

## The Empire Club Presents



**LOU ECCLESTON, CHIEF  
EXECUTIVE OFFICER,  
TMX GROUP**

### **WITH: 165TH BIRTHDAY FOR TMX GROUP LIMITED AND THE TMX GROUP'S OUTLOOK FOR THE NEXT FEW YEARS**

#### **Welcome Address, by Barbara Jesson President of Jesson + Company Communications Inc. and President of the Empire Club of Canada**

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October 24, 2017

Good afternoon, ladies and gentlemen. From One King Street West Hotel in downtown Toronto, welcome, to the Empire Club of Canada. For those of you just joining us through either our webcast or our podcast, welcome, to the meeting.

Before our distinguished speaker is introduced today, it gives me great pleasure to introduce our Head Table Guests. I would ask each guest to rise for a brief moment and be seated as your name is called. Please, refrain from applause until everyone has been introduced.

#### **HEAD TABLE**

##### **Distinguished Guest Speaker:**

Mr. Lou Eccleston, Chief Executive Officer, TMX Group Limited

##### **Guests:**

Mr. John Burzynski, President and Chief Executive Officer, Osisko Mining Inc.

Mr. John Clark, Chairman, Caledon Trust Company

Mr. Eric Jackman, President, Invicta Investments ULC; Past President, Empire Club of Canada

Ms. Maude Leblond, Head and Managing Director, Financial Institutions Group, National Bank Financial

Mr. Vivek Mehta, Head, Wealth Strategy, Bank of Montreal

Mr. Kevin Sullivan, Deputy Chairman, GMP Capital Inc.

Ms. Verity Sylvester, Vice President, CMC+CO; Past President, Empire Club of Canada

Mr. Mike White, President and Chief Executive Officer, IBK Capital Corp.

Mr. William White, Chairman, IBK Capital Corp.; Director, Empire Club of Canada

My name is Barbara Jesson. I am the President of Jesson + Company Communications and the President of the Empire Club of Canada. Ladies and gentlemen, your Head Table.

We are also pleased to welcome some students from Centennial College. Thank you, IBK Capital Corp., for sponsoring our student tables today. Students, please, rise and be recognized.

I am just delighted to welcome you to this lunch celebrating the 165th anniversary of the TSX. When we began talking about this lunch, I, personally, was surprised to learn that the roots of the TSX actually predate Confederation. On July 26, 1852, a group of businessmen formed the Association of Brokers, formalizing talks that had begun a year earlier to create the Toronto Stock Exchange. Until the mid-1800s, much of the

capital for the early development of Canada was raised in the London market. The public shares of large corporations, such as the Hudson's Bay Company, which was, by the way, the oldest commercial corporation in North America, were held in Great Britain. The Hudson's Bay Company, founded in 1670, was modeled on the Dutch East India Company to enable investors to mitigate the risks associated with the fur trade.

As European countries embarked on imperial expansion, sea voyages that brought back goods from places in the Far East and the Americas were fraught with risk, pirates, storms and the limitations of navigational tools. In order to reduce the chances of lost ship ruining their fortunes, the East India Companies came up with an ingenious solution and changed the way business was done forever. They created company stocks that would pay dividends on the proceeds from all the voyages they undertook.

Of course, the roots of modern commerce go back much further than this to 14th century Venice where merchants first began selling government debt issues. The Belgians boasted a stock exchange as far back as 1531, although they did not sell any stocks. In one account that I read, it was suggested that the idea of a share market existed as far back as ancient Rome where organizations of contractors performed state services. An example of such services, I read, is apparently the feeding of geese on the Capitoline Hill as a reward for the birds after their honking warned of a Gallic invasion in 390 BCE.

The TMX history is not quite so colourful. By the turn of the 20th century, more than 100 companies were listed on the TSX,

and annual trading volume was close to one million shares. Today, the Toronto Stock Exchange is one of the world's largest by market capitalization. Here, to share with us the modern story of the TSX and its parent, the TMX Group, is Mr. Lou Eccleston, Chief Executive Officer of TMX Group.

Mr. Eccleston joined the TMX Group on November 3, 2014. He is a member of the TMX Group board of directors and a member of the board of directors of several TMX Group subsidiaries. Mr. Eccleston has more than 30 years of extensive experience in senior leadership roles in the information services, financial technology and capital market services sectors. Prior to joining TMX, he was President of S&P Capital IQ and Chairman of the Board of S&P Dow Jones Indices. He was named to the Institutional Investor "Tech 50" in 2012, 2013 and 2014. Ladies and gentlemen, please, join me in welcoming Mr. Eccleston to our podium.

### **Mr. Lou Eccleston**

Thank you, Barbara. My thanks to the Empire Club for giving me the opportunity to be here, today. I was fortunate enough to be here for the Club's Invictus Games luncheon about a month ago. That was really a first-class event.

It served as a very fitting kickoff to what was a tremendously inspiring week of games here in the city. I am sure it is something that is going to be talked about by Canadians and people from all over the world that attended, for many years to come. I am honoured here, today, to commemorate two very

large milestones: the Club's ongoing Canada 150 celebration and the 165th anniversary of Toronto's Stock Exchange, as Barbara mentioned. I am going to add a little bit of a history anecdote as well, but try to tie it to, really, how we have kind of grown up together—the TMX Group as it exists today and Canada, as a country.

I have given this a lot of thought in the last three years that I have been in this position. I can say with certainty, now, and no small measure of pride, that Canada and TMX Group have a great deal in common, both in how we came to be and, importantly, how we are positioning for the future.

From way back in our formative years, the evolution of our company has been interlinked with the country's history. In fact, I think it is fair to say that we did kind of grow up together. When I was looking back through history and the scrapbooks and all the milestones that we have notched along the way, I found that the evolutionary timeline is not quite linear, as you might think it would be. In fact, it is reasonable to ask the question of, really, How old are we, anyway? This year, we rightly celebrate Canada 150, as Barbara mentioned, and the making of the British North American Act, which created the Dominion of Canada. What I thought was interesting about that is that was a time with a country with four provinces and no security commissions, if you can actually imagine that. It was not until 1982 with the Constitution Act that Canada achieved true sovereignty from Britain.

In similar fashion, today, we celebrate the 165th birthday

of the Toronto Stock Exchange, as Barbara mentioned: 1852. But, in truth, the TMX Group of today actually began all the way back with the creation of the Montréal Exchange in 1832, which was then acquired by the Toronto Stock Exchange in 2008. If you keep following that, that company then became TMX Group, and then TMX Group Ltd. in 2012, with the addition of Alpha and the Canadian Depository for Securities.

What is interesting with that is that transaction in 2012 was driven by the Maple Group, which you may have heard of, a consortium of Canadian banks and investment funds that were formed in an effort to thwart the takeover of TMX Group Ltd. by guess who? Does anybody remember that? The London Stock Exchange. Histories, woven by a common thread, maintaining Canada's sovereignty from Britain. That is the linkage I thought that was interesting to point out as we get started today.

You can call it Canada 150, TMX 165, or simply 2017. This year has been marked by terrific events and really lots of fascinating evolutions that give us plenty of reason for excitement, not just about the history, but the future that we look to.

There is another very significant and undeniable linkage between Canada and TMX. That is our natural resources foundation. In fact, the Toronto Stock Exchange and TSX Venture Exchange, today, are the number one marketplaces in the world for natural resource companies to raise capital. That is from some of the beginnings that you heard Barbara mention.

We did not fall into this. We built this foundation together. As we know, Canada is blessed with a vast wealth of natural

resources, which contributes massively to the vitality of the nation's economy. Resource industries play a critical role in creating jobs, driving growth and prosperity for Canadians. They always have. The companies that built Canada's economy, as well as some of the companies that, literally, built Canada's infrastructure, from railroads, manufacturing, resource exploration and communications, raised the capital to run their businesses via the Toronto Stock Exchange. Investors came to depend on our markets through integrity, efficiency and reliability. Canada's capital markets grew into some of the best in the world.

Our leading institutions have weathered all manner of financial crises, if you look back over the last hundred plus years. The success story that is TMX is not really about us. It is really about our clients and the stakeholders that built our marketplace into the true global leader that we are today. In fact, during the Great Depression, over 2000 U.S. companies and brokerage firms closed. Not one Toronto Stock Exchange member defaulted on their client obligations. That legacy continued, and a similar story followed with the market crash of 1987, and then the financial crisis of 2008.

The Toronto Stock Exchange, indeed, has a proud history of leadership: The world's first computer trading system, the first fully electronic exchange in North America, the first North American exchange to go public, and the first exchange to appoint a woman as a CEO in North America.

TMX also invented the exchange-traded fund, ETFs. This was recognized as one of Canada's top innovations in the last

150 years by the Globe and Mail. We celebrate that legacy today.

From the colourful history of the trading floor through the advent of the electronic age and throughout exchange industry consolidation, TMX has adapted and endured. We have our clients and our broader stakeholder group to thank for that. Their partnership has pushed our markets to the front of the world-wide pack. As we have all come to learn—and the fine print so eloquently and succinctly puts it—past performance is not an indicator of future performance.

Everywhere we turn today, disruption is hitting established industries, and new emerging paradigms are leaving complacent and less agile incumbents in their wake. The question really for us now is How do we build on our immensely strong and proven foundation for the future? When I joined TMX, which is now three years ago—so, actually, there is another anniversary coming on November 1st—we had reached a crossroads. We needed to define a clear path forward. What we set out on was a full process—360-degree process—of trying to decide what TMX means and, importantly, what it needs to mean. We canvassed clients; stakeholders across all markets, in Canada and around the world; all of our employees across all of our businesses. And the goal, really, was to uncover what the TMX needs to be and what our client stakeholders want us to be. From there, we embarked on what has been a transformational journey and shifted the company strategy 180 degrees from focusing on infrastructure to being a technology-driven solution provider that focuses squarely on helping

our clients succeed. This was a big change for us and a big focus that we led throughout the entire firm. It became very clear, very quickly, what needs to happen: Canada and TMX Group Ltd., while maintaining our leading position in natural resources, must also become a world-leading marketplace for innovation companies to raise capital. We need to be the preferred global destination for fintech, biotech, cleantech and life science companies just as we had become for resource companies.

Developing a technology franchise on par with our resource franchise is crucial for Canada as well. This will create new jobs, bring in new foreign investment and keep global talent here.

Sounds like a big stretch, but, actually, it has already started happening. TMX markets, today, are already a breeding ground for innovation, with proven success in helping early-stage companies evolve into powerhouses. So far, this year alone, TMX has welcomed 27 new innovation companies to our exchanges and three from outside our borders. We are, literally, every day, working to bring Canada to the world and the world to Canada.

Last year, 30% of our revenue, TMX Group's total revenue, came from customers with an address outside of Canada. We actively encourage foreign investment into Canada, while simultaneously bringing Canadian companies to the world stage.

Our initiatives concentrate on partnering with market leaders to promote all sectors to international investors and pitch-

ing the myriad of benefits that they enjoy when they trade on our markets.

Evidence shows that the efforts are paying off. Canada is a world-wide success story, today. This is just not aspirational. According to the latest data, through the end of August of this year, net foreign inflows into Canadian equities was more than \$47 billion compared to last year's of \$31 billion. That is a 53% increase. It is working.

TMX also proudly represents, advocates for and advances Canada, here, and across the world through initiatives like TMX Ignite, U.S. innovation roadshows, international campaigns. This month, for example, we are having TMX invest in contingents active in across the United States, Brazil, Israel, and Saudi Arabia. We are very active around the world promoting Canada and, as I said, trying to bring that business into Canada.

We are building an increasingly global business by targeting our priority areas of entrepreneurship and innovation and opportunity. In the global exchange rankings, so far this year, we are second in new listings behind Shanghai, but ahead of all other global peers. Global peers, for us, are the London Stock Exchange, the New York Stock Exchange, NASDAQ, Deutsche Börse.

Our Venture Exchange is an international success story as well. Through September 30th, this year, technology companies, the innovation sector I mentioned, alone, have raised 67% more capital than in the first nine months of 2016. When you think about all these statistics and what we are

doing and focusing on and the momentum we are already getting, the rise to prominence of Canada's innovation sector is a very real phenomenon that is happening already.

The key point here is that "TMX capital formation ecosystem," as we like to call it, which includes the junior exchange on Venture and the senior exchange with TSX, has evolved beyond resource play. It is not an aspiration. It already has. It is just beginning, but it already has. It is a dynamic vehicle for generating growth capital for any type of company. It is a channel for raising venture capital in a public model. I think this is something that makes us very unique in the world.

If you look at the IOSCO Annual Report from a couple of years ago, they actually called us a unique model in the world.

When you think about things that are converging and forming around the world and you think about a traditional exchange role, and then you think about private capital venture money, and then you think about something that is rising, like crowdfunding or peer-to-peer or human-to-human, as it is now called, we sit right in the centre of that. Our job is to find and help growth companies find that capital. That ecosystem is unique in the world.

Today, you can look at the Toronto Stock Exchange and see that it is home to large, global companies like Shopify, Connexus, CGI, OpenText, the recently announced Zymeworks, while the Venture Exchange features 275 early-stage tech companies. You also hear a lot of talk about—well, companies do not go public anymore. There has been a his-

tory of declining in public companies. When you look at this on the Venture Exchange, of those 275 companies, more than 20% have gone public in the last two years, and 75% of those companies have raised capital in the last two years. That trend, I submit, has already changed. This idea of being a public venture channel is something that is unique to us and is really starting to gain some momentum. This TMX public venture franchise, it is real. It is growing, and it is attracting innovation companies from all over the world as we continue to support our resource franchise. In the end, when you think about all these numbers, you can see the future is actually already taking shape. We have a video.

### [VIDEO]

As our new brand campaign says, as you have just seen, technology is now everyone's business. It is up to us to craft the future. When you look around, advances in technology have not merely had the effect of expanding or resetting boundaries and the way we think about doing business.

Technology has obliterated the boundaries of how we think about doing everything that we do. Possibilities are now as infinite as the human capacity for imagination.

Yesterday's science fiction is today's reality. What was once considered fantasy, as you saw in the video—self-driving cars, robotics, artificial intelligence—are here and now.

Conventional thinking has given way to continuous reinvention. This is what we thought. What role do we play

in the world for our clients? How do we help them realize their visions, regardless of what industry they are in? Hence, the message that we thought we could send that was best for TMX, best for Canada, and best for our clients today and in the future.

We need to ensure that Canada is the home base for new game-changing ideas, breakthrough ideas, and redefining industries. TMX is committed to working together with all of our stakeholders to make that happen.

Last year, you might have noticed an issue called the Advancing Innovation Roundtable. We funded that. It was an independent group, a 12-member independent working group composed of senior leaders from all over Canada in the financial services sector.

The whole purpose there was to bring people together to explore market-based and regulatory solutions to keep innovation companies in Canada, and it particularly focused on growth companies from \$10 million to \$50 million. How do we make sure that these companies get the capital they need?

If you look, many of these recommendations are actually underway and have been accepted or been implemented or in the process of being implemented. That is the kind of thing we want to do more of.

On this 165th birthday, and in the midst of the 150th celebration year, history is important, as always, but we have to build on this foundation that we have coming from history.

We have to leverage and grow the powerful and resilient marketplace that we enjoy today.

That is the way that we will ensure relevance and success in the future.

A closing thought: We all know that no future is guaranteed. Our future is not guaranteed, but we believe, together, it is most certainly ours to see. Thank you.

BJ: In celebration of Canada's 150th birthday and our eighth event in our sesquicentennial series, I now ask our series sponsor, IBK Capital Corp., represented by Mike White, as well as our guest of honour, to join me at the podium and blow out the birthday candles.

***[HAPPY BIRTHDAY, CANADA!]***

**Note of Appreciation, by Mike White, President and Chief Executive Officer, IBK Capital Corp.**

Madam President, distinguished Head Table Guests, fellow members and guests of the Empire Club of Canada, I have the pleasure to express our formal thanks to the key speaker and the TMX Group. The Empire Club of Canada is celebrating Canada's momentous 150th anniversary, as we know, with a series of special, high-profile addresses from leaders of some of the iconic institutions of organizations that have shaped Canada's history.

The TMX Group, as we heard today, is a big part of this series and has definitely helped shape Canada's history.

Our luncheon, today, has featured Lou Eccleston, Chief

Executive Officer of TMX Group, and we have celebrated the TMX Group's 165th birthday and enjoyed a discussion of the TMX Group's outlook for the future. We are proud of the TMX Group and the role they have played in the global development of our capital markets. The lifeblood of Canada is capital formation, and the TMX Group has been a wonderful partner in raising capital, which facilitates the growth of business and the creation of jobs in Canada.

Please, join me in a warm and special thank you to Lou Eccleston and the TMX Group. Happy birthday, TMX Group and, as I said, Happy Birthday, Canada! Cheers.

### **Concluding Remarks, by Barbara Jesson**

Now, I get to thank Mike. I also want to thank our generous sponsors for making this event possible: Presenting sponsor Osisko Mining Inc.; gold sponsors Bank of Montreal, Caledon Trust, GMP Securities, and National Bank; and sesquicentennial series sponsor IBK Capital.

Without sponsors like these, our lunches would not be possible. Once again, we thank you for your generous support.

We would also like to thank mediaevents.ca, Canada's online event space, for live webcasting today's event to thousands of viewers around the world.

Although our club has been around since 1903, we have moved into the 21st century and are active on social media. Please, follow us on Twitter at @Empire\_Club and visit us

online at [www.empireclub.org](http://www.empireclub.org).

You can also follow us on Facebook, LinkedIn and on Instagram.

Finally, please, join us at our next event, November 14th, with the Right Honourable Beverley McLachlin, Chief Justice of Canada, at One King Street West. Thank you for your attendance, today.

This meeting is now adjourned.