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TMX Group Limited

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Thank you, Lara and good morning, everyone. It is October 31st, and I hope this Halloween brings you delightful moments and memorable experiences.

Thanks for joining us today to discuss the 2023 Third Quarter Results for TMX Group. As you know, we announced our results late yesterday, and copies of our press release and MD&A are available on tmx.com under Investor Relations.

This morning, we have with us John McKenzie, our Chief Executive Officer, and David Arnold, our Chief Financial Officer. Following the opening remarks, we will have a question-and-answer session.

Before we begin, I would like to remind you that certain statements made during this call may relate to future events and expectations and constitute forward-looking information within the meanings of Canadian securities law. Actual results may differ materially from these expectations.

Information concerning factors that could cause actual results to differ from forward-looking information is contained in our press release and in periodic reports that we have filed with the regulatory authorities.

And with that, I'll turn the call over to John.

John McKenzie — Chief Executive Officer, TMX Group Limited

Well, thank you, Amin, and good morning, everyone. Thank you for dialling into the call this morning to discuss TMX's financial results for the third quarter and the first nine months of 2023.

My comments this morning will really focus on TMX's performance year to date through September 30th and the important progress we have made in executing the enterprise growth strategy

and advancing our key initiatives. David is here as well with me in Montreal this morning, and he will take us through the third quarter results in detail in a few minutes.

Now, before I turn to business, I do want to address something that has been on all of our minds over the last few weeks and that is the Middle East. TMX is actually part of the business community in Israel. We have one of the largest presences of any international market with 16 listed companies raising capital via our public market ecosystem.

Team members, clients, and people we work with closely are going through a profoundly difficult time, and our hearts are with them. And so we are so grateful for the humanitarian efforts of groups working to treat and protect the lives of people in affected communities and providing essential relief services and resources, and we collectively pray for peace and a brighter tomorrow.

Now, turning to TMX's performance, we reported continued positive results for the first nine months of 2023 with solid year-over-year revenue growth for three consecutive quarters amidst prevailing challenges across much of our operating environment. Our 2023 results through September reflect the depth of value in our business.

The execution of TMX's long-term strategy has strengthened our ability to deliver positive results even in difficult macroeconomic conditions. This has been a deliberate effort to build the amount of business that's driven through our data services and in run rate revenues, so the business is more resilient in times of economic strife. More importantly, today's TMX is better positioned to serve clients across our markets and increasingly around the world and better positioned for growth.

TMX reported revenue of $892.6 million, a 6 percent increase from the first nine months of last year, driven by double-digit growth in revenue from our Information Services business, or GSIA, which

includes Trayport and TMX Datalinx, as well as increased revenue from Capital Formation, Derivatives Trading and Clearing, excluding BOX.

These overall gains were partially offset by decreased revenue from Equities and Fixed Income Trading due to lower trading volumes on Toronto Stock Exchange, TSX Venture Exchange, and Alpha, and lower capital-raising activities.

Clearly, this has been a challenging capital markets period, and we want to just have a quick shout-out to our clients as well who are suffering through some of those same challenges.

On an adjusted basis, diluted earnings per share for the first nine months of the year was $1.10, a 2 percent increase from the same period in 2022.

Total reported operating expenses increased 10 percent compared to the first nine months of last year, and David will take a closer look at these expenses in his remarks to follow.

Now, moving to each of our business areas.

GSIA remained our fastest-growing business area through three quarters of the year. Revenue from GSIA was $311.6 million through the first three quarters of the year, which is a 17 percent increase from 2022, reflecting higher revenue from Trayport and TMX Datalinx, including colocation.

Trayport's revenue grew 22 percent or 17 percent in common currency pound sterling year over year, driven by a 9 percent increase in trader subscribers, annual price adjustments, and the impact of a favourable FX rate.

Trayport's core Joule network plays a key role in serving world power and natural gas markets, linking participants to execution venues and clearing houses and delivering innovative products and services to a growing client base, and September marked the 30th anniversary for Trayport. The number

of game-changing achievements over the years as the Company has expanded this network into new asset classes and geographies and added new cutting-edge capabilities is impressive.

Among other successes since Trayport joined TMX in 2017 includes enhancing the client offering with the acquisition of leading solution providers such as Tradesignal and VisoTech, launching an initiative to aggregate the global environmental markets, and adding over 400 net new clients.

And world energy markets are rapidly evolving. Demand for data and analytics to support new quantitative and automated approaches continues to grow, and a proven ability to meet the needs of the marketplace and a committed strategic focus on seeking out new opportunities has positioned Trayport well for continued success.

TMX Datalinx grew 13 percent in the first nine months due to higher revenue from data feeds, colocation, benchmark indices, and enterprise agreement renewals, as well as the favourable FX impact from a stronger US dollar. Revenue for the first three quarters of the year also included $5.3 million from Boston-based Wall Street Horizon acquired in November of last year.

2023 has been a landmark year for our Information Services business, marked by high performance and definitive steps forward in our strategy to boost our capabilities, expand our data sets, and deliver modern solutions to clients.

Progress this year also includes our participation in the creation of the new Term CORRA benchmark and our investment in VettaFi, a global provider of indices and ETF services.

Importantly, information and, more specifically, what we can do with it, is not the focus of just this one division, but it is a crucial and common element in TMX's enterprise global growth strategy. Across the organization, we are focused on new ways to leverage our robust, proprietary data sets to solve client challenges today and into the future.

Earlier this month, we announced the launch of the new TMX ESG Data Hub. Working with leading global ESG data and analytics providers, the new hub expands TMX Datalinx's offering in support of client demand for integrating ESG measures into the investment decision-making process. This includes tracking company climate action plans, quantifying impact, screening, and peer analysis.

Now, turning to Derivatives. Excluding BOX, revenue from Derivatives Trading and Clearing was $121.1 million in the first nine months of 2023, a 13 percent increase from last year, driven by higher revenue from MX and CDCC due to increased volumes traded and cleared.

MX total volume grew 12 percent compared to the first nine months of 2022, and the level of overall open interest at September 30, 2023, was 16 percent higher than the same date last year, which is an important key measure of liquidity growth in some of MX's key products.

Fixed Income and Equity Derivative markets grew sequentially from Q2 to Q3 as higher volatility and an active central bank policy environment drew increased activity from institutional investors in MX's short-term interest rate products.

Highlights from the first nine months of the year featured year-over-year growth in key product areas, including 10 percent higher volumes from equity options; 20 percent higher volumes from ETF options; heavy trading in the BAX CORRA and the CGZ, MX's two-year Government of Canada Bond Future (sic) [Futures] contract, up 26 percent and 88 percent respectively; and overall, the interest rate product line also performed extremely well, with volumes up 19 percent compared to the first nine months of 2022.

Now, moving to Capital Formation. Revenue for the first nine months of 2023 was $205 million, a 3 percent increase from 2022, reflecting higher revenue from TSX Trust and partially offset by lower revenue from additional listing fees due to a decrease in the number of financing transactions and dollars

raised on Toronto Stock Exchange, and a decrease in the total financing dollars raised on TSX Venture Exchange; though we are encouraged by the year-over-year increase the number of junior financing transactions being completed.

Revenue from other issuer services, which largely consists of our TSX Trust business including AST, was $83.9 million, a 37 percent increase compared to the first nine months of last year, driven by higher net interest income, slightly offset by lower transfer agent fees.

The stark realities of a prevailing high-interest rate environment and inflationary pressures through the first nine months of 2023 continued to weigh on equity markets and capital-raising activity here in Canada and economies around the world. And while the overall number of new listings on TSX and TSX Venture is down from the same period last year and the record highs of as recent as 2021, the pipeline of go-public prospects we are connected to remains strong.

Within the numbers, we are also seeing positive signs in traditional and nontraditional sectors, along with some recent competitive wins among our new listings, as companies continue to choose the TSX and the TSX Venture ecosystem to gain access to the capital they need to grow.

In September, we welcomed Allied Gold, a Canadian-based gold producer with operations in Africa, to Toronto Stock Exchange. The Company raised approximately $364 million in a reverse takeover transaction, representing our largest go-public offering in the mining sector since 2017. This listing was a significant win for the TSX and the entire ecosystem that surrounds the Canadian mining sector and speaks to the strength of our global value proposition.

Also in September, TSX listed DRI Healthcare Trust, a global leader in financing life sciences innovation and completed two bought deal financings of around $100 million.

And earlier this month, Strathcona Resources, one of North America's fastest-growing energy companies, began trading on TSX following an acquisition at a $6 billion valuation.

And so we continue our business development efforts in targeted regions around the world. And in September, we added a full-time presence in Australia focused on the mining sector and the innovation sector.

In 2021, we also undertook an important initiative, to improve Indigenous relationships at our organization. And over the past two-and-a-half years, we have made some important progress on our company's reconciliation journey, always stressing the need to prioritize actions over words. And last week, we were proud to host the inaugural TSX Indigenous Investor Day at our market centre in Toronto. For TMX, connecting entrepreneurs and growing businesses to potential investors is a fundamental core function of our marketplaces. And so this event marked an especially important milestone as we were able to bring a representative range of decision makers together to discuss strategies for growing Indigenous-led businesses to the benefit of these businesses and the investors as well as the broader community and, ultimately, all Canadians.

Canada's markets have an outstanding, long-term track record of helping visionary entrepreneurs and early-stage businesses raise growth capital and enabling investors to participate in that growth. And TMX is committed to building on that track record enabling more efficient access to underrepresented groups and emerging industries long into the future.

Now I'd like to finish up my comments this morning by emphasizing our commitment to our growth strategy and our stakeholders. While our 2023 results today show impressive resilience, TMX is not sitting idly by waiting for things to swing our way. We are ever focused on the future, on ways to adapt

and accelerate our growth plans by invigorating our purpose to make markets better and empower bold ideas.

We also have a strong balance sheet and flexibility to make future investments to continue to accelerate this growth, which David will take us through in more detail a little later on.

And in closing, I would like to thank all of our employees across the organization for their exemplary efforts this year in a very challenging market. All of our business strategies are rooted in the responsibility we have to serve stakeholders across our markets with excellence and integrity, vision, and purpose. TMX's people here in Montreal, across Canada, and around the world share an unshakeable commitment to fulfilling that responsibility, and together we look forward to the challenges ahead.

With that, let me pass the call over to David. Thank you.

David Arnold — Chief Financial Officer, TMX Group Limited

Thank you, John, and good morning, everyone.

Our third quarter results continue to demonstrate the resiliency of our diversified business model.

Overall, revenue grew by 8 percent compared to the third quarter of last year, driven by double-digit revenue growth across a number of our business segments.

We reported an increase of 7 percent in our diluted earnings per share and 3 percent in our adjusted diluted earnings per share, driven by higher revenue from our businesses and finance income on cash balances.

Partially offsetting these increases were higher operating expenses year over year and higher income tax expenses on an increase in the UK corporate income tax rate from 19 percent to 25 percent, which came into effect earlier this year.

A little later, I will speak to our successful efforts to contain expense growth in the second half of the year, whereby we are holding ourselves to our first half of the year expense run rate.

Turning now to our businesses, I will start with the segments that saw the largest year-over-year revenue increase.

Revenue in our Global Solutions, Insights and Analytics segment grew by 19 percent this quarter, with double-digit growth from both Trayport and TMX Datalinx.

Revenue from our Trayport segment was up 19 percent in pounds sterling, driven by a 7 percent increase in trader subscribers in addition to our annual price adjustments and incremental revenue from our premium product offerings, most notably, data analytics and algorithmic trading. On the heels of a strong pound sterling this quarter, Trayport was up 31 percent in Canadian dollars.

Revenue in our TMX Datalinx business grew by 10 percent, driven by increases in, first, subscription-based services; second, revenue from Wall Street Horizon, which we acquired in November of last year; and finally, the impact of 2022 and 2023 price adjustments we have spoken of in prior quarters.

In addition, TMX Datalinx's revenue was up approximately $0.4 million due to a stronger US dollar, which accounts for approximately 1 percent of the 10 percent revenue increase this quarter.

Derivatives Trading and Clearing revenue, excluding BOX, was up 7 percent this quarter on a comparable basis. This was driven by a 12 percent increase in the Montreal Exchange and CDCC volumes and positive impact from pricing changes, which came into effect in January of this year, somewhat offset by an unfavourable product and client mix.

Now as you'll recall, in the third quarter of last year, we had a one-time reduction in revenue related to the termination fees on our five-year Government of Canada Bond Futures market-making

agreement and a retroactive client billing credit. As a result, this quarter's reported revenue in Derivatives Trading and Clearing, excluding BOX, rose by 23 percent compared to last year, attributed to a 28 percent increase in revenue from the Montreal Exchange and a 15 percent increase in CDCC.

Revenue from BOX decreased 9 percent in US dollars, reflecting a lower late per contract due to an unfavourable product mix, partially offset by a 5 percent increase in volumes. In addition, BOX's revenue was up $0.8 million due to a stronger US dollar, which accounts for approximately a 3 percent increase, reducing the overall revenue decline to 6 percent in Canadian dollars for BOX in our results.

In our Equities and Fixed Income Trading and Clearing segment, revenue was up 1 percent in the quarter, driven by a 13 percent increase in revenue from our CDS business, offset by a 9 percent decrease from Equities and Fixed Income Trading.

The CDS revenue increase reflected higher interest income on clearing funds and higher fees due to increased activity across event management, custodial, and eligibility services, and standby liquidity facilities. This was somewhat offset by lower exchange trading volumes.

The revenue decline in our Equities and Fixed Income Trading business was due to a 14 percent decrease in the overall volume of securities traded on our equities marketplaces, as well as lower activity in Government of Canada Bonds and swaps.

Trading volumes were down across all of our marketplaces, namely, 17 percent on TSX, 4 percent on TSX Venture Exchange, and 15 percent on Alpha Exchange. Now despite the decline in volumes, our market share held strong at 66 percent.

Turning to Capital Formation. Revenue in the segment declined 4 percent in the quarter, primarily driven by lower initial and sustaining listing fees on the TSX, TSX Venture Exchange, and a 22 percent decrease in the number of TSX additional listing transactions billed at the maximum fee of

$250,000. This was partially offset by a 10 percent increase in the number of transactions billed below the maximum.

Now, despite the microeconomic factors challenging the capital-raising activities, there were increases in the total findings and dollars raised on TSX and total number of financings both on TSX and TSX Venture Exchange.

Lastly, TSX Trust revenue increased by 12 percent in the third quarter, driven by higher net interest income, partially offset by lower transfer agent fees.

Turning now to our expenses for this quarter.

There was a 12 percent increase in operating costs on a reported basis compared to last year but, more notably, a 9 percent increase on a comparable basis, and a 3 percent sequential decrease on a comparable basis.

So to enable a meaningful comparison of expenses on a year-over-year basis, I'll call out the following items of note.

First, BOX markets estimates of $6.7 million in increased expenses for services provided by BOX Exchange, which is the national securities exchange responsible for regulating and monitoring activities of BOX market. For additional visibility, the $6.7 million increase can be further broken down to $4.6 million related to the first half of 2023, with the remaining $2.1 million related to the third quarter.

Second, we incurred $2.1 million in operating expenses this quarter related to running and operating Wall Street Horizon, which you'll recall we acquired in November of last year. So the comparable in Q3 of 2022 would have been zero.

Finally, the comparable quarter last year included $3.5 million related to the AST integration, which was successfully completed by the end of last year.

Now, in addition, when we analyze the expenses further by normalizing for inflationary increases and higher FX conversion rates, the third quarter operating expenses are notably lower, with only a 3 percent growth rate compared to last year. Consistent with the past quarters, approximately half of our expense increase is driven by inflationary increases, coupled with higher FX rates.

Turning now to a comparison of our results sequentially.

Operating expenses in Q3 were up $2.6 million or 2 percent from the second quarter primarily due to the higher BOX expenses, which I discussed in detail earlier.

Excluding the true-up for BOX, operating expenses decreased 3 percent sequentially reflecting lower revenue-related expenses, director fees, employee performance incentive plan costs, and marketing, as well as sponsorship costs, partially offset by higher consulting and legal fees.

We maintain our view that our second half expenses will be in line with our first half of the years' expense run rate, after one adjusts for the higher estimated regulatory expenses at BOX that I spoke of earlier; that is to say on a comparable basis.

Revenue decreased by $18.9 million sequentially from the second to the third quarter and this was due to three factors. First, a decrease in TSX Trust revenue reflecting lower balances compared to the second quarter of this year, which included above-average corporate actions activity. Second, lower listings fees primarily driven by lower number of additional listings transactions billed at the maximum fee on TSX. And finally, a decrease in equities and fixed income trading, driven by a 3 percent decline in the overall volumes of securities traded on our Equities marketplaces.

And turning now to our balance sheet.

In the nine months leading up to September 2023, we spent $40.5 million repurchasing just over 1.44 million of our common shares under our normal course issuer bid program.

Our debt to adjusted EBITDA ratio was in the middle of our targeted range at 2.1 times. And we also held close to $654 million in cash and marketable securities, which was $479 million in excess of $175 million we target to retain for regulatory and credit facility purposes.

On October 3rd, subsequent to the third quarter reporting period, we repaid our $250 million Series B debenture with a combination of commercial paper and cash.

Now last night, our board approved a quarterly dividend of $0.18 per common share payable on December 1st to shareholders of record as of November 17th. In the third quarter, we will pay out 51 percent of our adjusted earnings per share, while our last 12-month payout ratio at 49 percent remains well within our target range of 40 percent to 50 percent.

So that concludes my formal remarks. I'd now like to turn the call back to Amin for our Q&A period.

Amin Mousavian

Thank you, David. Lara, would you please outline the process for the Q&A session.

Q&A

Operator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press *, followed by the number 1 on your touch-tone phone. You will hear a three-toned prompt acknowledging your request, and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press *, followed by the number 2. If you are using a speakerphone, please lift your handset before pressing any keys.

Your first question comes from the line of Ben Budish from Barclays. Please go ahead.

Ben Budish — Barclays

Hi. Good morning and thanks for taking the question.

Maybe two up front here on the GSIA business. First on Trayport, it looks like this is the fourth or fifth quarter in a row of accelerating growth. I'm just curious. What are your thoughts on sort of the sustainability of that trend?

And then at the same time, on the non-Trayport side, we saw the professional and market subscribers for both TSX and MX. I think for TSX they kind of—the number declined quarter over quarter. For MX it was a bit more flat. And so it looked like the revenue, you're still delivering positive revenue growth there. But if you could provide some colour on the drivers as kind of the decline in number of subscribers and similarly your kind of outlook there? Thank you.

John McKenzie

No problem. Good morning.

So let me start with Trayport first. So I'm going to anchor you into, first of all, the long-term guidance in terms of kind of high single, low double-digit growth rate over the long term. And certainly, we are continuing to outperform that—candidly, outperformed every year since we acquired the business.

The piece of growth that's—first of all I'll call out kind of the sustained growth going forward, the 9 percent that we talked about in the comments in terms of actual subscriber growth this year. If you look back over a number of years, that's been a continued performance trend for the business in terms of adding trader subscribers. We expect that to continue going forward.

There certainly is a higher lift in 2023 with respect to CPI increases in our contracts given the higher CPI rate in the UK market. Now, that's not going to be the same for 2024, but it's still going to be elevated from prior periods. So you're still going to see strength related to that.

And we are continuing on the initiatives to expand the franchise. So the buildout in the US market, the buildout in terms of refined oil adding to data and analytics products across the board. So all those factors that have led into that accelerated growth rate are continuing going forward. But over the long term, I still have to anchor you to the kind of the long-term guidance that we've given.

Now when I switch that to the Datalinx business, and you can ask again if I don't get to all these because you—I'm impressed, Ben, in terms of how much you packed into that question. The subscriber counts in general—

Ben Budish

It's a learned skill, John.

John McKenzie

Yeah. The subscriber counts in general; this is fairly normal to see this kind of flat or slight pullbacks when we've been kind of in a prolonged period of softness in the capital markets and when you've got clients that are curtailing some of their staff, some of their workforce. So it's not surprising to see that. It typically is something that lags market activity. And when you see the market's return and restore, it is often a lag on the other side in terms of seeing them step back up again.

So it's not surprising to us, but at the same time, in the parts that are not subscriber-based, we have enterprise relationships with the majority of the large clients for the non-pro. So these would be your retail advisors, individual retail users, things like that. We've actually been renewing this year all those agreements and are largely renewing those at an uptick. And so that's both a combination of some flow-through of pricing over time because they're multiyear agreements but also expanding the usage of that data set in their firms.

And so that's one of the strategic values that we went into in terms of why we went into enterprise agreements in the Datalinx business is it actually creates a long-term relationship with the clients. And as they use it and they start to use it throughout their firm in more ways, we can provide more value to both the client and to us in terms of growing revenue. So I hope that helps with some of the colour there.

Ben Budish

It does. And since I squeezed so many in there, I'll jump back in the queue. Thanks so much, John.

John McKenzie

No problem. Thanks.

Operator

Your next question comes from the line of Nik Priebe from CIBC. Please go ahead.

Nik Priebe — CIBC

Okay. Thanks for the question. I was wondering if you could just remind us how that CPI contract price escalator works at Trayport? Does that reprice for all subscribers on January 1 irrespective of the timing of their annual renewal period? I just wanted to understand that dynamic a little bit better.

David Arnold

Hey, Nik, it's David. Yes. You've got it correct. So clients might have an anniversary of the agreement of March 31st or June 30th. But built into all of those multiyear agreements is the fact that we would price based on the Bank of England's cost of living adjustment really as the benchmark. And in and around November of each year, our Trayport team will do the math and then reach out to all of the clients

because they're all anticipating notification of what the annual price increase would be. And we tend to try and get those out in the kind of November/December time frame.

So yes. They all kick in on January 1st, regardless of the anniversary of the agreement.

John, do you want to add?

John McKenzie

Yeah. I'm just going to build on. The other piece that's a real driver there—and it builds on the earlier discussion as well—while those pieces kick in Jan 1, as you indicated, all those client agreements do actually renew at different times. As the client agreements renew throughout the year, those client agreements are often renewed for multiyear periods, and they're also often step-ups in terms of the number of users and the overall fees generated. And so that's actually part of what drives the long-term step-up in the trader subscribers and the revenue beyond just the CPI piece.

So we had actually in just this month as well another large-scale client do a new site licence with us. They renewed a five-year extension on it and a substantial uplift. So it goes to the nature of the strength of the business. It's not just the CPI piece. It's when those client agreements come up, they're expanding the usage and expanding the investment with Trayport at the same time.

Nik Priebe

Yeah. Okay. That's good. Very helpful.

And then just shifting over to OpEx at the enterprise-wide level. How do you think about the budgeting process there with respect to constraining expense growth in an environment with continued wage pressure and just balancing that against the need to invest for growth? As we look out into 2024, is low-single digit expense growth kind of a reasonable baseline expectation there?

David Arnold

So, Nik, I'll start, and maybe John can add a little bit of strategic colour.

So the first and foremost priority for us is really investing for growth. And so yeah. There are obviously inflationary pressures on cost of living for wage increases, supplier cost increases that obviously get passed on to us. But underlying all of this are incremental investments that we're making in modernizing our platform and growing. Right?

So you would have seen that we've obviously recruited an individual in the US to help us with some of our growth plans in the US. Trayport, as we mentioned on numerous occasions, are expanding into North America, so both the US and Canada. And these are on the margin incremental increases.

So when we look at the budgeting process, which is really your question, and I can't give you too much information, Nik, but I'll give you what I can. It starts primarily with, okay, rolling forward the annualization of what we had in 2023. So really that's just to get us at the starting blocks. So people hired midway through the year, we need to account for the balance of the year.

Then the next thing is, obviously, the inflationary pressures. And then it's a targeted and strategic discussion, which is where I'll kind of introduce John now, where we focus on those growth sectors of the franchise that really accelerate our strategy. And so all of those go into the hopper culminating in us ending up with whatever the expense growth rate will be.

So, absent any growth investments, you got the first two buckets. Anyone could look up what those inflationary increases might be, but it's the wild card is investments for growth.

John McKenzie

Yeah. So I'll build on David's comments as well and right into the lens of how you asked it. When we think about it, we're actually thinking about the lens of what I'll call kind of run the business and build the business.

And so run the business, the business we've got today, the continue to reinvestment in that business, things like even post-trade modernization, the reinvestment in the Joule direct platform for Trayport. Those are all part of running our business for today and the future.

And, certainly, our objective is to try to bring that into the low singles. It's a very difficult environment to do that right now. That is absolutely objective, but it is a difficult environment to do that because it's not just the challenges around expectations for staff, but the second-largest piece of our expense base is our technology costs, and the inflationary pressures on technology spend are substantial in terms of technology renewals, licences, hardware, software; they are all facing the same pressures. So that's the objective we're working with.

Where we're challenging our organization is, where can you look for additional opportunities to save so that we actually can deliver additional savings to then use to reinvest in the future. There are areas that we know that are going to generate savings from some of the larger investments we're making, but things like post-trade modernization or the Joule platform are multiyear initiatives. So to get to the endpoint where you get to see the savings come off takes some time. And so that's less of a 2024 impact and more of a '25 and beyond.

The last piece that we're thinking about is in terms of kind of how do we give you kind of better guidance and better disclosure are for those larger kind of build-the-business initiatives and David rightly mentioned our efforts to start building out into the US with our new US team we're building. That's not part of our current operations and not part of our current revenue, but it's part of our long-term growth.

So we're going to think about how do you give better guidance to you so you can understand what's the real cost for running the business and where are we making some strategic investments beyond

that that are quite discreet and transparent. So look for us to do more for that in the new year on the back of this budget process as we get it done.

Nik Priebe

Okay. That’s great colour. Thanks very much. I’ll pass the line.

Operator

Your next question comes from the line of Étienne Ricard from BMO Capital Markets. Please go ahead.

Étienne Ricard — BMO Capital Markets

Thank you and good morning. On the launch of the two new order books at the Alpha Exchange, how do you expect this initiative to result in increased trading volumes, specifically for dark trading, given the market share gains you’ve experienced in recent years?

John McKenzie

Yeah. Great question. So I mean our market share gains, we are still in dark trading, though underweight compared to the rest of our franchise. So if you look at our market share of all of our listed trading activity, we’re more like two-thirds of the marketplace; where in the dark world, we’re more in the 30 percent-31 percent range. So we do see that there’s room for us to glow—to grow, but we can glow too—but mostly we want to grow our market share within that dark trading space. And we saw there was unique features and functions that we could add in to meet unique client needs to build that.

And then the same thing with the actual execution venue. The nice thing with both these things, or in addition to the opportunity to build incremental volume, these are also premium services in terms of premium revenues. So as volume builds in them, they have the ability to increase that kind of revenue per trade in the trading space.

So those are the two key components to them, and both of them are driven specifically from unmet client needs that we've identified through our interactions with the Street.

Étienne Ricard

Yeah. And on the acquisition of EQM by VettaFi last month, what do you see as the potential to introduce new index solutions to your base of ETF issuers in Canada following this acquisition?

John McKenzie

I'm impressed with how much you're paying attention to pick up on that one. So that was an interesting acquisition. This actually goes right into the kind of the genesis of why we like VettaFi; why we made the investment into it.

The platform that the team at VettaFi has built, the index factory, has got the ability to add new indices to it. So indices like EQM can be acquired and integrated into that factory and run very efficiently and then expand it out to a broader network. So what you're seeing is an indication of the forward strategy of what we expect to do with that going forward.

Now in addition to that, that's what VettaFi can actually do on their own with their own capabilities, the partnership we are working on together is how do we use that factory to create net new indices using datasets that we have, client relationships that we have. And so that's still early stage in terms of developing those. But if you think about some of the unique Canadian datasets we've got in terms of both equities, junior equities, fixed income, energy data through Trayport, clearing data at CDS, there's lots that are in there that we can build into future indices.

And even the piece that we talked about earlier in the call, the ESG hub that we've launched, as you build up more ESG data there's other types of indices you could build from that in terms of reference data, schematics, those types of things.

So that’s what our joint team is working on. And I’m glad you picked up on EQB (sic) because it’s actually a really good case study on what those capabilities allow you to do.

Étienne Ricard

Great. Thank you very much.

Operator

Your next question comes from the line of Brian Bedell from Deutsche Bank. Please go ahead.

Brian Bedell — Deutsche Bank

Great. Thanks. Good morning, folks.

Maybe just really quick on expenses on the second half getting to the first half. So just on a reported basis I guess, would that imply about $153 million of expense in the fourth quarter if you were to match that perfectly?

And does that include the expenses you mentioned from BOX? Or I guess how would the BOX expense influence that?

David Arnold

So, Brian, let me handle the second part of your question first. Yeah. I mean we don’t have the visibility because of the shareholder structure that we have with BOX. So as a result, the wild card for me is, will the BOX exchange expense pick up and BOX market be the same in Q4 as it is in Q3. Right? That’s to be determined.

So when I mention that, it’s actually looking through that. So excluding anything that might be passed through from the exchange to the market. So that’s the first one right off the bat is we don’t have the visibility into that. So when I say the second half will be comparable to the first half, that’s excluding that.

And then on the ability to look at the numbers, yeah, you could just pick up the two reported numbers for Q1 and Q2, times that by two, deduct Q3, and you get a good indication as to kind of where the guard rails might be for Q4.

Brian Bedell

Yeah. Perfect. Okay. Great. Thanks.

And then just on MX. Just in terms of the market share shift or the product mix shift to CORRA, maybe if you could just comment on to what extent you would expect that to continue to influence the rate per contract. Yield, I think it's come down a little bit.

And then I guess what you're seeing from the trading community. I know there's always—I think, John, you had mentioned in a prior call that when volatility settles down it's actually good for more certainty of trading, and that actually improves volumes. So maybe if you can just contrast that scenario versus I guess the volatility that we've seen in October so far.

John McKenzie

Well, sometimes I like to split hairs and talk about good volatility and bad volatility. And that's sometimes the challenge, particularly around the fixed income piece. So having unpredictable Bank of Canada rate moves is challenging because that's challenging on the short-term product. And since we've had some stability in the Central Bank regime, that's actually been helpful. But you still want to see volatility around trading activity around it because that drives more usage of those products. And we have seen that improvement in strength.

When you translate that into kind of that transition from BAX to CORRA, we're pretty happy with the uptake in CORRA already given that it's actually not the mandated contract yet. It's still BAX until that

transition next year. So seeing the lift in both those contract volumes and the recovery in the BAX volumes at the same time has been really positive and strong for liquidity in those products.

Now as we go into the actual transition period, certainly there is market-making built into supporting the CORRA agreement that isn't there in a very well-established BAX contract. And so there will be a short-term RPC issue or stepdown when we have that transition. But like other new contracts, that'll be time limited, and we'll work our way out of that.

Now that being said, our expectation is that in both in combination, the CORRA and the BAX, and then actually in the CORRA itself has the potential for higher run rate volumes than what the BAX did beforehand because it actually is—it's a better product. It adds for more terms and more ways for the clients to use it.

And so that's part of the analysis as well. We need to look to a short-term revenue per contract impact for the really the launch and initiation of it but with the potential for higher long-term revenues. And then that rebate piece over time winds off. I can't give you guidance as to when because those are, again, commercial agreements with the liquidity providers but similar to what we have seen in other contracts.

Brian Bedell

Yeah. Okay. That makes sense. That's great colour. Thank you.

Operator

Your next question comes from the line of Geoff Kwan from RBC Capital Markets. Please go ahead.

Geoff Kwan — RBC Capital Markets

Hi. Good morning. I just want to expand on, I guess, some of the topics that you've been asked so far this morning.

First one's just going back to the market data subscribers and the quarter-over-quarter changes we've seen over the past couple of quarters. Do you get much insight in the short term whether or not maybe on a one quarter basis, maybe even two, of how that may trend? And just wondering what you're seeing on that front.

And then also is it still the same dynamic? Because I thought from previously, for example, if you had someone that may have lost their job, you don't see that stepdown in the market data subs or the revenue impact for maybe a quarter, maybe two. And also that that nuance happens on the opposite side when someone adds a market data subscription.

John McKenzie

Yeah. And also the challenge with that, Geoff, is also we also can't just take job reductions in different clients or dealers holistically because it also depends on what the roles are, where they're using it, or how they're using data in their shops. And we don't get great forward-looking information with respect to our ability to predict it other than that general market piece that, when you've got industry stepped down in employment, to your point, we will often see that impact on a bit of a lag as they actually reset and kind of recount their seats and make adjustments going forward. And the same thing coming back.

But, unfortunately, no. We don't get a lot of insights to it until it's actually happening.

Geoff Kwan

Okay. And then just my other question was on Trayport. How much of the revenue today is coming from call it outside the core European customer base?

And can you kind of talk about—I know you talked about a little bit some of the stuff but just the outlook and expectations in terms of how quickly you can drive that revenue outside of the kind of the core franchise base?

John McKenzie

Yeah. Well, I mean we've given guidance before that the piece that's coming directly out of the kind of the North America market is kind of £5 million-ish in terms of run rate now out of the overall mix. But it's actually difficult for us to delineate the way you've asked in terms of kind of outside the European client base because a lot of those clients are global, and they're doing global business on Trayport.

And if you think about some of the exchanges that participate as well as paying clients like ICE, CME, those are global franchises as well. And while they might be participating in the European market, they're participating also with North American data. So it's a bit more nuanced than that.

The piece I can give you is actually the direct piece and from what we've actually been building out in the US what it's contributing so far.

Geoff Kwan

Okay. Thank you.

Operator

Your next question comes from the line of Graham Ryding from TD. Please go ahead.

Graham Ryding — TD

Hi. Good morning. There was a couple of comments around building into the US. I'm just wondering if I could maybe dig into that a little bit. Can you remind us what you're looking to do there? Is it initially around an equity trading initiative?

And then beyond that, is it sort of a phased project? Or I guess exploratory process? Or do you sort of have you defined what you exactly want to do and what you want to spend over the near term?

John McKenzie

Okay. So there's going to be a different game (phon) today in terms of what we're doing and how much I'm going to tell you today. So you have to bear with me on that.

We actually do have a well-defined strategy in terms of what we're trying to do in the US. We haven't had broad discussion in the public market yet. So I'm going to be a little bit more limited in terms of what we share today. But essentially, when you look to what we've built out in Canada in terms of the Alpha-X, the Alpha DRK initiatives, and really looking to provide better execution quality for clients, we see that similar opportunity in the US as a way to start building our equity platform directly in the US as opposed to just on a cross-border basis.

We've got substantial client basis with cross-border activity, when you think about particularly even the Canadian Banks and their presence within the US market. And we do believe that, long term, that the quality of our offerings can compete with any of the North American players in the home market just the same way they compete in the Canadian market.

So that being said, the initial strategy in terms of building is to look to what that unique opportunity is around execution quality and the hiring of our new Head of US Equities is working on building out the team to do that.

So it is definitely more than what I would call experimentation. We do actually have a strategy to build. And in the new year, we'll look to see how we can provide more guidance to you, both in line with the investing community but also in line with the client community that we've engaged with over the past year in terms of their interest level in supporting new marketplace.

Graham Ryding

Okay. Perfect. That was good colour.

Sort of a two-pronged question, but really on the interest income side of your business. So TSX Trust, it was a little bit lighter than last quarter for sure, but also I think it was below Q1 and Q4 levels I guess earlier in the year and late last year. So can you just expand on was that all about lower transfer agency activity? Or how should we think about this quarter compared to previous quarters?

David Arnold

Yeah. So, Graham, it's David. So I would say Q1 is a better indicator of kind of a normal run rate. But, obviously, as you know that one of the triggers there on the net interest income side is A, rates, but B, also balances. Right?

And so, to the extent that we see the capital markets environment like it is right now with some of the listings activity, IPOs not being as robust, there's a direct correlation, obviously, to our Trust business because we participate in a lot of those corporate actions. And, obviously, that's a little bit more of a dampener on Q3.

But as we go in to Q4 and as we look in to Q1 of next year, we're anticipating, hopefully, some early signs of a little bit of a rebound. So that's the first piece.

And then, yes. I mean, obviously, on the transfer agency, it was softer than we had hoped for in this quarter. Once again, hope that it kind of rebounds more in the kind of Q1 kind of run rate if you will.

Graham Ryding

Okay. That's helpful. If I could just on a similar theme, just throw in another question on that, but with this move to T+1 in mid-next year, will that have any impact on the interest income that you had captured through CDS?

John McKenzie

No because we really don’t capture much interest income in CDS. It will have a meaningful impact on our clients because the move to T+1 we expect to be a 40 percent to 50 percent savings in the collateral that they post with us. But unlike most of the European clearing houses would have substantial net interest income associated with that, we largely pass it all back. So there’s no material change there.

Graham Ryding

Okay. That’s it for me. Thank you.

Operator

Your next question comes from the line of Jaeme Gloyn from National Bank Financial. Please go ahead.

Jaeme Gloyn — National Bank Financial

Yeah. Thanks. First just wanted to get some clarity on the capture rates in the derivatives business, both MX and BOX. Would you be able to give us a little bit of colour on is this a clean quarter free of rebates? Maybe from a client and product perspective, is it roughly average? Maybe a little bit of colour in terms of the capture rates on both of those businesses, the MX and BOX.

John McKenzie

Jaeme, they’re all clean quarters. Yeah. So the MX one, you can look to the product mix. Is it a clean quarter in the sense that there’s no client adjustments or anything like that, it’s just the actual impacts on the revenues of the products that are traded. The piece that we talked earlier, as you shift some volume from BAX to CORRA that will have an RPC impact in the short term because it has a rebate regime helped to build it.

And I want to remind people that was a deliberate choice we made to ensure that liquidity got built up in that new product and didn't end up missing the public market and ended up in the over-the-counter market. So no. It is a clean quarter. There's no special one-offs that are in there that is impacting it. It's just the mix of the business.

And the same thing with BOX. BOX has been very steady when you look sequentially. I think, actually, BOX is up, actually, substantially and sequentially both in terms of volume and share. But the actual RPC has been largely stable.

So again, that's going to depend on the mix of what the clients are using BOX for in terms of whether or not you have kind of more floor trading, more high-volume trading large contracts, or more kind of open-market trading. But again, as you asked, it's a clean quarter. There's nothing special going on there that's impacting things.

Jaeme Gloyn

Okay. Yeah. That's what I was getting at. Thank you.

If I think about VettaFi and the recent acquisitions, one data point you put in the MD&A was $19 billion in ETFs, or I guess it underpins $19 billion. Is that the key total addressable market figure we should be thinking about for that business?

And if you kind of go back to pre-the ROBO and EQM transactions, like what would that value? And maybe even like let's talk like three years ago, five years ago, whatever time frame you want to pick. How is that $19 billion, what has been the growth rate on that?

John McKenzie

Yeah. I'd have to—I wouldn't be able to help you with the growth rate over time, because I don't have that handy, and we can make sure we do that as a follow-up. Pre the ROBO Global, that was about I

think $2 billion in terms of additional AUM, so kind of $17 billion before that. And some of the other ones that we've brought on have been fairly small because they've been kind of niche.

But the idea is you bring them in small, bring them on the platform, then we can scale them up. And what VettaFi does that's unique in this space is it has a burgeoning what I'll call digital distribution business that actually helps the ETF issuers that are using the index reach a larger addressable audience of retail investors, wealth advisors, things like that. So it is intentional in terms of kind of bringing on smaller new stage or early stage ones and having to grow versus time.

Now we'll have to get to back to you on kind of what the growth rate has been with respect to the AUM, but this is exactly the driver that we're looking to grow long term.

In the index-based revenues that are in VettaFi, they are driven off of an AUM. And so it is a key indicator going forward. And it'll be something that we can think about how we give you more guidance on as we go.

Jaeme Gloyn

Yeah. And as just a follow-up on that, as I think about the opportunity for VettaFi, is this more about creating your own market and growing that $19 billion? Or where does VettaFi sit with that $19 billion within the broader ETF ecosystem that would be like competitors or other players offering similar services?

John McKenzie

Yeah. So it varies. I mean when you think of the overall ETF assets under management, this is a very small piece. There's a substantial growth opportunity. And it comes from adding new indices but also doing switches where with their capabilities, we can switch out another provider or a legacy one to

something that’s created by VettaFi on behalf of the ETF client. So this is where kind of when you think about the addressable market, the opportunity for upside is substantial.

And even if you think about the way we think about ETFs for our market in general, I’ll remind folks that we have almost 1,000 ETFs listen on TSX today. They are faster growing in terms of assets under management than the underlying mutual fund market but still only represent about 15 percent of those total assets even in the Canadian market but growing at double digits versus what the mutual fund market is, which I believe has actually declined this year.

There are multiple thousands of mutual funds. So the opportunity for continued add and creation of new ETFs is still strong. The growth rates are strong. The additional AUM coming into them has high potential. I think this year alone, we’ve talked to the fact that we’ve actually added, I think, over 75 new ETFs to TSX this year.

So all those gives you some of the indications as why we see the addressable market for what VettaFi can do to not only be large but expanding and growing rapidly.

Jaeme Gloyn

Okay. Great. And last one on the VettaFi if you can. Thinking about their M&A opportunity set in front of them, like what does their balance sheet look like today? Are they well capitalized to execute more M&A? Or is this something where you’ve put your 22 percent in and maybe they’ll be coming back to TMX for some more capital to go out and further consolidate that market?

John McKenzie

It would very much depend on the size of the acquisition opportunity. But you can understand our enthusiasm in the business and our willingness to support its growth.

Jaeme Gloyn

Okay. Got it. Thanks, guys.

Operator

We have a follow-up question coming from the line of Ben Budish from Barclay. Please go ahead.

Ben Budish

Hi. Thanks for taking the follow-up. I wanted to ask about the build out of the US business, but it sounded like you kind of gave your thoughts on that for now, John.

So maybe just one other follow-up just on the trust business. Where are you in terms of the sort of cross-selling opportunity between the legacy business and AST? Just thinking about how this kind of should evolve over the next year or so just in terms of within the context of your longer-term growth objectives with the trust business expected to be a high-growth segment. Thanks.

John McKenzie

Yeah. That cross-selling piece is still early stage. So the AST brought us new tools like employee plan management. We've actually just hired an industry expert to help actually take that to the next level in terms of where does that product need to evolve to and then to be able to sell it across a broader client base. So it's a product that has only lightly penetrated both in the AST client base, but also in our TSX Trust client base that we've merged everybody in to. So that's just one example of where we see those additional upside opportunities.

We're also selling into clients with things like the registered plan management services. We can sell into some of our private company leads that are in our pipeline for things like plan management, trust services, et cetera, et cetera.

We are winning more trust mandates. So these are beyond the transfer agency mandates so the ability to do the actual trust mandate on top of that. And that's actually both with clients that we already

had as transfer agent clients, but also clients that are transfer agent clients of someone else. And so in some cases we're winning trust mandates of other people's clients.

So that ability to keep driving that higher order growth rate we've indicated is absolutely continuing. We expect that for the long term.

And the other piece with that is this has not been a strong IPO market in the past year. But as we see that recovery in the IPO market, given the ability to interact and introduce TSX Trust early in the stage of relationship with an industry client, we also expect to continue to win well above our share of new mandates coming in the marketplace both for transfer agency and trust.

Ben Budish

Great. Very helpful. Thanks so much.

John McKenzie

Thank you.

Operator

There are no further questions at this time. I'd now like to turn the call back over to Mr. Amin Mousavian for any closing remarks.

Amin Mousavian

Thank you, everyone, for listening in today. If you have any further questions, contact information for investor relations as well as media is in our press release, and we'd be happy to get back to you. Until next time, goodbye.

Operator

Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines. Have a lovely day.