.

The transformation of MX, including its integrated business model, has positioned the exchange as an innovator in the global industry and created opportunities to work with premier global business partners. It has provided a base for rapid growth in the last six years.

The exchange’s performance in 2006 provided the most impressive evidence to date of the success of the strategy adopted in 1999.

MX Annual Volume—Number of Contracts
(in millions)



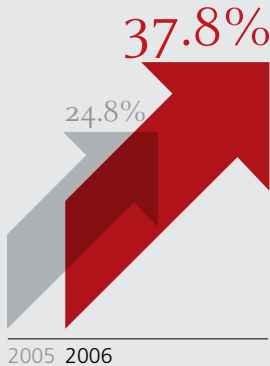
* Compound Annual Growth Rate

2002	14.7
2003	17.7
2004	21.8
2005	28.7
2006	40.5



The MX is delivering a state-of-the-art Canadian derivatives exchange. This was our commitment. It remains our focus.

Return on Shareholder's Equity



In 2006, MX paid more than \$23 million in dividends to its shareholders.

Trading activity again set records, increasing 41% in 2006 compared to the previous year and lifting the annual compound growth rate to 29% in the period from 2002 through 2006. Revenues reached \$79.3 million in 2006, up 25%, driven by solid revenue growth from Financial Markets and Clearing. Net earnings for the year increased by 64% to reach \$24.8 million, or \$2.72 per share (on a diluted basis).

As reported in previous years, this strong performance reflects both a growing global derivatives market and a clearly focused business strategy. The market for exchange traded derivatives is one of the strongest sectors of the financial risk management industry worldwide. As Canada's derivatives exchange, MX has positioned itself in the middle of this stream.

Rapid growth is one measure of success. Even more important are the sources of growth, its sustainability and its profitability over time. We entered the right market with right strategy, at the right time. We built a robust integrated business model to execute the strategy. And, so far, we have hit all key milestones in the business plan. The ultimate outcome: we are delivering on the 1999 agreement to give Canada a first-rate financial derivatives exchange.

Luc Bertrand—
President and Chief Executive Officer



Bring energy trading in line with canadian leadership in energy production

In February 2007, MX signed a letter of intent to form a new business venture* with the world's largest physical commodities exchange, the New York Mercantile Exchange—NYMEX

The partners intend to create a new Canadian corporation in Calgary to provide the Canadian market with trading and clearing of crude oil, natural gas and electricity contracts. It would start by offering clearing services in Over-the-Counter (OTC) energy markets. In a second phase, it would offer exchange-traded futures and options on the same underlying commodities.

* The transaction, to be concluded, is subject to customary conditions including execution of all definitive documentation.

Financial Markets leads business development for the MX financial futures and equity options markets.



MX was the fastest growing financial derivatives market in the OECD in 2006.

Direct Connections to the World

Market Builders

The success of the Montréal Exchange has been measured by rapid growth of trading activity in futures and options markets. The record of more than 40 million contracts traded on the exchange in 2006 was almost double the volume reported for 2004 and more than triple that of 2001. Increased liquidity does more than measure past performance: it fuels a virtuous circle of investor interest, more trading activity, bigger trades and yet more liquidity growth.

Building liquidity is the mission of the Financial Markets group. Its business development teams tailor their approaches to the challenges of two distinct markets: financial futures and equity options.

In the futures market, a central challenge has been to aggressively recruit foreign market participants and market flagship Canadian interest rate futures products to foreign funds, traders and brokers. Starting in 2002, the MX team began a campaign to connect these players directly to the

MX electronic trading system from hubs in global financial capitals, mainly Chicago, New York, London and, recently, Paris. The effort combined initiatives to gain regulatory approvals, apply advanced technology and attract traders to the MX futures market.

In the last three years, the team has recruited foreign approved participants who account for an average of about 30% of trading activity. This liquidity inflow has greatly strengthened the Canadian derivatives market and fuelled investor interest in Canadian capital markets.

Standard Canadian interest rate futures products have been MX flagships for years. They provide foreign and Canadian investors with an accessible and a cost-effective instrument to take positions in Canadian capital markets. The result: Three-month Canadian Bankers' Acceptance Futures (BAX) and Ten-Year Government of Canada Bond Futures (CGB) are among the most liquid instruments in their respective global futures classes. In recent years, they have also been ranked as the first or second fastest growing in those classes.

The MX has 91 approved participants.

MX foreign approved participants include 16 of the 20 largest Futures Commissions Merchants and 6 of the 10 largest firms in the world trading as principals.



BRIAN Z GELFAND
Vice-President,
Corporate Relations

JEAN-YVES TREMPE
Director, Market Data Services

RICHARD BOURBONNIÈRE
Vice-President,
Market Operations

GLENN GOUCHER
Senior Vice-President,
Financial Markets

LAURENT TERRASSE
Director, Marketing
and Promotion.

In the equity options market, the MX business target is to bring Canadian equity options trading in line with international levels. Canadian options trading remains a fraction, in relative terms, of the levels achieved in the US and European markets. Canadian brokers and investors need information about the use of options for risk management and portfolio optimization—and about the convenience of trading MX options. This is both a challenge and an opportunity for MX.

The options team has responded with a blend of marketing, investor education and awareness building. In 2006, they gave hundreds of presentations and seminars to thousands of investors, brokers and investment advisors, drawing on a variety of tools including more than 50 on-line courses developed by Training Services. The MX has applied its new trading technology, SOLA[®], to introduce a more dynamic approach to listing equity options. In 2006, options were written on 120 Canadian shares, up from 75 the previous year.

Financial Markets manages the MX Market Data business, which generated 13% of revenues last year. Market information generated from trading activity at MX was sold

to 53 revendors and, through their distribution networks, displayed on more than 26,300 screens around the world at year-end 2006.

The Financial Markets team is a serial record setter. Their strongest performance to date came in 2006. Trading activity increased a record 41% to reach a 40.5 million contracts in 2006 compared to the previous year. Annual rates of growth have been accelerating from 23% in 2004 to 31% in 2005 and more than 40% last year. MX was the fastest growing financial derivatives market in the OECD in 2006.

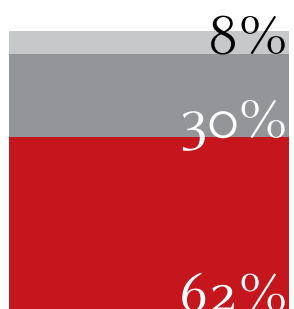
Growth in trading volume was driven by strong demand for flagship futures products. The BAX registered a 50% trading volume increase, while trading in the CGB grew by 64%. At year end, foreign approved participants held 41% and 47% respectively of open interest in these two products.

Another popular product in 2006 was the S&P Canada 60 Index Future contract, SXF, with trading volume increasing 37% in 2006 compared to the previous year. Trading volume in equity options increased by 22%, the fastest rate since 2003.

Building liquidity
is the mission
of the Financial
Markets business unit.

2006 Volume Breakdown by Product

- Interest Rate Derivatives
- Equity Options
- Index Derivatives



Driven by the growth in trading activity, transaction revenues increased by 38% from the previous year to reach \$36.4 million in 2006. Market Data revenues were \$10.6 million in 2006, up 30% from 2005.

Competitive Strengths

Financial Markets contributes to the competitive strength of MX in several ways:

- MX products are established, liquid, unique in the global market and backed by advanced trading technology. Competitors find it difficult to attract investors away from such well-established products.
- MX trades a diverse range of derivatives (interest rate, equity and index derivatives) on a single platform. This capability provides products appropriate to a wide variety of financial market conditions and diversifies the revenue base.
- MX operations are lean, efficient and scalable. The cost base is largely fixed, enabling economies of scale and the expansion of operating margins as transaction volumes increase.

Diverse range of financial derivatives

	Annual Volumes (Contracts)		%Change 2006-2005
	2006	2005	
Interest Rate Derivatives	25,087,481	16,359,599	53%
Index Derivatives	3,156,633	2,286,301	38%
Equity Options	12,265,461	10,032,227	22%
Currency Options	31,262	7,264	330%
Total	40,540,837	28,685,391	41%

Information Technology Services operates and manages development of the **advanced information systems** that support trading, clearing and market surveillance.



Financial exchanges are fast becoming specialized technology companies. ITS has a team of 125 professionals, more than half of MX employees.

Owning the Tools of the Trade

Architects of Exchange Platforms

The Montréal Exchange owns and controls its electronic trading platform, the core of its proprietary SOLA® suite of exchange technologies.

The platform provides fully integrated support to both MX trading and clearing operations. It is easily scalable, enabling MX to introduce new products and support rapid trading volume growth with limited incremental costs.

The MX is one of a handful of financial exchanges in the world that controls its technology base. It is aggressively marketing its software and expertise around the world.

The SOLA® platform has the capacity to support electronic trading of a full range of financial products: futures, options, equities, bonds and commodities.

The MX has built a robust position in the exchange technology space through years of investment and disciplined execution of an IT strategy, which was key to the transformation of the exchange. The first step was to automate the trading floor completely and rapidly in 2000-2001. The second major step was to complete the ITS development project supporting the launch of the Boston

Options Exchange (BOX) in 2004. MX technology expertise positioned it as a key partner and the technical operator of BOX, and as the only foreign exchange approved to play such a role in the United States.

The next key step in the IT strategy was to develop a proprietary trading system that meets emerging global demand for improved software performance as global transaction loads increase rapidly. The ITS team deployed SOLA® Trading at MX in 2005 and then at BOX in 2006. It significantly expanded trading capabilities at BOX, reputed to be one of the most technically advanced exchanges in the US.

The SOLA® trading platform brings major benefits to MX. Its capacity and scalability support aggressive marketing and product development programs. It is connected to 30 major independent software vendors (ISVs) that provide value-added connections with market participants world-wide.

The SOLA® platform can handle large trading volumes. This positions the MX to license SOLA® platforms to potential clients and partners, including other financial

JEAN GUILBAULT
Director, Systems Development
and Architecture

PAUL BORDONARO
Vice-President,
Service Delivery and Operations

RÉJEAN RHÉAUME
Director, Organizational Efficiency

ROSANNA TETI
Senior Vice-President,
Information Technology Solutions

OLIVIER DE BEAUFORT
Vice-President, Sales



exchanges, private markets, clearing houses, regulators and self-regulatory organizations.

The initial MX investment in the electronic trading system was designed to improve technical performance and contain costs. Today, the ITS business unit is also becoming an important revenue generator.

In 2006, ITS earned revenue of \$15.3 million or about 20% of total MX revenues. A key contributor has been licensing fees and other income from the BOX partnership.

Competitive Strengths

MX derives competitive strength from ownership of its trading platform and technology base for these reasons:

- MX is one of only a few exchanges in the world that can license proprietary trading technology to other exchanges.
- MX can integrate its products, services, clearing and risk management systems with its technology base, without negotiating with external IT suppliers.
- The SOLA® platform and software suite sets high global performance standards.
- The ITS team has valuable intellectual capital.

Next Generation Performance: People and Software

MX has done far more than automate trading. It has built a world-class IT team specialized in exchange software development and operating high-performance trading systems.

The team has built a “next generation” suite of electronic exchange technologies called SOLA®. The platform enables exchanges to handle increasing transaction loads: orders, quotes, mini-auctions, trades and more.

Key benchmark performance indicators include:

- Average response time \leq 1 millisecond
- Trades per second = 1,000
- Prices updates per second = 400,000



The Canadian Derivatives Clearing Corporation **clears, settles and guarantees every MX derivatives contract.**

CDCC guarantees are supported by systems for rigorously managing counterparty risk in accordance with international standards.

Rigorous Risk Management

The Canadian Derivatives Clearing Corporation (CDCC) is the only financial derivatives clearing-house in Canada. It is 100% owned by the Montréal Exchange. This reinforces the competitive strength of MX and places it in a handful of “pure play” derivatives exchanges.

The CDCC enjoys an AA rating from Standard and Poors and has earned respect in the exchange industry for excellence in risk management. It was created in 1975, when MX launched Canada's first equity options market. It is a valuable asset of the MX and a pillar of its integrated management model.

The CDCC meets rigorous international risk management standards. It has several sources of financial strength. The first is its membership: 31 Canadian financial institutions that meet CDCC capital requirements, contribute to the clearing fund and work with CDCC to manage an advanced financial backstop system.

CDCC also derives strength from the robust automated systems used to settle trades and to continuously track the risk positions of counterparties to MX derivatives contracts.

A House of Our Own



LINDA-LOUISE LEFRANÇOIS
Team Leader

MICHEL FAVREAU
Executive Vice-President and
Chief Clearing Officer, CDCC

LARA KRIVOKUCHA
Director,
Risk Management, CDCC

GEORGE KORMAS
Business Development Manager

Advanced software does regular automated “stress testing” of member positions to assess risk and adjust margin deposits to reflect changing financial market conditions.

The CDCC's position in the Canadian capital markets allows it to offer clearing services to other derivatives markets, both public and private. In 2006, the CDCC moved to leverage this comparative advantage by creating a new line of business: the clearing of bilateral derivatives contracts in the OTC market. This new service, called Converge, amounts to a credit risk reduction facility for financial institutions and other traders. The CDCC first obtained regulatory approval for necessary rule changes and launched the new service in the fall of 2006.

Ownership and control of CDCC was a cornerstone of the original transformation of MX into a pure derivatives exchange. Today, the MX integrated business model facilitates the co-ordination of risk management with product development, technology and market regulation. A case in point is the development of an advanced clearing platform, SOLA® Clearing, with the Information Technology Solutions group, expected to be completed in 2007.



ROGER WARNER
Director, Operations
CDCC—Toronto

The CDCC generates significant fee revenue streams from clearing operations and options exercise. These revenues grow with trading volume and transaction fees, since all trades are cleared and settled through the CDCC.

Clearing revenues grew 35% to reach \$13 million in 2006. About 17% of MX total revenues was generated by clearing services in 2006.

Competitive Strengths

MX derives competitive strength from ownership of its clearing-house. CDCC is a particularly valuable asset for these reasons:

- CDCC is the only derivatives clearing house in Canada.
- It has an excellent track record and meets high global standards of risk management.
- It earns an AA rating from Standards & Poors year after year.
- It possesses risk management systems and expertise that can be provided, profitably, to other markets and participants.

Financial Backstop: Six Levels of Protection

The mission of CDCC is rigorously to manage large amounts of financial risk—risk being the natural by-product of liquid derivatives markets. Its strong performance rests on a disciplined financial backstop system that provides six levels of protection

- Margin deposits are made by the 31 clearing members of CDCC when positions are opened; an automated stress testing system adjusts deposits to reflect financial market volatility.
- Daily margin settlements may be required when positions are marked-to-market each day and potential losses appear.
- Clearing members' capital can be employed to cover customer losses.
- A clearing fund is financed by all clearing members and can provide resources in the unlikely event of a member default.
- CDCC can use its back-up line of credit.
- CDCC capital can also be used as a last resort.

The system meets international standards. CDCC's success is critical to MX revenue performance and the integrity of its markets.

MX is still the only non-US exchange approved to be technical operator of a US equity options exchange.

Investors have reaped savings of **\$100 million and counting** from BOX automated auctions.



Platform for Penny Trading

Inside the US Options Market

MX is the technical operator and largest owner of the Boston Options Exchange (BOX), among the most technologically advanced of six equity options exchanges competing in the United States.

The BOX partnership gives MX a presence in two key markets: the US equity options market, a testing ground for innovation, and the global market for high-performance electronic trading platforms.

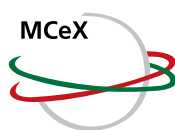
MX became a BOX partner in 2002 because of its IT expertise, in particular the know-how gained in automating the MX trading system in 2000-2001. BOX was launched in February 2004 with a fully automated trading platform and an innovative value proposition. Its open market model, with an electronic central order book, provided first come, first served service. It replaced traditional floor specialists with competitive market making on the electronic platform for each options class. Traditional "payment for order flow" was not in the picture. A price improvement process,

called PIP, supports automated three-second auctions that improve customer orders in pennies rather than nickels and dimes. Investors have reaped estimated savings of about \$100 million from the PIP auctions starting from the first day of trading.

The BOX trading platform was upgraded in 2006 with the deployment of the SOLA® trading platform by the MX team. The focus was on penny trading, a US pilot project, which greatly increases the technical demands on trading platforms. BOX made the transition smoothly while also using SOLA® Trading to list new options classes and increase the technical capacity available to market makers.

In two years of operation, BOX has expanded the scale and scope of its operations significantly. At year end 2006, it listed 600 options classes, up from 125 classes when it opened. It processed an average daily volume of about 380,000 contracts last year.

Emissions Markets: The Next Frontier



Montréal Climate Exchange

MCEX is ready to launch the first regulated derivatives market for emissions in Canada.

Market-Based Solutions for Emissions Reduction

The Montréal Exchange has an entrepreneurial instinct for catching the waves of change in the financial markets.

In 2003, the MX began focusing attention on an emerging wave: the use of derivatives in emissions credit trading and the creation of public “carbon markets” to help industry meet the challenge of investing in green technologies to reduce greenhouse gas emissions.

In 2006, the MX positioned itself to launch the first regulated derivatives market in Canada for emissions credits and environmental financial products by establishing the Montréal Climate Exchange (MCEX). It is working with an internationally recognized partner, the Chicago Climate Exchange (CCX). CCX manages the two most active greenhouse gas emissions credit markets in the world, the Chicago Climate Exchange and the European Climate Exchange®.

The MCEX is a joint venture owned 51% by MX and 49% by CCX. The Chicago group brings its reputation for leadership in emissions trading, environmental product knowledge, hands-on experience and marketing capacity. MX brings its knowledge of the Canadian capital markets and tested systems for trading, clearing and managing a Self-Regulatory Organization.

The MCEX intends to launch trading on the exchange as soon as the Government of Canada adopts an environmental policy that provides a legal and regulatory framework for emissions market operators. One element is the creation of clear incentives, including mandatory emissions reduction targets, for market-based solutions. MCEX believes that trading could be launched in 2007.

The Regulatory Division is managed at arm's length from MX

Ensuring Market Integrity



JACQUES TANGUAY
Vice-President,
Regulatory Division

FRANCIS LARIN
Director and Legal Counsel

DENIS CHOUINARD
Director, Examination and
Market Analysis

Maintaining Investor confidence

The MX has a major stake in maintaining the confidence of investors and financial institutions in global derivatives markets. In Canada, our self-regulatory organization has the mission of maintaining the transparency, credibility and integrity of this country's exchange-traded derivatives market. It provides a variety of financial safeguards for market users.

The Regulatory Division's units engage in a range of compliance activities, starting with regular examinations of the trading desks of market participants to verify compliance with MX rules and policies. A market analysis unit uses sophisticated technology to detect unusual trading patterns that can indicate insider trading, market manipulation and other violations of trading rules and securities law. Another unit in the market surveillance area conducts investigations of questionable activities. Finally, a disciplinary affairs unit manages enforcement and disciplinary actions, at times with working securities regulators.

The Division is required to maintain neutrality and impartiality when enforcing the rules that govern relationships between the exchange and market participants. For this reason, it is managed at arm's length from other MX operations. It is overseen by the Special Committee, Regulatory Division, which is independent of MX management and appointed by the Board of Directors. The Division finances its own operations through the collection of regulatory fees and operates on a non-profit, cost-recovery basis.

Market surveillance has become a high-tech activity as electronic trading has become widely adopted by market participants. The Regulatory Division is working with a team from the ITS business unit to develop and deploy SOLA® Surveillance, a software package designed for self-regulatory organizations.



Maintaining Institutional Strength

Product development
 Financial reporting
 Good governance
 Regulatory approvals
 Recruitment
 Marketing
 Reputation
 Technical support

Supporting an Entrepreneurial Culture

The success of the exchange rests on its strength as an institution and the quality of professional support provided to senior management and the business units. Maintaining a robust, agile institution is the mission of teams working under the umbrella of Corporate Services.

The Research and Development team supports business units with economic, financial and market analysis. It assists with product development and strategic initiatives, such as the Montréal Climate Exchange.

The Finance group works with senior management to develop the business plan and assess performance.

Finance teams also handle financial reporting, internal control and MX compliance with governance and financial disclosure standards.

Managing a derivatives exchange raises complex legal and regulatory issues, with major business impacts. The Legal Affairs team has led the process of obtaining regulatory

approvals in North America and Europe to provide participants with direct access to its trading platform. It is active in structuring partnerships. It also plays a key role relative to governance and rule making.

Human Resources has helped retain a core of veterans while recruiting a new generation of employees. It has also helped design programs, including incentives encouraging employee share ownership, that have fostered an entrepreneurial culture.

Marketing professionals reach out to market participants and investors. Communications presents the “new MX” to the media and other audiences.

The Administrative and Technical Services team manages the MX office environment supporting all employees.

DENIS GRÉGOIRE
 Vice-President,
 Human Resources

LÉON BITTON
 Vice-President,
 Research and Development

JOËLLE SAINT-ARNAULT
 Vice-President,
 Legal Affairs and Secretary

ALAIN LAURENDEAU
 Vice-President,
 Finance and Administration

Corporate Information

BOARD OF DIRECTORS—MONTRÉAL EXCHANGE (AS OF DECEMBER 31, 2006)

Jean Turmel

—CHAIRMAN OF THE BOARD
President, Perseus Capital inc.
Director since 2004

Carmand Normand

—VICE-CHAIRMAN
OF THE BOARD
Executive Chairman
of the Board,
Addenda Capital Inc.
Director since 1996

Luc Bertrand

President and
Chief Executive Officer
Montréal Exchange Inc.
Director since 1992

Denyse Chicoyne

Corporate Director
Director since 2004

Stephen J. Elgee

President,
Faversham Holdings Inc.
Director since 2001

Wayne Finch

Chairman and
Chief Investment Officer
Quadravest Capital Management
Director since 2001

Marie Giguère

Consultant
Director since 2006

James T. Kiernan

Director
Cornerstone Capital Partners L.P.
Director since 1994

William W. Moriarty

Managing Director, Head, Global
Research Division
RBC Capital Markets
Director since 2000

Louis Vachon

Chief Operating Officer,
National Bank of Canada
Director since 2000

Laurent Verreault

Chairman of the Board and
Chief Executive Officer
Groupe Laperrière &
Verreault inc.
Director since 1999

Brian E. Walsh

Managing Member,
Saguenay Capital, LLC
Director since 2004

BOARD OF DIRECTORS—CDCC* (AS OF DECEMBER 31, 2006)

Stephen J. Elgee

—CHAIRMAN OF THE BOARD
President,
Faversham Holdings Inc.

Marie-Claude Beaulieu

Full Professor
Département de finance et
assurance
Faculté des sciences de
l'administration Université Laval

Luc Bertrand

President and Chief Executive
Officer
Montréal Exchange Inc.

Peter Copestake

Senior Vice-President and
Treasurer, Manulife Financial

Michel Favreau

Executive Vice-President and
Chief Clearing Officer
Montréal Exchange Inc.

Claude Turcot

Senior Vice-President
and Director, Quantitative
Management, Standard Life
Investments Inc.

* Canadian Derivatives Clearing
Corporation (CDCC)

SPECIAL COMMITTEE—REGULATORY DIVISION (AS OF DECEMBER 31, 2006)

Gaston Ostiguy

—PRESIDENT OF THE
COMMITTEE
Chartered Accountant

Nabil Antaki

Professor and Associate Director
Centre for the Law of Business
and International Trade (CDACI)
Faculty of Law
Université de Montréal

Pierre-Paul Côté

Lawyer, Honorary Professor,
Faculty of Law,
Université de Montréal

Viateur Gagnon

Jean-Pierre Gallardo

President, Chief Executive
Officer and
Director, Fimat Canada Inc.

Giovanni Giarrusso

Advisor, Capital Markets
President, Giarrusso Consulting
Inc.

Pierre Lizé

Consultant—Securities

MANAGEMENT COMMITTEE (AS OF JANUARY 31, 2007)

Luc Bertrand*

President and
Chief Executive Officer

Louise Laflamme*

Executive Vice-President and
Chief Financial Officer

Philippe Louneau*

Senior Executive Vice-President
and Chief of Strategy

* Member, Executive Committee

Michel Favreau

Executive Vice-President and
Chief Clearing Officer, CDCC

Glenn Goucher

Senior Vice-President,
Financial Markets

Denis Grégoire

Vice-President,
Human Resources

Alain Laurendeau

Vice-President,
Finance and Administration

Joëlle Saint-Arnault

Vice-President,
Legal Affairs and Secretary

Rosanna Teti

Senior Vice-President,
Information Technology
Solutions

MANAGEMENT

Robert Bessette

Director,
Technical Assistance

Léon Bitton

Vice-President,
Research and Development

Paul Bordonaro

Vice-President, Service Delivery
and Operations

Richard Bourbonnière

Vice-President,
Market Operations

Denis Chouinard

Director, Examination and
Market Analysis,
Regulatory Division

Peter Conroy

Director, Business Development,
Futures

Olivier De Beaufort

Vice-President,
Sales

Stéphane Garceau

Director, Systems Operations

Brian Z. Gelfand

Vice-President,
Corporate Relations

Jean Guilbault

Director,
Systems Development
and Architecture

Gladys Karam

Director, Business Development,
Options

Lara Krivokucha

Director,
Risk Management, CDCC

Francis Larin

Director and Legal Counsel,
Regulatory Division

Josée Larin

Director,
Project Office
and Client Relations

Ann McCarthy

Director,
Market Access

Réjean Rhéaume

Director,
Organizational Efficiency

Jean Charles Robillard

Director,
Media Relations
and Communications

Jacques Tanguay

Vice-President,
Regulatory Division

Laurent Terrasse

Director,
Marketing and Promotion

Jean-Yves Trempe

Director,
Market Data Services

Roger Warner

Director,
Operations, CDCC

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Ce rapport annuel est également disponible en français.

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